

South Caucasus at Crossroads of Iran war

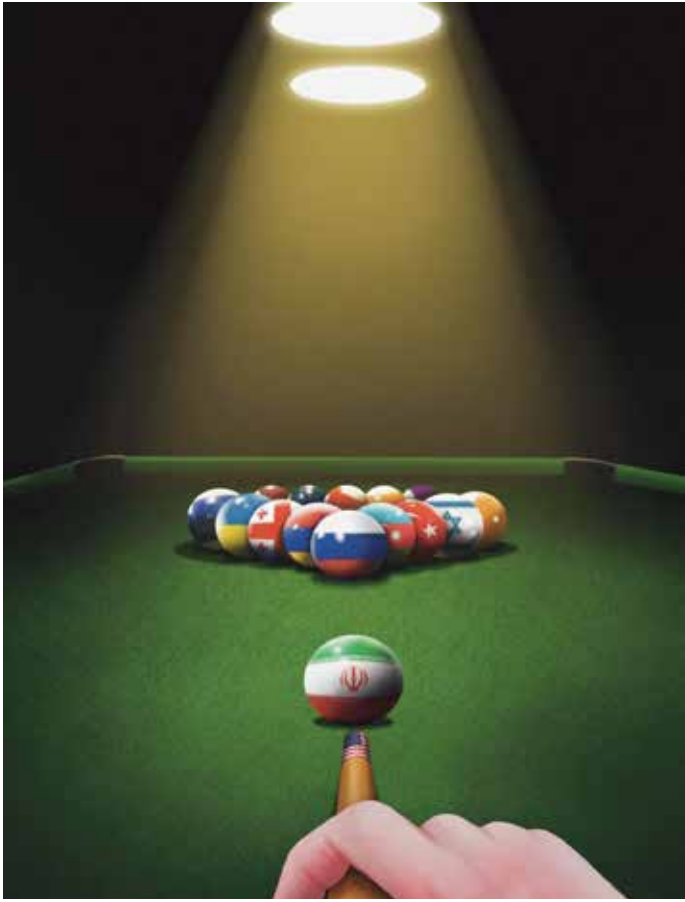

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OPINION

The South Caucasus — the region north of Iran comprising Armenia, Azerbaijan and Georgia — has long been characterised by unresolved ethnic conflicts that have persisted since its split from the Soviet Union. However, the US–Israel strikes on Iran, which began on February 28 this year, highlighted the region’s strategic significance, particularly its transit potential: with east-west air corridors closed off, traffic was forced into a narrow strip of airspace over the South Caucasus, bypassing Iran. As Iran blocked the Strait of Hormuz, the Middle Corridor, which runs through the South Caucasus and across the Caspian Sea, became the alternative route for shipments to Europe and Asia. While the Iran war highlighted the region’s transit significance, it also exposed it to serious security vulnerabilities and economic risks. This piece unpacks the impact of the Iran war on the South Caucasus, deciphering how a prolonged war could shift its regional geopolitics.

Armenia’s multi-vector foreign policy

Armenia shares a long border with Iran, and the two maintain strong economic and defense ties. With the erosion of Russian security guarantees since the 2020 Nagorno-Karabakh conflict and Armenia’s freeze in CSTO participation, Tehran has steadily emerged as a key alternative partner for Yerevan. Iran’s support stems from its own strategic calculus: preserving access to Europe via Armenian territory while blocking the completion of the Zangezur Corridor. Rebranded as the Trump Route for International Peace and Prosperity (TRIPP), the corridor would connect Armenia to Turkey via Azerbaijan — bypassing Iran — and is perceived as a security threat in Tehran. Iran is Yerevan’s key link to Persian Gulf and Asian markets, with 25 percent of Armenia’s foreign trade moving through Iranian territory. Armenia supports TRIPP but is wary of the risks of closing its border with Iran, and insists on preserving its southern border with Tehran.

The war in Iran could reshape this stance, as the Iran–Armenia corridor has grown increasingly vulnerable since the outbreak of the war, and while alternatives through Turkey and Azerbaijan exist, they remain either restricted or costly. For instance, disruption due to the war could push delivery times between China and Armenia from roughly 50–60 days to around 90 days. The war has not yet directly disrupted Armenia’s trade flows, but transportation costs have spiked — and a prolonged war risks endangering cargo movement, which could have damaging consequences for Armenia’s economy. Iran currently operates a gas-for-electricity swap agreement with Armenia, and any major disruption to this arrangement due to the ongoing war would push Armenia to lean



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further on Russian gas, which already accounts for roughly 80 percent of its supply. For the South Caucasus, geography has played a key role in shaping strategic outcomes. For Armenia, the Iran war has exposed the real crevices: the consequences of reliance on a single regional partner. For other external actors, it has increased the appeal of alternative corridors like TRIPP that feed directly into the Middle Corridor, sidelining Iran altogether, especially as the war continues to impact regional oil and gas supply. Yerevan has spent the past few years strategically building a multi-vector foreign policy: deepening its partnership with the US in the AI sphere, purchasing arms from India, opening trade with Turkey, and normalising relations with Azerbaijan. The Iran war will only reinforce Yerevan’s multi-vectorism, rather than reverse it, irrespective of the war’s outcome.

Azerbaijan’s tangled relationship with Iran

Azerbaijan is both a strategic partner and a security concern



A map of the Trans-Caspian International Transport Route (TITR)
● TANVIR ANJUM ADIB/THINKCHINA.SG



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armed groups getting involved in the war could trigger inter-ethnic conflict between Kurdish groups and unarmed ethnic Azeris, raising the risk of a humanitarian crisis along Azerbaijan’s southern border. The war dynamics cut both ways: for Iran, a prolonged war could stoke separatist sentiments among its ethnic Azeri population. For Azerbaijan, however, the biggest concern is the existence of Iran-linked networks that could be activated in times of crisis. Azerbaijan was the only South Caucasus state to face direct military consequences of the Iran war. As per media reports, Tehran threatened to embargo oil exports from the region and target enemy oil lines, which was interpreted as a threat to the Baku–Tbilisi–Ceyhan (BTC) pipeline, which transports roughly 45 percent of Israel’s crude oil. Baku responded with deterrence rather than confrontation, evacuating diplomatic staff while still sending humanitarian aid to Iran. While concerns for Azerbaijan are partly speculative, in the short term, the war has only spiked the value of Azeri Brent oil from \$65 per barrel to \$101.29 and surged demand for TRIPP, to which Azerbaijan is an integral party. But in the long run, a triumphant Iran would likely turn hostile towards Baku, while a defeated one could bring instability along its borders.

Georgia juggling between Iran and the West

Iran has sought a closer relationship with Georgia, aiming to secure access to its Black Sea ports and diversify its trade routes amid mounting Western sanctions. There have been reports citing a surge in Iranian company registrations in Georgia: an estimated 13,000 Iranian companies have been registered in the country, under questionable circumstances. Another report claims that between 2022 and 2025, 72 companies imported Iranian oil and petroleum products, re-exporting them under Georgian labels. The war has already brought Tbilisi under sharper Western scrutiny over allegations of it being used as an evasion hub by Iran, potentially enabling Tehran to fund its wartime economy. A prolonged war would generate more pressure on Tbilisi, as sanction-evasion networks would seek increased use of its territory. As for Tbilisi’s economy, the

war has had mixed effects. For instance, despite facing security risks, the BTC and the Trans-Anatolian Natural Gas Pipeline (TANAP) — which pass through Georgia, bypassing Iran and Russia — are becoming increasingly important. So is the airspace over Georgia: with the closure of Iranian airspace, Trans-Eurasian flights have been rerouted via the South Caucasus, turning Georgia into one of the busiest air corridors between Europe and Asia. Transit of cargo through the Batumi and Poti sea ports also increased by four percent in the first quarter of 2026, compared to the previous year. However, around 99 percent of Georgia’s natural gas demand is met by imports, and the war-induced surge in oil prices has affected the cost of almost all goods and services. The Iran war has raised Georgia’s strategic relevance for Euro-Atlantic partners, particularly in the context of TRIPP. Although Georgia is not formally part of the corridor, the broader logic of regional connectivity makes it unlikely to remain outside US attention. US Secretary of State Marco Rubio’s discussion with Kobakhidze on March 30, 2026 — on areas of mutual interest including security in the Caucasus and Black Sea region — came after a prolonged diplomatic pause, and may already signal this shift. The following day, Iran’s ambassador to Georgia warned on social media that “decision makers in small countries face” a number of risks, a remark interpreted as directed at Georgia. These developments suggest Georgia is becoming an increasingly contested space, potentially drawing renewed Western attention to its role in the region’s shifting dynamics. The South Caucasus has emerged as increasingly strategic against the backdrop of the Iran war. While the war has made its transit potential clear and expedited the need for alternative routes bypassing Iran, it has also exposed the region to distinctive risks. For Armenia, the war risks an over-reliance on a single regional partner, be it Iran or Russia, and a prolonged war would only push that further. For Azerbaijan, the war has increased the value of Azeri Brent oil, but the risk is twofold: a potential refugee crisis if the war escalates, and a risk of ethnic conflict along its southern border should Kurdish groups be activated. Georgia is under scrutiny for allegedly serving as a sanction-evasion conduit for Iran, but the war has also drawn renewed attention from Euro-Atlantic partners, particularly as its oil pipelines and air corridors gain significance while routes through Iran remain risky. In the war’s aftermath, the South Caucasus will continue to be a contested space — one where Iran tries to hold on to its influence while Western actors bid for oil infrastructure and trade corridors, all underpinned by the region’s geography and its proximity to Iran.

The article was first published by the Observer Research Foundation.