Breaking Into Iran and Russia's Neighborhood

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Main points

In what ways does increased American diplomacy in the Caucasus demonstrate deteriorating Iranian and Russian influence abroad? Increased American diplomacy in the Caucasus shows that the Caucasian countries cannot rely on Russia or Iran for economic, security, and technological support in recent years. American influence in Caucasia is an example of how Russia and Iran are losing international credibility where it is believed long-time "allies" are now hedging against Russia and Iran.

The Armenia-Azerbaijan-U.S Agreements

All eyes were trained on the White House on August 8 as a preliminary agreement took place between the heads of state of Azerbaijan and Armenia. Although not a definitive peace deal, a series of trilateral agreements between the U.S., Armenia, and Azerbaijan established a framework for reconciliation. The agreement included the leasing of Armenia's southern corridor to the U.S. who would develop it and allow transit between Azerbaijan and Turkey with gas and oil as the principal trade flows. In addition to this, conflict-resolution mechanisms were explored for future American mediation in the region. The three-way deal would theoretically settle territorial disputes between Armenia and Azerbaijan, and it would bring both countries closer to the U.S. as American investment, technology, and relations would substantially increase in both countries.

The reason why the deal is significant is two fold; the primary reason is that it resolves a decades-long series of issues between Armenia and Azerbaijan. As three wars took place over territorial issues, having a framework for peace is significant in Caucasia. Keso Gigitashvili published a brief titled "Armenia-Azerbaijan Peace Deal- Final Reset on way?" that goes further in depth with the historicity and mechanics of the Armenia-Azerbaijan Deal. The secondary reason is what will be analyzed throughout the paper, which is that the Armenia-Azerbaijan Peace Deal being brokered in the U.S. signals a sharp decline in Iranian and Russian power.

Russian Overstretch and Transregional Irrelevance

To begin with, Russia was unable to spare a peacekeeping force and diplomatic resources in 2023, when Azerbaijan launched a mass offensive in Nagorno-Karabakh. The war against Ukraine has limited Russian resources as its oil and government profits are increasingly redirected towards bonuses for soldier recruitment. As a direct result of Russia's full-scale invasion of Ukraine in 2022, Moscow has exhausted most of its influence abroad to focus on Ukraine. Because Russia failed to come to the aid of Armenia through freezing the conflict, Armenia became disillusioned and froze its participation in the CSTO (Collective Security Treaty Organization), which is a Russian version of NATO.

In Central Asia, Russian forces have been redeployed en masse from Tajikistan and Kyrgyzstan to Ukraine. While the security threats in Central Asia are relatively low compared to Caucasia and Eastern Europe, this reassessment of resources is telling the international community that Russia is in fact using all of its resources against Ukraine. This shows both the military ineffectiveness of Russia and how desperate Moscow has become at the expense of other "allied" security concerns. If Russia cannot keep and enforce a lasting peace between Armenia and Azerbaijan – two otherwise small countries – what makes other countries believe Russia can sustain their security?

Russian absence would become a trend though; the fall of the Assad regime in December 2024 revealed that Russia was again neglectful of a key state to its foreign policy. Putin had aligned with Assad throughout the Syrian Civil War to drive a wedge between American, Israeli, Iranian, and Turkish backed groups and interests. The fall of Assad led many to wonder not just the fate of Syria but why Putin had a rather muted military response.

Not only did everyone believe that Russian forces would at least stall for Assad to accumulate counter-insurgency forces, but the global community also saw Moscow's blatant unwillingness to get involved in the Israeli-Iran War in July 2025. This would confirm the fact that Russia is overstretched based on its inactions in Syria, and it would show that Russia is unwilling to sacrifice its already-thin security capabilities to confront the U.S. and Israel. While interstate cooperation and trade between Iran and Russia is significant, Putin likely calculated that it would be a disaster to stick his beak out for the Ayatollah.

Iranian Troubles Increase

Iran has a similar dilemma from its traditional partnership with Azerbaijan. From a militaristic perspective, Iran has suffered catastrophic losses across most of its proxy forces. From Hezbollah to Hamas and other minor proxies across Syria and Iraq, Iranian hard power capabilities have been limited. Recent American and Israeli attacks on Iranian infrastructure, at the very least, have set back arms production in Iran proper.

The reason why these aforementioned points matter is because the American investments and lease on the Zanzegur Corridor directly borders Iran. This bypasses Iranian importance in helping the transit of gas and oil, and it amplifies the weak security situation in which Iran finds itself. By eliminating past Iranian proposals on building a joint Azerbaijani-Iranian corridor, the economic relevance of Iran in the Caucasus wanes as well.

Russia and Iran To Face Eviction From the Caucasus?

Even when viewing the Caucasus in a non-security perspective, Iranian cultural ties to Azerbaijan, whom both have massive Shia Islamic populations, have been compromised for Turkic identities. The lease the U.S. holds over Armenian territory connects a land route between Azerbaijan and Turkey, which has been a key desire for Turkish cultural and economic projection into the Caspian Sea. Furthermore, because Turkey is a NATO member and regular trade partner to the U.S., Turkey acts as a vehicle for American economic interests as well. This ensures sanctions placed on Iran are more carefully monitored over the Caucasus for illicit oil exports.

The same can be said for Russia; Azerbaijan was a key transit country from which Iran and Russia could have conducted joint trade to bypass Western sanctions on both countries' oil and arms flows. As Armenian and Azerbaijani economic, technological, and security interests are now met by

the U.S., any possible land-based route in Caucasia is now derailed entirely. Why should Armenia reapproach Russia when its territorial sovereignty was neglected? Why should Azerbaijan buy Russian arms when they prove weak and are outdated compared to American standards? What point is there to increase trade with Iran and Russia if the Western markets and investment are now literally knocking on Armenia and Azerbaijan's doors?

The Armenia-Azerbaijan deal not only focuses on oil and gas exports because of their comparative advantage in easing European and American demands, but it also focuses on those energy exports because it deprives Russia and Iran of their lifeline. Sanctions on both states have crippled their economic participation abroad, and both countries rely on black market exports to key states like China and India to keep revenues incoming for both. Russia is expected to net ~$200 billion this year, and Iran around $34 billion. Both of these revenues account for a third of Russia's federal budget and a third of Iranian military operations. And as both of these numbers decline year-over-year, cutting pipeline access for export purposes accelerates the decline to unprecedented levels. This is without considering any further sanctions, as Trump has considered secondary sanctions on both countries' buyers. The Armenia-Azerbaijan deal undercuts Iran and Russia's pockets, further straining their domestic capabilities and subsequently, their ability to project power abroad.

Syria, Kazakhstan, Georgia, and several other Central Asian and Middle Eastern countries are looking towards other alternatives in minerals, energy, and security deals. The EU, China, and the U.S. are knocking on Russia's and Iran's backyard by offering deals on investments and security cooperation in return for minerals and energy exports – something that was unimaginable just a decade ago. Israel's open contest with Iran's and Ukraine's defiant stand against Russia have been multifaceted challenges that Iran and Russia appear unlikely to recover from.

Conclusion

The actions from Armenia and Azerbaijan are demonstrating how smaller states that were otherwise traditionally in the corner of Russia and Iran are now diversifying strategic partnerships. That is if one takes the most charitable belief; the more stark reality reveals how weakened Russian and Iranian influence has become in the last few years.

By examining the aforementioned points, we are able to unravel how smaller states perceive Russia and Iran in recent years. The Caucasus served as the chief example because it is the historic neighborhood of Russian and Iranian influence. The Armenia-Azerbaijan deal is a small part of a bigger strategic remapping in the Eurasian trend from which Russia and Iran appear to no longer be as competitive as they once were. By analyzing Russian and Iranian strategic losses across the past few years, this brief was able to determine that Russia and Iran's neighborhoods have been broken into.