



## Iran's Neighborhood Policy: A Strategic Choice or Foreign Policy Necessity

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### **Abstract**

Neighborhood policy can be explained by various strategies throughout different eras and actors, important states like China, the European Union (commonly referred to as "neighborhood policy"), Turkey with its "zero tension with neighbors" approach, India under the "Neighborhood First" policy, and Iran, which has developed its own "Neighborhood Policy." Essentially, neighborhood policy is defined as a strategy that prioritizes relationships with neighboring countries within a nation's foreign policy framework. This article seeks to address a key question: Is Iran's implementation of its neighborhood policy a strategic choice or a short-term necessity stemming from specific challenges, such as sanctions? The hypothesis of this research posits that Iran's adoption of this policy is primarily a functional necessity in response to pressing foreign policy issues. However, it also suggests that this policy could evolve into a long-term strategic framework if it expands into other areas.

**Keywords:** Iran, Foreign policy, Neighborhood policy, Strategy.

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## **Introduction**

An effective foreign policy necessitates a comprehensive approach that takes into account various influential dimensions and factors, including economic relations, cultural ties, public diplomacy, and bilateral relationships with regional powers. The foreign policy of any nation should serve its national security, national interests, and development. A more efficient foreign policy enables a country to better safeguard its national security while facilitating growth and development both domestically and internationally. In essence, a good foreign policy can boost growth and development indicators or, at the very least, create the necessary international conditions for a country's progress.

Recent shifts at the international macro level over the past few decades have significantly increased the importance of neighborhood policy and regionalism. Within this context, three major developments that emerged after the 1990s are particularly noteworthy:

- Reduced emphasis on military and security matters and establishment of economy-based relationships between nations.
- The emergence of new polarizations among powerful actors and the reallocation of power to emerging geopolitical centers.
- The rise of regionalism across the globe.

These changes have resulted in a shift in the behavior of actors in international relations, altering their perceptions of their roles in ongoing developments and their involvement in new dynamics. In particular, there has been an effort to cultivate a strategic understanding of the prevailing model of the international system, accompanied by the establishment of appropriate functions and institutional structures to facilitate active engagement within the regional context. Among the three major developments of the past few decades, regional powers have significantly increased their share of global power distribution. While this trend has not, yet, brought about structural changes to the international order, it has set the stage for such transformations more than ever before. Forecasts about the future of the global economy indicate that regions will play a more prominent role. The deepening economic interdependence among countries within these regions is progressively accelerating their growth. In this new international landscape, Iran needs to advance its neighborhood policy strategy and present a coherent understanding of this approach. Thus, the present article aims to address this objective.

## 1. Research Method

This study employs the case study method, focusing on four key characteristics: specificity, descriptiveness, discovery process, and induction. Initially, it discusses a conceptual framework that includes three essential concepts: neighborhood policy, neoregionalism, and strategic foreign policy. Subsequently, the research examines the strategic components and an ideal model for Iran in the implementation of its neighborhood policy. The aim is to provide a dependable response to the primary research question, along with practical suggestions in this domain.

### 1-1. Conceptual Foundations of Iran's Neighborhood Policy

This article addresses a central question that involves the application of three key concepts: neighborhood policy, neoregionalism, and strategic foreign policy. These concepts will be utilized to analyze the main dimensions of Iran's neighborhood policy within the regional context. Neighborhood policy can be defined through a strategic model, which serves as a framework for regionalist foreign policy. This model prioritizes the enhancement of economic, political, security, and social ties with Iran's neighboring countries in its foreign relations. Within this approach, the regional situation is recognized as the primary source of both opportunities and threats (Ikhwan, 2012). Key players that have adopted this neighborhood policy include China, the European Union, Turkey, and India.

China may be regarded as one of the earliest adopters of a neighborhood policy. In 1989, in response to the geopolitical dynamics following the Tiananmen Square protests, China implemented its neighborhood policy as a countermeasure to the Western powers' attempts to isolate it regionally. To combat the trends fostered by Western nations, particularly the United States and the European Union, China sought to strengthen its regional relationships by leveraging its economic capabilities, thus achieving a degree of success in this endeavor (Godement, 2014, p. 1).

At the start of the 21st century, the European Union implemented a neighborhood policy aimed at managing its relationships with surrounding countries. Concurrently, following the rise of the Justice and Development Party to power, Turkey adopted a policy of "zero tension with its neighbors." Under this approach, Turkey believed that fostering better relations with neighboring countries was essential for establishing itself as a significant regional and global power.

Similarly, after Narendra Modi assumed office in 2014, India introduced a "neighborhood first policy." This initiative aimed to strengthen friendly relations and enhance economic development in the region. It supplemented India's existing "Look East Policy" and "Look West Policy." The Look East Policy, established in 1991 to counterbalance China's growing influence, primarily focused on Southeast Asia (Bajpaee, 2013). Meanwhile, the Look West Policy concentrated on the Middle East, an area crucial to India's interests due to its significant share in India's trade. More than two-thirds of India's oil imports originate from the Middle East, and a considerable number of Indian citizens employed in this region send substantial remittances back home each year.

The neighborhood policy has the potential to maximize the exploitation of opportunities within neighboring areas while minimizing the threats posed by that environment. This approach is a favorable strategy for achieving national goals and interests. The opportunities present in the neighborhood can be categorized across various dimensions: economic, political, security, and cultural (Bayzidi, 1400). Alongside opportunities, security challenges can also be examined within these dimensions, with threats such as terrorist crises, regional extremism, drug trafficking, and environmental issues among the critical concerns.

On the other hand, The collapse of the Soviet Union, marking the end of the Cold War, notably enhanced the significance of geopolitics and regionalism within the international system. In this context, numerous countries, including those that emerged from the Soviet Union, adopted neo-regionalism as a key principle and strategy in their foreign policy. The relatively successful models offered by the European Union, NATO, and ASEAN have also motivated other nations and regions to pursue regionalism (Ademi, 2010, p. 97). Neo-regionalism—a concept advocating for intra-regional cooperation coupled with extra-regional outreach—represents a contemporary approach to foreign policy in the era of globalization. The realization of neo-regionalism hinges on establishing balanced relations with neighboring regions, stabilizing political, security, and economic roles within the area, ensuring national security amidst regional instability, maximizing potential for economic, social, political, and cultural cooperation, and enhancing communication capabilities as a gateway for transit and trade with the wider world (Dahshiri and Jafari, 2014, pp. 191-192).

Moreover, foreign policy is a key concept discussed in this article, defined as the guiding framework that a government follows

in alignment with its goals and interests (Qawam, 2007, p. 231). K.J. Holsti, in his state-oriented definition, describes foreign policy as the actions and behaviors of a state actor within the international arena (Holsti, 2011, p. 32). Christopher Hill equates foreign policy with foreign relations, asserting that the entirety of an independent actor's foreign relations constitutes its foreign policy (Hill, 2008, p. 24).

A critical area of focus in foreign policy analysis is the level of analysis, which pertains to the perspective from which foreign policy is examined. The individual level of analysis is often seen as the most fundamental, concentrating on the roles of individuals, officials, and policymakers involved in shaping and executing foreign policy. Key components at this level include:

- 1- the personal traits and characteristics of decision-makers;
- 2- the specific conditions and requirements influencing decision-making;
- 3- the accessibility and utilization of information from both internal and external sources;
- 4- the creation of a decision-making system that clearly defines the authority and qualifications of officials.

Analysis at the government level represents another crucial dimension in the study of foreign policy. At this level, the emphasis is placed on the structural characteristics of political, governmental, and social systems. Key elements include the type of political system in place and the distribution of power within that system. In contrast, the analysis of the international system constitutes the broadest level of foreign policy examination. This encompasses an assessment of the structure of the international system, its polarizations, and the distribution of power among its various entities (Qawam, 1386, pp. 240-286).

Foreign policy analysis models can be categorized into six distinct frameworks:

- Strategic (Logical) Model: This model evaluates the actions and performance of government entities responsible for foreign policy-making and decision-making, based on the anticipated benefits of specific policies.
- Decision-Making Model: In this approach, greater emphasis is placed on the human and psychological dimensions involved in the foreign policy process. This model emerges from the integration of psychological research into political analysis, highlighting the importance of individual decision-makers and their motivations, access to information sources, the conditions surrounding decision-making, and the impact of foreign policy

data on other actors.

- **Organizational or Bureaucratic Model:** This model evaluates organizational behaviors within the context of responsibilities, authority, regulations, and administrative rules.
- **Adaptation and Coordination Model:** Here, the primary focus is on how governments respond to threats and opportunities presented to them, particularly within the international environment.
- **Incremental Model:** This model has been notably influenced by developments from the last decades of the 20th century. It posits that due to inadequate information regarding the actions of governmental and non-governmental entities such as multinational corporations, organizations, associations, and international unions, foreign policy decision-makers are not concerned with securing national interests; rather they make decisions that align more with the influencing factor and are satisfied with it.
- **Systematic Model:** This model emphasizes the reciprocal influences of institutions and individuals in the foreign policy decision-making process. It considers not only the roles of official government bodies and organizations but also the impacts of institutions, associations, influential groups, and political elites on this process (Qawam, 1386, pp. 133-135).

Based on the aforementioned models, the current research analyzes Iran's neighborhood policy strategy using a strategic model.

## **1-2. Strategy and Scope of Iran's Neighborhood Policy**

The essential aspects of Iran's neighborhood policy can be divided into two main parts: a "broad geographical definition" and the "strategic components."

### **1-2-1. Geographic Scope of Iran's Neighborhood Policy**

The first question that arises when examining Iran's neighborhood policy strategy is the geographical scope of this approach. Therefore, the initial step in analyzing Iran's neighborhood policy is to define or delineate its geographical area. This policy can be interpreted in two ways, depending on whether one adopts a narrow or broad perspective:

- *Neighborhood policy as Iran's policy towards 15 countries with common land and water borders:* From a narrow viewpoint, Iran's neighborhood policy pertains specifically to the 15 neighboring countries: Azerbaijan, Armenia, Turkey, Iraq,

Kuwait, Qatar, Bahrain, Saudi Arabia, the United Arab Emirates, Oman, Pakistan, Afghanistan, Turkmenistan, Kazakhstan, and Russia. This interpretation of neighborhood policy has been widely discussed in various analytical and academic texts.

- *Neighborhood policy as Iran's policy towards the peripheral regions:* From a broader perspective, the neighborhood policy extends beyond these 15 neighboring countries to encompass peripheral regions that include the South Caucasus, Central Asia, South Asia, the Persian Gulf, and West Asia. Under this framework, additional countries such as India, Tajikistan, Uzbekistan, Kyrgyzstan, Georgia, Lebanon, Syria, Yemen, and Jordan are also considered part of this policy.

Based on the provided definitions and interpretations, it appears that the second perception aligns more closely with the stance of political authorities and better reflects Iran's potential geopolitical, geoeconomic, and geostrategic capabilities within the context of its neighborhood policy.

### **1-2-2. Strategic Components in the Implementation of Iran's Neighborhood Policy**

Drawing upon the neo-regionalist approach and the strategic model of foreign policy, it is evident that countries and foreign policy decision-makers adopt specific strategies driven by their perceived interests. Among the key benefits that Iran associates with its neighborhood policy are its economic advantages. In light of escalating political and economic pressures, fostering constructive relations with neighboring countries becomes increasingly feasible. Accordingly, some of the most significant components and requirements for Iran in pursuing its neighborhood policy—demonstrating the effectiveness of this strategy in addressing foreign policy challenges—are outlined as follows:

- **Less Susceptibility to Sanctions:** The primary advantage that the neighborhood policy within the framework of Iran's strategic foreign policy model has had for Iran is its reduced susceptibility to international sanctions. Following the United States' withdrawal from the JCPOA and the initiation of the maximum pressure campaign, Iran's trade with the 28 countries of the European Union plummeted from 18 billion euros to just 5.2 billion euros within a year—less than a third of its previous value. In contrast, Iran's trade with several regional countries has demonstrated a more stable trend. Notably, during the sanctions period, there have been increases in trade with nations such as

Iraq, Afghanistan, and those in Eurasia. The economic interdependence between Iran and certain neighboring countries has rendered Iran's economy relatively resistant to sanctions (World Bank, 2022).

- Strengthening and Accelerating Cooperation with Regional Countries: The rise of competing alliances, such as NATO, in the military, security, and political domains has simultaneously accelerated and enhanced the cooperation and convergence between Iran and regional countries (Bayazidi and Safari, 1400). In light of the crisis in Ukraine, the likelihood of escalating confrontations with Iran over issues related to its nuclear program, regional activities, and missile capabilities has also increased. In this context, as Iran strengthens its political communications and interactions with neighboring nations, these countries can assume a more significant role in addressing regional and international challenges.
- Jointly Counteraction to the Imposition of Sanctions: Over the past few decades, the imposition of sanctions has increased globally, particularly affecting countries such as Iran, Russia, China, Syria, and North Korea. In response, these nations strive to establish a political and economic cooperation framework that offers greater resilience against such sanctions. This collaborative approach seeks to protect the political and economic relationships among these countries. By working together to address the challenges posed by sanctions, they can create an economic and political synergy that reduces the impact of such measures. This, in turn, advances the financial interests of the nations facing sanctions, including Iran.
- Joint Energy Policy: Iran, Russia, and Qatar stand out as key energy suppliers, while countries like China, India, and Pakistan are among the leading energy importers. This dynamic makes the formulation of a unified energy policy essential for their foreign relations. The decline in energy supply caused by sanctions on Russia due to the Ukraine crisis has strengthened Iran's position to propose a practical initiative. Enhancing strategic political consultations on energy security, involving Iran and its neighboring countries, could be highly beneficial (Hossein Zadeh, 2021).
- Iran's Geopolitical and Geoeconomic Status: Iran occupies a unique geopolitical and geoeconomic position in the region, strategically situated along major corridors and initiatives such as the Belt and Road Initiative, the New Spice Road, and the Eurasian Economic Union (Valiqoli Zadeh and Zaki, 2008).

### 1-3. Iran's Neighborhood Policy: Necessity or Strategy?

As highlighted at the outset of this article, a central question in the neighborhood policy debate is whether Iran's approach is a temporary, short-term necessity within its foreign policy or a strategic choice. The answer to this question will illuminate the direction, significance, and role of this policy within the broader framework of the country's foreign policy objectives. There may be an impression that Iran's neighborhood policy is fundamentally a temporary necessity. Why might this be the case?

There are several arguments to address this question. As previously mentioned, Iran adopted a neighborhood policy when it encountered significant challenges in its relations with the West, which also began to affect its ties with Eastern countries, particularly concerning sanctions. For instance, following the maximum pressure campaign (Trump administration) and the resulting decline in Iran's trade with both the West and, to some extent, the East, the country began to pursue its neighborhood policy with greater urgency. In essence, this policy emerged as a crucial strategy in Iran's foreign policy at a time when the nation had no other alternative.

Another important argument pertains to the security and political landscape of the region during the formulation of Iran's neighborhood policy. It is an undeniable truth that the primary sources of military, security, and political threats—affecting not only Iran but many countries worldwide—arise from regional actors. Significant political and security tensions, such as those between China and India, India and Pakistan, Russia and Ukraine, Turkey and Greece, and Azerbaijan and Armenia, largely stem from the regional context. In this context, the French economist Frédéric Bastiat famously stated, "If goods do not cross borders, soldiers will." By referring to "soldiers," Bastiat means the political, security, and military threats and challenges that can arise. Iran took its neighborhood policy seriously only when political, security, and military challenges were particularly pronounced both domestically and regionally.

To develop the credibility of the article's hypothesis, one might consider if the economic and political challenges mentioned get addressed and Iran manages to strengthen its relations with the West—particularly with European nations—and certain Eastern countries such as Japan, Korea, and others in Southeast Asia, as it was before the sanctions, will the country's foreign policy apparatus and strategic decision makers still prioritize a neighborhood policy?

The author concludes with a firm "no," suggesting that the shift in the country's foreign policy toward the region, or at least the initial steps toward a neighborhood policy, primarily stemmed from immediate foreign policy needs rather than a strategic decision.

Will this imply that the neighborhood policy will continue to be implemented as necessary? In the author's view, while the neighborhood policy was an imposed act for Iran, it has the potential to be elevated to the status of a foreign policy strategy for several reasons.

Firstly, given Iran's relations with the West, the ongoing trend of sanctions, and the escalation of tensions in both Ukraine and West Asia, it is improbable that Iran's needs or the reasons prompting its pivot toward the region will be satisfactorily addressed. In other words, under the current regional and international circumstances, it seems unlikely that Iran will be able to restore its relations with the West, or even some Eastern countries, to the level before the maximum pressure campaign began. Consequently, this imposed neighborhood policy will likely persist.

Thus, the neighborhood policy, when viewed through a functionalist lens, can be elevated from a necessity to a strategic macro policy. Secondly, Iran has an urgent need for a balancing force in its relations with the East. While many countries in the region, including Turkey, Saudi Arabia, India, and Uzbekistan, effectively use their engagements with major powers in both the East and West as a balancing strategy, Iran's interaction with the West has not served, nor is it expected to serve, as a viable counterbalance against Eastern powers.

Within this analytical framework, the neighborhood policy could be utilized to help maintain balance in relations with both the West and East, particularly given the significant interest of global powers in the West Asian region. Achieving success in the implementation of the neighborhood policy necessitates a clear understanding of the needs, concerns, and capacities involved in developing political, security, economic, and social relations with neighboring countries. This foundational step allows for the pursuit of a relative advantage in these areas, thereby deepening cooperation through a functionalist perspective. In light of this, the following recommendations can be made:

- Expanding economic interdependence with neighboring countries both vertically (quantitatively) and horizontally (qualitatively): While Iran's trade with Western and, to a lesser extent, Eastern countries had been significantly affected by

various sanctions, its trade with regional neighbors—such as Iraq, Turkey, Afghanistan, and Eurasian countries—displayed a more stable trend. In particular, trade with Iraq, Afghanistan, and Eurasia has even seen an increase. Currently, Iran's share of regional trade remains notably low and insignificant. The total trade among Iran's neighboring countries exceeds 3000 billion dollars, with around 1400 billion dollars related to imports. Iran's share of these imports is approximately 30 billion dollars, which accounts for roughly 2.1 percent—highlighting a critical need for growth in this area.

- Reducing the Export Concentration Ratio: Iran's trade volume with neighboring countries is relatively low, and its export portfolio exhibits a high concentration coefficient of approximately 0.43%. This indicates that Iran's exports to these regional nations are predominantly reliant on a limited range of goods, specifically oil, petrochemicals, and gas condensates, with other products making up a minor portion of total trade. To foster sustainable trade relationships with neighboring countries, it is essential to mitigate this export concentration factor.
- Creating Relative Domestic Advantages by Prioritizing the Import Needs of Neighboring Countries: Given the extensive imports of neighboring countries, efforts can be made in the medium term to create advantages for domestically produced goods with a view to the economic needs of neighboring countries. These changes can lead to a deeper economic relationship between Iran and its surrounding environment.
- Developing and Ratifying a Comprehensive Document for Political, Economic, and Cultural Cooperation with Neighboring Countries: comprehensive cooperation agreements, inspired by successful regional unions, can elevate relationships from basic collaboration to strategic partnerships and mutual interdependence.
- Enhancing Financial and Banking Connections with Regional Countries: Implementing measures such as providing letters of credit (LC), settling mutual debts, and offering bank guarantees are crucial for fostering trade with neighboring countries. The creation of joint banking institutions and the adoption of national currencies in trade can significantly address these challenges.

## Conclusion

In the framework of the strategic model of foreign policy analysis, the neighborhood policy is recognized as a strategy that offers

greater benefits to Iran while posing lesser risks. These benefits encompass various domains, such as economic resilience in the face of sanctions, as well as political, military, and security aspects, including procurement of weapons and collaborations. The risks associated with these benefits are comparatively lower than the fluctuations in relations with extra-regional powers. This issue is particularly understandable given the higher susceptibility of Iran-West relations (including Europe) to third-party powers such as the United States. The combination of these factors, along with changes in the global distribution of power, has led to an increased emphasis on neighborhood policy in Iran's foreign policy strategies.

The dynamics and pace of political events over the past few decades have accelerated noticeably. The intensification of geopolitical tensions between Russia and the West, the potential for a trade war between China and the United States, and heightened regional tensions in West Asia have all contributed to placing the neighborhood policy at the forefront of Iranian policymakers' considerations. Given the critical impact of sanctions as a primary economic challenge facing Iran, it is only natural that geo-economic relations will play a vital role in shaping the future of its foreign relations, thereby enhancing the importance of regional partners compared to other global actors.

As was mentioned in the article, several reasons persist behind Iran's inclination towards a neighborhood policy. These include the relative susceptibility of regional trade to sanctions, the potential for collaborative responses to sanctions, and shared interests in the energy sector. It also highlights Iran's geopolitical and geoeconomic place and the need to mitigate military and security threats in the region. It is important to note that these arguments, rather than representing a strategic policy, indicate necessities that have arisen based on the temporal circumstances facing Iran's foreign policy. However, the noteworthy point is that regional and international developments are progressing in such a way that it is unlikely these necessities will be resolved, at least in the short term. In other words, under the influence of these trends, the neighborhood policy can evolve and elevate from the level of temporary necessities in foreign policy to the level of a strategic policy.

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