

Working Paper

Russia-Iran: Strategic Partners or Competitors?

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Over the years, there have been those in Moscow as well as Tehran who have advocated a “strategic partnership” between the two countries. Moscow has teased Tehran from time to time by holding out such a prospect, but never committed to it.¹ The concept is obviously a debatable one, not just in Moscow but also in Tehran. Now, with Iran finally on its way to easing nuclear sanctions, many in Tehran do not want to give up Iran’s expanded freedom of action on the world stage by tying the country too closely to Russia.

President Putin has stayed entirely away from “strategic partnership” language in regards to Iran. His restraint on the phrase has been consistent over the years and he is unlikely ever to embrace it. In the decade preceding the advent of the Arab Spring, Iran’s rise in the region was of increasing concern to Russia. Putin has long been personally courting the Saudis and other Gulf Sunni Arabs and in this pursuit does not want to get boxed in by overly intimate ties with Iran. The same goes for Russia’s relations with Israel. Moscow in recent years has gained appreciation for Iran as a barrier to Sunni extremism, but is determined not to let Iran become an obstacle to Russia’s own relations across the Middle East, even with Iranian *bêtes noires* Saudi Arabia and Israel.²

President George W. Bush’s 2003 invasion of Iraq and ousting of Saddam Hussein gave Putin an opening for his first round of courting the Sunni Gulf monarchies as well as Israel. Overwhelming American power employed against a long-time counterbalance to the Shia Islamic Republic of Iran had disconcerted them.

Parallel to Putin’s reaching out to the Gulf powers and to Israel, the 2002-2003 revelations about Iran’s covert nuclear enrichment program prompted Russia to join the international community in putting pressure on Iran to rein in this program. At the same time, Russia protected Iran in the UN Security Council from Chapter VII enforcement action and vigorously warned against military strikes from the West and/or Israel.

¹ John W. Parker, “Understanding Putin Through a Middle Eastern Looking Glass,” Institute for National Strategic Studies, Strategic Perspectives No. 19, National Defense University Press, Washington, D.C., July 2015, pages 26-27.

² John W. Parker, *Persian Dreams: Moscow and Tehran Since the Fall of the Shah* (Washington, DC: Potomac Books, Inc., 2009), *passim*; and “Understanding Putin,” *passim*.

More recently, President Obama's February 2011 failure to support long-time U.S. ally President Mubarak in Egypt and Obama's August 2013 failure to back up his chemical weapons 'red line' with military action against Bashar al-Asad in Syria gave Putin the opening for his second wave of regional activism.

This time the employment of underwhelming rather than overwhelming American power distressed the Saudis and other Sunni Arabs. They began to look to Putin as a steadier hand playing a weightier role in the region. They also reached out to him as a signal to Washington not to take them for granted. Moreover, given Russia's dealings with Iran, however uneven, the Sunni monarchies evidently thought it prudent to try to loosen the grip of the Moscow-Tehran relationship so as to slow down the growth of Iranian power in the region.

During Putin's first term as president (2000-2004), as part of his freshman round of Russian post-Soviet reengagement in the Middle East, Moscow again began to treat Syria as an important player in the region. One aim was to wean Asad away from what Moscow saw as a rising and more threatening Iran. Bashar al-Asad, however, who succeeded his deceased father Hafez in July 2000, did not appear much interested in boosting ties with Moscow until he needed Russian help in 2011, when the Syrian civil war began. Putin would later recount that "when Asad took over as president, he first went to France, Britain and other countries. He visited Moscow [only] after three years of presidency."³

The launch of Russia's air campaign on September 30, 2015, reinforced assertions that Moscow was now firmly part of an Iranian-led "Shia axis" of resistance fighting the various Sunni oppositions in Syria and their regional Sunni backers. Nevertheless, Moscow has displayed agile cross-sectarian diplomatic footwork before and after its air campaign. While indeed working with Iran militarily in Syria, Russia has successfully pursued engagement with most major Sunni powers in the Middle East, most interestingly Saudi Arabia, as well as with Israel. At the same time, Russia has cooperated in the P5+1 to clinch the July 14, 2015, Joint Comprehensive Plan of Action (JCPOA) nuclear deal with Iran despite opposition to such an agreement from Saudi Arabia and Israel.

³ "Understanding Putin," pages 21-22.

Russia's aspirations in Syria overlap in part with those of Iran but are independent. Russia and Iran are coordinating militarily in Syria, but ultimately may have divergent political outcomes and fates for Asad in mind. In the long run, Russia and Iran will be competitors for leverage on and favors from whatever regime remains in Damascus and/or the Asad family stronghold of Latakia.

While the jury is still out, it would appear at this juncture that the success of Russia's air campaign has secured it increased presence in Syria, in part at Iran's expense. Russia has also perhaps marginally increased its ability to manage Asad, though this is still a huge question mark. In any event, Russia has acquired the Hmeimim airbase outside Latakia for free in perpetuity (though this is sure to become an issue eventually), and its formidable S-400 long-range air defense systems now give Russia extensive dominance of the airspace in the region.

So, where does this leave the Iran-Russia-U.S. triangle? Iran will want to keep both Russia and the United States – as well as Europe and China -- engaged and competing with each other for its favor, rather than giving preference to one or the other. In some areas, Russia and Iran indeed will draw closer together in coming years. The lifting of nuclear sanctions, for example, opens the way for prospects of Iran finally becoming a full member of the Shanghai Cooperation Organization, or SCO.⁴ But in other areas, including some regional issues of utmost sensitivity to Iran, the two countries will continue to go their separate ways.

On business in the post-nuclear deal environment, Russia has advantages because of U.S. self-imposed sanctions restrictions, though one notable exception is Boeing passenger jets and spare parts. However, so far there has been a lot of talk but few deals between Russia and Iran. Nevertheless, likely more for political reasons than for profit, the Russian State Atomic Energy Corporation (Rosatom) committed in November 2014 to building at least two new nuclear power units at Bushehr.

⁴ “Мария Захарова: "Снятие санкций открывает Ирану путь в ШОС" [Maria Zakharova {Russian Foreign Ministry spokesperson}: The Lifting of Sanctions Opens the Way for Iran into the SCO],” online at <https://www.youtube.com/watch?v=39m6VGbQHZ0> .

Before the JCPOA nuclear deal was clinched last July, the Russian government supported Russian business involvement in Iran while the nuclear negotiations were ongoing, but Russian business did not like the risks of running afoul of Western sanctions on Iran.

Now Russia itself is under sanctions for its 2014 military incursions into Crimea and then southeastern Ukraine. As a result in part of those sanctions, but much more of Russia's unreformed economy, and of the dramatic drop in the price of oil, the Russian economy is stagnating. Russian banks and government agencies, unable to obtain credits abroad for themselves, are in too poor shape to extend substantial credits to Iran to stimulate bilateral trade and investment.

Iran has asked Russia for lines of credit to pay for Russian goods and services, mostly for joint projects in the energy sector. The Russian Foreign Economic Bank (Vneshekonombank) is reportedly preparing a €2 billion credit with Iran's Central Bank. However, the Russian Finance Ministry claims to be unable to provide Iran with another requested \$5 billion line of credit because there are no funds for this in the Russian state budget.⁵

All the same, Russia hopes to earn big bucks from trade with Iran. The outlook, though, for a dramatic rise in the volume of trade is not promising despite Putin's visit to Tehran last November. In general, economic ties between Russia and Iran remain anemic despite what seems to be continuous consultations on mega-deals. Bilateral trade shrank to \$1.3 billion in 2015 from \$1.7 billion in 2014. Russia has ambitions of raising it to \$10 billion, but Iran's trade with China already far outstrips it at around \$50 billion.⁶ Russia and Iran have

⁵ Yuriy Barsukov, Ivan Safronov, and Yelena Chernenko, "Форум идеального газа. Владимир Путин впервые за восемь лет посетит Иран [Ideal Gas Forum. Vladimir Putin To Visit Iran For The First Time in Eight Years]," Kommersant, November 23, 2015, online at <http://www.kommersant.ru/doc/2860396> .

⁶ Paul Aptekar, "Иранцы одобрили нормализацию отношений с Западом [The Iranians Have Approved Normalization With the West]," Vedemosti, February 28, 2016, online at <http://www.vedomosti.ru/opinion/articles/2016/02/29/631716-ot-redaktsii-vozvrashchenie-irana> .

agreed upon a portfolio of potential contracts adding up to \$70 billion, but most remain paper aspirations only.⁷

Nevertheless, Iran is likely to return to the Russian arms market, though not exclusively. In 1989-91, Moscow and Tehran signed contracts worth potentially \$5-6 billion. Now, deals under consideration could be worth as much as \$8 billion.⁸ “There is a lot they would like,” according to Russia’s chief arms merchant, Sergei Chemezov, chairman of the Rostec Corporation. However, so far there are no concrete deals. Russia has extended credits to Iran for Russian energy projects in Iran. But “when it comes to weaponry, they buy that with their own money, not with ours,” insists Chemezov.⁹

However, one notable major weapons contract has been renegotiated. On April 13, 2015, Putin issued a decree permitting the resurrection of the contract for the S-300 air defense missile system.¹⁰ The contract had been a bitter irritant in relations since then President Medvedev annulled it on September 22, 2010.¹¹ After Putin’s green light, a new \$1 billion contract for four S-300 battalions was signed on November

⁷ Yuriy Barsukov, Ivan Safronov, and Yelena Chernenko, “Форум идеального газа. Владимир Путин впервые за восемь лет посетит Иран [Ideal Gas Forum. Vladimir Putin To Visit Iran For The First Time in Eight Years],” *Kommersant*, November 23, 2015, online at <http://www.kommersant.ru/doc/2860396> .

⁸ On the 1989-91 arms contracts, see *Persian Dreams*, pages 31-34. On current negotiations, see Matthew Bodner, “Iran Seeks Russian Fire Power,” *The Moscow Times*, March 4, 2016, online at <http://www.themoscowtimes.com/article/iran-seeks-russian-fire-power/561322.html> .

⁹ Paul Sonne, “WSJ Q&A with Sergei Chemezov,” *The Wall Street Journal*, March 10, 2016, online at <http://www.wsj.com/articles/wsj-q-a-with-sergei-chemezov-1457657218> . See also Ivan Safronov, “У С-300 заедает механизм оплаты [The Payment Mechanism Trips up the S-300],” *Kommersant*, March 9, 2016, online at <http://www.kommersant.ru/doc/2932732> .

¹⁰ For discussion of the timing of Putin’s decision, see “Understanding Putin,” pages 45-47.

¹¹ See John W. Parker, “Russia and the Iranian Nuclear Program: Replay or Breakthrough?” *INSS Strategic Perspectives* No. 9 (Washington, DC: NDU Press, March 2012), pages 16-17.

9. Half of these are already reportedly in Iran, and delivery of the rest of the systems could be completed by the end of this year.

In other sectors, a \$20 billion oil-for-goods exchange was being widely discussed well over a year ago, as well as an \$8–10 billion electrical energy deal. However, technical and financial barriers have stood in the way. Energy Minister Aleksandr Novak emphasizes that ramping up trade will depend most of all on lifting financial sanctions so that Iran can pay Russia with money and not goods.¹²

At the same time, Russia and Iran will be competitors for European gas and world oil markets. To the extent that Iranian gas can increasingly find its way to Europe, the competition between Russian and Iranian suppliers will advance the U.S. and EU goal of lessening Europe's dependence on Russian gas.

Oil is different, however. Iran's return to world oil markets contributes to the glut Saudi Arabia has created to protect market share by making U.S. shale less profitable and to reduce the "peace bonus" to Iran for agreeing to a nuclear deal to get out of under the nuclear sanctions. To the extent that Iran helps prolong this glut, it is good for U.S. car drivers but bad for the profits of U.S. oil majors, and for the further development of American energy "independence."

On February 16 of this year, Russia, Saudi Arabia, Venezuela, and Qatar announced a tentative agreement to keep oil production at January levels if the rest of OPEC supports the move.¹³ The production freeze initiative was an interesting comment on the so-called "Shiite axis" that Russia is allegedly a member of, since Iran and Iraq may not support Russia in this effort to nudge oil prices higher, while the Sunni Saudis, archenemies of Iran, are playing ball with Putin.

¹² "Understanding Putin," pages 44-47; and Yuriy Barsukov, Ivan Safronov, and Yelena Chernenko, "Форум идеального газа. Владимир Путин впервые за восемь лет посетит Иран [Ideal Gas Forum. Vladimir Putin To Visit Iran For The First Time in Eight Years]," Kommersant, November 23, 2015, online at <http://www.kommersant.ru/doc/2860396> .

¹³ Andrew E. Kramer and Stanley Reed, "Oil Nations Embracing Plan to Lift Low Prices," The New York Times, February 17, 2016.

Whatever the state of Russia-Iran ties, there will continue to be numerous irritants in U.S.-Iran relations. There will not be a mechanical 'zero sum' dynamic. Iranian human rights violations that trouble American public opinion will continue. Iran's Islamic Revolutionary Guards Corps, or IRGC, is still running the show on trouble-some missile tests and much of the action in Syria and Iraq. Supreme Leader Khamenei remains a tough conservative deeply distrustful of the United States, and is trying to shape his own succession. In both Iran and the U.S., the nuclear deal remains politically contentious.

On some regional security issues, however, there could be some potentially favorable outcomes for American allies in the Middle East resulting from the evolving relationships between the U.S., Iran, and Russia. Putin reportedly told Israeli Prime Minister Netanyahu in Moscow on September 21, and Saudi Deputy Crown Prince and Defense Minister Mohammed bin Salman in Sochi on October 11, that if they lent Russia their support in Syria, Russia would in return help them contain Iran in the region. According to this same account, Putin told Netanyahu that an expanded Russian role in Syria could dampen Iranian and Iranian-supported Lebanese Hezbollah Syrian-based operations against Israel.¹⁴

Russia has demonstrated a growing ability to influence the security environment in the Middle East through its arms sales, its willingness to act militarily in Syria, its de facto acquisition for the near future at least of the Hmeimim airbase outside Latakia, and its basing of the S-400 air defense system there. As a result, however, traditional close U.S. allies now increasingly engage more actively with Russia and do not necessarily support U.S. positions even on issues outside the Middle East, such as Ukraine. This behavior has been most startling coming from Israel, but is increasingly true even of Saudi Arabia.

Over the years, Israel has lobbied in Moscow on specific Iranian- and Syrian-connected security issues. The two countries have built a good

¹⁴ Jay Solomon, "U.S. Eyes Russia-Iran Split in Bid to End Syria Conflict," Wall Street Journal, November 19, 2015, on line at <http://www.wsj.com/articles/u-s-eyes-russia-iran-split-in-bid-to-end-syria-conflict-1447895357> . See also Igor Delanoë, "Is a Russia-Saudi Deal on the Horizon?" The Moscow Times, October 12, 2015, online at <http://www.themoscowtimes.com/opinion/article/is-a-russia-saudi-deal-on-the-horizon/538674.html> .

relationship in this regard. Putin's agreement with Israeli Prime Minister Netanyahu about cooperation at the General Staff level to de-conflict operations in the air space over Syria must irritate Tehran.¹⁵ To the extent that Russia has indeed been competing with and displacing Iran in Syria, Russia may be able marginally to improve security for Israel by lessening threats to Israel emanating from the Golan Heights and by partially disrupting the air bridge Iran uses to supply Hezbollah in Lebanon – though the latter would be a real stretch.

In conclusion, however, we need to remember that Moscow's default setting for dealing with Tehran over the years has been wary engagement, and vice versa for Tehran's approach to Moscow. This has been ingrained by centuries of wars and mutual grievances. Both sides are used to and adept at mixing cooperation and contention on different issues at the same time, and we can expect this pattern of wary engagement to continue for years to come.

¹⁵ "Answers to journalists' questions [on September 28, 2015]," President of Russia official website, September 29, 2015, online at http://en.kremlin.ru/events/president/transcripts/press_conferences/50394 ; Judah Ari Gross, "Israel's Air Superiority Clouded by New Russia Missiles in Syria," The Times of Israel, December 1, 2015, online at <http://www.timesofisrael.com/israels-air-superiority-in-syria-clouded-by-russian-s-400/> ; and Josh Cohen, "Vladimir Putin Is the Closest Thing to a Friend Israel Has Ever Had in Moscow," Reuters, January 14, 2016, online at <http://blogs.reuters.com/great-debate/2016/01/14/vladimir-putin-is-the-closest-thing-to-a-friend-israel-has-ever-had-in-moscow/> . The two leaders met in Moscow on September 21 (even before the launch of Russia's air campaign!) and in Paris on November 30, 2015, on the margins of the UN Climate Change Conference.