Russia’s Relations with Iran
Dialogue without Commitments

Nikolay Kozhanov

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Nikolay Kozhanov, a visiting fellow at The Washington Institute, served as an attaché at the Russian embassy in Tehran from 2006 to 2009, focusing on socioeconomic, energy, and nuclear issues. Currently, he works as an expert at the Institute of the Middle East and as a visiting lecturer in Saint Petersburg State University’s School of Economics. He has authored numerous publications in Russian and English, including the 2011 monograph *Economic Sanctions against Iran: Aims, Scale, and Possible Consequences*. Dr. Kozhanov holds a PhD in international economics and economic security as well as master’s degrees in economics and Oriental studies from St. Petersburg State University; in addition, he holds a master’s degree in Middle East Studies from the University of Exeter. Dr. Kozhanov speaks fluent English, Russian, and Farsi.

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Nikolay Kozhanov

June 2012
Note on the Transliteration

The transliteration system used in the text is an official one adopted by the Russian ministry of interior in 1997 for the romanization of Russian names in official documents; it was replaced in 2010 by a new system. Both systems are diacritics-free and English-oriented and, as a result, are more convenient than existing British or American variants. I chose, however, to use the 1997 system: it appears to be more adequate in conveying Russian letters and sounds that are nonexistent in the Latin alphabet. Exceptions were made for Russian names and titles where the transliteration was at odds with an officially adopted version. These variants included the following:

- Dmitry Medvedev (instead of Dmitriy Medvedev)
- Sergei Prikhodko (instead of Sergey Prikhodko)
- Sergei Lavrov (instead of Sergey Lavrov)
- Alexey Miller (instead of Aleksey Miller)
- Alexander Sadovnikov (instead of Aleksandr Sadovnikov)
- RZD (instead of RZhD)
- Sinah-1 (instead of Sina-1)
- Zageh (instead of Zage)
- CASFOR (instead of KASFOR)
- Nagorno-Karabakh (instead of Nagornyy Karabakh)
Executive Summary

OVER THE PAST two decades, the dynamics of Russo-Iranian relations have seemed unstable and, to a certain extent, unpredictable for other players in the international arena. It is difficult to find another country whose relations with Moscow have experienced so many drastic twists in such a relatively short time. Periods of active political dialogue between the two governments have been suddenly interrupted by long pauses, with Moscow and Tehran accusing each other of failing to meet treaty commitments or keep promises.

This volatility is largely attributable to the absence of any lucid, applicable Russian strategy toward Iran; instead, Moscow deals with its southern neighbor on a case-by-case basis, and its attitude toward Tehran changes accordingly. In other words, recent dialogue between the two governments is not a sign of nascent alliance, but rather a result of intersecting interests on different issues that are not equal in importance and priority for Moscow.

From this perspective, the development of Russo-Iranian relations is not completely unpredictable: it does comply with certain rules. Although Moscow lacks a unified plan of action or clear perception of top priorities regarding the Islamic Republic, it has clear national interests in Iran, and its foreign policy is based on them. Confronting Russia in order to change a position grounded in these interests is unlikely to succeed. In contrast, cooperation, dialogue, and accurate assessment of where Western interests intersect with Russia’s could bring positive results. The most important determinants of Moscow’s policy toward Iran are as follows:

- **The priority given to Russo-American relations.** Russia is determined to bridge relations with the United States, mainly through bargains and compromise. This intention is supported by the gradual strengthening of semi- and unofficial ties between the Russian economic, political, and cultural elite and the West. Under these circumstances, Moscow uses Iran as leverage in its political dialogue with Washington.

Russian authorities have played this card during periods of both rapprochement and tension with the United States, either freezing or boosting their cooperation with Tehran, respectively.

- **National security issues.** One of the most important determinants of Moscow’s foreign policy is the unacceptability of any active U.S./NATO military presence near Russia’s borders or in areas it considers to be zones of Russian interests and political aspirations. Unable to give equal answer to U.S./NATO military-political challenges, Russia tends to use asymmetric retaliatory measures instead. These include temporary intensification of cooperation with Washington and Europe’s opponents. As a result, one can always trace the linkage between periods of improved Russo-Iranian relations and periods of difficulty in Moscow’s dialogue with the West.

- **Iran’s presence in regions that Russia has traditionally considered its own spheres of strategic and historical interest such as the Central Asian, Trans-Caucasian, and Caspian regions.** Since the fall of the USSR, Moscow has been trying to play the role of a leading power in ex-Soviet territories, and it remains extremely jealous of any attempts by outside powers to penetrate these regions. Iran’s geostrategic position allows it to influence developments in the Caspian, Caucasian, Central Asian, Middle Eastern, and Persian Gulf regions. This inevitably compels Moscow to discuss a wide variety of foreign policy issues with Tehran. Given the similarities between their approaches to a number of regional issues, Moscow views Tehran as an important partner on certain matters. At the same time, Russian authorities do not completely trust Tehran: they remain concerned about some of Iran’s regional activities, the threat of Iranian rapprochement with the United States, and Iran’s potential role as a starting point for another conflict.
Nuclear proliferation. The Russian government opposes Iranian acquisition of nuclear weapons, believing that such a development would drastically change the balance of power in the region, and not in Moscow’s favor. As stated by some government experts, a nuclear Iran could be expected to conduct more aggressive and independent policy in the Caucasus and Central Asia and to serve as an example for Middle Eastern countries with less-stable regimes thinking about developing their own weapons of mass destruction. At the same time, Russian officials and experts do not have ironclad proof that Tehran has decided to produce nuclear weapons. Moreover, they believe that Tehran is incapable of meeting that goal in the mid-term and that all statements by Iranian officials are therefore nothing but bravado. Under these conditions, Moscow only occasionally demonstrates dissatisfaction with continuing nuclear research in Iran, and only when Tehran demonstrates excessive stubbornness. Overpressuring Iran is seen as harmful to other issues in which Moscow badly needs Tehran’s support (or, at least, neutrality).

The economic interests of the Russian elite. President Vladimir Putin and his administration have close connections with major Russian governmental and semigovernmental corporations, to the point where lobbying for the economic interests of these companies has become one of the main goals of Russian foreign policy. Iran serves as a clear example of this trend: it is no mere coincidence that the majority of Russian business success stories are related to corporations affiliated with the government. Moscow spares no efforts to support its economic behemoth. Exactly where Russia ultimately positions itself in relation to Washington and Iran will depend in no small part on the personal influence of its leader. Putin, who is famous for his tough, nationalistic approach to foreign policy, is now at the helm again after his March 2012 electoral victory. For Iran, this will mean gradual intensification of political and economic dialogue with Moscow. At the same time, Putin’s return should not be seen as the first step toward a Russian alliance with Tehran. In the end, Moscow’s pragmatic, cost-benefit approach to foreign policy is paramount. Assuming that the West does not begin provoking Moscow through activities that threaten Russia's national security and economic interests, Putin’s administration is unlikely to make any abrupt, negative moves regarding Iran, such as resuming the sale of S-300 air-defense systems to Tehran. The cost of such steps would not justify the profit for Moscow. Even formal recognition of Iran’s priority in Russian foreign policy would harm Moscow’s dialogue with a number of countries whose relations with the Islamic Republic are uneasy such as the United States, Israel, Saudi Arabia, and certain smaller Gulf countries. As a result, despite the fact that positive dialogue with Tehran is in its interests, Moscow carefully monitors the development of Russo-Iranian relations in order to prevent them from exceeding the level at which they would endanger relations with other countries. As one Russian expert put it, the relationship has become a kind of “watchful partnership.” Washington could take several steps to encourage Russia to be even more cautious in its cooperation with Tehran:

Continue the positive U.S.-Russian dialogue. In attempting to resolve disputes, the Russian government dislikes any moves that it considers to be aggressive. Instead, it welcomes most any type of dialogue. Given Moscow’s persistent intention to bridge relations with Washington, positive dialogue on Iran and another issues could seriously allay Russian concerns. It could also diminish the intention among the Russian political elite to use rapprochement with Tehran as a way of responding to the national security challenges created by recent U.S. diplomacy. 

Exchange opinions and information on Iran and its nuclear program. Moscow is more likely to alter its stance on Iran if U.S. officials provide detailed information and clear explanations regarding the threat the nuclear program poses to both the non-proliferation regime and regional stability. Taking into account Russia’s strong desire to prevent the emergence of a new power with weapons of mass destruction near its borders, ironclad proof of a military nuclear program in Iran would inevitably make
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Moscow less reluctant to pressure the country via sanctions. After all, Moscow is already involved in the process of pressuring Tehran—despite the temptation to earn additional profit, Russia has stopped (or, at least, minimized) its arms trade with Iran and seriously limited its cooperation in the aviation and space fields. Its resulting budgetary losses have been high. Such behavior indicates Moscow’s probable readiness to cooperate with the international community on the nuclear issue.

- **Develop relations with Russian intellectuals and experts on Iran.** Russia is attempting to copy the U.S. experience of government interaction with domestic think tanks, and this relatively new tradition is actively developing. Russian officials often address experts in governmental and nongovernmental research centers, though they do not always make these connections official. Moreover, strong links have been established between a number of Russian analytical institutes and government bodies. The Institute of Oriental Studies at the Russian Academy of Sciences, the Institute of the Middle East, and the PIR Center are probably the most influential Russian think tanks dealing with modern Iran. Their experts are professional, well prepared, and unbiased in their judgments. Yet many Russian analysts who study the situation in Iran and help shape public opinion on the subject are pro-Iranian. Active dialogue between Russian and American experts would likely change this orientation.

- **Guarantee the preservation of Russian interests in Iran in the event of regime change or military operations.** The Russian political elite is seriously concerned about losing economic and political influence in the Middle East given what followed the ouster of Saddam Hussein and Muammar Qadhafi. As a result, it seeks guarantees that Russian interests will not suffer greatly if the Iranian regime falls. Moscow would likely also need such guarantees in the event of U.S.-Iranian rapprochement. Russian authorities strongly believe that dialogue between Washington and Tehran would weaken Moscow’s economic and political positions in Iran, leading to the formation of another generally anti-Russian coalition with substantial capacity to influence Central Asia and the Caucasus. Under these circumstances, promises to respect Russian interests in Iran would probably prevent Moscow from taking steps to counteract the improvement in U.S.-Iranian relations.

- **Adopt an issue-by-issue approach to dialogue on Iran.** As described in previous chapters, in the absence of a well-articulated Russian strategy on Iran, Moscow will continue treating relations with Tehran on an issue-by-issue basis. U.S. authorities will therefore have more influence on Russia’s Iran policy if they treat each specific issue in the Russo-Iranian relationship separately. Any general approach—such as an across-the-board request for Moscow to sever multiple forms of engagement with Iran at once, regardless of which Russian interests they affect—will probably be ineffective.

- **Avoid any steps that trigger consolidation between Russia and Iran.** Any U.S. activities that Russia views as a threat to its national security will cause rigorous retaliation from Moscow, including the strengthening of contacts with Tehran. Preventing such scenarios will likely require constructive U.S.-Russian discussion of several key issues, including missile defense in Eastern Europe, the NATO presence in Afghanistan, Western penetration in the Caucasus and Central Asia, and the construction of trans-Caspian pipelines.

- **Expand economic cooperation with the Russian business elite.** The experience of some Russian business entities clearly demonstrates that strong economic ties with the West can convince Russian companies to curtail their business relations with Iran or even leave the country entirely. Given the strong relations between Russia’s ruling and economic elites, U.S.-Russian business ties could also influence the political dialogue between Moscow and Iran.

As Washington continues to mobilize the international community regarding concerns about Iran, Russia’s role is particularly important. In addition to its Security Council seat, Russia has close ties with Tehran.
on many levels, while the Iranian leadership views Moscow as a potential counterweight to U.S. pressure. Persuading Moscow to support unilateral U.S. sanctions and other measures would therefore give Washington additional means of influencing Iran. Moreover, Russia’s long-lasting bilateral relations with Iran offer examples of effective ways to deal with the Islamic Republic. For example, the two countries have managed to achieve consensus on a number of vitally important issues—such as drug trafficking, terrorism, instability in Afghanistan and the Caucasus, and the presence of nonregional forces in Central Asia and the Caspian region—despite substantive differences in interests and approach that made agreement difficult.

Yet any attempt to initiate more-active U.S.-Russian dialogue on Iran requires a clearer perception of Russo-Iranian relations, Tehran’s role in Russian foreign strategy, and Moscow’s willingness and ability to implement pressure tactics. Over the past three years, Western analysts have published numerous studies on Russo-Iranian dialogue, yet most of these reports have had significant drawbacks. First, their authors tend to focus excessive attention on two issues: Moscow’s role in the continuing row over Iran’s nuclear program and Russian arms sales to Tehran. These issues comprise only a small part—and not necessary the most important part—of the intricate relationship between the two countries.

Second, Russo-Iranian relations are often studied as an isolated system that is not influenced by external factors; some analysts discuss the U.S. role in this system, but little else in the way of outside forces. Yet Russian dialogue with Tehran is considerably affected by events in the Middle East, Caucasus, and Central Asia. As outgoing Russian president Dmitry Medvedev put it, the main difference between Washington and Moscow regarding the Iranian nuclear issue is that “Iran is not a U.S. partner,” whereas Moscow “productively interacts” with Tehran. During the past three years, he repeatedly emphasized that “apart from economic relations...we [Russia and Iran] have mutual challenges such as drug traffic and terrorist threats. We will continue to cooperate with Iran as our neighbor and political partner.”

Accordingly, this report examines Russo-Iranian relations in the context of Moscow’s political priorities and global and regional diplomacy. The discussion that follows is based on official Russian documents, studies conducted by Russian scholars, interviews with Russian officials and experts who deal with Iran, and the author’s own experience as a Russian diplomat at the embassy in Tehran. In short, the paper is an attempt to approach the topic from the Russian point of view in order to better understand Moscow’s motives and aspirations with regard to Iran.

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OVER THE PAST two decades, the dynamics of Russo-Iranian relations have been extremely unstable and, to a certain extent, unpredictable for other international players. It is difficult to find another country whose relations with Moscow have experienced so many drastic twists in such a relatively short period. Periods of active political dialogue between the two governments have been suddenly interrupted by long pauses, with Moscow and Tehran accusing each other of failing to meet treaty commitments or keep promises.

Russia’s attitude toward Iran’s nuclear activities is similarly ambiguous. On the one hand, Moscow has periodically offered constructive proposals aimed at settling the problem through purely diplomatic means, opposing strict unilateral sanctions and insisting that Iran’s intentions are peaceful and in compliance with the Nuclear Nonproliferation Treaty. On the other hand, Russia has permitted the adoption of several UN Security Council measures against Iran’s nuclear program (i.e., Resolutions 1696, 1737, 1747, 1803, 1835, 1929), creating the legal base for the imposition of both multilateral and unilateral punitive measures. Moreover, Moscow adopted its own unilateral sanctions against Iran in September 2010 (see chapter 3).

Despite this seeming contradiction, Moscow’s behavior becomes clearer and more predictable when one looks at the many different institutional forces at play in its policy formulation process. Currently, several public and private Russian actors have important ties with Iran, and their interests and activities therefore determine the development of bilateral relations. These include the Presidential Executive Office, the Ministry of Foreign Affairs, the Ministry of Trade and Economic Development, the Chamber of Commerce and Industry, various NGOs, a number of governmental, semigovernmental, and private companies (e.g., Gazprom, Rosoboronexport, Rosatom, Rostechnologii, and Rossotrudnichestvo), and even the Russian Orthodox Church. Yet almost all of them, apart from the Presidential Executive Office, deal only with specific bilateral issues, and their area of responsibility is therefore limited. As a result, whenever troubles occur, representatives of these bodies often justify their mistakes or passivity by claiming to be “simple executives of the government will,” despite their difficulty explaining exactly what government organ was the source of this will. Some of them simply refer to the Presidential Executive Office, whereas more well-informed people tend to name presidential aide Sergei Prikhodko.

According to Articles 80, 84, and 86 of the constitution, the president defines the main guidelines for Russian foreign policy, and the government is responsible for implementing his decisions (Article 114). Nevertheless, it is difficult to find a document written by either the president’s office or the government that clearly states Russian strategy toward Iran. On most issues, foreign policy vectors are set out in official doctrines and strategies issued by Russian authorities. Among the most recent versions of these doctrines, only four deal with Iran to a significant extent: “The Foreign Policy Concept of the Russian Federation” (adopted July 12, 2008); Annex I to the Foreign Policy Concept, titled “The Main Directions of Russian Federation Policy in the Field of International Cultural and Humanitarian Cooperation” (adopted December 18, 2010); “The Energy Strategy of Russia until 2030” (adopted November 13, 2009); and “The Russian Federation Concept of International Scientific and Technological Cooperation” (adopted January 20, 2000). The overarching foreign policy principles outlined in these doctrines do not give a clear picture of Moscow’s strategy or top priorities in Iran. Russian authorities are certainly interested in continuing the dialogue with Tehran in bilateral and multilateral formats, and they do have an interest in cooperation and interaction on energy issues (namely, gas and oil extraction as well as transportation projects), high technology, and the cultural sphere. Yet these areas of cooperation are highly compartmentalized and heavily influenced by top Russian
Principles Underlying Russia’s Iran Policy

Nikolay Kozhanov

The Washington Institute for Near East Policy

recently become more active in this field, but the level of its efforts is still insufficient.) This deficiency has created a situation in which Russia has different organizations discordantly acting in Iran on different levels, sometimes with mutually exclusive goals and no clear understanding of the hierarchy between them. This brings additional disorder to Russo-Iranian relations.

Yet the lack of a general strategy or a center to supervise its implementation is compensated by the existence of a number of smaller decisionmaking centers that have emerged in almost every organization or structure dealing with Iran. Together, the steps taken by these centers form what is called Russian foreign policy on Iran. Decisions made by these organs are tactical, however, not strategic: they are mostly made on the basis of situational judgments and according to current requirements. It is also notable that the method of making decisions on Iran solely from a short-range perspective is typical of Russian decisionmaking centers, irrespective of their level and status. As a result, Moscow’s Iran policy is inconsistent and contradictory, but also very practical and opportunistic. In other words, almost all decisions are made on the basis of a cost-benefit approach. Moscow will never make a decision that is politically and economically unprofitable in the short term, even if it could bring tangible benefits in the long term.8

Second, without clearly stated tasks and control, Russian authorities are unable to effectively organize the work of bodies dealing with Iran. Most of these organs (e.g., the Ministry of Foreign Affairs and the embassy in Tehran) are simply malfunctioning—their personnel do not know the area of their responsibility, and they do not feel the sense of strict control over their activities that is traditionally an important and universal motivation for civil servants.9

Third, the absence of a unified strategy determining Russian activities in Iran has led to a phenomenon in which Moscow deals with Tehran on a case-by-case
basis. In other words, the current dialogue between the two countries is nothing but a result of the intersection of Russian and Iranian interests in different issues. Moreover, these issues are not equal in importance and priority for Russia, such that Moscow’s attitude toward Tehran changes depending on the prominence of each particular case for Russian interests. For instance, when discussing the presence of third countries in the Central Asian or Caspian regions, Russia may position itself as a reliable partner of Tehran. Yet in the European gas market, both countries see the other as a potential rival. The importance of each case also determines Moscow’s persistence in securing its interests as well as its flexibility. Thus, the Russian position on the legal status of the Caspian Sea is well articulated and difficult to change, whereas Moscow’s less-active approach to the economic and cultural spheres results in less-clear goals and stances on issues in those sectors.

Under these circumstances, the only goal that both countries can declare as the main priority of their relations is the general intention to continue all-embracing dialogue without stating specific tasks. This is precisely what is stated in the Russian Foreign Policy Concept and the treaty on basic principles of cooperation signed in 2001 by Presidents Vladimir Putin and Muhammad Khatami.10

It is also notable how both sides determine the general nature of their relations. According to the treaty, their dialogue is neither strategic nor akin to a partnership, but simply “corresponding to the basic interests of both states.”11 Such a formulation is not widespread in international documents. This, in turn, symbolizes the specific nature of Russia’s perception of Iran and relations with Tehran. On one hand, taking into account Iran’s importance as a neighboring state, it is essential for Moscow to underline the special character of bilateral relations. On the other hand, Russian authorities are not interested in declaring a partnership with Iran, and the level of dialogue between them—as measured by economic, political, or any other parameters—does not correspond to that status.12

Notes
3. For more details see Nikolay Kozhanov, Ekonomicheskije Sanktsi Prativ Irana: Tseli, Masshtabi, Vozmoznije Posledstviya Vvedeniya (Moscow: Institut Blizhnego Vostoka, 2011).
5. During his service at the Russian Ministry of Foreign Affairs, the author encountered this explanation many times.
6. Author interview with a Russian expert on Iran, Institute of Oriental Studies, Russian Academy of Sciences, Moscow, October 2011; Aleksey Mukhin, Fterskiye Okruzhaniye Prezidenta (Moscow: TsPI, 2003).
7. Paying close attention to the official doctrines and strategies issued by Russian authorities is important for several reasons. Unlike in some other countries where periodic speeches by presidents and ministers are more important for policymaking, doctrinal documents play a crucial role in Russian political life. Russian officials actively refer to them (especially when they need to justify their response to difficult situations) and often try to correlate their statements with existing doctrines. Even the speeches of Russian leaders are expected to be relatively in line with what is written in the adopted strategies, though they can make certain amendments to cornerstone documents if required by the situation. Moreover, Russian strategies are usually written post factum, reflecting the existing state of affairs rather than Moscow’s preliminary intentions.
9. Without these two factors, Russian officials tend to become passive and lazy. Subsequently, the system of recruitment and appointment of personnel becomes deeply flawed, with preference given to people “who can satisfy the whims of their bosses rather than work” (this revelation was made to the author during an August 2009 conversation with Alexander Sadonnikov, the former Russian ambassador to Iran, regarding his human-resources principles and strategy).
12. Author interview with a Russian expert on Iran, Institute of Oriental Studies, Russian Academy of Sciences, Moscow, October 14, 2011.
3 | Geostrategic Factors

The development of Russo-Iranian relations is not completely unpredictable; it does comply with certain rules. Although Russia lacks a unified plan of action or clear perception of top priorities regarding the Islamic Republic, it has clear national interests in Iran, and its foreign policy is based on them. Confronting Russia in order to change a position grounded in these interests is unlikely to succeed. In contrast, cooperation, dialogue, and accurate assessment of where Western interests intersect with Russia’s could bring positive results. The most important determinants of Moscow’s policy toward Iran are as follows:

- the priority given to Russo-American relations
- Russia’s national security issues
- Iran’s presence in regions that Russia has traditionally considered its own spheres of strategic and historical interest (such as the Central Asian, Trans-Caucasian, and Caspian regions)
- nuclear proliferation
- the economic interests of the Russian elite

This chapter discusses the first three of these factors; the others are discussed in separate chapters.

Relations with the United States

Most experts argue that modern Russia can no longer afford to adopt the foreign policy approach of a superpower trying to claim the whole world as a sphere of its interests. Consequently, Moscow is compelled to concentrate on the most important and feasible goals, among which the continuation of dialogue with Washington and the preservation of Russia’s leading role among ex-Soviet republics are unofficially considered top priorities. As a result, the goals of Russian diplomacy toward the United States are well articulated.

According to the government’s 2008 Foreign Policy Concept, “Russia is interested in making effective use of the existing broad infrastructure for interaction [with the United States], including a continued dialogue on foreign policy, security, and strategic stability issues, which permits the finding of mutually acceptable solutions on the basis of coinciding interests.” Moreover, Moscow strives “to transform Russian-U.S. relations into strategic partnership...while working for the resolution of differences” between the two countries. Under these circumstances, Moscow’s long-term priorities imply the construction of “the relationship with the United States on a solid economic foundation, ensuring joint development of a culture for resolving differences on the basis of pragmatism and respect for the balance of interests, which will help ensure greater stability and predictability in Russian-U.S. relations.”

One can read the following between the lines: Russia acknowledges America’s dominant role in international policy as well as the futility (or senselessness) of open confrontation with Washington. Instead, Moscow seeks ways to establish partner contacts with Washington and is ready for discussion. To be sure, memories of Cold War rivalries—along with the real or seeming threats to Russian national security posed by U.S. policy in Europe and the Commonwealth of Independent States—constitute a serious obstacle to beginning this process. Nevertheless, Russia is determined to look for ways to bridge relations with the United States mainly by means of bargain and compromise (though this does not mean that Moscow will avoid handling the issue in a harsh way if compromise is not achieved). This intention is supported by the gradual strengthening of semiofficial and unofficial ties with the West by the Russian economic, political, and cultural elite.

Iran as Leverage with the United States

Under these circumstances, Iran plays the role of leverage that Moscow can use in its political dialogue with Washington. In fact, Russian authorities have played this card during periods of both U.S.-Russian rapprochement and intense tensions between the two
countries, by either freezing their cooperation with Tehran or boosting it, respectively. The Gore-Chernomyrdin agreement of 1995 is the most notable example. According to this confidential document signed in the wake of reconciliation between Moscow and Washington, the Russian government agreed to stop the implementation of existing military-supply contracts with Iran by 1999 and not to conclude new deals with Tehran in this field. U.S. authorities, in their turn, were expected to develop cooperation with Russia’s military-industrial complex while halting unauthorized provision of American military equipment to both the Middle East and the countries bordering Russia. In addition to this treaty, Moscow decided in 1998 not to implement its contract on exporting a research reactor to Tehran. The reason for this decision was the same as in the 1995 agreement: the need to bridge relations with Washington.

The price of these steps was high for Russia. By 2000, exports of Russian military equipment to Iran had been stopped, and the military-industrial complex lost an estimated $3 billion. Moreover, the secret details of this treaty were unilaterally revealed in the United States during the presidential race of 2000. This, in turn, seriously harmed Russo-Iranian relations: since that period, Iranian authorities have become more confident that Moscow should not be completely trusted.

The subsequent tensions between Washington and Moscow during the first years of the new millennium were accompanied by the improvement of Russo-Iranian dialogue. In 2000, Putin and Khatami met in New York, which led to the Iranian president making an official visit to Moscow in 2001. The outcome of this trip can hardly be overestimated: the meeting concluded with the signing of the Treaty on the Basic Principles of Cooperation between the Russian Federation and the Islamic Republic of Iran, now considered a cornerstone of their relations.

Yet further development of dialogue between Moscow and Tehran was hampered by the scandal surrounding the Iranian nuclear program and the events of September 2001. Russia saw the September 11 attacks as another opportunity to bridge relations with the United States and change Washington’s attitude toward the military operation in Chechnya by joining together in the war against terrorism. Under these circumstances, Moscow accepted the growth of the American and NATO presence in Central Asia as a necessary condition for the establishment of closer contacts. Russia also provided airspace for the establishment of transport corridors to supply Western troops in Afghanistan.

All of these steps inevitably influenced Russo-Iranian relations. Tehran was concerned with the increasing Western military presences in the Middle East, Caucasus, and Central Asia. Moreover, in winter 2002, Washington began to call the Islamic Republic part of the “axis of evil.” Although the decision to include Iran in the list of the main supporters of terrorism did not find much support in Moscow, Russia was publicly silent on these moves, and its moral and technical assistance to Washington seriously irritated the Iranian political elite. This, in turn, led Tehran to revise some of its policies toward Russia—specifically, the regime toughened its positions on the legal status of the Caspian Sea and the adoption of the long-term program of bilateral cooperation in trade, economic, industrial, scientific, and technological fields through 2012. The latter was signed only in 2007 in the form of a less articulated memorandum of understanding.

The fact that swings in Russo-Iranian relations depended on the state of U.S.-Russian dialogue is quite obvious. For example, the period between 2006 and 2009 saw another rapprochement between Moscow and Tehran in the form of energy cooperation. It could not be a mere coincidence that this dialogue began when U.S.-Russian ties were experiencing serious troubles. Moreover, the sweetheart relations with Iran ended not long after the start of the “reset” in Russo-American relations initiated by the Obama administration. The proclaimed reset, which was supported by a number of practical U.S. steps, allayed tensions between the two countries and made Moscow interested in preserving dialogue with Washington. Some analysts argue that it was also important for the Russian government to receive guarantees that the United States would not embrace plans to overthrow the
Iranian regime by either political or military means. As a result, Moscow supported UN Security Council Resolutions 1887 (2009) and 1929 (2010), adopted its own sanctions in 2010, and temporarily froze implementation of a contract on exporting S-300 surface-to-air missile systems to Iran. According to Russian experts, this decision had far-reaching implications. For example, it influenced China’s position: left alone by its traditional Security Council ally in obstructing U.S. and European initiatives on Iran, Beijing could do nothing but support the majority.

Yet in 2011, the situation changed again—the reset obviously failed, and U.S. persistence in unfolding the antimissile umbrella compelled Russia to look for asymmetric answers. Among other measures, this implied another revival of friendship with Tehran, including the supply of electronic warfare equipment to the regime.

All in all, anti-Americanism could not be a reliable basis for Russian cooperation with Iran (in contrast to Iranian contacts with Venezuela and Cuba). This is due to differing perceptions of the United States by the political elites of each country: for Tehran, America is an ideological arch-enemy with whom reconciliation is a complicated question, whereas for Moscow, Washington is an important international player whose behavior does not always correspond with Russian national interests. In this situation, Moscow is more flexible and ready to discuss issues so long as U.S. authorities demonstrate a constructive approach to resolving irritations. In other words, effective dialogue with Russia on any of the most glaring issues—including the deployment of antimissile systems in Eastern Europe, the presence of third powers in the Caucasus and Central Asia, the limitation of NATO’s eastward advance, and the construction of oil and gas pipelines that threaten the economic interests of the Russian political elite—would most likely diminish any anti-American basis for cooperation with Tehran and compel the Russians to revise their views on the Islamic Republic. Under these circumstances, it is no surprise that, on March 26, 2012—after President Obama signaled that Washington plans to continue the discussion of a possible win-win solution to the missile defense issue—President Medvedev declared that the level of U.S.-Russian relations was “the highest over the last decade,” and stated his readiness to cooperate in settling the situations with Syria, Iran, and North Korea.

Russo-Iranian relations are also influenced by Tehran’s attempts to bridge relations with the United States. Russian authorities and analysts believe that U.S.-Iranian rapprochement constitutes a serious threat to Russia’s own presence in Iran. As a result, any signs of such reconciliation cause immediate intensification of dialogue between Russia and Iran. For instance, official and semiofficial contacts between Washington and Tehran in 1998–2000 led to the signing of Moscow’s treaty with Iran in 2001.

National Security Issues
Moscow still sees the United States and NATO as a hypothetical threat to its national security. Thus, it traditionally accuses Washington of trying to create a unipolar system of international relations based on the principle of American global domination. As for NATO, Moscow is constantly concerned about its approaches to Russia’s borders, whether through deployment of new bases or accession of new members from Eastern Europe and ex-Soviet republics. Indeed, one of the most important determinants of Moscow’s foreign policy has been the unacceptability of so-called “NATO expansion to the East” along with any active U.S./NATO military presence near Russia’s borders or in areas it considers to be zones of Russian interests and political aspirations.

Given that Russia is unable to give equal answer to U.S./NATO military-political challenges, Moscow tends to use asymmetric retaliatory measures. As indicated above, this includes the temporary intensification of cooperation with Washington and Europe’s opponents. The dynamics of Russo-Iranian contacts in the sphere of military supplies is the most notorious example. First, U.S.-Russian rapprochement led to the suspension of military equipment exports to Iran. Then, in the mid-2000s, dialogue between Moscow and Washington was seriously tested, spurring Russia to not only intensify military contacts with Tehran, but...
also attempt to compensate for the previous losses. In 2006–2007, Russian exports of military equipment to Iran reached $1.2 billion, including twenty-nine TOR-M1 missile systems and three Su-25UBT close-support aircraft. In addition, Russian engineers helped repair previously imported diesel-electric 877EKM submarines and modernize SU-25MK close-support aircraft. Moscow also agreed to upgrade Soviet 2K12 “Kvadrat” mobile surface-to-air missile systems by re-equipping them with guided missiles. This period of rapprochement peaked in 2007, when Putin visited Tehran and signed a contract for the export of five batteries of S-300 missile complexes. As described previously, however, the U.S.-Russian “reset” that began in 2009 led Moscow to revisit such deals and suspend nearly all arms supplies to Iran—until fall 2011, when new tensions with Washington over missile defense and Middle East issues spurred Russia to reestablish military ties with Tehran.

Indeed, Russia’s intensification of contacts with opponents of the United States is always temporary—Moscow’s foreign policy pragmatism will not allow it to form enduring alliances with pariah or problem states. Such a move would be unjustifiable from both economic and political points of view: long-term friendship with such governments will never compensate for losses resulting from aggravation of relations with Western countries. At the same time, however, Moscow will never support U.S. and European action against such opponents without substantial guarantees that the West will not subsequently threaten Russia’s national interests or security.

**Priority to International Institutions**

In many ways, Russia has not yet recovered from the fall of the Soviet Union and subsequent political and economic turmoil. Under these circumstances, the prospect of a confrontation or arms race with a superpower like the United States would be dangerous for the Russian economy. As a result, Russian authorities now prefer to settle all international disputes using diplomatic leverage and international institutions (most prominently the UN Security Council) as the “cheapest” method of exercising influence and reminding others of Moscow’s role in the world. Russia persistently supports the activities of such international bodies as the UN and International Atomic Energy Agency (IAEA), protecting them from attempts to undermine their role and voicing concerns about unilateral measures that contradict or supersede their decisions.

This Russian strategy is extremely important for Tehran. First, it means that Moscow is reluctant to implement any unilateral sanctions against Iran, viewing them as expensive and ineffective. Second, Moscow regards dialogue within the framework of the Security Council and IAEA as the only way to settle the nuclear issue. Third, the Russian government reacts negatively to any unilateral attempts at making Tehran revise its views on atomic research by economic or military measures. According to Russia’s official position, any steps taken without the approval of international organizations undermine the effectiveness of Moscow’s favorite means of leverage: diplomacy. Fourth, Russia seems to favor Iranian participation in regional and international political and economic organizations such as the Gas Exporting Countries Forum (GECF) and the Shanghai Cooperation Organization (SCO), where Moscow’s influence is either paramount or substantial. Some experts argue that by including Tehran in this manner, Moscow makes the Iranians more controllable, since they are compelled to act according to the rules of these organizations (which often determined under Russian influence). To attract Iranian interest in such participation, the Russian government often plays on political and economic ambitions in Tehran, which sees itself as a regional leader and important energy hub.

Moscow has paid particularly close attention to the so-called SCO Energy Club, the main forum for discussing the creation of a united SCO energy market that would take into account the interests of both gas producers and gas consumers. This idea corresponds completely to the goals stated in the “Energy Strategy of the Russian Federation until 2030.” In this regard, some experts believe that Moscow deliberately played on Tehran’s aspirations to become a full SCO member as an excuse to get the Iranians into the Energy Club,
though there are no signs that their observer status will be promoted to full membership anytime soon.27 Russia actively involves Iran in a number of other projects within the SCO as well, such as Afghanistan reconstruction and campaigns against drug trafficking. Yet it is still cautious about pushing for Iran’s adoption as a full-fledged member. At least twice—in 2009 and 2010—Tehran expressed hope that it would be granted that status, particularly since Russia served as SCO chair in 2008–2009. Yet all these hopes were dashed, presumably with Russia’s active consent.

This rejection stemmed from both external and internal factors. In 2009, Russia and other SCO members were worried about the civil unrest that erupted in Iran after the disputed presidential election. And in 2010, Moscow was concerned about U.S.-Iranian tensions related to another twist in the story of Tehran’s nuclear research. Under such circumstances, Iran’s accession to the SCO would have aggravated the organization’s relations with the West, particularly the United States. As a result, Russia initiated the adoption of certain amendments in the SCO statutes in 2010, including language that barred countries under UN sanctions from attaining full membership.28 Medvedev delivered this message to Iran bluntly: during the 2010 summit of SCO leaders in Astana, Kazakhstan, he stated that “countries experiencing legal issues cannot apply for SCO membership. This is particularly related to the states under UN sanctions. This, I think, is clear.” Given that this was the year when the UN Security Council adopted another round of punitive measures against Iran, there is no question about which country Medvedev meant in his speech.29

**Influence in Neighboring Countries**

Neighboring countries heavily influence the political, emigrational, drug, and criminal situation within Russia. Moreover, Moscow sees some of these neighbors as sources of terrorist threats and possible locations for U.S. and NATO military bases. In order to ensure its national security, Russia is compelled to attentively monitor developments in these bordering regions and, if necessary, become directly involved. In particular, Moscow has been trying to play the role of a leading power in the former Soviet territories since the fall of the USSR. It remains extremely jealous of any attempts by outside powers to penetrate these regions.

Iran’s geostrategic position allows it to influence developments in the Caspian, Caucasian, Central Asian, Middle Eastern, and Persian Gulf regions. This inevitably compels Moscow to discuss a wide variety of foreign policy issues with Tehran. Thus, whenever Moscow has to make a decision regarding Iran, it is concerned about possible implications for relations with its southern neighbors. In some cases, Russia considers stable relations with these neighbors as more important than the development of dialogue with Iran. At the same time, Moscow has traditionally viewed Iran as an influential regional power whose support is important for securing Russian interests in the Commonwealth of Independent States. Russian political elites remember well that Iran, unlike Turkey, did not use the fall of the Soviet Union as a springboard for aggressively spreading its influence in the Caucasus and Central Asia. Nor did Tehran attempt to widely propagate Islamic revolutionary ideas or fund local nationalistic and religious movements in these areas.

In general, Russian policy aimed at preserving national security interests in bordering regions is based on four principles: preventing local conflicts and settling any existing tensions; preventing border states from acquiring weapons of mass destruction; counterbalancing the growing presence of nonregional forces and military blocs in border countries; and strengthening cooperation with border countries against terrorists and drug traffickers.

These principles have dual implications for Iran. On one hand, given the similarities between their approaches to a number of regional issues, Moscow views Tehran as an important partner in the Caucasus, Central Asia, and Caspian region. On the other hand, Russian authorities do not completely trust Tehran: they remain concerned about some of Iran’s regional activities, about the threat of Iranian rapprochement with the United States, and about Iran’s potential role as a starting point for another conflict.
The Caucasus

Once Moscow began to recover from the political and economic turmoil of the 1990s, Iran gradually began assuming importance in Russia’s plans to reestablish its presence in the Caucasus and other regions, in part due to the above-described similarities in their approaches to certain issues there. Today, for example, both Tehran and Moscow are striving to settle the problem of Nagorno-Karabakh, a nearby region that remains in dispute between Azerbaijan and Armenia. Despite Iran’s exclusion from the Minsk group of the Organization for Security and Co-operation in Europe (OSCE), the UN Security Council assigned to mediate the dispute, Moscow still takes Iran’s views on the problem into account—Tehran has close ties with Armenia and relatively good relations with Azerbaijan and Nagorno-Karabakh, allowing it to influence their positions. Moreover, Iran’s perception of Nagorno-Karabakh as an independent political player more or less corresponds with Russian interests.30 Recently, the Iranian government has stepped up with an initiative to settle the conflict solely within the framework of the six regional states (Azerbaijan, Armenia, Georgia, Iran, Russia, and Turkey), without the mediation of the OSCE or other nonregional powers. Moscow welcomed the idea—although its current tensions with Georgia and its desire to take advantage of the Minsk group’s potential have made it unwilling to accept the proposal as of yet, Russia does not deny that it might pursue this initiative later.31

Interestingly, Iran has sought to apply this “3+3” formula (three Caucasian states plus three regional states) to not only the Nagorno-Karabakh conflict, but to all issues in the Caucasus. From Tehran’s point of view, these states are the only ones that have the right to deal with developments in the region—an idea that is largely in line with Russian interests and guarantees that Tehran will not try to implement any projects in the Caucasus without asking Russia to participate in them (or, at least, without taking Moscow’s position into account). Russia, in turn, has tried to support Iran’s efforts to develop inter-Caucasian cooperation and has worked with Tehran on a number of regional economic programs (e.g., unification of the energy systems of Russia, Iran, and Caucasian states; establishment of an economic cooperation organization for Caspian littoral states; construction of the joint Azeri-Russo-Iranian railroad network) and political initiatives (e.g., creation of CASFOR, which unites the naval forces of the five Caspian littoral states).

Russian authorities also appreciated Iran’s attitude toward the Russo-Georgian conflict of 2008, which could be considered as generally pro-Russian. For example, on the war’s eve, Tehran made a number of attempts to mediate between Moscow and Tbilisi in order to forestall the fighting. Subsequent events became a serious test for Iran. On one hand, it could not openly support Moscow for fear of completely alienating Tbilisi and intensifying Georgian contacts with NATO and the United States. On the other hand, Russo-Iranian relations were on the rise that year, so Tehran believed it could not stay absolutely silent on the issue. Moreover, given Georgia’s attempts to join NATO, weakening its military potential through conflict with Russia was in Iran’s interests.32 As a result, although Iranian authorities did not voice support for the independence of Georgian secessionist regions Abkhazia and South Ossetia (as Russia did), President Mahmoud Ahmadinejad nevertheless characterized Moscow’s actions as fair during that month’s SCO summit, accusing the West and Israel of provoking the conflict.33

The Caspian

Although Iran’s view of certain Caspian issues is close to Russia’s own, the two countries are far from complete unanimity. Serious contradictions have emerged between them regarding territorial division of the sea. Initially, Tehran supported the Russian idea of communal usage and exploitation of water and mineral resources. By the end of the 1990s, however, Iranian authorities changed their mind and began insisting on division of the water basin in equal shares between the five littoral states (Russia, Azerbaijan, Iran, Turkmenistan, and Kazakhstan). Since 2008, these territorial claims have only increased; for example, Tehran was ready to support Kazakhstan’s idea of creating national sovereignty zones along the shores of littoral countries,
with proposed widths of up to twenty-five miles. This figure is twice as wide as that stated in the corresponding Soviet-Iranian treaties of 1921 and 1940, making Tehran’s position unacceptable to Moscow. Moreover, Iranian authorities insist that these zones should be supplemented by thirty-mile national fishing zones (against the ten-mile zones proposed by Russia).34

The unsettled dispute over demarcation of the basin has led to serious controversies between Russia and Iran on a number of related issues. For example, they failed to reach consensus on the regime of navigation in the zones under national jurisdiction. Iran insists that it should be authorization-based for non-Iranian vessels. In addition, Tehran periodically insists on complete demilitarization of the Caspian Sea or, as an alternative, limitation of the military potential of the five littoral states and the establishment of joint arms control.

Iran is not the main troublemaker in the Caspian dispute, however. First, it has demonstrated more flexibility in the discussion of the above issues than Russia’s partners in the Commonwealth of Independent States. Second, it is often ready to adjust its views to those of other littoral states if they are supported by the majority. Third, Moscow’s views share more in common with Tehran than with other Caspian states regarding the wider range of regional topics. In particular, both governments agree that only littoral states have rights to the Caspian and its resources, and that the sea’s legal status should be settled through consensus and without interference by outside actors.

More specifically, Tehran and Moscow argue that the Caspian is an inland sea and does not fall under the jurisdiction of the UN Convention on the Law of the Sea (1982). Instead, they emphasize that until the five littoral states adopt their own agreement on the issue, the Soviet-Iranian treaties of 1921 and 1940 are the only documents determining the relevant legal aspects of national jurisdiction, navigation, and exploitation of the sea’s resources. Those treaties imply freedom of navigation and fishing (with national fishing zones the only exception) as well as prohibition of any vessels belonging to nonlittoral states.35 Tehran also agrees that any Caspian-area military presence by outside countries is unacceptable. Accordingly, Iran was the first to support the Russian initiative to create the joint military force CASFOR, aimed at countering potential military threats and maintaining law and order in the region.

Moscow and Tehran also share common views on the construction of trans-Caspian oil and gas pipelines by other littoral countries. Any such projects could pose a serious threat to Russian and Iranian interests in the international energy market if implemented without their participation. Currently, the two countries are using ecological concerns and relevant international treaties to prevent the construction of gas pipelines between Azerbaijan and Turkmenistan, but in the future, they hope to enact legal measures requiring the approval of all littoral countries for the construction of any trans-Caspian pipelines.36

Central Asia and Afghanistan

Iran is an important Russian partner in Central Asia. Tehran has long considered the area a diplomatic priority and has persistently tried to increase its presence in the region’s former Soviet republics since the USSR’s fall.37 At the same time, taking into account the importance of dialogue with Moscow, Iranian authorities have sought to avoid irritating Russia and have thus never officially positioned themselves as Russian rivals in the region. On the contrary, Iran tends to depict Russia as a reliable partner in Central Asia, periodically cooperating on economic projects and political issues, whether bilaterally or within the framework of regional organizations such as the Organization of Islamic Cooperation and the SCO. As discussed previously, Moscow favors active Iranian participation in the latter organization’s activities, believing that it strengthens the body’s role in Central Asia.38

Russia also approves of the strategy behind Iranian penetration in Central Asia. Since the late 1990s, Tehran has concentrated on economic and cultural cooperation with ex-Soviet republics in the region without accentuating political and ideological aspects. Tehran’s political goal there is no secret to Moscow: the Islamic Republic strives to stabilize Central Asia and counteract Western encroachment in the region. Under
these circumstances, Iranian behavior creates the background for Russo-Iranian economic cooperation there, primarily in Tajikistan and Turkmenistan. On one hand, the unvoiced arch-goals of Iranian diplomacy in Central Asia roughly correspond with Moscow’s interests, though Russia avoids any formal support for Iranian political aspirations by limiting its engagement to cultural and economic undertakings. On the other hand, Moscow is using Iran—and its close cultural and historical ties with Central Asia—to help open the road for Russia’s return to the region, primarily through participation in projects initiated by Iran and its Central Asian partners.

The Russian government pays special attention to cooperation on Afghanistan, viewing the country as a source of current and potential threats to the security of the Commonwealth of Independent States. First, Moscow supports Iranian efforts to counteract the Afghan drug trade, periodically consulting with Tehran on related issues, providing technical and information support, and backing Iranian attempts to participate in antidrug projects implemented within the framework of the CIS, SCO, and Collective Security Treaty Organization. Since 2005, for example, Iranian forces have been taking part in the CSTO’s annual “Kanal” operations aimed at curbing drug trafficking from Afghanistan.

In addition, Russia shares Iran’s concerns about the increasing Taliban influence in Afghanistan. Both Moscow and Tehran see U.S./NATO attempts to bridge relations with this movement as a strategic mistake that creates opportunities for the Talibs to return to power. In Iran’s view, this would lead to political collapse in Afghanistan and bring instability to the region. According to high-level Iranian officials, Washington and NATO clearly understand their failure to bring peace and stability to this war-torn country and are therefore focused on safely withdrawing with minimal losses, a goal that supposedly requires reconciling with a previously hated enemy, the Taliban. In response, Tehran emphasizes the need to counteract these attempts to buy peace at any cost and has called on regional countries to help Afghanistan restore the Northern Alliance. Moscow, in turn, actively discusses these issues with Tehran and supports its active participation in the dialogue on Afghanistan within the SCO.

Notes
2. Ibid.
3. Ibid.
6. Ibid.
7. Ibid.
8. Ibid.
9. Such as the temporary halt of Ukrainian and Georgian accession to NATO, as well as a promise to revise plans on the deployment of an antimissile umbrella in Eastern Europe.
11. Ibid.
16. Ibid.
17. Russian right-wing and centrist politicians often use this phrase to characterize any events related to NATO activities in Eastern Europe, the Middle East, or former Soviet territories.
19. The NATO reporting name for the Su-25UBT is Frogfoot.
20. The NATO reporting name is Kilo class.
21. The NATO reporting name is SA-6 Gainful.
Strategy of the Russian Federation until 2020” (adopted May 12, 2009).

25. Author interview with a Russian energy expert, Moscow, October 25, 2011.


28. Ibid., p. 44. See also “Medvedev: Strana, Nakhodyashchaya pod Sanktsiyami OON, ne Moget Voyt v ShOS,” in RIA Novosti, http://ria.ru/trend/shos_summit_tashkent_09062010/.

29. Ibid.

30. Ibid.

31. Ibid.


35. Ibid.


40. Author interview with a Russian expert on Iran, Rasht, Iran, December 22, 2011.

41. This Iranian position also allows Russian authorities to generally reject U.S. and EU allegations concerning Iranian support of the Taliban.

The Washington Institute for Near East Policy
THE RUSSIAN GOVERNMENT opposes Iranian acquisition of nuclear weapons, believing that such a development would drastically change the balance of power in the region, and not in Moscow’s favor. As stated by some government experts, a nuclear Iran could be expected to conduct more aggressive and independent policy in the Caucasus and Central Asia, and to serve as an example for Middle Eastern countries with less stable regimes thinking about developing their own weapons of mass destruction.¹

At the same time, Russian politicians and experts argue that the simmering nuclear dispute between Iran and the West has certain positive implications. First, it limits the West’s economic presence in Iran, creating additional opportunities for Russian companies to penetrate the Iranian economy. Second, the dispute is seen as an ironclad way of preventing American-Iranian rapprochement. Russian politicians strongly believe that Moscow would lose its political and economic position in Iran immediately after the reestablishment of diplomatic relations between Tehran and Washington. As a result, some Russian analysts close to government circles unofficially state the need to freeze the situation and sustain the simmering dispute for as long as possible.²

In other words, the Russian position on the nuclear issue cannot be called either pro-Iranian or pro-American. Instead, Moscow balances between the United States, Europe, and Israel, on one side, and the Islamic Republic on the other, without any attempt to join them. It also insists that the nuclear issue be settled diplomatically because it does not want a new zone of conflict and instability near the Russian border.

Russo-Iranian Nuclear Relations 1990–2011
The history of Russo-Iranian nuclear cooperation dates back to the early 1990s, when Moscow agreed to help Tehran resume construction of the first nuclear plant at Bushehr. From the beginning, Russian contacts with Iran have been based on the nonproliferation principle and limited to peaceful projects. Moreover, in the mid-1990s, in order to please its American partners, the Russian government unofficially promised Washington that its nuclear cooperation with Tehran would be limited to the Bushehr project—a pledge it honored until quite recently.³

The disclosure of the secret Iranian nuclear program drastically affected Russian cooperation. Concerned by Tehran’s attempts to conceal its independent research, the Russian government seriously revisited its approaches toward some aspects of bilateral relations. First, Moscow tried to prevent Iran from using Russian assistance and materials to create WMD. For instance, by 2005, it had signed a number of agreements with Tehran guaranteeing the return of spent nuclear fuel from Bushehr to Russia; otherwise, Iran could potentially use it to produce a plutonium-based explosive device.⁴

Second, in order to avoid giving Tehran the technologies needed to create a means of delivering WMD, Moscow limited its cooperation in the space-rocket sphere. As a result, all Russo-Iranian space projects over the past decade (beginning with the launch of the mini-satellite Sinah-1) were implemented in Russia, with minimum actual participation by Iranians.⁵

Third, Russia seriously revised its military contacts with Iran. In 2001, just before the nuclear row first erupted, the two countries signed a framework agreement on military cooperation. The Iranians were interested in importing air defense systems, new-generation jet fighters, military transport helicopters, and antitank missiles, in addition to securing Russian assistance in repairing and upgrading existing equipment. Tehran sought not only to buy weapons from Russia, but to acquire licenses for the production of some of these systems in Iran. Yet Moscow believed that helping Iran develop its military-industrial capacities was not in Russia’s interests, so all license requests were rejected. After the disclosure of Tehran’s secret nuclear program, the Russian government’s confidence in that decision was strengthened.⁶
Some Iranian experts believe that Moscow also became reluctant concerning the construction of Bushehr. Initially, Russia was supposed to complete the project by September 2003, but construction continued for nearly a decade more. Iran’s accusations are still baseless, however. The Russian government spared no effort to secure the Bushehr project from the negative influence of international and unilateral sanctions against Iran. Moreover, in 2008–2009, Russia intensified its efforts to complete construction, apparently in retaliation for Israeli and U.S. support of Tbilisi in the 2008 Russia-Georgia conflict, as well as NATO’s attempts to grant membership to the Ukraine.7 The reasons for the Bushehr delays are purely technical and practical, related to periodic financial problems on the Russian and Iranian sides, to the fact that Russia’s project had to accommodate the old structures left by Europeans who had begun construction of the Bushehr plant before the Islamic Revolution of 1979, as well as to the sanctions imposed by the United States and its partners against the suppliers of equipment for the Bushehr project.8

Moscow initially viewed the row over Iran’s nuclear program as a serious blow to Russo-Iranian political and, more important, economic relations. Growing tensions between Iran and the West greatly limited Russia’s capacity for maneuvering between Tehran, Washington, and Brussels. At the same time, punitive economic measures established by the West under the pretext of stopping Iranian nuclear research continue to negatively influence Russo-Iranian cooperation in the military, energy, high-technology, and education spheres. Under these conditions, the Russian government was confused by the growing frequency of situations in which it was compelled to choose whose side in the nuclear dispute to support. The participation in either pro- or anti-Iranian camps was and still is an unaffordable luxury for Russia, whose leadership is naturally interested in keeping at least neutral relations with both Tehran and the West.

International punitive measures also created certain obstacles for the development of economic ties. Thus, Iran’s share in Russia’s overall trade volume has been decreasing since 2010,9 as Moscow was compelled to comply with the requirements of UN resolutions and limit some exports. For instance, when Moscow decided to suspend sales of S-300 air defense systems to Iran in 2010, the amount of Russian weapon exports to the country gradually began to decrease.10 Moreover, Russian authorities applied additional export-control measures that made the sale of dual-use products to Iran harder.11 Both the extraterritorial nature of U.S. sanctions and the fact that these punitive measures were supported by a large number of countries also hurt Russo-Iranian economic relations.12 As stated by Russian officials, the volume of machinery exports from Russia to Iran has drastically decreased since the imposition of sanctions in 2010. Russian exporters appear to be scared of dealing with Iran and being punished by U.S. authorities.13 In addition, almost all joint projects with third countries were frozen, including talks on trilateral gas cooperation between Russia, Qatar, and Iran.

On the monetary front, Russian companies have faced serious problems with financial transactions in dollars, euros, and even Emirati dirhams when dealing with Iranian partners. Moscow and Tehran attempted to solve this problem by using rubles as legal tender,14 but they were only partially successful: given the close connections between Russian banks and Western financial institutions, the former are reluctant to do business with Iran. The suspension of the proposed joint Russo-Iranian bank could be explained by the same reason.15 The Russian economic elite’s close ties with American, European, and Israeli business circles, as well as the financial and technological dependence that Russian companies have on the West, also appeared to be crucial: in 2009–2011, a number of private and semigovernmental companies with strong economic interests in the United States and EU (such as petrochemical corporation LUKOIL) decided to leave Iran.16 Analysts argue that even oil and gas companies that enjoy Russian government support have been compelled to slow the pace of their cooperation with Iran and limit activities to general and technical discussion of possible projects. This could be the reason for delays in implementing such joint projects as the Neka-Jask pipeline and the establishment of the joint Russo-Iranian hydrocarbon company.17
As a result of these issues, Moscow stepped up with a number of initiatives between 2005 and 2011 aimed at peaceful settlement of the nuclear issue. At different levels, Russian authorities tried to persuade the Iranian government of the need to clarify the purposes of its research for the international community and minimize confrontation with the West. In most cases, Moscow offered to enrich uranium for Iran’s needs in either Russia or other countries without the creation of enriching capacities in Iran. Thus, Tehran even received an invitation to participate in the construction of the International Uranium Enrichment Centre in Angarsk, Russia. Yet from 2005 to 2009, Iran persistently turned down all Russian proposals, seriously irritating Russian authorities and provoking them to support UN resolutions imposing sanctions against Iran.

Moscow’s harshest reaction to Iran’s nuclear research came in 2009–2010, resulting from a number of steps made by Tehran. In the second half of 2009, Russia was alerted to the sudden disclosure of Iranian plans to build a second enrichment factory. As in 2002, this raised questions among Russian politicians about the extent to which Tehran should be trusted. These concerns were strengthened in October–November 2009, when Iran suddenly refused to exchange its low-enriched nuclear fuel for high-enriched fuel to supply a Tehran research reactor under European control. Russia had actively backed the exchange deal, believing that the fuel swap would not only demonstate Iran’s peaceful intentions to the West, but also allay Moscow’s concerns about the possible use of low-enriched uranium for the creation of so-called “dirty bombs.” Tehran’s subsequent attempts to replace Russia with Turkey and Brazil as its main nuclear mediators with the West were the last straw: Moscow regarded this step as contrary to its national interests and its role in the region.

As a result, Russia could do nothing but support the United States and EU in instituting new UN measures against Iran. On June 9, 2010, the Security Council adopted Resolution 1929; commenting on this development, President Medvedev characterized Iranian behavior as “inappropriate.” He recognized that Tehran was getting closer to achieving the ability to produce nuclear weapons, and he considered the adoption of new international sanctions as inevitable. He added, “As a rule, sanctions do not bring expected results, but their implementation has a certain logic: they are a signal sent by the international community [to Iran].”

Moreover, as indicated previously, Russian authorities went beyond merely supporting the UN decision and adopted their own unilateral sanctions. On September 22, 2010, Medvedev issued Decree 1154, “On Measures to Fulfill UNSC Resolution 1929.” Most of the decree’s wording was based on the resolution. For instance, Russia imposed serious restrictions on the provision of banking, insurance, transit, and transport services to Iranian individuals and entities involved in the country’s proliferation, nuclear, and missile activities. Targeted Iranians were also prohibited from investing in the Russian economy or acquiring Russian technologies necessary for the development of the above-mentioned programs. Russian authorities reserved the right to inspect suspicious goods transported to/from Iran and to coordinate their activities in this field with other countries.

The most effective measures implemented by Moscow were related to military cooperation. Russian companies were barred from selling or transferring tanks, armored vehicles, artillery systems, rockets, rocket systems, ships, military helicopters, and certain other aircraft to Iran. Special emphasis was placed on suspending sales of S-300 surface-to-air missile systems. Apart from that, Moscow took care not to provide Tehran with spare parts required for the maintenance of such equipment and armaments, technologies necessary for their production, or consulting services for their purchase. In short, the arms trade between Russia and Iran was halted—Moscow has not made new deals in this field since September 2010, limiting itself to existing deals related to the sales of passive defense equipment. This in turn has seriously undermined Iran’s options for strengthening its defense capacities. For example, Decree 1154 led to the suspension of necessary services for the TOR-M1 missile systems Moscow had previously sold to Tehran. These systems are considered one of the few, if only, Iranian antiaircraft units capable of serious threatening U.S. and Israeli warplanes.
maintain the status quo without becoming involved in the nuclear row on either the West’s or Iran’s side. Second, Russian authorities have gradually come to understand that unilateral sanctions by the United States and other countries are not as big a trouble as they were expected to be. Russian experts are unanimous in the opinion that the flight of Western investors from Iran and their refusal to trade with the country under U.S. and EU pressure has created ample opportunities for Russian firms to strengthen their own presence in Iran. For instance, Russian energy turbine producer Power Machines has replaced Italian company Ansaldo in Iran. Similarly, the decision by the world’s largest producers of freight transport vehicles (e.g., Daimler, Volvo, Scania) to reduce their cooperation with Iran, coupled with the insufficient quality of Chinese trucks, compelled Tehran to turn to Russian companies such as KAMAZ and GAZ Group for those needs. And immediately after the imposition of oil, gas, and petroleum sanctions in 2010, Iran approached Russian companies Rosneft, Gazprom Neft, and Tatneft about buying petrol from them. According to some experts, all three companies expressed their readiness to supply Iran with the necessary amount of fuel.

Third, the current situation also corresponds with Russian political interests. As described previously, a long-lasting nuclear dispute prevents U.S.-Iranian rapprochement, which Russia views as a serious threat to its interests in the region. On the technical level, Russian officials and experts do not have ironclad proof that Tehran has decided to produce nuclear weapons. Whatever the case, they believe that Tehran is incapable of meeting that goal in the mid-term, and that all statements by Iranian officials are therefore nothing but bravado. According to Russian analysts, Tehran’s nuclear program serves two purposes: first, as a symbol unifying the Iranian people, whose belief in the ideas of the Islamic Revolution is gradually fading; and second, as a bargaining chip that Iranian authorities expect to use for extracting better terms in its dispute with the West. As a result, Russia tends to view the nuclear program as only a minor threat to its interests in the region (though it remains

**Russia’s Current View of the Nuclear Issue**

Today, Russia’s view of the nuclear issue has changed drastically compared to 2002 or 2005. First, Russian experts argue that development of the Iranian nuclear program has been successfully hampered by U.S. and EU sanctions alone. These punitive measures serve Russia’s interests by preventing the emergence of a nuclear power near its border. In Moscow’s view, however, the imposition of tough Russian sanctions would not drastically help the West, but would definitely spoil bilateral relations with Tehran. Under these conditions, the only reasonable strategy for Russia is to

Although Russia’s sanctions only repeated passages of Resolution 1929, their implementation was a serious signal to Tehran: previously, Russia had never officially adopted any unilateral punitive measures against the Islamic Republic. At the same time, however, Moscow was not persistent in pressuring Iran and gradually softened its position. It did not implement its unilateral sanctions immediately: Iranians were given time to adjust their cooperation with Russia to the requirements of the UN resolutions and other punitive measures. For instance, the Moscow branch of Iran’s Bank Melli was swiftly renamed “Mir Business Bank,” and Tehran resumed studying the use of rubles instead of dollars/euros in bilateral trade with Russia.

Meanwhile, at the beginning of 2011, Russia resumed its attempts to settle the international dispute over the nuclear program. In July of that year, Russian foreign minister Sergei Lavrov offered Iran and the P5+1 (i.e., the five permanent members of the UN Security Council plus Germany) a phased plan of actions that would allow gradual settlement of the issue. This initiative was cautiously accepted by the West and warmly welcomed by Iran. Although the proposal was not put into action, Moscow continued to support Iranian and Western to start the dialogue. Moreover, Tehran has recently voiced its interest in returning to Lavrov’s initiative. It is notable that these Russian efforts to nudge Iran toward active talks coincided with a period of Russo-Iranian rapprochement.
concerned about the possible use of low-enriched uranium for dirty bombs). In turn, Moscow only occasionally expresses dissatisfaction with continuing nuclear research in Iran, and only when Tehran demonstrates excessive stubbornness. Overpressuring Iran is seen as harmful to other issues in which Moscow badly needs Tehran’s support (or, at least, neutrality).35

In general, Russia’s current official position on the matter was best expressed by Deputy Foreign Minister Sergey Ryabkov, who is directly involved in Moscow’s decisionmaking process on the Iranian nuclear program. He recognized that Russia is “concerned with the shrinking distance which separates Iran from the hypothetical [emphasis added] possession of technologies allowing the creation of a nuclear weapon.”36 He then elaborated on this statement:

The Iranian side is indeed progressing in the development of its nuclear program. It limited its cooperation with the IAEA by the obligations stated in the previously signed documents. This situation is even more alarming for Russia than for some other countries. We are in direct proximity to Iran, and Iran possessing a nuclear weapon is not an option for Russia. Meanwhile, we need to admit that Tehran’s behavior does not give us ironclad and obvious proofs that Iranian nuclear research can have military application...In order to acquire a nuclear weapon, you can’t simply do research studies, you have to test it and create the means of its delivery...In order to do this you need to have test facilities and leave traces. Where are all these [things in Iran]? [One should remember the] extraordinary and unprecedented attention that politicians and secret services of the whole world pay to developments in Iran.37

Ryabkov’s conclusion is simple: a military operation against Iran (or even tougher unilateral sanctions) is not the right path, and there is still time to talk. To bring this point home, he compared the situation to the selling of a Persian carpet in Tehran’s bazaar. The Iranian government spent years weaving its “nuclear carpet” and is not going to “give it for free,” he said. At the same time, “talks and bargaining could help to reach an affordable price,” but a buyer will never acquire what he wants by “threatening the seller with stick and knife.”38

Notes

2. Author interview with a Russian expert on Iran, Institute of Oriental Studies, Russian Academy of Sciences, Moscow, October 2011; author interview with a Russian diplomat, Moscow, October 2011; author interview with a Russian expert on Iran, Rashit, Iran, December 22, 2011.
3. Author interview with a Russian expert on Iran, Institute of Oriental Studies, Russian Academy of Sciences, Moscow, October 2011.
4. Vladimir Evseev and Vladimir Sazhin, Iran, Uran i Rakety (Moscow: Institut Blizhnogo Vostoka, 2009).
6. Vladimir Orlov, Iranstkiy Factor v Opedelenii Vneshnepoliticheskikh Prioritetov Rossi (Moscow: PIR-Center, 2010).
7. Author interview with a Russian expert on Iran, Moscow, October 12, 2011.
11. Author interview with a Russian diplomat, Moscow, October 7, 2011.
14. Ibid.
15. Author interview with an expert from the Gilan Chamber of Commerce and Industry, Rashit, Iran, December 25, 2011.
16. Author interview with a Russian energy expert, Moscow, October 25, 2011.
17. Author interview with a Russian expert on Iran, Institute of Oriental Studies, Russian Academy of Sciences, Moscow, October 2011.
18. See the center’s website at http://eng.iuec.ru.
22. Ibid.
24. Ibid.
28. Author interview with a Russian expert on Iran, Moscow, October 12, 2011.
30. Ibid. Information corroborated during an author interview with a Russian expert on Iran, Moscow, December 12, 2011.
31. Author interview with a Russian expert on Iran, Rasht, Iran, December 24, 2011.
32. Author interview with a Russian expert on Iran, Moscow, December 12, 2011.
34. Author interview with a Russian expert on Iran, Institute of Oriental Studies, Russian Academy of Sciences, Moscow, October 2011; author interview with a Russian diplomat, Moscow, October 2011.
35. Ibid.
37. Ibid.
38. Ibid.
As stated regularly by President Medvedev, “Iran is a relatively active and historically tested trade partner of Russia.”1 The beginning of a gradual domestic economic recovery in 2000 increased the capacity of Russian producers to export their products abroad. As a result, the annual volume of Russo-Iranian trade increased from $686.9 million to $2.2 billion between 2000 and 2006.2 This figure continued growing in subsequent years, with a slight dip in 2009 that could be explained by the global economic crisis of 2008–2009 (see table). The nature of this trade has remained relatively the same since 2000. Russian exports consist of ferrous metals and metallurgical products (63–68 percent),3 wood, pulp, and paper (7–8 percent), fuel and energy resources (3 percent), cereals (2–5 percent), and fertilizers (2 percent). Iran, in turn, has mostly delivered food and agricultural products (81–84 percent) and automobiles (4–7 percent).4

The two countries’ track record in investment activity over the past decade has been less impressive. The exact amount and structure of foreign investments in the Russian economy and Russian investments abroad (especially data related to foreign direct investment) is restricted information. Yet it is not necessary to know the comprehensive figures in order to draw conclusions on the matter. For instance, by October 2010, the total volume of accumulated investments between the two countries reached $30.5 million. Iranian investments in the Russian economy accounted for $3.1 million, only $608,000 of which was FDI. Meanwhile, Russian businessmen invested $27.4 million in Iran, with $27.3 million in FDI. Both Russian and Iranian investors concentrated on wholesale and retail trade as well as automobile and household appliances service centers; these sectors draw up to 90 percent of all invested assets.5

### Changes in the Volume and Structure of Russo-Iranian Trade 2006–2011

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total volume</strong></td>
<td>$2,145</td>
<td>$3,315</td>
<td>$3,690</td>
<td>$3,060</td>
<td>$3,651</td>
<td>$3,750</td>
</tr>
<tr>
<td><strong>Growth rate (%)</strong></td>
<td>104.8</td>
<td>154.6</td>
<td>111.3</td>
<td>82.9</td>
<td>119.5</td>
<td>103.0</td>
</tr>
<tr>
<td><strong>Exports to Iran</strong></td>
<td>$1,905</td>
<td>$2,965</td>
<td>$3,289</td>
<td>$2,846</td>
<td>$3,380</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Growth rate (%)</strong></td>
<td>99.1</td>
<td>155.7</td>
<td>110.9</td>
<td>86.5</td>
<td>119.0</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Imports from Iran</strong></td>
<td>$240</td>
<td>$349</td>
<td>$402</td>
<td>$214</td>
<td>$272</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Growth rate (%)</strong></td>
<td>192.1</td>
<td>145.7</td>
<td>115.0</td>
<td>53.1</td>
<td>127.0</td>
<td>n/a</td>
</tr>
<tr>
<td><strong>Balance</strong></td>
<td>$1,665</td>
<td>$2,616</td>
<td>$2,887</td>
<td>$2,632</td>
<td>$3,109</td>
<td>$3,750</td>
</tr>
</tbody>
</table>

Sources:
The Main Driver

Links between government and business exist in every country, but they are especially evident in Russia. This paper does not focus on detailed analysis of ties between Russia’s political and economic elites, nor on the division of control between different Russian political factions—relatively reliable information on these subjects is readily available in the media (e.g., Forbes gives an adequate picture). It is more important to note that incoming president Vladimir Putin and his administration have close connections with major Russian governmental and semigovernmental corporations, to the point where lobbying for the economic interests of these companies has become one of the main goals of Russian foreign policy. Iran serves as a clear example of this trend: it is no mere coincidence that the majority of Russian business success stories there are related to corporations affiliated with the government. Moscow spares no efforts to support its economic behemoth.

First of all, Russian governmental and semigovernmental companies have actively penetrated Iran’s oil, gas, and petrochemical sectors. This process began in October 2007, when—the sidelines of the second annual Caspian littoral summit in Tehran—the Russian and Iranian presidents agreed on the need to determine the main principles and spheres of economic cooperation. The oil, gas, and petrochemical industries were logically distinguished as one of the main spheres of interaction, and Gazprom soon became the main driving force of Russian penetration in the energy sector.

In 2008 alone, Gazprom head Alexey Miller visited Iran three times. His meetings with high-ranking officials resulted in the adoption of a memorandum of understanding between the Russian corporation and the National Iranian Oil Company (NIOC). According to the agreements, Gazprom was expected to participate in the organization of swap deals with Turkmenistan and Iran to develop the North and South Pars gas fields, in the construction and exploitation of the Neka-Jask pipeline in order to manage the transit of hydrocarbons from the Caspian region to the Gulf of Oman, in the creation of liquefied natural gas (LNG) production capacities in southern Iran (with possible participation by Qatar), and in the building of a Caspian oil refinery in Iran’s Golestan province. In 2008, Gazprom and the NIOC created special working groups to supervise implementation of these decisions.8

In addition, Gazprom and Iran are actively discussing options for implementing regional and other foreign projects, including in Qatar, Turkmenistan, and Pakistan. For instance, the company periodically discusses participating in the construction of a gas pipeline between Iran, Pakistan and India.9 And in 2008–2009, Gazprom and the NIOC reached preliminary agreements on joint development of the Yolton gas field in Turkmenistan, on the implementation of trilateral projects with Qatar (one of which implied sending Iranian gas to Qatari LNG plants), and on the extraction and transportation of oil resources from the Caspian region (one of the projects in this field was related to the construction of the oil refinery in Golestan). Although implementation of all of these agreements has met with certain obstacles over the past two years, in some cases even halting them, Gazprom remains persistent in its attempts to penetrate Iran, with active support from the government.

Other Russian oil, gas, and petrochemical companies in Iran include Zarubezhneft, Sibur Holding, Stroytransgaz, Tatneft, Gazprom Neft, Cryogenmash, REP Holding, and others. All of these firms are either negotiating future projects with Tehran or implementing current ones. The unofficial division of interests between them is another indication of the control and support that Moscow provides to its firms. Thus, Gazprom “specializes” in the most ambitious projects, whether in Iran (e.g., development of South Pars) or on the multilateral regional front. Talks on the development of hydrocarbon reserves in the Caspian Sea are conducted solely by Zarubezhneft. Petrochemical deals tend to be handled by Sibur Holding, while Trubnaya Metallurgicheskaya Kompaniya, Stroytransgaz, Cryogenmash, and REP Holding deal with infrastructure projects.10

Among these, Tatneft is considered the most active and effective Russian energy company in Iran after
Gazprom. Supported by the Republic of Tatarstan (a federal subject of Russia), this company is currently implementing a number of projects in the Islamic Republic, such as developing the Zagheh (or Zage) oil field and participating in the construction of an oil refinery complex on Kharg Island. In 2010, the NIOC began talks with Tatneft on the development of a number of Iranian oil fields. Among other projects, the participants discussed conducting complicated research in the Bangestan oil field (near Ahvaz) regarding hydrocarbon extraction in difficult conditions (Iran is extremely interested in acquiring technologies to improve the output of old or problematic fields). The initiative to begin these negotiations was completely Iranian, based on the regime’s previous work with this company (in 2005, Tatneft even created a joint company with the Iranian foundation Mostazafan called Pars-Tatneft-Kish for the realization of projects in Iran). 

Moscow also actively supports corporate cooperation with Iran in the electric power industry. In December 2010, a high-ranking delegation from Russian firm Technopromexport visited Tehran, meeting with Deputy Energy Minister Muhammad Behzad to discuss the modernization and reconstruction of Iranian thermal power stations. The delegation also expressed interest in implementing prospective joint projects related to the construction of new power plants in both Iran and third countries. Special attention was paid to the idea of building a geothermal power station in Iran, as well as to planned joint construction of the fifth power unit of the Mariyskaya thermal power plant in Turkmenistan. Participants also considered opportunities to resume negotiations on the Tabas coal thermal power station. In general, both sides were satisfied by the talks, and Behzad subsequently instructed Iranian companies MAPNA and Tavanir to discuss possible mutual projects with Technopromexport. In addition, the RAO UES of Russia has discussed ways of synchronizing the two countries’ energy systems (with the potential participation of some former Soviet republics, especially Azerbaijan), as well as partnering with Tavanir in joint sales of electricity to third countries.

Moscow also promotes the interests of the Russian aviation industry. The Russian trade mission in Iran plays the main role in this sphere: in 2010–2011, its experts organized a number of meetings between the holding company United Aircraft Corporation (Obyedinennaya Aviastroitelnaya Korporatsiya) and the Iran Aviation Industries Organization (IAIO). The main issue discussed during these talks was the licensed production of Russian twin-engine medium-range Tu-204 and Tu-214 airliners in Isfahan. In 2007, one of the UAC’s shareholders, public limited company Ilyushin Finance, had signed a contract with Iran Airtour Airline for Tu-204-100 aircraft. In addition, the UAC and the IAIO have considered exporting Russo-Ukrainian regional An-140 and An-148 jets to Iran, as well as deploying Russian aviation service centers in the Islamic Republic.

Moscow is also quite active in penetrating Iran’s dynamically developing telecommunications sector. In 2009, Russian telecommunications company Synterra signed a founding document for a joint company with Iran Mobin. The new company is supposed to create a so-called telecommunications ring around the Caspian Sea, uniting the communication and information systems of the littoral states. According to some experts, the technical details of this project were almost fully negotiated as of late 2011. Synterra is also participating in the laying of a trans-Iranian fiber optic cable that will connect the country with Russia and Europe. Moreover, Iranian companies are discussing cooperation with their Russian counterparts in the development of a WIMAX and SDH system in Iran.

Elsewhere, the Russian railroad behemoth RZD is considered the main driver of dialogue on road infrastructure projects. Over the past several years, this firm established stable contacts with Iranian Railways. And in 2007, engagement in this field was seriously boosted by Putin’s visit to Tehran and subsequent adoption of the memorandum on Russo-Iranian economic cooperation. That document referred to a number of railroad projects that would be of interest to the RZD. Indeed, on March 29, 2008, the company signed a contract with Iranian Railways on electrification of the 46-kilometer rail line between Tabriz and
Azarshahr. Implementation of the project began on February 9, 2009.

Despite these positive trends, economic relations between Russia and Iran remain underdeveloped. According to 2011 data from the Russian customs service, Iran ranked twenty-ninth among Russia’s trade partners, and its share of Russian external trade was constantly decreasing. By 2011, the latter figure had fallen to around 0.4–0.6 percent. In 2010, Iran ranked twenty-sixth among importers of Russian products, and sixty-first among exporters of goods to Russia.20

The low level of economic relations with Iran could be partly explained by the fact that the Middle East is generally less interesting to Russian companies than other regions. Russian firms are mainly oriented toward European and Far Eastern markets. In fact, Moscow does not necessarily see Iran as the main market for Russian goods and investments even within the Middle East. For instance, in 2010, the volume of trade between Russia and the Gulf Cooperation Council countries totaled less than $1.5 billion, compared to $3.65 billion for Iran.21 Yet over the past decade, Syria and Israel’s volume of trade with Russia has at times nearly matched Iran’s (e.g., in 2008, they peaked at $2 and $3 billion, respectively, compared to $3.67 billion for Iran).22 Most significantly, Iran is unlikely to contest Turkey in this respect anytime soon—in 2010, Turkish-Russian trade reached approximately $25-26 billion. And officials argue that this figure is not the upper limit, referring to the situation on the eve of the international economic crisis in 2008, when the volume of bilateral trade stood at $33 billion. The volume of Russian investments in Turkey is also considerably higher than in Iran: $323 million versus $27.3 million in 2010.23

Russian governmental and private ventures in Iran are largely driven not by current profits, but by expectations for the future. As stated by some analysts, international sanctions and the nature of the Islamic regime have closed Iran off from the outside world, but this situation will not last forever. Once Iran does reopen to foreign companies, Russian firms would like a certain share of the country’s consumer and investment market reserved for them. This, in turn, determines one of the peculiarities of Russo-Iranian economic relations: constant talks on different projects and multiple Russian statements of intentions, but without immediate practical engagement.

Energy Strategy Is Paramount
Given that the Russian economy is heavily dependent on hydrocarbon exports, Moscow’s main efforts in securing the safety and profitability of governmental and semigovernmental firms abroad are related to oil and gas corporations. “The Energy Strategy of Russia until 2030,” adopted in 2009, implies that Russian foreign policy in this field is supposed to be relatively aggressive and expansionist. For example, the document states that Moscow’s ultimate goal should be “the preservation of the necessary level of the supplies of energy resources to the European market and the manifold increase in exports in the Eastern direction.”24 These aims are expected to be achieved not only by raising the output of domestic gas and oil fields, but also through active intervention in the energy sectors of other countries (both hydrocarbon producers and consumers) and the establishment of Russian control over most of Eurasia’s gas and oil transportation infrastructure.25 Any attempt to limit the access of Moscow’s energy-exporting corporations will inevitably cause harsh retaliatory measures. Under these circumstances, any pipeline plan that passes around Russia or is otherwise out of the government’s control (e.g., the proposed Nabucco gas line from Turkey to the EU, or a trans-Caspian pipeline project) causes serious concerns in Moscow.

Russia’s 2009 Energy Strategy had controversial outcomes for Iran. On one hand, the document cast Tehran as a natural partner and ally of Moscow. As owner of the world’s second-largest gas reserves and a major oil exporter as well, Tehran is inevitably interested in coordinating price and marketing policies with other hydrocarbon producers, as well as in counteracting pipeline projects designed by its political or economic rivals. As a result, the Russian government believes it can count on Iran to handle such questions in the international arena, within the framework of economic organizations such as the
Gas Exporting Countries Forum and the Shanghai Cooperation Organization.26

On the other hand, Tehran’s periodic attempts to join the Nabucco project and position itself as Europe’s alternative to Russian gas supplies makes Moscow think about Iran as a potential rival.27 Thus far, this perception has led to closer Russo-Iranian cooperation. Moscow has intensified its interaction with Tehran on international projects in part to redirect existing and potential Iranian gas flows to non-European markets, whether permanently or temporarily. For instance, some experts believe the Russo-Iranian deal on the swap operations with natural gas and oil serves this goal.28

Russia has used this strategy of close energy cooperation with potential rivals elsewhere as well. During Putin’s first and, in particular, second term, Moscow sought to buy gas from Azerbaijan and Turkmenistan in order to divert both countries from participation in Nabucco.29 These efforts, along with China’s new Central Asian gas contracts and the tough Russo-Iranian position on construction of trans-Caspian pipelines, brought results: since March 2012, the Nabucco investors have been compelled to revise their construction plans, seriously limiting the length and projected capacity of the pipeline. This decision was explained by the fact that apart from Azerbaijan, no country in the region now seems capable of filling Nabucco with gas.30

Obstacles to Greater Cooperation

International sanctions have no doubt hampered Russo-Iranian economic relations, but they are not the only obstacle. Russian and Iranian officials and businessmen confess that Moscow and Tehran can blame no one but themselves for the underdevelopment of bilateral economic ties.31 Experts argue that Western punitive measures only aggravate existing troubles caused by mutual mistrust and misunderstanding between the two governments, by differences in their vision of the future of economic relations, and by the specifics of their domestic economic situations.32

Even before the adoption of tough sanctions in 2010, Iran remained relatively unappealing as a trade partner and investment market for Russia. Since 1979, corruption, clientelism, statism, and aggressive government protection of regime business interests have been endemic to the Iranian economic environment, which still makes foreign investors feel unsafe in Iran. Difficult domestic economic conditions (including tough labor and civil codes) coupled with the constant threat of regional conflict involving Iran has never been compensated by high profit rates. Special complaints are usually voiced about the Islamic banking system, which is absolutely unsuitable for conducting international financial transactions or supporting the implementation of investment projects with foreign partners. And the most appealing sectors of the Iranian economy (e.g., banking and energy) are either closed to foreigners or seriously restricted.

These factors have seriously diverted Russian investors from Iran, including the hydrocarbon giants. In 2006–2008, for example, the limitations inherent in Tehran’s “buy-back” formula apparently convinced LUKOIL and Gazprom not to move forward with certain oil and gas projects.33 Moscow made a number of attempts to improve the situation by forming a bilateral legal base that would ease interactions between Iranian and Russian companies while protecting the interests of the latter. These efforts have not been very successful, however, and the adoption of substantial bilateral agreements moves slowly. Moreover, the most important Russo-Iranian document on the promotion and protection of mutual investments has not yet been signed.

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In addition, the ease with which Iranian officials and businessmen at all levels change their minds about previously reached verbal or written agreements has led Moscow to mistrust Tehran. For example, Russian telecommunication company MegaFon repeatedly expressed its intention to bid for the creation of a new mobile communication company in Iran, and by 2009, an agreement was close to being signed. Yet sudden unilateral changes in the contract by Iranian negotiators compelled MegaFon to suspend the deal (though the company has not yet decided to quit the project altogether).34

Similarly, in 2008, Iran was actively discussing potential Russian participation in the development of
The North Azadegan oil field, and by year’s end, Tehran and Gazprom Neft had nearly reached an agreement. Yet in January 2009, the Iranian media informed the public that the China National Petroleum Corporation had received the contract instead. Although Tehran officially explained that the terms of Beijing’s offer were more reasonable and inexpensive than Moscow’s, Russian experts argue that the deal had become hostage to the political games of the Iranian elite (or, alternatively, to Chinese pressure on Tehran).

In 2010, Iran again demonstrated its inability to fulfill previous obligations and find a compromise. During spring and summer of that year, it suddenly increased the cost of oil swap operations for Russian, Azerbaijani and Turkmen companies fivefold. As a result, implementation of the so-called CROS Project (which envisioned oil swap operations between Iran’s Caspian port of Neka and Kharg Island in the Persian Gulf, with the participation of firms from the littoral states) was suspended and did not resume until 2011.

These are only some of the most high-profile examples of the problem—at the micro-level, the situation is even more disastrous. Unfavorable political, economic, and administrative conditions do not allow Russian companies to implement projects even in areas considered to be within Moscow’s historical sphere of interests. For example, despite initial signs that the free trade and economic zone in the Caspian port of Anzali would welcome cooperation with numerous Russian firms, less than a dozen such companies have been able to open representative offices there, and only three of them are likely active, if that many.

At the same time, Iran is not solely to blame for creating the above difficulties—the political and economic realities of modern Russia are also unfavorable for the development of Russo-Iranian economic relations. First, Russian statism seriously limits options for cooperation between the two countries. Government support has become one of the main factors boosting Russian business penetration in foreign markets; in fact, it is sometimes the only factor. Despite the advantages provided by state protection of governmental and semigovernmental corporations, this patronage has several substantial disadvantages. First, it limits the initiative of Russian corporations, which often act upon Moscow’s direct order; in some cases, they even neglect basic cost/benefit considerations. Second, the excessive protectionism artificially closes the Russian domestic market to Iranian producers. Third, government support is selective, provided only to businesses connected with the political elite. As a result, medium and small Russian businesses and private corporations with insufficiently close government connections usually have trouble dealing with Iran by themselves. This lack of government support weakens Russia’s position in a number of sectors and creates major problems for the development of bilateral economic ties. This is most obvious in the transport sector—according to experts, the underdevelopment of Russia’s part of the North-South Transport Corridor is mainly caused by Moscow’s relative lack of interest in the project.

Moreover, despite the government’s proclaimed attempts to accelerate economic growth, Russia is still heavily dependent on exports of raw materials (minerals, hydrocarbons, and wood). The policy of diversification and modernization declared by President Medvedev has been implemented at a slow pace and has failed to reach initially projected goals. Indeed, Russia demonstrates signs of having a rentier economy, and its increasing technological backwardness in certain fields compared to the West only makes these signs more obvious.

As a result, apart from its ferrous metals, wood, and petrochemical products, Moscow has a very limited range of goods to offer Iran, and this range is gradually shrinking. As stated by officials from Russia’s Chamber of Commerce and Industry, it is not international sanctions, Iranian intractability, or China’s growing economic presence in the region that prevents many Russian companies from dealing with Iran, but mere technological backwardness. Iran still lacks the know-how and materiel needed to upgrade its oil refineries and LNG plants, and Moscow is unable to provide the required assistance, equipment, and technologies—in fact, Russia badly needs these items itself.
Under these circumstances, it is natural that the amount of Russian machinery equipment exported to Iran is gradually decreasing. In 2010, this figure dropped 50 percent compared to the previous year (though this could be partly explained by the completion of construction at the Bushehr nuclear plant). To be sure, the drop was offset by increases in other exports. But Russian experts argue that, from a long-range perspective, the sale of raw materials cannot guarantee substantial growth or even stability in the volume of bilateral trade with Iran, especially given the Islamic Republic’s ongoing success in developing its own metallurgical capacities.43

Strategic Partnership Unlikely

Although Tehran is rightfully viewed as an important tool of Russian regional diplomacy, the concerns expressed by some analysts regarding a potential strategic partnership or even alliance between the two countries are unfounded. Russian authorities are well aware of the disadvantages that such relations would pose.44 As illustrated by Vladimir Putin’s October 2007 visit to Tehran during the second Caspian summit, Moscow instead tends to play an intricate balancing game between the West and Iran. At the time, Moscow tried to show the United States, EU, and Israel that Putin’s trip was mainly devoted to the regular multilateral meeting of the Caspian littoral states, which, by chance, was held in Tehran. His talks with Mahmoud Ahmadinejad were depicted as a casual, almost protocol meeting with the event’s host.45 Yet in Iran (and, to a certain degree, Russia), the trip was unofficially cast as a long-delayed state visit whose importance was unobtrusively underlined for the public.46 Amid this balancing act, Putin’s toughest task during the trip was to avoid signing any official document stating the strategic nature of Russo-Iranian dialogue—an objective made all the more difficult because Tehran was determined to secure just such a document in order to prove the high level of its relations with Moscow.47

The idea that strategic partnership between the two countries is unachievable is shared by the majority of well-established Russian experts on Iran. Some of them argue that the two governments are just “friends in need”: their political dialogue is based on common domestic and external challenges (e.g., tensions with Washington; separatist activities),48 but these interests do not entail all-embracing bilateral harmony. In fact, in the absence of these challenges or an agreed approach to resolving them, Moscow and Tehran could even be rivals.

Moreover, Russian authorities clearly understand that any alliance or strategic partnership with Iran would inevitably aggravate their relations with the world’s leading countries.49 Even formal recognition of Iran’s priority in Russian foreign policy would harm Moscow’s dialogue with a number of countries whose relations with the Islamic Republic are uneasy (e.g., the United States, Israel, Saudi Arabia, and certain smaller Gulf countries). As a result, despite the fact that positive dialogue with Tehran is in its interests, Moscow carefully monitors the development of Russo-Iranian relations in order to prevent them from exceeding the level at which they would endanger relations with other countries. Vladimir Sazhin, a prominent Russian expert on Iran, called this type of relationship a “watchful partnership.”50 In particular, Moscow tries to avoid signing any documents symbolizing partnership-level cooperation with Iran, as described above.51

In addition, many aspects of the Iranian regime are disturbing to the pragmatic Russian government. For example, the omnipresence of religious ideology in Iran’s political life worries Moscow, despite the fact that it has been losing its importance as a driver of Iranian foreign policy since the early 1990s. Actively camouflaged but, nevertheless, obvious problems with Muslim minorities in Russia make it difficult for Moscow to forget that exporting the Islamic Revolution remains an official, constitutionally mandated goal of the Iranian government. Russian authorities always keep this fact in the back of their minds when dealing with Iran, though Tehran does not currently pose a serious threat in this regard (especially in comparison with some Sunni-majority countries of the Middle East).52

Moscow has also taken into account the existence of a strong pro-Western political faction in Iran that seeks opportunities to bridge relations with the EU and United States, potentially at Russia’s expense. As
described in previous chapters, Moscow is well aware of Tehran’s ability to suddenly change its policy if necessary for the regime’s survival, and it therefore does not trust its partner. For this reason, Russia is sensitive to any Iranian discussion on initiating dialogue with Washington. This is also why Moscow was extremely concerned about Barak Obama’s 2008 electoral victory. At the time, some Russian government analysts believed that the reopening of the U.S. diplomatic mission in Tehran was inevitable, and that the return of U.S. businesses to Iran and the loss of Russia’s political and economic position would soon follow.5

In short, given the pragmatic nature of Russia and Iran’s approaches to foreign policy and their need for political maneuvering room, neither country has an interest in being bound by the obligations of true partnership with the other. One implication of this fact is that a third country could alter Moscow’s stance on Iran if the benefits are high enough and the changes do not contradict Russian national interests. Examples include the Gore-Chernomyrdin agreement of 1995 and Moscow’s support of UN Security Council Resolution 1929, which paved the way for individual countries to adopt tougher punitive measures against Iran.

Notes

3. The bulk of these metals and products are exported to Iran by Beloretsk’s metallurgy complex, Mechel PLC, Severstal, and Magnitogorsk’s metallurgy complex.
5. Ibid.
6. Initially, Gazprom was supposed to develop the twelfth phase of South Pars without bidding for it.
7. These talks were halted in 2011. Author interview with a Russian expert on Iran, Moscow, October 17, 2011.
10. Ibid.
14. Author interview with a Russian expert on Iran, Moscow, October 17, 2011.
17. Author interview with a Russian expert on Iran, Moscow, October 17, 2011.
21. For more information, see http://www.mid.ru/bdomp/ns-rasia.nsf/stroana.
22. Ibid.
25. Ibid.
26. Ibid.
28. Author interview with a Russian expert on Iran, Moscow, October 17, 2011.
31. Author interview with an expert from the Russian Chamber of Commerce and Industry, Moscow, December 11, 2011; author interview with an expert from the Gilan Chamber of Commerce and Industry,
And, of course, both leaders also held one-on-one talks with the heads of other countries.

For instance, media and diplomats in both countries highlighted the fact that it was the first visit by a high-ranking Russian official since Joseph Stalin’s 1943 trip to an Allied conference in Tehran.

Author interview with eyewitnesses of the talks, Moscow, January 23, 2012.

Author interview with a Russian expert on Iran, Institute of Oriental Studies, Russian Academy of Sciences, Moscow, October 2011


Author interview with a Russian foreign policy expert, Tehran, October 2008.

Author interview with a Russian expert on Iran, Rasht, Iran, August 19, 2008. For this reason, it is still problematic for Iranians to cross the Russian land border in the Caucasus or to visit restive regions in southern Russia. Moscow carefully monitors the activities of Iranian governmental bodies and NGOs in Russian districts with highly concentrated Muslim populations.


Multiple author interviews with Russian experts on Iran, conducted in Tehran, Rasht, Moscow, and St. Petersburg, February–May 2009.

Author interview with a Russian expert on Iran, Moscow, December 11, 2011.

Ibid.

Ibid.

Ibid.

Ibid.

Ibid.

Ibid.

Ibid.

Ibid.

Ibid.

Ibid.

Ibid.

**Policy Implications**

**UndeR Current Conditions**, it would be naïve to expect Moscow to severely curtail its relations with Tehran or to officially support the West’s stance on the Iranian nuclear program. Given Iran’s importance as a regional player, Russia cannot afford confrontation with its southern neighbor. As a result, some researchers have correctly described Russian relations with the United States and Iran as floating between Scylla and Charybdis: that is, moving closer to either Washington or Iran via an alliance is impossible.1

**Putin’s Role**

Exactly where Russia ultimately positions itself in relation to Washington and Iran will depend in no small part on the personal influence of its leader. Vladimir Putin, who is famous for his tough, nationalistic approach to foreign policy, is now at the helm again after his March 2012 electoral victory. The liberal, pro-Western orientation of former president Medvedev and his administration’s attempts to handle some international issues through unilateral concessions and compromises—such as resolving the territorial dispute with Norway and Azerbaijan by ceding Russian territory, supporting the anti-Qadhafi resolution in the UN Security Council, and acknowledging the Soviet role in the Katyn tragedy during World War II—were totally unacceptable to the many Russians who still miss the imperial style of Soviet diplomacy. Under these circumstances, the next government is expected to revise Russia’s foreign policy, including its relations with the Middle East. As noted by some experts, the Russian people would like to see the next president be more active in protecting their national interests and cementing relations with the non-Western part of the world.

For Iran, this will mean gradual intensification of political and economic dialogue with Moscow. Under Putin’s pressure, Russian authorities are poised to take steps in this direction or have already done so, in some cases well before his latest presidential bid:

- **Russia is once again portraying the Bushehr nuclear plant as a symbol of increasing cooperation with Iran.** From its inception, the project has raised serious concerns in the West, spurring Washington and its partners to pressure Russian contractor Atomstroyexport, its subcontractors, and its suppliers even after the plant became operational. Yet during Putin’s past presidential terms, Moscow showed resolution and consistency in shielding the Bushehr project from multilateral and unilateral sanctions, directly helping Atomstroyexport evade such measures. In fact, Russian companies are so confident in Putin’s capabilities to protect them from U.S. pressure (although this protection was not always complete) that the high probability of his victory in the 2012 presidential race encouraged them to bid for other nuclear projects in Iran. Russian officials are now more prone to raise such proposals during meetings with their Iranian counterparts, and Atomstroyexport’s stated desire to continue its cooperation with Tehran has garnered positive responses from high-level Iranian authorities.

- **In response to Russian foreign minister Sergei Lavrov’s entreaties since 2011, the members of the P5+1 group are expected to return some of the initiative in handling the Iranian nuclear problem to Moscow.** Russian authorities believe that it is extremely important for Moscow to demonstrate its ability to influence the current situation in the Middle East. The events of the Arab Spring undermined Russia’s position in various parts of the region—Moscow’s wait-and-see tactics during uprisings in Tunisia, Egypt, and Libya appeared to be ineffective, and more-active Western countries pushed Russia aside. Therefore, Moscow’s approach to the Iranian nuclear problem aims to protect the mainly pro-Russian regime in Tehran by offering peaceful solutions, thereby preventing military operations against the Islamic Republic and guaranteeing the regime’s stability. Given its experiences in Iraq and Libya (and even
Yugoslavia), Russia has concluded that the fall of longtime partners inevitably leads to the loss of economic and political influence in said countries. Whether Russia stays out of the conflict (as in Iraq) or unobtrusively helps to overthrow its old allies (as in Libya, where Moscow was the first government to stop exports of military equipment to Muammar Qadhafi), the result is the same: Russia has been compelled to leave countries liberated from dictators. Therefore, without solid guarantees regarding the security of its interests, Russia has been fighting hard for Syria (one of its last stands in the Arab Middle East) while protecting Iran from the prospect of either military strikes or new unilateral sanctions. Moscow currently views such sanctions as excessive, believing that their goal is to topple the regime rather than simply halt Iran’s nuclear research. As stated by Deputy Foreign Minister Sergey Ryabkov, who drew parallels with Libya, “It is unacceptable for Russia to take part in the creation of a sanctions regime aimed at changing the political regime in Tehran. Some forces could cynically attempt to replace the government in Tehran, considering the current situation as an opportunity to settle a number of issues in accordance with their interests and aspirations. Nevertheless, Russia will not join them. Moscow is not going to share the political and legal responsibility for such moves.”

- Moscow may initiate more-active cooperation with Iran in Central Asia and the Caspian region. During Putin’s past terms, similarities in the Russian and Iranian positions on a number of regional issues encouraged Moscow to pursue joint efforts in these areas. Putin may well resume such dialogue: both countries remain interested in maintaining peace and stability in Central Asia and the Caspian, limiting the presence and intervention of nonregional countries, countering human and drug trafficking, deterring the spread of so-called “color” revolutions, and fighting terrorism.

- Russia will likely step up its efforts to penetrate the Iranian economy. Many observers believe that under Putin, Russian authorities will spare no efforts to protect Russian business interests in Iran, particularly those of energy corporations. The flight of Western investors and the refusal of many countries to trade with Iran due to U.S. and EU sanctions have created ample opportunities for Russian firms to strengthen their own presence.

Despite these steps, Putin’s return to the presidency should not be seen as the first step toward a Russian alliance with Tehran. In the end, Moscow’s pragmatic, cost-benefit approach to foreign policy is paramount. Assuming that the West does not begin provoking Moscow through activities that threaten Russia’s national security and economic interests, Putin’s administration is unlikely to make any abrupt, negative moves regarding Iran (e.g., resuming the sale of S-300 air-defense systems to Tehran). Put simply, the cost of such steps would not justify the profit for Moscow.

How to Improve U.S.-Russian Coordination on Iran

Washington could take several steps to encourage Russia to be more cautious in its cooperation with Tehran:

- Continue the positive U.S.-Russian dialogue. In attempting to resolve disputes, the Russian government dislikes any moves that it considers to be aggressive. Instead, it welcomes most any type of dialogue. Given Moscow’s persistent intention to bridge relations with Washington, positive dialogue on Iran and another issues could seriously allay Russian concerns. It could also diminish the intention among the Russian political elite to use rapprochement with Tehran as a way of responding to the national security challenges created by recent U.S. diplomacy.

- Exchange opinions and information on Iran and its nuclear program. Moscow is more likely to alter its stance on Iran if U.S. officials provide detailed information and clear explanations regarding the threat that the nuclear program poses to both the nonproliferation regime and regional stability. Taking into account Russia’s strong desire to prevent the emergence of a new power with weapons of mass destruction near its borders, ironclad proof of a military
nuclear program in Iran would inevitably make Moscow less reluctant to pressure the country via sanctions. After all, Moscow is already involved in the process of pressuring Tehran—despite the temptation to earn additional profit, Russia has stopped (or, at least, minimized) its arms trade with Iran and seriously limited its cooperation in the aviation and space fields. Its resulting budgetary losses have been high. Such behavior indicates Moscow’s probable readiness to cooperate with the international community on the nuclear issue.

- **Adopt an issue-by-issue approach to dialogue on Iran.** As described in previous chapters, in the absence of a well-articulated Russian strategy on Iran, Moscow will continue treating relations with Tehran on an issue-by-issue basis. U.S. authorities will therefore have more influence on Russia’s Iran policy if they treat each specific issue in the Russo-Iranian relationship separately. Any general approach (e.g., an across-the-board request for Moscow to sever multiple forms of engagement with Iran at once, regardless of which Russian interests they affect) will probably be ineffective.

- **Avoid any steps that trigger consolidation between Russia and Iran.** Any U.S. activities that Russia views as a threat to its national security will cause rigorous retaliation from Moscow, including the strengthening of contacts with Tehran. Preventing such scenarios will likely require constructive U.S.-Russian discussion of several key issues, including missile defense in Eastern Europe, the NATO presence in Afghanistan, Western penetration in the Caucasus and Central Asia, and the construction of trans-Caspian pipelines.

- **Expand economic cooperation with the Russian business elite.** The experience of LUKOIL clearly demonstrates that strong economic ties with the West can convince Russian companies to curtail their business relations with Iran or even leave the country entirely. Given the strong relations between Russia’s ruling and economic elites, U.S.-Russian business ties could also influence the political dialogue between Moscow and Iran.

- **Develop relations with Russian intellectuals and experts on Iran.** Russia is attempting to copy the U.S. experience of government interaction with domestic think tanks, and this relatively new tradition is actively developing. Russian officials often address experts in governmental and nongovernmental research centers, though they do not always make these connections official. Moreover, strong links have been established between a number of Russian analytical institutes and government bodies. The Institute of Oriental Studies at the Russian Academy of Sciences, the Institute of the Middle East, and the PIR Center are probably the most influential Russian think tanks dealing with modern Iran. Their experts are professional, well prepared, and unbiased in their judgments. Yet many Russian analysts who study the situation in Iran and help shape public opinion on the subject are pro-Iranian. Active dialogue between Russian and American experts would likely change this orientation.

- **Guarantee the preservation of Russian interests in Iran in the event of regime change or military operations.** As mentioned above, the Russian political elite is seriously concerned about losing economic and political influence in the Middle East given what followed the ouster of Saddam Hussein and Muammar Qadhafi. As a result, it seeks guarantees that Russian interests will not suffer greatly if the Iranian regime falls. Moscow would likely also need such guarantees in the event of U.S.-Iranian rapprochement. Russian authorities strongly believe that dialogue between Washington and Tehran would weaken Moscow’s economic and political positions in Iran, leading to the formation of another generally anti-Russian coalition with substantial capacity to influence Central Asia and the Caucasus. Under these circumstances, promises to respect Russian interests in Iran would probably prevent Moscow from taking steps to counteract the improvement in U.S.-Iranian relations.
Notes


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