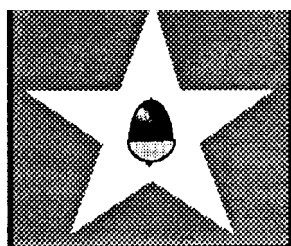


Conflict Studies Research Centre

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The Russo-Iranian Relationship

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The Russo-Iranian Relationship

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Iran has become one of Moscow's most important bilateral partners since the end of the Soviet Union. During the 1990s, Moscow saw her relationship with Iran as one of the key aspects of her attempts to promote the emergence of a multipolar international system. It was thus one of the ways in which Moscow demonstrated to Washington her determination to pursue an independent foreign policy. Russia's decision to complete the construction of a nuclear reactor for the Bushehr nuclear power plant in the face of strong US opposition has become almost a symbol of Moscow's desire to pursue her own policy towards Iran. The improvement of US-Russian relations since September 2001 has not swayed Moscow from continuing to cultivate close ties with Tehran.

Russo-Iranian links were placed on a firmer legal basis when Iranian President Mohammad Khatami visited Russia in March 2001, and signed an agreement on basic cooperation with Vladimir Putin. This visit gave an impetus to what had been a flagging relationship. The Putin-Khatami summit discussed closer economic cooperation and both sides issued a statement on the Caspian Sea. Putin accepted an invitation to visit Iran but no date has yet been fixed. In April 2002, Iranian foreign minister Kharrazi visited Moscow where he outlined in a speech the fundamental features of the Russo-Iranian relationship and exchanged the ratification documents of the March 2001 agreement. The Kharrazi meeting showed a broad degree of common ground between Russia and Iran on regional security issues such as Afghanistan, Tajikistan and Iraq. Both Kharrazi and Russian Foreign Minister Igor Ivanov condemned the term "axis of evil" applied by US President George Bush to Iran, Iraq and North Korea. Kharrazi also probably went further than his Russian hosts would have liked by criticising the US military presence in Central Asia, and US support for Israel.

Russo-Iranian relations can be outlined as belonging to five main areas:

Bushehr Nuclear Power Plant¹

Nuclear power industry contacts between Iran and Russia are based on the intergovernmental agreements of 25 August 1992, on cooperation in the civil

¹ The information in this section is taken from the US Department of Energy website brief on Iran <http://www.eia.doe.gov/cabs/iran.html> and the Global Security website <http://www.globalsecurity.org/wmd/world/iran/bushehr.htm>

use of nuclear energy and in the construction of a nuclear power plant in Iran.

The Bushehr project began under the Shah in 1974, with the Federal Republic of Germany building the reactor. The project was abandoned when the Islamic revolution took place in 1978-79. Progress on Bushehr resumed when Russia signed a \$780-million contract in 1995 to build the reactor, as well as an agreement in September 1998 to complete the facility within 52 months. The 1995 contract with Russia calls for completion of the two, 1,300-MW, pressurized light water units as well as the supply of two modern VVER-440 units. Since then, work has proceeded slowly. The United States strongly opposes the project and has in the past provided Russia with information pointing to the existence of an Iranian nuclear weapons programme. In May 2002, US Energy Secretary Spencer Abraham discussed this issue with Alexander Rumyantsev, Russian Minister of Atomic Energy, and Rumyantsev stated the Russian position that Bushehr "is not a source of proliferation of nuclear material". Under the latest contract details with Russia, construction on Bushehr must be completed by 19 March 2004.

During the March 2001 Moscow summit between Putin and Khatami, Khatami confirmed plans to order a second reactor after the first is delivered, possibly by late 2002. Delays in delivering the first plant - first ordered in the mid-1990s - have been a source of friction between Iran and Russia. The second contract could be worth up to \$1 billion.

Iran has also been considering the construction of three to five additional reactor facilities, which may or may not be located at Bushehr, for an estimated cost of \$3.2 billion. Russia will reportedly be submitting plans for the construction of additional reactors at Bushehr. It is estimated that the total cost of building the reactor complex at Bushehr may be roughly \$4-6 billion since construction began in 1976.

In March 2002 Alexander Rumyantsev said that the Bushehr reactor would be completed by 2005 as planned, noting that "Iran has signed all required international agreements and undertaken full obligations on transparency and checks ... and unfailingly fulfilled them". He said that under a new law passed by the Russian parliament in 2001 which strengthened non-proliferation guarantees by allowing spent fuel from nuclear power plants abroad to be taken back to Russia for reprocessing, Russia "will ship nuclear fuel to Iran under the contract which envisages that the spent fuel will be taken back to Russia". It is felt that this should allay US fears that the fuel could be used by Iran to develop nuclear weapons.

US opposition to Russian construction of Bushehr rests on three issues: first that weapons grade plutonium could be extracted from the reactor allowing the Iranians to construct nuclear weapons; secondly, that the Russians and the Iranians are using Bushehr as a cover for the transfer of other sensitive technology that would normally be prohibited; finally, that the knowledge gained by Iranian scientists working at Bushehr could further Iran's nuclear weapons programme. Washington argues that Iran's oil and gas reserves

make it unnecessary for her to develop nuclear power. Iran claims that its nuclear power is for peaceful purposes and that it will help free up oil and gas resources for export, thus generating additional hard-currency revenues.

Conventional Arms Sales

Following an agreement with the USA in 1995, Russia agreed that it would not supply conventional arms to Iran after December 1999. However, in November 2000, Russia withdrew from this agreement, and stated that it was prepared to conclude new arms deals with Iran. This meant that Russia was able to reactivate four agreements concluded over the period 1989-1991, which could bring Russia around \$1.6 billion. In late December 2000 it was announced that Russia and Iran had agreed on a long-term programme of political and military cooperation, following the visit of Russian defence minister Sergey Ivanov to Iran. In 1998 Iran had stated that it wished to purchase from Russia eight S-300PMU1 ground to air rockets, 1,000 Igla rockets, twenty-five Mi-17-1B helicopters and eight Sukhoi-25 aircraft; this list presumably still stands.

In October 2001, Iranian defence minister Ali Shamkhani visited Moscow, and concluded an arms deal worth \$300 million over five years. This would make Iran Russia's third largest arms customer after China and India. The Russian leadership has made it clear that it intends to pursue military-technical cooperation with Iran irrespective of US views on the subject. Iran is interested in having two of its three Kilo class submarines overhauled, and equipped with 3M-54E anti-shiping missiles. Iran also wishes to purchase launch boats from Project 12 421 equipped with Moskit rocket complexes with 3M-80E rockets. Iran is also interested in purchasing Iskander-E rockets.²

Transport Corridor

In September 2000 the transport ministers of Russia, Iran and India signed an accord to form a north-south transport corridor, which will enable goods to be transported from India to Finland in 21-23 days. The transport of goods via the Suez Canal currently takes 35-40 days. No taxes or duties will be paid for the transport of goods, only transportation costs. The Russian Transport Ministry believes that freight along the international transport corridor may exceed 15m tonnes a year in the next few years. In May 2002 the transport ministers of Russia, Iran and India signed a protocol to open the corridor.

In 2001, about 5m tonnes of cargo were shipped via this route. Of this, 2.5m tonnes of non-liquid cargo passed through Astrakhan Region's ports and about 2.5m tonnes of oil was pumped via the Makhachkala terminal.

² See Dmitry Safonov, Aleksandr Sadchikov. 'Double standards: the Americans are prepared to offer us a carrot', *Izvestiya*, 12 July 2002, and Igor Korotchenko, 'In spite of the USA's pressure', *Nezavisimaya Gazeta*, 21 September 2001.

Over 1bn dollars of cargo was shipped via the Trans-Caspian route in 2001. An estimated 12-15m tonnes of cargo per year will be shipped via the North-South international transport corridor within the next five years.

Economic Cooperation

A draft government programme for long-term economic cooperation with Iran for the period up to 2012 was signed by Prime Minister Mikhail Kasyanov in July 2002. Russia hopes that the draft document will be coordinated with Iran by the next session of the bilateral intergovernmental commission for trade and economic cooperation, due in September 2002 in Tehran. The programme is aimed at developing trade, economic, industrial, scientific and technological cooperation between the two countries. There is also a plan to increase oil extraction in a project to be implemented by the Slavneft oil company and the National Iranian Drilling Company. As part of its cooperation with Iran, Russia is also expected to help design, finance and construct a number of pipelines in Iran, as well as a gas pipeline between Iran and India. Other plans include an examination of the Nurabad-Hasani oil pipeline, as well as the development of a project to carry Russian oil to Iran.

The two countries also plan to build jointly an underground gas storage facility, as well as to arrange gas storage facilities near the cities of Tehran and Tabriz.

The programme includes cooperation in oil refining. Iran and Russia plan to improve technological processes at heavy oil refineries in Iran, build refining modules with a capacity of 25,000 barrels a day and create facilities for the primary refining of oil containing large amounts of water and salt at oil wells.

Among other things, the draft envisages the development of long-term programmes of cooperation in the peaceful utilization of nuclear energy, as well as cooperation in power engineering, including the construction of thermal and hydro-power plants in Iran. In 2000 Russo-Iranian trade turnover was \$603 million; in 2001 it was close to \$1 billion.

Caspian Sea

There has been a divergence of positions between Russia and Iran over the division of the Caspian Sea. Iran is now the odd one out of the Caspian littoral states on this issue. Iran insists that regional treaties signed in 1921 and 1940 between Iran and the former Soviet Union, which call for joint sharing of the Caspian's resources between the two countries, remain valid. Iran has rejected as invalid all unilateral and bilateral agreements on the utilization of the Sea. Iran has indicated a willingness to divide the Caspian Sea into national sectors, but only provided there is equal division of the Sea, giving each country 20% of the sea floor and surface of the Caspian. However, using the equidistant method of dividing the seabed on which

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Kazakhstan, Azerbaijan, and Russia have agreed, Iran would only receive about 12%-13% of the Sea. This issue remains unresolved.³

Conclusions

The Russo-Iranian bilateral relationship is an important one to both Moscow and Tehran. Russia's interest in selling arms, supplying nuclear technology and expanding the economic relationship make clear her interest in cultivating Iran as a long-term partner. Russia intends to pursue this relationship in spite of US disapproval, and in spite of her own improved relationship with the USA. Moscow rejects the USA's categorisation of Iran as a rogue state and a sponsor of terrorism, and instead sees Iran as an important actor and force for stability in the Persian Gulf region. By developing a close political, economic and security relationship with Iran, Moscow hopes to give herself a long-term presence in the region. This relationship is likely to endure irrespective of how the US-Russian one develops. Iran will look to Moscow as a partial counterweight to the US-imposed isolation to which she has been subjected since 1979. If the USA takes military action against Iraq, then Iran is likely to see her relationship with Moscow as being even more valuable.

³

<http://www.eia.doe.gov/cabs/iran.html>

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