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**NAVAL  
POSTGRADUATE  
SCHOOL**

**MONTEREY, CALIFORNIA**

**THESIS**

**IRANIAN-VENEZUELAN RELATIONS AND IMPACTS  
ON THE UNITED STATES**

by

Mehmet S. Gundogan

December 2012

Thesis Advisor:  
Second Reader:

Robert E. Looney  
Harold A. Trinkunas

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**IRANIAN-VENEZUELAN RELATIONS AND IMPACTS ON THE UNITED STATES**

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Captain, Turkish Army  
B.A., Turkish Military Academy, 2003

Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN SECURITY STUDIES (WESTERN HEMISPHERE)**

from the

**NAVAL POSTGRADUATE SCHOOL  
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## **ABSTRACT**

This thesis examines the recent Iranian–Venezuelan partnership, especially as it relates to Iran’s involvement in Latin America and its impact on U.S. foreign policy. Thus, this study analyzes Iran’s behavior vis-à-vis the U.S. and Latin America and asks whether Iran IS trying to strike a balance against the U.S. by forming a bloc with Venezuela—and, if so, whether it can succeed.

Over the past five years, the Islamic Republic of Iran has expanded its influence in Latin America as part of the aggressive foreign policy of President Ahmadinejad. He especially seeks support for Iran’s nuclear program and a way to evade international isolation. Furthermore, Ahmadinejad aims to outflank Iran’s foremost opponent—the United States—in its own backyard with the help of the Venezuelan populist leader, Hugo Chávez, who also endorses strong anti-imperialist and anti-American rhetoric. With the assistance of President Chávez, Iran has found a bridge to infiltrate the region. The two countries have formed an anti-U.S. front known to the world as the “axis of unity.” Through this relationship, Iran has deepened its contacts with other leftist countries such as Ecuador, Bolivia, Nicaragua, and Cuba.



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## **LIST OF ACRONYMS AND ABBREVIATIONS**

AD	DEMOCRATIC ACTION PARTY
ALBA	BOLIVARIAN ALIANCE FOR THE AMERICAS
CBSI	CARIBBEAN BASIN SECURITY INITIATIVE
COPEI	POLITICAL ELECTORAL INDEPENDENT ORGANIZATION COMITEE
FARC	REVOLUTIONARY ARMED FORCES OF COLOMBIA
FTA	FREE TRADE AGREEMENT
FTAA	FREE TRADE AGREEMENT AREA
IAEA	INTERNATIONAL ATOMIC ENERGY AGENCY
IMF	INTERNATIONAL MONETARY FUND
IRGC	IRAN'S REVOLUTIONARY GUARD CORPS
NATO	NORTH ATLANTIC TREATY ORGANIZATION
NPT	NON-PROLIFERATION TREATY
OPEC	ORGANIZATION OF THE PETROLEUM EXPORTING COUNTRIES
PDVSA	PETROLEUM OF VENEZUELA

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## **ACKNOWLEDGMENTS**

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## I. INTRODUCTION

This thesis examines the recent Iranian–Venezuelan partnership, especially as it relates to Iran’s involvement in Latin America and its impact on U.S. foreign policy. Thus, this study analyzes Iran’s behavior vis-à-vis the U.S. and Latin America and asks whether Iran IS trying to strike a balance against the U.S. by forming a bloc with Venezuela—and, if so, whether it can succeed.

Over the past five years, the Islamic Republic of Iran has expanded its influence in Latin America as part of the aggressive foreign policy of President Ahmadinejad. He especially seeks support for Iran’s nuclear program and a way to evade international isolation. Furthermore, Ahmadinejad aims to outflank Iran’s foremost opponent—the United States—in its own backyard with the help of the Venezuelan populist leader, Hugo Chávez, who also endorses strong anti-imperialist and anti-American rhetoric. With the assistance of President Chávez, Iran has found a bridge to infiltrate the region. The two countries have formed an anti-U.S. front known to the world as the “axis of unity.”<sup>1</sup> Through this relationship, Iran has deepened its contacts with other leftist countries such as Ecuador, Bolivia, Nicaragua, and Cuba.

Considering Iran’s questionable nuclear ambitions and its relations with terrorist organizations, Iranian involvement in Latin America raises concerns among states in the western hemisphere. Moreover, the connection to Venezuela, a revolutionary leftist regime, has reinforced suspicions. The United States, traditionally a dominant power in the region, has growing concerns about this cooperation. This makes a security crisis more likely. It is worth examining whether Iran and Venezuela’s balancing the United States is possible.

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<sup>1</sup>“Venezuela and Iran forms Axis of Unity,” Euronews, accessed June 3, 2012, <http://prod-euronews.euronews.net/2007/07/02/venezuela-and-iran-form-axis-of-unity/>.

## A. PROBLEMS AND HYPOTHESIS

The relationship between Iran and Latin America has been growing since the election of Ahmadinejad. The parties have signed several agreements, ranging from investments in the oil industry to mutual-exchange programs for students, and there are vital issues that Ahmadinejad expects to gain ground in. Bypassing international sanctions and evading isolation, seeking political support for its nuclear program, and revising the world order via an anti-U.S. agenda are Ahmadinejad's goals.<sup>2</sup> Toward these goals, he has established closer ties with left-leaning governments in Latin America, since they share the same anti-imperialist and anti-U.S. ideology. This rapprochement would not be possible without Venezuela. With the revisionist and lifelong anti-imperialist Hugo Chávez as its leader, Venezuela has acted as a bridge for Iran's infiltration of Latin America.

Despite international concerns about Iran's nuclear program and relations with terrorist organizations, Caracas has increased its economic and political links with Tehran. Iran has invested in many sectors in Venezuela, such as the automotive industry, banking, and so on. However, the centerpiece of their cooperation is energy and oil. It is necessary to mention that in spite of promised trade agreements, Venezuela and Iran are cooperating more on politics than economics. In short, their shared anti-imperialism and anti-American worldview brings them together.

The case of Bolivia, Nicaragua, and Ecuador are different from Venezuela. They are less ideologically driven, but their need for money and investment keeps them in Caracas's sphere of influence as natural allies to oil-rich Chávez. Venezuela, having formed an anti-U.S. bloc, has extended its policies out of the continent and brought an outsider, Iran, to the game. Chávez introduced Ahmadinejad to the bloc as an anti-imperialist. With this reference, Ahmadinejad promised billion-dollar investments in exchange for political support. Nevertheless, there are problems behind the scene. Iran failed to meet the level of economic investment that it promised. With the exception of Bolivia, almost nowhere has a project been carried out. This presents a problem for Iran's

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<sup>2</sup> Susie Morgan, "Iran's growing influence in Latin America," *Middle East* 415 (2010): 15.

policy toward Latin America. The future of Iran's friendship and cooperation with these countries depends on how much money Iran and Venezuela are ready to put in the region.

Iran's relations with Brazil and Argentina are based on more solid ground. Each country has its own dynamic in relation to Iran. For example, Brazil desiring to be accepted as an emerging power and following an independent foreign policy in world affairs, made contacts with Iran according to its own agenda.<sup>3</sup> On the other hand, Argentina has cautious and strained relations with Iran, due to the Buenos Aires bombings in 1990s and Iran's suspected involvement in those incidents. Finally, trade is an important issue among these countries, and in this respect Iran's number-one trading partners are Brazil and Argentina.<sup>4</sup>

From the American point of view, Iran's involvement in its backyard causes concerns. Suspicious nuclear activities and links to terrorist organizations are two critical issues. Moreover, Venezuela's explicit anti-U.S. rhetoric, combined with Iranian friendship, heightens Washington's alert. In economic terms, it is unlikely that American interests will be hurt, since the United States has supremacy in hemispheric trade. Nonetheless, in security terms, there are two potential threats to America: terrorism and nuclear weapons. Iranian-backed organizations such as Hezbollah are suspected of making connections to Latin American guerrilla movements and narcoterrorist organizations like FARC (Colombian Revolutionary Armed Forces).<sup>5</sup> This may provide Iran an opportunity to launch asymmetric retaliations through drug-trafficking routes from south to north. Moreover, a nuclear Iran may potentially deploy nuclear devices in Latin America. As mentioned above, the possibility of Iranian asymmetric warfare in the region creates concerns in the north.

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<sup>3</sup> Cynthia Arnson, Haleh Esfandiari, "Preface," in *Iran in Latin America, Threat of 'Axis of Annoyance'?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), ix–xi.

<sup>4</sup> Saideh Lotfian, "The New Role of Latin America in Iran's Foreign Policy," *Iranian Review of Foreign Affairs* 1 (Fall, 2010): 33–62.

<sup>5</sup> Geoff LeGrand, "Washington Report on the Hemisphere Mullahs in Caracas: Iran's Relationship with Latin America," *Council on Hemisphere Affairs* 30, no. 22 (2010), 1–5.

This thesis assumes that the Iranian–Venezuelan partnership cannot effectively balance against American power for a number of reasons. First, Iran’s capacity in terms of financial and physical resources to sustain such an ambitious operation is limited. Second, the United States’ economic and military superiority is by far the best in the region. Third, the leftist governments with whom Iran cooperates lack real means to confront the United States. Finally, Iran faces domestic criticism of wasting the nation’s scarce resources in political adventures in Latin America. Since the balance-of-power theory is not enough to explain recent Iranian–Venezuelan relations, this thesis argues that these allies will resort to soft balancing to limit U.S. influence and create a multipolarity in international relations.

## **B. LITERATURE REVIEW**

As the main purpose of this study is to find whether balancing against the United States by Iran and Venezuela is possible, it is necessary to analyze the literature on balancing.

### **1. “Balancing” Defined**

The concept of balancing comes from the balance-of-power theory. This influential theory from the realist school of thought assumes that states will join alliances to avoid domination by stronger powers. According to this hypothesis, states join alliances to protect themselves from other states (hegemons) whose superior power could pose a threat.<sup>6</sup>

Thus, balance-of-power theory posits that because actors in anarchic systems have an interest in maximizing their long-term chance of survival, they will check a hegemon by building their own capabilities (internal balancing), aggregating their capabilities with those of other actors in alliances (external balancing), or adopting the successful power-generating practices of the would-be hegemon (emulation).<sup>7</sup>

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<sup>6</sup>Stephen M. Walt, “Alliance Formation and the Balance of World,” *International Security* 9 (1985): 3–43.

<sup>7</sup>William C. Wohlforth, “Testing Balance-of-Power Theory in World History,” *European Journal of International Relations* 13 (2007): 155–185.

In sum, Jack Levy concludes that these ideas (internal balancing, external balancing, and emulation) form the core proposition of most of balance-of-power theories: "...that hegemonies do not form in multistate systems because perceived threats of hegemony over the system generate balancing behavior by other leading states in the system."<sup>8</sup>

## **2. Conditions for Balancing**

The conditions that lead to balancing involve autonomous states in competition. Balance-of-power theory

proceeds in a series of logical inferences from the fundamental postulate of a states system in which all units are autonomous, so that the system is structured by anarchy rather than hierarchy; to the primacy of survival, security, and independence for each unit wishing to remain part of the system; to the mandate of self help this need imposes upon each unit; and to a resultant competition between units which produces a recurrent pattern of various balances of power.<sup>9</sup>

Thus, the main assumptions of realist thought that lead to balance of power are (1) an anarchic order of international relations and (2) states seeking survival.

## **3. Balance-of-Threat Theory**

The second form of balancing is balance of threat. According to Walt, balance-of-power theory cannot fully explain balancing behavior among states. Instead, he suggests a balance-of-threat theory, in which international actors balance against a threat rather than against a superior power. Thus, all factors that affect the level of threat that a state may pose are crucial. Four factors determine the level of threat: aggregate power, proximity, offensive capability, and offensive intentions.<sup>10</sup>

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<sup>8</sup> Jack S. Levy, "What do Great Powers Balance Against and When?" in T.V. Paul, J.J. Wirtz and M. Fortmann (eds) *Balance of Power: Theory and Practice in the 21st Century* (Stanford: Stanford University Press, 2004), 37.

<sup>9</sup> Paul Schroeder, "Historical Reality vs. Neo-Realist Theory," *International Security* 19 (Summer, 1994): 108–148.

<sup>10</sup> Walt, "Alliance Formation and the Balance of World," 9.

#### 4. Soft Balancing

One last theory of balancing is “soft balancing.”<sup>11</sup> This theory began to develop as balance-of-power theories partially lost their explanatory power. Over time, traditional forms of balancing encountered some obstacles. For example, internal balancing faces problems that can result in failure: First, building hard power (military capacity) costs too much. Second, the dramatic expansion of military capability not only provokes the opponent, but also third parties, and ultimately results in a security dilemma wherein an actor’s increasing efforts toward security (survival) decrease the security of other states and collective security.<sup>12</sup>

External balancing faces problems as well. Since the quest for survival involves self-help, states do not rely completely on alliances (which predicts that alliances do not endure long). Another issue concerning external balancing is the collective-action problem, in which members of an alliance do not contribute to the cause evenly.<sup>13</sup> There are always free riders in a coalition, and this prevents external balancing.

However, the main obstacle to balance-of-power theory is that in our unipolar world, the hegemon is by far the strongest; no other actor can balance its power, which is the reason why the world has not balanced against the United States yet.<sup>14</sup>

Thus, in today’s unipolar world, due to the difficulties and obstacles in balancing power, a new concept, soft balancing, was born.<sup>15</sup> This theory claims that states can balance against a hegemon via non-military means (means other than hard power) such as diplomacy, diplomatic coalitions, and economic initiatives. For example, after the decision to go to war with Iraq in 2003, the United States faced indirect and soft-balancing strategies from secondary powers in the world.<sup>16</sup>

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<sup>11</sup> Robert A. Pape, “Soft Balancing against the United States,” *International Security* 30 (Summer, 2005): 7–45.

<sup>12</sup> Robert Jervis, “Cooperation under Security Dilemma,” *World Politics* 30 (1978): 160.

<sup>13</sup> Pape, “Soft Balancing against the United States,” 16.

<sup>14</sup> William C. Wohlforth, “U.S. Strategy in a Unipolar World” in G. John Ikenberry (eds) *America Unrivaled the Future of the Balance of Power* (London: Cornell University Press, 2002), 98–121.

<sup>15</sup> Pape, “Soft Balancing against the United States.”

<sup>16</sup> *Ibid.*

Consistent with the framework above, there are two major classifications in the literature on Iran's relations to Latin America: the balance-of-power approach and the soft-balancing approach.

## **5. The Balance-of-Power Approach**

Proponents of the balance-of-power approach claim that Iran and Venezuela are building a powerful alliance in order to challenge the United States in the way the Soviet Union did fifty years ago via its coalition with Cuba. According to this group of politicians, scholars, journalists, and authors, Iran has the capability of inflicting high losses on the United States with its nuclear weapons and terrorist linkages. They assume that these hard-power instruments can damage American interests badly and eventually limit Washington's foreign-policy choices.

In this vein, Norman A. Bailey gave a statement to a joint hearing before the House Committee on Foreign Affairs claiming that Iran represents an important national-security threat to the United States.<sup>17</sup> To him, allegations concerning Iran focus on the following points: (1) Iran finances and supports terrorist groups in Venezuela, Nicaragua, and Ecuador, (2) is involved in drug trafficking, (3) has the capacity for retaliation if the United States were to attack by damaging Venezuelan oil facilities and blocking the Panama Canal. Obviously, these allegations of hard-power instruments point to an Iranian balance-of-power strategy. Bailey proposes a more realistic U.S. response to the issue, such as taking action against the Venezuelan financial system, patrolling the mouth of the Orinoco River, and actively monitoring Iranian involvement in Panama.

By the same token, Douglas Farah,<sup>18</sup> Otto Reich and Ezequiel Vazquez Ger

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<sup>17</sup> *Iran in the Western Hemisphere: Joint Hearing on H. R., Day 1, Before the Subcommittee on the Western Hemisphere and the Subcommittee on the Middle East and South Asia and the Subcommittee on Terrorism, Nonproliferation and Trade of the Committee on Foreign Affairs*, 111th Cong. 52 (2009) (statements of Committee on Foreign Affairs).

<sup>18</sup> Douglas Farah, "Iran in Latin America: An Overview," in *Iran in Latin America, Threat of 'Axis of Annoyance'?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 13–21.



support the balance-of-power approach by saying that Iran's suspected illegal activities, such as money laundering, drug trafficking, and terrorism, pose an immediate threat to the United States.<sup>19</sup>

A similar view comes from Jaime Daremblum. The author mentions the suspected activities of Iranian-backed Hamas and Hezbollah in Venezuela and in the lawless tri-border region between Argentina, Brazil, and Paraguay, stating that Iran is trying to balance power in the hemisphere.<sup>20</sup>

Finally, a congressional bill indicates a balance-of-power strategy by Iran and Venezuela as well. Terrorist activities and drug trafficking are tools for both countries; in the face of a U.S. attack on its soil, Iran can resort to these tools to launch attacks from Latin America on the United States.<sup>21</sup>

In sum, to some politicians, authors, and academics, Iran poses a real threat with its balance-of-power strategy. They assert that Iran has (or will have) aggressive foreign-policy instruments such as nuclear warheads, terrorist attacks, drug trafficking, blocking of the Panama Canal, etc., which are obviously not tools of soft balancing, and that clearly Iran and Venezuela are trying to balance against the United States in traditional ways.

## **6. Soft Balancing**

On the other hand, proponents of a soft-balancing approach believe that Iran lacks the economic and state capacity to follow through with its intentions and that even the regional states that oppose the United States, such as Venezuela, are too dependent on access to U.S. markets to pursue policies that truly threaten regional security. As a result, Iran is using other mechanisms such as diplomacy, diplomatic coalitions, international institutions and agreements, statecraft mechanisms, economic initiatives, and multilateral

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<sup>19</sup> Otto Reich, Ezequiel Vazquez Ger, "Iran's Stealth Financial Partners in Latin America," *The Miami Herald*, Mar. 14, 2012.

<sup>20</sup> Jaime Daremblum, *Iran and Latin America* (Hudson Institute, 2011).

<sup>21</sup> *Countering Iran in the Western Hemisphere Act 2012: A Bill on H. R. 3783, Day 2*, Referred to the Committee on Foreign Affairs, 112th Cong. (2012) (statements of Mr. Duncan of South Carolina).

arrangements that exclude the United States from the process. Thus, Tehran expects to confront American hegemony and eventually create relative multi-polarity in international relations.

The soft-balancing approach depends on two criteria: material capacity and tools (or mechanisms) other than hard power.

*a. Soft-Balancing Criteria: Material Power*

In terms of material power, many examples prove that Iran and Venezuela lack the capacity to confront the United States in the region. One weakness of Tehran and Caracas is their heavy reliance on oil money. For instance, Venezuela is funding its domestic and foreign agenda through oil revenues. Chávez has failed to diversify the economy, despite several attempts, and the Venezuelan economy has become gradually more dependent on oil prices and markets. As the largest Venezuelan oil importer, the United States has indisputable dominance in the Venezuelan economy. Thus, Chávez has to think twice and take the United States into account before acting, which means a constrained foreign policy for Caracas.<sup>22</sup> Like Venezuela, Iran heavily relies on oil money to fund its foreign adventures. But, whether it can sustain this reliance is the question. When world demand was high, prices were high as well—but nobody can guarantee the price tomorrow. The policy of relying on rising oil revenue means that, one day, decreasing oil prices could prevent Caracas and Tehran from deepening their cooperation (they cannot go for a balance-of-power type alliance).<sup>23</sup>

Another indicator showing the incapacity of Iran and Venezuela is sheer numbers as relate to trade and the military budget (Table 1). In this respect, the United States is by far the superior actor in the region.<sup>24</sup>

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<sup>22</sup> Richard Lapper, “Living with Hugo, U.S. Policy toward Chávez ‘s Venezuela,” *Council on Foreign Relations, CSR*, no. 20 (2006), 1–40.

<sup>23</sup> Michael Dodson, Monochehr Dorraj, “Populism and Foreign Policy in Venezuela and Iran,” *The Whitehead Journal of Diplomacy and International Relations* (Winter-Spring 2008).

<sup>24</sup> Elodie Brun, “Iran’s Place in Venezuelan Foreign Policy,” in *Iran in Latin America, Threat of ‘Axis of Annoyance’?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 35–45.

Figures are in US \$m., at constant 2010 prices and exchange rates, except for the last figure, which is in US\$m. at 2011 prices and exchange rates													
". ." = data unavailable. "xxx" = country did not exist or was not independent during all or part of the year in question.													
Country	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
USA	540415	534906	510998	448806	474215	449281	421917	399043	377342	375375	366918	367822	382061
Venezuela	..	..	..	4435	4099	5114	3751	3603	2602	4267	3316	2881	3534
Iran	1776	2229	2415	2347	2089	2834	4382	3156	3507	3908	4123	5759	8281
Country	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011 current prices	
USA	385142	432452	492200	536459	562039	570769	585749	629095	679574	698281	689591	711421	
Venezuela	3573	2624	2555	3622	4892	6454	5388	5969	4314	3363	3115	2385	
Iran	9061	6529	7950	9777	12125	13502	11096	7463	..	..	..	..	

Table 1. Military expenditure by country, in constant (2010) U.S\$ m., 1988–2011<sup>25</sup>

Finally, Iran does not have wide range of influence in Latin America, which is a sign of weak material power. For example, it has a strained relations with Argentina, due to the bombings in the 1990s.<sup>26</sup> Suspected links between Iran and the terrorists who committed the attacks have kept Argentina from politically supporting Iran.

Ecuador<sup>27</sup> and Bolivia<sup>28</sup> have more mundane relations with Iran. Venezuela compels those states to develop relations with Iran, and Tehran promises large investments. Otherwise, their natural economic partners are Latin American countries and

<sup>25</sup> “Military expenditure by country, in constant (2010) U.S\$ m., 1988–2011,” SIPRI, accessed October 1, 2012, <http://milexdata.sipri.org/files/?file=SIPRI+milex+data+1988–2011.xls>

<sup>26</sup> Hugo Alconada Mon, “The Shadow of Iran in Argentina Takes on A Suspicious Shape,” in *Iran in Latin America, Threat of ‘Axis of Annoyance’?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 51–61.

<sup>27</sup> César Montúfar, “Recent Diplomatic Developments Between Ecuador and Iran: A Gesture of Sovereign Affirmation or Lukewarm Geopolitical Alignment?,” in *Iran in Latin America, Threat of ‘Axis of Annoyance’?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 101–111.

<sup>28</sup> Gustavo Fernández, “Bolivian Foreign Policy: Observations on the Bolivia-Iran Relationship,” in *Iran in Latin America, Threat of ‘Axis of Annoyance’?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 83–99.

the United States. So their support to Iran goes on as far as Iran keeps its promises on investment and Venezuelan economic aid flows in. However, it seems that Tehran has forgotten its promises in Ecuador and Bolivia.<sup>29</sup>

One last country that Iran has political expectations of is Brazil. Their relationship is more institutionalized than Venezuelan–Iranian relations (the latter is largely based on personal friendship between the presidents). However, Brazil has its own agenda, perceiving itself as a global, emerging power. Therefore, it will probably follow an independent path and act on its own interests. This means that Iran may not be able to expand its influence into Brazil.

In sum, Iran’s influence in Latin America is severely constrained by the gap between its ambitions and capabilities. In other words, Iran and Venezuela do not have the material power to confront the United States.<sup>30</sup>

***b. Soft-Balancing Criteria: Mechanisms or Policy Tools Other than Hard Power***

Iranian–Venezuelan relations show characteristics of soft-balancing mechanisms and tools. For example, the very reason that Iran tries to penetrate Latin America is to find political support and allies. The Iranian economy suffers badly from international sanctions; Iran seeks ways to bypass its isolation and find political support.<sup>31</sup> Its intention in the region is to form diplomatic coalitions, not strategic/military alliances such as NATO.

Besides diplomatic coalitions, Iran has formed new financial arrangements with Venezuela that exclude the United States. The partnership between Iranian and Venezuelan banks helps Iran evade financial sanctions.<sup>32</sup> There is economic cooperation

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<sup>29</sup> “Iran and Latin America Brothers in Arms? Mr Ahmedinejad Calls, Yet Again,” *The Economist*, accessed May 13, 2012, [www.economist.com/node/21542782](http://www.economist.com/node/21542782).

<sup>30</sup> LeGrand, “Washington Report on the Hemisphere Mullahs in Caracas: Iran’s Relationship with Latin America,” 1–5.

<sup>31</sup> Adam Stubits, “Introduction,” in *Iran in Latin America, Threat of ‘Axis of Annoyance’?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 1–10.

<sup>32</sup> *Ibid.*

such as ALBA (the Bolivarian Alliance for the Americas) against the U.S.-backed Free Trade Agreement alternative trade and economic arrangements to the U.S.<sup>33</sup>

President Ahmadinejad's three prongs (expansion of the bilateral strategy started by the previous government, a highly exaggerated relationship with Venezuela and creation of an axis of unity, and highly publicized relationships with three other leftist governments) indicate a diplomatic effort to balance the United States with soft power.<sup>34</sup> We can see the relative success of this soft balancing in the example of Nicaragua's supporting an Iranian nuclear program in the UN general assembly.<sup>35</sup>

In addition to the aforementioned soft-power tools, we can count two more mechanisms that indicate diplomatic coalitions: the use of oil as an economic weapon and emphasizing South-South solidarity.<sup>36</sup>

Finally, in an extreme case, such as an attack by the United States, Iran and ALBA countries will more likely support each other diplomatically than militarily.<sup>37</sup>

In conclusion, Iran lacks the economic and state capacity to follow through with its intentions, and even states that oppose the United States, such as Venezuela, are too dependent on access to U.S. markets to pursue policies that truly threaten regional security. Supporters of soft balancing claim that Iran is using other mechanisms, such as diplomacy and diplomatic coalitions that exclude United States, because these soft-power tools have the potential to confront American hegemony and eventually create relative multi-polarity in international relations.

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<sup>33</sup> LeGrand, "Washington Report on the Hemisphere Mullahs in Caracas: Iran's Relationship with Latin America," 1-5.

<sup>34</sup> Farideh Farhi, "Tehran's perspective on Iran-Latin American Relations," in *Iran in Latin America, Threat of 'Axis of Annoyance'?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 25-31.

<sup>35</sup> Félix Maradiaga, Javier Mélenlez, "Iranian-Nicaraguan Relations Under The Sandinista Government: Rhetoric or Anti-Establishment Foreign Policy?," in *Iran in Latin America, Threat of 'Axis of Annoyance'?*, ed. Cynthia Arnson, Haleh Esfandiari, Adam Stubits, (Washington DC: Woodrow Wilson International Center for Scholars, 2010), 65-80.

<sup>36</sup> Brun, "Iran's Place in Venezuelan Foreign Policy," 35-45.

<sup>37</sup> Morgan, "Iran's Growing Influence in Latin America," 15-17.

## **II. THE VENEZUELAN POLITICAL ECONOMY AND HUGO CHÁVEZ**

Venezuela was one of the working democracies of Latin America throughout the 1970s and 80s. Many international observers and elite insiders thought of the situation as a unique success. However, by the end of 80s, economic problems triggered a series of events that ended with the election of a populist leader as president in 1998. This chapter explains how Hugo Chávez rose to power—what dynamics helped him, what he revolutionized, and the political and economic implications of his reforms.

Weak political and economic structures in Venezuela created an environment for populism and led Chávez, a charismatic leader, populist, and political outsider, to power. During his presidency, Chávez strengthened the executive branch and increased state control over the economy. As a result, good governance in Venezuela has plummeted, while the danger of entering into a populist economic cycle seems probable. Internationally, Chávez has grown anti-global and anti-American, challenging the current world order. Afraid of isolation, he created a sphere of influence in Latin America, a leftist bloc including Bolivia, Ecuador, Nicaragua, and Cuba, and established cozy relations with countries beyond the Americas, such as Iran.

### **A. A BRIEF BIOGRAPHY OF HUGO CHÁVEZ**

In 1998, Hugo Chávez, a former army lieutenant colonel and leader of a failed coup d'état, became president. He was born in a poor village of Sabaneta, Barinas state, in 1954. At the age of seventeen, he registered at the military academy in Caracas. There, Chávez first met with leftist ideas and developed close links to the Venezuelan left after graduation.<sup>38</sup> He held two things in mind: first, a disdain for the corrupt political system and the elite, and second, a dislike for the country's worsening economic situation. Over time, his discontent grew to a degree that he plotted a coup with his followers in 1992. However, things did not go well. He was arrested and sentenced to a few years in prison,

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<sup>38</sup> Thomas E. Skidmore, Peter H. Smith, James N. Green, *Modern Latin America Seventh Edition* (New York: Oxford University Press, 2010), 236.

during which time he analyzed what he did wrong and learned a very important lesson: to play the cards according to the rules of the game. That is, if you want to rise to power in a democracy, you have to follow democratic ways.<sup>39</sup> When 1998 came, Chávez was ready to take over Venezuela via democratic elections.

## **B. A MAN OUTSIDE THE SYSTEM—HOW DID HUGO CHÁVEZ RISE TO POWER?**

When we examine the driving forces behind Chávez’s rise to power, two dynamics come forward: populism, whether neo- or classical, and the political and economic structures that Venezuela experienced since its independence. Over time, the economic and political structures that developed around the oil economy created discontent among regular people, eroded the two-party system, and led to a populist outsider’s rise to power.

### **1. Populism**

Populism has been playing a crucial role in Venezuela for a decade under the current president. The plight of most of the population led people to lose confidence in the established order, including political parties. Seeing no possible way out of poverty, the people began to await a messianic hero to fix what was wrong. At this point, a charismatic and ambitious leader came to the stage, promising good days for the hopeless poor masses. Chávez relied on both socialist and nationalist populist traditions to construct his Bolivarian revolution.<sup>40</sup> Therefore, it is necessary to understand what populism is and how it works.

Scholars define populism as political movements that are led by strong charismatic leaders who attract the masses with a rhetoric focused on reducing inequality.<sup>41</sup> According to Collier,

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<sup>39</sup> Ibid., 237.

<sup>40</sup> Francisco Panizza, *Contemporary Latin America Development and Democracy Beyond the Washington Consensus* (New York: Zed Books, 2009), 178.

<sup>41</sup> Sebastian Edwards, *Left Behind Latin America and the False Promise of Populism* (Chicago: The University of Chicago Press, 2010), 167.

Populism is a form of mass politics. The core idea, as the etymology suggest, rests with the claim to represent or act in the name of the people, understood as ordinary or common people, the majority, or the masses, as opposed to elites, privileged or special interest groups, the establishment or the power bloc.<sup>42</sup>

Another scholar, Williamson, defines populism as “the phenomenon where a politician tries to win power by courting mass popularity with sweeping promises of benefits and concessions to... the lower classes... populist leaders lack a coherent program for social change and economic reform.”<sup>43</sup> As is clear from the definitions above, politicians from left to right could adapt populist policies if they work. The term is attached to a wide range of movements from either side of the political spectrum.<sup>44</sup><sup>45</sup> Thus, we understand that it is a political tool to run the show, rather than an ideology.

## 2. Characteristics of Populism

Collier gives the following common components of a popular movement: (1) mobilization from below, (2) opposition to the status quo, (3) a multi-class coalition, (4) mass support, subordinate to the leader, (5) charismatic leadership, (6) direct linkage between the leader and the masses, (7) the use of anti-intellectual rhetoric, (8) an irrational form of politics, and (9) poorly managed economic policies.<sup>46</sup>

Since the former political party system has collapsed or eroded, populist leaders act outside the power structure and do not use mediatory institutions,<sup>47</sup> communicating directly with the people. A second key characteristic of populism is that it is an alliance

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<sup>42</sup> *International Encyclopedia of the Social & Behavioral Sciences*, s.v. “Populism.”

<sup>43</sup> Edwards, *Left Behind Latin America and the False Promise of Populism*, 167.

<sup>44</sup> *Ibid.*, 166.

<sup>45</sup> *International Encyclopedia of the Social & Behavioral Sciences*, s.v. “Populism.”

<sup>46</sup> *Ibid.*

<sup>47</sup> Panizza, *Contemporary Latin America Development and Democracy Beyond the Washington Consensus*, 184–185



between lower and middle classes, who form the masses. Finally, there is always a feeling against representative democracy (the status quo) and a tendency toward authoritarianism.<sup>48</sup>

### **3. Types of Populism**

Populism falls into two categories: traditional and new. Traditional populism (e.g., of Peron, Haya de la Torre, Betancourt) emerged in the 1930s and 1940s, whereas neo-populism is a term for 21st-century politics. Shared characteristics include the undermining of liberal economic principles, which are blamed as responsible for poverty, and strong and charismatic leaders, who bypass the established mediatory system and communicate with the masses via other means.

### **4. Populism in Venezuela**

The 1990s started with economic difficulties for Venezuela. Since structural problems had remained for decades, the economy was on the edge of a serious crisis. President Carlos Andrés Pérez imposed hard neoliberal economic reforms to fix the economy after the elections, such as large privatization of state-owned companies, liberalization of trade, and widespread deregulation. The government subsidy for basic goods and services shrank and most of the population fell quickly under the poverty line. Naturally, these reforms made people angry and led to protest on the streets. When the government resorted to force to suppress the masses, a coup attempt occurred. Alarm bells included the dissolving of the Pact of Punto Fijo, which had kept order among the classes and interest groups in Venezuelan society for a long time. Living standards declined and social injustice increased. In tandem with these events, the middle class started merging with the lower classes. People lost belief in the ability of existing institutions to fix problems; instead they looked outside the system for a strong man to take control of the country.<sup>49</sup> At this very moment, Hugo Chávez, with a disdain for

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<sup>48</sup> Edwards, *Left Behind Latin America and the False Promise of Populism*, 167.

<sup>49</sup> Skidmore, Smith, and Green, *Modern Latin America Seventh Edition*, 236.

parties and politicians, promised to be a panacea for all problems and people via the Bolivarian revolution and 21st-century socialism.<sup>50</sup>

Social and economic inequalities, the unjust distribution of income, and bad living conditions for the poor masses led people to look for a radical remedy to their suffering. Having lost confidence in the established political institutions, they welcome a messianic leader to save the nation from stormy days. As a result, a charismatic and strong leader emerges from the ashes of the old economic and political disorder—Chávez came to power in the wake of a collapsing party system that forfeited people’s faith as a result of corruption and economic failure that led millions into poverty.<sup>51</sup>

### **C. THE POLITICAL AND ECONOMIC STRUCTURE OF VENEZUELA BEFORE CHÁVEZ**

Chávez made use of economic and political structural problems to implement his popular agenda and rise to power. However, contrary to the general opinion that Chávez was a product of neoliberal reforms, this thesis claims that Venezuela’s economic structure in the past decades, long before neoliberal reforms, prepared the conditions for populism. In the 1950s, immense oil revenues created an illusory paradise for Venezuela. In time, the country became much more dependent on oil exports to sustain this paradise (sustained by an agreement between major interest groups, the Punto Fijo order). Throughout that era, market forces were ineffective in decision-making in the economy; rather, various interest groups had the final say in economic activities. Corruption and a decrease in worldwide oil demand made the Punto Fijo regime fragile. Eventually, widespread corruption and fluctuating oil demand shook the Venezuelan system hard, and subsequent governmental failure to build a strong economic structure after the Punto Fijo Pact delayed required economic reforms, until the system shattered in 1989.

#### **1. From the Pact of Punto Fijo to the Late 1990s**

After years of dictatorship, the political elite in the AD and COPEI political parties reached an agreement on the rules of the game, known as the Punto Fijo Pact. The

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<sup>50</sup> Ibid., 148.

<sup>51</sup> Dodson, Dorraj, “Populism and Foreign Policy in Venezuela and Iran,” 5.

main principle was to include all interest groups or major players and to ensure that everyone was benefitting from oil income. Thus, democracy arrived in Venezuela in 1958 and a new era, which would last almost forty years, started. In the decades after the pact, while most of Latin America was witnessing military interventions and coups, Venezuela was enjoying economic and political order, with democratic election of presidents and a thriving economy, due to OPEC's cutting of oil production.

The next decade, the 1980s, was relatively tranquil. However, this did not mean that everything was going right. Widespread corruption began to disturb people, even in the face of increasing oil income. Moreover, interventionist and protectionist policies slowed the economy.<sup>52</sup> Thanks to the oil-boom times, the government began a series of investment projects to industrialize the country. Unfortunately, they proved inefficient and unprofitable and did not help growth.<sup>53</sup> By 1983, foreign debt had increased dramatically and the trade deficit had widened to unsustainable levels. As the course of the economy went down, the government devalued the national currency, for which people blamed the large-scale corruption of statesmen and politicians.

In the mid-1980s, the government continued expansionary fiscal and monetary policies. Once again, the national currency, the Bolivar, was devalued and lost its value considerably. Officials managed this crisis badly, increasing public expenditures and printing money to stabilize the economy. What was needed was strict monetary discipline, but instead the government resorted to populist policies such as price controls. As a result, economic deterioration spiraled downward.

The Venezuelan dream began to collapse when Carlos Andrés Pérez was elected president in 1989. The situation seemed desperate; shortages were everywhere, foreign debt was huge, etc. To fix what was left, Pérez imposed strict neoliberal economic reforms amounting to a shock program, with assistance from the IMF. Pérez's agenda included privatization of state-owned companies, liberalization of trade, devaluation of

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<sup>52</sup> Edwards, *Left Behind Latin America and the False Promise of Populism*, 194.

<sup>53</sup> *Ibid.*

the Bolivar, major fiscal adjustment, deregulation of economic activity, an increase in gasoline and public transportation prices, reduction of import tariffs, and finally, an increase in interest rates.<sup>54, 55</sup>

Protests and looting broke out against the government. Security forces overreacted against protesters, leaving many dead. These riots brought a group of army officers forward to attempt a coup—the failed coup for which Chávez, was arrested and jailed. Meanwhile, the middle class was angry with government officials’ self enrichment and the labor class realized that they were not receiving their share from oil income. As the Punto Fijo order shattered, people started to turn away from the traditional parties, AD and COPEI.

Venezuela’s economic structure throughout the past decades prepared the conditions for populism. By 1998, decades-long shortcomings devastated the economy, along with the political institutions. Oil revenues compensated for mismanagement of government and delayed structural reforms to meet market needs for a long time; however, sporadic decline in world oil prices and large-scale corruption finally triggered social unrest. As a result, the political institutions lost their credibility and alternatives from outside the system emerged as an option.

## **D. THE BOLIVARIAN REVOLUTION FROM DIFFERENT PERSPECTIVES**

### **1. The Political Perspective**

Chávez has strengthened the executive branch since his election as president. One of the signs of increasing executive power was the reorganization of the judiciary in 2004. A new law reformed the supreme court by increasing the number of judges from twenty to thirty-two.<sup>56</sup> This made the judiciary submissive to Chávez’s will.

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<sup>54</sup> Skidmore, Smith, and Green, *Modern Latin America Seventh Edition*, 234.

<sup>55</sup> Edwards, *Left Behind Latin America and the False Promise of Populism*, 195.

<sup>56</sup> Lapper, “Living with Hugo, U.S. Policy toward Chávez ‘s Venezuela,” *Council on Foreign Relations*, 12.

Another indicator of strengthening executive power has to do with the free press. In 2004, a new law put restrictions on media, showing the government's limited tolerance of opposition.<sup>57</sup>

From the first moment of his presidency, Chávez has sought ways to prolong his stay in power. However, the 1999 constitution did not allow reelection. Unhappy with this restriction, in 2007, he proposed an amendment that would remove limits on reelection. Nevertheless, he lost by a hair's breadth. Not accepting defeat, the next year he tried again, and this time won approval in a referendum.<sup>58</sup> In sum, over time Hugo Chávez consolidated his grip over Venezuela and turned authoritarian in the sense mentioned above.

## **2. The Economic Perspective**

Chávez's revolution changed the structure of Venezuelan government and expanded the state's role in economy for the purpose of eliminating long-standing problems of poverty and inequality. His economic policy depends on three prongs: "(1) an interventionist approach to economic management; (2) the development of a cooperative and social enterprise sector that is heavily dependent on public subsidies; (3) rapid expansion of state spending, primarily funded by higher oil prices."<sup>59</sup>

Chávez followed a prudent macroeconomic approach at first; however, this changed sharply after a three-month strike in 2002–2003,<sup>60</sup> when he introduced new regulations on banking, established state-owned enterprises in the agricultural sector, and increased oil-funded public spending drastically for social projects. Chávez launched social programs, called "missions,"<sup>61</sup> to relieve the plight of the poor. *Misión Barrio*

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<sup>57</sup> Ibid., 10.

<sup>58</sup> Skidmore, Smith, and Green, *Modern Latin America Seventh Edition*, 240.

<sup>59</sup> Lapper, "Living with Hugo, U.S. Policy toward Chávez 's Venezuela," *Council on Foreign Relations*, 12.

<sup>60</sup> Ibid.

<sup>61</sup> Edwards, *Left Behind Latin America and the False Promise of Populism*, 197.

Adentro was the first of a series and included a couple of services such as literacy education, subsidized food, and medical services provided by Cuban doctors and dentists.<sup>62</sup>

His plans also included the revocation of central-bank autonomy and an end to term limits for its president.<sup>63</sup> State control was imposed in key sectors, from telecommunications to oil. Since the money mainly has come from oil, controlling the hydrocarbon industry became crucial for Chávez's government. State officials dominated the ranks of the national oil company, PDVSA, specifically the board of directors. Chávez took over the company step by step. Today, it signs agreements with foreign companies on tough terms and takes higher royalties.

#### **E. IMPLICATIONS OF THE BOLIVARIAN REVOLUTION INSIDE AND OUTSIDE VENEZUELA**

The Bolivarian Revolution was designed to strengthen executive power. In so doing, Chávez put himself at the center of politics, and the institutional capacity and good governance of Venezuela decreased sharply. Since high-quality political institutions create high-quality economic policies, the worsening political structure of Venezuela has been leading the country on the wrong economic path.<sup>64</sup> For instance, a comparison between the years 2000, 2005, and 2010 shows that control of corruption, government effectiveness, and political stability, together with two other indicators, worsened drastically.<sup>65</sup> As a result, it is possible for Venezuela to slip into the populist economic cycle and end in a final situation that is worse than where it began.<sup>66</sup>

Chávez developed an anti-global and nationalistic worldview over time, in parallel with the direction of political discourse inside.<sup>67</sup> Chávez then began to challenge

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<sup>62</sup> Lapper, "Living with Hugo, U.S. Policy toward Chávez 's Venezuela," *Council on Foreign Relations*, 13.

<sup>63</sup> Robert E. Looney, "Trends," *The Milken Institute Review* 5–14 (2007): 12.

<sup>64</sup> Edwards, *Left Behind Latin America and the False Promise of Populism*, 184.

<sup>65</sup> "Worldwide Governance Indicators," World Bank, accessed September 10, 2012, [http://info.worldbank.org/governance/wgi/sc\\_chart.asp](http://info.worldbank.org/governance/wgi/sc_chart.asp).

<sup>66</sup> Edwards, *Left Behind Latin America and the False Promise of Populism*, 169.

<sup>67</sup> Looney, "Trends," 5–14.

liberalism and its ultimate proponent, the U.S., in Latin America and the world, trying to increase Venezuela's influence in the region via windfall oil money and to find like-minded friends such as Iran.

### **1. Internal Implications**

After taking office, Chávez tried to strengthen his personal authority via political measures, such as replacing the congress with a new one dominated by his followers and passing a new constitution to allow him to run for additional presidential terms. Moreover, officials of his choosing took positions once held by the political cadre.

Chávez became authoritarian and replaced pluralist democracy with a political system that spins around him. Old, established parties are no more a deciding force in politics. His own party also has no institutional power. People sign up as members for different reasons, lacking a common ideology. Chávez is the only effective political force in Venezuela.

As mentioned earlier, the elites struck a bargain with the military in 1958 under the name of Punto Fijo. In exchange for staying out of politics, the generals got many fringe benefits surpassing those of other interest groups. This deal was, of course, financed by increasing oil revenues. However, in his first term, Chávez neglected this arrangement and put the military back in the political arena. According to Plan Bolivar 2000, a huge amount of money was given to soldiers to oversee and run social projects, such as building schools, roads, and lodging. As a result, the officer corps became complicit in corruption and a new clientelist order emerged.<sup>68</sup>

Twenty-first century socialism is clearly an alternative to the so-called Washington Consensus.<sup>69</sup> <sup>70</sup> In contrast to the free market, Chávez attempted to shape the economic structure through non-market means. In so doing, he deteriorated economic freedom significantly. According to the Heritage Foundation index of economic freedom,

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<sup>68</sup> Ibid., 6.

<sup>69</sup> Dwight H. Perkins, Steven Radelet, and David D. Lindauer, *Economics of Development (Sixth International Student Edition)* (W.W. Norton Company, 2006), 179–180.

<sup>70</sup> Looney, "Trends," 6.

Venezuela ranks 174th most repressed out of 179 countries in the world.<sup>71</sup> The existence of political intervention caused a disorder in the flow of markets, and the threat of expropriation keeps foreign investment away.

Indeed, many of the promises of Chávez's revolution fall short of its goals. Rather than going into the pockets of the poor, oil money is consumed by corrupt officials. Without close oversight, this is a natural result. Another controversial issue is the social missions discussed previously, which tend to focus on lessening poverty rather than fixing long-standing structural problems—this created an environment in which people are more dependent on the state.<sup>72</sup> Another concern is that the missions are financed primarily by oil revenues. If oil prices decrease, social programs will probably be cut back. At this point, to prevent any negative fallout, two factors seem crucial: (1) steady oil prices and (2) an expansion of oil production. Yet predictions claim that world supply will pass demand and reduce the price of oil. This would have a negative effect on Bolivarian practices. Then too, it will be hard to sustain or expand current production, because oil money is being used primarily for social purposes, not for the maintenance or development of the petroleum industry.<sup>73</sup>

When we combine recent political and economic developments in Venezuela, a probable consequence is as follows: if Chávez continues his populist economic stance, he will make the economy worse than it was in 1998. His model seemed to have a few successes at first, but its sustainability is a big question now. Venezuela failed to diversify its petro-economy and has been continuing to depend on oil. In contrast to Chávez, even the left-wing governments in Latin America have tempered their radicalism somewhat and have been exercising mixed economic policies with success.

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<sup>71</sup> “2012 Index of Economic Freedom,” Heritage Foundation, accessed September 10, 2012, Heritage index <http://www.heritage.org/index/ranking>.

<sup>72</sup> Looney, “*Trends*,” 10.

<sup>73</sup> *Ibid.*, 11.



## 2. External Implications

Hugo Chávez came to power by promising to change and punish two things: inequality and poverty, and the elite and their corruption. He held neoliberal reforms and capitalism responsible for the situation. Following his inauguration, Chávez began his showdown, as promised. Unsurprisingly, disturbance grew among the elite and opposition, and a coup was staged, resulting in Chávez's removal as president for two days.<sup>74</sup> Large protests saved him. He then started to pursue a more authoritarian way, repressing dissidents harder. At the same time, the Venezuelan leader blamed the U.S. for plotting a coup against a democratically elected president, alienating himself from the United States and the West. So in time, his gradual takeover inside and his anger against neoliberal reforms and the capitalist elite and so-called U.S. participation in the 2002 coup, turned his attention outside, and resulted in a strong anti-globalist "Latin American Nationalism," and anti-Americanism in international relations.

As he grew more radical, Chávez caused the alienation of Venezuela from the international system. Standing against today's world order of capitalism and globalization, Caracas began looking for like-minded friends around the globe (such as Bolivia, Iran, Ecuador, Cuba, Syria, and Russia) to evade isolation in the system and challenge its foremost proponent, the U.S.

Venezuelan international relations are based on two intertwined prongs: ideology and economics.<sup>75</sup> Generally, Chávez emphasizes Latin American nationalism in the western hemisphere while exercising anti-Americanism beyond the Americas.

To get support, Chávez touts a widespread view that dependency on the West is a main cause of grievance, poverty, and inequality throughout Latin America. As a result, he established links with leftist or left-leaning governments and organizations, for example, Cuba, Ecuador, Bolivia, and Nicaragua. He also attempted to erect himself as a potential future leader of Latin America. But, his radical style does not resonate well with

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<sup>74</sup> Skidmore, Smith, and Green, *Modern Latin America Seventh Edition*, 239.

<sup>75</sup> Lapper, "Living with Hugo, U.S. Policy toward Chávez 's Venezuela," *Council on Foreign Relations*, 16.

every actor in the region. Even though Latin American left-leaning governments share Chávez's dependency argument to some degree, Brazil and Argentina have opposed his radical style.<sup>76</sup>

Caracas has devised a clever formula to fund friends in the region: social power diplomacy. According to Javier Corrales, "Social power diplomacy attracts allies because it provides governments with far more latitude in domestic spending than is the case with any form of Western aid. This domestic freedom produces international ties."<sup>77</sup> The reason is that Washington-based institutions put conditions on loans, while Chávez does not, so he is favored by regimes in need of financial help.

With flowing oil money, the Venezuelan president began shaping the political system around Latin America. He bought debt from Argentina and Ecuador, erased Nicaragua's, and endowed money for Morales' election campaign. Moreover, many Venezuelan missions provide services to the poor in various parts of Latin America.<sup>78</sup> Chávez created new international organizations like Alternative for Americas (ALBA), used by the Venezuelan government as a soft-power tool to counter the U.S.-backed free-trade zones. In sum, Chávez has been giving a large amount of oil money, roughly \$43 billion, across Latin America to create a political design according to his views.<sup>79</sup> Most of this money is spent to increase influence over weak governments that share anti-American views or ideology. In so doing, Venezuela has expanded its political clout in the region.

Beyond the Americas, Venezuela has developed relations with Iran, Syria, Belarus, Russia, and China. In many of these cases, Chávez utilized anti-American sentiment and mobilized support on that basis. The most concerning of these relations seems to be with Iran. Both countries have denounced the U.S. together on many occasions, signed various agreements in different areas, cooperated militarily, and

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<sup>76</sup> Ibid.

<sup>77</sup> Sean Goforth, *Axis of Unity Venezuela, Iran & the Threat to America* (Washington DC: Potomac Books, 2012), 18.

<sup>78</sup> Ibid., 19.

<sup>79</sup> Ibid., 20.

mutually given support before international public and international organizations for causes such as Venezuelan support of Iran's nuclear program.<sup>80</sup>

In short, Venezuela radicalized itself during Hugo Chávez's term of office. He went left inside and outside while heavily criticizing the current international system and its champion, the U.S., whenever possible. On one hand, Venezuela created and then developed a sphere of influence with oil money in the western hemisphere. In so doing, Chávez preyed on weak governments in the region, making them dependent on him. On the other hand, he mobilized anti-American sentiment and called for new friends to create a front against the U.S. and the West outside the Americas. As a result, Venezuela established closer ties with Iran, Syria, Belarus, Russia, and China, while facilitating the leftist bloc, including Bolivia, Ecuador, Nicaragua and Cuba, in Latin America.

## **F. CONCLUSION**

This chapter explains the dynamics behind Chávez's rise to power, together with the Bolivarian Revolution and its internal/external implications. The long-standing weak political and economic structure of Venezuela created proper conditions for populism, and led Hugo Chávez to power. During his presidency, he strengthened the executive branch, increased state control over the economy, and weakened political institutions. As a result, good governance in Venezuela plummeted, while the danger of entering a populist economic cycle seemed probable. Internationally, Chávez grew anti-global and anti-American, challenging the current world order. Afraid of isolation, he created a sphere of influence in Latin America and established cozy relations with other countries beyond the Americas, such as Iran.

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<sup>80</sup> Ibid., 20–29.

### **III. WHAT LED IRAN TO PURSUE AGGRESSIVE FOREIGN POLICY?**

This chapter argues that factors such as a long-standing fear of imperialism and the shah's tyrannical rule, together with rising inequality and injustice, prepared the stage for the Iranian Revolution and, accordingly, strong anti-Americanism became an integral part of the Islamic Republic's foreign policy. Two politically important camps emerged after the revolution: radicals and moderates. The former promoted a violent confrontation with the U.S., whereas the latter sought ways to negotiate and compromise. The side with stronger influence in state affairs was often the radicals. Accordingly, Iran followed a revisionist foreign policy. In this context, they went far to support terrorism in order to counter the U.S. and its allies. As a result, Islamic Republic found itself internationally isolated. Reformists began to gain the support of the Iranian public in the early 1990s. They tried to implement reforms to relax Iran both inside and outside, such as normalization with the West and neighbors. However, their efforts were always thwarted by radicals. After the 2000s, due to the unfinished reforms and their failed results, public support for moderates lessened. A final blow came when the U.S. declared Iran part of the "axis of evil." The Iranian public, both radicals/conservatives and moderates/reformists, were shocked and then enraged. In tandem, conservatives/radicals blamed reformists/moderates and their passive foreign policy. Supporting the reformist ideas for almost ten years, the people changed their minds and sought a leader to clean up after the reformist/moderate politicians and restore the national pride of Iran. Thus, a populist leader, Mahmoud Ahmadinejad, was elected president, with an ambitious agenda. He began to follow an aggressive foreign policy to break the isolation, soften the impact of international sanctions, and counter U.S. pressure.

#### **A. A BRIEF HISTORY OF IRAN (BEFORE AND AFTER THE REVOLUTION)**

Many factors created disturbance in Iran during the 1960s and 1970s. Lack of political freedom and widespread repression by the government pushed the middle class and society into despair. Inequality remained high, despite increasing oil revenue, which

angered the lower classes. Moreover, the shah imposed strong and rapid Westernization on Iran, undermining Iranian culture. These and similar factors enraged both traditionalists and modernists in Iranian society.<sup>81</sup>

Other factors contributed to unrest from the mid-1970s on. For example, the oil boom caused higher inflation, shortages, and corruption. It also led the government to implement harsh economic policies, such as price controls, high interest rates, and spending cuts. In addition to economic problems, the shah's illness led him to poor political judgments.<sup>82</sup> Pressure for reforms built, and government compromised to a degree with the demands.

One of the opposition groups to the shah's regime was formed by supporters of Ayatollah Khomeini, who organized large demonstrations in the tense atmosphere in the late 1970s. Violence quickly erupted and Iran became politically unstable. The key moment during this period was when a crowded theater burned with people inside in the summer of 1978. The government was held responsible and huge protests took place on the streets. The shah responded by proclaiming martial law, and security forces resorted to force, firing on and killing several of the protesters.

All the measures the shah took were not enough to keep the public order. There was chaos: labor unrest crippled the oil industry while leftist and Islamist guerrilla movements were increasing their attacks against the regime. In this tumultuous atmosphere, the shah fled the country and went in exile in 1979 and Khomeini returned to Iran.

## **B. FROM 1979 TO 1989**

Three groups came out of the collapsing shah regime: moderates, Islamist radicals, and leftists. From the beginning of the revolution in January, moderates were attacked by Islamist and leftist guerrillas. Ayatollah Khomeini initially was playing a role

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<sup>81</sup> Mark Gasiorowski, "Islamic Republic of Iran," in *The Government and Politics of the Middle East and North Africa Sixth Edition*, ed. David E. Long et al. (Washington DC: Westview Press, 2010), 53.

<sup>82</sup> *Ibid.*, 54.

as an arbitrator among conflicting factions. However, he was generally supporting Islamist radicals more. Thus, Iran turned toward radicalism.<sup>83</sup>

Over time, the two main groups that would have more influence than any other emerged: moderates and radicals. The first major encounter between these two occurred when revolutionaries started to execute large numbers of people who worked under the shah's regime. A second encounter happened over the nature of the Iranian state. The moderate Liberation Movement leader Mehdi Bazargan insisted on a "democratic" or "democratic-Islamic," whereas Khomeini and his radical allies demanded an "Islamic" republic. In the end, the radical Islamists came out victorious in the referendum that was held to finalize the debates above. Immediately after, radicals created the revolutionary Guard Force to protect the newly founded Islamic regime from opposing threats.

In the coming months, radicals heavily involved themselves in the process of writing a new constitution. Using intimidation and manipulation, they won the majority in the constitutional assembly. Once in power, they created the institutional foundations of the Islamic Republic. Consequently, many moderates left Iran and went into exile, due to increasing repression.<sup>84</sup>

In this radical phase of the revolution, some students invaded the U.S. embassy in Tehran, taking sixty-one Americans hostage. In so doing, the radicals humiliated the U.S. and pushed Iran toward a more radical direction. Factional infighting erupted between moderates and radical Islamists that led to more purges among the moderates. In an attempt to oust radicals, the Mojahedin group started a counterrevolutionary uprising. The radicals' response was harsh: mass arrests and executions. Tension continued for months.

In 1981, Ali Khamane'i was elected president. He and the speaker of parliament, Rafsanjani, worked together to consolidate radical Islamist rule over Iran. Finally, in 1982, they managed to defeat their opponents. However, this time they began internal fighting that took place around the economic policies that the Islamic Republic would

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<sup>83</sup> Ibid., 56.

<sup>84</sup> Ibid., 54.

adopt. Leftists favored a radical redistribution of wealth and state intervention, whereas conservatives favored laissez-faire economic policies. This tension prevented Iran from shaping an effective economic approach until the late 1980s.

Beginning in 1979, the Iranian revolution took a radical direction. Islamists formed the Islamic Republic with a violent struggle against opposition. This phase lasted almost ten years and oppressed moderates severely. In the end, Khomeini and his supporters took full control of Iran in 1989.

### **C. FROM 1989 TO DATE**

During 1988 and 1989, some changes started relative moderation in the Islamic Republic. First, Iran agreed to a UN proposal to end the war with Iraq in 1988 (Iran had lost its navy to the U.S., and its ground army was driven out of Iraqi territory.) Second, Ayatollah Khomeini died in 1989, and Rafsanjani, a supporter of moderation, was elected president. Nevertheless, to implement a moderate agenda, the president needed to strengthen the executive powers of his office. This was done via a constitutional reform that eliminated the position of prime minister and concentrated the power in the presidency, solving the problem of executive deadlock.

In this atmosphere, President Rafsanjani created a government comprising centrist technocrats.<sup>85</sup> His main focus was the economy, since the war destroyed it badly. As a result, government became more conservative (free-market oriented) in terms of economics and leftists in the assembly were weakened. Losing popular support, many leftists came to a more moderate line. After a while, conservatives turned against Rafsanjani and centrists in the parliament.

For the 1997 presidential election, moderates-turned-leftists and centrists made a coalition against conservatives, backing a reformist candidate, Mohammed Khatami, who won a landslide victory, proving that reformist ideas were largely supported by the Iranian public. Feeling this popular support and the temporary weakness of conservatives, the reformists attempted to exercise their program.

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<sup>85</sup> Ibid., 58.

They started with political reform, such as liberalizing the media and loosening restrictions on political activity. Disturbed by these events, conservatives responded by assaulting and attacking. In this power struggle, Ayatollah Khamanei backed the conservatives, using the power of his office to stop liberal activities. Thus, the reform process almost came to an end in mid-1998.<sup>86</sup>

However, reformists won victory again in local elections in 1999. Again conservatives responded with the same methods, especially focusing on the liberal media. A year later, the reformists won another landslide victory in the general elections and became the majority in parliament. This created concerns about a possible coup d'état by the security forces. So, under these threats and attacks, reformists tried to avoid direct confrontation with the conservatives.

As the 2001 presidential elections were approaching, the reformists began to split up in two camps: radical reformists wishing for more open confrontation with the conservatives, and moderates favoring the non-confrontational attitude. In the end, Khatami won another landslide victory and showed that reformist ideas were still popular in Iranian society.

During his second term, attacks by conservatives continued against the president. One more thing bolstered the conservatives. Following the September 11, 2001 terrorist attacks, the U.S. declared Iran as part of an axis of evil and invaded Iraq in 2003, causing fear among conservatives that Iran would face the same fate soon.<sup>87</sup> Their determination to prevent a reformist agenda was strengthened by these events, while tension among the two reformist groups grew higher. As seen in the local elections of 2003, support for the reformists fell drastically in comparison to the 1999 elections. In 2004, Iranian voters showed in the elections that they were not backing the reformist agenda any more, and were siding with the conservatives.

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<sup>86</sup> Ibid., 59.

<sup>87</sup> Ali M. Ansari, "Iran and International Politics," in *The Contemporary Middle East, A Westview Reader*, Second Edition, ed. Karl Yambert (Colorado: Westview Press, 2010), 283.



When the next year's elections were approaching, many reformists continued to be blocked from politics.<sup>88</sup> With Khatami ineligible for one more term in office and other like-minded politicians likely to be vetoed by the conservatives, the reformists did not put up a strong candidate for president. In such an environment, a hard-liner and populist with a humble demeanor, the mayor of Tehran, Mahmoud Ahmadinejad, won the second round of the elections and became president in 2005, thus putting an end to a relatively moderate era since 1989.

#### **D. POLITICAL AND ECONOMIC DYNAMICS IN IRAN**

Iran's history has shaped its political culture in some ways. First, foreign interventions throughout the 19th and 20th centuries made many Iranians nationalistic and alert against foreign powers, namely Western empires. This created strong support for nationalist movements from the 1940s to 1960s, which opposed the incumbent shah as a puppet of the foreigners. When they came to power, Islamists resorted to the same sentiment of nationalism and anti-imperialism. These trends have continued since the establishment of the Islamic Republic.<sup>89</sup> Second, Shi'a Islam strongly emphasizes self-sacrifice (martyrdom) and social justice. Iranian society has a deep respect for people who make sacrifices for a just cause. These elements of political culture strengthen anti-Western and anti-imperialist sentiment in contemporary Iran.

It is impossible to talk about economic dynamics apart from oil. First discovered at the beginning of the 20th century, oil began to play a crucial role in the economy during the 1920s and 1930s. Petroleum revenue started to grow rapidly, due to increase in production and 1954 agreement signed after the prime minister, Mosaddeq, was toppled by a coup between the Iranian government and Western petroleum companies. Later, in the 1970s, oil prices hit the ceiling, making huge profits for Iran. Industrial growth expanded and new factories, such as steel mills and automotive plants, opened. This,

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<sup>88</sup> Michael Anxworthy, "The Iranian Predicament," in *The Contemporary Middle East, A Westview Reader, Second Edition*, ed. Karl Yambert (Colorado: Westview Press, 2010), 276.

<sup>89</sup> Mark Gasiorowski, "Islamic Republic of Iran: Political Dynamics and Foreign Policy," in *The Contemporary Middle East, A Westview Reader, Second Edition*, ed. Karl Yambert (Colorado: Westview Press, 2010), 210.

however, did not lead a good economy; instead unintended results happened, such as higher inflation, shortages, corruption, and internal migration, all of which culminated in the Iranian Revolution.<sup>90</sup>

The revolution and following war with Iraq devastated Iran's economy, reducing private investment, shattering the production infrastructure, stopping foreign imports, and bleeding labor out of the country. For example, suggesting the degree of devastation, the GDP has never recovered to pre-revolutionary levels, even in the 2000s.<sup>91</sup> The radical phase had passed. Now Iranian leaders began to implement five-year development plans, aiming to diversify the oil economy and spark economic growth. They thought to do so by pursuing liberal policies, but unfortunately plans failed to reach expected objectives.

The first five-year plan was between 1989 and 1993. During this time, the Rafsanjani government tried to liberalize the economy, but leftists in the parliament strongly opposed his measures, claiming that the situation of the poor would worsen. As a result, most of its goals failed to be realized. Worse still, the government expanded imports and borrowing in accordance with this plan, which brought higher inflation.<sup>92</sup>

The second five-year plan began in 1994, aiming to free the economy drastically by exchange-rate liberalization, banking reform, fiscal and monetary restraint, subsidy cuts, and privatization. By that time, leftists in the parliament were weakened, which encouraged the possibility of economic reforms. Nevertheless, lower world oil prices and opposition from conservatives in the parliament prevented them. Thus, Iran's economy stagnated during this period.<sup>93</sup>

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<sup>90</sup> Gasiorowski, "Islamic Republic of Iran," 67.

<sup>91</sup> *Ibid.*, 68.

<sup>92</sup> *Ibid.*

<sup>93</sup> *Ibid.*

The third plan covered 2000–2004 attempted further liberal reforms. However, conservatives opposed again and undermined the plan while it was being implemented. In addition, the goals of the plan were unrealistic. Thus, it did not achieve what it promised.<sup>94</sup>

In such an economic environment, the current president, Ahmadinejad, campaigned on populist economic policies for the elections in 2005. He promised to lower interest rates and increase subsidies and social spending. With the support of the conservatives, who had similar economic views, and with skyrocketing oil prices, Ahmadinejad began to exercise his agenda as soon as he assumed office. However, inflation increased at the beginning of his term, due to the populist economic approach.

#### **E. POPULISM AND AHMADINEJAD**

As mentioned in the previous chapter, when confidence in existing political institutions fades, people begin to look for a charismatic leader as a panacea for all the problems of a country. This was the case with Hugo Chávez’s rise to power. In a similar fashion, Mahmoud Ahmadinejad was an internationally unknown political figure before becoming president of the Islamic Republic.<sup>95</sup> However, the past failures of moderates made the Iranian population believe that a man with a radical agenda could lead to economic growth and the recovery of Iranian national pride. So they supported Ahmadinejad, who was seeking the redistribution of wealth and power, both domestically and internationally, by mobilizing the masses.<sup>96</sup>

From the beginning of the revolution, populism and anti-imperialism played important roles. A good example is in what his followers were calling Ayatollah Khomeini: the “leader of the disposed masses of the world.”<sup>97</sup> But when the fervor had passed and a moderate was elected president in 1989, populism lost attraction somehow. President Rafsanjani attempted to normalize relations with Western Europe, Russia, and

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<sup>94</sup> Ibid.

<sup>95</sup> Ansari, “Iran and International Politics,” 285.

<sup>96</sup> Dodson, Dorraj, “Populism and Foreign Policy in Venezuela and Iran,” 78.

<sup>97</sup> Ibid.

China, putting aside the populist fervor and rhetoric. The next president, Khatami, furthered these initiatives by establishing closer relations with pro-Western Arab states, taking steps to improve relations with the U.S. and Western Europe. During this time, Iran even cooperated with the U.S. in its efforts to establish a stable government in post-Taliban Afghanistan. This rapprochement was disrupted when Israeli officials intercepted an Iranian ship full of weapons on its way to Palestine. Consequently, the U.S. grouped Iran in the axis of evil, which included North Korea and Iraq.<sup>98</sup> Iran applied for negotiations with the U.S. on existing issues and made an agreement with Western Europe to halt uranium enrichment in exchange for economic and technological incentives. Nevertheless, the Bush administration rejected Iran's initiatives and thereby set the conditions for the election of the populist Ahmadinejad, who believed that Khatami's moderate policies had brought Iran humiliation and no gains. Immediately after being elected, Ahmadinejad resumed enrichment activities totally undermining Khatami's conciliatory attitude.

The failures of previous governments and U.S. proclamation of Iran as a member of the axis of evil led Iranian society to believe that moderate policies were of another day and a hardliner was needed to fix everything from the economy to foreign policy. Thus, they backed a lesser-known political figure with an ambitious agenda for president. His success depended mainly on his populist credentials, which resonated among the people: humble origins; support among the poor; a promise to redistribute wealth; anti-imperialism; and support for world solidarity.<sup>99</sup>

## **F. FOREIGN POLICY**

As in many other cases, Iran's foreign policy was shaped in tandem with its domestic political dynamics after the revolution. Before 1979, Iran was closely allied with the U.S. and becoming increasingly Westernized. But the revolution changed this trend, as it did many other elements of the old regime. Iran became almost an enemy of

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<sup>98</sup> Anxworthy, "The Iranian Predicament," 275.

<sup>99</sup> Dodson, Dorraj, "Populism and Foreign Policy in Venezuela and Iran," 81.

the West. In this context, radical Islamists and radical leftists wanted a violent confrontation with the West, specifically the U.S. They found a chance to do so when a group of radical students stormed in the U.S. embassy in Tehran. Islamists used this crisis for two things: to push Iran in a more confrontational direction and to humiliate the U.S.

The main element of Iranian foreign policy was to oppose the U.S. in every possible way during this period, such as indirect attacks on American targets, hostage taking, and harsh anti-American rhetoric. The leaders of the Islamic Republic, however, refrained from a direct military confrontation with the U.S. Instead, they used terrorist organizations to carry out attacks. The U.S. responded by supporting Iraq in the war with Iran. The Islamic Republic supported terrorist attacks on countries with close relations or alliances with the U.S, such as Lebanon, Bahrain, Kuwait, and Saudi Arabia. The Iranian-backed Hezbollah killed many Americans, Europeans, and Israelis in Lebanon. Saudi Arabia got its share from Iran's exportation of revolution, namely severe problems caused by radical Shi'a people. But during the 1980s, the Islamic Republics' efforts mostly focused on Iraq in order to change the regime into something similar to Iran's. Even though Iraq was not a U.S. ally at that time, Iran portrayed it so and claimed that the war was fought to throw the U.S. and Israel out of the Middle East.<sup>100</sup>

As a result of this terrorism-based, confrontational foreign policy with the West during the 1980s, international public opinion turned against Iran, leaving it isolated and in need of supporters and allies. It had to find friends to provide the kinds of goods that the West has stopped sending. Thus, the Islamic Republic began to establish relationships with many countries that were otherwise unlikely friends (with Syria during the 1980s, for example, and recently with Latin American leftist governments).

After the first phase of the revolution, fervor began to reduce. Instead, tension grew between moderates who hoped to loosen their international isolation and radicals who insisted on confrontational behavior. As these different approaches were retained

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<sup>100</sup> Gasiorowski, "Islamic Republic of Iran: Political Dynamics and Foreign Policy," 215.

together in the Iranian political atmosphere, President Rafsanjani started to soften radical attitudes against the West, particularly Europe, and helped release U.S. hostages kept in Lebanon.

Nevertheless, Iran's foreign policy remained contradictory, due to the tension between radicals and moderates. It maintained its connection to Hezbollah, which carried out various attacks against Israeli and Jewish targets. In 1992 and 1994, Hezbollah targeted Jews in Argentina and killed many in bombings. In addition, Tehran worked to develop nuclear weapons and ballistic missiles. While such radical actions were taking place, Rafsanjani's government attempted to restart relations with the U.S. However, the Clinton administration rejected Tehran's rapprochement and expanded the existing sanctions over Iran.<sup>101</sup> Two international events played a watershed role at this moment. First, U.S. and Saudi officials found strong evidence that showed Iranian complicity in the Khobar Towers bombing. Second, a German court proclaimed that some top Iranian officials were complicit in killing members of the Iranian opposition in exile in Germany. It was clear that if Iran continued its support of terrorism, the Western powers would take harsh steps. This message was well understood by moderates in Iran, and they felt the necessity of full control of foreign policy.

President Khatami emphasized more normal relations with the West, specifically the U.S. Seeing the presidents' remarks, conservatives were alarmed and went on to oppose Khatami and the U.S. Thus, everything stayed static in U.S–Iranian relations. In terms of relations with other countries, Khatami's efforts helped reduce tension. For example, by 1998, all EU ambassadors who left Iran after a German court found that Iranian officials were complicit in the exile assassinations returned. In tandem, relations with neighbors, especially the Arab states, improved substantially. All in all, Iran continued to develop relations with the world and seemed to be overcoming its isolation.

After the 2000s, Iranian reformists grew weaker, due to change in public opinion, so conservatives allowed overtures to the U.S, because they thought moderates could not benefit thereby. Iran showed its willingness to normalize in many ways, such as

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<sup>101</sup> Ibid., 216.

expressing deep sympathy to the victims of the September 11th terrorist attacks and providing assistance to fight against the Taliban and to shape post-Taliban Afghanistan.<sup>102</sup> Nevertheless, as things were happening, Israeli security forces confiscated an Iranian cargo ship carrying weapons to the Palestinian Authority. This led to a strong U.S. protest, which then added Iran to the axis-of-evil list. Iranian leaders were frustrated by the U.S. reaction and halted moderation efforts with America. During President Bush's term, tension between both countries continued.<sup>103</sup>

## **G. CONCLUSION**

Memories of imperialism and the shah's tyrannical rule led to 1979 revolution. After the revolution, radicals became the sole executive power in Iran for a decade. Anti-Americanism was the official argument during this period. Accordingly, radicals chose violent confrontation with the U.S. and its allies, but, fearing an open military challenge, used terrorist organizations to carry out attacks. In turn, Iran was isolated internationally. From the early 1990s on, support for reformists increased gradually. Their agenda formed around normalization both inside and outside. Nevertheless, these reform plans always saw resistance and opposition from the radicals and conservatives. Most of their promises fell short and failed to restore economy. While the new millennium was beginning, the support for the reform camp was diminishing. However, their final defeat came from the U.S. When the U.S. rejected Iran as a rogue state and called it a member of the axis of evil in the first half of the 2000s, the Iranian public perceived that the policies of reformists and moderates to normalize relations had collapsed inside and outside Iran. Thus people withdrew support and began to back radicals and conservatives. As a result, a populist hardliner, Ahmadinejad, was elected president in 2005 with an ambitious domestic and international agenda aimed at reducing the pressure of international sanctions and countering the U.S. Accordingly, soon after gaining office, Ahmadinejad resumed Iran's nuclear program again and started forming alliances around the globe.

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<sup>102</sup> Anxworthy, "The Iranian Predicament," 274.

<sup>103</sup> Gasiorowski, "Islamic Republic of Iran," 80.

#### IV. IRAN IN LATIN AMERICA

Iran has been trying to break the isolation imposed by international sanctions for a long time. Finding a way to decrease the impact of Western pressure is the first goal of the Islamic Republic's aggressive foreign policy. The second goal is tied to the perceived insecurity that makes Tehran believe that only a nuclear bomb can be an effective deterrent against the materially more powerful Western nations, the U.S. being on top of the list. So Iran has resumed its nuclear program and is looking for international support for its atomic agenda. Briefly, international isolation, insecurity, and desire for support to its atomic program has shaped Iranian international agenda.

From the realist point of view, Iran is seeking a way to balance the U.S., but not through classical balance-of-power theory, because it lacks the hard power to counter America openly. Instead, it uses economic and political tools, such as the UN, OPEC, etc. Iran has been attempting to soft balance in order to survive in its struggle with the U.S.

Thus, from the realist perspective, Iran's foreign policy toward Latin America stems from its efforts to avoid international isolation by establishing unlikely relations with a number of countries.<sup>104</sup> Iran's presence in the region must be understood as a policy of the current government rather than a long-term strategic move.<sup>105</sup> In this context, Ahmadinejad has rejected previous administrations' passive stance to counter pressures coming from other countries such as the U.S. and adopted a more assertive approach toward international affairs, such as its recent diplomatic overtures in the western hemisphere.<sup>106</sup>

From Ahmadinejad's point of view, to counter the American attempt to isolate Iran, the Islamic Republic should move aggressively in Latin America to make the U.S. uneasy, rather than follow an ineffective and passive foreign policy. Ahmadinejad has built his Latin American approach on two pillars: continuation of the bilateral strategy

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<sup>104</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 46.

<sup>105</sup> Farhi, "Tehran's perspective on Iran-Latin American Relations," 25.

<sup>106</sup> Ansari, "Iran and International Politics," 287.



followed by the former administration, and a publicly close relationship with the Venezuelan-led leftist bloc, including Bolivia, Ecuador, and Nicaragua.<sup>107</sup>

Iran's relationship with Latin America dates back well before the current government, and this helps the Ahmadinejad government in Tehran. The Islamic Republic also feels close to Cuba, because of their shared long-standing anti-imperialist views. Venezuela is an old friend as well, with whom Iran founded OPEC (the Organization of Petroleum Exporting Countries) and who has sided with Iran in oil-related issues. In addition, countries like Argentina and Brazil have economic and trade relations with the Islamic Republic. During former administrations, Iran did not depend heavily on Latin America to weaken its isolation, and its main focus continued to be the same: the Caucasus and the Gulf.<sup>108</sup> Nevertheless, the rise of leftist governments with uneasy relations with the U.S. from the late 1990s has given Ahmadinejad a chance to exercise his aggressive foreign policy.

Ahmadinejad's policy toward Latin America is made possible by a left turn in the region. After the rise of Chávez as president of Venezuela, the two countries developed a close relationship based on opposition to the U.S. and existing world order. Using Chávez's influence over other leftist governments, Iran is looking for political support and a break in its isolation.

#### **A. IRANIAN–VENEZUELAN RELATIONS**

Venezuela is a key actor in Iran's Latin American policy; special attention must be given to relations between the two countries. Contacts between Iran and Venezuela dates back to the 1940s. Relations continued, especially in the context of oil after the foundation of Organization of Petroleum Exporting Countries (OPEC) in 1960.<sup>109</sup> Until Chávez assumed office in Venezuela, Iran and Venezuela maintained low-profile relations with one another. However, Chávez's defiance of the world order and his anti-Americanism led him align Caracas with Tehran after the new millennium. In parallel,

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<sup>107</sup> Farhi, "Tehran's perspective on Iran-Latin American Relations," 29.

<sup>108</sup> Ibid.

<sup>109</sup> Brun, "Iran's Place in Venezuelan Foreign Policy," 35.

the election of Mahmoud Ahmadinejad seemed to suit the external policies Chávez had promoted since 1998. Venezuela and Iran thus started an alliance (an axis of unity) to balance the West—more precisely, the U.S. But, considering the power disparity between the two sides, they abstained from any open military confrontation, as in the classical balance-of-power theory; rather they resorted to economic and political measures classified as soft balancing.

When we examine the Iranian and Venezuelan alliance, we see it is more a tactical and opportunistic maneuver than a strategic move. The most important reason is that these countries cannot match the U.S. militarily, yet can pose some threat. Both countries have been trying to develop political and economic strategy to use against the U.S.

Iran and Venezuela implement international agendas with harmony. One of the shared points of their foreign policy has to do with oil and OPEC. Venezuela and Iran are the cofounders of the organization and have been major oil-producing countries within it.<sup>110</sup> Despite that favorable situation, Venezuela was not very active in OPEC for quite a time. This changed with the rise of Chávez. In tandem with his foreign policy, he began to follow a more active role in OPEC and use oil as a weapon (a very good example of a soft-balancing tool) in international relations. Iran followed the same strategy. As a result, Iran and Venezuela declared their desire to keep the oil prices high and lead the political agenda for OPEC in 2007.<sup>111</sup>

Another common point that Iran and Venezuela emphasize is South–South solidarity to reduce dependency on the Western powers. Chávez and Ahmadinejad always mention balanced international relations and multi-polarity in their public statements. Via South-South cooperation, they aim to reach out to the other developing nations and redirect the focus of power from the West.<sup>112</sup>

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<sup>110</sup> Ibid., 36.

<sup>111</sup> Ibid.

<sup>112</sup> Ibid.

As mentioned, Chávez assumed office with a claim to save the poor and bring justice to society. His main enemy inside was the elite, who were responsible for all problems, such as a bad economy, corrupt politics, etc. Chávez began radical social projects to redistribute wealth and power and designed his foreign policy on the same line: to bring justice internationally and to defend the oppressed nations. This time his main enemy was the Western powers, who were responsible for the emergence of corrupt elite and exploitation of the people. So, internationally, Chávez began to build a sphere of influence in the region, and at the same time search for friends beyond the Americas to reach his goals. Consequently, he became friends with Ahmadinejad and introduced him to the countries under his sphere of influence (Bolivia, Nicaragua, and Ecuador). Thus, Chávez became a powerbroker between Iran and other leftist governments in the region. By forging these ties, Iran intended to end its international isolation, while strengthening Venezuela's regional position as a bridge to Latin America. This relationship fits the foreign policy goals of Chávez and puts him in the center as manager.

Iran and Venezuela are linked to each other by a common denominator: anti-imperialism (particularly anti-Americanism). Their agenda advocates opposition to neoliberal economic model and supremacy of Western power.

### **1. Areas of Cooperation**

Generally, Tehran and Caracas work together in two main areas. First, they cooperate on political issues. Venezuela has been supporting Iran in its ongoing nuclear program. From time to time, Chávez has stated that Iran has the right to develop nuclear energy for peaceful purposes.<sup>113</sup> Also, Venezuela was the only country that opposed the International Atomic Energy Agency's (IAEA) resolution that blamed Iran for violating its obligations under the Treaty on Non-Proliferation of Nuclear Weapons. Together with Syria and Cuba, Venezuela has also opposed the resolution to transfer the case to the United Nations Security Council.

Second, Iran and Venezuela cooperate on economic issues. Venezuela hopes to diversify its economy. However, to reach that end, it needs the cooperation of another,

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<sup>113</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 31.

more developed, partner, and has found one in Iran.<sup>114</sup> The governments have signed various agreements on many topics, ranging from the construction of factories to the building of houses, and their mutual trade has increased to unprecedented levels.<sup>115</sup> For example, in 2006, an agreement was signed for construction of ten thousand houses costing \$404.6 million. A tractor factory was opened in the state of Bolivar in 2005 and was expected to produce 5,000 tractors in 2007. Another tangible display of cooperation is an Iranian car factory, Khodro, which was expected to produce 5,000 automobiles beginning in 2006 in Venezuela. Additionally, the two countries signed new agreements to develop projects in each other's energy zones. Also, Chávez and Ahmadinejad created a fund aimed at development in 2008<sup>116</sup> and founded two institutions to finance the projects. By their very nature, many of these joint projects fall under the oil sector. For example, Venezuela called Iran to join exploration in the Orinoco Belt, a place known for Venezuela's extra-heavy crude petroleum reserves. PDVSA (Petróleos de Venezuela, S.A.) and Petropars are collaborating in this zone together.<sup>117</sup> Furthermore, Tehran and Caracas signed agreements to increase their economic complementariness and autonomy. The establishment of the Venezirian Oil Company was designed to meet Venezuela's need for technicians in the petrochemical sector and Iran's need for refined petroleum.<sup>118</sup> One of the other aspects of their economic cooperation was to develop the infrastructure needed to a healthy economic activity, such as transportation. To ensure this, direct flights were arranged between Tehran and Caracas in 2007.<sup>119</sup>

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<sup>114</sup> Brun, "Iran's Place in Venezuelan Foreign Policy," 40.

<sup>115</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, XV.

<sup>116</sup> Brun, "Iran's Place in Venezuelan Foreign Policy," 42.

<sup>117</sup> *Ibid.*, 43.

<sup>118</sup> "PDVSA and Iranian consortium incorporate mixed company of offshore services and construction," PDVSA, accessed October 1, 2012, [http://www.pdvsa.com/index.php?tpl=interface.en/design/salaprensa/readnew.tpl.html&newsid\\_obj\\_id=3391&newsid\\_temas=1](http://www.pdvsa.com/index.php?tpl=interface.en/design/salaprensa/readnew.tpl.html&newsid_obj_id=3391&newsid_temas=1).

<sup>119</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 38.

## 2. Limits of this Relationship

The rise of leftist governments in Latin America, and simultaneously, the rise of conservatives in Iran, established close relations between Venezuela and the Islamic Republic. Their shared animosity against the U.S. and increasing petrodollars also supported their rapprochement, and the structural and systems-level context of these countries helped this result along.<sup>120</sup> It seems that their relationship is more opportunistic than a strategic alliance, unlike that between Russia and Cuba during the Cold War.<sup>121</sup> In other words, without a significant outside guarantor (militarily or financially), Latin American governments can provide support to a limited degree; clearly Iran is not that powerful guarantor.

Both Venezuela and Iran are obviously benefiting from rising oil prices, and oil money helps finance their ambitious foreign and domestic policies. Nevertheless, this dependence on petroleum revenues is a weakness for Iran and Venezuela, since they will lack money when world oil prices decrease. In conjunction with this, they are still considered developing countries and lack the capacity to launch a serious challenge to the international order.

Moreover, relations with the U.S. (the most powerful international actor) are very important for both Iran and Venezuela. The economy of the Islamic Republic will relax if it normalizes with the U.S. Since America is the champion of international sanctions against Iran, a change in its attitude will reverse the situation. Similarly, the U.S. is the biggest trade partner with Venezuela. The American market has been the largest importer of Venezuelan oil, and is so now. Thus, despite Chávez's harsh rhetoric and criticism, economic relations have continued.<sup>122</sup>

Another limitation is very internal politics and structures. The current Iranian government has been facing criticism from the opposition, who claim that crucial monetary sources are being spent on foreign adventures. Many ordinary Iranians do not

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<sup>120</sup> Brun, "Iran's Place in Venezuelan Foreign Policy," 44.

<sup>121</sup> "Iran's Limitations in Latin America," STRATFOR (2012)

<sup>122</sup> Lapper, "Living with Hugo, U.S. Policy toward Chávez's Venezuela," *Council on Foreign Relations*, 30.

much like seeing their government spending money on behalf of foreigners when plenty of Iranians need that money.<sup>123</sup> Additionally, the domestic political structure also limits the power of government. As Farideh Farhi put it regarding the deep-water port project in Nicaragua on its Caribbean coast: “The Iranian president can go around and sign all those things but ultimately it is the Iranian parliament that has to decide whether it is going to give \$350 million to develop a deep-water port in Nicaragua—and it has done not so.”<sup>124</sup>

Furthermore, the personalities of President Ahmadinejad and President Chávez have driven the Venezuelan–Iranian relationship. Their personal connection and populist style led to a close tie between Tehran and Caracas, but may overshadow the need for institutionalization of their alliance, to promote longevity. Without a strong institutional infrastructure, this relation may last only till the end of the presidents’ tenures.<sup>125</sup>

To sum up, Iran and Venezuela cooperate on the bases of strong anti-Americanism and imperialism. Venezuela’s Bolivarian socialism leads to confrontation with Western ideas and their defender, the U.S. Iran’s isolation internationally and its quest for allies, friends, and partners for political support, particularly for its atomic program, lead it to seek radical methods to confront the U.S. and the West. In such an atmosphere, Tehran and Caracas saw a chance to align, forming the axis of unity and cooperating in different areas. In this relationship, Hugo Chávez has played a crucial role from the beginning as a bridge to the region, and provides Ahmadinejad the possibility of contact with leftist ALBA governments under the sphere of Caracas influence one way or another. However, this relationship seems opportunistic rather than strategic, since Iran does not have the capacity, either military or economically, to support the Latin American states significantly. As a result, there is little incentive for those governments to seriously risk breaking relations with the U.S. Moreover, the personality-driven style of relationship between Ahmadinejad and Chávez, the economic and military might of the U.S. in the region, both countries’ high dependence on oil revenues, and domestic

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<sup>123</sup> Anxworthy, “The Iranian Predicament,” 276.

<sup>124</sup> Morgan, “Iran’s Growing Influence in Latin America,” 17.

<sup>125</sup> Brandon Fite, *U.S. and Iranian Strategic Competition: The Impact of Latin America, Africa, and Peripheral States* (Washington DC: CSIS, 2012), 11.

politics could effectively disable the axis of unity. Thus, the possibility of Venezuelan–Iranian relations turning into a serious alliance seems unlikely for the moment.

## **B. IRAN’S RELATIONS WITH OTHER ALBA NATIONS (BOLIVIA, ECUADOR, AND NICARAGUA)**

As mentioned earlier, Ahmadinejad’s aggressive foreign policy coincided with the rise of leftist governments in Latin America, most of which are as strongly anti-American as Iran itself. His closeness with Chávez, the most fervent anti-American/anti-imperialist figure in the region, reflects this animosity. Soon after the establishment of their alliance, Venezuela started to play a role as a bridge for Iran, and become a powerbroker between the Islamic Republic and Bolivia, Ecuador, and Nicaragua. Through Chávez’s mediation, Iran infiltrated the region to reach its goals.

Iran’s relations with Bolivia, Ecuador, and Nicaragua are basically driven by Venezuela. From recent contacts, the ALBA nations are expecting to get Iranian investment and economic support, whereas Iran expects political benefits, such as support for atomic program. Thus, Ahmadinejad visited and made pledges for economic support to countries that are close to Chávez. A series of agreements were signed on different subjects, ranging from energy to agriculture, yet many did not materialize as planned. This situation decreased the importance of Iran and showed the fragility of the alliance. Despite this fact, Iran managed to get political support for its nuclear program and financial help to bypass international sanctions. In the end, it is clear that Iran’s main focus in Venezuela in Latin America.

### **1. Iranian–Bolivian Relations**

Bolivia’s current government formed its foreign policy around two tenets. First, Morales claims to be the protectorate of indigenous people in Latin America, and intends to stop ethnic discrimination that has gone on for hundreds of years. But, more saliently, Bolivia has developed strong anti-imperialist and anti-American sentiments and begun to build socialism for the 21st century. Morales nationalized key sectors, such as oil and telecommunications, and ultimately proclaimed the U.S. ambassador persona on grata. The Bolivian left wishes to form a regional camp together with Venezuela, Nicaragua,

Ecuador, and Cuba to repeat the successful market socialism or authoritarian capitalism that China has achieved. Nevertheless, the difference is that Bolivia does not want to integrate fully with the world economy.<sup>126</sup>

Evo Morales became president when a leftist wave with a familiar emphasis on rejection of open-market economics, foreign investment, and transnational companies was sweeping Latin America. His leftist stance and strong anti-imperialism resonated not only among the poor and excluded domestically, but also like-minded friends internationally, such as the ALBA nations. As a result, he put a close alliance with Venezuela at the center of Bolivia's foreign policy.

However, the true nature of their alignment is political: Morales has developed more political dependency on Chávez than economic dependency, and his cooperation with Ecuador and Nicaragua (which is driven by Venezuela) has its limits.<sup>127</sup> The real idea that brings these states together is their strong rejection of the policies of the Bush administration as imperialist.

Bolivia's natural commercial and economic links are tied to its neighbors, Brazil, Peru, Chile, and Argentina. We can also add the U.S., due to its economic power in the region. But, Morales forces his country otherwise by aligning itself to Venezuela. In doing so, he has been introduced to Ahmadinejad, a personal friend of Chávez. In short, Morales is trying to go the opposite direction of the geopolitical reality of Bolivia. Thus, the future of the relationship between Iran and Bolivia does not seem likely to last long.

In 2007, President Ahmadinejad and President Morales signed an agreement to start a formal cooperation. They declared an intention to establish a \$1.1 billion, five-year industrial-cooperation plan and claimed their right to develop peaceful nuclear energy under Non-Proliferation Treaty (NPT). Moreover, both leaders stressed that they support a multi-polar world in order to have more balance in international relations.<sup>128</sup> The agreement between Iran and Bolivia refers to (1) multi-polarity, the importance of

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<sup>126</sup> Fernández, "Bolivian Foreign Policy: Observations on the Bolivia-Iran Relationship," 84.

<sup>127</sup> *Ibid.*, 86.

<sup>128</sup> *Ibid.*, 91.



international law and the United Nations Charter; (2) consolidation efforts of alternative economic systems to neoliberalism; and (3) deepening relations.<sup>129</sup> In addition, memoranda of understanding focused on the mechanization of agriculture, the energy sector, and expansion of commerce were signed, and both countries agreed to facilitate industrial development and growth.

Nevertheless, the relationship between the two countries is an anomaly in many respects. First, historically, there was no connection between Iran and Bolivia. Second, as mentioned above, geopolitics requires Bolivia to closely cooperate in economic and trade issues with its neighbors rather than Iran. Third, Iran is an Islamic theocracy, whereas Bolivia is a secular socialist regime. Fourth, considering the distance between the two countries and lack of sustainable and cheap transportation, a blossoming trade seems improbable. As a result, few of the aforementioned agreements were put into operation and are unlikely to be implemented in the near future.

The real value of the framework agreement and memoranda of understanding is the expression of political rapprochement between Iran and Bolivia. Through this formal cooperation, they openly oppose imperialism and the U.S. The relationship is political, so it is meaningless to expect real economic profits in the end. In its current form, Iranian–Bolivian cooperation represents no more than rhetorical opposition to the existing order.

## **2. Iranian–Ecuadorian Relations**

Iranian–Ecuadorian relations developed exponentially after 2007. Before then, Ecuador had very little political and economic contact with Iran, to the degree that there was no continuous diplomatic mission between them. In fact the only official document about their relationship is a joint declaration signed in 1989. In terms of trade, statistics show a sporadic relationship between these countries.<sup>130</sup> As seen clearly, like that with Bolivia, the Iranian–Ecuadorian rapprochement is an anomaly.

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<sup>129</sup> Ibid.

<sup>130</sup> Montúfar, “Recent Diplomatic Developments Between Ecuador and Iran: A Gesture of Sovereign Affirmation or Lukewarm Geopolitical Alignment?,” 103.

We mentioned previously that after assuming office, Ahmadinejad began to follow a more aggressive foreign policy. Along with that approach, he organized a Latin America tour, especially visits to the leftist capitals. When in Quito, he attended President Correa's inauguration and promised to give support via investment agreements similar to those signed with Venezuela and Nicaragua.

Nevertheless, his visit to Ecuador caused unrest internationally. The Ecuadorian government felt obligated to announce that theirs was just an economic cooperation and not directed against the U.S. Moreover, it claimed that they were not part of forming a bloc to reinforce Iran's international position. At every possible opportunity, Ecuadorian officials emphasized that their relationship with Iran was shaped around economics.

These governments have signed agreements on developing bilateral trade, such as an agreement to open trade offices in the capitals and a memorandum of understanding for the establishment of a joint economic commission. However, not much has happened to institutionalize the emerging ties between Iran and Ecuador, except the opening of trade offices. There are no bilateral agreements to cooperate on areas such as energy, so Ecuador did not get any real economic backing from Iran. Moreover, diplomatic relations between the two countries are going at a slow pace. This shows that the relationship between Iran and Ecuador is not their central focus.

As mentioned above, Ecuador emphasizes the economic side of its relations with Iran and downgrades the political to avoid giving the international community the wrong image. So, what dynamic drives this relationship? The real reason behind Iranian–Ecuadorian rapprochement is their close contact with Venezuela. Quito aligns itself with Caracas and follows its regional policies to a degree. On the other hand, Iran's main focus in the region is Venezuela, which means Ecuador plays only a secondary or tertiary role in its plans. So the future of Iranian–Ecuadorian relations depends on their affinity with Chávez. In reality, these two countries' cooperation does not extend beyond rhetoric.

### 3. Iranian–Nicaraguan Relations

The essence of Nicaraguan foreign policy under President Daniel Ortega’s government is heavily shaped by one thing: strong anti-Americanism and opposition to the policies of the U.S. Accordingly, Ortega has aligned himself with like-minded countries, with Venezuela at the top of the list. Though this move did not fit the geopolitics of Nicaragua, because its direction economically is to the north, toward the economic giant America, Ortega has reached out to Iran and Venezuela, two emerging oil powers.<sup>131</sup>

Ortega’s determination to get closer to Iran resulted in a visit from top Iranian officials. During that event, Iran found the political support it sought for its nuclear program. In return, Ortega paid a visit to Tehran to formalize agreements intended to develop the Nicaraguan economy, and Iran sent a large group to devise ways for efficient cooperation between the two countries. Delegations from both sides decided on the main areas of collaboration, ranging from energy to infrastructure.<sup>132</sup> Consequently, Iran promised to start a few-hundred-million-dollar port-construction project on Nicaragua’s Caribbean coast. More promises followed.

The many mutual visits by government officials, however, did not produce tangible results in terms of economics. As a result, the Nicaraguan population began to think that Iran was benefiting politically (as was their goal), whereas Nicaragua was not receiving promised economic support.<sup>133</sup> Some scholars began to question the feasibility of the promised relationship with Iran. First, they were concerned about the possible consequences of aligning with a country that was condemned and sanctioned by the United Nations and had a strong, tangible anti-American agenda. Second, geopolitically, Iran is not a natural ally for Nicaragua, whether politically or economically.

In sum, Iran’s pledges to Nicaragua are still far from realization. Both presidents signed various agreements, but it is clear that Iran’s main focus is Venezuela. This

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<sup>131</sup> Maradiaga, Mélendez, “Iranian-Nicaraguan Relations Under The Sandinista Government: Rhetoric or Anti-Establishment Foreign Policy?,” 70.

<sup>132</sup> *Ibid.*, 73.

<sup>133</sup> *Ibid.*, 75.

cooperation does not match the aid that the U.S. and international community provide to Nicaragua. As reports in the media claim, there has been no indication of concrete support from Iran.<sup>134</sup>

### C. CONCLUSION

International isolation, insecurity, and the need for support for its atomic program has shaped the Iranian international agenda. Lacking the means to balance U.S. power overtly, Iran has resorted to soft balancing and is following an active foreign policy. Its presence in Latin America stems from two vital needs: to break its isolation and win support for its nuclear program. Thanks to a left turn in Latin America, governments with anti-imperialist and anti-American sentiment, especially Chávez of Venezuela, established cozy relations with Tehran. In the meantime, Chávez introduced Iran to Bolivia, Ecuador, and Nicaragua, the countries in his sphere of influence, who formed a bloc against the U.S. When it comes to who has benefitted, it is obvious that Bolivia, Ecuador, and Nicaragua have not received Iran's initial pledges yet. On the other hand, Iran has found support for its nuclear program and financial partnerships that bypass international sanctions.

However, this alliance, the axis of unity, has its own limitations: firstly, this alliance is based on anti-Americanism rather than real, solid economic benefits. The U.S. remains the biggest economic partner of Venezuela and the biggest market for many Latin American countries. Second, the personal friendship of Ahmadinejad and Chávez is mainly driving the relationship, which damages the institutional role in this partnership. Third, many power groups in Iran can check the executive branch. Fourth, Bolivia, Ecuador, and Nicaragua are primarily dependent on Venezuela, not Iran. If the bridge for Tehran, Chávez, stops giving aid, they may quit cooperating with Iran. Fifth, this relationship is heavily dependent on high oil prices—a price drop could put it in a danger.

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<sup>134</sup> Ibid., 78.

Finally, without a powerful guarantor, these leftist Latin American governments will not turn against the U.S. completely. It is quite clear that Iran is not like the USSR supporting Cuba. In sum, this relationship is not a strategic alliance that potentially poses a vital threat to the U.S, but a tactical reorientation of current governments to limit American power in their region via soft-balancing methods.

## **V. RISKS AND POLICY RECOMMENDATIONS**

This chapter contends that the axis of unity poses three main risks: (1) terrorism, (2) illegal nuclear cooperation, and (3) breaching of UN sanctions. This sounds like a vital threat at first glance. However, considering Iran's capacity and power, it is an exaggeration to assume that the Iranian–Venezuelan partnership poses as much a threat as did the Soviet–Cuban alliance a couple of decades ago. Therefore, this relationship does not seem to be a strategic long-term alliance carrying potential risks for the future. Rather, it is a political orientation of current governments who try to exercise influence via soft power to undermine U.S. foreign policy in Latin America and the world.

Moreover, as policy recommendations for the U.S, this research contends that Washington must not resort to force as a first option to deal with Venezuela and Iran. Instead, by accepting Chávez's role as the key to the sustained Iranian presence in Latin America, the U.S. must exercise alternative policies to counter the risks posed by the axis of unity. The U.S. must first refocus on Latin America and address the long-standing grievances of inequality and poverty. Second, it must prevent international support to Venezuela and Iran, coming from Russia and China. In this respect, tough policies seem a poor option, since open confrontation with China and Russia could have devastating effects around the world. Instead, it must use trade to convince Russia and China not to support these regimes.

### **A. THE IRANIAN THREAT IN LATIN AMERICA**

As discussed, Iran is trying to get leverage against the U.S. by involving itself in America's backyard. Cooperating with leftist, anti-American governments, the Islamic Republic has gained some influence and a platform to maneuver in the region. Of course, these policy actions of Iran are causing concerns in the western hemisphere, particularly in the U.S.

While the previous chapter asserts that the Iranian–Venezuelan-led bloc is not a strategic alliance commensurate with that between the Soviet Union and Cuba, that is not

to say that the Islamic Republic could not pose any threat. The U.S. is already watching events with concern about the stability of the region.

Terrorism is the top issue. The Islamic Republic's post-revolution history shows a foreign policy aimed at becoming a regional power. Toward that end, Iran has often used a three-phased approach in the Middle East: first, it destabilizes a target country by promoting radical terrorist organizations or inciting violence. Second, it manages the chaos to strengthen its position. Third, after a certain degree of violence, those terrorist groups that Iran backs replace the government and become viable political actors. Tehran supports this transformation.<sup>135</sup>

Iran has supported various terrorist organizations as reliable foreign policy tools, such as Hezbollah; it is not fanciful to think it may do so in other parts of the world. For example, according to a congressional report (based on information from the Department of State), Hezbollah, thought to be the most technically capable terrorist organization in the world, with many members and militants, has been working with the Iranian Revolutionary Guard Corps (IRGS)'s Qods Force for a long time.<sup>136</sup>

The Qods Force supports Hezbollah in finance, weapons, intelligence, and logistics.<sup>137</sup> Its officials operate internationally via Iranian embassies, cultural and religious organizations, and the Shia diaspora in foreign countries. Recently, the Qods Force increased its activities in Latin America.<sup>138</sup> Considering that the Qods Force was behind the terrorist groups that bombed the Jewish community in Argentina during the 1990s, its presence in Latin America is quite a reason for concern.

Regarding Hezbollah and terrorism, the tri-border region of Argentina, Paraguay, and Brazil comes forward. It is a safe haven for terrorists due to the lack of public order. Here, also, Iranian operatives have been supporting Hezbollah since the early 1990s. In

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<sup>135</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 10.

<sup>136</sup> *Countering Iran in the Western Hemisphere Act 2012*, 2.

<sup>137</sup> *Ibid.*

<sup>138</sup> *Ibid.*, 3.

short, when the Islamic Republic's recent assertive foreign policy merges with the long presence of Qods Force-backed Hezbollah in Latin America, fears of Hezbollah-related attacks against the U.S. naturally arise.

In addition to Hezbollah in the region, there is speculation about Hamas in Venezuela. Though there is no clear evidence of Hamas's presence, Washington remains disturbed. However, the possibility of a terrorist attack via Venezuela is weak. As discussed in previous chapters, despite the rhetoric, Caracas has close economic relations with the U.S., and there is no strong U.S. criticism or sanction on Venezuela. It is unlikely that Chávez will risk his position by giving a springboard to Iran for launching terrorist attacks against America.<sup>139</sup>

One other point of concern regarding Hezbollah is possible cooperation with Mexican drug cartels. Some recent findings on arrested members of Mexican organized crime have led U.S. officials to consider a Hezbollah–Mexican-drug-cartels connection.<sup>140</sup> For example, several suspects were arrested for Hezbollah-linked drug trafficking by the Drug Enforcement Administration.<sup>141</sup> The ultimate case brought to the public in October 2011 was an assassination plot. Two men were charged with conspiracy to murder the Saudi Arabian ambassador to the U.S. with the help of Mexican drug cartels allegedly hired by Hezbollah.

Finally, considering the close relationship of Chávez to the FARC (the Revolutionary Armed Forces of Colombia), an insurgent group aiming to overthrow the elected government in Colombia and promote revolution in other Latin American countries, and Iran's links to Hezbollah and Venezuela, is disturbing. The FARC's ability to cooperate with other terrorist organizations and the presence of Hezbollah in Latin America create the potential for a concerted attack on the U.S.

All in all, Hezbollah's presence and potential cooperation with other organizations like the FARC and Mexican drug cartels are worrisome in the U.S. and

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<sup>139</sup> "Iran and Latin America Brothers in Arms? Mr Ahmedinejad Calls, Yet Again."

<sup>140</sup> *Countering Iran in the Western Hemisphere Act 2012*, 4.

<sup>141</sup> *Ibid.*, 5.



Latin America. However, rather than offensive intentions, Iran seems to have defensive intentions in the matter. Iran is using Hezbollah's presence as a deterrent to remind Western governments that it can reach globally and, in face of an attack, can retaliate against American targets in their own hemisphere.<sup>142</sup>

In addition to terrorism, nuclear cooperation is another issue creating concern. To continue its nuclear program, Iran needs material and political support. When it started its venture in Latin America, Iran aimed for both. Politically, it got the support of Venezuela and other ALBA countries, and began to get material support as well. The Islamic Republic entered into the mining business in Venezuela and Bolivia and runs a gold mine in the Bolivar state of Venezuela that produces gold and uranium. Venezuela is also planning to open a nuclear reactor, and for that reason signed treaties with Russia and Iran for the transfer of nuclear technology. Both countries' actions overlap and cause suspicion in the West. These suspicions double when considering how effectively Venezuela monitors the transportation of illegal materials via its ports and airports.<sup>143</sup> Conviaza (the Venezuelan airline) flights, direct from Caracas to Tehran, go unchecked; nobody knows what the cargo is and who are transported. This has increased the suspicions of the international community as to illegal nuclear-material transfer between Venezuela and the Islamic Republic. Another point is that Iran has started its promised developmental assistance to Bolivia in the mining sector, which also led to speculation about cooperation between the two countries in uranium mining. According to a leaked Israeli intelligence report, Bolivia and Venezuela have been providing uranium to Iran, which is against UN sanctions.<sup>144</sup> But none of the above is as alarming as the prospect of a nuclear Iran deploying nuclear warheads and weapons in Venezuela.<sup>145</sup> However, this option seems distant at the moment.

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<sup>142</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 149.

<sup>143</sup> *Iran in the Western Hemisphere*, 72.

<sup>144</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 53.

<sup>145</sup> *Ahmadinejad's Tour of Tyrants and Iran's Agenda in the Western Hemisphere: Joint Hearing on H. R., Day 1, Before the Subcommittee on the Western Hemisphere and the Subcommittee on the Middle East and South Asia and the Subcommittee on Terrorism, Nonproliferation and Trade of the Committee on Foreign Affairs*, 111th Cong. 52 (2009) (statements of Committee on Foreign Affairs), 51.

Another concern is that Venezuela and the ALBA countries are helping Iran evade financial sanctions through their banking systems. For instance, the Islamic Republic and Venezuela created a bi-national development bank—a cooperation between the Banco Industrial de Venezuela and the Iranian Development and Export Bank. Also the Chávez government facilitated the foundation of an entirely Iranian bank, an investment and development fund, and offices of Iranian commercial banks in Caracas. These activities were designed to bypass the international financial sanctions for Iran.<sup>146</sup> Furthermore, Iranian-owned banks are funding the nuclear program of the Islamic Republic with the permission of the Venezuelan and Ecuadorian governments.<sup>147</sup>

In sum, Iran-Venezuela relationship poses three risks to the stability of the region and particularly to the U.S: terrorism, nuclear cooperation, and the breaching of UN sanctions. But it is not a vital threat to America and its allies in the hemisphere because Iran is not a powerful outside guarantor. Therefore, this relationship is not a strategic long-term alliance like that between the Soviet Union and Cuba during the Cold War. However, it is a political orientation of current governments that resorts to soft power tools (means other than military power) and undermine U.S. influence in the region and the world.

## **B. THE U.S. RESPONSE**

In this section, the argument is made that the U.S. does not resort to military force without exhausting every other diplomatic alternative, or intervene directly in the name of a regime change. It is certain that neo-conservative (a right-wing branch of American Liberalism) policies ended up in the rise of radicalism, as proved in the cases of Venezuela and Iran. But the U.S. has other options it can implement. To start with, it is important to understand that Chávez is the key player in this equation. So, if he is gone democratically, the axis of unity will probably become no more than a fancy. To reach that end, the U.S. must refocus in Latin America and closely cooperate with governments in the region. It must address the long-standing social and economic problems that led

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<sup>146</sup> *Iran in the Western Hemisphere*, 72.

<sup>147</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 147.

Chávez to the presidency. While cooperating on regional and hemispheric level, the U.S. also must globally deal with the protectorates of authoritarian governments, namely Russia and China.

For at least a decade, Americans have turned their attention to Iraq and Afghanistan and neglected Latin America, together with the rest of the world. For example, the FTAA (Free Trade Area Agreements) were thought by the governments in the hemisphere as the key to long-term development. However, the FTAA collapsed in practice, due to lack of commitment by the U.S.<sup>148</sup> This and similar issues stemming from ignorance and policy errors prepared the right conditions for Chávez's rise to power and alliance with Ahmadinejad. So the first thing America must do is to refocus on Latin America.

To begin with, the U.S. must form a cooperative environment for the countries in Latin America. A collective body of countries in the hemisphere can isolate the Chávez government. However, this is not easy, because economic development is a critical part of the process. Many Latin American nations are classified as developing and have long insisted on free-trade agreements for economic growth that will cover all the Americas. However, U.S. domestic politics is becoming an issue in free-trade agreements, because American farmers are protected by tariffs and subsidies so that Latin American countries cannot get into the U.S. market. This clearly angers countries such as Brazil and prevents common action in the region. If Washington wants the support of Latin America on serious problems like the Iranian–Venezuelan alliance, it has to make concessions for its southern neighbors.

The Iranian–Venezuelan relationship is mainly a product of the current governments in both countries. If the root causes of mass support for Chávez —poverty and inequality—are addressed properly, he will likely lose legitimacy and power. One of the ways to reach that goal is to create economic growth in the region via FTAA. As Chile's president advised in 2010,

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<sup>148</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 123.

There are many, many Latin American countries that would like to reach a free-trade agreement with the U.S.—which is beneficial to both parties... The U.S. could do a better job vis-à-vis Latin America. And I am not talking about aid. I am talking about a partnership, facing together the challenges of poverty and the future. Where is the will?<sup>149</sup>

In addition to regional partnership over trade, the U.S. must also back regional security agreements. Regarding the security issue, drug trafficking and organized crime play a good part in the region. Until now, the U.S. concentrated on military solutions and bilateral security agreements for both problems. Washington gave military (technical, organizational, and material) support to Colombia and Mexico in their war against drugs and crime syndicates. However, this did not relieve the problem at all, first, because bilateral arrangements with Colombia are giving Chávez government an excuse for large arms purchases, and second, because it misses the social policies that are necessary to prevent the radical left.

As a result, in 2009, U.S. government announced the Caribbean Basin Security Initiative (CBSI). It was designed around three goals: (1) reducing illicit trafficking, (2) advancing public safety and security, (3) and promoting social justice.<sup>150</sup> The striking feature of this initiative that makes it different from previous ones is its emphasis on social-justice efforts and reducing corruption.

For now, the budget of the initiative is not as much as the money that Venezuela flows into the Caribbean through Petrocaribe (an oil alliance between the Caribbean states and Venezuela), but it seems to have much more influence for the future. As examined previously, Chávez gives money to the smaller states, making them dependent on Venezuela. This relationship leads countries that are getting Venezuela's aid to fail to develop institutional frameworks of the state. In contrast, CBSI is focusing on institution building that will really have a powerful impact in the long run.

Another policy recommendation for the U.S. has to do with much more limited partnerships in Latin America. As mentioned above, a broad approach for regional

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<sup>149</sup> Ibid., 126.

<sup>150</sup> "Caribbean Basin Security Initiative," State Department, accessed October 19, 2012, <http://www.state.gov/p/wha/rt/cbsi/>.

partnership over trade and security requires time. Thus, a more limited partnership can be done before a deeper cooperation exists throughout Latin America. Washington must try to get closer to Colombia, Brazil, and Peru. These countries may reverse the influence of Chávez's sphere of influence, and Iran's as well.

First, the U.S. has to expand its support to Colombia. Most of the cooperation between the two countries has concentrated on combatting drug traffickers in a military fashion. Since the announcement of Plan Colombia, the U.S. has spent money along this line. As a result, the Colombian government succeeded in quelling the most powerful drug cartels, such as the Medellin cartel, and marginalizing the FARC to a degree. Without any doubt, U.S. money provided this result.

Nevertheless, Washington has to support Colombia politically and economically rather than militarily. For example, when the Colombian government alleged that the FARC had camps in Venezuela, they could not find political backing by the U.S. It is worth noting that this issue becomes more important since Iran can benefit from the Venezuelan–FARC connection. To prevent the illegal contacts that could facilitate terrorist attacks in the future, Colombia should get not only military, but also political support from the U.S, the West, and Brazil, who is the potential hegemon in Latin America.

Americans must also stand by Colombians economically. A free-trade agreement has been waiting to be signed by Congress for a couple of years. Remember that democracy and state capacity generally thrive on economic development. Therefore, signing a bilateral free-trade agreement with Colombia will foster prosperity and stability in the country for years to come. This will have international repercussions as well. As Venezuelans watch neighboring Colombians getting richer, they will start to rethink the legitimacy of an authoritarian rule that runs a broken economic system.<sup>151</sup>

Second, Peru can play an important role in countering the influence of Chávez if the U.S. establishes economic relations as between two equal countries, not as between an imperial master and his subject. U.S.-based companies do not pay much attention to the

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<sup>151</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 130.

social and environmental conditions in a country where they work. Generally, they look as if they only exploit the nature and people to death. Thus, they cause grievances among society and give way to leftist socialist ideas. If America behaves responsibly and cautiously, that will diminish the impact of radical leftist movements not only Peru, but also in the region. Furthermore, a richer and developed Peru can lead a change in Ecuador and Bolivia, two countries that are essentially seeking economic growth, and the influence of Venezuelan–Iranian cooperation can lose momentum gradually.

Third, Brazil can be a key player to whittle away the influence of Hugo Chávez. Its size, geography, demography, and economy make it a potential hegemon or dominant power in Latin America. This is really important for one reason: a world-class Brazil can prevent foreigners from exploiting the smaller countries in the region and keep radical elements under control among the small nations, marginalizing them. At the same time, it can sustain the order in Latin America.<sup>152</sup> Therefore, the U.S. must take Brazil into consideration as a partner.

To begin with, Brazil is a perfect candidate as a strategic ally to the U.S. It is almost in the middle of everywhere, bordering many of the countries in South America. In any issue regarding economic or security matters, Brazil is a country that has the capacity to deal with problems effectively. Brazil is also an emerging oil power. Clearly, an oil giant can weaken the influence of OPEC, Iran, and Venezuela. In addition, Brazil's aid programs have the potential to compete with those of Chávez, since they work in a similar fashion (like Venezuela, Brazil does not impose conditions for aid money.) Latin American nations see Brazil as one of them, because Brazilians know how hard it is to reduce poverty and inequality. Finally, Brazil is a responsible country with a leftist ideology, not a radical one. It has never gone astray as Venezuela did under Chávez, and can be a model leftist country for other smaller nations of the continent.

However, seeing the opportunities created by a possible U.S.–Brazilian strategic partnership does not mean that it will materialize easily. One serious problem before the two is free trade. In this matter, U.S. subsidies to agricultural business and tariffs on some

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<sup>152</sup> *Ibid.*, 131.

goods are damaging relations between the two. Another issue is that Brazil seeks to be recognized as an emerging power in international politics, for example, to become one of the permanent members of the UN Security Council. The U.S. must acknowledge and support Brazil as a leader in South America. Without accepting its self-perceived status, it will be hard to establish a strong, long-term alliance between Brazil and the U.S.<sup>153</sup> All in all, Brazil is a key actor to keep Chávez's sphere of influence within limits.

While seeking regional and subregional cooperation, the U.S. must deal with Venezuela cautiously, specifically in handling President Chávez. Thus, there are things to be done and not to be done vis-à-vis U.S. policy on Venezuela. First, a regime change or neo-conservative approach to the issue is not a good option. Since the president has been elected democratically, to take him down via outside intervention of any sort will give harm to the image of the U.S. and lack legitimate support. President Chávez mostly legitimizes himself by claiming to counter U.S. political and military intervention. Washington should make it clear that it does not intend to intervene in Venezuela overtly or covertly; instead, it must address to the deep socioeconomic problems in Venezuela and other ALBA nations. This, in the end, may create an environment for positive public diplomacy.<sup>154</sup>

While specifically focusing on Venezuela, Washington must press Ecuador to implement international financial standards and stop providing a way around the sanctions on Iran. The major threat is that Ecuador can turn into an operational base for Iranian money laundering and black-market activities. An appropriate tool for the U.S. could be trade, since Ecuador needs to develop its economy and sustain growth.<sup>155</sup> As discussed, Bolivia and Ecuador are under the influence of Chávez rather than Ahmadinejad. If Washington proposes more economic incentives to those countries, they will probably come to terms with the U.S. and weaken their ties to Venezuela.

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<sup>153</sup> Ibid., 134.

<sup>154</sup> Lapper, "Living with Hugo, U.S. Policy toward Chávez 's Venezuela," *Council on Foreign Relations*, 34.

<sup>155</sup> Goforth, *Axis of Unity Venezuela, Iran & the Threat to America*, 136.

Another crucial issue regarding the axis of unity is directly related to the arch-opponents of the West: Russia and China. Already it is clear that an Iranian–Venezuelan alliance cannot be prevented or stopped via regional solutions, because they have their global protectorates (China and Russia) in the UN Security Council.

The U.S. also must be cautious with Russia and China. A strong U.S. reaction can backfire. It is better to understand that there is not a fully united bloc against the West. Ideologically, China and Russia both present an alternative system to the U.S: authoritarianism, state capitalism, and limited freedom. Therefore, they support like-minded states around the world, such as Venezuela and Iran. But there is more than ideology going on. Russians and Chinese have their own interests in relation to Caracas and Tehran. China’s ties are more focused on energy, oil, and gas. It acts cautiously so as not to be perceived as a real threat in Latin America by the U.S. On the other hand, Russia is more confrontational, trying to get leverage against the West by playing Iran and Venezuela as cards. Russia sells large numbers of arms to Venezuela and gives political support to Iran in the UN Security Council in exchange for leverage.<sup>156</sup> Due to the fact that Russia has always felt unsafe and surrounded by enemies, it has sought ways to solve this geostrategic puzzle by resorting to this sort of policy.

Considering their importance in the world order, a direct confrontation with China and Russia could be globally damaging. Instead, a better way to stop their support of the axis of unity could be letting international economics do its job and, in the end, making China and Russia understand that their interests lie in international cooperation, not in cooperation with Iran and Venezuela.<sup>157</sup>

This thesis argues that the U.S. not use force as a first option to deal with the axis of unity. Instead, it must resort to a couple of alternatives, all of which begin by acknowledging Chávez’s key role in the Venezuelan–Iranian alliance. The U.S. must refocus on Latin America on a regional and hemispheric level and address its long-standing problems, such as inequality and poverty. However, regional cooperation is not

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<sup>156</sup> *Ibid.*, 69–85.

<sup>157</sup> *Ibid.*, 137.



enough to weaken the axis of unity by itself, since Venezuela and Iran have powerful protectorates in the UN Security Council, in the form of Russia and China. Thus, in addition to regional cooperation, America must prevent outside support to the axis of unity by using power of international trade.

### **C. CONCLUSION**

The author contends that Venezuela and Iran pose three main risks in Latin America: terrorism, nuclear cooperation, and breaching of UN sanctions. However, considering Iran's capacity and power, it is an exaggeration to assume that the Iranian–Venezuelan partnership poses as much threat as did the Soviet–Cuban alliance. Therefore, this relationship does not seem to be a strategic long-term alliance with potential risks for the future. However, it is a political orientation of governments who try to exercise influence via soft power to undermine U.S. foreign policy in Latin America and the world.

Moreover, as a policy recommendation for the U.S, Washington must not resort to force as a first option in dealing with Venezuela and Iran. Instead, by accepting Chávez's role as key to sustaining Iran's presence in Latin America, it must exercise alternative policies to counter the risks posed by the axis of unity. To begin, the U.S. must first refocus on Latin America and address inequality and poverty. Second, it must prevent international support to Venezuela and Iran by Russia and China. In this respect, tough policies seem a poor option, since open confrontation with China and Russia could have devastating effects around the world. Instead, the U.S. must use trade to convince Russia and China not to support these regimes.

## VI. CONCLUSION

After assuming office, President Ahmadinejad began to expand Iranian influence in Latin America in accordance with his aggressive foreign policy. In this way, he has attempted to evade international sanctions and find support for Iran's nuclear program. Moreover, he plans to gain an upper hand against the U.S. by outflanking it in its own backyard via Venezuela—in fact, through President Hugo Chávez. Thanks to Chávez's help, Iran won a trailhead into Latin America. The countries formed an alliance to counter the U.S, called the axis of unity. Through this partnership, Iran deepened its contacts with the leftist regimes under Chávez's influence, such as Bolivia, Ecuador, and Nicaragua.

This thesis assumed that the axis of unity could not balance the U.S. in terms of balance-of-power theory. The reasons are Iran's limited material and financial capacity to sustain such an operation, the obvious superiority of U.S. power in the region, the lack of effective means for leftist regimes to seriously challenge the U.S, and domestic constraints over the Iranian government. As a result, Iran and Venezuela have resorted to soft balancing.<sup>158</sup>

Soft-balancing theory began to develop as balance-of-power theories partially lost their explanatory power. In time, traditional forms of balancing have encountered the serious obstacle that, in our unipolar world, the hegemon is by far the strongest; therefore no other actor can balance against its power (which is the reason why the world has not balanced against the United States yet.)<sup>159</sup> In today's unipolar world, a new concept, soft balancing, has emerged.<sup>160</sup> This theory claims that states can balance against a hegemon via means other than hard power, such as diplomacy, diplomatic coalitions, and economic initiatives.

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<sup>158</sup> Pape, "Soft Balancing against the United States," 7–45.

<sup>159</sup> William C. Wohlforth, "U.S. Strategy in a Unipolar World," 98–121.

<sup>160</sup> Pape, "Soft Balancing against the United States."

When it comes to Iranian–Venezuelan relations, people have differing opinions. Some think the axis of unity is a typical example of balance-of-power theory. Others believe that Iran lacks the means to openly confront the U.S., so, it tries other mechanisms such as diplomacy, diplomatic coalitions, international institutions and agreements, statecraft mechanisms, economic initiatives, and multilateral arrangements that exclude United States in the process. In so doing, Tehran hopes to limit American hegemony and create relative multi-polarity in international relations. When we look at the decade-long events in the region, it becomes clear that the axis of unity applies a soft-balancing strategy.

To understand why Venezuela chose to cooperate with Iran, it is necessary to look at the country’s domestic politics. This thesis argues that the weak political and economic structure of Venezuela created an environment for populism and led a populist leader, Hugo Chávez, to become president. Chávez has followed a radical economic and political agenda domestically, and, internationally went anti-global and nationalistic over time, in parallel with the progress of political discourse internally.<sup>161</sup> Furthermore, Chávez began to challenge liberalism and its international champion, the U.S. He tried to increase Venezuela’s influence in the region via windfall oil money. For example, Venezuela created ALBA and established a direct sphere of influence over a bunch of countries. However, his international efforts to stand against the U.S. are not limited to regional cooperation between leftist regimes. He also established cozy relations with other powers to implement his policies on a global scale.

To sum up, Venezuela has radicalized itself during President Hugo Chávez’s term of office. Chavez promoted leftism internally and externally while heavily criticizing the current international system and the U.S. whenever possible. On one hand, Venezuela created and then developed a sphere of influence with oil money in the western hemisphere, making weak governments in the region dependent on Venezuela. On the other hand, Chávez mobilized anti-American sentiment and called for new friends to create a front against the U.S. and the West beyond the Americas. As a result, Venezuela

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<sup>161</sup> Looney, “Trends,” 5–14.

established closer ties with Iran, Syria, Belarus, Russia, and China, while facilitating a leftist bloc including Bolivia, Ecuador, Nicaragua and Cuba in Latin America.

As with Venezuela, to understand why Iran chose to cooperate with its counterpart across the globe, it is necessary to look into the country's domestic politics. Long-standing fear of imperialism, the shah's tyrannical rule, and rising inequality and injustice led to the Iranian Revolution. Since then, Iran has voiced strong anti-Americanism both domestically and internationally. The strongest political camp that emerged from the revolution was radicalism. So Iran pursued a radical foreign policy during the first decade after its establishment. However, radical and confrontational policies resulted in international isolation. The other camp, reformists and moderates, on the other hand, began to gain the support of the Iranian people from the early 1990s. They supported reforms that were aimed at reducing international pressure on Iran, such as normalization with the West. Nevertheless, radicals prevented these reforms from being fully implemented. From the early 2000s on, due to unfulfilled reform, public support decreased for moderation. Complementing the scene, the U.S. declared Iran among the axis-of-evil members, which shocked and enraged the Iranian public, whether radicals, conservatives, moderates, or reformists. Conservatives and radicals blamed reformists and moderates for this insult, attacking their foreign policy as too passive. Having given support to reformists for almost a decade, the people began to look for a leader to correct the economy and restore Iranian national pride and international standing. As a result, the populist leader Mahmoud Ahmadinejad, with a radical agenda, became president. Soon after assuming office, he began to follow an aggressive foreign policy to evade isolation, soften the impact of international sanctions, and counter U.S. pressure.

As mentioned above, Iran has been trying to evade isolation. Its first goal is to decrease the impact of international sanctions and its second goal is to seek political and material support for its nuclear program. Tehran assumes that nuclear capability can act as a powerful compensation for its perceived insecurity and make up for the power gap between Iran and the U.S. Briefly, international isolation, insecurity, and the quest for support shaped Iran's international agenda.

Iran has been resorting to soft balancing to counter the U.S. In this perspective, its foreign policy toward Latin America originates from its efforts to break international isolation. Iran's presence in the region is a direct result of the policy orientation the current government has been following. Ahmadinejad has criticized previous administrations' stance as being passive against international pressure and adopted a more assertive strategy to exercise international relations.<sup>162</sup>

From Ahmadinejad's point of view, to counter the U.S. attempt to isolate Iran, the Islamic Republic should move aggressively in Latin America to make the U.S. uneasy, rather than follow an ineffective foreign policy, as former administrations did. Accordingly, Ahmadinejad has placed his Latin American strategy on two pillars: continuation of the bilateral strategy followed by the former administration, and a publicly close relationship with Venezuelan-led leftist bloc including Bolivia, Ecuador, and Nicaragua.<sup>163</sup>

Iran's plans to outflank the U.S. in its own backyard coincided with the rise of leftist regimes in Latin America. Thanks to favorable timing, Ahmadinejad got the chance to implement Iran's foreign-policy goals. Through Chávez's bridge, he has established relations with Bolivia, Ecuador, and Nicaragua and found the political support that he was seeking.

However, the axis of unity has some limitations. First, it is based on anti-American ideology rather than on solid economic benefits. In reality, the U.S. is the biggest economic partner of Venezuela, and the biggest market for many of other Latin American countries. So, Venezuela's natural economic direction, which is toward the U.S., may limit the power of the axis of unity. Second, this relationship is formed through personal friendship. It lacks the institutional basis needed for long-term partnership. Third, the power centers in Iran are diverse, and those groups frame Ahmadinejad's actions and decisions; how much longer he can sustain his Latin American policy is uncertain. Fourth, the allegiance of Bolivia, Ecuador, and Nicaragua is primarily to

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<sup>162</sup> Farhi, "Tehran's perspective on Iran-Latin American Relations," 25.

<sup>163</sup> *Ibid.*, 29.

Venezuela. That means if Venezuela stops being the bridge to Iran, the Islamic Republic can lose contact significantly with Latin America. Fifth, this relationship is heavily dependent on high oil prices; a drop in oil prices imperils the future of the alliance. Finally, Iran is not a powerful outside guarantor for the Latin American regimes unlike how Soviet Russia was for Cuba. Without a guarantor, these leftist governments will not turn against the U.S. completely.

In terms of the threat that the axis of unity poses, this research has contended three main risks: terrorism, illegal nuclear cooperation, and breaching of UN sanctions. This may sound an existential threat at first. However, given Iran's capacity and power, it is an exaggeration to assume a threat as vital as the Soviet–Cuban alliance. Therefore, this relationship does not seem to carry potential risks of a long-term strategic alliance. Rather, it is a political orientation of governments who try to exercise influence via soft power to undermine U.S. foreign policy in Latin America and the world.

As a policy recommendation for the U.S, it is suggested that Washington consider carefully before using hard power as an option to deal with Venezuela and Iran. Instead, by accepting Chávez's role as the key to Iran's presence in Latin America, the U.S. should exercise alternative policies. First, the U.S. must refocus on Latin America and address long-standing grievances. Second, it must stop Russian and Chinese support to the axis of unity. Tough policies seem not a good option, since an open confrontation with China and Russia could have negative effects around the world. Instead, the U.S. must use trade to convince Russia and China not to back those regimes.

To conclude, Iran and Venezuela cannot balance the United States in a way that balance-of-power theory describes. But they can balance and limit, to a degree, U.S. power by using soft-balancing methods. Future sustainability of their partnership as an effective foreign-policy tool seems uncertain.

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