

## The Great Guessing Game: Russia and the Iranian Nuclear Issue

Since the mid-1990s, Russia had featured in virtually every mention of Iran's nuclear program. Indeed, Russia is the only state to have openly cooperated with Iran in the nuclear field and has spent the better part of the last decade at the receiving end of fierce U.S. criticism for its efforts. Yet during the last two years, Russia has somehow been largely absent from the flurry of diplomatic activity, media speculation, and scholarly debate over Iran. During that time, the international community has managed to navigate between the U.S. administration's propensity for confrontation, the preference of the EU-3 (Germany, France, and the United Kingdom) for negotiation, and Iran's predilection for uttering half-truths and driving wedges among the United States, Europe, and Russia.

To what extent has Russia's role since been sidelined? Is Russia's marginalized role a result of internal debates over big interests that have paralyzed Moscow or of a shift in Moscow's own strategic thinking toward Iran, from engagement and close strategic cooperation to limited and cautious cooperation, disillusioned by its inability to read Tehran's nuclear intentions over the past two decades? A closer look at the evolution of Russian views and policy toward Iran's nuclear program and the idiosyncratic interactions among Russia, the United States, and the EU illuminate the dilemma that Moscow still faces between proliferation concerns and strategic temptations—both economic and geopolitical—as well as the challenges that the international community currently faces as it attempts to avert an Iranian nuclear crisis.

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## **Accidental Engagement: Russian Policy toward Iran**

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Russian officialdom repeatedly emphasizes that Moscow views itself as a “historic, stable partner” of Iran, understandably choosing to emphasize the recent history of the Soviet Union’s pioneering cooperation with the Islamic republic rather than the Russian empire’s centuries of conflict and interference. In fact, Russia has traditionally been wary, if not suspicious, of Iran’s nuclear intentions.

### **THE ORIGINS AT BUSHEHR**

The Bushehr saga began in August 1992 when, as part of a long-term trade and cooperation program, two Russian-Iranian agreements on the construction of a nuclear power plant in Iran and on the peaceful uses of nuclear energy were signed. Nuclear cooperation would consist of constructing nuclear power plants for Iran, cycling nuclear fuel, supplying research reactors, reprocessing spent fuel, producing isotopes for use in scientific and medical research, and training Iranian nuclear scientists at the Moscow Engineering Physics Institute (MEPhI). Although nonproliferation experts in Moscow had become increasingly concerned in the late 1980s about Tehran’s pursuit of nuclear research for military purposes, the defeat of Iraq in the 1991 Persian Gulf War and the dismantlement of Baghdad’s nuclear, chemical, and biological programs seemed to dissipate Iran’s own interest in nuclear research. As of 1993, Russia’s Foreign Intelligence Service was hedging its bets, publicly revealing its belief that Iran had a military nuclear research program but that, “without external scientific and technological assistance, Iran ... will not possess nuclear weapons sooner than 10 years from now.”<sup>1</sup>

Negotiations concluded on January 8, 1995, when a Russian company, Zarubezhatomenergostroi, and Iran’s Atomic Energy Organization signed a contract to complete the construction of the Bushehr nuclear plant. Bushehr had been started by a German company, Siemens, but abandoned after damage sustained during the 1980–1988 Iran-Iraq War and subsequent U.S. pressure on Germany to terminate the contract. The Russian side was also eventually expected to supply Iran with three more reactors.<sup>2</sup>

What were Russia’s motives behind the Bushehr project? With hindsight, it is tempting to theorize that the contract might have been a tool used in Moscow’s pursuit of its geopolitical interests in the region, but flattering descriptions popular in today’s Russia of Moscow’s wisdom in “filling the Iranian vacuum” are simply too good to be true. In reality, under President Boris Yeltsin (especially in the first half of the 1990s), Russia’s foreign policy decisionmaking was too fragmented, with various interest groups and power bases tussling for influence. Russia’s then-minister of nuclear energy, Viktor

Mikhailov—one of the chief advocates of the Bushehr deal—spelled out the government’s position as follows: “What could Russia have brought onto world markets? We only had one strength: our scientific and technical potential. Our only chance was broad cooperation in the sphere of peaceful nuclear energy, as Minatom (the Ministry of Atomic Energy) was, and continues to be, a leader in this field.”<sup>3</sup> Mikhailov believed that the successful completion of the Bushehr project would provide the Russian nuclear industry with positive publicity which would then lead to other deals in the region. As Jack Matlock, former U.S. ambassador to the Soviet Union, wrote in an apologetic article, “Mikhailov’s politics should have been predictable to anyone who understood the problems he faced in 1991 as the Soviet Union collapsed.”<sup>4</sup>

How much did Russia actually gain from the Bushehr project? The exact figures are classified, but open-source estimates range from \$800 million to \$1 billion. Even if the actual amount were lower, the sum was impressive from Moscow’s perspective, particularly at that time. The fine print was even more appealing, with the Iranians agreeing to pay 80 percent of the Bushehr contract in cash.<sup>5</sup> This hard currency was to feed an entire chain of Russian nuclear institutions, providing significant assistance to a nuclear industry shocked by the breakup of the Soviet Union and the ensuing economic chaos of the early 1990s in Russia. The Bushehr contract, as well as the training program for Iranian specialists, complied with the nonproliferation requirements of the International Atomic Energy Agency (IAEA) and the Nuclear Non-Proliferation Treaty (NPT), a fact that Russian officials repeatedly emphasized and Europeans recognized. Only the United States and Israel consistently opposed all Russian-Iranian nuclear cooperation, citing Tehran’s alleged military ambitions.

**Russia has traditionally been wary, if not suspicious, of Iran’s nuclear intentions.**

### **ANARCHY UNDER YELTSIN**

Although Bushehr was orchestrated by the Kremlin, other forms of nuclear cooperation were not. By the mid-1990s, Moscow realized that Iran’s relations with Russian companies and research institutes involved in nuclear energy and missile-related projects had haphazardly expanded. Russian scientists, contracts, and its institutions’ designs began to appear in Iran more frequently, leading a Russian expert to remark that, “when considering relations between Russian institutions and their Iranian partners in the field of critical technologies ... we are faced with a total ... lack of responsibility

from the part of our institutions in that their own interests are viewed separately from those of the state.”<sup>6</sup> Eventually, Moscow responded by expelling several Iranian intelligence operatives and tightening export controls for Russian companies.<sup>7</sup>

In the meantime, one particularly disconcerting example of Minatom’s rogue initiatives was a January 1995 protocol of intent emphasizing Russia’s readiness “to conduct negotiations on the contract on construction of the centrifuge plant for uranium enrichment”<sup>8</sup> that Mikhailov signed in Tehran

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without the knowledge of the Russian government. The protocol, which would have violated both Russia’s international obligations under the Nuclear Suppliers Group and national export control laws, was canceled once the Ministry of Foreign Affairs and other governmental agencies—almost by chance—found out about it; but damage had already been done to diplomatic relations with the United States. On a visit to Moscow in May 1995 (after the protocol had

already been canceled), President Bill Clinton kept up the pressure on Yeltsin by reminding him of Russia’s “misbehavior” toward Iran and demanding in return the shutdown of all Russian cooperation with Iran in sensitive areas, including conventional arms sales. Even though the original Russian-Iranian deal did not include any military cooperation, Yeltsin made matters worse by stating that the military element of Russia’s cooperation with Iran had been “excluded from the contract.”<sup>9</sup>

At the same time, softening public Russian threat assessments of Iran raised U.S. concerns even further. Evgenii Primakov, then head of the Foreign Intelligence Service, issued a report in 1995 emphasizing that Russian intelligence “had not uncovered convincing evidence of the existence (in Iran) of a coordinated ... military nuclear program” and that “the level of Iran’s achievement in the nuclear field is not superior to that of 20–25 other countries.”<sup>10</sup> The contrast with the agency’s 1993 report, which expressed significant suspicion about Iran’s nuclear ambitions, was striking.

It took Moscow considerable time to elaborate a course on Iran. Indeed, nuclear cooperation started before the search for a more coherent policy. Between 1996 and 1998, under then-Foreign Minister Primakov’s leadership, a consensus on an appropriate strategy to adopt toward Tehran slowly began to emerge. It was centered around two key realizations: the importance of nonproliferation principles and of profound geopolitical as well as economic engagement with Iran. Nonproliferation, however, was priority number one.

Nevertheless, traditional turf battles and disagreements resurfaced periodically. For instance, in December 1996, as the Foreign Ministry was busy making optimistic noises, the Ministry of Defense labeled Iran “a potential threat” to Russia’s security because of a “sharp increase in offensive potential.”<sup>11</sup> In April 1998, Minatom announced that Russia was interested in providing Iran with a research reactor that had an enrichment capacity of up to 20 percent. Once again, however, U.S. pressure prevented the reactor and laser equipment from being delivered. Washington feared the equipment might be used to enrich uranium to a weapons-grade level. The issue was raised repeatedly during bilateral meetings between U.S. secretary of energy Bill Richardson and the head of Minatom, Evgenii Adamov, between Vice President Al Gore and Prime Minister Mikhail Kasianov, and at a meeting of both presidents in July 2000 during the G-8 summit in Okinawa and again during the UN Millennium Summit in September 2000. Subsequently, Russia “realized the sensitivity of the issue” and agreed to suspend the supplies it was sending to Iran.<sup>12</sup> The Bushehr light-water project, which was itself hampered by technical and political delays, remained practically the sole instance of Russian-Iranian nuclear cooperation.

By the end of the 1990s, Iran’s nuclear intentions and programs, particularly nuclear cooperation among Iran, North Korea, and Pakistan, raised suspicions in Moscow. In 1999, the head of the nonproliferation directorate of Russia’s Foreign Intelligence Service publicly warned that intelligence services in these three countries had been “obtaining classified technology and materials from secret, mostly military-related sources, and immediately” sharing it among themselves.<sup>13</sup> Moscow was now reconsidering whether to develop or even continue its nuclear cooperation with Tehran. The Russians suspected that, beginning the mid-1980s, the elite and conservative Corps of the Guardians of the Islamic Revolution were orchestrating (albeit in fits and starts) parallel nuclear research for military purposes, unbeknownst to the Iranian Ministry of Foreign Affairs and possibly even to President Muhammad Khatami.

Frequent contradictions in the information gathered, even in the simplest facts, from Iranian diplomats and nuclear scientists had raised Moscow’s doubts. Unfortunately, information was too scarce and often too contradictory to enable firm conclusions to be reached—a problem that remains to this day. For this reason, when the United States raised its concerns about Iran’s intentions, the Russians repeatedly told Washington, “If you have real facts, let us study them.”<sup>14</sup> Such requests were only met with flat refusals, however, invoking the need not to compromise U.S. intelligence sources. Such reactions led Moscow to conclude that Washington’s primary concerns, as well as intelligence sources, originated in Israel and that perhaps U.S. intelligence was questionable.

Once Vladimir Putin became president in 2000, he centralized Russian foreign policy, reducing the chaos that had pervaded Yeltsin's tenure and making it less prone to lobbying by different actors. The Kremlin became increasingly convinced that Iran was emerging as the key player in the region, that Tehran should not be subject to a double standard (the U.S.-orchestrated effort to supply light-water reactors to North Korea within the framework of the Korean Energy Development Organization had been considered proliferation-safe, while Russia's construction of the same type of reactor was met with anger in Washington),<sup>15</sup> and that Moscow's decision to cooperate with Tehran rather than isolate it—and not just a specific disagreement over its nuclear program—was the source of Moscow's tensions with Washington over Iran.<sup>16</sup> In effect, Putin made nuclear cooperation and, more broadly, cooperation in the high-tech area a key component of a broader strategic relationship with Tehran.

#### **DISILLUSIONMENT AFTER NATANZ**

Such an optimistic approach made the discovery in the second half of 2002 of details concerning the construction of a centrifuge plant in Natanz, as well as other nuclear fuel cycling facilities, all the more distressing for Moscow. Russia was shocked, perhaps even more so than the West, at Iran's admission that it had been conducting clandestine, though not necessarily illegal, nuclear research activities for 18 years. Few could have suspected the extent and speed of Iran's progress. In a remarkable 2003 report, retired Lt. Gen. Vassilii Lata, former deputy chief of staff of the Russian Strategic Missile Forces, and nuclear physicist Anton Khlopkov offered their assessment of the revelations about Iran's nuclear program, arguing that Iran could go quite far without violating its international obligations—that it had the right both to produce highly enriched uranium and to generate, separate, and store weapons-grade plutonium under IAEA supervision. Iran would be capable of building a nuclear weapon just several months after having accumulated sufficient quantities of weapons-grade nuclear materials. Indeed, the political decision to use its accumulated reserves of nuclear material in this way might be made if U.S.-Iranian relations were to deteriorate further and the United States were to prepare to overthrow the Iranian regime.<sup>17</sup>

Moscow had another reason for its disillusionment. As the only state to cooperate with Iran in nuclear energy field, Russia expected, rather naïvely, that it would have Tehran's exclusive confidence and be kept informed about all of Iran's nuclear activities well in advance, regardless of whether those activities were part of their bilateral cooperation. The Iranians later claimed, somewhat improbably, that they attempted to do so.<sup>18</sup> Regardless,

the Russian leadership could barely contain its displeasure and disappointment. An internal decision seems to have been made, at some point between 2002 and 2003, not to speed up the full completion of the Bushehr nuclear power plant project, invoking technical reasons. Iran responded by playing the European card, hinting that new partners could always be found and specifically noting that the French were first in line to be awarded contracts to build six more nuclear power plants.

Russia did not see much point in continuing to defend Iran's right to develop nuclear energy sources for peaceful use with the same conviction in its own statements or in international fora. In June 2003, the Evian G-8 Joint Declaration sent Tehran a strong and unequivocal signal, urging it to sign and implement an IAEA additional protocol.<sup>19</sup> Russia's signature on such a document would have been unimaginable a few months earlier. By October 2003, an official Russian Ministry of Defense report, which is currently considered a de facto provisional Russian military doctrine, listed Iran, alongside North Korea, as a country with "unclear status" as far as a nuclear weapons program was concerned.<sup>20</sup> At the 2004 G-8 summit at Sea Island, Georgia, Russia signed another declaration, aimed at ending nuclear fuel-cycle cooperation with states that violate their nuclear nonproliferation and IAEA safeguard obligations (even though only the exporting states or the UN Security Council can suspend or terminate such cooperation). Although Iran was not specifically mentioned in the Sea Island summit's joint documents as a violator of its IAEA or NPT commitments, at that moment Moscow did not exclude the possibility that Tehran could be declared such a case if it were to demonstrate an uncooperative attitude vis-à-vis the IAEA.

Iran, which publicly calls its relationship with Russia a "model" of cooperation,<sup>21</sup> noticed the change in Moscow's tone. In the summer of 2004, while negotiations with Iran's counterparts—the IAEA, the EU-3, and Russia—were heating up, Hassan Rowhani, the secretary of Iran's Supreme National Security Council and one of Iran's most influential actors involved in the nuclear issue, called for Russia as a "friendly state" to cooperate closely with Iran at the forthcoming session of the IAEA Board of Governors. Rowhani also pointed out the need to speed up construction of the Bushehr nuclear power plant, hinting that this project could be viewed as an indicator of the state of relations and even the level of confidence between the two countries.<sup>22</sup>

In the end, Russia completed the Bushehr nuclear power plant in October 2004, nine long years after first signing the contract. The issue of the return of spent nuclear fuel to Russia, however, was still pending. When the

**Russia seems happy to maintain the internal status quo in Iran.**

original contract was drafted, it could not include a clause mandating the return of spent nuclear fuel because Russian law prohibited this measure at the time. Even when the passage of a new law allowed Russia to initiate protracted negotiations with Iran on a corresponding protocol, Moscow believed that there was no need to force Tehran's hand by making the plant's operation conditional on such a protocol. The November 2004 EU-3 agreement with Iran, however, has created favorable political conditions for its signing.

**Moscow has not been part of the problem, but is it part of the solution?**

In December 2004, Iran's ambassador to Moscow, Gholamreza Shafei, clearly linked Iran's readiness for a strategic partnership with Russia to Moscow's practical steps in further nuclear trade with Iran: "Our ties with Russia depend on how much the Russian side is effectively ready to cooperate with us (in the nuclear sphere)."<sup>23</sup> Commenting on the

EU's readiness to expand nuclear ties with Tehran, Shafei again played the European card by indicating that, in a context of newly improved EU-Iranian relations, "the previous enemies of nuclear cooperation between Russia and Iran will turn into [Russia's] 'new rivals' and 'Iran's partners.'"<sup>24</sup>

### **CONTEMPORARY RUSSIAN STRATEGY**

Despite Moscow's concerns about Iran's nuclear program, the Kremlin seems to have made a strategic choice in favor of boosting economic and political-military ties with Iran. In October 2004, a senior Russian Foreign Ministry official in charge of implementing policy toward Iran argued that Iran is the only state in the greater Middle East that is increasing its economic, scientific, technological, and military potential. With a highly educated population (Iran's literacy rate is 81 percent), 11 percent of the world's oil resources as well as 18 percent of the world's gas resources, and a geostrategic location with access to land and sea routes linking Europe and Asia, Iran is "doomed" to become the region's leader and a major player in the vast landmass stretching from the Middle East to the Caucasus and Central Asia. As a result, "partnership with Iran is becoming one of the key foreign policy tasks of Russia."<sup>25</sup>

Despite the modest level of Russia's current trade with Iran (\$1.4 billion in 2003), Moscow has ambitious short-term and midterm economic goals. Tehran even estimates that a trade increase to \$10 billion is realistic in the next few years,<sup>26</sup> with the high-technology sector remarkably showing the most promise.<sup>27</sup> From Moscow's viewpoint, the Iranian market also has considerable potential as an importer of conventional arms—one of Russia's main sources of currency.<sup>28</sup>

More pragmatically perhaps, Moscow professes its gratitude to Tehran for endorsing (or at least not opposing) the realization of Russia's policy goals. This support includes keeping quiet about Chechnya; "recognizing Russia's special interests" in the Caucasus and Central Asia;<sup>29</sup> defending Moscow against hostile resolutions passed by the Organization of the Islamic Conference; and agreeing with Russian positions on Afghanistan and Iraq at the United Nations. Although differences on issues involving the Caspian Sea still remain, Moscow supports the Iranian initiative of hosting a Caspian summit and even the institutionalization of the "Caspian Five" (Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan) as a regional organization. The 2001 Russian-Iranian Foundation Agreement on Mutual Relations even includes a clause which stipulates that, in the event of an attack on either party, the other must withhold any form of support for the aggressor and work toward the resolution of the dispute within the framework of the UN Charter and international law.

### **Hard Cop, Soft Cop, Softer Cop**

In Tehran, there is little consensus among the leadership on Iran's partnership with Russia, although the official line emphasizes that ties between the two sides have never been closer; that the two countries' interests coincide on many issues; and that deepening the partnership is not a short-term, tactical move but rather a long-term, strategic choice.<sup>30</sup> In reality, Tehran has long sought to play Russia, the EU, and the United States against one another, seizing opportunities offered by the history of internal disagreements between these actors.

### **RUSSIA AND THE UNITED STATES**

In the early 1990s, Russia's repeated calls for consultations with the United States on the question of Iran fell on deaf ears in Washington. From 1995 onward, successive U.S. administrations initiated a systematic campaign against Russia's nuclear cooperation with Iran, which Washington alleged was helping Tehran develop a nuclear weapon. The Iranian issue featured prominently on the U.S.-Russian bilateral agenda throughout the remainder of the Clinton era. The reactions of Russia's political elite to U.S. pressure on Iran in the 1990s and, to some extent, today can be broadly divided into three schools of thought.

The first group considered U.S. policy narrowly motivated by an attempt to push Russia out of a lucrative energy market, just as Washington had maneuvered itself to provide nuclear plants to North Korea a decade ago. This

group continues to inform the majority of Russian elite attitudes toward the Iranian issue, including Putin himself.<sup>31</sup>

The second group, which included Russia's foreign minister and later prime minister, Primakov, held that the true root of U.S. policy toward Iran lay in the Israeli lobby's influence in Washington.<sup>32</sup>

The third group believed that the United States was holding the Iranian card as a bargaining chip for other interests in its dialogue with Moscow.

**Russia intends to continue, if not accelerate, nuclear cooperation with Iran.**

Indeed, Washington, in a congressionally led initiative, had conditioned financial aid to Russia on Moscow rejecting the Bushehr contract. U.S. secretary of state Warren Christopher spoke in 1995 of the connection between rejecting the Russian-Iranian contract and Russian participation in G-7 meetings and the latter's transformation into the G-8. In several private interviews, U.S. officials even suggested

the possibility of linking the Bushehr project and the Anti-Ballistic Missile (ABM) Treaty negotiations. After the entry into force in July 2001 of a new Russian law permitting the import of spent nuclear fuel, U.S. experts repeatedly suggested a U.S.-Russian tradeoff whereby Moscow would renounce nuclear cooperation with Iran, while Washington would lift restrictions on the far more lucrative import of spent nuclear fuel from Japan, South Korea, and Taiwan. Some Russian voices adopted similar rhetoric. For example, Vladimir Lukin, a former Russian ambassador to Washington and former chairman of the state Duma's Foreign Relations Committee, put the rationale behind Russia's decision in the following stark terms: "Our contract with Iran is worth one billion dollars. If the United States are [sic] willing to compensate us with this amount, that's one thing. If not, then, considering the fact that U.S. aid to Russia is worth considerably less than the Russian-Iranian contract, there's ... nothing more to talk about."<sup>33</sup>

Although fashionable among nongovernmental experts on both sides of the Atlantic to take such rhetoric literally, Russian willingness to be bought out by the United States was actually never supported by public evidence at high official levels. However tempting any economic advantages offered by or to be bargained from the United States might have seemed to Moscow, the very idea of "losing" Iran to Washington could not even be considered by a Russian leadership accustomed to assessing foreign policy success as a zero-sum game of geopolitical spheres of influence. Indeed, Moscow would arguably have preferred to freeze the Bushehr project unilaterally rather than to be seen as giving in to U.S. bribes.

Far from being effective, U.S. pressure was therefore probably counter-productive, as it led Moscow to dig in and publicly step up its defense of the “peaceful nature” of Tehran’s nuclear program at the expense of Russia’s own nonproliferation rhetoric. Even after Moscow’s eventual disillusionment with Iran, Russians were still insisting that their recognition of the scope of the Iranian problem—and ensuing engagement with the rest of the international community—was not a product of U.S. pressure but of their own concerns about weapons of mass destruction (WMD) proliferation near Russia’s borders.<sup>34</sup>

### **RUSSIA AND THE EUROPEAN UNION**

Although considerably less visible than its disagreements with the United States, subtle divergences of interests between Russia and the EU over Iran could cloud Moscow’s future cooperation with EU-3 initiatives. The EU has been at the forefront of diplomatic efforts to persuade Iran fully to comply with IAEA transparency requirements. The EU-3 missions in October 2003 and November 2004 pulled off last-minute agreements with Iran, sweetened with promises of increased trade, aid, and civilian nuclear cooperation.

Although the true extent of behind-the-scenes cooperation is still difficult to assess, it appears clear that Russia lent both rhetorical and diplomatic support to the EU-3 initiatives. Iran was a regular feature on the Russian-EU agenda, including discussions at the highest level at the Rome summit on November 6, 2003, as well as in Moscow’s bilateral contacts with member states’ capitals. Telephone calls among the foreign ministers of the EU-3 and Russia and the EU’s high representative for common foreign and security policy served to coordinate positions and flesh out a strategy to find a resolution to the issue.<sup>35</sup> Diplomats close to the talks deemed Moscow’s influence to have been particularly instrumental in helping persuade both Tehran to sign on to the IAEA Additional Protocol and the EU-3 to accept Tehran’s demands for guaranteed deliveries of Russian fuel for its Bushehr plant.<sup>36</sup>

Behind Russian support for the EU initiatives on the Iranian nuclear issue, however, lies an increasingly intense competition for economic position. Both sides are keen to benefit from the U.S. absence and promote their trade interests in an increasingly promising market, particularly for their nuclear, oil and gas, automotive, and defense industries. In June 2003, Putin himself implied that any European criticism of Russia’s nuclear cooperation with Iran would be hypocritical: “We know that certain Western European companies actively cooperate with Iran in [the nuclear energy] sphere and supply equipment which is at least equipment with a dual purpose. So we will protest against using the theme of nuclear weapons proliferation against Iran as an instrument for forcing Russian companies out of the Iranian market.”<sup>37</sup>

Nuclear energy is not the only area in which the long-term interests of Russia and the EU in Iran could collide. The defense sector is another prime possibility. The EU's moratorium on arms sales to Tehran has enabled Russia to increase its sales of conventional arms to Iran, which has become Moscow's third-largest export market, after China and India.<sup>38</sup> Russia, especially its defense sector, therefore seems happy to maintain the internal status quo in Iran, while the EU's policy of "conditional engagement" towards Iran has, by contrast, been aimed at supporting Tehran's reformers. Fossil fuel energy is yet another area of potentially intense competition, where Russian and EU companies have already begun a battle for investment opportunities and access to Iran's energy resources.

### **Moscow's Future Policy: Five Steps Ahead**

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In light of the two EU-3 agreements with Iran, Russia has all but disappeared from the international media's radar on the Iranian nuclear issue. One of the main reasons why is simply that virtually all allegations that Moscow was supporting Tehran's ambitions to develop and acquire nuclear weapons have proven false. Even the staunchest critics of Russia's cooperation with Iran on nuclear issues have now come to recognize that Tehran's dramatic success was in fact made possible by assistance from Pakistan, and not from Russia: Iran's collaboration with the Pakistan-based A. Q. Khan network began around 1987 and was to include shipments of centrifuge parts.<sup>39</sup>

Iranians have also made substantial progress in nuclear research and development and engineering on their own, and they did so much faster than either the Western powers or Moscow could have foreseen. Russia's nuclear exports to Iran, primarily aimed at the implementation of the Bushehr contract, did not and could not facilitate Iran's nuclear weapons program. Moscow has not been part of the problem, but is it part of the solution?

It is telling that, when asked about Russia's cooperation on nuclear issues with Iran in October 2003, Putin chose to emphasize nonproliferation rather than cooperation: "I personally consider that the problem of a possible spread of weapons of mass destruction ... is one of the main problems of our time."<sup>40</sup> Any rational analysis would posit that Russia's interests are better served by ensuring that its southern neighbor remains free of nuclear weapons than by securing additional contracts worth another few hundred million dollars. In fact, a look back at Russia's diplomatic activity during the final months of 2004 contradicts the impression that it has been sidelined in the Iranian nuclear issue.

Despite some lingering bitterness, Moscow never slowed down its behind-the-scenes dialogue with Tehran on a wide range of issues related to non-

proliferation of WMD and their delivery systems, with Russia placing an increasingly adamant emphasis on the importance of Iran's compliance with the IAEA and the international nonproliferation regime. Russia has preferred to let the EU-3 take the public lead, although it did appreciate the fact that Iran chose Moscow as the place to announce its December 2003 decision to sign the IAEA Additional Protocol. The question that remains is, what is Russia's policy toward the Iran nuclear issue likely to do now? Five recent indicators help provide a glimpse into the future.

First, Russia has made it clear that it intends to continue, if not accelerate, cooperation with Iran in the nuclear field. Putin announced this intention as early as a March 2001 meeting with Khatami.<sup>41</sup> In June 2004, Putin's rhetoric had hardened, yet the bottom line remained: "Russia will give up work at Bushehr if Iran ignores the demands of the world community for transparency of its nuclear programs and for its broader cooperation with the IAEA. So far that does

not happen, [sic] so far Iran has been fulfilling all its obligations to the IAEA, and we see no grounds for ending this cooperation."<sup>42</sup>

More recently, Russia's Federal Agency for Nuclear Energy (Rosatom, which replaced Minatom in May 2004) welcomed the IAEA Board of Governors' November 2004 decision to ease pressure slightly on Tehran because it removed "the existing barriers to Iran's cooperation with Western countries and Russia in the field of advanced nuclear technologies.... The Iranian nuclear issue has now practically been removed from the IAEA's agenda."<sup>43</sup> Russia has demonstrated a willingness to cooperate with the EU by guaranteeing deliveries of nuclear fuel for the Bushehr plant, which had been a sine qua non for Tehran to reach an agreement with the EU-3. A senior Russian diplomat involved in the talks with the EU-3 breathed a sigh of relief: "To us it is important that no one will be able to bother us again about supposedly doing something illegal in Iran—after all, we are supported by Western Europe."<sup>44</sup> A few weeks after the IAEA's November decision, a senior Russian delegation visited Tehran and reiterated that nuclear cooperation remains firmly on their bilateral agenda.<sup>45</sup>

There is now nothing to prevent Russia from conducting negotiations to construct a second unit at the Bushehr nuclear power plant or an additional plant at a new site. In December 2004 in Moscow, Russia's minister of industry and energy, Viktor Khristenko, and Iran's minister of economy and finance, Sayed Safdar Khoseyni, launched discussions on the possible construction of up to seven more nuclear power plants totaling 6,000–7,000

**Moscow now firmly supports the internationalization of the Iranian nuclear issue.**

megawatts of power. It was also agreed that in 2006 the Bushehr nuclear power plant will be integrated into Iran's energy system. After long negotiations, the two sides are now very close to an agreement on the price for spent fuel storage and reprocessing (to be based on market prices).

At the same time, Russia insists that Iran must maintain an honest and dynamic dialogue with the IAEA on the whole range of questions that has been put before Tehran. This is what Russia's deputy foreign minister, Sergei Kislyak, called "much better predictability and transparency" of Iranian behavior.<sup>46</sup> Moscow recommends that Tehran rapidly ratify and implement the

IAEA Additional Protocol.<sup>47</sup> It should also be noted that there are strong views in Moscow that Iran's enrichment program should be dismantled in exchange for appropriate carrots, including the establishment of an international nuclear fuel fund under the auspices of the IAEA to provide assurances that fuel will be delivered.

Second, although still opposed to the U.S. policy of isolating Tehran, Russian insiders now admit that the quality of Moscow's dia-

logue with Washington on Iran has reached unprecedented levels. Despite continued disapproving rhetoric, the Bush administration has effectively lifted its objections to the Bushehr project and has even been cooperative in finding mutually beneficial solutions to practical problems, such as how to ensure safe transport of spent fuel from Bushehr back to Russia. During a November 2004 meeting between Putin and President George W. Bush in Chile, the two discussed the EU-3 agreement and Putin stressed that improvements in the Russian-U.S. dialogue on Iran have been considerable. Foreign Minister Sergei Lavrov went further, saying that there were no differences in Russian and U.S. approaches toward the principal issues of the Iranian nuclear program.<sup>48</sup> Even Alexander Vershbow, the U.S. ambassador to Moscow, concurred: "[Although] the Russians showed some ambivalence in the past about the threat posed by ... the current regime in Tehran ... they are increasingly clear-eyed about the danger, and our cooperation is improving."<sup>49</sup>

Third, having learned its lessons from the previous shortage of information, Russia is now working hard to secure bilateral (with the United States, Germany, and other countries) and multilateral (G-8) agreements on the exchange of confidential information on Iran. The lack of adequate information on Iran's nuclear and long-range missile plans remains the Achilles' heel not only of Russian policy but also of EU and U.S. efforts. A former

**Moscow considers  
Tehran a rational actor  
open to dissuasion by  
appropriate  
incentives.**

CIA analyst, Kenneth Pollack, recently warned that, “prior to the invasion in Iraq, we knew our intelligence ... was inadequate but we did not realize how poor it actually was. Today, most intelligence officials believe that our intelligence about Iranian decision-making and WMD is even more fragmentary and uncertain than what we believed to be our state of knowledge about Iraq.”<sup>50</sup>

Fourth, based on the success of the November 2004 EU-3 agreement with Tehran, Moscow now firmly supports the internationalization of the Iranian nuclear issue. The agreement pledges to recognize Iran’s right to a peaceful nuclear program, not to obstruct Russia’s completion of the Bushehr nuclear power plant or Iran’s acquisition of a light-water nuclear research reactor, to guarantee Iran fuel for its nuclear plants at market prices as well as access to other nuclear technology, to support Iran’s application for admission to the WTO, to cooperate with Iran on a wide range of economic programs, and to open a dialogue on Iran’s security concerns. Russia is satisfied that its behind-the-scenes efforts have helped decrease tensions over Iran and that the agreement has facilitated the creation of new instruments that can effectively control Iran’s nuclear ambitions.<sup>51</sup> Although internationalization runs the risk of increasing Moscow’s economic competition in Iranian markets, the alternative is that any Russian investment in Iran could become compromised by the latter’s status as an international pariah. Moscow has opted for the lesser of two evils.

Finally, influential voices in Moscow now specifically support the creation of an international consortium to deal with the Iranian nuclear energy issue. Such a consortium, which would include Russia, the EU, and perhaps even the United States, could work on assured fuel-supply issues and the construction of more reactors in Iran. Although it may seem utopian, Iran does not discard the idea of an international consortium, even one that includes U.S. participation.<sup>52</sup> Russian advocates argue that such a step would be commercially beneficial for Moscow and would also dramatically increase the level of confidence between the EU-3 and Iran, in turn ensuring additional transparency of Iran’s nuclear program and perhaps even giving Tehran an incentive to suspend its nuclear program permanently and rely on diversified foreign imports instead. Although opponents dismiss supporters as naïve idealists, some in Moscow even believe that the effort could provide a model for cooperation in other proliferation-sensitive regions of the world.

Tired and wary of playing a guessing game about Iran’s nuclear intentions, Russia has made a long-term educated guess in favor of continued cooperation with Iran in the nuclear sphere but is also careful to maintain close dialogue with the United States and the EU-3. Unlike the United States and at least some EU member states,<sup>53</sup> Russia does not seem to be-

lieve that Iran has already made a political decision to pursue nuclear weapons. Moscow recognizes that Tehran could make such a decision if its situation vis-à-vis the international community were to deteriorate, but Moscow considers Tehran a sufficiently rational actor to be open to dissuasion by appropriate incentives.

## Notes

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