



BULLETIN

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Iran in Russian Foreign Policy

by Robert Śmigielski

Good relations between Russia and Iran during Vladimir Putin's presidency were dependent upon coinciding interests in the region and dislike of U.S. policy. This made possible a development of mutually-beneficial cooperation in the sphere of military technology and energy. Russia's support for the tightening of sanctions against Iran on 9 June demonstrates, however, that under the new scenario Russia does not want a confrontation with the USA or the EU. This increases chances for progress in finding a solution to the problem of Iran's nuclear program.

Russia's support at the UN Security Council meeting on 9 June for Resolution 1929 tightening sanctions against Iran (including a ban on any action outside its borders relating to nuclear technology and export of heavy armaments to Iran, the right to inspect Iran's aircraft and ships suspected of carrying forbidden cargo) shows an increasing readiness on the part of the Russian authorities to cooperate with the West in overcoming the crisis over Iran's nuclear program. Recognition that the danger that Iran might obtain a nuclear capacity is becoming feasible is also a signal that Russia might surrender instrumental use of its close ties with Iran in relations with other countries, especially the U.S.

Background. Although after the collapse of the USSR Iran's interest in the South Caucasus and Central Asia increased, the country accepted Russia's aspirations to play a dominant role in the former Soviet area. It acknowledged the Chechen question as an internal matter, for example, and did not oppose Russia's activities during the war with Georgia.

Cooperation with Iran became important for Russia from 2002 onwards, when the U.S. intensified its presence in Central Asia in connection with the war in Afghanistan. At that time, from the Russian perspective, Iran became a counterbalance for U.S. allies in the region, Pakistan and Turkey, and a vital element of the restoration by Russia of "external political independence" and of the strengthening of its international position as a country without which it is not possible to stop Iran's nuclear program.

Cooperation with Iran is also economically important for Russia. Although the share of trade with Iran in Russia's foreign trade is not high—0.7% in 2009 (\$3.06 billion, including \$2.85 billion in Russian exports), Iran's natural resources and demographic potentials indicate that this might increase. Russia mainly sells industrial products and technological services to Iran, which has a positive effect on the structure of Russian exports, which is dominated by natural resources. These countries jointly control 20% of the world's crude oil reserves and 47% of its gas resources, and hence not only have a means of determining the prices of those resources, but also of exerting political pressure on other countries. But the differences in their interests could damage these relations, which have been developing well in recent years. Russia and Iran differ on the division of the Caspian Sea bed. If normal relations were to be established between Iran and the West, Iranian gas would compete with Russian gas on the European and Turkish markets, and exports of energy natural resources from Central Asia via Iran would mean Russia could be bypassed.

Iran's role in Russian foreign policy is largely a function of Russia's relations with the West. Russia believed that a confrontation between the Western countries and Iran was beneficial to its interests, not only reducing the risk that differing interests would emerge in bilateral relations, but also resulting in economic benefits and a position of an intermediary between the parties to the conflict. Nevertheless economic challenges currently incline it to work more closely with the EU. At the same time, President Obama's "reset" policy has brought Russia important political and military benefits. All

this combined means that on the question of Iran's nuclear program Russia is more interested in a *rapprochement* of positions with its Western partners, counting on further benefits.

Main Sectors of Economic Cooperation. In 2000–2007 Iran was the third recipient (after China and India) of Russian arms. Russian military hardware worth US\$2 billion accounted for 85% of weapons imported by Iran. Over the last two years purchases have fallen dramatically, however, and have not exceeded \$50 million, as a result also of pressure from the Western countries not to allow sales of modern arms to Iran (such as the S 300 PMU system worth US\$800 million). U.S. sanctions now apply to Russian firms involved in weapons trading with Iran: Rosoboronexport, Sukhoy and Almaz-Antey.

Another important area of cooperation is the energy sector. Russia is now completing the construction of the first nuclear power station in Bushehr and is counting on a contract for the construction of at least three more reactors worth US\$3–3.5 billion. Gazprom Neft and Gazprom are in talks with Iranian partners regarding joint extraction of crude oil and gas from fields in south-eastern Iran and the Persian Gulf. Gazprom is also to become involved in the construction of the Peace gas pipeline of a transmission capacity of 55 billion m³ from Iran to India via Pakistan.

Both weapons sales and cooperation with regard to energy continue to be at risk of U.S. sanctions introduced unilaterally by the superpower (as those provided for by the 9 June resolution have a very low level of applicability to the fuel and energy sector). For this reason Russian firms have to calculate whether the benefits from a stronger position on the Iranian market outweigh the risk. For example, Lukoil has halted investments in crude oil extraction in Iran due to fears that its assets in the USA would be frozen. Russian firms are unwilling to export petrol to Iran for the same reason, even though only half of the country's needs are met by national refineries.

Russia's Approach to the Iran Nuclear Program. So far Russia has been questioning the grounds for and effectiveness of sanctions against Iran, fearing their negative impact on the two most important areas of bilateral cooperation, i.e. weapons trade and energy. But it would be unacceptable for Russia if Iran were to gain the status of a nuclear superpower. This would mean a potential threat to its security and could incline Turkey and Saudi Arabia, which have interests in the former Soviet area, to take action to obtain a nuclear capacity. While acknowledging that Iran has a right to conduct a nuclear program for peaceful purposes, Russia is demanding Teheran's full cooperation with the International Atomic Energy Agency and the so-called P5+1 Iranian nuclear program group (five permanent members of the U.N. Security Council and Germany). In order to dispel doubts as to the nature of that program, in 2005 Russia proposed that a joint enterprise enrich Iranian uranium on its territory. This would have deprived Iran of the capacity to run a complete fuel cycle and seriously hindered its production of nuclear materials and their enrichment to a militarily useful level. This offer, however, was rejected by Iran.

The change in Russia's standpoint on sanctions against Iran and support for Resolution 1929 are a result both of concern over information that Iran's program for uranium enrichment is expanding, and of the May Brazil-Turkey-Iran agreement concerning fuel for the Teheran reactor. This undermines Russia's position as Iran's key partner in nuclear energy and intermediary between Iran and countries in the West. If the agreement were to result in closer relations between Iran and Turkey, this would probably be detrimental to Russia in respect of the transit of central Asian energy resources.

Prospects. The approval for new sanctions against Iran shows that Russia is ready to accept a deterioration of relations with Iran in exchange for better relations with the U.S. and the EU. This does not mean, however, that it will support a military solution to the Iran nuclear program crisis. In view of the present and potential economic and political benefits, Russia will seek to maintain cooperation with Iran at the current level, but would rather avoid a confrontation with the EU and USA if this were to be the price for cooperation with Iran in the fuel and energy industry. This is because cooperation with the USA and EU provides Russia with considerably greater benefits. Future Russian-Iranian relations will depend on whether Iran's cooperation with the international community sufficiently dispels doubts about the nature of its nuclear program. If these relations were to deteriorate, however, and the Iranian authorities were to blame, Russia could suspend also its cooperation with respect to peaceful use of nuclear power. Hence closer positions of Russia and the West boost chances for progress in finding a solution to the Iran nuclear program crisis.