Iran’s role as a regional power is more significant than many in the West may realize. The country lies between Central Asia/the Caucasus and the Gulf region, on the one hand, and, on the other, between the Mediterranean/Levant region and South Asia. Many of these areas are of increasing strategic importance. This book explores Iran’s role as a regional power, focusing on relations with South Caucasus countries – the Republics of Azerbaijan and Armenia. It outlines the historical context, including Persia’s rule of these countries before the nineteenth century and discusses Iran’s approach to foreign and regional policy and how both internal and international factors shape these policies. The book assesses Iran–Azerbaijan and Iran–Armenia bilateral relations to demonstrate how those policies translate in Iran’s regional and bilateral relations. The book concludes by considering how Iran’s relations in the region are likely to develop in the future.

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Lebanon and the Arab Uprisings
In the Eye of the Hurricane
*Edited by Maximilian Felsch and Martin Wählisch*

The Erasure of Arab Political Identity
Colonialism and Violence
*Salam Hawa*

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Iran’s Foreign Policy in the South Caucasus
Relations with Azerbaijan and Armenia
*Marzieh Kouhi-Esfahani*

Iran’s Foreign Policy in the South Caucasus
Relations with Azerbaijan and Armenia

Marzieh Kouhi-Esfahani
In the Name of God The Compassionate the Merciful

This manuscript is dedicated to:
My husband, Dr Hamid Riahi, whose love and unwavering support made this possible for me, and my daughters, Yasaman and Nastaran, who encouraged me and walked patiently along this path with me.
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Foreword

The literature on the Islamic Republic and its international relations has turned into a cottage industry; much attention has been, and is being, paid to Iran’s relations with the Middle East and North Africa region and its southern, eastern and western neighbours. Details of Iran’s relations with its Arab neighbours have been dissected many times, and work on relations between Iran and its eastern neighbours (Afghanistan and Pakistan) is growing. But in all this substantial body of knowledge about Iran and its foreign policy and international relations, we seem to have suffered from a collective black spot, in that scholarship on Iran’s interactions with its Caucasian neighbours to the north is largely missing. So, it was with great relief that I was able to persuade Marzieh Kouhi-Esfahani to allow us to consider her rich study for publication in my series. This book is substantial in every way. It provides a conceptual context for studying Iran’s northern glance, a framework for analyzing its interactions with its northern neighbours in the Caucasus and a shedload of data as the necessary contours for understanding the drivers of Iran’s policies and its role and presence in this region. In English, certainly, this volume will no doubt be a benchmark, and I am immensely pleased that we are able to publish Dr Kouhi-Esfahani’s landmark study of Iran’s foreign policy in the South Caucasus. With this work, we certainly have filled a gaping void in our understanding of Iran’s relations with its northern neighbours. Let’s hope that this book will stimulate further scholarship on the Caucasus and on the role that traditional Middle East countries are beginning to play in this emerging region, squeezed between the role of the major powers and the interests of the middle powers.

Professor Anoushiravan Ehteshami
The aim of this study is to provide a comprehensive understanding of Iran’s foreign policy and behaviour, roots of continuity and factors of change in the regional context of the South Caucasus, using the case studies of its relations with two important neighbouring countries: the Republics of Armenia and Azerbaijan. To offer a picture of the regional geopolitical context in which the subject is examined, the study discusses the importance of the South Caucasus in the international system and introduces the existing challenges and opportunities in the region, as well as important regional and international players involved, their goals and their policies towards those goals.

The study also provides a review of Iran’s foreign policy in different periods and discusses factors resulting in different approaches undertaken in each period. The implication of these policies is then examined further in the context of the Middle East as well as the South Caucasus. This is to demonstrate the specific strategies Iran has taken in each of these regions and to explain differences between its Middle East policies and those of the South Caucasus. Case studies provide a more detailed picture of how regional policies work and what factors shape the bilateral relations.
I would like to take this opportunity to reflect my sincere gratitude to Prof Anoushiravan Ehteshami, for providing me with invaluable advice and continuous support throughout this research.

I would also like to thank Prof Edmund Herzig of Oxford University and Dr Christopher Davidson of Durham University for their constructive comments, which were important in improving this research.

I am also grateful to Dr Mohammad Koleini, Iran’s former Ambassador to Armenia, and Dr Mohammad Bagher Bahrami and Mr Mohsen Pak Aein, Iran’s former Ambassadors to Azerbaijan, who participated in interviews that provided information valuable to this research.
### Important acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Full Form</th>
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<tbody>
<tr>
<td>ADR</td>
<td>Azerbaijan Democratic Republic</td>
</tr>
<tr>
<td>AIOC</td>
<td>Azerbaijan International Operating Company</td>
</tr>
<tr>
<td>AIPAC</td>
<td>American Israel Public Affairs Committee</td>
</tr>
<tr>
<td>AKP</td>
<td>Adalet ve Kalkınma Partisi</td>
</tr>
<tr>
<td>BLACKSEAFOR</td>
<td>Black Sea Force</td>
</tr>
<tr>
<td>BSEC</td>
<td>Black Sea Economic Cooperation</td>
</tr>
<tr>
<td>BSS</td>
<td>Black Sea Synergy</td>
</tr>
<tr>
<td>BTC</td>
<td>Baku–Tbilisi–Ceyhun</td>
</tr>
<tr>
<td>BTE</td>
<td>Baku–Tbilisi–Erzerum</td>
</tr>
<tr>
<td>CEA</td>
<td>Central and East Asia</td>
</tr>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
</tr>
<tr>
<td>CoE</td>
<td>Council of Europe</td>
</tr>
<tr>
<td>CPSP</td>
<td>Caucasus Peace and Stability Platform</td>
</tr>
<tr>
<td>CSTO</td>
<td>Collective Security Treaty Organization</td>
</tr>
<tr>
<td>EAPC</td>
<td>Euro-Atlantic Partnership Council</td>
</tr>
<tr>
<td>ECO</td>
<td>Economic Cooperation Organization</td>
</tr>
<tr>
<td>EIA</td>
<td>Energy Information Administration</td>
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<tr>
<td>ENP</td>
<td>European Neighbourhood and Partnership</td>
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<tr>
<td>GCC</td>
<td>Gulf Cooperation Countries</td>
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<tr>
<td>GPS</td>
<td>Geopolitical Positioning System</td>
</tr>
<tr>
<td>GUAM</td>
<td>Georgia Ukraine Azerbaijan Moldova</td>
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<tr>
<td>IAEA</td>
<td>International Atomic Energy Agency</td>
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<td>ILSA</td>
<td>Iran Libya Sanctions Act</td>
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<tr>
<td>IPAP</td>
<td>Individual Partnership Action Plan</td>
</tr>
<tr>
<td>IRGC</td>
<td>Islamic Republic’s Guard Corps</td>
</tr>
<tr>
<td>ISAF</td>
<td>International Security and Assistance Force</td>
</tr>
<tr>
<td>ISCI</td>
<td>Islamic Supreme Council of Iraq</td>
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<tr>
<td>ISIL</td>
<td>Islamic State of Iraq and the Levant</td>
</tr>
<tr>
<td>LoC</td>
<td>Line of Contact</td>
</tr>
<tr>
<td>MCC</td>
<td>Millennium Challenge Corporation</td>
</tr>
<tr>
<td>MENA</td>
<td>Middle East North Africa</td>
</tr>
<tr>
<td>MEP</td>
<td>Main Export Pipeline</td>
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<td>MKO</td>
<td>Mojahedine Khalgh Organization</td>
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Important acronyms

MoU  Memorandum of Understanding
NGO  Non-Governmental Organization
NIOC  National Iranian Oil Company
NK  Nagorno-Karabakh
NKAO  Nagorno-Karabakh Autonomous Oblast
NKR  Nagorno-Karabakh Republic
NPT  Non-Proliferation Treaty
OSCE  Organization for Security and Cooperation in Europe
PARP  Planning and Review Process
PFA  Popular Front of Azerbaijan
PFG  Popular Front Government
RCD  Regional Cooperation for Development
RSC  Regional Security Complex
SCO  Shanghai Cooperation Organization
TACIS  Technical Assistance to the Commonwealth of Independent States
TRACECA  Transport Corridor Europe–Caucasus–Asia
TRR  Tehran Research Reactor
TSFR  Transcaucasian Soviet Federative Socialist Republic
UAE  United Arab Emirates
WTO  World Trade Organization
In the introduction of his 2013 book, Ramazani, a prominent scholar who spent a decade providing the first systematic study of Iran’s foreign policy back in the 1950s and 1960s, describes how he has been continuously struck by “the poor understanding in the United States of Iran’s international role,” which existed even under the Shah and under friendly circumstances, and the fact that “more than three decades after the revolution, Americans still do not really understand Iran” (ibid.). This failure to comprehend Iran and its foreign policy is not limited to the United States; it is indeed a widespread phenomenon that was exacerbated in the post-1979 revolution era due to a variety of reasons. While several factors such as lack of consistent (if any) diplomatic relations and Tehran’s feeble public diplomacy and miscommunications have played their role in creating such circumstances, it is difficult to imagine that overcoming these shortcomings would eradicate the problem completely. The most important factor in creating such a dilemma is the complexity of Iran’s foreign policy, which quite frequently defies conventional rules of analysis and makes its examination and modelling difficult.

One reason for such complexity is Iran’s particular geostrategic location situated on the Eurasian crossroads, straddling two important waterways of the world: the Persian Gulf in the south and the Caspian Sea to the north, both home to a significant volume of valuable hydrocarbon resources. Hence, as a land bridge, Iran connects Central Asia/the Caucasus to the Persian Gulf sub-region, on the one hand, and, on the other, the Mediterranean/Levant to South Asia. As such, Iran is directly involved in, and influenced by, geopolitical developments of four sub-regions of the Persian Gulf, Eastern Mediterranean, Central Asia/Caucasus and South Asia. The division of Persia into spheres of influence under the 1907 Anglo–Russian Treaty or Iran’s occupation by the British and Russian forces during the Second World War to secure the Allied supply line through the Persian Corridor, despite Tehran’s official neutrality, is evidence of the importance of Iran’s geostrategic location. Map 1.1 demonstrates the centrality of Iran’s strategic location in Eurasia.

Although being among the countries with the highest volume of proven hydrocarbon resources, and despite the control that Iran has over the Strait of Hormuz, through which 30% of the world’s annual consumption of oil passes, providing it with significant strategic importance, this also creates further challenges by involving the country in the global politics of energy security.
Map 1.1 Iran’s geostrategic location
In addition to its geostrategic location in such a perpetually turbulent regional setting, the exigencies of integration between the ‘Islamic’ and the ‘republican’ essence of the state – which at times seem incompatible – exacerbate factional polity and complicate decision making and execution within an already complex system of checks and balances. Several important attributes, such as being revolutionary, Third Worldist and a rentier state, show their effects on the nature of the state. Furthermore, the existing dichotomy and constant interplay between ideology and pragmatism, as well as frequent change of approach, are important factors which have complicated Iran’s foreign policy and its application in various contexts and periods, including the post-Cold War era.

Nevertheless, the aforementioned geostrategic importance, as well as its vast area and the large population of the country, makes Iran an important international player and regional power (albeit a medium power), no matter who rules it – a “country which is difficult to engage (with), yet impossible to ignore” (Wright 2010: Introduction).

According to Ehteshami (2002: 134–5), “at least since early 1970s, Iran has been regarded as an important regional player; prior to that, it had managed to accumulate considerable strategic value as a weighty pawn in the Cold War chessboard.” The establishment of the Islamic Republic provided Iran with another strategic angle, as ever since Tehran has constitutionally held the torch for defending the “rights of all Muslims without allying with hegemonic powers” (ibid.). By becoming the reference point for oppressed Muslims and particularly the Shiite galaxy, Iran has established a unique place for itself in the politics of adjacent regions, as well as the great powers. This transformation in state ideology and perceptions resulted in a major foreign policy overhaul, turning Iran from an anchor of stability in the Persian Gulf and a close ally of the West into a “defiant, fiercely independent, proactively religious, and nonaligned power” (ibid.: 283) that posed the greatest challenge that the US could face from a single country (US National Security Strategy 2006).

While dealing with such an important actor requires a deep understanding of post-revolution developments and various aspects of foreign policy transformations, speculations among world politicians, academia and media in interpreting Iran’s foreign policy has often resulted in further misunderstandings. As some radical interpretations of the principles set for Iran’s foreign policy by the Islamic Republic’s constitution put the country on a conflicting path with the great powers and some regional states from the early post-revolution days, the chance was missed to develop a fair understanding of Iran’s foreign policy in general and its regional policy in particular.

Iran, in the early 1990s, stood at a landmark juncture of both domestic and international developments. The end of the war with Iraq, the death of Ayatollah Khomeini and the presidency of the relatively moderate Hashemi Rafsanjani opened a window of opportunity for plans to create a degree of change in major domestic and foreign policies. Meanwhile, the end of the Cold War and the collapse of the Soviet Union, which resulted in significant transformations of the international system, created considerable changes at the regional level with
grave consequences for the neighbouring countries. Among these changes were the emergence of new sovereign states and the evolution of Central Asia and the South Caucasus into a buffer zone between Iran, Turkey and Russia.

Based on Buzan and Weaver’s classification (2003: 421), the small region of the South Caucasus is a sub-complex in the post-Soviet space, where “not only security questions, but a number of political decisions, strategies and alliances are interrelated. The unsolved conflicts have an enormous impact on both domestic politics and foreign policy strategies.” As Freitag-Wirminghaus (2008: 54) has explained, the presence of numerous outside players and their rivalry for geopolitical control of this globally strategic corner of the world, with its abundant hydrocarbon resources, resulted in a phenomenon that many analysts branded as the ‘new Great Game,’ while the unresolved legal status of the Caspian Sea and consequently its hydrocarbon resources has further complicated the region’s geopolitical scene for decades.

The collapse of the Soviet Union provided Iran – which for much of history has had the region within its sphere of influence – with the opportunity for the revival of historical affinities and the prospect of opening new horizons of influence. It also presented challenges emanating from the initial domestic instabilities in the newly independent republics and ongoing conflicts in the region. In many ways, the potential for Iran to establish closer ties with and to develop considerable influence in Azerbaijan and Armenia was far greater compared to other newly emerging states, as in addition to their shared legacy of Persian rule, both countries have common borders with Iran.

Out of these two new neighbours, Azerbaijan seemed, initially, the best option through which Tehran could project power and influence in the Caucasus. The largest of the three South Caucasus countries, with rich natural resources, in contrast to the other two, Azerbaijan has an overwhelmingly Muslim population where the majority share the same religious sect as Shiite Iran. The existing kinship with the large Azeri population of Iran was considered another valuable asset for building a lasting alliance. However, as this study will demonstrate, regional developments have turned out very differently from what Iran had hoped.

Through a detailed examination of Iran’s relations with the two Republics of Armenia and Azerbaijan, the book has assessed the application and implications of Iran’s foreign policy in the regional context. It has made an attempt to determine the goals, priorities and policies that Tehran pursues in this particular sub-region within the framework of its general foreign policy. The aim is to provide a better understanding of Iran’s foreign policy priorities and behaviour, roots of continuity and factors of change in a regional context.

Research context and significance

Three relevant categories of scholarly publications were examined and reviewed for this research. First are those which have studied Iran’s foreign policy in its general capacity and from different aspects, including Iran’s regional policy. The second group are works that have focused on the South Caucasus and examined
Introduction

various issues such as security, energy and other important regional challenges. The third group are those which have discussed Iran’s bilateral relations with the South Caucasus countries.

The review of the literature, which has relied on constructivism for interpreting Iran’s foreign policy, reveals an absence of consensus among scholars, meaning that, although they recognize ideational factors as the roots of Iran’s behaviour, their accounts of such factors are quite diverse. Some, like Marschall (2003: 4), consider Iranians’ “sense of pride and glory from the knowledge of their past” or what Savory (1990: 59) calls “Iranismus,” which is “the idea of a cultural identity which is distinct from that of other races and peoples in the Middle East,” as the most significant factor in the Iranian identity. Others, like Sariolghalam (2003: 82) or Warnaar (2013), consider the Islamic ideology as the most significant ideational factor, shaping Iran’s policies and behaviours.

Prominent scholars like Hinnebush and Ehteshami, Telhami and Barnett, and Dassuki, Korany and Halliday agree that where rationalist approaches fail to adequately explain some foreign policy behaviours, ideational factors can fill the gap (Warnaar 2013: 14). However, relying merely on ideational factors for analysing Iran’s complex foreign policy would deprive the audience of a comprehensive picture in which other domestic, regional and international factors shaping Iran’s foreign policy can be identified. As Halliday (2005: 32–33) put it, “constructivism and its outriders run the risk of ignoring interests and material factors, let alone old-fashioned deception and self-delusion.”

There are, on the other hand, scholars such as Sick (1987), Calabrese (1994), Ehteshami (2002), Hunter (2010) and Juneau (2015) who have based their studies on examining the material and structural factors shaping Iran’s foreign policy.

Although relying on rationalist theories with their emphasis on ‘state’ and ‘interest’ can help in understanding material factors and systemic elements, or, as Halliday (2005: 33) has put it, provide a “rational, empirical account” of factors shaping a state’s foreign policy, they would deprive the study of examining the values and ideas which form the identity of the state and result in certain foreign policy principles and behaviours. Due to the centrality of ideology in Iran’s foreign policy and continuous emphasis of the Islamic Republic’s leaders on ideological factors, one cannot expect to have a full picture of Iran’s politics by relying merely on rationalist theories.

As the above arguments about the strengths and weaknesses of major International Relations theories in interpreting Iran’s foreign policy show, unless we take a more comprehensive theoretical approach, as this study has done and are not content with one single theory, we would inevitably be left with the unaddressed elephant in the room.

Another category of relevant publications is those that have examined Iran’s foreign policy with regard to major international developments. Many of these scholarly works either cover different aspects of Iran’s foreign policy and relations since a particular juncture in history, such as the end of the Cold War, or focus on bilateral and regional relations following such developments. While a significant number of such publications have focused on Iran’s policy and relations in the
Middle East, most of the works which have looked at Iran’s relations with the South Caucasus have done so in a larger context, that is, together with Central Asia or as part of the Middle East. For example, Ehteshami (1994: 93) has argued that, due to its historical, cultural and religious connections with the Middle East, CCARs (that is, the five Central Asian republics and the two Transcaucasian states of Azerbaijan and Armenia) have become de facto members of the Middle East since their independence, “but function very much as the latter’s periphery.” Other scholars, like Menashri and Hunter, have considered Central Asia and the South Caucasus as one entity with two integral components, as the latter has more common attributes with Central Asia than with the Middle East. However, this study does not consider the South Caucasus as either part of the Middle East or an integral component of one entity with Central Asia. Instead, based on Buzan’s concept of Regional Security Complex, the study has considered the South Caucasus as a sub-system of the post-Soviet security complex.

Scholars who have examined Iran’s policy in the subject region often have conflicting views in this regard. For example, considering the South Caucasus as part of Central Asia, Pahlevan (1998: 74) believes that the Islamic Republic was predisposed to interpret the newly acquired independence of the Central Asian republics as a victory for Islam such analysis of the situation led the Islamic Republic’s leadership to predict its policy in Central Asia on Islamic principles.

On the other hand, Hooglund (1994: 114) argues that those analysts who are “convinced that Iran will spread Islamic fundamentalism throughout Central Asia and the Middle East unless the West undertakes preventive measures” were wrong. Providing evidence to prove that “Iran’s religious activities in the region actually have been muted, paring to insignificance in comparison with the roles of Pakistan and Saudi Arabia” (ibid.: 117), Hooglund concludes that “Iran’s view of its role in Central Asia and Transcaucasia is not the promotion of Islamic activism, but the promotion of mutually beneficial economic activities” (ibid.). Similarly, Ehteshami (1997: 93) describes Tehran’s policy towards the region as “incremental engagement, in which Iran seeks to minimize threats to its own security by promoting stability in the neighbouring regions and by deepening economic exchange.” Then, there are scholars with a view between those introduced above. For example, Menashri (1998: 93) believes that it is beyond argument that “Tehran seeks a ‘return to Islam’ in Central Asia. . . . But precisely what it is doing” and how much it is prepared to sacrifice for such a cause is a matter of dispute. He reckons that Iran has mostly focused on “politically and ideologically mutual topics in its intergovernmental dealings” (ibid.: 92) and, wherever the “revolutionary ideology clashed with national interests, the latter dictated overall policy” without complete abandonment of the former.

As demonstrated by the brief review above, there are at least three theories regarding Iran’s policy in the South Caucasus: one that believes it is ideology-based and bound on spreading Islamic fundamentalism; another that believes
Iran’s policy in the region has avoided ideology; and a third that argues Iran has had its ideological inclinations, but they were limited due to a variety of reasons. Thus, one of the contributions of this book is to examine which theory is closer to reality.

Furthermore, several scholars who agree with the third theory have offered explanations of why it has been so, though some of their arguments can be questioned with valid counterarguments. For example, Haj Yousefi (2008) maintains that despite hostile propaganda, Iran’s policy in Central Asia and the Caucasus has been more inclined towards economic and cultural affairs than religious politics. However, what constitutes “cultural affairs” is, of course, open to debate, particularly when there is a high degree of sensitivity in the receiving state. Moreover, since religion is an integral part of Iranian culture, it is very difficult for Islamic Iran to have cultural activities that do not involve religion.

Another example is Dorraj and Entessar (2013), who, by focusing mainly on the broad context of socio-cultural factors which have shaped and conditioned Iran’s post-Cold War foreign policy and “the ways in which strategic factors interfered with its geopolitical calculations vis-à-vis the region” (2013: 1), have examined “Iran’s evolving interest in, and its foreign policy towards, the states in post-Soviet Central Asia/Caucasus” (ibid.). They have argued that Iran’s policy in the South Caucasus is an integral part of its Eurasian policy; and among multiple factors with different weights that shape Iran’s policy in Eurasia, “the political calculus of national interest overrides ideological concerns” and “Islamic ideology is increasingly used as a mask for realpolitik” (ibid.: 20). The problem with this argument is the often-controversial definition of ‘national interest,’ particularly when ideology is a pillar of the state. The blurred boundaries of definition and opposing views on national interest make a firm judgement rather difficult, while distinguishing true ideologically motivated policies from those that are merely wearing an ideological mask is another hurdle in the way of fair judgement.

Based on his examination of Iranian leaders’ foreign policy philosophy in light of existing options “with regard to the country’s resource needs and ideological goals and the resulting policy direction” (2012: 383) towards the South Caucasus, Sadri has concluded that “Iran’s foreign policy interests in the Caucasus states are manifestly realistic,” with two major goals of diversifying its energy market and balancing the US’s hegemonic influence (ibid.: 386). A similar argument has been made in Chapter 8 of the book Iranian Foreign Policy Since 2001: Alone in the World (2013), which Sadri and Vera Muniz co-authored. This conclusion, however, raises a question about the importance of security and regional stability in Iran’s policies. Is there any evidence to show that the aforementioned goals are so important that Iran should readily sacrifice regional stability for them? If not, could it be concluded that Iran has more important goals in its South Caucasus policy? Or, could it be argued that what Sadri considers Iran’s major goals are in fact Iran’s stepping-stones towards those more important goals?

As demonstrated by this brief review, despite diverse interpretations of Iran’s policies and behaviour in the region, previous studies all have one thing in common, and that is examining the subject from a limited view, involving energy
and the economy. However, in order to have an accurate understanding of Iran’s regional policy, instead of focusing on one or two particular aspects, the research for this book has initially examined the bigger picture, which is the context in which regional policy is formed, including states’ general foreign policy framework and principles, regional geopolitics and the international environment.

Another group of relevant scholarly works has mainly focused on the study of the South Caucasus and discussed Iran’s position as an important player in the region. This group includes Herzig’s *The New Caucasus*. The book examines the South Caucasus from different aspects, including regional International Relations and the specific interests and policies of external actors, including Iran and Turkey. The author maintains that Tehran has adopted increasingly pragmatic policies . . . better suited to its resources, with an emphasis on the resolution of conflicts, the promotion of stability, countering any threat emanating from Azeri nationalism, the pursuit of commercial interests, and the development of north–south transportation and communication links, including oil and gas pipelines, . . . , roads, railways and power grids.

(1999: 113)

Nuriyev’s book offers “both the historical background and the analysis of current problems and future possibilities” in the South Caucasus (2007: 6). The third part of his book addresses the question of outside intervention and international diplomacy, which very briefly and narrowly discusses Iranian influence and policy in the region, as well as its concerns and relations with various regional states and players.

Therme’s chapter in Jafalian’s *Reassessing Security in the South Caucasus* examines Iran’s foreign policy in the region, introducing two reasons for the failure of the Islamic Republic to become the first regional power in the post-Soviet era despite its numerous assets. The reasons are the ethnic hurdle, and the fact that the three small republics chose to adopt a model shared by small post-colonial states, which is to benefit from relations with a wide range of states to maximize their own interests, instead of allowing one particular power to unduly influence their policies (2011: 138). However, as this study has demonstrated, when the Soviet Union collapsed, and the Caucasus Republics became independent, Iran had just come out of a long catastrophic war with Iraq, was under sanctions and lacked the financial and technological capabilities essential for a major regional power to support the emerging states. Hence, Therme’s analysis has shortcomings in a comprehensive examination of the context.

Following extensive discussions of foreign policy positions and contemporary security challenges of South Caucasus countries, German has examined the relations between regional states and various actors, including Turkey and Iran. She argues that the region is significant for Iran “both in terms of security, including territorial integrity and its economic interests” (2012: 126). Following an examination of the consequences of regional geopolitical changes for Iran resulting from the collapse of the Soviet Union, the author discusses the main issues in
Iran’s bilateral relations with the three South Caucasus states, pointing out the effects of the Karabakh conflict on the development of Iran’s regional influence, as well as its bilateral relations with Azerbaijan and Armenia.

The third group of relevant scholarly works focuses on Iran’s bilateral relations with either Armenia or Azerbaijan. Many of these publications have simply provided good examples of partial analysis. For example, in his chapter in *Azerbaijan and Its Neighbourhood in 2003–2013*, while overemphasising Azerbaijan’s regional role, Weitz provides a partisan account of existing challenges in Iran–Azerbaijan relations and focuses on ways that the US and its allies, including Israel, can use Baku to contain Iran’s influence in adjacent regions. He maintains that

by strengthening Azerbaijan’s soft power, the United States would counter Iranian threats because people of the Middle East, Central Asia, and the South Caucasus, would view Azerbaijan, a pro-Western, prosperous, and secular state, as a superior model to that of Iran’s bankrupt theocracy.

(2014: 199)

However, the post-Arab Spring developments in the Middle East leave serious doubts that secular, pro-Western governments are really the people’s choice in this region.

A report published by the European Strategic Intelligence and Security Centre has examined the strategic implications of Iran–Armenia relations for South Caucasus security. The authors claim that the Iran–Armenia alliance serves the hidden agenda of undermining “efforts undertaken by the international community to bring stability to the region and to achieve a peaceful settlement of the Nagorno-Karabakh conflict” (Moniquet & Racimora 2013: 3). While numerous reports from international organizations involved in the region and the resolution of the Karabakh conflict, as well as esteemed scholars who have been monitoring regional developments, have offered evidence and strong arguments to demonstrate how a variety of reasons and a range of failures by different actors have left conflict resolution efforts futile, the authors have failed to offer concrete evidence to support their controversial claim. They have also maintained that Tehran’s strategic choice of relations with Armenia “is indicative of Iran’s will to use the Caucasus as a battlefield of a proxy war with the United States and the European Union in the framework of its nuclear program” (2013: 3), warning about “the long-term consequences of the strengthening of the Yerevan-Tehran axis” (ibid.: 60). However, as this study will demonstrate, Iran has, for reasons which will be discussed, tried to take a non-provocative, non-confrontational and pragmatic approach in the South Caucasus.

There have nonetheless been a limited number of scholarly works with sound theoretical bases and logical arguments; Koolaee and Osuli (2012), for instance, use a diagnostic approach and apply a hermeneutic interpretative method to examine factors which securitized Iran–Azerbaijan relations from 1995 to 2012. They introduce a collection of material, ideational and normative factors that shaped securitized bilateral relations. However, their work relies on the more general and popular aspects of security, which have a limited scope, in comparison to Buzan’s security sector models.
The significance of this book is better elaborated following the review of relevant literature, which demonstrates that while there is a plethora of research on Iran’s policy in the Middle East and relations with its Arab neighbours or other important parts of the world, there remains a striking deficit of empirical and conceptually based research on Iran’s policy and relations with the South Caucasus. The relatively small volume of existing scholarly publications about the subject is mostly limited to papers or book chapters, which inherently limit the scope and depth of the covered issues. Furthermore, many of these publications have largely adopted a narrative approach and stopped short of employing a theoretical framework for analysis. Consequently, they mostly just touch upon Tehran’s most important concerns or main aspects of cooperation in its bilateral relations without going into details or providing any systematic analysis.

By undertaking a systematic approach and employing multiple theories of International Relations, this research has provided an in-depth study of Iran’s policy towards the South Caucasus and bilateral relations with its two South Caucasian neighbours.

With regard to theoretical framework, as demonstrated in the research context, since no single grand theory has the explanatory capacity for capturing the complexity of Iran’s foreign policy or the fast-evolving context in which the policies are shaped, some scholars have argued for using a hybrid model or employing multiple theories to offer a comprehensive tool which would be able to explain different aspects of Iran’s foreign policy. Based on this argument, and in order to offer an enhanced theoretical analysis, this research has employed three popular theories of International Relations, which will be explained further in other parts of this introduction.

Review of the existing literature has also revealed another gap. While the Karabakh conflict has been an important factor in shaping regional geopolitical dynamics, as well as Iran’s bilateral relations with both Armenia and Azerbaijan, most scholars have just touched upon the issue without going into detailed analysis of such effects. Moreover, while new data regarding Iran’s involvement in the conflict has been revealed in recent years, the scholarly community has failed to consider them in their analysis and continues to offer analysis about Iran’s approach and performance towards this conflict based on old data, and in the case of Western academics, mostly based on narratives of Azerbaijani sources.

Using data acquired through interviews with former Iranian diplomats as well as news sources, this study offers an alternative view on Iran’s approach towards the Karabakh conflict that will in turn undermine some existing assumptions about Iran’s bilateral relations.

**Conceptual framework**

As explained before, in order to offer a comprehensive analysis of Iran’s foreign and regional policy, the research for this book has relied on multiple theories of International Relations, which will be explained briefly in this section.

To explain the transformation of Iran’s post-1979 foreign policy direction and principles, the research has relied on constructivism. The seminal works of
Alexander Wendt (1987, 1992), Nicholas Onuf (1989) and Friedrich Kratochwil (1989) are the basis of “the newest but perhaps the most dynamic school of thought among mainstream International Relations theories, constructivism” (Jackson & Jones 2012: 104). As Drezner (2011: 67) has put it, while material factors are considered important by constructivists, the way “social structures filter and interpret the meaning of . . . material capabilities” is even more important in forming the actor’s behaviour in the international arena. “Contrary to both realists and liberals, constructivists argue that the kind of goals held by a state or other actor in world politics emerge from the actor’s identity” (Jackson & Jones 2012: 104). As Wendt (1992: 398) has put it, for constructivists, it is the identity that forms the basis of interest. Nonetheless, identity is not just about “Selves,” but also “Others,” those who are outside the boundaries of “Self” (Jackson & Jones 2012: 105). To see International Relations through the lens of constructivism is, therefore, to focus on the way states, their leaders and various actors conceptualize themselves and perceive their role in the world; this in turn “[translates] into the sorts of goals and interests that those actors pursue in their foreign policy” (ibid.).

Many scholars have relied merely on a constructivist approach for analysing Iran’s foreign policy. However, as Rittberger has argued, although the two-level analysis of constructivism that takes both “the international system and domestic society into account” (2004: 5) is generally the strength of this theory, “it creates difficulty . . . when the international and the domestic value-based expectations of appropriate behaviour which a state acknowledges as defining its role in a given situation are at odds with one another” (ibid.). Iran’s Islamic Republic is the obvious example of such a situation, as its value system is frequently at odds with international norms of behaviour. Therefore, this study has limited the application of constructivism to explaining the role of ideational factors which have shaped the framework and principles of Iran’s foreign policy as well as some aspects of relations with its neighbours.

The research, on the other hand, has employed defensive realism to explain Iran’s altering foreign policy approach and significant differences between its policies in the Middle East and in the South Caucasus and its relations with the Republics of Azerbaijan and Armenia. Realist theories comprise the oldest school of political thought. Different strands of realism are commonly concerned with the ‘sovereign state in the anarchic world,’ with anarchy being the absence of a centralized, legitimate authority as the overarching constraint of world politics (Drezner 2011: 33). According to realists, anarchy and the absence of a world government have two direct consequences. “First, nothing can impede the normal recurrence of war; and second, states are responsible for their own self-preservation” (Chiaruzzi 2012: 39).

Defensive realism derives primarily from Waltz, who proposed that “defensive strategies are often the best route to security” (Lynn-Jones, as quoted by Rudloff 2013: 46). Waltz (1986: 129) argued that “states will ally to negate the ascending power of another. Once the power equilibrium is restored, the allied states pursue their interests independently, only to balance again in the future when one state disrupts the distribution of power.” As Taliaferro (2000: 129) has further
expanded, “under anarchy, many of the means a state uses to increase its security decrease the security of other states. This security dilemma causes states to worry about one another’s future intentions and relative power.” He argues that

defensive realism proceeds from four auxiliary assumptions that specify how structural variables translate into international outcomes and states’ foreign policies. First, the security dilemma is an intractable feature of anarchy. Second, structural modifiers such as the offense-defence balance, geographic proximity, and access to raw materials influence the severity of the security dilemma between particular states. Third, material power drives states’ foreign policies through the medium of leaders’ calculations and perceptions. Finally, domestic politics can limit the efficiency of a state’s response to the external environment.

(ibid.: 131)

Many scholars have pointed out the difficulty of distinguishing between defensive and offensive realism, as they both assume that states seek power through similar means (Snyder, as quoted by Rudloff 2013: 46). Hence, they both result in states engaging “in similar foreign policy behaviors, but the key difference is in the degree to which states engage in these foreign policy strategies” (Rudloff 2013: 46).

In his 2013 paper, Trevino discussed two distinct theories about Iran’s behaviour, particularly in the Middle East. One, based on an offensive realist perspective, holds that “Iran sees a chance to become a regional hegemony, meaning it intends to take all opportunities and push itself into the dominant possibly even imperial position in the Middle East.” Employing defensive realism and considering Iran’s history, the other view argues that Iran perceives itself as a survivor in a world full of enemies, and hence is looking to maximize its security as a defensive mean. The existence of two opposing interpretations for the foreign policy behaviour of one state can stem from two facts. One is the complexity of that state’s politics, which result in misperceptions. The other is the blurry boundaries between offensive and defensive realism and the fine line between power maximizing and security maximizing policies.

The study has also adapted parts of Buzan and colleagues’ security theory. Through his early post-Cold War works, Buzan made an effort to expand on existing security theories as with further analytical tools for explaining the emerging world order and the relations between various actors under the new circumstances. The focus of Buzan and his colleagues was particularly on centre–periphery relations and the effects of new patterns of relations between major powers on the security agenda of periphery and Third World states. “The replacement of a polarized centre by one dominated by the capitalist security community seems almost certain to weaken the position of the periphery in relation to the centre” (Buzan 1991: 451), because “the value of periphery countries as either ideological spoils or strategic assets in great-power rivalry” has been lowered (ibid.: 439). He further explains that changes in the centre would not only redefine the centre–periphery relations, but also the relations between periphery states as well (ibid.: 451).
Another concept developed by Buzan and his colleagues was ‘regional security,’ based on the belief that “security is a relational phenomenon. [Hence], one cannot understand the national security of any given state without understanding the international pattern of security interdependence in which it is embedded” (as quoted by Stone 2009: 6). The issue of amity and enmity among states is at the core of Buzan’s regional security concept, which “represents a spectrum from friendship or alliances to those marked by fear” (ibid.) and cannot be merely attributed to the balance of power. “The issues that can affect these feelings range from things such as ideology, territory, ethnic lines, and historical precedent” (ibid.). The regional security concept has been further enhanced with the concept of ‘security complex,’ which means “a group of states whose primary security concerns link together sufficiently closely that their national securities cannot realistically be considered apart from one another” (Buzan 2007: 190).

While the study has used the above definitions in analysing interregional relations in the South Caucasus as well as relations with outside players, the concept which has played an important role in this research is ‘security sectors.’

The use of sectors confines the scope of enquiry to more manageable proportions by reducing the number of variables in play. Items identified by sector lack the quality of independent existence. The purpose of selecting them is simply reducing the complexity to facilitate analysis.

(Buzan & Waever 1998: 8)

With this purpose in mind, Buzan and his colleagues expanded security sectors from military and political to cover the three additional areas of societal, economic and environmental as well. As explained in Buzan’s paper (1991: 433), “five sectors do not operate in isolation from each other. Each defines a focal point within the security problematique, and a way of ordering priorities, but all are woven together in a strong web of linkage.” As they further explain (1998: 7),

one way of looking at sectors is to see them as specific types of interaction. In this view the military sector is about relationships of forceful coercion, the political sector is about relationship of authority, governing status and recognition; the economic sector is about relationship of trade, production and finance; the societal sector is about relationship of collective identity; and the environmental sector is about relationships between human activity and the planetary biosphere.

In summary, this study has relied on constructivism to explain Iran’s post-revolution foreign policy overhaul and some aspects of its bilateral relations and has used defensive realism to interpret different foreign policy approaches and analyse factors shaping its bilateral relations. Regional Security Complex theory has been employed for explaining regional dynamics in the South Caucasus, as well as systemic changes in the post-Cold War era, and the sectoral model has
been applied as the main framework for analysing Iran’s relations with the two Republics of Armenia and Azerbaijan.

**Book structure**

In order to have an accurate understanding of Iran’s South Caucasus policy and its bilateral relations with the two Republics of Armenia and Azerbaijan, it is important to have a comprehensive picture of the context in which the policies and relations are formed. Iran’s regional policy is developed within a two-dimensional context. The first dimension is the regional context and the existing dynamics of the particular region in question. The second is Iran’s general foreign policy and its international status and relations. Iran’s regional policy is the outcome of the continuous complex interaction of these two contexts, in which the policies and relations are formed. Based on this argument, the structure of this thesis is as follows:

**Chapter 2** focuses on introducing the South Caucasus, its significance in the international system and its importance for major regional and external players. The chapter provides an account of the shared reasons of interests for various players, which include energy resources and transport routes, security and consumer markets.

It then moves on to introduce the goals, priorities and policies of each important player involved in the South Caucasus. The chapter concludes that the United States’ main goals in the region have been ‘balance of power’ and ‘provision of security in its broader term.’ Resorting to pipeline diplomacy, initiatives for integrating the former Soviet republics in Western-oriented organizations and financial aid have been among the most important instruments employed by the United States to achieve its goals and establish a comfortable influential position in the politics and economies of the region.

The EU’s main goals have been diversification of energy resources and their transport routes, as well as development of security and stability in the region. Although the EU still lacks a grand strategy or even a coherent policy towards the South Caucasus, it has increased its involvement through major initiatives such as the European Neighbourhood Policy and the Eastern Partnership Initiative.

As an organization whose main mission is the provision of security for its members, NATO, in the post-Cold War era, had to rebuild its image for the South Caucasus countries while avoiding any tensions with Russia, to be able to keep a reasonable degree of presence in the region. Therefore, it has programmes such as Partnership for Peace to achieve this purpose.

After initial setbacks resulting from the collapse of the Soviet Union and post-Cold War struggles to rebuild its strength and presence, Russia’s involvement in the region was increased following the adoption of a ‘Eurasianism’ approach in its foreign policy. To guarantee its interest in this region, which is perceived as Moscow’s backyard, Russia has employed different means, from competing organizations and pipeline networks to manipulating conflicts and economies for balancing its power against the US by keeping regional countries under its own
sphere of influence. When none of the above means has achieved the expected results, Moscow has used its economic leverage or military might (such as the 2008 Georgia War) to get what it wants.

Turkey’s initial ambition to fill the vacuum left by the collapse of the Soviet Union with its own influence based on historical, political, economic and strategic regional pull proved to be unrealistic in the face of the great financial and technological support that the newly independent republics required for their initial stability and development. However, it has maintained efforts as an active influential actor in the South Caucasus as well as a hub for connecting energy-rich countries of the post-Soviet space to international markets.

Chapter 3 focuses on Iran’s foreign policy. It initially offers a brief outline of Iran’s foreign policy during Pahlavi’s reign and moves on to review foreign policy in different post-revolution periods, with a brief introduction about factors shaping Iran’s foreign policy, such as history, geopolitics and ideational characteristics. It is important to note that while factionalism is an important domestic factor shaping Iran’s foreign policy, this study has made only quick references where necessary, as extensive discussion is outside of the scope of this research.

The section “From revolution to the end of the Iran–Iraq war (1979–1989)” explains how the establishment of the Islamic Republic brought about a new set of religious-based norms and identity. Although the new identity of the state was not entirely exclusive of the ‘nationalist elements of identity,’ but certainly had a different worldview, values and priorities, which resulted in a complete overhaul of Iran’s foreign policy amid the revolutionary atmosphere. The section explores how the radical interpretation of foreign policy principles and revolutionary fervour put Iran on the path of conflict with regional and great powers, and how the war with Iraq isolated the country further, pushing Tehran to gradually depart from its isolationist approach and to mend its fences, initially with its neighbours and then the great powers.

Subsequent sections focus on the Rafsanjani and Khatami administrations. Following the discussion of the consequences of post-Cold War systemic changes for Iran’s security, important steps undertaken by these two presidents for further rapprochement with the world, and some of the challenges they faced are introduced. The chapter then discusses Iran’s post-September 11 foreign policy, explaining the consequences of a securitized international atmosphere for Iran’s conciliatory efforts and how those negative effects resulted in the securitization of Iran’s domestic and foreign policy, giving the principalists (Neocons) a chance to rise to power and to take a hostile confrontational approach in the international arena. By reviewing Ahmadinejad’s foreign policy, the process which resulted in the deterioration of Iran’s international status, including further complication of the nuclear dilemma and increased punitive sanctions, is described. The following section reviews Rouhani’s foreign policy and its relative success in defusing the securitized atmosphere against Iran, which had portrayed the country as a threat to global security.

The chapter concludes by emphasizing that Iran’s foreign policy principles have remained the same throughout the life of the Islamic Republic. However, as
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Iran’s multifaceted and complex foreign policy apparatus has continuously tried to strike a balance between ideology and pragmatism, it has frequently changed its approach in response to regional and international developments in order to guarantee the state’s security and survival.

Chapter 4 examines Iran’s policy in two regional systems of the Middle East and the South Caucasus.

Following an introduction explaining Iran’s place in the Middle East security complex, the chapter initially explores Iran’s Middle East policy during the Cold War, both under Pahlavi and in the post-revolution era. Providing an analysis of the post-Cold War systemic changes in the Middle East, the chapter continues to examine Iran’s post-Cold War Middle East policy under different administrations.

In studying Iran’s policy in the South Caucasus, after provision of a historical background on Iran’s relations with this region, which used to be an integral part of Persia up until the nineteenth century, the chapter explains the significant consequences of the dissolution of the Soviet Union for Iran, moving on to discuss Iran’s post-Cold War policy in the South Caucasus. In providing evidence for the argument that Iran’s main goals in the region have been extending its influence and increasing security, the case of the Karabakh conflict and Iran’s role are examined using data published in recent years.

The chapter concludes by identifying two major drivers of ‘security’ and ‘influence’ for Iran’s regional policy and arguing that Tehran has exploited opportunities to extend its influence and forge closer relations with various regional players. However, while Iran’s efforts for regional integration have been challenged in both regions, its lack of success has been more obvious and extensive in the South Caucasus. The absence of strong anti-Western/American sentiment, lighter ideological tendencies and greater economic dependence of regional countries on the West, particularly the US, are introduced as the main reasons for this situation. Another reason is the level of attention and investment that Iran has been able to apply to the South Caucasus considering its resource limitations.

Chapter 5 focuses on Iran’s bilateral relations with Azerbaijan. Following a discussion of Azerbaijan’s pre-independence history, its foreign policy is reviewed. The chapter provides the historical background of Iran’s relations with Azerbaijan since the inception of a political entity with the name of Azerbaijan north of the Aras River, and then examines the bilateral relations in the post-Cold War era.

Using Buzan’s sectoral concepts, the chapter considers the relations under the five categories of political, military, societal, economic and environmental factors. Through the examination of the political dimension of the relations, the study demonstrates how Baku poses a threat to Iran’s ethno-territorial integrity by promoting the myth of Southern Azerbaijan and encouraging the idea of Greater Azerbaijan. The dispute over the legal status of the Caspian Sea is also revisited from Iran’s viewpoint of territorial integrity. It is also explained that opposing states’ natures have resulted in a perception of political imposition as
well as contending patterns of amity and enmity in these two countries, which has consequently created more security threats and tensions in their bilateral relations.

The military section discusses the limited cooperation in this area, as well as existing challenges and threats, such as the militarization of the Caspian Sea, the potential for exploitation of Azerbaijan’s air and land space for attacking Iran, Azerbaijan’s arms deal with Israel and its military and intelligence cooperation with the latter against Iran, and Tehran’s efforts in countering these threats.

The societal section reviews the complex cultural and ethnic relations between the two countries, including the shared ethnicity which has provided Baku with a precedent for irredentist sentiments and the shared cultural heritages which have become another bone of contention and extended the scope of rivalry to cultural issues, as well as the common sectarian confession, which is perceived as an element of threat for Azerbaijan’s secular state living beside a Shiite theocracy.

The section on the economy looks at areas of cooperation such as trade and energy, discussing barriers to further expansion of cooperation, which are mainly either infrastructure deficiencies or political barriers, such as sanctions. The section also explains that, despite their trade and economic cooperation, the two countries compete over hydrocarbon resources, transport routes and markets. Moreover, the economic interdependence is not deep enough to result in closer political relations or to not be affected by political tensions.

The environment section introduces Caspian pollution as the main environmental challenge between the two countries, arguing that the undetermined legal status of the Caspian Sea has resulted in the failure of littoral states to accept responsibility for environmental protection of the Sea.

The chapter concludes that, while there certainly is room for improvement of bilateral relations through confidence building and détente, the existence of geopolitical imperatives and conflicting interests such as territorial disputes, resource and market rivalries, incompatible nature of states and interference of outside players which has securitized the bilateral atmosphere makes partnership between the two countries an unlikely development.

Chapter 6 examines Iran’s relations with the Republic of Armenia, using the same structure as Chapter 5. It begins by providing historical background about Armenia and its relations with Iran over several millennia and then discusses Armenia’s foreign policy, particularly in the post-Cold War era.

Using the same sectoral model, the chapter examines various aspects of bilateral relations. Several political factors have drawn the two countries closer together, such as isolation; mutual concerns with regard to the expansionist aspirations of Turkey and Azerbaijan; development of an alliance involving Russia, Armenia and Iran against the US, Azerbaijan and Turkey; and the importance of the Armenian lobby for Iran. The fact that Armenia has never considered Iran’s state ideology as an impediment for developing relations has been an important factor