

## Analysis

### Russia's Iran Dilemma

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On August 22, Teheran responded to the European-US offer of economic incentives in return for cessation of uranium enrichment by proposing "serious talks," but refusing to end enrichment research. Thus, the August 31 deadline set by United Nations Security Council resolution 1696 for Iran to suspend enrichment or face further UN action passed. Now, the permanent members of the Security Council, plus Germany, will have to decide whether or not to impose either so-called soft or hard sanctions on Iran. Until late 2005, Russia hoped to prevent Iran from acquiring nuclear weapons, while at the same time protecting the contract for the Bushehr nuclear reactor by blocking the imposition of sanctions. But, as international concerns about Iran's nuclear program increased, Russian objectives widened to include deterring a US-led war against Iran. Going forward, Iran's defiance of the Security Council will make it increasingly difficult for Moscow to maintain these contradictory policies.

### Balancing Economic and Political Objectives

Iran means big business for Russia; it is a large market for Russian arms, metals, and for nuclear technology. In the late Gorbachev period, Moscow and Teheran initialed a series of arms deals, including the sales of MiG-29's, Sukhoi-24's, and Kilo-class submarines, worth over \$1 billion. Upon acceding to the presidency in March, 2000, Vladimir Putin abrogated the Gore-Chernomyrdin Agreement, that limited Russian arms transfers to Iran, and in 2001 Russia initiated new arms agreements with Iran worth between \$2 and \$7 billion. In a more recent deal, Russia agreed to sell patrol boats, an upgrade for Russian-made fighter jets, and, significantly, 30 Tor-M1 missiles, capable of targeting aircraft and missiles flying at low to medium range. According to *Vedemosti*, the Tor M-1 missile contract alone is worth approximately \$900 million. Perhaps most emblematic of Russia's financial stake in Iran is the \$1 billion contract for completion of the Bushehr nuclear reactor. Aleksandr Rummyantsev, former head of the Ministry of Atomic Energy (Minatom, now Rosatom), repeatedly stressed the lucrative nature of the project not only for Minatom, but also for many private companies. On a trip to Teheran in December 2002, Rummyantsev claimed that 1,200 scientists and contractors from the former Soviet Union were working in Bushehr, of whom at least 60 percent were Russian. According to an *Izvestiia* report, the Bushehr project has saved more than 300 enterprises from financial ruin, while the web site *gazeta.ru* estimated that Russia would lose \$500 million a year if the project were not completed.

On the political side of the equation, several factors have made Iran a central issue in Russian foreign policy. First, Vladimir Putin acceded to the Russian

presidency determined to restore Russia's great power status: He sought initially to reinforce "strategic relationships" with India and China, but then tried "bandwagoning" with the US and joining the war on terror. The pay backs were few, if any: Within months, President Bush abrogated the Anti-Ballistic Missile treaty and supported the second round of NATO expansion. The limits of Russian influence were further underscored by Putin's inability, despite the construction of a quasi-alliance with Germany and France, to deter the US-led war against Iraq.

Second, in the 15 years since the collapse of the USSR, the Russian foreign policy establishment has viewed Iran as a responsible partner in Central Asia, where Iran helped to negotiate an end to the Tajik civil war and where Iran and Russia jointly opposed the Taliban. Most recently, Iran has been invited by Russia and China to be an observer at the meetings of the Shanghai Cooperation Organization. In the Caucasus, both Moscow and Teheran have supported Armenia in its struggle with Azerbaijan, although for different reasons. And in the Caspian Sea region, Russia still hopes to win Iran's approval for a demarcation scheme governing resource development there.

Third, within the past six months or so, additional policy imperatives have been added to the mix. With Moscow emboldened by the dramatic increases in the price of oil and natural gas and by the consolidation of political power during the second Putin term, it has moved to regain its role in the wider Middle East. Indeed, with the on-going turmoil in Iraq as background, Russia wants at all costs to prevent a second US-led war, this time against Iran. Military action against Iran would represent a significant defeat for Russian policy and could portend dramatic instability along the borders of the former Soviet Union.

### Russia's Diplomatic Dance: 2003–2005

Beginning in June 2003, the contradictions between international concerns about Iran's nuclear intentions and Russian determination to complete Bushehr became increasingly apparent. When the International Atomic Energy Agency (IAEA) concluded that Iran was in violation of its nonproliferation responsibilities, Russia announced that completion of the reactor would be delayed until 2005, and that Moscow would not supply fuel for Bushehr unless the Iranians agreed to return all spent fuel rods to Russia. Russian relief was palpable, but short-lived, when on December 18, 2003, Iran signed an additional protocol in which it agreed to suspend uranium enrichment and to allow for surprise inspections. In 2004 there were new revelations about secret nuclear activities and under intense European pressure, Iran announced on November 14, 2004 that it would voluntarily continue and extend its suspension of enrichment activities, in return for a European declaration that Iran had a right to a civilian nuclear program and promises of technical assistance. Thus Russia had a green light to sign, in February 2005, the bilateral agreement guaranteeing the return of the spent nuclear fuel to Russia.

Nonetheless, international concerns about Iranian intentions overtook Bushehr construction again. When on August 9, 2005 Iranian officials, in the presence of representatives of the IAEA, removed the seals at Isfahan, the Russian response was at first ambiguous and designed to keep Bushehr going. But, within a week, the Ministry of Foreign Affairs issued a firm statement that Iran should stop conversion activities and return to negotiations. On September 24, 2005, the IAEA voted, with Russia abstaining, to refer questions regarding Iran's nuclear activities to the UN Security Council. After the vote, Rummyantsev, noted:

"We appreciate that as a country, which has signed the non-proliferation treaty, Iran has every right to carry out its program to set up a nuclear fuel cycle.... At the same time, we do not recommend this....Russia will not abandon its cooperation with Iran. If legal restrictions on such cooperation appear in international law, we will abide by them... There is nothing wrong in earning money in a legitimate business, and there is no reason at the moment to limit our cooperation".

### The Current Crisis

Once the Iranian question was on the Security Council's agenda, Russia attempted to establish itself as a mediator between Iran and the West—a move that would enhance Moscow's global status. According to Aleksei Arbatov, "Russia wants to win global clout by acting as a mediator amid growing

tensions between the West and the Islamic World." In part to protect Bushehr, Russia put forward a proposal for a joint venture with the Iranians to enrich uranium on Russian soil. The initial Iranian response was ambiguous at best and Teheran moved forward to resume its own enrichment activities, by removing the seals—with IAEA inspectors watching—from the facilities at Natanz. Foreign Minister Sergei Lavrov expressed "concern" about Iranian actions: Interestingly, in an interview with Ekho Moskvy, Lavrov implicitly acknowledged Russia's difficult task and explicitly recognized international suspicions about Iran's true objectives. Among other things, he noted that the Iranian president's repeated anti-Israel statements were "oil on the fire" and "add political arguments for those who believe that Iran can only be addressed through the UN Security Council."

When the IAEA governing board voted to report Iran to the Security Council, Iran announced the end of its voluntary cooperation with the agency and on February 14, Teheran confirmed that it had resumed enrichment activity. Then on April 11, Iran announced that it had successfully enriched uranium and had joined the nuclear club; moreover, it formally renounced the Russian proposal. During the meetings of the Shanghai Cooperation Organization, Russia (and China) urged Iran to accept the Western package of economic incentives and to start negotiations; and according to Russian sources, Iranian President Mahmud Ahmadinejad promised Putin that Iran would respond in a timely manner. There was tremendous pressure on Russia, in the lead-up to the G-8 meetings, to be seen as cooperating with the other world leaders. Therefore, on July 12 the foreign ministers of the permanent Security Council members, plus Germany, decided to refer Iran's nuclear program to the full council.

Given the July 12 agreement and the G-8 statement that Iran should work with the international community to resolve the nuclear issue, one would think that Russia had finally acquiesced to the US-European pressures. Within days, however, Moscow seemed to backtrack and again stated its opposition to sanctions. There was speculation at the time that Russian officials backpedaled in order to forestall any chance of a military strike. The resulting UN Security Council Resolution 1696 required Iran to comply with IAEA demands to suspend enrichment and implement a stricter inspections regime in return for US and European economic promises. As noted at the outset, Iran offered its formal, inconclusive response on August 22. On August 26, President Ahmadinejad presided over the inauguration of a heavy water reac-

tor and restated that Iran will not relinquish its right to nuclear technology. And on August 31, the IAEA reported to the Security Council that Iran was continuing to enrich small amounts of uranium, and perhaps more importantly that traces of highly enriched uranium, not matching the markers of Pakistani uranium previously found, had been discovered. With the deadline passed, the United Nations Security Council members will now have to decide how to proceed and whether or not to impose either so-called soft or hard sanctions on Iran.

The indeterminacy of the situation leaves Russia in an inherently contradictory situation. On the one hand, we find Russian spokesmen expressing regret that Iran did not fulfill the strictures of the Security Council Resolution, while Foreign Minister Lavrov again reiterated Russia's reluctance to move forward with sanctions. Most importantly he explicitly rejected any suggestion of regime change in Teheran:

"The conversation is not about the fate of Iran. The fate of Iran is in the hands of the Iranian people. We are talking about the fact that we want to secure the unshakable nuclear weapons non-proliferation regime, while also respecting the rights of every country participating in the non-proliferation accord to the peaceful development of nuclear energy.... By what methods we will achieve these goals—this is a question we are now discussing. We will allow a multitude of options, but only those which will lead us to our goal—which I mentioned—but not prevent us from reaching it."

Since then, Russia has hinted that it might consider sanctions, but still hoped that Iran would adopt a more flexible position. Perhaps the final words belong to Lavrov and Putin. In a September 11 interview

with *Vremya Novostei*, Lavrov expressed hope that international efforts would result in an agreement. He added that cooperation over Bushehr would help keep Iran within the framework of the nuclear nonproliferation regime. And Putin, in a meeting with foreign journalists and academics, noted that because Iran has in its constitution the sworn destruction of other states, Russia asks the Iranians to consider "some alternatives."

The zigzags in Russia's position over the past few months would seem to indicate that there are perhaps limits to Moscow's patience with Teheran. Before the referral to the Security Council, Russia could pursue its contradictory policies simultaneously. However, Iran's aspirations as a regional superpower—one with a nuclear weapons capability—constrain Moscow's maneuverability. Even if Moscow uses its ties to Iran to curb US unilateralism and to reestablish itself as a major Middle East player, an emboldened and nuclear armed Iran is a huge danger to Russia on several levels. As a rising regional power, Iran could begin to exercise increased influence over the Muslim regions of the former Soviet Union. An even greater danger, perhaps foreshadowed by the war between Hezbollah and Israel, would be an emboldened Iran seeking a role in the wider Middle East. And finally, a nuclear armed Iran might precipitate a preemptive attack from the US. Such a scenario has apparently been discussed in Washington despite the on-going conflict in Iraq. Given Russia's vested interests in Iran—both as a lucrative market and as a means to burnish Russia's international prestige—any military action against Iran would represent a huge defeat for Moscow.

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*For further reading:*

Robert O. Freedman, "Putin, Iran and the Nuclear Weapons Issue," *Problems of Post-Communism* 53, No. 2 (March–April 2006): 39–48.

**Russia's foreign trade with Iran (in million US-Dollars)**

	2004	2005	2006 (January–July)
Export	1 911.5	1 927.5	657.4
Import	103.1	130.6	104.1
Iran's share in total Russian foreign trade	0.8%	0.6%	0.3%

Source: Russian Federal Customs Service, <http://www.customs.ru/ru/stats>