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The Transformation of Iran's Geo-Economic and Geopolitical Interests after the Second Nagorno-Karabakh War

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ABSTRACT

Regardless of all the clashes between Azerbaijan and Armenia after the first war, the conflict in September 2020, also known as the Second Karabakh War, significantly changed the power distribution of the South Caucasus. Iran's interests, as a neighbor to both warring sides, are directly related to this conflict. The main question that this study aims to answer is: How has the 2020 Nagorno-Karabakh War affected Iran's geopolitical and geoeconomic interests in the South Caucasus? This study analyzes Iran's geopolitical and geoeconomic interests that have been affected by the Second Karabakh War, based on Buzan's four levels of analysis. The main hypothesis is that the Second Nagorno-Karabakh War, by changing the political and economic dynamics of the region, has affected Iran's geopolitical and geoeconomic interests at the domestic, regional, interregional, and global levels. This study employs an explanatory method, analyzing books, articles, and reports to support its findings.

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1. Introduction

In September 2020, the Republic of Azerbaijan, with the support of Turkey, began an operation to retake the Nagorno-Karabakh region and its surrounding territories. The most significant accomplishment of the war for Azerbaijan was the Armenian withdrawal from the territory outside its internationally recognized borders and the securing of transport rights to the Nakhichevan Autonomous Republic. Following the conflict, Russia deployed 1,960 peacekeepers to the region to monitor the Lachin corridor, and the Armenian side agreed to return the Kalbajar district.

It is impossible to analyze Iran's foreign policy in the South Caucasus without examining the effect of the Second Karabakh War on Iran's interests. As a neighboring country with deep ethnic, religious, political, and economic ties to both Azerbaijan and Armenia, the Islamic Republic of Iran has been directly and indirectly affected by this war and its consequences. The effects of the six-week war between Baku and Yerevan can, therefore, be seen to impact Iran's interests. In each section of this study, Iran's general interests at the related level will be discussed briefly, followed by an analysis of how the war has affected Iran's geoeconomic and geopolitical interests, based on Buzan's four levels of analysis.

The domestic level refers to the internal affairs of states. Changes in the political systems of Azerbaijan and Armenia can directly and indirectly affect every aspect of the Iran-South Caucasus relationship. In addition, the 2020 war mainly affected the power distribution of the South Caucasus at the regional level. Tehran's orientation and approach toward the South Caucasus security complex can thus be analyzed at the regional level.

Beyond the two warring sides, Russia, Turkey, and, to some extent, Israel were the three countries that affected the course of events at the interregional level. At the same time, Iran's interests are highly tied to Turkey, Russia, and Israel; therefore, any alteration in the region's power distribution at the interregional level can affect Iran's geopolitical and geoeconomic interests. Finally, the effects of the Minsk Group, the EU, and the US's relationship with the 2020 war on Iran's interests can be categorized under the global level.

This research will not analyze the effects of the 2020 war on Iran's interests based on different political, economic, or military dimensions. Instead, it will study the effects of the 2020 war based on Buzan's four levels of analysis. The problem this study addresses is to investigate how the Second Karabakh War affected Iran's geopolitical and geoeconomic interests in the South Caucasus.

2. Literature review

The author of this article seeks to answer the question of what policies the Islamic Republic of Iran has adopted in response to this crisis, and what the reasons and logic behind those policies are. In response to this question, the research's hypothesis is that due to Iran's specific interests in the South Caucasus region, as well as its historical ties with the conflicting parties, an approach based on positive neutrality has been adopted by Iran regarding this crisis. The approach of positive neutrality means that a country seeks to somehow influence the course of a crisis and play a role in the de-escalation process without taking sides with any of the involved parties. The research findings indicate that in this crisis, the Islamic Republic has directed its policies toward reducing tensions between the two countries without favoring either of the parties involved (Almasi, 2023).

Mammadli states that in the aftermath of the Karabakh War, Turkey's growing role in Azerbaijan has caused dissatisfaction in Iran, just as the potential impact of increasing pan-Turkic sentiments in Azerbaijan on Iran's Azeri population has also raised concerns. The presidency of Ebrahim Raisi coincided with a period in which Iran faced new challenges, including the emergence of a new geopolitical structure in the South Caucasus following the

war between Azerbaijan and Armenia in September 2020. The author also states that Azerbaijan will not abandon its pro-Western political course to deepen relations with Iran, nor will Iran adopt an anti-Armenian stance on the Karabakh conflict to gain Azerbaijan's full support (Mammadli, 2023). The author (Pegolo) argues that following the 2020 Nagorno-Karabakh War, the Caucasus has become fertile ground for the geopolitical ambitions of middle powers, who are competing to fill the void left by the post-U.S. regional order. This sudden conflict has shifted regional equilibria, compelling Iran, Turkey, and Russia to compete for influence. The emerging balance of power has become more fragile due to the intervention of extra-regional actors such as Pakistan and Israel, as well as China's vested interests in strategic infrastructures in the Caucasus. Evidence suggests that Iran, unprepared for a military and political proxy war in the Caucasus, has chosen to retreat from the region. The best way to understand Iran's strategy is as deliberate damage control: Tehran had the most to lose from the entrenchment of a hot conflict on its borders. While Iran's strategy has been effective in achieving most of its fundamental security objectives, it has resulted in a significant decline in its regional influence (Pegolo, 2021). Additionally, Ganjkanlo's research attempts to find a solution for the Karabakh conflict based on political commonalities between Iran and the two South Caucasus countries (Ganjkanlo, 2020).

Iran's position in the region between 1997 and 2018 has been discussed in Azizi and Hamidifar's research, and they believe that Iran is looking for neutrality, a peaceful resolution, and a decrease in the presence of trans-regional powers (Azizi & Hamidfar, 2021). Among the post-war articles, Cory Welt and Andrew S. Bowen briefly discussed the events before and during the 2020 war. They believe that the Second Karabakh War led to an increase in the influence of Russia and Turkey and created a new balance of power (Cory Welt & Andrew Bowen, 2021). Vali Kaleji believes that compared to other mediation groups in the Karabakh conflict, the 2+3 mechanism, including Iran, Turkey, and Russia with Armenia and Azerbaijan, can be a very helpful way to solve this long-lasting conflict (Kaleji, 2020). In another article, Fathabadi, Moeinabadi, and Doosthosseini try to investigate the factors that affected Iran's foreign policy, from a tendency toward Armenia to supporting Azerbaijan (Abbaszadeh Fathabadi, Moeinabadi Bidgoli, & Doosthosseini, 2021). There have been many resources regarding the issue of Iran and Karabakh, such as its role, interests, and mediation; what the current article tries to study is how the political and economic changes after the Second Karabakh War affected Iran's geopolitical and geoeconomic interests.

3. Theoretical framework

The collapse of the Soviet Union and the end of bipolarity in the international arena necessitated a new definition of order and a new framework for understanding security. Consequently, scholars were forced to broaden their view of security issues. Buzan's Regional Security Complex Theory (RSCT) is the central figure of the Copenhagen school of thought. One of the most important purposes of this theory is to ensure that local factors receive their proper weight in security analysis (Buzan & Wæver, 2003). Buzan and Waever believe that a regionalist approach could have been an important part of the constellation of security in the international system, not only after the end of bipolarity but also during the Cold War. Buzan believes that the regional level has the ability to analyze local factors and can provide a better understanding of events happening in international affairs.

In 2003, Buzan and Waever published their book, *Regions and Powers: The Structure of International Security*. In this book, they introduced the regional level of security for a better understanding of international relations. The main idea that Buzan discusses in *Regions and Powers* is that due to the end of the rivalry between the USSR and the US, local powers have more room to maneuver (Soltani, Ekhtiari Amiri, & Naji, 2014). They define RSCs as "A set

of units whose major processes of securitization, de-securitization, or both are so interlinked that their security problems cannot reasonably be analyzed or resolved apart from one another" (Buzan & Wæver, 2003).

The main idea of *Regions and Powers* revolves around analyzing different RSCs based on four levels of analysis. RSCT 'specifies what to look for at four levels of analysis and how to interrelate these' (Buzan & Wæver, 2003). These four levels are:

- **Domestic level:** In which RSCT studies the features of the states that make them vulnerable.
- **Regional level:** The relations among the states within a region.
- **Interregional level:** The study of a region's relation with neighboring regions.
- **Global level:** The role and interaction of the global level in a region.

What this research needs is to ensure that all local and regional factors are taken into consideration. Analyzing the effects of this war on Iran requires a more local and regional perspective. An important part of the RSCT that will be applied in this research is the level of analysis. Buzan and Waever analyzed the security dynamics of each RSC through four levels. Therefore, each of the effects of the 2020 Karabakh War on Iran's geopolitical and geoeconomic interests will be analyzed through their proper levels of analysis.

At the domestic level, this research aims to analyze the correspondence between state and nation and the domestic order in Azerbaijan and Armenia after the Second Karabakh War, and to examine the effects of these changes on Iran's geopolitical and geoeconomic interests. RSCT believes that the regional level will always be operative. The relationship between Azerbaijan and Armenia generates the South Caucasus region. The effects of the new power distribution, transit corridors, regional projects, and, most importantly, the Nakhichevan route on Iran's geopolitical and geoeconomic interests will be discussed at the regional level.

The interregional level studies the South Caucasus's relations with Russia, Turkey, and Israel. Since there are no global powers in the Caucasus security complex, Azerbaijan and Armenia have strong ties with neighboring powers like Russia and Turkey. Among these variables, Israel's role in the South Caucasus is one of the most sensitive factors for Iran.

At the global level, this study tries to analyze the interaction between the global and regional security structures, which refers to the Azerbaijan-Armenia relationship with the Minsk Group, the European Union, and the United States. Subsequently, it will analyze how this interaction affects Iran's geopolitical and geoeconomic interests at the global level.

4. Iran's Geopolitical Interests before and after the War

Prior to the 2020 Karabakh conflict, the Islamic Republic of Iran's policy was to preserve the status quo and international borders. In addition, Tehran sought to curtail the impact of extra-regional actors within the region, specifically Turkey, NATO, and Israel. These interests were rooted in national security imperatives and geopolitical calculations.

Iran, like all countries involved in the region, viewed this conflict through the lens of its own national security. The situation in the South Caucasus, however tense and unstable, was a situation Tehran did not seek to alter. Any alteration could unleash unpredictable forces, rekindle uncontrollable conflict, generate a flow of refugees, facilitate separatist movements—especially in Iran's northern provinces (due to a large Azeri population)—and, most importantly, destabilize the South Caucasus (Hunter, 2017). The then-Foreign Minister Mohammad Javad Zarif pointed out that Iran was seeking "respect for the territorial integrity of countries" (Zarif, 2017). This shows that maintaining international borders was a crucial matter for Tehran.

Before the 2020 conflict, Iran not only tried to preserve the borders but also sought to curtail the growing presence and influence of Israel, NATO, and Turkey. From Iran's point of view,

the Israel-Azerbaijan partnership is a genuine concern to its national security, and military collaboration is clear evidence of this for Tehran. Tehran believes that Israel is establishing a strategic foothold on Iran's northern border, conducting intelligence operations, and creating pressure alongside its presence near Iran's western borders (Grigoryan, 2016). Through Tehran's lens, this conflict has been constantly intensified by Israel in order to undermine and push back Iran's presence in the region.

Tehran believes that Turkey's support of Azerbaijan extends beyond common historical and cultural interests, as it has advanced beyond mere discourse to tangible political and military steps. Iran is concerned about Turkey's growing influence and its pan-Turkic ambitions in Central Asia and the Caucasus. Beyond this, Tehran interprets this expansion as a challenge to its own national interests. The potential consolidation of a Turkish-Azeri bloc posed significant strategic anxieties for Tehran, particularly regarding its possible exclusion from regional power structures (Valiyev & Edwards, 2018).

Iran has its own share of reasoning for distrusting NATO. Actions that seem hostile to Iran are as follows: Azerbaijan's collaboration with NATO on different programs, such as the Partnership for Peace (PFP), and its direct and indirect partnership with member states like Turkey and Israel are among the causal factors that Iran interprets as a gradual expansion of Western-aligned military partnerships into a region Iran claim is within its legitimate security perimeter. This represents a core challenge to Tehran's regional hegemony framework. Iran consistently sought to block what it saw as NATO's slow but steady advance toward its frontiers (Herzig, 2016).

Iran's regional strategy prioritized minimizing extra-regional interference, particularly in the Nagorno-Karabakh conflict, where it consistently promoted "locally brokered resolutions." By cultivating ties with both Yerevan and Baku, Tehran sought to position itself as an intermediary, advocating for diplomatic engagement through existing frameworks like the OSCE Minsk Group while simultaneously advancing parallel "regional initiatives" that marginalized Western involvement (Hunter, 2020). This dual-track approach—endorsing multilateral dialogue while emphasizing neighbor-led mediation—reflected Iran's broader objective of deterring great-power proxy competition and asserting its centrality in Caucasus security architectures (Ehteshami, 2022). Such efforts underscored Tehran's ambition to be perceived as an indispensable stakeholder in shaping the region's political trajectory.

The 44-day Nagorno-Karabakh conflict in 2020 did not redefine Iran's core regional priorities; rather, it "acutely heightened and materialized Tehran's pre-war strategic apprehensions." Large-scale combat operations irrevocably shattered the fragile equilibrium Iran had tried to maintain. Significantly, the decisive impact of Turkish drone warfare systems (notably the Bayraktar TB2), advanced Israeli precision weaponry, and documented transfers of Syrian paramilitaries via Ankara confirmed Iran's long-standing fears regarding the depth of Turkish-Israeli military-technical cooperation along its northern frontiers (Cornell, 2021).

The post-war territorial realignment—marked by Azerbaijan's gains, Moscow's peacekeeping deployment, and Turkey's institutionalized role via the joint monitoring center—precipitated a geopolitical reconfiguration. While hostilities ceased, Tehran interpreted the outcome as having "exacerbated its fundamental pre-2020 concerns": adversarial military assets now operated with enhanced proximity to its borders, the regional balance tilted toward Turkey-Israel-Azerbaijan coordination, and the normalization of forceful border revisionism established a destabilizing precedent for Iran's own multi-ethnic territorial sovereignty (Aslanli & Valiyev, 2022). Consequently, Iran's post-conflict engagements reflect intensified efforts to navigate this transformed landscape while pursuing its immutable objectives—border integrity and containment of hostile influence—amid profoundly complicated operational realities.

5. Iran's Geopolitical and Geoeconomic Interests After the 2020 War: A Four-Level Analysis Based on Buzan's Framework

5-1. The Domestic Level

At the domestic level, political stability, the weakening or marginalization of pro-Western perspectives and political parties, and the preservation of Armenia's political independence and national sovereignty are among the main policies that Tehran has been applying in its relationship with Yerevan. Iran prefers the rise of moderate, pro-Russian parties in Armenia's political sphere and the marginalization of parties that support Armenian integration with Europe. In the meantime, Tehran needs a stable government in Yerevan to stand against Azerbaijan's dominance and Turkey's military, political, and economic expansion into the South Caucasus region, and to maintain the security of the Syunik province, as it gives Iran easy land access to Armenia and Europe.

For Armenia, the 2020 ceasefire agreement caused a great deal of dissatisfaction and led to a political crisis (Huseynov, 2020), increased civil disturbances, and put more pressure on the government (Bivainis, 2022). Since one of the main reasons for the Second Karabakh War was the rise of a pro-Western Prime Minister in Armenia, in the post-war period, Nikol Pashinyan has been forced to reconsider his radical domestic politics, and Yerevan has become more dependent on the Kremlin (Miholjcic, 2021), which can subsequently lead to a moderation of Armenia's behavior toward Iran. The spread of anti-Western sentiment and mistrust of pro-Western parties was something that Tehran has always sought. The Second Karabakh War led Yerevan to lean more toward Russia and, subsequently, Iran. The weakening influence of pro-Western dialogue in Armenia can be considered a positive consequence for Tehran at the domestic level. The more Western perspectives are weakened in Armenia, the more room there will be for Iran-Armenian bilateral collaboration.

On the other side of the coin, Yerevan's defeat in the 44-day war decreased the correspondence between state and nation, which can lead to future political instability in Yerevan (Bohlen, 2021). Considering Iran's close partnership with Armenia, the presence of an unstable and weak government in Yerevan, especially with Pashinyan's decreasing popularity, not only cannot fulfill Iran's interests in maintaining a balance of power in the region but also, at some points, can put them in jeopardy. Additionally, an unstable government in Yerevan cannot guarantee Iran land access to the Syunik province, which has high priority in Tehran's political system. In fact, the opening of the Consulate General of Kapan was part of Tehran's reaction to the possible change in the geopolitics of the region (Gavin, 2022). All in all, the decrease in correspondence between state and nation in Armenia, which increases political instability, has a negative effect on Iran's interests at the domestic level.

5-1-1. Power Structure in Azerbaijan

Iran's interests in the political structure of Azerbaijan lie in political stability, the marginalization of pro-Western and nationalist movements, and the strengthening of moderate and Islamic groups. The Popular Front Party of Azerbaijan (PFA) and the Musavat Party—the former founded by Elchibey and more pro-Western, and the latter more pan-Turkic and conservative—are Aliyev's two main opposition parties, and they mostly have an anti-Iranian stance. Therefore, their political presence in the government's decision-making process could worsen the Iran-Azerbaijan relationship (Samadov, 2022).

Meanwhile, the irredentism factor is a serious issue for Tehran in its relationship with Baku, since there are many separatist movements in different parts of the country. In fact, the PFA and the Musavat Party have a nationalistic stance and support the unification of Iranian Azeri provinces with the Azerbaijan Republic (Guliyev, 2019). Additionally, any kind of instability could not only affect the Baku-Tehran bilateral relationship but also spill over into the Azeri population in Iran.

Although during the Elchibey era, Azeri nationalism was provoked more than ever, Ilham Aliyev has tried a damage control policy and, to some extent, prevented the provocation of Iranian Azeris (Kouhi-Esfahani, 2016). Despite all the ups and downs, it seems that the ruling party of Azerbaijan, the New Azerbaijan Party, has less of an anti-Iranian tendency compared to the Musavat and PFA, which can be considered anti-Iranian parties (Abedi, 2016). Therefore, in the big picture, Aliyev's party has a better chance of stabilizing the Tehran-Baku relationship more than its opposition ones, since, from Tehran's perspective, Aliyev is the lesser of two evils.

The victory of the Second Karabakh War has strongly strengthened Aliyev's legitimacy against his opposition groups. Since their main argument before the war was the government's indecisive approach to restoring the Karabakh region, they somehow lost their mobilizing potential against the ruling party (Samadov, 2022). The marginalization of the nationalists and pro-Western parties is considered a positive consequence of the 2020 war at the domestic level, since they consider the Azerbaijani provinces of Iran to be part of a greater Azerbaijan nation. For Tehran, dealing with Aliyev is a more plausible option than his opposition parties.

The fact is, Aliyev has less of a tendency to provoke Iranian ethnic sentiment. This performance, at least in the short term, can stabilize the Iran-Azerbaijan relationship and expand their bilateral cooperation. Additionally, the security of Iranian Azeri provinces can be better preserved with Aliyev in power in Baku compared to nationalistic parties, and Tehran will be less concerned about the spillover of ethnic tension across its border. In conclusion, the strengthening of the ruling party's power in Azerbaijan's political structure as a result of the 2020 war can be considered a positive outcome of this war on Iran's interests at the domestic level.

5-1-2. The Regional Level

5-1-2-1. Power Distribution in the Region between Azerbaijan and Armenia

Iran's policy toward the Caucasus has been realistic and driven by geopolitical interests and considerations rather than ideology. Additionally, Iran's policies in the South Caucasus at a regional level are influenced by several factors, such as border security, territorial integrity, national sovereignty, national unity, economic development (Dehghani Firuzabadi, 2010), preventing the spillover of conflicts, averting the Azeri-Armenian conflict from affecting co-ethnics inside Iran (Shaffer, 2003), ensuring easy access to Europe, supporting the establishment of stable states, and guaranteeing energy transition (Mehrani, 2022). Meanwhile, due to Azerbaijan's alliance with the US and Israel, Iran has been leaning toward an alliance with Armenia (Dehghani Firuzabadi, 2010), which requires a balance of power in the region in favor of Yerevan.

The Second Karabakh War changed the power distribution in the South Caucasus. Azerbaijan was the clear victor of this war, and Aliyev succeeded in consolidating his position in the region (Stawarz, 2020). The six-week war increased Baku's bargaining power over Iran at the regional level. One sign of this can be seen in the arrest of two Iranian truck drivers in September 2021, which demonstrated that Baku was less concerned with the geopolitical and geoeconomic interests of its southern neighbor and decided to send a public message to Tehran. This was later answered by the latter's military exercises next to Azerbaijan's border (Mamedov, 2021). In such a situation, negotiations between Iran and Azerbaijan over ethnic issues, the regional corridor, and, most importantly, cooperation with Israel, would be problematic. Moreover, compared to the past, Azerbaijan—which enjoys the support of Turkey, Israel, and to some extent Russia, and has retaken most parts of the Karabakh region—will be less considerate and concerned about its southern neighbor's interests (Najafi Sayyar & Ebrahimi, 2021).

Overall, the new regional order, in which Azerbaijan has the upper hand and an aggressive policy, would not serve Iran's geopolitical or geoeconomic interests at the regional level, and

it could increase tension in the Baku-Tehran relationship. Tehran needs a balance of power in the region, and the current situation, where the balance of power is heavily tilted toward Azerbaijan, is to Iran's detriment and can be underlined as a negative implication of the Second Karabakh War for Iran at the regional level.

5-1-2-2. Nakhichevan Route

Iran's access to Armenia by land through the Syunik province and its role as an intermediary between Azerbaijan and the Nakhichevan Autonomous Republic hold geopolitical and geoeconomic importance for Tehran. From a geoeconomic perspective, the Armenian route is an alternative to the Anatolian route and a closer path to Europe, providing land access to the Eurasian Economic Union (EEU) market. From a geopolitical perspective, Iran's role as an intermediary is a political playing card and leverage over Azerbaijan.

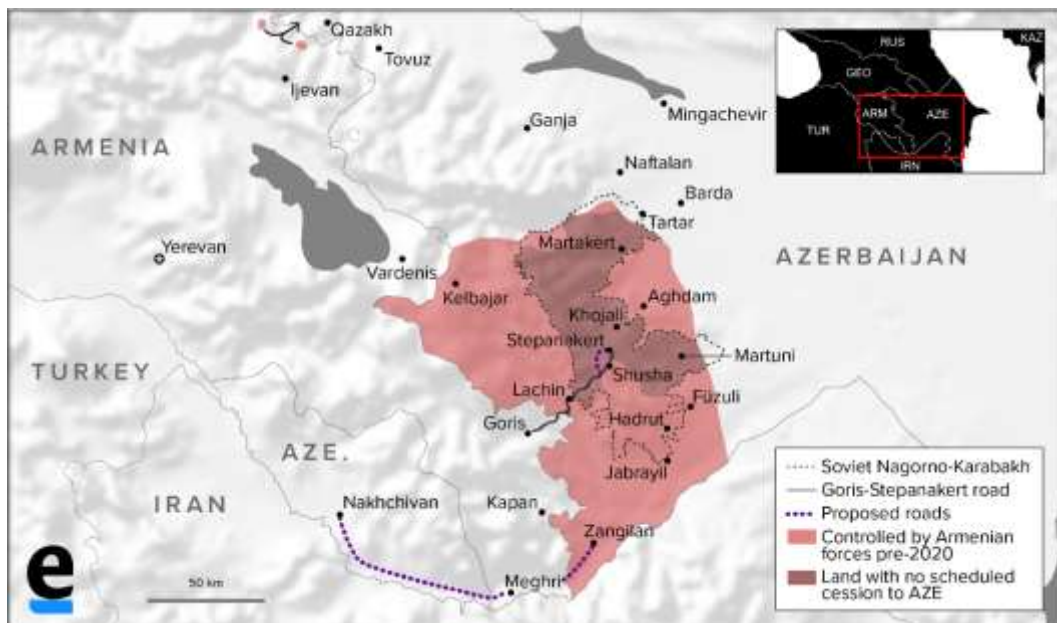


Fig. 1. A possible route between the western part of Azerbaijan and the Nakhichevan Autonomous Republic.
Source: Eurasianet date of access 21 April 2022

The establishment of the Nakhichevan route, which was mentioned in the 2020 ceasefire agreement, raised many concerns in Tehran and has different implications for Iran. Firstly, if established, the Nakhichevan route will enable Azerbaijan to connect to the Nakhichevan autonomous region without depending on Iran (Baghirov, 2021), which means that Iran's role as an intermediary would be in jeopardy. Understandably, this matter would have a negative effect on Iran's geoeconomic interests in the region, as it would reduce Azerbaijan's dependency on Iran's territory to access Nakhichevan and would subsequently decrease Baku's consideration of Tehran's interests and concerns (Najafi Sayyar & Ebrahimi, 2021). In July 2022, after tensions in the South Caucasus were raised, the Iranian Supreme Leader expressed his concern and disagreement with the possible blockade of the Iran-Armenian border (Iranian Diplomacy, 2022). Although Azerbaijan is not heavily dependent on Iran in the economic or political sector, the loss of the Nakhichevan playing card could decrease Tehran's leverage over Baku (Mamedov, 2020). On top of that, if the Nakhichevan route is established, Iran's transit route could be excluded from Turkey-Central Asian countries' trade (Amiri & Kazemi, 2021). It also has the capacity to diminish Iran's leverage over Azerbaijan (Has, Kaleji, & Markedonov, 2020). Therefore, Tehran hopes that the Nakhichevan route will be used only for local cargo transportation and not as part of international cargo transportation (Baghirov, 2021).

One of the significances of the Nakhichevan route, which could imply a positive effect on the Islamic Republic of Iran's interests in the region, is its potential role as an alternative to the Astara-Rasht route. The current project has been held hostage by Western sanctions, and it could be replaced by a railway system that runs to Julfa across the border in Nakhichevan, and from there uses rebuilt lines in Azerbaijan and Armenia (De Waal, 2021). Another implication is the potential for restoring the "South Armenia railway project" by connecting Iran and Armenia via a railway system that could enable Armenia to participate in INSTC. This railway system would also connect Iran to Russia through Armenia and Georgia, but it should be noted that due to the tense relationship between Moscow and Tbilisi, this seems a bit far-fetched. In the meantime, even without Russian participation and before the opening of the Abkhazia railway, Georgia could be an option for Iran to access the Black Sea, which could be a great opportunity for Tehran (Baghirov, 2021).

As glamorous as this railway may sound for Iran, it faces many challenges, as it would put Azerbaijan's transit hub role in jeopardy (Rahimov, 2021). Even two years after the signing of the ceasefire, the Nakhichevan route is the most important issue for Iran's geopolitical and geo-economic interests in the region. The possible blockade, alteration, restriction, and limitation of the common border between Iran and Armenia were rapidly raised by the highest-ranking officials in Tehran, since the government believes it can threaten Iran's national security and increase Turkey-Azerbaijan bargaining power over Iran regarding the trade route that can connect Iran to Europe and Russia (Tashjian, 2021). In a nutshell, this route can act as a double-edged sword, which has both negative and positive consequences for Iran at the regional level.

5-1-2-3. New Regional Projects

Compared to Russia and Turkey, Iran is the only country that shares a border with both South Caucasus countries, which provides it with opportunities to utilize available capacities. The Aras River, which runs along Iran's border with Azerbaijan and Armenia, alongside the limited economic capacity of Armenia and Azerbaijan, offers Iran an opportunity to invest in bilateral projects.

The 2020 ceasefire agreement provided an opportunity for Iran and the Republic of Azerbaijan to utilize the Khoda Afarin Dam, which was established in 2008 but had been halted since Armenia controlled the territory. In December 2020, representatives of the Joint Technical Commission on the Khoda-Afarin Dam from Azerbaijan and Iran held a meeting to discuss exploiting the facilities. In January 2021, they finalized an agreement to build a 280-megawatt hydroelectric power plant at the Khoda-Afarin Dam and facilitate the construction of a 40-MW hydropower station on the Aras River at the Qiz-Qalasi Dam (Financial Tribune, 2022).

Meanwhile, Azerbaijan was accusing Armenia of postponing the construction of the infrastructure for the Nakhichevan corridor. Therefore, Baku signed an agreement with Iran as an alternative option in early 2022 to build a transportation corridor to connect the eastern part of Azerbaijan with the Nakhichevan autonomous region. Based on this agreement, Iran has to provide the road and railway infrastructure to connect these two parts (Lengruher, 2022). Azerbaijan's use of Iran's territory as an alternative to the Nakhichevan route could increase Tehran's leverage over Baku in the future (Tashjian, 2022). Additionally, during a meeting between Rostam Ghasemi and Aliyev in January 2022, the latter called for Iran's participation in the construction of Azerbaijan's retaken region in Karabakh (Tehran Times, 2022). In the meantime, both Azerbaijan and Armenia are eager to build transportation infrastructure to reach the Persian Gulf market via Iran (Stronski, 2021), since neither of them has direct access to open water.

According to article 9 of the trilateral joint statement, the revival of the railway system in the South Caucasus could connect Iran to Armenia, which could ultimately connect Iran to the Black Sea via Georgia. This is significant because Iran and Armenia, alongside Bulgaria, Greece, and Georgia, have been in a series of negotiations since 2016 to connect the Persian Gulf to the Black Sea and Europe (Poghosyan, 2021).

Armenia's frustration with the failure of the 2020 war and the lack of Russian support could provide an opportunity for Iran for trade and investment. In addition, Yerevan is struggling with political instability, and the 2020 war increased Armenia's military expenditure, which will take decades to compensate for (Ibrahimov, 2021). During the past three decades, Armenia has maintained its trade with Iran despite United States sanctions, which shows that the former has been allowed to access an important export market in the face of United States sanctions (Rademaker, 2021). Therefore, the economic situation in Armenia could provide a great opportunity for Iran to invest.

Unblocking the transport connection between the two warring sides is one of the important sections of the 2020 ceasefire agreement. Besides all the negative implications that the Second Karabakh War may bear for Iran, providing new opportunities in trade, transit, investment, and cooperation in regional projects are among the positive outcomes of the 2020 ceasefire agreement for Iran.

5-1-3. The Interregional Level

5-1-3-1. Russia

There are some areas that lead to a closer Iran-Russia relationship in the Caucasus, such as the US and NATO's eastward advancement, Islamic terrorism (Yazdani & Fallahi, 2016), and preventing the rise of pro-Western movements in the region. Even though it appears that Tehran and Moscow have close cooperation, the influence of a third country on Iran's northern border is not something Tehran desires. In reality, Tehran-Moscow cooperation in the Caucasus is primarily rooted in a common threat rather than a common interest. Russia feels threatened by Iran's role in the energy equation (Jafari & Maleki, 2021) and the political sphere of the Caucasus region, as it does not want to lose its monopolistic position.

Based on Article 4 of the joint statement, Moscow managed to deploy 1,960 peacekeepers into the region. Tehran has acknowledged Moscow's deployment of peacekeepers to the region, as it can bring peace and stability to the South Caucasus (Kuzio, 2021). From Tehran's perspective, the more Moscow expands its presence in the South Caucasus region, the more it can prevent NATO, especially the United States', influence in the region (Azizi & Hamidfar, 2021).

In this context, the presence of Russian peacekeepers as a deterrent force can reduce the Baku-Ankara military threat over Iran's northern border. Russia is trying to establish a buffer zone against NATO's eastward advancement, and its military deployment to the South Caucasus is part of that plan, which was missing before the 2020 ceasefire agreement (Amir Ahmadian, 2022). Therefore, it could be beneficial for Tehran and Moscow to prevent NATO's expansion and any possible irredentist motives. This can be a positive dimension of the Russian military presence for Iran at the interregional level in the South Caucasus.

The Russian influence over Azerbaijan has increasingly grown after the 2020 war (Meister, 2021). Understandably, this issue makes the situation complicated for Tehran. Iran's effort to increase its influence in the region will clearly face a powerful Russian presence that cannot tolerate other players in its "near abroad" (Movahedian, 2021). During Amir Abdollahian's visit to Moscow in October 2021, Lavrov stressed that Russia is against any military activity and provocative exercises (Azadi, 2021), which can be seen as a reference to Iran's "Conquerors of Khaybar" military exercise. Russia's military presence in the South Caucasus region can not only control this particular region but also prevent saber-rattling by Iran or any other neighbors

in Russia's near abroad (Miholjcic, 2022). The point that should be considered here is that the presence of the Russian Border Guard Service in the proximity of Iran's border, which is also considered a Russian strategic border, has the potential to be a hotbed of conflict and tension (Rytövuori-Apunen, 2021) and can pose a certain threat to Iran's national security. Currently, Iran is struggling with security threats on its eastern and, to some extent, western borders. The accumulation of a Russian military presence, while the military warehouses of both Armenia and Azerbaijan are full of ironically Russian weapons, cannot be in Iran's best interest.

5-1-3-2. Turkey

It seems that Turkey's policies in the South Caucasus—such as strategic depth, the role of the Western model, and energy intersection—are in contrast with Iran's interests (Falahat Pisheh, Sharbati, & Mozaffari, 2015). It can even be argued that in the energy transition, Turkey will benefit from Iran's absence from regional equations (Fallahi & Vosoughi, 2020). In his book, *Strategic Depth*, Davutoglu stated that the final point of confrontation for Turkey's neo-Ottomanism policy is Iran (Maleki, 2020). Iran's interests in the South Caucasus regarding Turkey vividly require the latter's absence or at least a decrease in its geopolitical and geoeconomic influence.

The competitive sectors between Iran and Turkey include goods transport, investment, energy, and export. Moreover, the Islamic Republic of Iran feels insecure about Turkey's efforts to expand its strategic depths by provoking ethnic issues (Falahat Pisheh, Sharbati, & Mozaffari, 2015). In fact, from Turkey's perspective, Iran's economic or political influence in the Caucasus region can pose a threat to its interests (Mammadov, 2016). For the time being, the expansion of Turkey's influence in the South Caucasus is detrimental to Tehran's interests (Poghosyan, 2021).

The 2020 Karabakh War led to Turkey's solidification of ties with the Republic of Azerbaijan and proved its ability to project power at a low cost (Giragosian, Lewis, & Herd, 2021). By supporting Azerbaijan, Turkey can strengthen its position in Azerbaijan's energy distribution (Has, Kaleji, & Markedonov, 2020). Ankara is planning to replace the Baku-Tbilisi-Ceyhan pipeline, which also provides Israel with energy resources, with a route through Nakhichevan that is 340km shorter (Lachert, 2021). Iran's position in the energy distribution of the South Caucasus is already shaky, and Turkey's growing influence could clearly increase Iran's concerns (Hayrapetyan, 2022) and reduce Ankara's consideration for Tehran's interests.

The establishment of a Joint Center by Russia and Turkey can be considered the first time in a century that Turkish troops have been deployed to Azerbaijan (Miskovic, 2021). However, based on Tehran's interests, it is important that Turkey does not have peacekeepers in the region, since the latter's growing influence is not in Iran's best interest (Mamedov, 2020).

Iran's concern over the expansion of Turkish influence in Azerbaijan after the Second Karabakh War lies in the Pan-Turkic message that may be spread by Ankara (Vatanka, 2022). Erdogan's reciting of the Aras poem during the victory parade of the Azerbaijani army after the Second Karabakh War provoked many Iranian elites who are against irredentism in the Azeri provinces of Iran (Amiri & Kazemi, 2021).

Meanwhile, the establishment of the Nakhichevan corridor could not only increase Azerbaijan and Turkey's bilateral relations but also grow Ankara's influence in the Turkic-speaking countries of Central Asia (Lachert, 2021). Given the fact that the tension between Iran and Turkey is increasing, the aforementioned situation could have a negative impact on Iran since it can reduce Tehran's leverage over Ankara (Hedlund, 2021).

Turkey's growing power in the South Caucasus region, which is Iran's regional competitor, will make it less considerate of Tehran's economic, ethnic, and security concerns. Therefore, it

can be concluded that Turkey's growing influence in the South Caucasus has a negative effect on Iran's interests at the interregional level.

5-1-3-3. Israel

Iran's interests regarding Israel's presence in the South Caucasus dictate its complete absence. Many analysts believe that Israel's presence in Azerbaijan is a reaction to Iran's presence in Lebanon (Moemeni & Rahimi, 2017). The conflict between Iran and Israel is ideological and can easily spill over into many fields of competition, whether it is Lebanon, Syria, or Azerbaijan. In fact, by supporting Azerbaijan (Khoshnood & Khoshnood, 2021) and creating a close ally near Iran's border, just as Lebanon is for Iran near Israel's border (Zibakalam, Akhondi, & Kiani, 2014). The point to consider here is that Israel's influence over Azerbaijan could pose a serious threat to Tehran because of the geographical proximity (Vatanka, 2021), since parts of the intelligence collaboration between them are directed against Iran (Khoshnood & Khoshnood, 2021). To put it in a nutshell, Iran's national security lies in the absolute absence of Israel in its peripheral region.

The increase in Israel's influence in Azerbaijan during the Second Karabakh War is one of the main concerns of the Islamic Republic of Iran. Among the drones that landed inside Iran's territory during this war, at least one was an Israeli-made IAI Harop loitering munition, which increased concerns in Tehran about the use of these drones in espionage operations (Kaleji, 2020). Israel's support for Azerbaijan in the Second Karabakh War was likely not without expectation; it seems that Israel has considered Azerbaijan's proximity to Iran's border (Mammadli, 2021). The more Israel-Azerbaijan cooperation expands, the colder the Iran-Azerbaijan relationship could become.

Jerusalem-Baku cooperation during the six weeks of the war sowed the seeds for further cooperation in the economic and infrastructure development of Azerbaijan's liberated territories, such as the "smart village" project (Idan & Shaffer, 2021). Many in Tehran believe that Israel's cooperation with Azerbaijan over the 'Smart village' project is a combination of a security-political-economic plan and is just a cover to justify Israel's presence to the public (Kazemi, 2021).

One of Iran's main concerns with implementing the Azerbaijani's so-called "Zangezor Corridor" is that Azerbaijan could directly connect to Israel, Turkey, and the EU, thus excluding Iran from regional equations and expanding Israel's influence in the region. This would be a detrimental development for Tehran (Qaidari, 2021). Alongside all the positive and negative effects of this route on Iran's economic interests, the expansion of Israel's influence via this corridor is one of Tehran's main concerns, to the point that Iranian Supreme Leader Ali Khamenei mentioned that Israel's proximity to Iran's border in Azerbaijan is a "source of discord and damage" (Vatanka, 2021). Although the Second Karabakh War wasn't the turning point in the Azerbaijan-Israel relationship, it surely accelerated and deepened their cooperation, so at the interregional level, it had a negative effect on Iran's interests.

5-1-4. The Global Level

5-1-4-1. The Minsk Group

Iranian officials have always criticized the performance of the Minsk Group regarding the Nagorno-Karabakh issue. The Minsk Group's policy toward the Karabakh conflict is mainly rooted in the policies of the US and France toward the region. The conflict of interests between Iran and the US is as clear as day and will be discussed in the next part. Tehran's interests lie in widening its influence in the area and denying gains to competing states (Shaffer, 2003). Meanwhile, Iran's role as a mediator in the peace process is in conflict with the Minsk Group's policy.

The failure of international mediation, and more specifically the Minsk Group, led both warring sides to seek non-diplomatic options (Kurt & Tüysüzo, 2022). Therefore, it is safe to say that the influence of the Minsk Group had been decreasing prior to the Second War in Karabakh, and the 44-day war also deepened this gap. The 2020 trilateral ceasefire agreement openly bypassed the Minsk Group (Miholjic, 2022).

Like many factors, the decrease in the influence of the Minsk Group in the South Caucasus region can have two outcomes for Iran. The first is a decrease in the US presence (Tierney, 2020), which is in harmony with Iran's interests. Meanwhile, the decline in the Minsk Group's influence can not only provide Tehran with an opportunity to pursue its geopolitical and geoeconomic interests more freely but also pave the way for it to play a more powerful role as a mediator between the two warring sides and expand its political influence in the South Caucasus region. It should be borne in mind that the decline in the Minsk Group's influence in the region will mostly affect Iran's political influence.

However, at the same time, the eclipse of the Minsk Group means that Russia would be the undisputed power in the region. Although Tehran might welcome the absence of the Minsk Group, its presence could have created a balance between the Western powers and Russia, moderating the latter's behavior and preventing its rising power (Nixey, 2010). The power vacuum of the Western powers from the geopolitical equation opens the way for Russian unilateralism, of which the Kremlin's military presence in the region is one example. Iran, on the other hand, needs a balance of power between the Minsk Group and Russia, and this issue can be considered a negative effect of the 2020 war on Iran's geopolitical interests.

5-1-4-2. The United States

Tehran's interests in the South Caucasus lie in the complete absence of Washington, its archenemy, near its northern border. The South Caucasus is yet another field where the Tehran-Washington conflict of interests can be witnessed. Generally, for Iran, an increase in the US presence in the region can lead to: its exclusion from energy routes and regional security equations, US support of anti-Iranian projects, an increase in Azerbaijan's bargaining power against Iran, the US portraying the Islamic Republic's model as a threat while presenting the Turkish secular model, espionage accusations against Iran, and opposition to the presence of Iranian companies in the Azerbaijan Oil and Gas Consortium (Mottaghi, Bijan, & Najafi, 2014).

The transition of the energy pipeline in the South Caucasus is a display of the 'everything without Iran' policy that has been applied by Washington due to a conflict of interest with Tehran (Azizi & Hamidfar, 2021). The opposition can also be seen in the Baku-Tbilisi-Erzurum pipeline, which mainly tried to exclude Iran and Russia from the region's energy equations (Zolghader & Solyman Nezhad, 2014).

The US security arrangements for the South Caucasus dictate supporting Armenia and Azerbaijan to decrease their relationship with Russia and Iran. It seems that the US presence in Azerbaijan is one of the reasons for the unfriendly relationship between Baku and Tehran (Zibakalam, Akhondi, & Kiani, 2014). Meanwhile, the US has tried to portray an unreliable image of Iran in the region (Mehrbani, 2022).

During the Second Karabakh War, Washington tried to make a balance between Azerbaijan, a valuable economic partner, and Armenia, with a strong lobby group inside the state (Jafarova, 2021). But overall, it did not have a strong position toward the Second Karabakh War and mostly limited its role as a Minsk Group member. During the 2020 war, Mike Pompeo, the US Secretary of State at the time, stated that the involvement of foreign powers should only be limited to diplomatic calls for a ceasefire. Clearly, the absence of the United States, which could have been because of presidential elections and the Covid-19 pandemic (Miholjic, 2022), as Iran's enemy in the region, works in the best interest of Tehran.

The US's decreased influence in the post-2020 war period provides Tehran with an opportunity to expand its relationship with South Caucasus countries and try to cooperate and participate in regional economic equations. The opportunity to participate in transition projects, economic projects, investment, and energy transition are among the positive consequences of the US's declining power after the 2020 war on Iran's interests.

For Iran's interests, the US presence in the South Caucasus is a zero-sum game; the more the latter's influence in the region decreases, the more room there will be for the former to engage in energy transition and increase its activist role in the South Caucasus. Additionally, Azerbaijan's and Armenia's frustration with the United States' support after the 2020 war could open the ground for Iran to fill this void. With all that said, after the 2020 Karabakh War, Azerbaijan and Armenia turned more toward Russia and Iran, which subsequently led to the weakening of the US's role in the region. Therefore, the weakening of the US presence after the Second Karabakh War is a positive implication of the new power distribution for Iran at the global level.

5-1-4-3. The European Union

It seems that the level of conflict between Iran and the United States in the Caucasus does not exist in the Iran-EU relationship. To some extent, many analysts believe that they have common interests in the region's economic development, although it is simplistic to consider it an easy path (Motallebi, Mousavi, & Tooti, 2014).

The EU's involvement in the Caucasus is mostly limited to the energy sector, and given the sanctions the US has imposed on Iran, Brussels has always tried to ignore Iran's role in the region's energy transition. For example, for the EU, the 60-mile chokepoint of the "Ganja Gap" in Azerbaijan is the only overland route to bypass Russia and Iran to connect Europe to Asia (Coffey & Nifti, 2018).

Still, any effort by regional or trans-regional players to establish their influence in the region can lead to Iran's declining influence (Motallebi, Mousavi, & Tooti, 2014). Additionally, the EU and Iran have different political views toward the region. While Tehran is looking for political stability and a pro-Eastern perspective among Caucasus states, Brussels is looking for democratic reforms and a pro-Western perspective.

It seems that at the global level, the Second Karabakh War led to the withdrawal of Western countries from the region and the loss of their geopolitical influence (Lachert, 2021) and weakened Azerbaijan-Armenia relations with the West. The EU member policy toward recognizing the Armenian genocide can cause a growth of anti-Western sentiments among the Azerbaijani population (Askerov & Ibadoghlu, 2021). Moreover, Armenian security dependence on Russia can make its integration with the EU more distant than ever (Gill, 2021). In fact, political integration between the EU and the South Caucasus republics relies on the latter's ability to apply democratic reforms, which seems unlikely.

All of the above-mentioned situations are in line with Iran's interests regarding the EU's performance in the South Caucasus after 2020. The decline of the EU from the political sphere of the South Caucasus after the Second Karabakh War could lead to Armenian and Azerbaijani frustration with the EU's performance, decrease the influence of pro-Western parties, and eventually pave the way for Iran's influence in the region. This is considered a positive consequence of the Second Karabakh War on Iran's interests at a global level.

The six-week war was another chance for the EU to prove that it is reluctant to be involved in the power dynamics of the South Caucasus (Miholjcic, 2022). Given the new power distribution of the South Caucasus region after the Second Karabakh War, it can be concluded that at the interregional level, the decrease in the influence of European states in the region can be a positive implication for Iran's role-playing in the South Caucasus. The more the EU's

geopolitical influence in the South Caucasus region is reduced, the more opportunities will be provided for Iran to expand economic and energy trade with Azerbaijan and Armenia.

6. Conclusion

The Second Nagorno-Karabakh War established a new power distribution in the South Caucasus for the warring sides as well as for regional and transregional players. The current research has tried to address Iran's geopolitical and geoeconomic interests that have been affected by this war and the new power distribution of the region, based on Buzan's four levels of analysis.

At the domestic level, this study analyzed the stability of the domestic order and the correspondence between state and nation in Armenia and Azerbaijan. After the 2020 war, Pashinyan's approach, which was known to be pro-Western, became more moderated toward Russia and Iran. The alteration in the Armenian pro-Western approach could lead to Iran's expanding influence in the former, which is a positive outcome at the domestic level. On the other hand, the political instability weakened the correspondence between state and nation in Armenia and created an unstable northern neighbor for Iran, which is not in line with Iran's geopolitical and geoeconomic interests, since it needs a balance of power in the region. Additionally, an unstable government in Yerevan cannot guarantee Iran land access to the Syunik province, which is of serious importance to Tehran.

On the other side of the coin, at the domestic level, Aliyev managed to stabilize his power against his opposition parties. The correspondence between state and nation in Azerbaijan has been strengthened after the 2020 war. It could be concluded that at the domestic level, Aliyev's government is a reasonable option for Iran's interests in the region since many of his opposition parties have a more anti-Iranian perspective.

At the regional level, the Second Karabakh War led to Azerbaijan's superiority over Armenia and increased Baku's bargaining power with Yerevan, which is not without consequences for Tehran. Azerbaijan's superiority can disturb the balance of power between Yerevan and Baku, destabilize the region, and increase tension in Tehran-Baku relations. At the regional level, the Nakhichevan route will reduce Azerbaijan's dependency on Iran's territory to access Nakhichevan, decrease Tehran's bargaining power with Baku, and could increase Ankara's influence in the Turkic-speaking countries of Central Asia. At the same time, Iran's transit route could be excluded from Turkey-Central Asian countries' trade. On the other hand, one of the positive implications of the Nakhichevan route is its potential role as an alternative to the Astara-Rasht route.

Moreover, at the regional level, since Azerbaijan has restored the regions on Iran's northern border, it will open new possibilities for bilateral cooperation and projects, such as building a hydroelectric power plant at the Khoda-Afarin Dam and facilitating the construction of a hydropower station on the Qiz-Qalasi Dam. Additionally, the unblocking of economic routes and the revival of the Soviet-era railway could give Iran railway access to Yerevan via Nakhichevan and, therefore, to the EEU market. The Second Karabakh War, at the regional level, can provide Iran with the opportunity to expand economic relations with both Azerbaijan and Armenia.

At the interregional level, because of the conflict of interests between Tehran and Ankara, the more the latter's influence expands, the more Iran's influence will be decreased. The main threat of Ankara's growing influence in the region for Iran is in the economic sector, since it is trying to increase its exports and guarantee its energy resources from the Caspian basin. Additionally, in a situation where the balance of power is in Turkey's favor, it will be less considerate of Iran's concerns and interests in the region.

Another consequence of the Second Karabakh War on Iran at the interregional level is the increase in Russia's military presence in the South Caucasus. Iran's effort to expand its influence in Russia's "near abroad" will clearly face Russian confrontation. Although Tehran considers Moscow a strategic ally, the latter will not tolerate the presence of other players in the region. At the same time, Moscow's military presence in the South Caucasus could pose a potential threat to Tehran. On the other hand, the Russian military presence has a positive outcome for Iran as well: it could guarantee Turkey's lack of military development in the Caucasus, prevent Azerbaijan's and Armenia's orientation toward the West, and, more importantly, guarantee peace. Additionally, Iran welcomes Russia's effort to establish a buffer zone against NATO's eastward advancement.

At the interregional level, Azerbaijan's victory led to an increase in Israel's influence in Azerbaijan, which not only subsequently decreased Iran's power but could also threaten its national security. Clearly, Israel's expansion on Iran's northern border is not something Tehran desires and considers this issue an actual threat to its national security.

At the global level, the decrease in the influence of Western countries, and more specifically the Minsk Group, in the region was one of the positive implications of this war for Iran because of the Tehran-Washington conflict of interest, which affected its relationship with European countries as well. A decrease in their influence can provide Iran with opportunities to expand its economic and political relations with Azerbaijan and Armenia.

On the other hand, the decrease in Western countries' role-playing in the region can have negative implications for Iran at the global level. In fact, the Minsk Group's presence in the region could have created a balance between them and Russia. Their absence would give Russia a chance to be the single superpower player in the region and expand its military and economic influence more than ever. Tehran needs a balance of power in the South Caucasus, and in the current situation, there are no powers to limit the Kremlin's military expansion into the region and near Iran's border.

Iran's interests in the South Caucasus are highly tied to the Nagorno-Karabakh crisis, and any alteration in the trajectory of this conflict can be a game-changer in its relationship with Azerbaijan and Armenia. By focusing on economic, trade, transit, and energy fields, Tehran can avoid involvement in any political, ethnic, and security tensions and build a relationship based on mutual trust and respect.

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