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## THE IRANIAN NUCLEAR PROGRAM: DILEMMAS FACING RUSSIA

*Russia has a long history of close relations with Iran, and we would like to use all our existing opportunities to bring the difficult dialogue that is now under way to a successful conclusion.*

*Russian President Dmitry Medvedev<sup>1</sup>*

A *foreign policy priority*—that is how the key Russian diplomatic documents describe the importance of Iran for Russia.<sup>2</sup> In the revolutionary 1980s, the Iranian regime viewed the Soviet Union as a small Satan. Over the two decades since the normalization of bilateral relations the country has remained an *important* but *difficult* partner for Russia. These two adjectives have always been used side by side in describing the nature of relations between Moscow and Tehran in the past 20 years.

Political and economic ties between the two countries have seen their ups and downs. In fact, these swings have been so wild and frequent that there is simply no precedent for them in Russia's relations with any other nation on the planet. The agreement to complete the Bushehr nuclear power plant (NPP) was followed by momentous protocols on the construction of a centrifuge plant in Iran using Russian technology. Then came the downturn, with most of the preliminary agreements being repudiated. Massive deportations of Iranian spies from Moscow soon gave way to another rapprochement, which became especially obvious against the backdrop of the chill in Russian–American relations under George W. Bush. There has been the embarrassingly sluggish construction of the Bushehr NPP, which dragged on for a decade and a half for reasons that were anything other than technical or financial; the talk of strategic partnership and closer economic cooperation; differences over the division of the Caspian; a pick-up in defense industry cooperation, including the decision to sell the Russian S-300 SAM systems to Tehran; and finally, Russia's backing of the four UN Security Council resolutions imposing sanctions on Iran.<sup>3</sup> There has been a series of constructive compromise proposals offered to Iran, including the offer to supply fuel for the Tehran research reactor, which was largely designed by Russia (the offer was turned down). Tough words were exchanged at the highest political level. The Bushehr NPP has been fully completed—but Russia has also unilaterally pulled out of the agreement to supply the S-300 systems to Tehran.

### PRIORITY AND REALITY

All these ups and downs stem primarily from the fact that neither side can seem to decide exactly what it wants from this relationship in the strategic time frame. Neither Moscow nor Tehran has been able to convert tactical successes into a strategic long-term gain.

To some extent, the swings in Russian–Iranian relations also result from the volatile international climate surrounding Iran and especially its nuclear program. The agenda keeps fluctuating from dialogue and constructive engagement to sanctions and confrontation. It must be recognized that external pressures have seriously affected the Russian policy on Iran, particularly in 1995–1999,



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when Moscow was especially flaccid on the foreign policy front. In that sense, the Iranian policy on Russia seems to have been a bit more consistent, albeit far from free of foreign influences—especially when Tehran tried (to no great avail) to play Europe and Russia off against each other.<sup>4</sup>

But for all that, in a number of international security areas which Russia views as key to its interests, its partnership with Iran was quite steady and free of gyrations. We are talking primarily about the fight against international terrorism (especially countering terrorism and separatism in the North Caucasus), the war on drugs, and cooperation in Central Asia and Afghanistan.

After losing its hard-won foothold in the Middle East following the collapse of the Soviet Union, Russia urgently needed to regain at least some of its influence in the region in the 1990s and early 2000s. Some of the ties nurtured back in Soviet times still kept bearing fruit—but only in a very limited number of countries (primarily Syria), and even there they were beginning to look rather formal. Efforts to establish informal new working relations had yielded tangible results in only a handful of cases, Qatar being the greatest success. But that was clearly not enough for Russia's purposes. Most of the Middle Eastern nations remained firmly in the orbit of the United States or, to a lesser extent, France and Britain. Independent players were being methodically put out of action by the Americans.

In this geopolitical desert, Iran appeared to be the vacuum that Russia hoped to fill. At the beginning of the past decade, Moscow made an attempt to turn the country into a key strategic partner in the region.

The attempt flopped. In addition to unrelenting pressure from the United States and Israel, Moscow was hamstrung by interdepartmental squabbles within the Kremlin itself as to how exactly to deal with Iran. Tehran's aspiration to become a full member of the Shanghai Cooperation Organization rather than a mere observer, which seemed to be in line with Russia's own interests, was essentially blocked by Moscow. Neither did it help that Russia insisted on supporting round after round of sanctions against its would-be strategic partner. Of course, the Kremlin did work to tone down the UN Security Council resolutions against Iran, but in the end it supported all four rounds of sanctions.

## DECLINING TRADE AND GRAND PLANS

Speaking of the sanctions, let us look in greater detail at the trade and economic relations between Russia and Iran.

Before the 2008 financial crisis bilateral trade turnover was \$3.3 billion, with \$3 billion worth of Russian exports to Iran and only \$300 million of Iranian exports to Russia. In the wake of the crisis, bilateral trade fell to \$2.5 billion.<sup>5</sup> In 2009 trade between Russia and Iran shrank by 17.1 percent, with Russian exports falling by 13.4 percent and imports collapsing by 46.8 percent. But the share of Iran in Russia's foreign trade actually went up by 0.2 percentage points in 2008 to 0.7 percent. In the first half of 2010 trade fell by 11.2 percent on the same period in 2009. Russian exports fell by 12.6 percent, while imports were up by six percent.<sup>6</sup>

In 2009 the structure of Russian exports to Iran continued to be dominated by metals and metal products at 68.23 percent (63.34 percent in 2008); wood, pulp, and paper products at 8.05 percent (5.57 percent); grain at 5.16 percent (5.01 percent) and fuel and energy at 2.85 percent (5.04 percent). Russian imported mostly food and agricultural products (81 percent in 2009; 57 percent in 2008) and cars (6.8 percent in 2009; 27 percent in 2008).<sup>7</sup>

Below is a roundup of the key contracts between Russian and Iranian companies as of late 2010:

*Space.* In 2002 *Rosoboronexport* and the Institute of the Applied Research of Iran signed a contract for the manufacture and launch of the Sina-1 remote sensing satellite, which was launched on October 27, 2005 by a Kosmos-3 carrier from the Plesetsk cosmodrome. The value of the contract was over \$1 million. The Iranian side expected the project to continue, but work on the second satellite never began. The CIA explained it by Russia's reluctance to help Iran in the development of its Zoreh national satellite program due to fears over the possible uses to which Iran might put Russian technology.<sup>8</sup>

*Aircraft building.* In 2009 Russia supplied five Tu-204-120S transports worth \$200 million to Iran. In 2008 Iran bought a Russian license for the assembly of 50 Ka-32 helicopters from Russian components. In March 2008 Russia's United Aircraft Corporation (OAK) and Iran signed a

memorandum under which the Russian company was to supply 100 Tu-204 and Tu-214 passenger aircraft. The value of the contract was estimated at \$2.5 billion. But the deal later fell through; it turned out that some of the components for these planes are sourced from the United States and are therefore subject to U.S. restrictions on re-exports to Iran.

*Car industry.* Russia's GAZ car and truck maker has signed an agreement with an Iranian partner on the assembly of GAZ minivans and light trucks under license in Iran. So far, however, only fully assembled minivans are being supplied. Under an existing contract, some 28,000 Gazel vans and light trucks were to be delivered in 2007–2009. Under the distribution agreement, the value of Gazel exports is over \$200 million. In 2005 KAMAZ signed a contract with Iran's Rakhsh Khodro Diesel (RKD) on assembly under license of KAMAZ trucks in the city of Tabriz. RKD and KAMAZ have invested \$6.5 million in the joint project.

*Railways.* On April 29, 2008 Russian Railways and RAI, the Iranian railways operator, signed a contract for the electrification of the 48km Tabriz–Azarshahr railway line. Work on the project began after a special ceremony on February 9, 2009. The cost of the project is €8.85 million.<sup>9</sup> Russian Railways also expects to be involved in the electrification of the 800km Tehran–Mashhad line.

In late 2010 the two sides completed preparations for the project to build a high-speed road between Moscow and Resht. The Iranian city of Resht is an important transport hub. A separate road connects Resht to the Persian Gulf port of Bandar Abbas. The decision to build the highway was supplementary to the agreement on the construction of the Resht–Astara–Moscow railway link signed in 2008.

*Defense industry cooperation.* In 2001 Tehran rolled out a 25-year rearmament program for its armed forces. Most of the foreign-made weapons systems to be procured under the program are to be sourced from Russia. The cost of the program is estimated at \$25 billion. Experts believe that at least half of that money could go to Russia.<sup>10</sup>

According to the ARMS-TASS analytical service, Iran was the third largest recipient of Russian weapons in 2000–2007, having signed \$1.96 billion worth of arms contracts with Moscow. Russian suppliers accounted for 85 percent of Iranian arms imports over that period. Large contracts include the delivery of 29 Tor-M1 short-range SAM systems worth \$700 million.

However, Russian–Iranian arms trade was put on hold following President Medvedev's September 22, 2010 decree "On measures to implement UN Security Council Resolution No 1929 of June 9, 2010". That was not the first case in recent Russian history of Moscow being forced to end productive cooperation with Tehran after bowing to pressure from Washington. On June 30, 1995 the Russian Prime Minister Victor Chernomyrdin and the U.S. Vice-President Albert Gore signed a memorandum under which Moscow pledged not to sign new conventional weapons contracts with Iran, and to complete deliveries on the existing contracts by late 1999. The cost of that memorandum to Russia in lost trade has been about \$2 billion.<sup>11</sup>

*Banking sphere.* The lack of proper cooperation between the Russian and Iranian banking systems is a major drag on further development of bilateral trade. The two countries' banks have been unable to establish letters of credit, so all payments between the Russian and Iranian trading parties have to be done in cash.

*Regional cooperation.* Iranian businesses have offices in several Russian regions, including Moscow, St Petersburg, Tatarstan, and Mordovia, as well as Astrakhan, Volgograd, Nizhny Novgorod, and Omsk Regions. Iranian business interests in Russia are fairly diverse, ranging from wheat and timber deliveries from Omsk to light tractors made in Tatarstan. Russian regions welcome cooperation with Iran as it helps the local economies. There is a lot of trade between Russia's Astrakhan Region and the northern Iranian provinces. In 2008 the Astrakhan Region sea ports processed 3.5 million tonnes of foreign-trade shipments, of which Iran accounted for 95 percent.

In the next two years Russia will build a new port in the Volga delta in Astrakhan. It will be able to process 1 million tonnes of freight every year. Two Iranian companies are involved in the project, which was at the engineering survey stage in 2010. The port will specialize in Iranian trade, and will be connected to the railway network, increasing the volume of shipments along the North–South transport corridor.



Iran also has plans to establish trading houses in Russia, which could contribute to the development of bilateral cooperation. Another topic for future Russian–Iranian talks is the development of coal fields in eastern Iran. It has been suggested that about 20 coal-fired power plants could be built in the region with Russian involvement.

*Fuel and energy.* From the purely economic point of view, the current bilateral trade figures are just a fraction of what they could be. The areas of cooperation that hold the greatest potential include oil, gas, and the arms trade. But these areas happen to be very vulnerable to the international sanctions imposed on Iran.

In 2008 Tehran said it could award contracts to develop its gas fields without a formal competition procedure because the presence of Western companies in the Iranian market has decreased very dramatically. Russian companies could make use of that competition-free environment, but they are being held back by the fear of falling foul of American sanctions.

Russia's oil giant *Lukoil* has been forced to abandon the development of the Anaran field in Iran due to the threat of U.S. sanctions. Breach of these sanctions could lead to the accounts and assets of the offending party being frozen. For *Lukoil*, which has a network of filling stations in the United States, such a risk was unacceptable.<sup>12</sup>

In September 2010 *Lukoil* issued a press release saying that it “does not conduct any business in Iran, and will not work in Iran until the international sanctions against that country have been lifted”.<sup>13</sup>

*Lukoil* went on to say that it had not made any new investments in Iran for years, and that it was gradually winding down its presence in the country. The company made its last shipment of petrol to Iran in April 2010, before the United States imposed new sanctions. The press release was issued in response to accusations by U.S. congressmen that the company was still doing business with Tehran in circumvention of U.S. sanctions.<sup>14</sup>

Meanwhile, back in July 2010 Russian Energy Minister Sergey Shmatko said during a meeting with his Iranian counterpart, Masoud Mirkazemi, that U.S. sanctions would not be allowed to stand in the way of Russian petrol shipments to Iran. The two ministers signed a roadmap of oil and gas cooperation, pledging to “study the possibility of setting up a joint bank to finance oil and gas projects”.<sup>15</sup>

One of the few Russian oil companies still active in Iran is *Gazprom Neft*, which has signed a memorandum of understanding with Iran's NIOC national oil company outlining its intention to invest in the development of Iran's Azar and Shangule fields.<sup>16</sup> The company is still in talks with the Iranian government, apparently undeterred by the new U.S. sanctions on Iran. Sibur Holding is another Russian company still willing to work in Iran. It is now in talks with Tehran on joint oil and gas projects, including the development of the Southern Pars field.

In January 2010 Moscow and Tehran discussed the Mir project to build a joint gas pipeline from Iran to Pakistan and India, but for now those plans have been set aside.

Trade figures suggest that Iran is not a vitally important trade partner for Russia. Speculations in some Western media concerning Russia's alleged “special economic interests in Iran”, which supposedly inform Russia's generally friendly attitude towards Iran, are groundless.

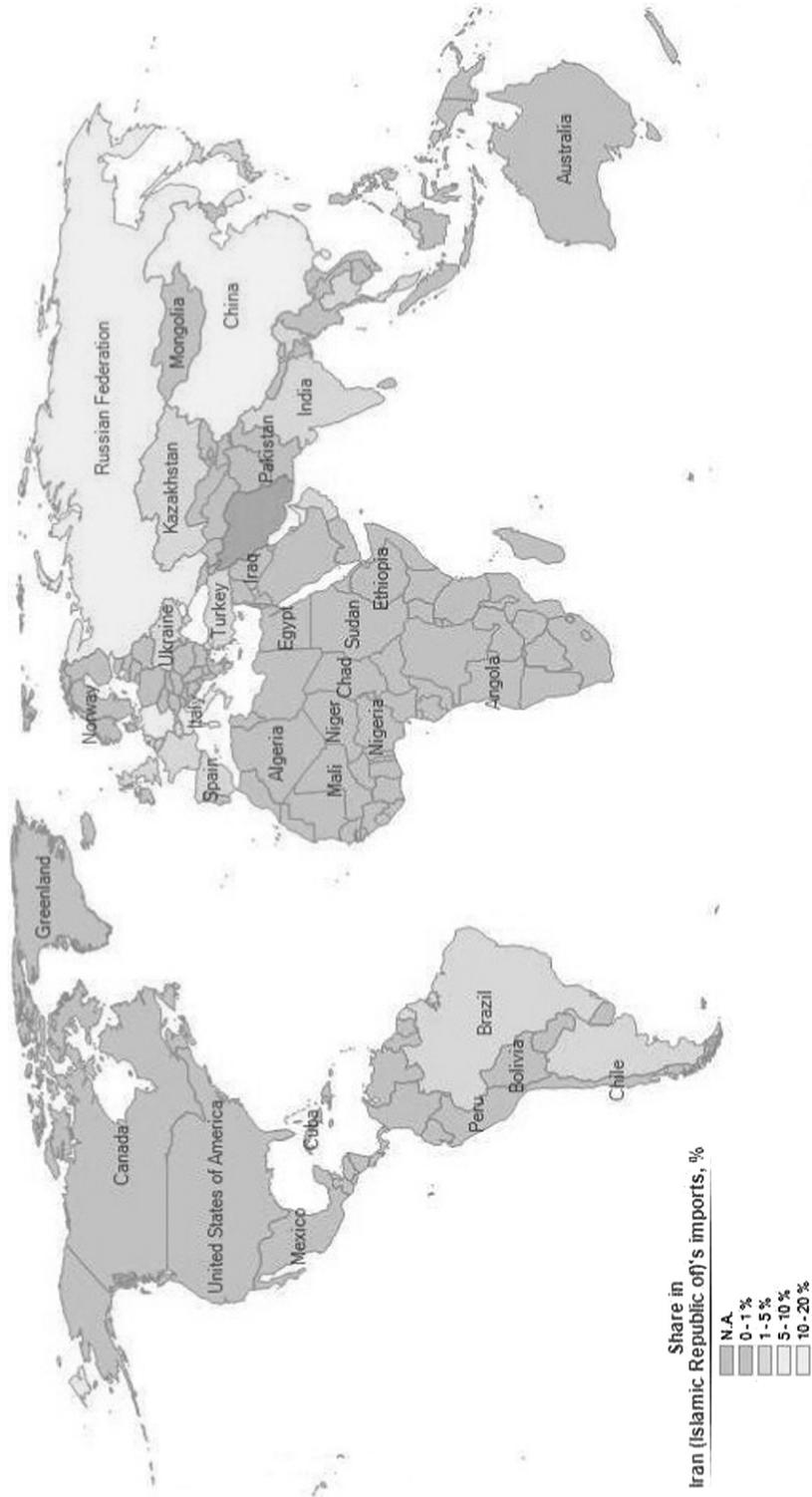
But the two countries are interested in further development of their economic and trade relations. Iran is a chance for Russia to be more than just a supplier of raw materials, which role has been assigned to it by foreign economists.

## **THE CURRENT STATE OF POLITICAL DIALOGUE**

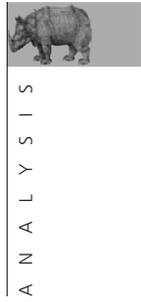
The current state of political relations between Russia and Iran can best be described as a deliberate time-out, a pause to catch their breath.

Relations between Moscow and Tehran have largely become hostage to the unresolved Iranian nuclear problem. Russia's key diplomatic documents state that very clearly in the summary of Russian–Iranian relations in 2009: “the unresolved issues over the Iranian nuclear program” have had “negative effects” on bilateral relations.<sup>17</sup>

Figure 1 List of Supplying Markets for a Product Imported by Iran in 2009



Source: International Trade Center, <<http://www.intracen.org>>



ANALYSIS

The general outlines of Moscow's position can be found in the Russian Foreign Policy Concept:

Russia will do everything in its power to facilitate a political and diplomatic resolution of the situation with the Iranian nuclear program based on recognizing the right of all NPT members to put nuclear energy to peaceful uses and on ensuring strict compliance with the requirements of the nuclear nonproliferation regime.<sup>18</sup>

Russia further expounded that position at the 2010 NPT Review Conference:

On the Iranian nuclear program, [Russia] calls on the international community to work towards a political and diplomatic resolution of the current crisis; [Russia] also urges Iran to demonstrate the necessary good will so as to restore confidence in the peaceful nature of its nuclear program through measures that include compliance with the resolutions on Iran adopted by the UN Security Council and the IAEA Board of Governors.<sup>19</sup>

Unofficial Russian estimates of the Iranian nuclear program can be summarized in the following way:

- ❑ In the mid-1980s, still smarting from the war with Iraq, Iran made the decision to launch a military nuclear program and begin developing an independent nuclear fuel cycle.
- ❑ It appears, however, that Tehran has never actually made a political decision to build nuclear weapons.
- ❑ The military component of the Iranian nuclear program has never reached an advanced stage. Around 2003 Tehran froze the program altogether and attempted to reach a reconciliation with the United States and Europe (something Washington was not yet prepared to accept).
- ❑ Since then Iran has made great progress in developing an independent nuclear fuel cycle, especially the uranium enrichment component.
- ❑ The Russian-built Bushehr NPP holds a fairly marginal significance for Iran.
- ❑ Tehran's main objective is to develop the industrial capacity and engineering skills required for the country to launch an independent nuclear fuel cycle that would not rely on any foreign suppliers.
- ❑ At this time, there is no point insisting that Iran halt its uranium enrichment activities.
- ❑ Right now there are two possible scenarios for the Iranian nuclear program. One is to ramp up nuclear activities and develop, within the next couple of years, the capability to put that program to military applications, should a political decision be made to that effect. The other is to move slowly and cautiously towards the Japanese model (i.e. building an advanced nuclear industry that can be switched from peaceful to military applications, should the need arise).
- ❑ For the next year or two, choosing confrontation, withdrawing from the NPT, and building nuclear weapons would not be in Iran's best interests. But neither can such a turn of events be completely ruled out. Its likelihood depends primarily on the urgency of threats that would necessitate unconventional means of deterrence.

Russia has lately been trying to balance between calling on Iran to show flexibility and urging the West (primarily the United States, but also Israel) to stick to peaceful and diplomatic instruments to resolve the conflict.

Moscow was therefore deeply disappointed by how the events unfolded after the meeting in Geneva on October 1, 2009 between the EU's High Representative Javier Solana and the Secretary of Iran's Supreme National Security Council, Saeed Jalili. It was agreed during that meeting, which was also attended by political representatives of the Group of Six, that Tehran would grant IAEA inspectors full access to the new enrichment facility that was still under construction near Qom. The participants also agreed that Russian, U.S., French, Iranian, and IAEA representatives would hold a meeting to discuss the technical aspects of the proposed scheme to remove low-enriched uranium produced in Iran to another country for further enrichment and manufacturing of fuel assemblies for the Tehran research reactor. But that new meeting held in Vienna on October 19–21, 2010, brought no results. What is more, it became clear that Iran had

essentially misinformed Moscow about its intention to accept the Group of Six proposal, on which Russia had worked so hard.

As a result, Moscow adopted a tougher stance on Iran. On November 16, 2009 the IAEA Director-General submitted a report saying that Tehran had broken some of its commitments under the Safeguards Agreement during the construction of the Qom enrichment facility. The subsequent meeting of the IAEA Board of Governors adopted a new resolution on Iran, with Russia's backing. The document urged Tehran to abide by the UN Security Council resolutions, suspend the construction at Qom and introduce all the transparency measures required by the IAEA.

But Iran continued to ignore the public calls of the Group of Six and Moscow's quiet diplomacy alike. In 2010 Moscow took an even harder line on Iran and voted in favor of UN Security Council Resolution 1929 of June 9, 2010. Russian Foreign Minister Sergey Lavrov said that Iran was "missing the opportunities to begin normal, respectful and mutually beneficial dialogue with the international community based on the proposals offered to it by the 3 + 3 Group and the IAEA. We are confident that Iran must meet all the demands made by the IAEA and supported in several UN Security Council resolutions."<sup>20</sup>

At the same time, Russia argued that the new sanctions should be smart rather than aggressive or paralyzing; it insisted that they should not affect the humanitarian situation in Iran, targeting only the officials who must make the decision in favor of cooperation with the international community.<sup>21</sup> Russia's position to that effect was reflected in the new UN Security Council resolution.

However, during the NPT Review Conference, Russia (as well as the West) avoided putting direct pressure on Iran so as not to provoke it into disrupting the conference.

The initiative put forward by Brazil and Turkey, and the ensuing trilateral statement by the two countries plus Iran made in May 2010, became an important milestone in the Iranian nuclear crisis. The development did not come as a surprise to Russia; the Brazilian president had paid a visit to Moscow shortly beforehand. President Medvedev essentially supported the Brazilian-Turkish plan, saying this to his Brazilian counterpart before the latter's visit to Tehran:

First, the Iranian nuclear program must be peaceful. Second, it must be verifiable, it must be monitored by the IAEA. Third, Iran must cooperate with the international community and with the IAEA. And fourth, Iran must abide by the rules on the nonproliferation of nuclear technologies. If these conditions are met, we would be happy for Iran to become part of the club of countries pursuing nuclear research. But these are exactly the issues that cause certain concern at the moment. Russia [and Iran]... have longstanding and serious relations, mutually beneficial relations. That puts a certain responsibility on us, and also presents us with a choice. It would be excellent if Iran could be persuaded to the kind of cooperation that has already been outlined, i.e. the swap of low-enriched uranium for high-enriched uranium, regardless of whether such a swap is conducted by Russia, Turkey or some other country.<sup>22</sup>

Tehran, meanwhile, was sending signals that in view of the Brazilian-Turkish initiative, Moscow should revise its position on Iran and adopt a more flexible stance. But Moscow remained unresponsive to those overtures, preferring instead to stand united with the West, while at the same time welcoming the Brazilian-Turkish initiative.

In response to that initiative, Russia, the United States, and France proposed that the IAEA Director-General arrange a meeting of the three countries' technical experts with their Iranian counterparts in order to resolve the issue of fuel supplies for the Tehran research reactor on the understanding that Iran would end enrichment of uranium to the 20 percent level.<sup>23</sup> It was expected that Russia, as part of the Vienna Group (the United States, France, Russia, and the IAEA), would conduct negotiations with Iran to discuss the details of the nuclear fuel swap scheme based on the Iranian-Turkish-Brazilian proposal.<sup>24</sup>

But the subsequent two rounds of negotiations showed that the sides were still very far from reaching a compromise. Talks between the Group of Six and Iran held in Geneva in December 2010 revealed very different approaches. Lady Ashton insisted that the participants would discuss the Iranian nuclear program, whereas Tehran said it was prepared to discuss only the resumption of dialogue with the West.<sup>25</sup> Nevertheless, the very fact that talks had resumed after a year-long pause was a positive signal.

The next round of negotiations was held on January 21-22, 2011 in Istanbul. The West described its outcome as unsatisfactory, and Iran's initiatives as "unacceptable". But Russian Deputy Foreign Minister Sergey Ryabkov had this to say:



Unlike the meeting in Geneva, where the climate was very different, the Istanbul meeting had a more specific nature and pursued a very different goal. In Geneva the sides wanted to air their views on a whole range of issues after a long 14-month pause. In Istanbul we were discussing much more specific questions. Some say the outcome of the meeting has been disappointing. But we can only expect tangible results once the initial phase is over. Now it is important to keep the momentum of the talks; we must not allow another long pause in the talks.<sup>26</sup>

Iran's permanent envoy to the IAEA, Ali Asghar Soltanieh, also spoke of the importance of the resumption of the talks during his visit to Moscow in late January 2011: "For over a year we have been waiting for the international community to supply the fuel for the [Tehran research] reactor, so that Iranian citizens could receive cancer treatment. . . . We hope that the talks will be held soon".<sup>27</sup>

There have been some intricate games behind the scenes over the Iranian nuclear program in the past few months, in which Russia played a prominent role. Meanwhile, Washington is obviously coming to the realization that it has no leverage left to try to break Iran, with the single exception of a large-scale military operation. All sides are therefore looking for a new political and diplomatic round, in an effort to find a solution that would allow both the Iranian and U.S. leadership to save face.

For its part, Russia stepped up pressure on Iran when President Medvedev decided to go even further than UNSC Resolution 1929 strictly required and issued a decree (published on September 22, 2010 but drawn up in early June) banning the sale of S-300 SAM systems to Tehran.<sup>28</sup>

On the other hand, in August 2010 Russia completed all tests at the Bushehr NPP. On August 21 it commenced IAEA-supervised deliveries of fresh nuclear fuel to the Bushehr reactor compartment. In early December 2010 engineers completed loading fuel into the reactor. Nevertheless, on February 28, 2011 *Rosatom* announced that the nuclear fuel needs to be unloaded to thoroughly clean the reactor core and the primary cooling system to remove metal shards left by the pump's failure.<sup>29</sup> That means that the commercial launch scheduled for April 9, 2011 has been delayed again.

The Deputy Chief of *Rosatom* Nikolay Spassky, who is directly involved in the Group of Six talks and is in charge of the Iranian nuclear dossier at *Rosatom*, believes that last year's developments over the Iranian nuclear program have been good for Russia. "The game on the most dangerous of the regional chessboards, the Iranian one, has been concluded successfully", Spassky said. "We have completed the Bushehr nuclear power plant, making good use of this instrument of our influence on the other players and preventing the Iranian situation from triggering a crisis between Russia and the West."<sup>30</sup>

Meanwhile, Russian experts on Iran, regardless of their specific field, are well aware of how limited Russia's leverage is on Iran, and especially on the mechanisms of decision-making in Tehran.

## WHAT NEXT?

A December 14, 2009 communication from U.S. Ambassador to Russia John Beyrle, which has been published by WikiLeaks, offers an interesting analysis of Iran's policy.

"From a purely mercantilist standpoint, sanctions against Iran, particularly its energy sector, would likely translate into a bump in world oil prices, which would boost annual revenues for Russia's state-connected energy companies and the state budget by billions of dollars annually. If sanctions harm Iran's burgeoning economic relationship with China, some in Russia might also regard that as a plus," the leaked diplomatic cable says. "On the other hand, sanctions could damage Russia's own trade with Iran, which is modest (Russia currently has a bilateral trade surplus of about \$3 billion) but concentrated in the politically influential defense and atomic-energy sectors. Since many high-ranking officials in these agencies also favor a more adversarial policy towards the West, an anti-sanctions posture serves them both economically and ideologically," Beyrle concludes.<sup>31</sup>

The cynics in the Russian political establishment are confident that a U.S. or Israeli invasion of Iran would be in Russia's best interests. Such an invasion would drive oil prices through the roof, and entangle the United States in yet another military operation.

But in fact, Russia is actually quite happy with the existing situation in Iran. In this state of neither peace nor war, Russia is actively involved in the negotiating process. This offers an opportunity for the Kremlin to raise the stakes in its bilateral dialogue with the United States, which is far more

important to it than relations with Iran. Russia wants to keep the situation from degenerating into war, but neither would it welcome full reconciliation between Iran and the United States. Both scenarios could be very damaging to Russian interests. Moscow does not want a long-term destabilization in a region adjacent to the South and North Caucasus and the Caspian—but neither does it want to see the Americans setting up economic shop in Iran.

In order to defuse tensions over the Iranian nuclear program, Russia will probably pursue the following line:

- ❑ The approach to resolving the Iranian nuclear problem must be systemic and based on international law, with a recognition that the nuclear nonproliferation regime is not perfect.
- ❑ Further coordinated steps by the Group of Six are needed to involve Iran in the talks on a range of issues, including regional problems.
- ❑ Confidence-building measures would be a good first step. They might include the supply of nuclear fuel for the Tehran research reactor (based on the Brazilian and Turkish initiative). Iran views Russia as the main mediator on this issue.
- ❑ At the same time there needs to be multilateral cooperation with Iran to stabilize the situation in Afghanistan. Here Iran “can play a very positive role”.<sup>32</sup>
- ❑ These actions must be based on the principle of solidarity, i.e. there needs to be mutual responsibility. We must avoid situations when simultaneously with collective efforts in the UN Security Council, Russia’s partners take unilateral decisions on sanctions, including extra-territorial ones, thereby undermining the very foundations for future joint action.<sup>33</sup>
- ❑ At some point in the future, once the first confidence-building measures have begun to bear fruit, they need to be extended to other areas. Forcing Iran to halt uranium enrichment is neither possible nor in fact necessary. What is necessary is to make sure that all enrichment activities are closely monitored by the IAEA. That monitoring could even take the form of an ad hoc IAEA commission with special powers, which would be equivalent to the powers given to the IAEA under the Additional Protocol to the safeguards agreement.
- ❑ Iran itself, meanwhile, must make some gestures (even purely symbolic ones) to demonstrate its respect for the UN Security Council resolutions so as to enable all sides to have a reasonable conversation about withdrawing the demand for Iran to halt uranium enrichment.
- ❑ Iran must do its share of the work to first stabilize and then improve its relations with neighbors in the region, especially with Saudi Arabia and other Gulf nations. Tensions over Iran will not be defused without regional reconciliation and a new system of confidence-building measures.
- ❑ Iran can and should play a constructive role in preparing and conducting the international conference on creating a WMD-free zone in the Middle East, scheduled for 2012. The decision to hold that conference was made at the 2010 NPT Review Conference. Without Iran (as well as Israel), such a conference would be pointless.
- ❑ In the medium time frame Iran, drawing on its formidable nuclear experience and having improved relations with its Arab neighbors in the region, could become a regional center of peaceful nuclear energy development. It could host, within the system of IAEA safeguards, a multilateral uranium enrichment program involving those of the Arab states which plan to develop nuclear energy over the coming two decades. That would solve a whole range of regional problems.

Russia has not abandoned the idea of returning to the Middle East as a powerful independent actor. In the near time frame it has a good chance of coming closer to that goal. Iran is no longer viewed as the sole Russian partner in the region. Moscow’s contacts and plans have become far more diverse. But neither is Russia intending to drop Iran from the list of its allies in the Middle East, especially in terms of geopolitics and the energy sector. It will therefore try to avoid any major bust-ups with Tehran, even though it has realized by now that the laurels of a peacemaker in the Iranian nuclear crisis may not actually yield the dividends it had previously counted on. 



## NOTES

<sup>1</sup> President Medvedev's speech at the opening of the World Economic Forum, January 26, 2011, <<http://news.kremlin.ru/news/10163>>, last accessed February 13, 2011.

<sup>2</sup> "Russian Foreign and Diplomatic Activity in 2009," Review by the Russian Foreign Ministry, March 2010, p. 121.

<sup>3</sup> See: UN SC Res. 1737 of December 23, 2006; UN SC Res. 1747 of March 24, 2007; UN SC Res. 1803 of March 3, 2008; and UN SC Res. 1929 of June 9, 2010, <<http://www.un.org/documents/scres.htm>>.

<sup>4</sup> Nevertheless, the Iranian policy on Russia was not completely free of external influences, either—especially when Tehran tried (with no great success) to play Europe and Russia off against each other, making overtures to Russia but cozying up to the Europeans behind the curtains.

<sup>5</sup> "Russia-Iran: a tenth part of the opportunities," Russian Trade Chamber, <[http://www.tpp-inform.ru/analytic\\_journal/717.html](http://www.tpp-inform.ru/analytic_journal/717.html)>, last accessed January 20, 2011.

<sup>6</sup> "On the state and prospects of trade and economic cooperation with Iran," *Iran News* (Russian information agency), <[http://iran.ru/rus/news\\_iran.php?act=news\\_by\\_id&n=1&news\\_id=71741](http://iran.ru/rus/news_iran.php?act=news_by_id&n=1&news_id=71741)>, last accessed February 13, 2011.

<sup>7</sup> Ibid.

<sup>8</sup> "Russian Scientists Worried Iran Uses Their Know-How for Missiles," *Bloomberg*, February 3, 2011, <<http://www.bloomberg.com/news/2011-02-03/russian-scientists-worried-iran-uses-their-know-how-for-missiles.html>>, last accessed February 13, 2011.

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