
Armenia's New Year Resolution : Closer Ties With Iran

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Plans for ambitious joint infrastructure projects between Armenia and Iran may prove a key first test of President-Elect Barack Obama's policy intentions toward Tehran and Armenia's own economic muscle amidst the global economic crisis. Analysts note that international reactions to the projects could prove a bane or blessing.

On the drawing board are a railroad between Iran and Armenia, an oil pipeline from Iran's Tabriz refinery to a special terminal to be built in Armenia's Ararat province, and a hydropower station on the Araks river, which borders the two countries. Bringing Armenian-Iranian trade relations into sync with World Trade Organization requirements is also under consideration, Energy and Natural Resources Minister Armen Movsisian Gevorgian, who co-chairs the Armenian-Iranian intergovernmental commission, told reporters on December 26.

The Armenian government expects work on the railroad to begin by late 2009, Prime Minister Tigran Sargsyan told a group of reporters in late December.

With its Turkish and Azerbaijani borders closed, the projects present a critical chance for Armenia to create alternative routes for supplies and shipping. Its only open land border -- with Georgia -- is considered highly insecure following Georgia's war with Russia last August.

Potential financial and political difficulties, however, mean that opinions vary about the projects' feasibility.

For now, Armenia appears to be betting that President-Elect Barack Obama's administration will not attempt to obstruct the projects, commented one Middle East expert in Yerevan. In her January 13 confirmation hearings, Sen. Hillary Clinton (Democrat-New York), Obama's proposed Secretary of State, told senators that the administration is looking at "a range of possibilities" for a new approach to relations with Tehran.

"A change in U.S. policy towards Iran was an expected event, and even the outgoing administration of George W. Bush was reported last spring to undertake some rapprochement with Iran . . . ," commented David Hovhannisian, a professor at Yerevan State University and a former Armenian ambassador to Syria.

"The need for such changes is dictated by the fact that Iran is an important regional player, and many problems -- such as the problems of Iraq, the Middle East, and even the complicated relations of the U.S with Turkey -- make a dialogue between Washington and Iran important," said Hovhannisian, who also is a member of the unofficial Turkish-Armenian Reconciliation Commission.

Analyst Sergei Shakariants, an expert on geopolitical issues with the Institute of Political Problems, a Yerevan-based think tank, expresses greater skepticism. In the end, he projected, the new U.S. administration may simply opt to continue President George W. Bush's policy of isolating Iran.

The Armenian foreign ministry, meanwhile, is keeping its cards to its chest. "Armenia has always been for solving all problems through negotiation and for this reason it positively assesses dialogue between Iran and the U.S," commented spokesperson Tigran Balaian.

Shakariants believes, however, that Iran's interest in the projects, and that of Russia and China, will override such concerns. Iran already runs a gas pipeline from Tabriz to Armenia that can handle 2.5 billion cubic meters of gas annually.

"Iran is very interested in the railroad connecting it with Armenia, and further with the Black Sea region, as this will give Tehran an advantage against its competitor in the region, Turkey," he commented. "These ambitions are supported by Russia, and most likely, by China."

China was invited to take part in construction of the Iran-Armenia railroad during a December 15-19, 2008, visit by an Armenian parliamentary delegation to China. Beijing is reportedly considering the proposal, according to parliament.

Finding such investors is critical to the projects, noted Noyan Tapan news agency analyst David Petrosyan. The railroad, with a total price tag of between \$1.5 and \$2 billion, would cut shortly into Armenia's budget amidst the global economic downturn. The entire 2009 budget is \$2.38 billion, and the government faces difficulty collecting even these revenues under the current economic crisis, the analyst believed. The pipeline from Tabriz is estimated to run another \$200-\$240 million, squeezing the budget still further.

Under the terms of the agreement, Iran and Armenia would split the projects' overall cost.

In a December 29 interview with local reporters, Prime Minister Tigran Sargsyan stated that the Asian Development Bank has provided a \$1 million grant to perform feasibility studies for the railroad project. Private investors, he claimed, have also expressed interest in it. "The government is ready to allocate its money for this railroad, and the participation of other governments and private investors is also possible," Sargsyan said. He did not elaborate.

At the same time, the government is keeping a sharp eye on the Parliamentary Assembly of the Council of Europe's January 29 vote on whether or not Armenia has met two resolutions related to the March 2008 crackdown on opposition protestors. A decision that Armenia has not met the requirements, which could cost Armenia its PACE voting powers, may impact Yerevan's ability to attract outside investors to the Iranian projects, said analyst Petrosyan.

While many investors may find the PACE vote no serious obstacle, such concerns now run common. In late December, National Assembly Chairperson Hovik Abrahamian appealed to the parliamentary heads of other Council of Europe member states about the vote, saying that a vote against Armenia "will be an additional and serious pressure on the country's economy by decreasing [the] trust of foreign investors."
