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Analysis

Russia's Position in a Changing World

Hans-Henning Schröder, Bremen

Summary

In recent years, Russian foreign policy has exhibited a new assertiveness that is causing concern in the West, invoking memories of the “other superpower”, the USSR. Unfortunately for Russia's leaders, however, the country's claim to global power is not matched by adequate economic, military, and political resources for the successful pursuit of such a policy. But the Kremlin hopes to take advantage of a shift in the international balance of power caused by a weakening of the US. It has benefited from changes in the global energy market that have strengthened the hand of supplier countries. In this light, the Putin administration sees the new situation as an opportunity to reposition Russia on the international stage.

Images of Global Power

In the German media, Russia has recently been cast as the superpower redux, a kind of reincarnation of the Soviet Union. In July, the weekly news magazine *Der Spiegel* trumpeted “The Return of Russia”, while the “Internationale Politik” issue covering the St Petersburg G8 summit headlined “Russia's Renaissance”. These media perceptions to some extent surely reflect the staged pomp with which Putin's administration celebrated Russia's G8 presidency.

As Russia seeks to present itself as a great power, the Russian leadership has astonished some by taking a harsh tone in its dealings with its neighbors. Ukraine was summarily cut off from gas supplies, while Georgia and Moldova can no longer export wine to Russia for “hygienic reasons”. The suspension of natural gas deliveries also irritated the general public in Europe, which became painfully aware of its own high dependency on Russian imports for domestic consumption. These Western concerns are matched by increasing self-confidence in Russia, which is laying claim to a greater international role. It appears that quite a few politicians are nostalgic for the good old days of the “Soviet superpower” and are having a hard time facing current realities.

Risks and Resources

Russia is not an economic giant today. In terms of economic performance, it ranks with states such as Mexico, Brazil, Switzerland, the Netherlands, and Belgium. The gross domestic product of Russia is about one-fifth of Germany's. In terms of per-capita economic performance, it is in the vicinity of South Africa, Romania, Argentina, Brazil, and Jamaica. Russians typically are only about 11 percent as productive as Germans. These figures do not describe the economic basis of a great power.

On the other hand, Russia has vast energy reserves that meet its own requirements, and generate substantial export profits during a time of soaring energy prices.

This resource wealth has given the Russian state enough economic freedom to pay off its foreign debt ahead of time. During this phase of growing demand on global energy markets, in which major national economies such as China and India will increasingly have to arrange long-term energy supplies, resources such as oil and gas can be leveraged for political benefit. In addition to Russia's UN Security Council (UNSC) seat and its arsenal of nuclear weapons, its control of energy supplies is one of the factors supporting Russia's claim to influence the shape of international politics.

Nevertheless, Russia's position on the international stage is not strong. Economically and technologically, the country cannot compete at present. In military terms, Russia only has a strategically relevant potential in the area of nuclear capability. Its conventional forces, poorly paid and badly equipped, are only partially combat-ready. The military leadership desires the capability to conduct successful operations in local conflicts across several regions simultaneously. This goal requires modern weapons and communications systems as well as qualified and motivated staff. However, all of these components are missing so far, and long-overdue reform measures are slow to get underway. Its nuclear strategic potential gives Russia a special political status, but this capability cannot be deployed in local conflicts and “asymmetric” warfare.

Political resources are also limited. To a certain extent, Russia carries clout internationally due to its UNSC seat. However, the cases of Kosovo and Iraq have shown the limitations of exerting influence via the UN. Another factor limiting Russia's standing is its failure to join any of the major economic and military alliances since the end of the Soviet Union. The Commonwealth of Independent States (CIS) has not developed into an important economic or political unit.

Due to the huge size of the country and its location between Europe and Asia, Russian politicians

face substantial challenges. Bordering on the EU and NATO in the west and on Japan, South Korea, and China in the east, Russia finds itself between two regions that have superior economic, technological, and demographic potentials. In the south, Russia must deal with the Central Asian states and the Caucasus region as well as with Iran and Turkey. Crises in the Middle East immediately spill over to Russia's borders.

The basic dilemma of Russian foreign policy is a desire to shape global politics, but the lack of resources to do so successfully.

Setbacks in 2003–4

There are only limited options available to Russian foreign policy-makers at this point. They can team up with a politically relevant partner and hope that the latter will reward Russian support with political benefit. On the other hand, Russia can mobilize its substantial disruptive potential and attempt to counteract competitors—like the US—in international bodies such as the UNSC, in order to force them to the negotiating table. Both of these strategies were attempted in the 1990s, albeit without visible success. In the early 1990s, then-foreign minister Andrei Kozyrev attempted to establish Russia, then in the throes of reform, as a partner on an equal footing with the Western states. This policy was just as unsuccessful as the attempts by Kozyrev's successor, Yevgenii Primakov, to question the dominant status of the US by propagating the idea of a multipolar world.

After September 11, 2001, the Putin administration seized the opportunity for a new rapprochement with the West, especially with the US. Against the protests of his own security advisors, the Russian president opened the way for US and NATO troops to be stationed in Central Asia. But the westward realignment and advances towards the US were not rewarded. The US began to play an active role in Central Asia and in Georgia, and maintained close ties with the Baltic republics. This perceived lack of reciprocity for Russian concessions was increasingly unsettling to the Russian elites.

Putin's ability to deliver foreign-policy results to the US did not lead to a real alliance against terrorism with an adequate role for Russia. The Putin administration learned this lesson and developed alternative strategies, for example by expanding its cooperation with China and the Central Asian states within the Shanghai Cooperation Organization (SCO) into a viable foreign-policy option. The US attack on Iraq, which was criticized by Germany and France, among others, gave Russian leaders the opportunity to deepen their relations with Berlin and Paris—a step that, while it did not generate immediate results, at least symbolically broke Russia's isolation.

Soon thereafter, however, Russia's position was significantly weakened by political upheaval within the CIS. The popular revolutions in Georgia and Ukraine, the overthrow of the Kyrgyz president, and unrest in Uzbekistan raised questions about Russia's role in a region that Moscow regarded as its "backyard". The more the EU consolidated its influence in Ukraine, the more Russian fears seemed to be directly vindicated. The atmosphere between Russia and the EU states deteriorated, and Putin's officials openly opposed the OSCE's election monitors and other European measures to foster democracy in Georgia and Ukraine. In Europe, conversely, domestic developments in Russia were viewed extremely critically. Putin's reliance on authoritarian measures prevented him from establishing close relations with the western powers. The Russian democracy deficit was becoming a foreign-policy handicap.

Overall, Russia sustained severe foreign-policy setbacks in the years 2003 and 2004. Parts of the neighboring regions that Russia viewed as its central sphere of interest slipped out of reach, while relations with the US and the European states visibly deteriorated thanks to Western discomfort over domestic developments in Russia.

A New Tone in a Changed World

After years of foreign-policy setbacks, another turn of events now seems to be in the offing. The Russian leadership is aggressively seeking a role in international politics. It was with great satisfaction that Putin announced, at a Foreign Ministry ambassadors' meeting in June 2006, that Russia had significantly improved its domestic potential as well as its international standing in recent times and now played a global role. He demanded that the country take responsibility for global developments to an extent commensurate with its potential and its geographic position. Russian Foreign Minister Sergei Lavrov declared that Russian diplomacy had to take the intellectual lead in resolving difficult international problems.

This new assertiveness is fed by several factors: First of all, the Russian elite believe that the domestic situation is now extremely stable and that the national economy is on a solid path to growth. At the same time, political events in the CIS developed more favorably for Russia. Control over energy resources gives Russia's leaders strong leverage that can also be exploited politically in neighboring countries. Meanwhile, due to the crisis of the "orange" government in Ukraine, the parliamentary elections there have strengthened the forces that are more amenable to the Russian leadership.

Domestic consolidation and the reclamation of Russia's hegemonial role within the CIS have created

the foundations for foreign-policy initiatives with global reach. At the 60th anniversary of victory in World War II and at the G8 summit in St Petersburg, Russia presented itself as a great power on par with the US, Japan, and the EU. These celebrations were symbolic expressions of the new role Russia is prepared to embrace. In a changed world where the US is no longer the uncontested hegemon, the Kremlin wants to have a say in shaping global politics. From the Russian perspective, the US-dominated unipolar world order—the nightmare of the 1990s—has given way to a new balance of power.

At the ambassadors' meeting in June 2006, Putin declared:

“We have reached a point where for all practical purposes—and I am sure you all concur—the modernization of the entire global security architecture is already underway. And if the lazy thinking of earlier approaches is allowed to prosper, the world will once again be doomed to pointless confrontation. We must disrupt this dangerous tendency. And that requires new ideas and new approaches.”

From the Russian point of view, the world has changed fundamentally since the botched US invasion of Iraq. From this perspective, the US is obviously not capable of handling major crises alone. On the contrary, the actions of the Bush administration have only further aggravated the conflicts in the Middle East. The EU, on the other hand, is not able to derive political clout from its economic weight, according to Russian view. At the same time, India and China are emerging as new powers and also demand to play a role in the international system.

In the context of this new, multipolar, crisis-rattled world order, Russia perceives an opportunity to shape the course of international politics—and the Putin administration is now actively demanding the right to do so. It is to the advantage of Russia that the rise of China and India has changed the rules of the global energy market for the long term. Supplier countries like Russia are now in a much stronger position. In

view of this structural change, Putin's administration is now designing a foreign-policy strategy that is to be independent of other states' influence. The Russian behavior in the conflict with Iran, the invitation to Hamas to visit Moscow, and Russia's assertive stance vis-à-vis other CIS states should be seen in the light of this new foreign-policy doctrine.

Weak, but Ambitious

Certainly, Russia continues to be weak economically, technologically, and militarily. However, the domestic stabilization—authoritarian though it may be—creates a more solid base for the country's international performance. The crucial factor that has made this assertive foreign-policy stance possible is the realization that the world has changed—and that the US is by no means capable of playing the role of a global hegemon. The shift in the international power structure, together with the political and economic resurgence of China and India, has brought forth structures that Russia wants to be a part of.

The main priority is the consolidation of Russia's position in the “near abroad”, i.e., its ability to influence developments in the CIS states—including the option of a confrontation with Georgia or Moldova. At the same time, when it comes to Europe and East Asia, Russia opts for a policy of close cooperation. Moscow aims for cooperation as a way of advancing its own political and economic interests, but avoids definitive commitments and seeks to secure maneuvering space in both directions. In its dealings with the US, Russia acts in a consciously independent manner and demands to be treated as an equal partner.

It is true that many of the Kremlin's current activities are still not rooted in economic, political, or military power. But the current Russian administration is doing much to overcome its basic dilemma—lacking resources, but soaring ambitions—and is adroitly exploiting the changes in the global system.

Translated from the German by Christopher Findlay

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Further reading:

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- Stenogramma vystupleniia Ministra inostrannykh del Rossii S.V.Lavrova v M MO(U) MID Rossii po sluchaiu nachala novogo uchebnogo goda, Moskva, 1 September 2006. <http://www.mid.ru/brp4.nsf/2fee282eb6df40e643256999005e6e8c/a25a36a2bd8f443cc32571dc0045e2b5?OpenDocument> 12 September 2006.

Opinion Survey

The Russian View of the World

	Do the member states of NATO have a reason to fear Russia?		Does Russia have a reason to fear the member states of NATO?	
	March 2006	April 2006	May 2006	June 2006
Yes	7%	10%	14%	22%
Probably	22%	21%	42%	40%
Probably not	38%	38%	23%	22%
No	20%	22%	7%	7%
No answer	14%	10%	14%	10%

Source: <http://www.levada.ru/press/2006062901.html>

What is your attitude ...

	March 2006	April 2006	May 2006	June 2006	July 2006
... towards the USA?					
Very favorable	4%	3%	3%	6%	4%
Generally favorable	46%	50%	42%	48%	50%
Generally unfavorable	27%	30%	33%	32%	27%
Very unfavorable	12%	9%	11%	7%	9%
No answer	12%	8%	11%	9%	11%
... towards the European Union?					
Very favorable	6%	4%	5%	7%	5%
Generally favorable	60%	63%	57%	64%	63%
Generally unfavorable	13%	15%	17%	12%	13%
Very unfavorable	4%	3%	2%	3%	3%
No answer	19%	15%	18%	15%	16%
... towards Ukraine?					
Very favorable	5%	5%	5%	5%	5%
Generally favorable	47%	51%	50%	51%	55%
Generally unfavorable	27%	27%	29%	24%	24%
Very unfavorable	10%	8%	6%	9%	6%
No answer	10%	10%	6%	11%	10%

Source: <http://www.levada.ru/press/2006080102.html>

Which policies should Russia pursue in the CIS? (More than one answer could be chosen)

	July 2005	July 2006
Support democratic forces and progressive change	23%	20%
Support the current leaders, irrespective of who they are, as long as they are loyal to Russia	14%	13%
Pursue Russia's own economic and political interests, without interfering in the neighbors' internal affairs	55%	57%
Ensure that foreign states (USA, Turkey, China, etc.) cannot exert dangerous pressure on these countries	30%	38%

Source: <http://www.levada.ru/press/2006080102.html>

The G8 Summit in St. Petersburg: Agenda and Dealing with Criticism

During 2006, Russia will be chairman of the G8. What should Russia's agenda be during the time of its chairmanship? (up to three answers permitted)

	June 2005	June 2006
Combatting international terrorism	54%	48%
Controlling armed conflict in the world	23%	33%
Combatting epidemics (malaria, TB, influenza, AIDS, etc.)	31%	27%
Protecting the environment	32%	21%
Non-proliferation of nuclear weapons	21%	21%
Food safety, combatting hunger	–	18%
Furthering education, combatting illiteracy	–	17%
Promoting economic development and democracy in the former Soviet republics	18%	16%
Energy security of the leading states in the world	–	12%
Developing global information technology (computerization, Internet)	9%	9%
Helping the developing countries (economically, financially, technically)	7%	9%
Developing international trade	6%	8%
No answer	15%	5%

Source: Opinion survey of VTsIOM, poll conducted on 1–2 July 2006 <http://wciom.ru/?pt=53&article=2883>

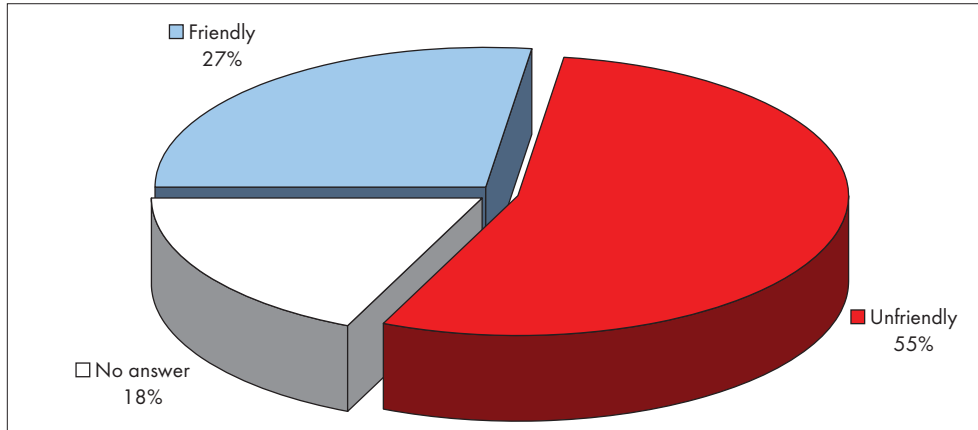
Some international organizations are calling on the G8 countries to harshly criticize Russian policies at the Petersburg summit. How should our country react to this?

	Heed the criticism	Listen to the criticism and present the Russian case	Protest against interference in Russian internal affairs	No answer
Criticism of democracy and human rights	24%	43%	26%	7%
Criticism of Russian policy concerning Ukraine, Moldova, and Georgia	8%	44%	42%	6%
Criticism of Russian policy pertaining to the Iranian nuclear program	10%	49%	31%	10%
Criticism of Russian policies concerning oil and gas deliveries abroad	9%	36%	48%	7%

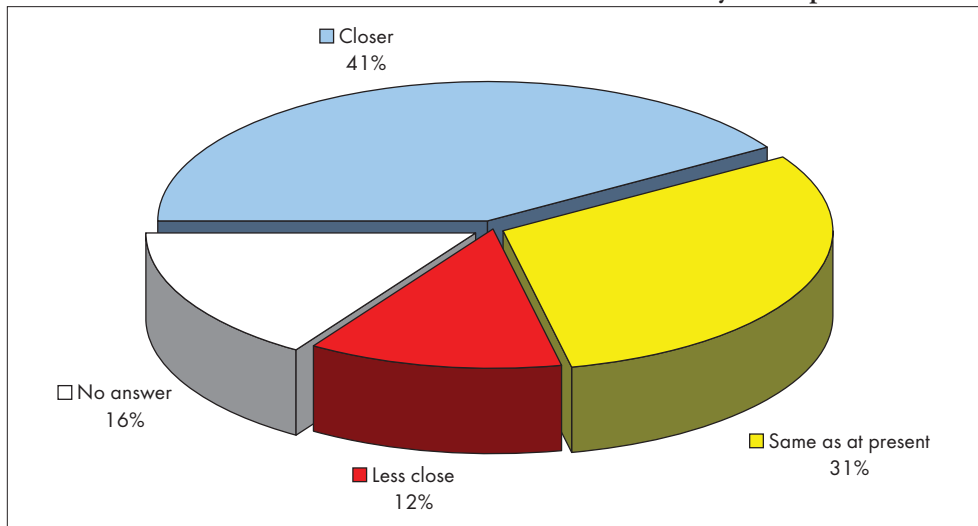
Source: Opinion survey of VTsIOM, poll conducted on 1–2 July 2006 <http://wciom.ru/?pt=53&article=2883>

Russian Relations with the United States of America as Viewed by the Russian Public

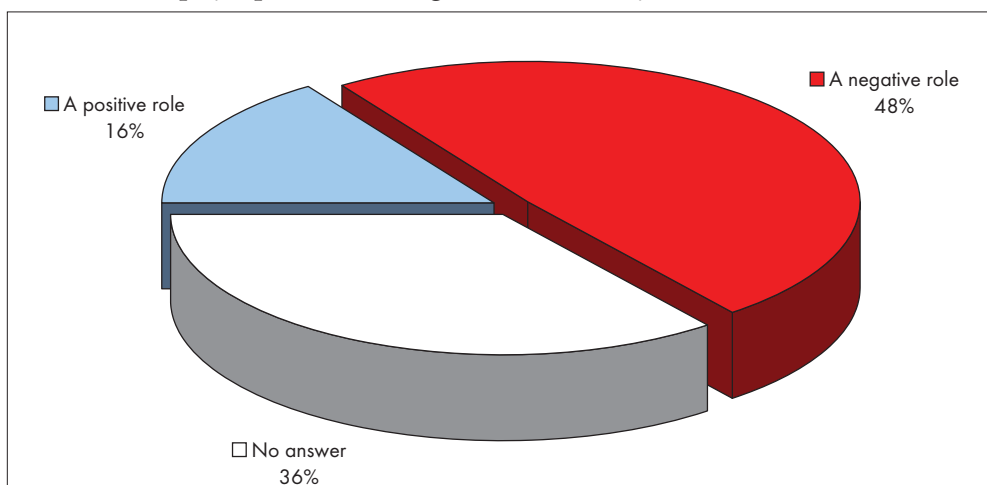
Is the attitude of the USA vis-à-vis Russia friendly or unfriendly?



Should the relations of the USA and Russia be closer than they are at present?



Does the USA play a positive or a negative role in today's world?



Source: Opinion surveys of the "Public Opinion Foundation" (FOM), polls conducted on 2-3 September 2006
<http://bd.fom.ru/zip/tb0635.zip>

Please tell me if you have a very favorable, somewhat favorable, somewhat unfavorable, or very unfavorable opinion of

	Very favorable	Somewhat favorable	Somewhat unfavorable	Very unfavorable	Don't know/refused
a. the U.S.A.					
U.S.A.	49%	28%	10%	7%	5%
France	2%	37%	43%	17%	1%
Germany	2%	35%	46%	14%	3%
Spain	4%	19%	37%	36%	5%
Russia	9%	34%	28%	19%	10%
Egypt	5%	25%	33%	36%	1%
Turkey	2%	10%	9%	67%	12%
Indonesia	7%	23%	42%	25%	4%
India	18%	38%	14%	14%	16%
Pakistan	7%	20%	14%	42%	17%
Jordan	6%	9%	30%	55%	0%
Nigeria (Christians)	55%	34%	5%	3%	4%
Nigeria (Muslims)	11%	21%	36%	31%	1%
China	9%	38%	37%	6%	10%
Japan	8%	55%	29%	6%	3%
b. Americans					
U.S.A.	53%	32%	6%	3%	7%
Great Britain	20%	49%	16%	5%	10%
France	5%	60%	27%	8%	0%
Germany	5%	61%	22%	4%	8%
Spain	4%	33%	33%	18%	11%
Russia	11%	46%	23%	11%	10%
Egypt	8%	28%	30%	33%	1%
Turkey	2%	15%	14%	55%	14%
Indonesia	6%	30%	42%	18%	5%
India	23%	44%	14%	12%	7%
Pakistan	5%	22%	18%	34%	20%
Jordan	2%	36%	31%	30%	1%
Nigeria (Christians)	45%	41%	5%	4%	6%
Nigeria (Muslims)	9%	14%	39%	36%	3%
China	6%	43%	34%	5%	12%
Japan	16%	66%	13%	3%	2%

Since 2001, the Pew Research Center conducts worldwide opinion surveys within the Pew Global Attitudes Project in order to compare political attitudes in fifteen countries. The project is conducted in cooperation with the U.S. State Department. Data are taken from the current report which was published on 13 June 2006.

Source: America's Image Slips, But Allies Share U.S. Concerns Over Iran, Hamas. No Global Warming Alarm in the U.S., China <http://pewglobal.org/reports/pdf/252.pdf>, question 2, p. 29.

Analysis

Russia's Iran Dilemma

Carol R. Saivetz, Cambridge, MA

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.

About the author:

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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)

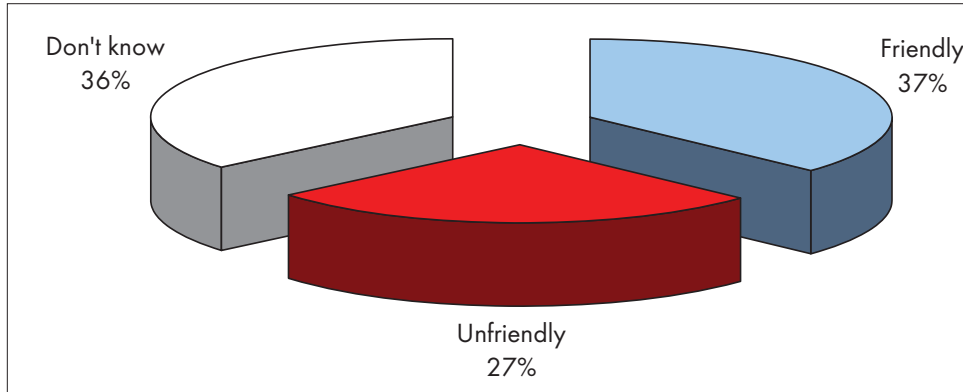
	2004	2005	2006 (January–July)
Export	1 911.5	1 927.5	657.4
Import	103.1	130.6	104.1
Iran's share in total Russian foreign trade	0.8%	0.6%	0.3%

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

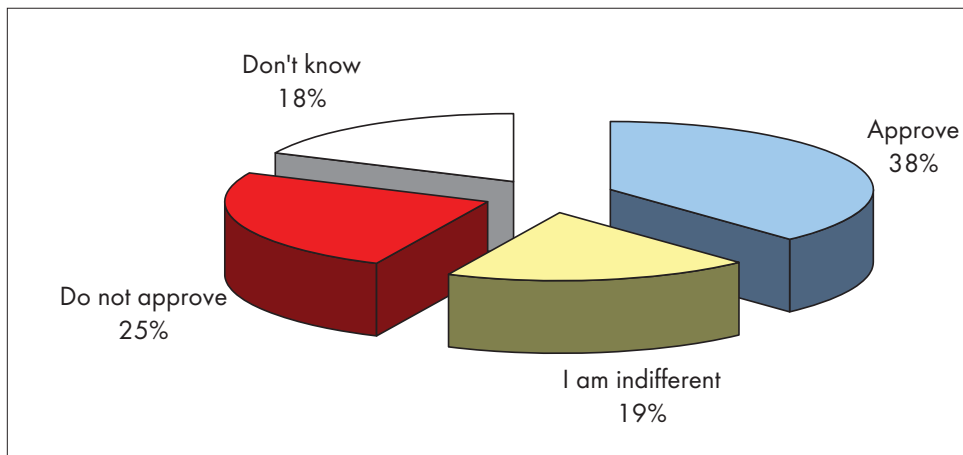
Opinion Survey

Relations with Iran and Conflicts in the Eyes of the Russian Population

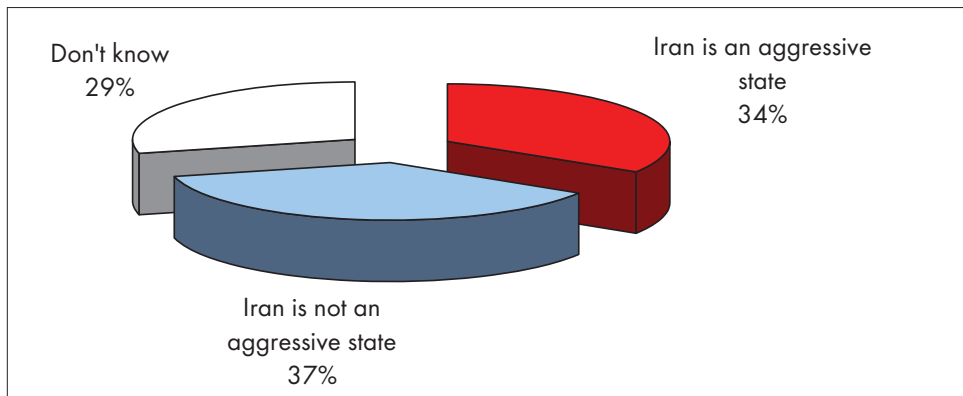
What do you think—is Iran a friendly or an unfriendly state in its relations with Russia?



Do you approve or disapprove of the cooperation with Iran on the development of nuclear energy? Or are you indifferent?



Some think that Iran is an aggressive state, which poses a threat to other states, others do not think so. With which point of view do you agree more?



Source: Russian polling institute FOM (Public Opinion Foundation), poll conducted 22–23 April 2006 (2 100 respondents), <http://bd.fom.ru/report/cat/frontier/countries/Iran2/tb061712>

How much of a danger is the (INSERT) and world peace? A great danger, moderate danger, small danger, or no danger at all?

	A great danger	A moderate danger	A small danger	No danger at all	No answer/refused
b. Current government in Iran to stability in the Middle East					
U.S.A.	46%	34%	8%	3%	9%
Great Britain	34%	36%	13%	3%	14%
France	31%	47%	18%	3%	1%
Germany	51%	34%	8%	2%	5%
Spain	38%	26%	12%	6%	18%
Russia	20%	32%	18%	8%	22%
Egypt	14%	20%	36%	25%	4%
Turkey	16%	19%	16%	22%	27%
Indonesia	7%	29%	23%	29%	13%
India	8%	21%	20%	15%	36%
Pakistan	4%	12%	10%	27%	47%
Jordan	19%	25%	33%	23%	1%
Nigeria (Christians)	20%	23%	19%	7%	32%
Nigeria (Muslims)	9%	23%	26%	29%	13%
China	22%	28%	15%	3%	33%
Japan	29%	41%	22%	4%	5%
c. American presence in Iraq to stability in the Middle East					
U.S.A.	31%	39%	14%	9%	7%
Great Britain	41%	40%	11%	3%	5%
France	36%	48%	14%	2%	0%
Germany	40%	42%	13%	3%	2%
Spain	56%	22%	7%	4%	11%
Russia	45%	27%	11%	3%	15%
Egypt	56%	32%	9%	3%	1%
Turkey	60%	12%	4%	4%	20%
Indonesia	31%	46%	12%	5%	6%
India	15%	22%	17%	14%	32%
Pakistan	28%	11%	9%	8%	45%
Jordan	58%	36%	5%	1%	0%
Nigeria (Christians)	15%	25%	24%	16%	20%
Nigeria (Muslims)	37%	29%	22%	5%	7%
China	31%	25%	9%	4%	31%
Japan	29%	40%	21%	6%	4%

(continued on next page)

How much of a danger is the (INSERT) and world peace? A great danger, moderate danger, small danger, or no danger at all? (continued)

	A great danger	A moderate danger	A small danger	No danger at all	No answer/refused
d. Israeli-Palestinian conflict to stability in the Middle East					
U.S.A.	43%	36%	8%	3%	10%
Great Britain	45%	35%	10%	1%	9%
France	35%	51%	12%	2%	0%
Germany	51%	38%	7%	1%	4%
Spain	52%	26%	7%	2%	14%
Russia	41%	28%	9%	5%	17%
Egypt	68%	25%	5%	2%	1%
Turkey	42%	26%	7%	4%	21%
Indonesia	33%	44%	12%	5%	6%
India	13%	18%	17%	14%	38%
Pakistan	22%	15%	9%	8%	46%
Jordan	67%	28%	5%	1%	0%
Nigeria (Christians)	22%	28%	16%	9%	25%
Nigeria (Muslims)	33%	26%	26%	5%	10%
China	27%	27%	9%	3%	34%
Japan	40%	37%	14%	3%	6%

Source: *America's Image Slips, But Allies Share U.S. Concerns Over Iran, Hamas. No Global Warming Alarm in the U.S., China* <http://pewglobal.org/reports/pdf/252.pdf>, question 41, p. 45–48.

Should countries that now do not have nuclear weapons be stopped from developing them, or don't you think so?

	Yes, should be stopped	No, should not be stopped	Don't know/refused
U.S.A.	74%	19%	8%
Great Britain	77%	17%	7%
France	85%	15%	0%
Germany	91%	7%	2%
Spain	84%	10%	6%
Russia	73%	19%	8%
Egypt	41%	44%	14%
Turkey	58%	26%	16%
Indonesia	61%	30%	10%
India	51%	35%	14%
Pakistan	31%	50%	19%
Jordan	32%	53%	16%
Nigeria (Christians)	74%	20%	6%
Nigeria (Muslims)	55%	41%	4%
China	49%	22%	29%
Japan	87%	10%	3%

Source: *America's Image Slips, But Allies Share U.S. Concerns Over Iran, Hamas. No Global Warming Alarm in the U.S., China* <http://pewglobal.org/reports/pdf/252.pdf>, question 49, p. 55.

**Why do you think Iran wants to have a nuclear program to develop nuclear weapons, or
To develop nuclear energy?**

	Weapons	Energy	Both	Don't know/ refused
U.S.A.	72%	9%	10%	9%
Great Britain	49%	21%	14%	17%
France	74%	20%	5%	1%
Germany	71%	16%	7%	7%
Spain	65%	10%	14%	11%
Russia	44%	20%	27%	10%
Egypt	30%	32%	28%	9%
Turkey	38%	21%	28%	13%
Indonesia	33%	44%	18%	4%
India	40%	37%	13%	10%
Pakistan	26%	30%	23%	21%
Jordan	38%	24%	28%	10%
Nigeria (Christians)	62%	11%	20%	7%
Nigeria (Muslims)	45%	34%	11%	10%
China	36%	25%	19%	20%
Japan	72%	16%	8%	4%

Source: *America's Image Slips, But Allies Share U.S. Concerns Over Iran, Hamas. No Global Warming Alarm in the U.S., China* <http://pewglobal.org/reports/pdf/252.pdf>, question 50, p. 56.

Would you favor or oppose Iran acquiring nuclear weapons?

	Favor	Oppose	Don't know/refused
U.S.A.	3%	92%	5%
Great Britain	5%	89%	6%
France	7%	92%	0%
Germany	3%	97%	1%
Russia	11%	82%	8%
Egypt	44%	42%	14%
Turkey	23%	61%	16%
Indonesia	30%	59%	11%
India	25%	59%	16%
Pakistan	52%	15%	32%
Jordan	45%	42%	12%
Nigeria (Christians)	15%	79%	7%
Nigeria (Muslims)	42%	51%	7%
China	18%	52%	29%
Japan	4%	95%	1%

Source: *America's Image Slips, But Allies Share U.S. Concerns Over Iran, Hamas. No Global Warming Alarm in the U.S., China* <http://pewglobal.org/reports/pdf/252.pdf>, question 51, p. 56.

Regional Report

Russia's Policy Toward the Caspian Sea Region and Relations with Iran

Arbakhan Magomedov, Ulyanovsk

Summary:

Following a break in the 1990s, Russia has put renewed emphasis on its relations toward the Caspian region, paying special attention to Iran. The opening of the Baku-Tbilisi-Ceyhan pipeline in 2006 was a major blow to Russia's dominance in the Caspian as it broke the previous Russian monopoly on transporting energy. Russia is responding by expanding its military presence in the Caspian and working with Iran on preliminary plans to establish a "Natural Gas OPEC."

Historical and Geopolitical Context

During the 1990s, Russia managed to maintain a monopoly on the export of energy resources from the Caspian area. In 2001, the Caspian Pipeline Consortium completed construction of a pipeline from the Kazakh Tengiz deposit to the Russian port at Novorossiisk. In parallel, Russia built the Blue Stream natural gas pipeline from its territory to Turkey. During this time the Caspian countries still held out the hope that they would be able to divide up the resources of the sea according to the rules of international law thereby preventing the widespread militarization of the region.

However, these plans fell apart with the beginning of the new decade. Upon coming to power, President Vladimir Putin made the Caspian a high foreign policy priority for Russia, appointing Viktor Kalyuzhnyi as his special representative to the region with the rank of deputy prime minister. The US also began to pay renewed attention to the Caspian in the wake of the 9/11 terrorist attacks. Ultimately, efforts to divide the resources in the area collapsed with the failure of the Caspian states to come up with a solution at the Ashgabat summit in April 2002. Subsequent efforts to revive the talks have failed.

Iran has always been a key Middle Eastern state, connecting the Caspian and Indian oceans at the heart of Eurasia. It lies on the planned North-South transportation corridor, linking India with Scandinavia, through an extensive railroad and port infrastructure. Iran is also an energy giant with massive reserves of oil and natural gas, leading to current production levels of 4 million barrels of crude oil a day.

Russia's Monopoly Destroyed

The situation in Caspian Sea changed dramatically in 2006, when the completion of the Baku-Tbilisi-Ceyhan pipeline ended Russia's energy transportation monopoly in the region. British Petroleum announced the beginning of this project in September 2002 and

construction began in February–March 2003. In June 2006, the first oil from Azerbaijan reached the Turkish port, taking a route that completely bypassed Russia.

The construction of this pipeline was a significant blow to Russian interests in the Caspian region. Notably, the participants in the project never hid its anti-Russian and anti-Iranian thrust, announcing that it was important from the strategic and security points of view.

Militarization of the Region

One of the key consequences of the pipeline construction was the militarization of the entire Caspian region. According to traditional political logic, international trade routes often take on a military-strategic character.

Russia began to reassert its position in the Caspian when Putin visited Astrakhan in April 2002 on his way home from the unsuccessful summit in Ashgabat. In Astrakhan Putin declared that the Caspian represented one of Russia's key military priorities and that Russia would send more military resources to the region and more professional warriors. In August 2002, Russia organized a large-scale military training exercise with the Caspian fleet. In terms of their size, these maneuvers were unprecedented. Since Putin announced the exercise immediately after the failed Ashgabat summit, it was clear that the Russian leadership sought to demonstrate Russia's military predominance in the region and make the other Caspian states more compliant to Russian interests.

A no less important feature of the exercise was that the military sought to defend Russian energy resources in the Caspian. Thus, the defense minister commanded the exercises from the Astra drilling rig, which belongs to Lukoil.

Since then, Russia has tried to coordinate, and even lead, the military forces of the Caspian countries. In August 2005 Russia and Kazakhstan carried out a joint

exercise named “Caspian Anti-Terror” in the Kazakh port of Aktau. During a visit to Baku in January 2006, Defense Minister Sergei Ivanov announced that a new military bloc could be created on the Caspian in the future. He envisioned this bloc as a single structure of the five Caspian governments, Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan.

Russia has the primary interest in creating a military group under the provisional name of “Kasfor” since it could only be created on the basis of Russian resources. However, it will be difficult for Russia to carry out such an ambitious program. The Caspian governments are each engaging in an arms race since they do not trust each other. They are actively seeking military aid not only from Russia, but also the NATO countries and China.

Moreover, the Iranian factor is further destabilizing the situation on the Caspian. The Islamic Republic is expanding its presence in the Caspian as part of its wider military program. In particular, Iran increased its naval resources in the Caspian by transferring assets from the Persian Gulf. Additionally, in 2003 Iran adopted a new policy for tanker ship construction and is planning to build a tanker flotilla in the Caspian.

Establishing a Gas Alliance with Iran

Beyond its military initiatives, Russia is today seeking to establish exclusive relations with Iran in searching for and producing natural gas. In June Iranian President Mahmoud Ahmadinejad proposed to President Putin that they jointly determine the price for natural gas exported to Europe. Putin supported

this initiative since Moscow is interested in preventing, or delaying the appearance of, Iran as a new competitor in the European Union gas market.

The combined efforts of the two countries reflect an attempt to create something like a natural gas OPEC, in which the Russian energy giant Gazprom would play the leading role. Additionally, in June the Russian State Duma ratified a bilateral agreement with Algeria in which Russia forgave the African government’s debt of \$4.7 billion in exchange for which the Algerian energy company Sonatrak signed a wide-ranging cooperation agreement with Gazprom. Later, Gazprom purchased stakes in several natural gas industry companies in Libya.

The efforts of Iran to form a gas OPEC demonstrates Iran’s plans to strengthen its position on the international stage. All of these events are aimed at a specific goal: Iran’s leadership and the Kremlin, working through Gazprom, are seeking to block European efforts to diversify the sources of their natural gas imports. Algeria, Libya, and Iran are precisely the supplier countries that the Europeans named as possible alternative sources of supply to Russian gas. Algeria already supplies 30 percent of gas imports to Europe.

Supporting Iran in its effort to break the American blockade on its exports of gas to the European market has some benefits for Russia. In particular, Russia hopes that Iran will continue to support Russian efforts to strengthen its influence in the Caspian-Black Sea superregion.

*Translation from the Russian and editing:
Robert Ortung*

About the author:

Arbakhyan Magomedov is professor of Russian politics at Ulyanovsk State University.

For further reading:

- Yadviga Semikolenova, “Caspian Oil: Changing the World’s Energy Outlook,” *Beyond Transition Newsletter* 17, No. 2 (April–June 2006): 11, <http://www.cefir.ru/index.php?l=eng&id=159>
- Jeronim Perovic, “From Disengagement to Active Economic Competition: Russia’s Return to the South Caucasus and Central Asia,” *Demokratizatsiya* 13, No.1 (Winter 2005): 61–85, http://findarticles.com/p/articles/mi_qa3996/is_200501/ai_n13640837

Source for the maps overleaf: CIA (maps available at <http://www.eia.doe.gov/emeu/cabs/Caspian/Maps.html>)

Caspian Region oil pipelines



UNCLASSIFIED

759738AI 4-02

Caspian Region gas pipelines



DI Cartography Center/MPG 761220AI (C00480) 9-02

About the Russian Analytical Digest

The Russian Analytical Digest is a bi-weekly internet publication jointly produced by the Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen (www.forschungsstelle-osteuropa.de) and the Center for Security Studies (CSS) at the Swiss Federal Institute of Technology Zurich (ETH Zurich). It is supported by the Otto Wolff Foundation and the German Association for East European Studies (DGO). The Digest draws on contributions to the German-language *Russlandanalysen* (www.russlandanalysen.de), the CSS analytical network on Russia and Eurasia (www.res.ethz.ch), and the Russian Regional Report. The Russian Analytical Digest covers political, economic, and social developments in Russia and its regions, and looks at Russia's role in international relations.

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Research Centre for East European Studies [Forschungsstelle Osteuropa] at the University of Bremen

Founded in 1982 and led by Prof. Dr. Wolfgang Eichwede, the Research Centre for East European Studies (Forschungsstelle Osteuropa) at the University of Bremen is dedicated to socialist and post-socialist cultural and societal developments in the countries of Central and Eastern Europe.

The Research Centre possesses a unique collection of alternative culture and independent writings from the former socialist countries in its archive. In addition to extensive individual research on dissidence and society in socialist societies, in January 2007, a group of international research institutes will be assembled for a collaborative project on the theme "The other Eastern Europe – the 1960s to the 1980s, dissidence in politics and society, alternatives in culture. Contributions to comparative contemporary history" which will be funded by the Volkswagen Foundation.

In the area of post-socialist societies, extensive research projects have been conducted in recent years with emphasis on political decision-making processes, economic culture and identity formation. One of the core missions of the institute is the dissemination of academic knowledge to the interested public. This includes regular email service with more than 10,000 subscribers in politics, economics and the media.

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The Center for Security Studies (CSS) at ETH Zurich

The Center for Security Studies (CSS) at the Swiss Federal Institute of Technology (ETH Zurich) is a Swiss academic center of competence that specializes in research, teaching, and information services in the fields of international and Swiss security studies. The CSS also acts as a consultant to various political bodies and the general public.

The CSS is engaged in research projects with a number of Swiss and international partners. The Center's research focus is on new risks, European and transatlantic security, strategy and doctrine, state failure and state building, and Swiss foreign and security policy.

In its teaching capacity, the CSS contributes to the ETH Zurich-based Bachelor of Arts (BA) degree course for prospective professional military officers in the Swiss army and the ETH and University of Zurich-based MA program in Comparative and International Studies (MACIS), offers and develops specialized courses and study programs to all ETH Zurich and University of Zurich students, and has the lead in the Executive Masters degree program in Security Policy and Crisis Management (MAS ETH SPCM), which is offered by ETH Zurich. The program is tailored to the needs of experienced senior executives and managers from the private and public sectors, the policy community, and the armed forces.

The CSS runs the International Relations and Security Network (ISN), and in cooperation with partner institutes manages the Comprehensive Risk Analysis and Management Network (CRN), the Parallel History Project on NATO and the Warsaw Pact (PHP), the Swiss Foreign and Security Policy Network (SSN), and the Russian and Eurasian Security (RES) Network.

Any opinions expressed in Russian Analytical Digest are exclusively those of the authors.

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