



# UNDERSTANDING THE REVITALIZATION OF RUSSIAN-IRANIAN RELATIONS

Nikolay Kozhanov



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## About the Author

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## Summary

The intensity of Moscow's current contact with Tehran is unprecedented in Russia's post-Soviet history. Both the Russian and Iranian authorities are determined to create a solid foundation for bilateral dialogue, and their dedication to deepening ties is largely determined by their geopolitical interests. Yet despite the potential for improvement, there are serious obstacles that may hamper or even halt cooperation.

### Turning a New Page

- The beginning of a new period in Russian-Iranian relations was marked by the return to the Kremlin of President Vladimir Putin in 2012.
- The Arab uprisings that began in 2011 left Moscow with a shrinking political and economic presence in the Middle East. This outcome demanded that Moscow be more active in maintaining contacts with Tehran.
- In 2014, tensions between Russia and the West stemming from the Ukraine crisis also drove the Kremlin to strengthen cooperation with Iran.
- The Iranian authorities see Moscow's attempts to improve relations with the Islamic Republic as a long-awaited chance to form a close partnership with Russia.
- Iran has gradually become disillusioned with the possibility of a quick and complete lifting of the punitive economic measures imposed on it. This has compelled Iranian authorities to be more active in their dialogue with countries—like Russia—that are ready to cooperate even in the face of sanctions.
- Tehran may also consider ties with Russia to be a plan B in case negotiations over its nuclear program fail or do not lead to the results it desires.

### What's Next?

- A settlement of the nuclear issue would not have a significantly negative effect on the Russian-Iranian dialogue; the two sides would remain interested in cooperation on a wide array of issues.

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- External factors will continue to create room for cooperation between Russia and Iran. But the formation of any comprehensive strategic alliance with Tehran is still not in Moscow's interest because it could harm Russian dialogue with others, including Israel and Gulf Cooperation Council countries.
- Russian-Iranian economic cooperation has limits. To capitalize on opportunities available, Moscow and Tehran have to determine to what extent and in what areas real economic cooperation is possible.
- Russia and Iran must determine in which political spheres their collaboration makes sense and can be effective—in other words, where they can go beyond mere consultations. On certain issues, the Russian and Iranian positions are close, but it is not certain that the two will agree.
- Without clear answers to these economic and political questions, further progress on the dialogue between Moscow and Tehran is unlikely.

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## Introduction

Since the return of Vladimir Putin to the Russian president's office in 2012, Russian-Iranian relations have experienced a significant change of course in contrast to the substantial cooling of the bilateral dialogue during the last two years of Dmitry Medvedev's presidency. Unexpected twists in the relationship between Moscow and Tehran have been quite normal since the 1990s.<sup>1</sup> As a result, in 2012, the initial intensification of contact between Russia and Iran looked like just another fluctuation in their dialogue. However, by 2015, it seems that under certain conditions, the rapprochement between Moscow and Tehran may lead to a qualitative change in ties.

The current intensity of Moscow's contact with Tehran is unprecedented in Russia's post-Soviet history. And this time, political analysts in Russia believe that both the Russian and Iranian authorities are determined to create a solid foundation for bilateral dialogue that would ensure gradual progress on political and economic ties in the long run and prevent unnecessary negative fluctuations.<sup>2</sup> The resolution on both sides has been determined by existing political realities. Growing confrontation with the West has pushed Moscow to be more active in the Middle East and Asia to compensate for the negative political and economic implications of tensions with the United States and the European Union (EU), to avoid international isolation, and to curtail possible security threats to the Kremlin in non-European parts of Eurasia. These factors, in turn, have led the Russians to intensify contact with Tehran.

As for the Iranian authorities, they see Moscow's attempts to improve relations with the Islamic Republic as a long-awaited chance to form a close partnership with Russia. The Iranian leadership's initial illusions regarding a prompt settlement of issues related to the country's nuclear program and a quick lifting of sanctions have been dispelled. Iranian officials may assume that immediate political reconciliation with the United States and, to a lesser degree, the EU is hardly possible. Under these conditions, Russian support of Tehran's efforts in the nuclear negotiations is seen as a certain guarantee that these discussions may still lead to positive results for the Islamic Republic. Moscow's interest in developing bilateral ties is also taken as a sign that, regardless of the outcome of the talks, there are always countries ready to cooperate with Iran. Apart from that, the existing similarity in Russian and Iranian views on regional issues is meaningful for Tehran

in its quest for dominance in the turbulent Middle East. And enhanced contact between the two countries on regional issues may benefit the Iranian authorities.

Yet it is still too soon to discuss the formation of a new regional partnership or alliance between Russia and Iran. Despite the intentions on the two sides to establish closer relations, whether the resolution of the Russian and Iranian elites is enough to make possible a qualitative leap in the nature of the dialogue between Moscow and Tehran remains a big question.

## The Drivers of Russian-Iranian Dialogue From 1991 to 2011

According to some political analysts, it is hard to find another country whose relations with Moscow have experienced such a huge number of drastic twists and turns in as short a period of time as has been the case with Iran.<sup>3</sup> Between 1991 and 2011, periods of active political dialogue between Russia and Iran were often swiftly interrupted by long pauses, during which Moscow and Tehran would actively exchange accusations about failing to meet treaty commitments or failing to keep promises.

For Moscow, this volatility in the bilateral relationship could be explained by the fact that Russian diplomacy in Iran was predominantly shaped by the Kremlin's desire to use its ties to Tehran as a means to influence the geopolitical playing field, rather than by the bilateral relationship per se. Three Russian interests in particular played (and in some cases, still play) the central roles in determining Moscow's approach to the Islamic Republic:

- Maintaining a certain level of positive dialogue with the West (primarily the United States)
- Ensuring Moscow's dominance in the space of the Commonwealth of Independent States (CIS) as a zone for Russian national aspirations
- Securing stability around the borders of the CIS and Russia (including deterring nuclear proliferation)

At the same time, the Iranian authorities' behavior toward Russia was also periodically influenced by drivers that were not directly related to the countries' bilateral relations. Between 1991 and 2012, the struggle between pro- and anti-Western elites in the Islamic Republic, Tehran's claims to dominance in the Middle East, and changes in the degree of confrontation between Iran and the United States led the Islamic Republic to make certain adjustments to its approach to Russia.

These factors did not always influence the Russian-Iranian dialogue in a positive way. For instance, the attention that Moscow paid to its dialogue with Washington made the Russian authorities see Iran as just another type of leverage

that the Kremlin could use in its political games with the United States. Moscow played this card during both periods of U.S.-Russian rapprochement and times of tension between the two countries, either by freezing its cooperation with Tehran or boosting it, respectively. The Gore-Chernomyrdin agreement of 1995 is the most notable example. According to this confidential document signed under heavy U.S. pressure during another period of reconciliation between Moscow and Washington, the Russian government agreed to stop fulfilling contracts to export military supplies to the Islamic Republic by 1999 and to conclude no new deals with Iran in this field. The U.S. authorities, for their part, were expected to begin cooperation with the Russian military-industrial complex and to stop the unauthorized provision of U.S. military equipment to the Middle East, as well as to countries bordering Russia. In addition to this treaty, in 1998 Moscow decided not to follow through with its contract to export a research reactor to Tehran. The reason for this decision was the same as in the case of the Gore-Chernomyrdin agreement: Russia hoped to bridge relations with Washington and expected Western financial and economic help in return.<sup>4</sup>

These steps came with a high price for Russia. By 2000, exports of Russian military equipment to Iran had been halted (the loss to Russia's military-industrial complex was estimated by a Russian economist to be \$3 billion).<sup>5</sup> Moreover, the secret details of this treaty were unilaterally revealed by the Americans during the 2000 presidential race. This, in turn, seriously harmed Russian-Iranian relations: since then, the Iranian authorities have grown more confident in their belief that Moscow could not be fully trusted.<sup>6</sup>

For Moscow, the failure of the Gore-Chernomyrdin agreement was a serious lesson that convinced some Russian politicians that such deals should not be made with the United States in the future.<sup>7</sup> However, this understanding did not lead to any substantial changes in the United States-Russia-Iran triangle, and the dialogue between Moscow and Tehran remained dependent on the Kremlin's stance on its interaction with the United States.

The relationship between the swings in Russian-Iranian relations and the dynamics of the dialogue between Moscow and Washington can be illustrated by a more recent example. Another rapprochement between Moscow and Tehran took place in 2006–2009, and it was marked by achievements in energy sector cooperation. Dialogue began when U.S.-Russian ties were experiencing serious difficulties: Moscow was deeply concerned about the U.S. intentions to deploy new missile defense systems in Eastern Europe and frustrated by American support of Ukrainian and Georgian efforts to join the North Atlantic Treaty Organization (NATO). The end of this period of close relations between Moscow and Tehran coincided with the start of the reset in U.S.-Russian relations initiated by the administration of U.S. President Barack Obama. Experts have argued that the reset partly guaranteed Russian support for 2010 United Nations (UN) Security Council Resolution 1929, which paved the way for the adoption of severe economic sanctions against Iran by the United States, the European Union, and

their partners; Moscow's refusal to export S-300 surface-to-air missile systems to Iran in 2010; and the de facto imposition of unilateral sanctions against Iran by then president Medvedev.<sup>8</sup>

The situation surrounding the Iranian nuclear program also affected the development of Moscow's dialogue with Tehran. The Russian authorities never concealed the fact that an Iran armed with a nuclear bomb was not in their interests. As a result, the disclosure of the secret Iranian nuclear program in the early 2000s alarmed Moscow. Consequently, the Kremlin put substantial restraints on its cooperation with the Islamic Republic in the military, space/rocket, and nuclear spheres. In 2006–2009, Moscow also supported a number of UN Security Council resolutions related to Iran's nuclear program, as the Russian government had doubts about the intentions of the Iranian authorities.

Moscow's concerns were deepened in 2009 when Tehran suddenly disclosed plans to construct a second enrichment facility. Then, in October–November 2009, Iran refused to exchange low-enriched nuclear fuel for high-enriched fuel. The deal, which Russia had actively backed, was intended to supply a Tehran-based research reactor under European control. Russia believed the swap would illustrate Iran's peaceful intentions to the West and alleviate Moscow's concerns about the possible use of low-enriched uranium in dirty bombs. At the time, Medvedev described Iran's behavior (including Tehran's rejection of the deal) as "inappropriate." He acknowledged that Tehran was moving closer to having the ability to produce nuclear weapons and thought new international sanctions were inevitable. This state of affairs led to the adoption of two far-reaching UN Security Council resolutions, and in September 2010, Russia under Medvedev imposed additional sanctions on Iran, including a ban on selling the S-300 system to Tehran.<sup>9</sup>

The Kremlin's intention to secure Russian dominance in the CIS has not always been good for the development of the dialogue between Moscow and Tehran. In certain cases, the Russian government considered maintaining good relations with CIS countries to be more important than positively developing its relations with Iran. That was the case during the division of the Caspian Sea among Azerbaijan, Kazakhstan, and Russia in 2002, when Moscow broke the previous agreement to handle this issue exclusively in a format that involved all five littoral states—Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan. This allowed the Russians to improve relations with Astana and Baku, but it temporarily damaged relations with Tehran, whose authorities had expected that all territorial issues would be settled in a joint manner.<sup>10</sup>

The development of the dialogue between Moscow and Tehran has also been affected by Russian attempts to maintain a certain level of good relations with other key players in the Middle East. For instance, the Iranian authorities have traditionally kept a close eye on the development of Russian-Israeli cooperation. Any achievements in their bilateral relations (such as Putin's visits to Israel in 2005 and 2012, as well as the introduction of a visa-free regime for Russian and Israeli tour-

ists in 2008) have led Tehran to question why Moscow has avoided such a degree of cooperation with Iran. However, to Russia's credit, the Kremlin has tried to balance relations with Israel and the Islamic Republic, considering both countries to be equally important to Moscow's regional interests. The Russian authorities have avoided any moves and statements in their contact with Israeli officials that could be considered in Tehran as anti-Iranian, and vice versa. Yet, according to interviews with experts and officials, such an approach has not earned positive feedback in either Iran or Israel.<sup>11</sup>

Tehran also has not always been a reliable partner for Moscow during the last two decades. For instance, in December 2008, the Russian government received a serious shock when, in spite of initial agreements, Iran voted against St. Petersburg in favor of Doha to be the location of the executive office and the secretariat for the Gas Exporting Countries Forum. The Iranian voice appeared to be decisive in the vote by the members of the organization.

The outcome was both embarrassing and unexpected for the Russian government. On the eve of the ballot, the Russian delegation had reported to Moscow its complete confidence in the result of the vote. Its members thought that they had ensured support from a majority of participants for St. Petersburg; they had reached agreement on this matter with the Iranians. But then, as the officials interpreted it, Russia lost the vote to a tiny Arab state. In addition, the Russian authorities fully realized that with the Gas Exporting Countries Forum, they had created an organization that made it possible to influence the international gas market, but they had failed to gain control of it.<sup>12</sup>

The Iranian government has never given an official explanation for this anti-Russian gesture. Russian experts have argued that the Iranian government had attempted to trade Russia for closer ties with the Arabs and, especially, the Gulf Cooperation Council states (2008 was a short period of rapprochement between Iran and the Persian Gulf monarchies). Either way, the decision over the forum headquarters is one of the most well-known examples of the ease with which the Iranian government could change course in its dialogue with Moscow.<sup>13</sup>

## Watchful Partnership

When characterizing Russian-Iranian ties from 1991 to 2011, a prominent Russian expert on Iran, Vladimir Sazhin, called this relationship a "watchful partnership."<sup>14</sup> He correctly argued that although positive dialogue between Iran and Russia was in Moscow's interests, the Russian government carefully watched the development of relations in order to prevent them from exceeding a level that would endanger Moscow's dialogue with other countries.

Indeed, between 1991 and 2011, both Russia and Iran persistently avoided crossing the redline that would have made any further dialogue between the countries impossible. The factor of geographic proximity played no small role. Iran's geostrategic position allowed it to influence the development of the situation

in the Caspian Sea region, the Caucasus, Central Asia, and the Middle East. This reality compelled Moscow to discuss a wide range of foreign policy issues with Tehran, such as the conflict in Nagorno-Karabakh, the situations in Iraq and Afghanistan, the stability of Tajikistan, NATO activities in the South Caucasus (primarily, NATO cooperation with Georgia and Azerbaijan), the presence of nonregional powers in the Middle East and Central Asia, the construction of trans-Caspian pipelines, and the instability in the Caucasus. Given the shared visions of Russia and Iran on how to handle some of these problems, the support of the Islamic Republic was (and still is) believed to be important to the success of Moscow's activities to restore and strengthen Russia's regional position after the fall of the Soviet Union.

Russia's political elite also remember that, as opposed to Turkey, the Islamic Republic did not use the fall of the Soviet Union to aggressively spread its influence in the Caucasus and Central Asia by propagating the ideas of the Islamic revolution or funding local nationalist and radical religious movements. Moreover, in the mid-1990s, Moscow and Tehran united their efforts to stop the civil war in Tajikistan.<sup>15</sup>

This behavior demonstrated that Tehran could be a helpful partner, although the steps taken by the Iranian authorities were not altruistic but pragmatic. After the fall of the Soviet Union, Russia was not seen as a political threat or an ideological rival. On the contrary, cooperation with Russia was expected to bring the Islamic Republic out of international isolation.<sup>16</sup>

During the second Chechen war, between 1999 and 2009, the dialogue with Tehran yielded important results for Moscow. In 1999, the Iranian authorities not only refused to support the separatists but also used their country's position as the chair of the Organization of the Islamic Conference to adopt a pro-Russian resolution at a summit meeting. This considerably reduced tensions between Russia and some Arab countries on the issue.

Amid these circumstances, by 2012 the Russian authorities had worked out an unofficial diplomatic strategy that involved balancing between Iran and its political opponents—not only the United States, but also Israel and some of the Gulf Cooperation Council members. The Russian government understood that any alliance or strategic partnership with Iran would inevitably worsen their relations with the world's leading countries.<sup>17</sup>

Yet, the watchful partnership changed in 2012.

## What Happened After 2012?

Putin's return to the Kremlin in 2012 marked the beginning of a new period in Russian-Iranian relations. His vision of Russia's top priorities in the international arena was seriously affected by the failure of the reset in U.S.-Russian relations and the beginning of tensions with the West over Syria. In addition to that, Moscow was frustrated by the fact that its generally pro-Western position

on the Libyan conflict in 2011 received no positive feedback either in Washington or Brussels. Disappointed in the previous attempts to bridge the divide with the West, the three-term president of Russia was determined—more than ever before—to develop relations with non-Western countries.

This naturally affected Moscow's stance on Iran. Only two months after his election, Putin met his Iranian counterpart, then president Mahmoud Ahmadinejad. The meeting was held on June 7, 2012, on the sidelines of a Shanghai Cooperation Organization (SCO) summit. In the public part of the meeting, Putin clearly stated the Russian interest in further developing relations with Tehran. He also described the problems that, in his opinion, the two sides should discuss first. These issues included the Iranian nuclear program, Russian-Iranian nuclear cooperation, the development of economic ties (which, according to Putin, had not achieved their potential), and the legal status of the Caspian Sea. More important, Putin called Iran Russia's "old traditional partner."<sup>18</sup> Before 2012, this statement had not often appeared in speeches by Russian officials that were addressed to Iranians.<sup>19</sup> Moreover, this time, such statements seemed to be more than just words.

Satisfied with the results of his meeting with Ahmadinejad in Shanghai, Putin provided the initiative for an unplanned visit by Sergey Lavrov to Tehran that took place less than a week after the presidents met in June 2012.<sup>20</sup> The visit by the Russian minister of foreign affairs demonstrated that the political agenda was even broader than stated by Putin in Shanghai. According to Russian media sources, Lavrov noted that Moscow would be interested in closer cooperation with Tehran on the situations in Syria and Afghanistan.

Since Lavrov's trip to Iran in 2012, the strength of Moscow's dialogue with Tehran has gradually increased. The Kremlin has been advocating Iran's involvement in the international discussions on the situations in Afghanistan, Iraq, and Syria. In September 2014, Lavrov even called the Islamic Republic "a natural ally" of Russia in the struggle against religious extremists in the Middle East. All of these gestures were supposed to demonstrate that, currently, Iran is something more than just a southern neighbor to Russia.<sup>21</sup>

The transfer of presidential power in Iran, from Ahmadinejad to Rouhani, did not significantly affect the trend of deepening relations. Putin and Rouhani met on the sidelines of the fourth summit of the Caspian Sea littoral states on September 29, 2014. They also held negotiations in Bishkek, on the sidelines of the SCO summit (on September 13, 2013); on the sidelines of a summit for the Conference on Interaction and Confidence Building Measures in Asia (on May 23, 2014); and in Dushanbe, again at an SCO summit (on September 12, 2014). The visit to Bishkek was Rouhani's first foreign trip as president, and it was taken as a sign of his government's interest in strategic ties with Russia and China.

The agenda of the current Russian-Iranian dialogue also involves economic issues. A political expert close to the Russian government, who spoke to *Gulf States News*, believes that "Russia and Iran have a unique opportunity to create

an economic basis for their co-operation, and the main task is not to lose this chance. . . . Both sides have concrete suggestions and, now, they are discussing the details of these proposals and adjusting their positions.”<sup>22</sup>

In 2014, Russian Energy Minister Alexander Novak, who is also the head of the Russian-Iranian Joint Trade and Economic Commission, established good personal relations with the Iranian oil minister, Bijan Namdar Zanganeh, and the head of the Atomic Energy Organization of Iran, Ali Akbar Salehi. His efforts resulted in the adoption of an all-encompassing agreement on the principles of trade and economic relations between the two countries, which was signed by Novak and Zanganeh in Moscow on August 5, 2014. Putin welcomed the document’s adoption and said it was necessary to bolster the new legal framework with concrete substance.<sup>23</sup>

The agreement laid important groundwork for the eleventh meeting of the joint commission, which was held in September 2014. According to some sources, the two sides agreed to increase the volume of bilateral trade tenfold (from \$1.5 billion at that time) by 2017, and the overall volume of hypothetical investment contracts signed could potentially add up to \$70 billion.<sup>24</sup>

## Reasons for the New Rapprochement

As in the past, Moscow’s increasing interest in Iran has been determined by a number of external factors.

The first steps made by the Kremlin toward Tehran were mostly provoked by the events of the Arab Spring. When, in mid-2012, the Russian authorities decided to intensify contact with the Islamic Republic, they were seriously concerned with their shrinking political and economic presence in the region. Moscow considered Tehran one of its last footholds remaining in the Middle East and tried to secure its position there.

As one of its early efforts, Moscow unofficially supported the activities of Russian businesses in Iran. The Kremlin looked the other way when Russian businesses found loopholes in the U.S. and EU sanctions regime aimed at their Iranian partners. This, in turn, created positive feedback in Tehran. Shortly before the end of Ahmadinejad’s second term, the two sides had started to talk about the possibility of resuming exports of the S-300 Russian missile system (or equivalent systems) to Iran.

The outcomes of the Arab Spring in the region demanded that Moscow be even more active in maintaining contact with Tehran after Rouhani’s victory in the 2013 presidential elections. By then, concerned about growing tensions in Iranian society and the possibility of a revolutionary spring in the country, the ruling regime of the Islamic Republic decided to loosen control over political life in Iran by letting people elect a president from a certain set of candidates (as opposed to the vote of 2009, when Ahmadinejad’s victory in the first round was likely helped by election fraud). It was not a surprise that a population tired of extreme positions chose

Rouhani, the most moderate figure who promised long-awaited domestic liberalization and normalization of relations with the West.

Rouhani's speech in the UN General Assembly on September 24, 2013, made it clear that improving Tehran's relations with the West was his top priority, which alarmed Moscow. By that time, the Russian authorities had already received signals from Tehran that the window of opportunity for deepening relations could be closed if the Kremlin did not intensify its efforts to improve ties with the Islamic Republic. In mid-August 2013, Moscow failed to arrange Putin's trip to Iran because the Iranian side had not agreed on the format for the visit proposed by the Kremlin. The Russian vision of Putin's trip did not correspond with Tehran's initial expectations: for instance, the Iranians sought to arrange a full-fledged presidential visit, whereas the Russians wanted to include Putin's trip to Iran as just one element of the president's tour of the Caspian states.<sup>25</sup>

When Iran refused to accept the format of Putin's visit to the Islamic Republic proposed by Moscow, the Russian authorities were shocked. The Kremlin had grown accustomed to dictating to the semi-isolated Islamic Republic the conditions of a Russian president's meetings with his Iranian counterpart. Rouhani's decision not to meet with Putin under the Russian conditions clearly demonstrated that unlike his predecessor, who was ready to use every opportunity to develop warmer relations with Moscow, he expected greater respect from the Russians. That is because Rouhani, more than Ahmadinejad, was able to choose dialogue partners in the international arena. Subsequently, Russia was compelled to reassess its approach and become even more engaged in the dialogue with Tehran than it was during the last year of Ahmadinejad's presidency.

In 2014, tensions between Russia on the one side and the United States and the EU on the other over the Ukraine crisis became another reason for the Kremlin to strengthen cooperation with Iran. The unprecedented—since the end of the Cold War, at least—scale of confrontation with the West convinced Moscow that intensifying contact with Middle Eastern countries was highly important. Russian authorities believed that good relations with Middle Eastern states would ensure that the Kremlin could avoid international isolation and compensate for the sanctions imposed by the United States, the EU, and their partners. Moscow also developed plans to coordinate efforts with Tehran in the energy market to ensure that the Europeans would not use Iran's resources to decrease their dependence on Russian gas. In addition, Tehran has become an important regional leader for Moscow, capable of influencing public opinion in the Muslim world. A key aim of Russia's engagement with Iran in this regard is to counterbalance the anti-Russian campaign in the Arab media, which is supported by Qatar and Saudi Arabia.

From an economic point of view, the Islamic Republic has become increasingly important as an agricultural exporter. Iranian produce (predominantly fruits and vegetables) may help, at least in part, replace some European products that Russia is banned from importing under the sanctions.<sup>26</sup>

Tensions with the West have also compelled Russian companies to look for trade and investment opportunities in Asia, including in countries such as Iran. There are several areas in which Russian businesses seek to cooperate with Iran: oil and gas, petrochemicals, nuclear energy, electricity, and railroad infrastructure. In November 2014, Russia and Iran signed a package of agreements regarding Moscow's participation in the construction of up to eight new nuclear power units in the Islamic Republic. The first two reactors are expected to be built at the Bushehr power plant, in addition to the power-generating block that was built by Russian engineers and handed over to the Iranians in 2013.

Russia's military cooperation with Iran almost came to a halt in 2010, when Medvedev banned the export of the S-300 missile system to Tehran. The groundwork necessary to resume collaboration was laid by an agreement signed during Russian Minister of Defense Sergei Shoigu's visit to Tehran on January 19–21, 2015. The accord set the framework for Russian-Iranian cooperation in the fields of information exchanges, military training, education, and counterterrorism coordination, among others. Exports of the S-300 systems again became possible on April 13, 2015, when Putin lifted Medvedev's ban. Russian arms manufacturers hope that this move will lead to significant arms exports.

By 2014, the Iranians had also become interested in developing closer economic and political ties with Russia. On the one hand, they have come to believe that the Kremlin's current confrontation with the West brings it closer to the Islamic Republic, and they have expressed their readiness to nudge Moscow to deepen bilateral cooperation with new economic contracts. On the other hand, Tehran may see strengthening relations with Russia as a plan B in case the nuclear negotiations fail or do not lead to the desired results.

Under these circumstances, it is not a coincidence that Russia's minister of economic development, Alexei Ulyukayev, visited Iran immediately after Tehran's failure to reach a comprehensive deal with the P5+1 group of China, France, Russia, the United Kingdom, and the United States plus Germany during the Vienna talks in November 2014. On the trip, Ulyukayev and Mohammad Reza Nematzadeh, Iran's minister of industry, signed a memorandum of understanding that aimed to promote trade and investment between the two countries as well as a strategic partnership between the Export Insurance Agency of Russia and the Export Guarantee Fund of Iran. These measures are intended to mitigate the negative effects of the international sanctions on Russian-Iranian economic cooperation.

## Russia and the Iranian Nuclear Issue

Growing confrontation between Russia and the West has led some experts to think that Moscow may become less interested in finding a comprehensive solution to the Iranian nuclear issue. According to them, resolving the nuclear issue no longer seems to be in Russia's interests: a deal between Tehran and

the West could entail easing sanctions against Iran and returning Western companies to the Iranian market. This would, in turn, create additional difficulties for Russian businesses in the Islamic Republic: in most areas, the Russians are ill-prepared to compete with European and U.S. companies.<sup>27</sup> Further, some analysts have said that settling the nuclear issue would deprive the Kremlin of its status as a counterbalance to the United States and the EU in Iran. Consequently, authorities in the Islamic Republic would lose interest in political dialogue with Russia.<sup>28</sup>

Some political analysts have also argued that Russia will not be an effective member of the P5+1 because the group may irritate Iran, whose support is badly needed by Moscow in confronting the West. Other experts have said that Russia may simply decide to blackmail the United States and the EU by threatening that if the West imposes further economic sanctions, then it will reconsider its participation in the P5+1.<sup>29</sup>

However, for the past two years, the Russians have been actively working to secure an effective dialogue between authorities in Tehran and the West on the nuclear issue. Lavrov's 2012 proposals set the stage for the current round of negotiations. During the November 2014 talks between Iran and the P5+1, Russian diplomats were actively engaged. On the sidelines of the negotiations, Deputy Minister of Foreign Affairs Sergey Ryabkov held bilateral consultations with almost all of the parties involved. These efforts did not go unnoticed, at least in Tehran. On November 25, 2014, Rouhani personally called Putin to discuss the results of the Vienna negotiations and assure him that Iran intended to continue the dialogue with the P5+1.

He again called the Russian president to discuss the issues of the nuclear talks on March 26, 2015. This happened on the day when the next round of negotiations between Tehran and the P5+1 began in Lausanne. As it was in November 2014, Russian diplomats took an active part in these talks that lasted until April 2. They remained highly satisfied with the results of the negotiations and the parameters of the future final agreement (the so-called Joint Comprehensive Plan of Action) settled between Iran and the P5+1. Ryabkov even expressed his hope that the Joint Comprehensive Plan of Action could be signed by the deadline of June 30, 2015, without any further delays.<sup>30</sup>

Even the agreement between Russia and Iran to construct new nuclear power units in the Islamic Republic is considered by some analysts as part of Moscow's efforts to settle the nuclear issue. In their view, this deal helped, at least temporarily, to relieve tensions related to the Iranian demands for the technology that would allow the Islamic Republic to produce its own nuclear fuel. Others have alleged that the Russian-Iranian agreement may have also paved the way for the future use of uranium hexafluoride produced by the Islamic Republic or its relocation to Russia or any third country.<sup>31</sup>

The Joint Comprehensive Plan of Action has the potential to generate confidence that Tehran will be unable to secretly develop a military nuclear program.

Furthermore, even if the Islamic Republic does not honor the deal, the international community will have at least one year to counter Iran's efforts to break out. This has completely satisfied Moscow. Intense dialogue with the Iranian authorities has also assured the Russian government that Tehran is serious about implementing the nuclear deal. Overall, the Kremlin believes it has the necessary guarantees that Iran's nuclear program is peaceful.<sup>32</sup>

As opposed to the above-mentioned negative assessments, an agreement between Iran and the P5+1 would not deal a significant blow to Moscow's relationship with Tehran. From an economic point of view, Russia has nothing to lose. Over the last eight years, when European enterprises pulled out of Iran, Russian companies failed to make any substantial economic gains. In 2011–2014, Iran's share of Russian foreign trade even decreased from 0.5 percent to 0.2 percent. By 2014, total Russian investments in the Islamic Republic were also unimpressive: they amounted to less than \$50 million.<sup>33</sup> At the same time, the areas in which Russian companies have managed to achieve certain successes (such as nuclear energy) are traditional Russian strengths, and Western competition may only stimulate Russians' activities in these fields.

From a political point of view, a comprehensive deal would also not be a threat to Moscow's ties with the Islamic Republic. While the nuclear issue remains the most important aspect of Western relations with Tehran, the Russian-Iranian agenda is much broader. Both countries are deeply involved in talks concerning Afghanistan, the Caucasus, Iraq, Syria, and post-Soviet Central Asia. In many cases, they are interested in cooperating on these regional issues. For example, Moscow and Tehran see each other as key players in the negotiations over the legal status of the Caspian Sea. They are also working together to battle drug and human trafficking, cross-border crimes, and terrorist organizations in Asia.

Settling the nuclear issue would not produce a significant negative effect on the Russian-Iranian dialogue; the two sides would remain interested in cooperation on a wide array of issues. A nuclear agreement with Iran may even benefit Moscow: it would eliminate the sanctions that have hindered Russian economic activity in the Islamic Republic and guarantee that Iran would not become another hot spot on the CIS periphery.

## Problems Ahead

Despite the potential for improvement, there are serious obstacles that may hamper or even stop the growing cooperation between Iran and Russia.

The formation of a solid political and economic foundation requires time, which is something that Russia and Iran may lack. There are no guarantees that Moscow's relations with the West will not change and that these changes, in turn, will not affect its interests in Iran. As the Medvedev era demonstrated, Moscow could be tempted to sacrifice some of its stakes in the Islamic Republic for the sake of another reset with the United States.

The two countries' international positions may also play a role. The growing confrontation with the West has prompted Russia to become very interested in contact with Iran, whereas certain improvements in Iran's relations with the EU have made the Islamic Republic less dependent on contact with Moscow. And Iran periodically reminds Russia of this by stating its readiness to take steps that are not in Russia's interests. For instance, on more than one occasion, the Iranian authorities have expressed their readiness to replace Russia as a gas supplier for Europe. So far, these statements have been nothing but political bravado. Yet, it is still possible that in the future Iran could join a project like the Nabucco oil pipeline (proposed to run from the Turkish border to Austria).

Under these circumstances, the Kremlin needs to be inventive to keep Tehran interested in bilateral dialogue as well as loyal to previous agreements. However, this could be challenging: it remains to be seen how far Russia is ready to go in its political contact with Tehran and how much it can offer. The formation of any comprehensive strategic alliance with Tehran is still not in Moscow's interest, as it could seriously harm Russian dialogue with several other states, including Israel and Gulf Cooperation Council countries. Additionally, Iran's influence on the ground in Afghanistan, Iraq, and Syria often surpasses Russia's. As a result, the only assistance that Moscow could offer on these problems is, perhaps, moral support. This, in turn, allows the Iranians to see the Kremlin as only a minor assistant in certain areas (for instance, in Syria).<sup>34</sup>

Beyond that, on some issues, the Russian and Iranian positions could be close, but it is not certain that they will coincide. The gap in the positions of the two countries, in turn, may create difficulties in their dialogue and even become a source of tension between Moscow and Tehran. This is the case when it comes to the difference between the Russian and Iranian positions regarding the legal status of the Caspian Sea. Iran's approach to the issue is close to the Russian vision of the situation. However, Moscow and Tehran are far from being in complete agreement, and there are tensions between the two countries. Serious contradictions between them exist on the territorial division of the sea. For example, the two countries failed to reach a consensus on the regime to govern navigation in the zones under national jurisdiction. In addition, Tehran has periodically insisted on the complete demilitarization of the Caspian Sea or, as another option, on limiting the military potential of the five littoral states in the Caspian region and establishing a joint arms control system.

In terms of economic cooperation, the Russian-Iranian dialogue also has its limits. Apart from ferrous metals, wood, and petrochemical products, Russia has a very narrow range of goods to offer Iran—and a continually shrinking range, at that. As officials from the Russian Chamber of Commerce and Industry explain, it is not the international sanctions, China's growing economic presence in the region, or the Iranian authorities' intractability that prevent Russian companies from doing business with the country, but rather the growing technological gap between Russia and the West, as well as Russia's economic prob-

lems. Iran currently lacks engineering and technological support, as well as equipment to upgrade and construct oil refineries and liquefied-natural-gas production plants. However, Russia is unable to provide Iran with the required assistance, equipment, and technology. Moreover, it is badly in need of these itself. With Russia's economic problems mounting, the technological gap will only increase.

International sanctions against Iran also severely limit the options for Russian-Iranian cooperation. As a result, in practical terms there has been little substance behind the intense exchange of high-ranking delegations and ideas. Officials at different levels of Russian government have regularly visited Iran, but the number of investment agreements of a large scale or value signed between the countries is near zero (excluding the 2014 deal on the construction of new nuclear power units in Iran). To date, all discussions regarding multibillion-dollar Russian investments in the Iranian economy, including the hypothetical \$70 billion in contracts discussed at the joint commission meeting in September 2014, have not been translated into practice. Moreover, since 2011, the volume of trade between the countries has been consistently falling by more than 30 percent annually, and, by 2014, it had sunk to around \$1.5 billion (at least two times lower than Russian-Egyptian and Russian-Israeli trade).<sup>35</sup>

The Russian-Iranian nuclear deal concluded in November 2014 certainly may improve the situation. However, this contract alone is not enough to boost the development of economic ties. Although the project calls for the construction of eight nuclear units, some leading Russian nuclear analysts say that building more than two power units in Iran within the next decade is barely possible.<sup>36</sup> Apart from that, existing punitive measures imposed by the West on Tehran could create problems with supplying the equipment necessary for implementing the projects. Sanctions could also make it difficult to conduct financial transactions. In other words, the Iranian authorities may not be able to pay the Russian contractors.

## Conclusion

All in all, in spite of mutual intentions to improve the level of bilateral relations, Russia and Iran have to overcome serious challenges to the practical implementation of their plans.

External factors can create room for future cooperation. The Russian confrontation with the West has made Moscow extremely interested in developing relations with Tehran. Iran has also gradually become disillusioned with the possibility of a quick settlement of the nuclear issue and the complete lifting of the punitive economic measures adopted by the United States, the EU, and their partners. This, in turn, has compelled the authorities of the Islamic Republic to be more active in their dialogue with countries that are ready to cooperate with Iran even under existing sanctions.

Yet, in order to use the chance given to them, Moscow and Tehran need to resolve issues whose natures have little to do with the roles of third parties. Namely, Russia and Iran will need to take a deeper look at their own potential to develop bilateral relations. They have to determine to what extent and in what areas real economic cooperation between them is possible and in what political spheres their collaboration can be effective—in other words, where they can go beyond mere consultations. Without clear answers to these questions, further progress on the dialogue between Moscow and Tehran is hardly possible.



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