

PolicyWatch 2525

Putin Visits Iran

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To reap the benefits and avert the dangers of Moscow's latest developments with Iran, Washington and Europe should adopt a strategy that allows them to cooperate on Syria and antiterrorism efforts, while continuing pressure on issues such as the Ukraine conflict and S-300 deliveries to Tehran.

On November 23, Russian president Vladimir Putin opens a three-day trip to Iran, his first since 2007. The visit will encompass multilateral and bilateral components. On the multilateral front, he will participate in the summit of the Gas Exporting Countries Forum (GECF) and hold multiple meetings with the heads of state convening there. He will also hold separate bilateral meetings with Iranian leaders. These meetings and the sundry Russian-Iranian issues that underlie them could create new opportunities and dangers for U.S. policy on the Middle East and Ukraine.

BILATERAL FRICTION

Putin's visit takes place amid increasingly complicated relations between Iran and Russia. The P5+1 nuclear deal has ended Iran's political isolation, opening up opportunities for Tehran to cooperate diplomatically and economically with Europe and, to a certain extent, the United States. These new options pose a challenge to Russia's political alliance with Tehran.

At the same time, Russia's own political and economic options are expanding as well. Moscow may be able to leverage three related factors -- its role in Syria, its potential contribution to the anti-ISIS fight, and its ability to slow the refugee flow into Europe -- to forge a new relationship with the EU and the United States, perhaps removing the limitations they put in place after the Ukraine crisis. Consequently, additional issues of contention may develop between Tehran and Moscow going forward.

First, while Putin and Iran are still projecting a united front as allies of the Assad regime, Russia's Syria deployment has nevertheless created tension. Tehran is unhappy about Moscow usurping its dominant role in Damascus and the potential part it could have played with the West in delivering a peace settlement. Furthermore, Moscow's recent firing of cruise missiles into Syria from the Caspian Sea was surely unsettling to Iranian leaders.

The two countries have also disagreed on the status of bilateral arms sales. During the nuclear negotiations, Moscow froze implementation of a number of signed arms deals with Iran; now that the nuclear agreement has been finalized, Tehran wants Russia to fulfill these contracts immediately. Moscow may indeed be tempted to deliver sophisticated weapons to show Tehran the advantage of staying connected to Russia instead of warming up to rival powers. Iran is especially eager to receive the sophisticated S-300 air-defense system. Moscow has threatened to transfer this system more than once over the past decade, refraining from actual delivery after eliciting concessions from Israel and, at times, the United States. Delivering it now would be problematic for Russia -- in addition to creating additional tension with Washington and Israel, supplying the system would reportedly carry some technical difficulties.

Another point of conflict is Iran's return to full global energy trade, which threatens Russia's interests. Tehran's intention to ramp up oil exports will increase the downward pressure on oil prices, adding to Moscow's serious economic challenges. On the natural gas front, Moscow is worried that Iran's tremendous reserves may threaten its long-term supplier dominance in several markets.

Meanwhile, much to Tehran's chagrin, Russia has been expanding ties with a number of Iranian rivals in the Middle East, especially Saudi Arabia. Putin also enjoys excellent security cooperation with Israel -- in fact, Prime Minister Binyamin Netanyahu was the first foreign leader to visit Moscow after Russia's Syria deployment was made public.

GECF SUMMIT: MORE ABOUT DIPLOMACY THAN ENERGY

In addition to regular ministerial meetings, the GECF has held two previous Gas Summits involving heads of state and other officials from member countries, which include Algeria, Egypt, Iran, Libya, Qatar, Russia, the United Arab Emirates, and Venezuela, among others. The 2013 summit was held in Moscow, with former Iranian president Mahmoud Ahmadinejad in attendance. Given the presence of numerous leaders from key Middle Eastern and Caspian states -- including the presidents of Azerbaijan and Turkmenistan, who will attend as guests for the first time in GECF history -- Monday's summit will give Putin a good platform for public diplomacy,

potentially increasing his influence in the region at this crucial juncture.

The GECF was originally established to coordinate policy between gas-exporting countries, with Iran and Venezuela as the driving forces behind its formal creation in 2007. At the time, Supreme Leader Ali Khamenei promoted the idea that Tehran and Moscow should establish "an organization of gas cooperation like OPEC." Yet the GECF has failed to implement any cartel coordination in gas markets for a number of reasons.

First, the bilateral nature of gas trade within specific long-term contracts does not lend itself to coordination between producers. Second, the GECF's two founding countries are not actually gas exporters -- Venezuela is focused on the oil business, obviously, while Iran is a net gas importer, taking in a bit more from Azerbaijan and Turkmenistan than it exports to Turkey and Armenia. Furthermore, major gas producers such as the United States, Canada, and Australia are not associated with the organization, while most of its member states are constantly attempting to expand their individual gas exports and attract investments regardless of wider GECF policy. Bottom line: in an era when OPEC no longer has much influence over the global oil market, there is little basis for imagining that a "Gas OPEC" will gain sway over natural gas markets.

CONCLUSION

Putin is visiting Iran at a time when a number of moving policy pieces and regional developments will affect their relationship. Previously, when Iran was under heavy nuclear-related sanctions, the two countries fell back on a solidarity of sorts, in part because several arenas of strategic competition between them were frozen. Today, however, both parties have new options for economic and political cooperation with other partners. Russia also has strong incentive to leverage Europe and Washington's need for intelligence and security cooperation, whether in countering ISIS and other Middle Eastern terrorist groups or stabilizing Syria in order to stop the flow of refugees. Indeed, European states seem tempted to remove or reduce Ukraine-related sanctions on Russia in order to facilitate this cooperation.

If Moscow does help Europe on Syria-related issues, it may find itself at further odds with Tehran. Alternatively -- or perhaps simultaneously -- Russia may decide to finally deliver sophisticated weapons to Iran in order to remind its leaders that the partnership carries benefits currently unattainable from Europe or the United States.

To reap the benefits and avert the dangers of these developments, Washington needs to adopt a holistic approach toward Russia. American policies on Syria, Iran, and Ukraine are interconnected and cannot be compartmentalized: U.S. actions in one arena will affect Russia's actions in another. The United States and Europe need a strategy that will allow them to cooperate with Russia in Syria and other parts of the Middle East without abandoning key goals in Ukraine and the former Soviet region. Moreover, Washington should leverage its evidently renewed security cooperation with Moscow to prevent delivery of sophisticated arms to Iran.

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