

CODDLING THE CAUCASUS: IRAN'S STRATEGIC RELATIONSHIP WITH AZERBAIJAN AND ARMENIA

Geoffrey Gresh*

Abstract

Fearful of losing its economic regional and global dominance, Iran has sought to align itself diplomatically and economically with Armenia and Russia to counter Azerbaijan's new pro-western policies and rising economic power. This paper analyzes the international relations of the Southern Caucasus through a Neorealist paradigm to demonstrate how Iran's behavior and action in the area were a direct result of the anarchical system that ensued after the fall of the Soviet Union in the 1990s. The lack of a bipolar system in the Caucasus has pushed the region to the brink of another regional conflict that could potentially be more far-reaching and widespread than that of the previously contained Nagorno-Garabagh conflict between Azerbaijan and Armenia. Iran's foreign policy of the past decade demonstrates Iran's pragmatism in the Southern Caucasus that is not dictated by religious ideology, but rather by Iran's national interests, both economic and political, and national security concerns. The "New Great Game" of the post-Cold War era in the southern Caucasus will radically transform the region into one of great strategic and geopolitical importance.

Keywords: *neorealism, anarchy, balance of power, BTC Pipeline/Caspian Sea oil and gas pipelines, ethnonationalism, external Influences—Russia, Iran, United States, Turkey*

Introduction

The collapse of the Soviet Union and birth of independent states in the Caucasus region sparked the strong interest of the world because of its wealthy natural resources and strategic placement between Europe, Russia, the Middle East, and Central Asia. As a result of the Soviet Union's disintegration in the Caucasus, the operation of the international system has been forced again to find regional stability in what Kenneth Waltz has described in his book, *Theory of International Politics*, as an anarchical international system. Over the past decade, the countries of the region, including Azerbaijan, Armenia, Turkey, Russia, and Iran have sought to reestablish their national interests and military power among the other competing states.

* **Geoffrey Gresh** is a former Visiting Scholar at Bogazici University, Istanbul, Turkey. He currently resides at the Fletcher School for Law and Diplomacy, Tufts University, USA.

By using Kenneth Waltz's Neorealist paradigm, a strong explanation can be given regarding the actions and policies of these regional Caucasian countries. Indeed, a Neorealist international politics model cannot explain every aspect of the international system in the Caucasus, but it will be shown that it offers the best lens in which to view the behavior of the states in this region. In particular interest to this paper is the role of Iran and its unlikely increased economic and political relations with Armenia during the past decade. This paper will elucidate why Iran, ruled by a heavily theocratic Islamic government, acts as such a reliable trade and diplomatic partner to Armenia, an openly Christian state.

Iran's foreign policy of the past decade demonstrates Iran's pragmatism in the Caucasus that is not dictated by religious ideology but rather by Iran's national interests, both economic and political, and national security concerns. Iran's behavior in the Caucasus as a unitary actor in this regional subsystem of the international system is best viewed through a Neorealist paradigm because of its strong explanation of Iran's behavior in the region, such as its open pursuit of national interests and protection of its national sovereignty. Furthermore, this paper will demonstrate through a Neorealist paradigm that the increased polarity of the region, from a bipolar to a multipolar system of alliances, has led to greater instability, drastically placing Iran and the Caucasus at risk for future conflict or war.

To best understand Iran's role in the Southern Caucasus, Iran's national interests in the region, including its national security and hydrocarbon trade, will first be examined to demonstrate how they dictate Iran's behavior and policies in the region and in particular with Armenia. Second, this paper will discuss, in relation to Iran and the Caucasus, the anarchical and balance-of-power system that Kenneth Waltz posits as operating the international system. Over the past decade, Iran has drawn closer to Armenia because of its desire to counterbalance Azerbaijan's regional rise in economic and political power, in addition to the augmented presence of the United States. Furthermore, Russia has acted as an unreliable ally to Iran in the Caucasus, thus forcing Iran to align with the few remaining countries from the region that are pro-Iranian. The third and last section of this analysis will deal with the future of the Southern Caucasus, as well Iranian-Armenian relations, as seen through a Neorealist perspective. With the increased role of such countries as the United States and Israel in the region, in addition to an insecure alliance system involving both Russia and Azerbaijan, Iran's political and economic power is significantly challenged for the future. This combined analysis will demonstrate the validity of the Neorealist paradigm in explaining the state relations of the southern Caucasus in relation to Iran and Armenia, and shed light on the future precariousness of the region.

Iran's National Interests

H.W. Bruck, Burton Sapin, and Richard Snyder write in their book *Foreign Policy Decision-making* that a country's foreign policy is greatly affected by its national interests. Furthermore, state behavior is determined by "heads of state, policy-makers, and diplomats [who] discover, define, and preserve the "national interest" through a formula or formulas

employed to guide the choices and to legitimate choices already made.”¹ Such a definition directly relates to the Neorealist model that describes states as unitary rational actors where the decision-making process leads to choices based on national interest.² Such definitions are aptly applied to explain Iran’s foreign policy in the Caucasus and with Armenia during the past decade.

After the fall of the Shah in 1979 and prior to the 1990s, Iran’s foreign policy was largely characterized as both explicitly and implicitly supportive of the growing number of Islamist movements in countries such as Afghanistan, Lebanon, Tunisia, Algeria, and the Philippines. Beginning in the 1990s, however, Iran’s Islamic rhetoric was largely toned down or abandoned, as Iran grew more prone to external international markets with the sale of its hydrocarbon reserves—gas and oil reserves were discovered during the 1960s in Iran. Additionally, Iran’s government understood that it was economically dangerous to continue “exporting the Islamic Revolution” in a global economy: “Iran had to give in to international capitalism to survive in the world market and receive the maximum return on its oil revenues.”³ As a new and industrializing country, Iran placed more emphasis on its economic interests versus pursuing a fully religious ideology in its foreign policy and understood that many countries were reluctant to trade with Iran, if it sought to forcefully spread Islam around the world. Other factors leading to a more pragmatic Iranian foreign policy came in 1988 after Iran lost an eight-year war against Iraq. In addition, there was a lack of reception to the spread of Iran’s Islamic Revolution after the breakup of the Soviet Union in the newly formed Commonwealth of Independent States.⁴ Overall, Iran’s foreign policy was more geared toward security and economic concerns during the 1990s, preferring to nurture state-state relations over Islamic ideology.⁵

In 1988 when war broke out just beyond Iran’s border in the Nagorno-Garabagh between Armenia and Azerbaijan, Iran remained largely neutral despite the fact that a large Shiite majority inhabited Azerbaijan. Iran, a country ruled by Muslim Shiites, has an Azeri ethnic minority population living in the northwest corner of the country, known as “southern Azerbaijan”, totaling more than 15 million people, compared with a population in Azerbaijan of 8 million. During the Nagorno-Garabagh conflict, Iran grew worried that support for Azerbaijan against Armenia would elicit a call for unification between the two “divided” Azerbaijanians that had been separated by the Persian and Ottoman Empires since the nineteenth century. In addition, Iran did not want to undermine Moscow’s role in the region and mire in what was viewed as a Soviet internal affair. Moreover, if Iran were to increase the violence in the area, it feared the external intervention by either Russia or NATO, which would have brought international troops uncomfortably close to Iran’s borders and a

¹ H.W. Bruck, Burton Sapin & Richard Snyder, *Foreign Policy Decision-making* (New York: The Free Press of Glencoe, 1962), pp. 46-47.

² James Dougherty & Robert Pflatzgraff, *Contending Theories of International Relations: A Comprehensive Survey* (New York: Longman): p. 64.

³ Anoushiravan Ehteshami, “The Foreign Policy of Iran” in *The Foreign Policies of Middle East States* (London: Lynne Rienner Publishers, 2002), pp. 284-285, 289, 305.

⁴ Shireen T. Hunter, “Iran, Central Asia, and the Opening of the Islamic Iron Curtain”, in *Islam and Central Asia: An Enduring Legacy or Evolving Threat* (Washington, DC: Center for Political and Strategic Studies, 2000), p. 175.

⁵ *ibid.*, p. 175.

disturbance in the regional balance of power.⁶ Therefore, alignment with either side was not an option:

“Siding with Azerbaijan would produce unnecessary domestic pressures from the rich upper Armenian elite in Iran. Such a move would also be seen as religiously based and therefore stir international criticism. On the other hand, the radical Islamic government would not support a Christian actor fighting against a Muslim republic. Neutrality was therefore the safest reality.”⁷

Public opinion in Iran called for the government to support the Azerbaijani side against the Armenian “infidels”, but the government refused to take sides citing security concerns.⁸

By 1992 Iran was confronted with new problems regarding its policy in the Nagorno-Garabagh, in addition to being faced with what to do regarding the newly established independent states in the Caucasus region after the fall of the Soviet Union. By the end of that year, Armenia had captured the majority of the Garabagh and forced approximately 700.000 Azerbaijanis to flee from their homes in the area.⁹ This crisis triggered a mass exodus of Azerbaijanis to flow across the border into Iran and further contributed to the government’s worries about an Azerbaijani nationalist revival. Iran sent troops to the borders by the beginning of 1993 and provided Azerbaijan humanitarian aid to feed refugees and build refugee camps within Azerbaijan’s borders. Iran’s government did not want to risk the increased presence of Azerbaijanis who might foment Azerbaijani nationalist sentiment and therefore prevented further refugees from entering Iran in the early 1990s.¹⁰ Iran also feared that “secessionist movements in Iran and on its borders could be used by outside powers to destabilize the country.”¹¹ Such historical foes in the region as Russia possessed the potential to fulfill its neo-imperialistic impulses and tamper with Iran’s national security interests both within Iran and the Southern Caucasus.¹²

Aware of all of these internal and external possibilities and factors along its borders, Iran attempted to broker a ceasefire in 1992 with its national interest in mind but was unsuccessful because of continued bloodshed and a buildup of troops between Azerbaijan and Armenia. Iran was also dealt further troubling news during the same year when Abulfaz Elchibey was elected president of the Republic of Azerbaijan. President Elchibey openly declared his government’s desire for unification with “Southern Azerbaijan”, thus greatly contributing to Iran’s fears of national unrest and insecurity. In addition, President Elchibey began to realign his government with Turkey, a “secular” country viewed disdainfully by

⁶ Lalg Papazian, “A People’s Will: Armenian Irredentism over Nagorno-Garabagh” in *The Making of Nagorno-Garabagh: From Secession to Republic* (London: Palgrave, 2001), p. 78.

⁷ Lalg Papazian, “A People’s Will: Armenian Irredentism over Nagorno-Garabagh” in *The Making of Nagorno-Garabagh: From Secession to Republic* (London: Palgrave, 2001), p. 78.

⁸ Svante E. Cornell, “Iran and the Caucasus”, *Middle East Policy* (Jan 1998, v5, n4), p. 56.

⁹ Charles Van der Leeuw, *Azerbaijan: A Quest for Identity* (New York: St. Martin’s Press, 2000), p. 183.

¹⁰ Gareth M. Winrow, “Azerbaijan and Iran” in *Regional Power Rivalries in the New Eurasia* (London: M.E. Sharpe, 1995), p. 99.

¹¹ Ehteshami, p. 303.

¹² Alvin Z. Rubinstein, “Moscow and Tehran: The Wary Accommodation” in *Regional Power Rivalries in the New Eurasia* (London: M.E. Sharpe, 1995), pp. 45-46.

Iran, and the United States, one of Iran's other foes.¹³ The tense events and Azerbaijani declarative policies against Iran of 1992 marked the beginning of strained relations between the two countries. As a result of Azerbaijan's increased rhetoric for unification with "southern Azerbaijan", Iran began to align itself more closely with Armenia and signed a bilateral treaty of friendship and economic cooperation at the end of 1992.¹⁴ Such an agreement marked the beginning of rapprochement by Iran towards Armenia. Additional reports on Nagorno-Garabagh also claim that Iran permitted the transit of weapons headed to Armenia during the Nagorno-Garabagh conflict. It was also reported that Iran trained the Armenian Secret Army for the Liberation of Armenia (ASALA), which directly influenced the government in Nagorno-Garabagh and directly fought against Azerbaijani military forces. In essence, Iran opposed Azerbaijan and its new president, as well as Azerbaijan's new anti-Iranian policies, by aligning itself with Armenia.¹⁵

By 1994, change and equilibrium in the international system was once again established in the Southern Caucasus with a Russian-backed ceasefire in the Nagorno-Garabagh and a coup d'état that replaced President Elchibey with a more "moderate" leader, Haydar Aliyev. Despite President Aliyev's more moderate tendencies and efforts to improve relations with Iran, the Iranian government still remained wary of Azerbaijan and the threat it posed on its ethnic Azerbaijani population. As a result of continued tepid relations between the two countries, Iran adopted a policy to support the ceasefire in the Nagorno-Garabagh in an attempt to further prevent the displacement of Azerbaijanis who might stir national sentiment and threaten the national sovereignty of Iran. Iran also began to boost its relations with Armenia after Turkey and Azerbaijan implemented a trade embargo in 1994 that significantly affected Armenia's food and energy supplies.¹⁶ Furthermore, Iran's support for Armenia better insured the government of Iran that Armenia could remain strong enough to stave off a future, armed conflict with Azerbaijan.

Today, the government of Iran continues its preoccupation about the possibility of ethnic Azerbaijani uprisings in Iran and has maintained a policy to minimize or censure the voice of the National Liberation Movement of Southern Azerbaijan that formed over the past decade, along with other Azerbaijani nationalist news agencies in Iran.¹⁷ To uphold Iran's national interest of maintaining national sovereignty and unity, Armenia has been used as an initial tool of the Iranian government in some preliminary formal and informal agreements between the two states—this paper will later discuss more specific arrangements between the two countries. In relation to Iran, one can begin to see how Armenia slowly began to transform at the beginning of the 1990s into what Kenneth Waltz has referred to as a "buffer" zone for the dominant powers in the international system. Iran used Armenia as a potential buffer to insulate against the future rise to power of Azerbaijan. Over the course of the decade, Armenia acted as a balancing power in favor of Iran in a region that experienced increased polarity and opposing alliances.

¹³ Richard Giragosian, "Nagorno-Garabagh: International Political Dimensions" in *The Making of Nagorno-Garabagh: From Secession to Republic* (London: Palgrave, 2001), p. 245.

¹⁴ Giragosian, p. 245.

¹⁵ Cornell, p. 60.

¹⁶ Svante Cornell, "Iran and the Caucasus", *Middle East Policy* (Jan.1998, v5, n4), p. 57.

¹⁷ Robert Olson, "Turkey-Iran relations, 2000-2001: The Caspian, Azerbaijan, and the Kurds", *Middle East Policy* (June 2002, v9, i2), p. 121.

The conflict in the Nagorno-Garabagh posed serious threats to Iran and caused an enormous outcry among its population in favor of supporting the Azerbaijanis in their fight against Armenia. The government of Iran, however, maintained its policy of preserving national security and sovereignty as the ultimate deciding factor for its foreign policy in the Garabagh. This aspect of Iran's foreign policy further gives validity to the Neorealist paradigm, which posits that a state will determine its foreign policy based on national interests, such as security, as opposed to being influenced by other forces like domestic politics or transnational organizations. Kenneth Waltz further contributes to this model by stating that a country will at the very minimum seek its own preservation, and at a maximum, strive for universal dominance.¹⁸ In Iran's case, the government of Iran sought its national preservation instead of being influenced of other ideologies and public opinion.

Aside from being preoccupied with protecting its national borders and sovereignty, Iran's involvement in the politics of the region was greatly influenced because of its strong economic ties and hydrocarbon interests in the Caucasus. After the ceasefire in the Nagorno-Garabagh and the increase of Azerbaijan's wealth from lucrative oil digging projects in the Caspian Sea, Iran moved to counterbalance Azerbaijan's rise in economic power by further aligning itself with Armenia, in addition to increasing its competition for hydrocarbon markets in the global economy.

According to Robert Gilpin, "states engage in cost-benefit calculations about the alternative courses of action available...[Furthermore,] a state will attempt to change the international system by means of territorial, political, or economic expansion until the marginal costs of additional change become equal to or exceed the marginal benefits."¹⁹ Contrary to a Realist paradigm, Neorealism more properly accounts for a country's economic interests in determining the makeup of the international system. According to this model, a country not only seeks power politically and territorially, but also strives for economic dominance. In Iran's case, it worked to build up its economic power and dominance in the Caucasus after a lasting ceasefire was established in the Nagorno-Garabagh with the help of Russia in 1994. However, Azerbaijan proved to be a major obstacle and competitor for achieving Iran's goal.

During the 1960s and 1970s, Iran began to reap a major profit from the discovery of national hydrocarbon reserves. Aside from the Persian Gulf, Iran was a major exporter of hydrocarbons for the region. By the 1990s, however, Azerbaijan also began to capitalize on its hydrocarbon resources, thus marking the beginning of competitive trade for global and regional markets between the two countries. In September of 1994, Azerbaijan signed a US\$8 billion dollar deal, with a US\$300 million signing bonus, headed by British Petroleum and including twelve other national and private oil companies from the United States, Saudi Arabia, and Turkey. The deal, however, excluded both Iran and Russia from a thirty-year contract that predicted a profit of US\$35 billion.²⁰

Azerbaijan compensated for Iran's exclusion from the "Western Consortium" of oil companies, also referred to as "Contract of the Century", by offering Tehran a 5%

¹⁸ Kenneth Waltz, *Theory of International Politics* (New York: McGraw-Hill, 1979), p. 118.

¹⁹ Dougherty & Pfaltzgraff, p. 81.

²⁰ Oles M. Smolansky, "Russia and Transcaucasia: The Case of Nagorno-Karabakh" in *Regional Power Rivalries in the New Eurasia* (London: M.E. Sharpe, 1995), p. 220.

Azerbaijani stake in the exploitation of the Caspian oil sea shelf. Iran reluctantly accepted the offer in November 1994 because of the country's pragmatic foreign policy and economic interests. However, under increased pressure from the United States because of America's new stakes in the Caspian basin oil projects, President Aliyev was persuaded to annul the bilateral agreement with Iran in April 1995.²¹

After the United States signed the 1994 Western Consortium contract with Azerbaijan, President Bill Clinton's administration's Caucasian policy significantly changed from one of ambiguity and passivity to one of increased American presence and involvement in the Caucasus. The following are some of the United States' policy objectives in the Caucasus that directly opposed Iran's role in the region:

1) Find a solution for the regional conflicts; 2) Increase and expand the world's energy supply; 3) Promote and maintain the sovereignty and independence of the Caspian Basin countries; 4) Uphold Iran's isolation in the region in order to limit its revenues, stopping it from building nuclear weapons and supporting terrorism.²²

The increased presence of and pressure from the United States seriously threatened and infringed upon Iran's economic and political power in the region and provoked Iran to build up stronger alliances with Russia and Armenia against America's newly enforced policies.

Iran's initial response to Azerbaijan's annulment of the Caspian Sea oil contract from November 1994 was to verbally lash out at the Aliyev government, but thereafter it moved to counter Azerbaijan's actions by aligning itself with Russia and Armenia: "The Iranians were furious, accusing Aliyev of being a tool of the "great Satan"...Since then, Iran has been counteracting all Azeri aims to produce and export its oil."²³ Iran's national economic interests were directly threatened because of Azerbaijan's pro-Western policy and rapprochement with the United States. Looking at the situation from a Neorealist paradigm, Iran's actions to counterbalance Azerbaijan are properly explained because a status quo or balance of power no longer existed between the two countries, thus forcing Iran to take the proper measures to protect its economic interests.

After being diplomatically stung by Azerbaijan in the spring of 1995, Iran and Russia countered Azerbaijan by signing an official agreement consenting to cooperate in offshore drilling and platform construction in the Caspian Sea: "In June 1995, Iran and Russia agreed to coordinate their oil and gas policies, in a wider context of improving relations. Iran was particularly eager to cooperate with Russia as it was under the pressure of U.S. isolation. Both for political and economic reasons, Iran therefore wanted to prove that it could stand up against the United States."²⁴

In regards to Armenia, Iran also boosted its trade and economic relations with its Christian neighbor after Iran's fallout with Azerbaijan. Armenia's economy struggled after the 1994

²¹ Smolansky, p. 322.

²² Nasib Nassibli, "Azerbaijan: policy priorities towards the Caspian Sea" in *The Caspian: Politics, Energy, and Security* (London: RoutledgeCurzon, 2004), p. 167.

²³ Cornell, p. 59.

²⁴ Cornell, p. 61.

Nagorno-Garabagh ceasefire because of the Turkish and Azerbaijani trade embargo and therefore gladly accepted increased diplomatic and trade relations with Iran. During the fiscal year 1992/1993 Armenia's Gross Domestic Product fell by 60% from its 1989 level, while unemployment soared and wages declined.²⁵ By 1996, Armenia's economy improved slightly with the help of Russian and Iranian trade. For example, in 1996 Armenia earned US\$264 million from exports where 13% of the export trade went to Iran, compared with 24% to Russia.²⁶ By mid-1998, Iran became Armenia's third largest trading partner after Russia and Belgium, in addition to tentatively agreeing on future accords to establish cross-border energy and transportation links between the two countries.²⁷ By 2001 trade between Iran and Armenia reached US\$120 million.²⁸ Also in the same year, construction began on a hydropower plant along the Araz River separating the two countries. The project will be largely be financed by Iran and provide energy for both countries.²⁹

In addition to trade and hydro-energy cooperation, Iran has also signed an agreement in 2001 to build an oil and gas pipeline into Armenia.³⁰ Iran's rapprochement with Armenia openly counters Azerbaijan's construction of its Baku-Tbilisi-Ceyhan (BTC) oil and gas pipelines that is expected to generate billions of dollars for Azerbaijan. Since 1994, Azerbaijan has concluded 21 international oil contracts signed with 33 oil giants representing 15 countries. By 2000 a total of US\$3.2 billion was invested in Azerbaijan's oil sector and by 2003 US\$5 billion had been allocated. By 2005 30 million tons of oil were produced, compared with only 9 million tons in 1997, and in 2010 an expected 70 million tons will be exported.³¹ Azerbaijan's rise to economic power greatly worries Iran because its economic dominance in the region is slowly being usurped by Azerbaijan. In the meantime, however, Iran is taking steps to slow Azerbaijan's rise to economic and political power by investing in and boosting trade with Armenia. Furthermore, Iran is supporting Armenia economically in order to protect its regional oil investments that might be endangered in the event of an Armenian economic or political collapse.³²

Iran's behavior toward Armenia in the last decade directly correlates to the Neorealist model that describes and explains a state's action in the international system in terms of its national interest: "...states, like individuals, are basically motivated by egoism, which, in the international context, is usually called 'national interest' or 'raison d'état'...on this assumption the survival of the state and self-preservation become the supreme goal."³³ In Iran's case, economic factors and the share of regional and global hydrocarbon markets significantly influenced its national interest in the region. Therefore, Iran's foreign policy

²⁵ Markar Melkonian, "Betrayed Promises of the Garabagh Movement: a Balance Sheet" in *The Making of the Nagorno-Garabagh* (London: Palgrave, 2001), p. 188.

²⁶ Melkonian, p. 190.

²⁷ Giragosian, p. 245.

²⁸ Islamic Republic News Agency, "Armenia-Iran Trade Reached 120 Million Dollars Last Year", August 18, 2002. <<http://www.payvand.com/news/02/aug/1055.html>> Viewed 9 November 2004.

²⁹ Tigran Liloyan, "Armenia and Iran to build hydro-power plant on Araks River", *ITAR-TASS News Agency*, June 17, 2001.

³⁰ Dmitry Vinitsky, "Pipeline to link Iran, Armenia in interests of Caspian states", *ITAR-TASS News Agency*, August 8, 2001.

³¹ Nassibli, p. 172.

³² Thomas De Waal, *Black Garden: Armenia and Azerbaijan through peace and war* (New York: New York University Press, 2003), p. 4.

³³ Joseph Frankel, *The Making of Foreign Policy* (London: Oxford University Press, 1963), p. 54.

goals during the past decade were more in line with achieving economic and political power and stability in the Caucasus versus pursuing the exportation of the Iranian Islamic revolution to its neighbors in the region. Furthermore, Kenneth Waltz states that the international system is a self-help system where a state seeks to defend its own interests in reaction to the behavior of other units in the system:

A self-help system is one in which those who do not help themselves will fail to prosper, and will lay themselves open to behave in ways that tend toward the creation of balances of power...The theory says simply that if some do relatively well, others will emulate them or fall by the wayside.³⁴

In this self-help system, Iran guarded its economic and political influence and power by aligning with Armenia to counter Azerbaijan as it slowly pushed to the forefront with its new wealth and western alliances.

Anarchy and the Balance of Power in the Southern Caucasus

After the breakup of the Soviet Union in 1991, a state of “anarchy” ensued in the international system as the newly formed states of the Caucasus such as Georgia, Armenia, and Azerbaijan, in addition to Iran and Turkey, worked to establish a balance of power both economically and politically. Aside from defending each country’s own sovereignty and national security, the individual states of the region also sought to capture a share in the new and evolving financial and economic markets in wake of the Soviet collapse.

Kenneth Waltz describes what is meant by the balance-of-power theory in the international system in the following citation from his book *Theory of International Politics*:

*States, or those who act for them, try in more or less sensible ways to use the means available in order to achieve the ends in view. Those means fall into two categories: internal efforts (moves to increase economic capability, to increase military strength, or to develop clever strategies) and external efforts (moves to strengthen and enlarge one’s own alliance or to weaken and shrink an opposing one.)...The system, like a market in economics, is made by the actions and interactions of its units, and the theory is based on assumption about their behavior.*³⁵

As seen in the previous section of this paper, Iran worked to increase its “economic capabilities” by developing “clever strategies” to achieve power in the region. At the same time, Iran also began to strategically build up its alliances in a region that became increasingly multi-polar after the fall of the Soviet Union.

The definition and concept of power is also important to grasp in order to best understand the anarchical nature of the international system, and especially in relation to Iran. According to Waltz, “an agent is powerful to the extent that he affects others more than they affect him...Power is a means, and the outcome of its use is uncertain. To be politically pertinent,

³⁴ Waltz, p. 118.

³⁵ Waltz, p. 118.

power has to be defined in terms of capabilities; the extent of one's power cannot be inferred from the results one may or may not get."³⁶ This definition of power differs from the previously accepted Realist definition that views power as the ends to achieving international equilibrium rather than the means. Furthermore, power is not thought to automatically establish control, but rather to provide a "means of maintaining one's autonomy in the face of force that others wield."³⁷ In relation to Iran, its government sought alliances and other strategies as a way of avoiding physical conflict and to establish its "power", both economic and political, in the region. The power void present in the wake of the Soviet Union's collapse pushed Iran to seek more "power" in the absence of the Soviet Union; forming alliances with such countries as Armenia and Russia was one way of achieving this goal. Iran was not looking for territorial gain but rather to strengthen its autonomy and economic dominance in the Caucasus. Therefore, power in this case is not associated with territorial gain but rather with national preservation aided by a system of alliances.

Aside from the concept of power in world order, the idea of "anarchy" is also another important term that describes the operation of the international system. In the 1990s the collapse of the Soviet Union led to chaos and "anarchy" within the international system until a balance of power was reestablished among the different unitary actors. As this paper will argue, the balance of power that has been established over the course of the past decade is one that is precarious, extremely multi-polar, and still possesses elements of anarchy because of such unsettled disputes as the Nagorno-Garabagh. As Kenneth Waltz notes, a multi-polar system is much less secure than a bipolar system and therefore more likely to collapse and fall back into a state of anarchy until proper stability can be reestablished.³⁸

After a tenuous Nagorno-Garabagh ceasefire was brokered in 1994, the various countries of the region slowly formed two sets of new but opposing alliances: Tehran-Moscow-Yerevan *versus* Ankara-Baku-Tbilisi-Washington. Each alliance was insecure and internally polarized in its own right.

Iran, Russia, and Armenia formed an alliance for many similar reasons. First, Russia and Iran sought to thwart the rise of pan-Turkism, as well the increased American presence in Azerbaijan and the Caucasus.³⁹ Furthermore, Iran feared that if its economy were to decline as a result of an Azerbaijani strengthened and flourishing economy, then Iran would be more prone to ethnic Azerbaijani unrest and a call for the unification of a "greater" Azerbaijan.⁴⁰ In addition, both Russia and Iran feared that Azerbaijan's attempts to lure the United States or NATO to build military bases in Azerbaijan would seriously threaten each country's military power in the region. From Armenia's perspective, it suffered from being completely isolated with the embargos implemented by Turkey and Azerbaijan after 1994 and therefore sought an alliance with Iran. From Iran's standpoint, it sought to stabilize Armenia's economy and political situation in order to maintain a lasting status quo in the Nagorno-Garabagh.

³⁶ Waltz, p. 192.

³⁷ Waltz, p. 194.

³⁸ Waltz, p. 163.

³⁹ Henri J. Barkey, "Iran and Turkey: Confrontation across an Ideological Divide" in *Regional Power Rivalries in the New Eurasia* (London: M.E. Sharpe 1995), p.165.

⁴⁰ Cornell, p. 57.

The alliance between Russia, Armenia, and Iran has been significantly weakened since Russian President Vladimir Putin was elected in 2000. Prior to 2000, Azerbaijan had excluded Russia in 1994 from the “Contract of the Century”, greatly disgruntling Russia. In addition, Russia viewed Azerbaijan’s alliance with the United States and Turkey as a direct threat upon its national security and regional interests. Since 2000, however, Putin has made efforts to normalize Russian relations with Azerbaijan and has reassessed Russia’s policy in the Caspian Sea in order to reestablish the credibility of Russia’s regional policy. In 2000, President Putin signed important economic and security agreements with President Aliyev and emphasized the strong need for regional cooperation. Furthermore, Russia adopted a “new non-confrontational economic approach” to the area.⁴¹

Russia’s increased rapprochement with Azerbaijan throws the international system back into slight disequilibria, thus pushing Iran closer both politically and economically to Armenia since it lacks other stable allies. In 2002, for example, the defense ministers of Iran and Armenia met in Yerevan to sign a protocol of understanding and to begin talks for military defense cooperation.⁴² In addition, the two countries have finally announced the official beginning construction of the 100-kilometer oil and gas pipelines that could potentially be extended later into the Ukraine.⁴³

Due to Armenia’s increased economic and political weakness in the region over the past decade, very few choices exist to help Armenia preserve its national interests in the international system. Therefore, Armenia has aligned itself with Iran, as well as Russia, because of the few other viable options that will help maintain its national sovereignty and security—such a tendency in the international system is referred to as “bandwagoning” in Kenneth Waltz’s Neorealist paradigm.⁴⁴ Now that Russia is beginning to improve its relations with Azerbaijan, Armenia is left to rely more heavily on Iran and vice versa. As a result of this beginning balance of power shift, stability in the Caucasus begins to look less certain than before. Russia will most likely never abandon Armenia because of their historically strong ties, but the extent to which Russia might support Armenia in a future regional conflict is more uncertain. Furthermore, as Russia increasingly gravitates toward Azerbaijan, the Tehran-Yerevan alliance is an insufficient force to oppose the other polarized alliance of the region consisting of the United States, Turkey, and Azerbaijan.

Waltz’s Neorealist model for the operation of the international system predicts the precariousness of a multi-polar system and states that no balance of power can be maintained with more than four or five countries vying for different demands.⁴⁵ In the Caucasus, there are more than six different countries wrapped into the two different alliances in the region. Each country has its own interests and relatively significant power in their own right. The

⁴¹ Oksana Antonenko, “Russia’s policy in the Caspian Sea region: reconciling economic and security agendas” in *The Caspian: Politics, Energy, and Security* (London: RoutledgeCurzon, 2004), pp. 247-248.

⁴² Tigran Liloyan, “Armenia, Iran intend to develop defence cooperation”, *ITAR/TASS News Agency*, March 4, 2002.

⁴³ “Iran planning new pipeline to Armenia”, *Pipeline & Gas Journal* (March 2004, v231, i3), p. 10.

⁴⁴ Waltz, p. 126: “...bandwagoning is sensible behavior where gains are possible even for the losers and where losing does not place their security in jeopardy.” Armenia’s best option after the Nagorno-Garabagh ceasefire was to align itself with the two countries that dominated the region in the 1990s: Russia and Iran.

⁴⁵ Waltz, p.163.

currently preserved status quo among the two opposing camps is very unlikely because of the varied national interests and insecure alliances.

The Future of Iran, Armenia, and the Caucasus

The regional balance of power in the Southern Caucasus continues to change on a regular basis with new alliances being perpetually formed and broken. Such changes in the balance of power have not been conducive to maintaining Iran's dominance in the region. Recently, Israel has increased its direct presence in the Caucasus and has begun military strategic talks with Azerbaijan, in addition to having already bolstered its relations with Turkey. Israel consistently reproaches Iran for funding international terrorism and other illicit actions: "By mid-summer 2001, Tehran obviously thought that the Turkey-Israel-U.S. pincer was drawing tighter."⁴⁶

Since 2003, Iran's freedom and maneuverability in the region has also been further hindered with the wars in Afghanistan and Iraq. Slowly being closed in by the United States, Turkey, Israel, and Azerbaijan, Iran grows seriously isolated, thus putting the regional stability in flux. It is no wonder therefore why Iran has become such a strong diplomatic and trading partner with Armenia, one of its few reliable allies left in the region. Furthermore, such increased isolation and lack of secure regional allies for Iran posits an interesting response and explanation for why Iran is currently trying to threaten the world with nuclear weapons. These recent Iranian nuclear threats can be explained through a Neorealist paradigm: As a last ditch effort, Iran seeks to preserve its national sovereignty in a region filled with enemies and bereft of allies; a balance of power has shifted unfavorably away from Iran, thus forcing Iran to maintain some semblance of sovereignty.

Lastly, Azerbaijan's rise to economic power in the region as a result of its lucrative oil revenues also jeopardizes Iran's future national security and sovereignty:

"A wealthier and more confident Azerbaijan will inevitably begin to consider the option of going to war again in the next five to ten years to recapture its lost lands [in the Nagorno-Garabagh]."⁴⁷ Azerbaijan's rise to regional power further explains Iran's strategic alliance with Armenia. Iran desires a status quo to keep its ethnic Azerbaijani population pacified. A status quo also permits Iran to continue the pursuit of its economic interests in the Caspian Sea basin. Nevertheless, the fact that the Nagorno-Garabagh conflict was never properly resolved after 1994 leaves the potential for future conflict between Armenia and Azerbaijan a strong possibility. Furthermore, conflict grows increasingly likely as Azerbaijan builds up its military from its newly established wealth.

Conclusion

Over the course of this paper, Iran's relations with Armenia in the international system have been examined and explained through a Neorealist paradigm. Through initial analysis, Iran

⁴⁶ Olson, p. 115.

⁴⁷ De Waal, p. 278.

and Armenia appear to be unlikely regional allies because of their different political and religious ideologies. However, after a detailed political and economic breakdown of the Southern Caucasus and through the lens of a Neorealist model, it is indeed apparent why Iran has increasingly aligned itself with Armenia since 1994. As examined in the first section of this paper and explained from a Neorealist perspective, Iran sought to uphold and pursue its national interests in the southern Caucasus during the 1990s. Armenia was a strategic partner in the region for Iran to fulfill its national interests of preserving its national sovereignty by quieting ethnic Azerbaijanis who called for the unification of a 'greater' Azerbaijan. Furthermore, it was shown how Iran possessed lucrative economic interests in the region that were increasingly challenged as a result of Azerbaijan's Caspian Sea oil and gas revenues. Fearful of losing its economic regional and global dominance, Iran looked to align itself with Armenia and Russia to counter Azerbaijan's new pro-western policies, in addition to safeguarding its national economic interests. In the second portion of the paper, Kenneth Waltz's concepts of anarchy and his balance-of-power theory were applied to explain the regional alliances of the Southern Caucasus. Iran's behavior and action in the area were a direct result of the anarchical system that ensued after the fall of the Soviet Union in the 1990s. Additionally, Iran was increasingly forced to bolster its relations with Armenia because of Russia's unreliability as a secure Iranian ally in the region. Lastly, Waltz's international politics model was applied in explaining the present precariousness of the Southern Caucasus. The lack of a bipolar system in the Caucasus has pushed the region to the brink of another regional conflict that could potentially be more far-reaching and widespread than that of the previously contained Nagorno-Garabagh conflict between Azerbaijan and Armenia.

Overall, a study of this a nature on the international relations of the Southern Caucasus in relation to Iran and Armenia helps demonstrate how world order and international stability is maintained, further shedding light on why and how certain foreign policies are formulated. Learning from this case of the Southern Caucasus will hopefully assist in understanding the relations and actions of other countries in the international system that currently challenge the international balance of power and world order. Anarchy of the international system will continue to prevail in the future of the Southern Caucasus. With the aid of such paradigms as Neorealism, however, international relations' scholars will better be able to understand and predict future events in the region before the area reverts back to regional conflict and permanent instability.

Armenia, Azerbaijan, and Georgia are located south of the Caucasus Mountains that form part of Russia's borders (see Figure 1). The South Caucasus states served historically as a north-south and east-west trade and transport "land bridge" linking Europe to the Middle East and Asia, over which the Russian Empire and others at various times endeavored to gain control. Overview of U.S. Policy Concerns. By the end of 1991, the United States had recognized the independence of all the former Soviet republics. The United States pursued close ties with Armenia, because of its profession of democratic principles, and concerns by Armenian Americans and others over its fate. With a 2015 defense budget equivalent to about \$500 million, Armenia cannot match the military capabilities of Azerbaijan. It has long maintained the balance of power vis-à-vis its stronger neighbor by relying on its alliance with Russia. Yerevan concluded bilateral defense agreements with Russia and is a member of the Russian-led Collective Security Treaty Organization. A serious danger may lie in the provisions of the 2011 Agreement on Strategic Partnership and Mutual Support between Turkey and Azerbaijan. The parties pledged to render support to each other using "all possible means" in the event of an attack or aggression against one of them. Since the outbreak of Armenian-Azerbaijan conflict, Iran was in a more than difficult position. "The support of Azerbaijan could provoke an internal conflict with the elite of the Armenian community within Iran. This step could also be regarded as religious expansion and cause international condemnation." [1] Geoffrey Gresh, "Coddling the Caucasus: Iran's Strategic Relationship with Azerbaijan and Armenia", *the Caucasian Review of International Affairs*, Vol. 1 (1) - Winter 2006 | http://www.cria-online.org/1_1.html. [2] Lalg Papazian, "A People's Will: Armenian Irredentism over Nagorno-Garabagh" in *The Making of Nagorno-Garabagh: From Secession to Republic* (London: Palgrave, 2001), p. 78.