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Russo–Iranian Relations and the Vienna Nuclear Agreement

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Introduction

Russo-Iranian relations have undergone a series of often-erratic ups and downs. Looking at the period since the Islamic Revolution, a number of periods can be drawn out, each marked by a series of competing trends and alliances that ebb and flow depending on shifting internal and external actors. It is the same set of politics within which the outcome of the Vienna Nuclear Agreement can be read, in terms of the future of Russo-Iranian relations.

The First Shifts

Russia's first significant test of bilateral relations with Iran in recent history was the Islamic Revolution of 1978-1979. The revolution led to a cooling of affairs with the new Islamic Republic, whose northern border was at the time shared with that of the former United Soviet Socialist Republic (USSR). Given the republic's eager engagement with an early policy of exporting revolution, the USSR had perhaps reason to distance itself from a country that proclaimed itself "neither West nor East but an Islamic Republic." Soviet foreign policy moves were also provocative, particularly the invasion of Afghanistan in 1979 and financial and technical support afforded to Iraq during its war with Iran in 1980-1988.

Only towards the end of the Iran-Iraq war did relations with the Soviet Union begin to improve. The first meetings on economic ties and trade agreements took place between 1986-1988. This was paralleled with an increase in friendly rhetoric between the nations, started by a statement from Iran's Ayatollah Ruhollah Khomeini to Mikhail Gorbachev where the former publically expressed his hope for future cooperation between the two countries. This set the upswing in relations into top gear, reaching its peak during the visit of the Iranian Speaker of Parliament Ali Hashemi Rafsanjani to Moscow in 1989, when a long-term agreement on economic and technical cooperation

was signed worth \$10 billion (all dollar figures in USD).² This agreement was multi-faceted, it included an accord on the delivery of Iranian natural gas to the USSR and the delivery of Soviet made equipment and automobiles to Iran; assistance measures in the construction of industrial and agricultural complexes in Iran; promoting trade circulation and the construction of a railroad between Tejen-Serakhs-Mashhad; as well as clauses on cooperation in training and technology development, culture, and sports. For example, provisions for cooperation in the field of radio and television, medicine, locust control and other programs.³

After the disintegration of the USSR, bilateral relations between Russia and Iran deepened. As Russia abandoned its Soviet atheistic ideology and adopted a more pragmatic approach to foreign affairs it was no longer seen as a potential threat, especially to Iranian territorial integrity. This was, in particular, first because Russia was preoccupied with its own internal problems, and second because the two countries no longer shared a common border. For these reasons, good relations seemed somewhat less critical and therefore easier to cultivate. Meetings between state officials of both countries became more frequent, and each country enjoyed an enhanced economic presence on the other's markets. Security and geopolitical concerns continued to play a serious role in the official relationships, but in a more collaborative vein: Russia, without the Soviet Union's vast swaths of "buffer territory" and also without its influence, found itself in need of allies to help maintain stability along its borders.

² Karami J. "Iran-Russia Relations: Expectations and Realities," *Iranian Quarterly*. Vol. 9, Nos. 3-4, Fall 2010-Winter 2011.

³ Arunova, M.R. "The Islamic Revolution and Russo-Iranian Relations," in *The East and Modernity*, № 21. Moscow: 2004. p. 178.

To a certain extent, Iran was able to fulfill this role as it continued to exert influence on its neighboring countries despite its international isolation. This continued into the next decade, and although Iran and Russia engaged in some geopolitical rivalry throughout the 1990s, particularly in Central Asia, this did not hinder their cooperation, especially when faced with external threats.

An Uncertain Future

Though relations were expected to have strengthened in the wake of the fall of the Soviet Union, they developed unevenly over the following 23 years. Where some issues were met with mutual accord, others caused disagreement, with the latter being more frequent. The 1995 Gore-Chernomyrdin Protocols are an apt example of the faltering relations. Under the agreements, Russia was meant to terminate technological and military cooperation with Iran by the year 2000. Then, in 1998, under pressure from Washington, Russia backed off its agreement to provide Iran with a research nuclear reactor.⁴ On the Iranian side, in July 1999, Iran's Guardian Council vetoed a Russo-Iranian joint initiative between the nations' law enforcement bodies, even though the Parliament had already approved the deal.⁵ This wavering of relations on the surface was guided by a complex array of internal, external, international, and regional factors. These factors pulled Russia and Iran in separate directions. An alignment of interests saw relations change for the better.

In the 1990's flare-ups of armed resistance from ethnic separatist movements gave Russia and Iran united interests. At the same time, the nations implemented a

⁴ Trofimov, A. "An Analysis of Views on the Governance of Iran and Russian Perspectives in the Region." *Institute for the Study of Israel and the Middle East*. April 10, 2003, <http://www.iimes.ru/rus/stat/2003/10-04-03.htm>

⁵ Kazeev, K. "Oversight Council Rejects Draft Law." ITAR-TASS. P-08 CK956. July 22, 1999

simultaneous round of economic “shock therapy,” which led to increasing social tensions. Cooperation saw Iran decline to support Chechen separatists during the first and second Chechen conflicts in the North Caucasus, and lobby to soften the anti-Russian position taken by nations throughout the Near and Middle East. Iran's role in mediating the Tajik civil conflict of the 1990s cemented the renewal of relations.⁶

The next milestone in Russo-Iranian relations was the official visit of then Iranian President Mohammad Khatami to Moscow in March 2001. This visit resulted in a signed agreement detailing the basis of cooperation and mutual relations between the two countries. The agreement, “An Agreement Regarding the Foundations for Reciprocal Relations and the Principles for Cooperation” was one of several important documents expanding ties between the nations from economics, to training, to sport, coming into force on April 5, 2002. The signing initiated a series of bilateral meetings between Presidents Putin and Khatami, first at the “Millennium Summit” (New York, September 2000), then at the Caspian Summit in Turkmenistan (April 2002) and once more during the Organization of the Islamic Cooperation Summit in Malaysia (October 2003).⁷

New Factors

This fruitful period came to an end between 2002 and 2005, when Russo-Iranian relations were hindered by Western anxiety over Iran’s nuclear program. Russia's cooperation with Iran attracted increasing criticism, and the election of Mahmud Ahmadinejad as Iranian President in 2005 further aggravated relations between the two countries.

⁶ Arunova, M.R. “The Islamic Revolution and Russo-Iranian Relations”.

⁷ *ibid*, 179; Kozhanov N., *Russia’s Relations with Iran: Dialogue without Commitments*. Washington: *Washington Institute for Near East Policy*, 2012. p. 2-5.

The policies and rhetoric of President Ahmadinejad provoked increasingly negative reactions in the West and renewed attempts to pressure Russia into taking a tougher position vis-a-vis Iran. In late 2006, Said Shariati, one of Iran's foremost political thinkers, characterized the situation thus:

"Russia cannot oppose the United States in the Middle East, and this is why Russia needs good relations with Iran so it can present a united front against the Americans. But Russia can play the Iranian card only for so long. Some here are of the opinion that if the West uses the Islamic Republic of Iran as a bargaining chip then Russia could change its attitude toward our country. I think this is what will happen, because relations with United States are more important to Russia than relations with Iran."⁸

Despite the pressure, Russia blocked American attempts to impose harsh sanctions on Iran for some time. The shift, Russian sources insist, stemmed from Iran's subsequent failure to take significant steps to demonstrate its readiness to maintain a dialogue with the international community regarding its nuclear program. While Russia was reassuring its Western colleagues regarding the undeclared aspects of Iran's nuclear program, Tehran was secretly working on the construction of the nuclear facility in Fordow. More than once, the Iranians scuttled a near deal in which Russia would have supplied Iran with enriched uranium. Perhaps these factors ultimately pushed Russia in 2010 to support UN Security Council resolution № 1929 on sanctions against Iran, and to refuse to supply Tehran with S-300 anti-aircraft missile systems. As a defensive weapon, the S-300, is not formally covered by the sanctions, thus international media was rife with speculation about the motives for Moscow's refusal to fulfill its contract. One source claimed the Russian government made the decision at the personal request of Israeli

⁸ Interview with Said Shariati, member of the political commission of the "Masharekyat" political party, conducted by Nikita Filin in Tehran, December 27, 2006. Published in "The Social-historic Development of the Islamic Republic of Iran (1979-2008): Factors of Stability in State Power." Appendix 1. Moscow: 2012, p. 244.

Prime Minister Benjamin Netanyahu, who in exchange promised to stop supplying Georgia with Israeli arms. There is an alternative view, however, among some observers that Russia and the United States made a tacit agreement by which Washington promised not to interfere with Russia's WTO accession in exchange for Moscow's refusal to sell Tehran the anti-aircraft system.⁹

Underscoring the unstable relations was the scrapping of a plan for the formation of a natural gas consortium between Iran, Russia and Qatar due to outside pressure. In April 2007 a meeting of gas-exporting countries in Qatar approved a plan for coordinating export policies. This was the start of what might have been increased cooperation, and was indeed followed by a November 2008 meeting in Moscow between Russia, Iran and Qatar, where the establishment of a joint-enterprise for natural gas extraction in Iran and its liquefaction in Qatar for offer on international markets was announced. The deal was railroaded, however, by a resolution from the American congress threatening legal action against any state attempting to realize an international natural gas consortium along the lines of OPEC. One of the results has been the continuation of "gas wars" between Russia, its transit partners and consumers, while Iran remains denied a potential market for its own natural gas resources, which rank second only to Russia in terms of world reserves (16%).

Today, the maintenance of cold ties between the countries is aided in part because Russia receives some benefits from the partial economic and political isolation of Iran. Notwithstanding the negative impact of sanctions on trade and economic relations between the two countries, the absence of virtually all Western companies on the Iranian market has greatly reduced the level of competition for Russian companies

⁹ Currently, with US-Russian relations in tatters and sanctions on Iran seemingly soon to be lifted, there have been media reports of plans to go ahead with the S-300 sale, although it remains to be seen to what extent such talk is political leveraging or a serious consideration, and to what extent third party countries would move to block such a sale if indeed being seriously considered.

there. Among Russian companies doing business in Iran after 2010 are OJSC Power Machines, Kamaz, GAZ Group and others.¹⁰ However, despite the complicated situation of Russian acquiescence to sanctions against Iran, Moscow and Tehran adopted a common position on a number of regional issues in 2012. First and foremost, they both seek to maintain peace and stability in the former Soviet republics of Central Asia, the Caucasus, and Afghanistan.

Old Battles

Since 2007/8, relations have deteriorated but they have not fallen apart. A series of agreements and disagreements from both internal and external pressures continue to guide the relations between Russia and Iran. During the Russian-Georgian conflict in August 2008, for example, Iran did not overtly denounce either side. A primary obstacle in Russo-Iranian relations had been the question of determining the legal status of the Caspian Sea. Before 2000, Russia and Iran shared approximately the same stance on this question, based on the principle of all marine resources falling under the common ownership of the Caspian littoral states. Moscow subsequently revised its approach in favor of dividing the Caspian Sea into national sectors, an approach that Iran objected to. The Caspian question was not confined solely to territorial disputes, but includes a whole range of economic and geopolitical factors,¹¹ including mining and bio-resources, the construction of gas and oil pipelines, and the prevention of third parties from intruding into the region, including militarily. The final legal status of the Caspian Sea and its resources continues to affect the development of Russo-Iranian relations. On 29 September 2014, however, the presidents of the five countries bordering on the

¹⁰ Kozhanov N. "Russian-Iranian Economic Relations: Opportunities and Challenges" *The Maghreb Review*, Vol. 37, № 3 – 4, 2012. p. 230.

Caspian were able to agree upon key principles for dividing up the territory: the national sovereignty of each country extends from the shore 15 nautical miles into the sea, and for a further 10 nautical miles each respective country is to have exclusive rights to the exploitation of natural resources. The remainder of the Caspian is given over to their joint use. Thus it would seem that in principle, at least, one of the major hurdles to an agreement has now been overcome.

In July 2005, Iran acquired observer status in the Shanghai Cooperation Organization (SCO). The decisive factor was the full support of Iranian candidacy from Russia. Tehran's main goal, however, remains full membership in the SCO. Iran tried but ultimately failed to gain full SCO membership at the Yekaterinburg summit in June 2009, when Russia was chairing the SCO. This was likely a result of the unstable situation and mass demonstrations in Iran following the disputed re-election of President Ahmadinejad.

It was not only politics that destabilized relations, however, but also perceptions. Ahmadinejad's visit to the SCO summit in Yekaterinburg, which was portrayed by official Iranian media sources as an indication of support for him by SCO members (particularly Russia), provoked a flurry of criticism of Moscow from the Iranian opposition. The opposition began to spread rumors that Russia helped Iranian intelligence services suppress opposition protests in the summer and autumn of 2009, thus tarnishing Russia's image among a certain segment of the Iranian middle class and intelligentsia and complicating—on yet another front—relations between the two countries. Indeed, a negative image of Russia has existed in Iranian society since well before now; some would argue that it has been developing for centuries. This historically negative attitude among the Iranian population toward Russia changed much less than the policy of the Iranian government after the dissolution of the Soviet Union.

Popular opinion does exert pressure, if indirectly and indeed if it is heeded, on Iranian foreign policy decisions regarding Russia. According to Iranian scholar Hamid Shirzad, poor public opinion stems from two main issues: "The Iranian people have a generally negative attitude towards Russia. This is for two reasons: firstly, the errors of Stalin's policy in Iranian Azerbaijan; and secondly, the policy of the Soviet Union outside of Iran, which is also perceived negatively by Iranians."¹² Interestingly, some Iranians informally interviewed, cited the emphasis in Iranian education on the Qajar period, in which Iran was forced to give up territory after losing two major wars to Russia, as a source of the lingering antipathy toward their northern neighbor.

Yet cultural ties are strong between Moscow and Tehran. Persian poetry evenings, Iranian film festivals and other cultural events are often held in Moscow, where there is an active Iranian Cultural Center, as well as in other Russian cities. While there are fewer Russian cultural events held in Iran (Russia does not yet have a cultural center in Tehran, where the Russian Embassy shoulders that responsibility), many Iranians display a keen interest in Russian culture despite any lingering political misgivings. A look at the shelves of most Tehran bookstores will reveal a large selection of Russian literature translated into Farsi. It is also worth noting that five aspiring Iranian filmmakers are enrolled at the Russian film school VGIK this year under a newly initiated cultural exchange program.

The Current Climate

In recent years, political contacts and dialogue between Moscow and Tehran have grown. This is likely due to the re-election of President Vladimir Putin, who has always

¹² Interview with Hamid Reza Shirzad, PhD in International Relations, conducted in Tehran on December 24, 2006 by Nikita Filin. Published in "The Social-historic Development of the Islamic Republic of Iran (1979-2008): Factors of Stability in State Power." Appendix 2. Moscow: 2012, p. 273.

had a rather more propitious view on Iran than former president Medvedev, combined with an accelerating deterioration in US-Russian relations. Compared to 2010 and 2011, which witnessed the most significant decline in Russo-Iranian relations since the early 2000s, 2012 and 2013 were marked by numerous reciprocal visits of Iranian and Russian officials. During this period, Russian Foreign Minister Sergei Lavrov visited Iran for the first time in four years. In February 2012, the Russian Minister of the Interior visited Iran. In January 2013, during a working visit to Iran, the Minister of Internal Affairs of the Russian Federation, Vladimir Kolokoltsev, signed an agreement on a "Legal Alliance" between the Ministries of Internal Affairs of Russia and the Islamic Republic of Iran. This was the first agreement to define the forms and methods of cooperation in the fight against crime. There have also been numerous mutual visits at the level of deputy and foreign ministers.

Nonetheless, economic relations between the two countries have fallen on harder times of late. Largely due to sanctions imposed on Iran, there has been a considerable decrease in the volume of Russo-Iranian bilateral trade since 2011, when it amounted to \$3.75 billion.¹³ In 2014, trade between the two countries totaled merely \$1.7 billion according to World Bank data. The expulsion of Iran from SWIFT in 2012 remains a serious impediment to Russian banks working with Iran. Recent negotiations between major Russian companies and Iranian officials on a variety of projects yielded few results. After two years of negotiations, Gazprom Neft refused to develop the Azar oil field. This was likely due to public and private entities in Russia with financial stakes in the West fearing reprisals for continued operations in Iran. Now, however, with Gazprom Neft and other Russian companies themselves under sanctions, any stigma of

¹³ Mamedova, "Russia and Iran at the End of the First Decade of the 21st Century: Contradictions and Mutual Interests." *Institute of the Near East*. 12.03.2012) URL: <http://www.iimes.ru/rus/stat/2012/21-03-12.htm>

developing business ties with Iran may disappear, and relations could move forward on this front.

In spite of all of this, there have been a number of positive trends in trade and economic ties between Russia and Iran, beginning in 2012. In the first six months of 2012, Iran exported \$203.5 million worth of goods to Russia, 9.3% more than in the same period of 2011.¹⁴ According to the Customs Administration of Iran, in the period from March 21, 2012 to August 21, 2012, more than 267 tons of various types of cement in excess of \$20 million were exported to Russia (for the Iranian fiscal year 21 March 2011 to 20 March 2012, the export of cement to Russia totaled only \$6 million). The absence of Western competition has provided new opportunities for Russian businesses. There has also been a significant increase in the supply of chemical products from Russia to Iran, namely various catalysts for petroleum and petrochemical products. These products were first exported in 2012 at a value of \$4.35 million in the first half of the same year. The exhibition "Advanced Russian Technologies," held in Tehran in February 2012 with the participation of the Russian Trade Mission in Iran, contributed to establishing initial contacts between Russian producers of catalytic agents and Iranian consumers.¹⁵ Given these numbers, there is obviously great potential for the development of Russo-Iranian contacts in these economic spheres. Of particular interest are the contacts being made at the level of small and medium-sized businesses, for example, Russian companies from Astrakhan, Stavropol, Krasnodar Krai and the Republic of Tatarstan, which lack close contacts with Western businesses, see

¹⁴Ministry of Economic Development of the Russian Federation), <http://www.ved.gov.ru/articles/1197>

¹⁵ *ibid.*

Iran as a receptive and lucrative market for their goods. Due to the lack of official data, however, the scale of cooperation on this level remains difficult to judge.¹⁶

With the 2013 election of President Hassan Rouhani, Russo-Iranian Relations began to assume a new form. On September 13, 2013, the presidents of the two countries met in Bishkek and expressed their intention to further increase bilateral contacts. Early in 2014, Russia and Iran held negotiations regarding the supply of Iranian oil to Russia in exchange for goods with a total projected volume of roughly \$20 billion. Furthermore, stronger Western sanctions against Russia in light of the deteriorating military and political situation in Ukraine are pushing Russia towards Iran and could result in the strengthening of relationships, including in the field of military cooperation. Indeed, the Iranian Minister of Foreign Affairs Mohammad Javad Zarif has visited Moscow repeatedly in the past two years, most recently in August 2015.

Looking Ahead

Russo-Iranian relations have a long history, which includes episodes of both collaboration and antagonism. Frequent changes in strategic priorities have at times brought the two countries closer and at others pushed them apart. The factors outlined here, together with the existing prerequisites for political and economic dialogue, should make for a firm foundation on which to establish close co-operation in the years to come. Yet, the interplay of internal and external factors may soon undergo another qualitative change. With sanctions imposed against Russia and US-Iranian relations enjoying a mild *détente*, Shariati's decade-old question as to whether Russia would abandon Iran under pressure from the West might be turned on its head. The question then becomes: If the West uses Russia as a bargaining chip with Iran, will relations with the United States prove more important to Iran than those with Russia?

¹⁶ Kozhanov N., Russian-Iranian Economic Relations: Opportunities and Challenges.

Fallout from the July 14 2015 agreement signed in Vienna, may determine the answer, at least in the short term. The agreement will usher in a paradigm shift in Iranian-Russian relations, if not the global political network: after 10 years of official and unofficial negotiations, an accord on the Iranian nuclear program was signed by the Islamic Republic and the P5+1 (the five permanent members of the United Nations Security Council — China, France, Russia, United Kingdom, United States—plus Germany). The details of “The Joint Comprehensive Plan of Action” (JCPOA) are well known. The deal requires transparency and limitations on nuclear work from Iran for the next 15 years in exchange for a gradual lifting of some sanctions. What is yet to be seen, however, are the ramifications for the Iran-Russia nexus, politically, economically, and militarily. In order to determine the future of Russia-Iranian relations, the Russian contribution to the negotiations and their motivations must first be determined. Given that many observers see largely negative repercussions for Russia, the question here is whether Moscow actively facilitated the agreement.

The answer here is yes; Russian proposals largely determined the final form of the signed agreement. The success of the negotiations was clinched by the “concept of phasing and reciprocity” floated by Russian diplomats, whereby each step toward compliance by Iran is to be accompanied by a corresponding step from the P5+1 and the United Nations in easing sanctions.

A closer examination of the agreement reveals that an unshackled Iranian economy may bring benefits to Russia. In terms of global security, many of the advantages the agreement promises for Western European and North American countries also apply to Russia: Iran can join the coalition of Western countries in fighting terrorist threats in Middle and Near East. The blocking of this potential has been keenly felt in recent years with the spread of ISIL-led chaos and Shia-Sunni conflicts erupting in Syria, Yemen, Iraq and other countries. It was Iran that effectively saved Baghdad from ISIL fighters and then helped to stabilize the situation in the capital. In short, Tehran’s role in world

affairs will increase, and while this may not accord with the wishes of every state, an enhanced role for Iran has the potential to help resolve critical problems in the region.

Nor can Russia and the West afford to be indifferent to the likely effect of this agreement on internal Iranian politics. Regardless of where the credit really lies — and it is certainly spread among all the parties to the agreement as well as previous administrations whose missteps and intransigence set the stage for a new track — this will be scored internally as a victory for the liberalizing elements in Iranian government, who have achieved what other previous governments were unable to. A strengthened economy, membership in the Shanghai Cooperation Organization (SCO), and other fruits the compromise may bring should only strengthen the reformist movement's hand.

Internal criticisms of Russian support, however, have focused on the potentially negative economic fallout from the deal. Although increased oil and gas exports from Iran onto international markets can certainly bring prices down—which is a serious risk for the Russian resource-dependent economy—exports will also create new opportunities with the potential to outweigh the risks.

Many of the large Russian enterprises, such as Gazprom-Neft, Lukoil and Tat-Neft, kept away by sanctions and stigma can now return to the Iranian market. The Vienna agreement allows Iran to develop its uranium enrichment program on a limited basis (monitored by The International Atomic Energy Agency (IAEA)), which opens up possibilities for large-scale, peaceful atomic projects between Moscow and Tehran.

Joint projects are also slated in the aerospace industry and space research: satellite launches, research programs and space navigation systems. The Russian Railroad has already announced its readiness to participate in switching Iranian railways to electric power. The Russian Ministry of Economic Development is initiating talks on expanding

the spectrum of traded goods between the two countries, perhaps with a provision for Iran to purchase goods in rubles. The Russian Ministry of Industry and Trade is in negotiations to found a joint enterprise for automobile and road-building equipment production.

So, while depressed oil prices and their effect on the ruble exchange rate is a major concern and has generated skepticism about the wisdom of the Kremlin's support for the nuclear agreement, it should be noted that additional Iranian oil exports will occur no earlier than early 2016, once the IAEA has verified Iranian compliance. What's more, the years of sanctions have left Iran's oil exploitation infrastructure in great need of modernization and repair, and this will require no small amount of expertise and capital. Thus, a number of factors will prevent Iranian exports from having a sudden impact on markets: sanctions targeting the energy sector are set to be lifted only at the end of 2015 and Iranian funds will not be released immediately, meaning that much-needed Western and US technology cannot be acquired and implemented quickly.

In an even sadder state is the drilling and pumping infrastructure for gas in Iran. Russia, with its wealth of experience in exploiting natural gas, building pipelines and transport, is well poised to participate in large-scale gas projects on the territory of the Islamic Republic.

Lastly, the opportunities are not limited to massive state-run companies. Post-sanctions Iran will be irresistible for the world business community, and Russian businessmen have been conspicuous among the well-heeled visitors touring the Tehran Stock Exchange in recent months.

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