

**PUTIN AND IRAN:
A Changing Relationship**

Robert O. Freedman
Johns Hopkins University



The National Council for Eurasian and East European Research
910 17th Street, N.W.
Suite 300
Washington, D.C. 20006

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Principal Investigator: **Robert O. Freedman**

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Executive Summary

Since Vladimir Putin took office first as Russian Prime Minister in 1999 and then as President in 2000, there have been a number of ups and downs in Russia's relations with Iran. Nonetheless Tehran has been Moscow's most consistent ally in the Middle East, both under Yeltsin and under Putin, and as long as the conservatives remain in power in Iran, the alliance is likely to continue. Putin has, so far at least, more deftly and more successfully pursued Russian political and economic interests vis-a-vis Iran than did Yeltsin. Yet while Putin has been successful in promoting Russian interests up until now, several dangers lie on the horizon.

Introduction

Since Vladimir Putin took office first as Russian Prime Minister in 1999 and then as President in 2000, there have been a number of ups and downs in Russia's relations with Iran. Nonetheless Tehran has been Moscow's most consistent ally in the Middle East, both under Yeltsin and under Putin, and as long as the conservatives remain in power in Iran, the alliance is likely to continue. Before analyzing the Russian-Iranian relationship under Putin, however, it is necessary to briefly examine how Putin has shaped Russian foreign policy.

The Putin Approach to Foreign Policy

One of the most striking aspects of the Putin Presidency has been his ability to bring quasi-independent players in Russian domestic and foreign policy under tighter centralized control. Thus Putin has all but eliminated the political influence of oligarchs Boris Berezovsky and Vladimir Gusinsky and deprived them of their media outlets. He has also replaced Yevgeny Adamov, head of the Ministry of Atomic Energy, who had a habit of trying to make nuclear deals with Iran not approved of by the Kremlin, with Alexander Rumantsev. The powerful gas monopoly, GASPROM, heavily involved in Turkey and Central Asia, had its director, Ram Vakhirev replaced by Alexei Miller, while the Defense Ministry had its leader, Defense Minister Igor Sergeev, replaced by the Secretary of the National Security Council, Sergei Ivanov. Putin also changed interior ministers, set up plenipotentiaries to oversee Russia's 89 regions, and consolidated Russia's arms sales agencies into Rosoboronoexport in an effort to gain greater

control over a major source of foreign exchange. Putin also put a great deal of emphasis on improving Russia's economy, not only through the sale of arms, oil and natural gas (the Russian economy has been blessed with high oil and natural gas prices during much of his first three years in office) but also on expanding Russia's business ties abroad, and business interests were to play an increasingly significant role in Putin's foreign policy. Making Putin's task easier was the support he received from the Duma, especially from his Edinstvo (Unity) party, (now the enlarged United Russia Party) which was a clear contrast to the hostile relations Yeltsin had had with the Duma from 1993 to his resignation as President in December 1999.

Overall, Putin's foreign policy has been aimed at strengthening the Russian economy in the hope that, in the not too distant future, Russia might regain its status as a great power. In the interim he has sought to create an arc of stability on Russia's frontiers so that economic development can proceed as rapidly as possible. At the same time, however, mindful of voices in the Duma, and with the security apparatus unhappy at Moscow's appearing to play "second fiddle" to the U.S., Putin has from time to time asserted an independent position for Russia, as Moscow's behavior in the recent Iraqi war indicated. In this context Iran provides an additional area for independent policy action for Putin, something he appears to believe will help him as the Russian elections near.

Putin and Iran

The Yeltsin Era

The importance to Russia of its relationship to Iran began in the Yeltsin era. Even in the

halcyon first year of Yeltsin, when Russia was cooperating with the U.S. almost everywhere else in the world, it continued to sell weapons to Iran despite U.S. opposition. Indeed throughout the Yeltsin period, Moscow made only two concessions to the U.S. on military/nuclear sales to Iran, both in 1995. The first occurred when Yeltsin apparently reversed his Minister for Atomic Affairs and canceled the sale of uranium-enriching centrifuges to Tehran. The second was the Gore-Chernomyrdin agreement under which Moscow promised to end arms sales to Iran when existing contracts expired at the end of 1999. In retrospect, neither concession turned out to be a serious one, because Putin was later to reverse Russia's promise to cease arms sales, while Iran's ability to develop its own centrifuges could well have been due to Russian technological assistance.

Why, then, the close Russian-Iranian relationship? At the time Yeltsin stepped down as Russia's President, there was a great deal of Russian-Iranian cooperation, on a bilateral basis as well as on the regional and world scenes. As far as regional conflicts were concerned, Russia and Iran were cooperating in maintaining the shaky cease fire in Tajikistan, were aiding the Northern Alliance in their battles against the Taliban in Afghanistan, and were jointly supporting Armenia against Azerbaijan, which neither Russia nor Iran wanted to emerge as a major force in Transcaucasia. Both Iran and Russia also denounced what they saw as U.S. efforts to establish a unipolar world.

As far as bilateral relations were concerned, Russia was Iran's primary supplier of weaponry, including supersonic jets, tanks, and submarines, and Moscow was also building a nuclear reactor complex for Iran at Bushehr. The CIA reported that Russia was also covertly aiding Iran in the development of ballistic missiles, such as the Shihab III with a range of 1,300

kilometers, that could hit U.S. Middle Eastern allies such as Turkey, Israel, Egypt, and Saudi Arabia.

There were, of course, problems but most of these were still then “over the horizon.” The first dealt with the division of the Caspian Sea, with Iran holding out for 20 percent – even though its coastline was only 12 percent – while Russia was moving to divide the seabed into national sectors, as its agreement with Kazakhstan in 1998 indicated. The second dealt with the routes for the export of Caspian oil and natural gas. While through most of the 1990's Moscow had wanted all the pipelines to go through Russian territory, by 1999, after its August 1998 economic crisis, and with a rapprochement with Turkey under way centered on the Blue Stream gas pipeline project, Moscow grudgingly acquiesced in the Baku-Tbilisi-Ceyhan pipeline. However, by locking up most of Turkmeni gas, in the short run at least, Moscow dealt a serious blow to Iranian hopes of being the main transit route for Turkmen gas. Still, Iran kept working on tripartite deals to involve Russia, Iran and Central Asian energy producers, and Putin was later to reciprocate with his concept of a North-South transportation corridor.

The Putin Era

Putin faced a major problem in Iran when he first took office. The problem was his decision to invade Chechnya following a series of bombing incidents in Russia that were blamed on the Chechens, who were seeking their independence from Moscow. Chechnya is a predominantly Moslem republic of the Russian Federation, and the Russian army began to kill

large numbers of Moslem Chechens whom the Russian army called “terrorists.” As the then leader of the Islamic Conference, Iran could not sit by while Moslems were being killed, and a war of words over Chechnya quickly erupted between Tehran and Moscow. Yet state interests took precedence over Islamic ideology in Tehran as both the conservatives who dominated the levers of power, led by Ayatollah Khamenei, and President Khatemi, who had a great deal of popular support, but very little real power, downplayed the conflict as an “internal” problem of Russia. This was the case primarily because Iran needed Russia as a secure source of sophisticated arms and as a diplomatic counterweight to the United States. This demonstrates that Islam, as an ideology, can take a back seat to state interest, much as international communism often took a back seat to the state interests of the USSR.

Perhaps as a reward for Iran’s low profile on Chechnya, his number one problem, Putin, in November 2000, unilaterally abrogated the Gore-Chernomyrdin agreement of June 30, 1995 under which Russia was to have ended all military sales to Tehran by December 31, 1999 once existing arms sales contracts had been completed. This decision risked U.S. sanctions, ranging from a ban on the use of Russian rockets for satellite launches to the discouragement of U.S. investments in Russia, to U.S. pressure on the IMF not to reschedule Russian debts. While improving Russian-Iranian relations, and clearly benefitting Rosoboronoexport, Putin’s new consolidated arms sales agency, the decision to abrogate the Gore-Chernomyrdin agreement was to hurt U.S.-Russian relations, albeit only temporarily.

Then at the beginning of 2001, Russian-Iranian relations began to run into problems. With an approach to foreign policy that was increasingly based on aiding the struggling Russian economy, Putin moved to improve relations with Azerbaijan so as to expedite oil production, and

the profits from it, from the Caspian Sea. This was the case in large part because Russia had found sizable oil reserves in its own sector of the sea. While Iran had been demanding a 20 percent share of the seabed, Moscow, as noted above, had signed an agreement with Kazakhstan in 1998, splitting the sea into national sectors, and followed this up in January 2001, in a Putin visit to Baku, by signing a similar agreement with Azerbaijan, thus apparently siding with the two major oil producers in the Caspian, Azerbaijan and Kazakhstan, against Iran. Tehran was clearly angered by this development, as well as by the military exercises Moscow carried out on the Caspian during the Putin visit to Baku. The Iranian news agency IRNA cited a source at the Iranian Foreign Ministry as stating: “Iran believes that there is no threat in the Caspian Sea to justify the war games and military presence, and such measures will harm the confidence-building efforts of the littoral states in the region.¹ Ironically, Iran was to use just such military pressure several months later.

The Caspian Sea dispute, along with military cooperation, were high on the agenda of Khatemi’s visit to Moscow in the middle of March 2001. The Iranian Ambassador to Moscow, Mehdi Safari, in an apparent attempt to solicit support from Rosoboronoexport, dangled the prospect of \$7 billion in arms sales to Iran, prior to the Khatemi visit. This followed an estimate of up to \$300 million in annual sales by Rosobornoexport director Viktor Komardin.

Meanwhile, U.S.-Russian relations had sharply deteriorated as the new Bush Administration had called for the abrogation of the ABM Treaty, and for the expansion of NATO into the Baltic states. Making matters worse, soon after taking office, the Administration had angered Moscow by bombing Iraqi anti-aircraft installations and by expelling a number of alleged Russia spies. Given this background of deteriorating U.S.-Russian relations, one might

have expected more to come out of the Putin-Khatemi summit than actually happened. To be sure, Putin formally announced the resumption of arms sales, Khatemi was awarded an honorary degree in philosophy from Moscow State University, and the Iranian President was invited to tour Moscow's contribution to the international space station. Former Russian foreign minister and prime minister Yevgeny Primakov waxed eloquent over the Khatemi visit, calling it the biggest event in the history of relations between Tehran and Moscow. Yet the treaty emerge from the meeting (titled "The Treaty on Foundations of Relations and Principles of Cooperation") merely stated that "if one of the sides will be exposed to an aggression of some state, the other side must not give any help to the aggressor."² This was far from a mutual defense treaty, and something that would allow Moscow to stand aside should the United States, one day, attack Iran. No specific mention was made of any military agreements during the summit, and Russian deputy defense minister Alexander Luskov, possibly in a gesture to the United States, stated, "The planned treaty will not make Russia and Iran strategic partners, but will further strengthen partnerlike, neighborly relations."³

As far as the Bushehr nuclear reactor issue was concerned, despite U.S. protests, Putin (who was anxious to sell Russian nuclear reactors abroad) and Khatemi stated that Russia would finish work on the complex; and the director of the Izhorskie Machine Works, Yevgeny Sergeyev, stated that the first reactor unit would be completed in early 2004, and "as soon as the equipment for the first reactor leaves the factory, a contract for the second nuclear reactor will be signed."⁴

Following the Khatemi visit to Moscow, the Caspian Sea issue again generated problems for Russian-Iranian relations. On July 23, 2001, Iranian gunboats, with fighter escorts, harassed

a British Petroleum research ship, forcing BP to suspend its activities in the region, which was located within the sea boundary of Azerbaijan according to the Russian-Azeri agreement, but according to Tehran lay in the 20 percent share of the Caspian that it unilaterally claimed. The fact that Turkey subsequently sent combat aircraft to Baku (the arrangement to send the aircraft, however, predated the Caspian Sea incident) complicated matters for Moscow, as the last thing Moscow wanted was for a conflict to arise between Turkey and Iran, both of which Putin was cultivating.

The Impact of September 11th

Putin's decision to draw closer to the U.S. after September 11th, and particularly, his acquiescence in the deployment of U.S. troops in Central Asia was very dimly viewed by Tehran. Iranian radio noted on December 18th, following the U.S. military victory in Afghanistan, "some political observers say that the aim of the U.S. diplomatic activities in the region is to carry out certain parts of U.S. foreign policy, so as to expand its sphere of influence in Central Asia and the Caucasus, and this is to lessen Russia's traditional influence in the region."⁵

A second problem in post-September 11th Russian-Iranian relations dealt with the Caspian Sea. When, again due to Iranian obstinacy, the April 2002 Caspian summit failed, Putin moved to assert Russian authority in the Caspian. This took three forms: first, there was a May 2002 agreement with Kazakhstan to jointly develop the oil fields lying in disputed waters between them; second, a major Russian naval exercise took place in the Caspian in early August 2002 with 60 ships and 10,000 troops. It was witnessed by Russian defense minister Sergei

Ivanov. The exercises took place on the 280th anniversary of Peter the Great's naval campaign in the Caspian, both Kazakhstan and Azerbaijan participated, and Putin called the purpose of the exercise part of the war against terrorism. Finally, in September 2002 Putin and Azeri leader

Aliyev signed an agreement dividing the seabed between them but holding the water in common.

A perceptive Russian journalist Alexander Reutov writing in *Kommersant* on September 24, 2002 noted:

“If Iran tries to prevent Caspian oil from reaching the world market (via Baku-Ceyhan) Iran could very well find itself the next country, after Afghanistan and Iraq, to be run over.”⁶

Iran, however, sought to demonstrate that it would not be cowed by the Russian military move, and in September 2003, while the Iranian foreign ministry spokesman, Hamid-Reza Asefi was stressing that the militarization of the Caspian Sea would never ensure the security of littoral states, Iran launched its “Paykan” missile boat into the Caspian “to protect the interests of the Iranian nation.”⁷

Interestingly enough, while Russian-Iranian tension rose over the Caspian, Russian nuclear reactor sales and arms sales continued. In July, just a few weeks before the major military exercises on the Caspian, Moscow announced that not only would it finish Bushehr (despite U.S. opposition) but also stated it had begun discussions on the building of five additional reactors for Iran. It remained unclear at the time, however, whether the spent fuel would be sent back to Russia so it could not be made into nuclear weapons.

As Moscow stepped up its nuclear sales to Tehran, the U.S. sought to dissuade Russia

through both a carrot and stick approach, threatening on the one hand to withhold \$20 billion in aid for the dismantling of the old Soviet military arsenal, while also promising \$10 billion in additional aid for Moscow. Meanwhile support for the Chechens who seized a theater in

Moscow in October 2002, by Iranian newspapers, including those close to Khomeini, raised questions in the minds of at least some Russians as to whether Moscow was backing the wrong side in the U.S.-Iranian dispute over the Iranian nuclear program.

In December 2002 it was revealed in a series of satellite photographs that, in addition to Bushehr, Iran was building two new nuclear facilities, one a centrifuge plant near the city of Natanz and the other a heavy water plant near the city of Arak. Initially Russia downplayed the development, with the Director of Minatom, Alexander Rumantsev, stating that the photos taken of the plants were not sufficient to determine their nature, and, in any case, and Russia had nothing to do with the two plants. Other representatives of Minatom said Russia was ready to supply the long-awaited nuclear fuel to Tehran – but only if the Iranians guaranteed return of the spent fuel to Moscow. Rumantsev, however, said Russia was ready without conditions to supply nuclear fuel to Iran.⁸ By February 2003 Rumantsev was hedging his position, noting “at this moment in time: Iran did not have the capability to build nuclear weapons.”⁹ By March 2003 however, with an IAEA team visiting the two plants, Rumantsev had further changed his position and asserted that Russia could not tell whether Iran was secretly developing nuclear weapons, stating “While Russia is helping Iran build its nuclear plant (at Bushehr) it is not being informed by Iran on all the other projects currently underway.”¹⁰

Following its initial successes in the Iraq war, the U.S. stepped up its pressure on Russia

to halt the Iranian nuclear weapons program. In response, Russian FM Igor Ivanov noted in an Interfax interview at the end of May 2003 that Russia wanted all Iranian nuclear programs to be under the supervision of the IAEA. Then, following the Bush-Putin talks in St. Petersburg in early June when Bush was at the height of his international influence, Putin asserted that the positions of Russia and the U.S. on Iran were closer than people thought. However, he added that “the pretext of an Iranian nuclear weapons program (could be used) as an instrument of unfair competition” against Russian companies.¹¹

By early June 2003 it appeared that the U.S. was making two demands on Russia, vis-a-vis the Bushehr reactor. First, while the U.S. wanted Russia to end all support for Bushehr, at the minimum, the U.S. argued that Moscow should not supply any nuclear fuel to the Bushehr reactor unless Iran agreed to send all used fuel back to Moscow. Second, Moscow should also withhold the nuclear fuel until Iran signed an additional protocol with the IAEA permitting that agency unannounced visits to all Iranian nuclear facilities. On the latter issue, both the G-8 (of which Russia is a member) and the EU have been pressuring Iran, albeit up to the time of writing (September 30, 2003) without much success. Indeed, the G-8 statement issued in early June noted:

“We urge Iran to sign and implement the IAEA Additional Protocol without delay or conditions. We offer our strongest support to comprehensive IAEA examination of this country’s nuclear program.”¹²

The question, of course, was not only how far Iran would go to comply, but how far Russia would go to pressure Iran. In this there appeared to be some initial confusion in Moscow. While British Prime Minister Tony Blair asserted that Moscow had agreed not to deliver nuclear

fuel until Iran signed the IAEA protocol, Russian Foreign Ministry spokesman, Alexander Yakovenko, stated that Moscow would only freeze construction on the Bushehr plant if Iran refused to agree to return all spent nuclear fuel to Russia, and that Iran was not required to sign the protocol, because “the protocol is an agreement that is signed on a voluntary basis.”¹³ Meanwhile, perhaps to deflect some of the U.S. pressure, Minatom Minister, Alexander Rumanstev announced on June 3, 2003 that the Bushehr reactor would be completed in 2005, not 2004 as originally planned. While he blamed the delay on the need to replace the reactor’s original German parts, it could well be that this was an important gesture to the U.S.¹⁴

In assessing the reasons why Moscow proved willing for such an extended time not only to forego substantial U.S. economic aid but also arouse the ire of the U.S. because of its supplies of nuclear equipment and technology to Iran, there are several hypotheses. First, Moscow is keen to develop its nuclear reactor industry, which employs thousands of top-grade Russian scientists, and Iran pays hard currency for the reactors. Second, the sale of such sophisticated equipment fits right into Putin’s plans to rebuild the Russian economy. Third, aid from the U.S. is problematic, because whatever the Executive branch of the U.S. may decide, Congress, especially in a time of rising budget deficits, could cut the appropriation. In addition, by earning its own hard currency, rather than depending on handouts from the U.S., Putin can demonstrate Russian pride in its own scientific achievements. Finally, by standing up to the U.S. on the issue of nuclear assistance to Iran, Putin demonstrates that despite 9/11, Russia is still following an independent policy line and he may feel that such a position will be beneficial to him as the Russian elections near, much as was his tough position during the Anglo-U.S. invasion of Iraq. Nonetheless, by delaying completion of the Bushehr reaction, and now publicly requiring Iran to

return the spent nuclear fuel to Russia, Moscow also seeks to avert a possible U.S. attack on Iran, something that would have posed another painful choice for Putin.

The reason for this is that Russia's nuclear assistance to Iran, coupled with its anti-American position during the Iraq war, not only caused a deterioration in U.S.-Russian relations, it posed a serious risk for Moscow. The U.S., having conquered Iraq, one member of the "Axis of Evil," might move against the Axis of Evil nation right next door - Iran. To be sure, unlike Iraq, the Iranian government was split, with the reformers pitted against the ultra-conservatives. However, from the U.S. perspective, the reformers who appeared to want improved ties to the U.S. losing out in the power struggle, and in 2003 the U.S. began hardening its position against Iran. Thus the U.S. pressured Haliburton and Thyssen Krupp to curtail their operations in Iran and was preparing a blacklist of foreign companies investing in Iran's energy industry, as it appeared the Iran-Libya sanctions act was being reinvigorated. Furthermore the Bush Administration was taking an increasingly dim view of Khomeini and the ultra-conservatives whom it accused of supporting terrorism. Not only had they been implicated in the Karine-A episode where they sought to smuggle rockets and C-4 explosives to the Palestinians, but the Argentinian government had finally implicated Iranian officials in the 1994 terrorist bombing of the Jewish Community Center in Buenos Aires, while the murder by Iranian police of a Canadian journalist further hurt Iran's world image.

Pressure on Iran, not only from the U.S., but also from the EU and Japan, which Iran had hoped to split away from the United States, continued to build during the summer and early Fall

of 2003. Complicating the Iranian position was the revelation that traces of enriched uranium had been found in Iran. While the Iranian government tried to dismiss the issue by saying the enriched uranium had adhered to equipment which Iran had imported from foreign countries, the Iranian statements had little credibility outside Tehran. Then, on September 12th, the IAEA, of which Russia is a member, gave Tehran a deadline of October 31st to provide full information about its nuclear program to show that it is not secretly building nuclear weapons, and furthermore urging Iran to freeze its uranium enrichment program. While the tough wording of the message prompted the walkout of the Iranian delegation from the Vienna IAEA meeting, the question now became how Russia would react to the situation. Interestingly enough, at the time, Russia's Deputy Foreign Minister, Sergei Kislyak, tried to soft pedal the IAEA report by saying Iran should not see the October 31st deadline as an ultimatum.¹⁵ However, in September a dispute between Russia and Iran broke out over who would pay for the return of the spent fuel from the reactor, with Iran demanding that Russia pay for it and Moscow refusing. Complicating matters further for Putin on the eve of his visit to the U.S. in late September, was the U.S. sanctioning of a Russian arms firm (The Tula Instrument Design Bureau) for selling laser-guided artillery shells to Iran.

Fortunately for Putin, Bush's position at the time of the summit was considerably weaker than it had been when the two leaders last met in June. Guerrilla warfare had erupted in the Sunni areas of Iraq which not only was the U.S. having trouble dealing with – it unsuccessfully turned to the U.N. in an effort to get additional troops, along with monetary aid to rebuild Iraq – but Iraq had, along with a sputtering American economy, become a major issue in U.S. politics as Bush's standing in U.S. polls dropped sharply. Consequently, while Bush raised the issue of

Iran with Putin, the most he could extract from the Russian leader was the somewhat vague statement that “It is our conviction that we shall give a clear but respectful signal to Iran about the necessity to continue and expand its cooperation with the IAEA.”¹⁶ In addition, Bush prove unable to get Putin to agree to cease construction on the Bushehr reactor.

The Putin-Bush summit provides a useful point of departure for examining the course of Russian-American relations since Putin came to power.

Conclusions

In examining Russian policy toward Iran in the Putin era, one main conclusion can be drawn. Putin has, so far at least, more deftly and more successfully pursued Russian political and economic interests vis-a-vis Iran than did Yeltsin. Thus Russian companies continue to sell arms (both legally and illegally) to Iran, and Minatom continues to build the reactor complex at Bushehr – all despite the opposition of the United States. At the same time, through both military maneuvers on the Caspian Sea and diplomatic agreements with Azerbaijan and Kazakhstan, Putin has clearly demonstrated to Iran that if it did not agree to a satisfactory settlement to the Caspian Sea legal dispute, then Russia, together with Azerbaijan and Kazakhstan would simply extract resources from their own national sectors of the Caspian irrespective of what Iran might want. Moscow has also pursued its interests in Chechnya, despite Iranian opposition, mild as that was.

Yet while Putin has been successful in promoting Russian interests up until now, several dangers lie on the horizon. First, Moscow must be careful as to the kind of weapons it sells Iran, lest the U.S. become so alienated that the American (and possibly other Western) investments

which Russia wants to help develop its economy could be jeopardized. Thus if Moscow were to sell weapons to Iran that could greatly complicate U.S. military action in the Persian Gulf region, the U.S. would most likely react in a highly negative manner. Such sales might include the new Russian ship-to-ship missiles with ranges from 120-280 kilometers that could threaten the U.S. fleet not only in the Persian Gulf but in the Indian Ocean as well, along with the improved version of the SAM-300 anti-aircraft missiles that could engage U.S. aircraft at high altitudes.

A more serious problem for Moscow lies in the development of Iran's nuclear capability. As Iran moves ahead with its nuclear program, more and more people in Moscow are becoming concerned that Iran might develop nuclear weapons. Under the circumstances it would appear to be in the Russian interest to not only strongly demand the return of the spent fuel once the Bushehr reactor (or reactors) are operational, but also to have Iran sign the additional protocol to the IAEA agreement allowing unannounced inspection of Iranian nuclear sites . Such a demand – if obeyed – would not only help prevent the emergence of another nuclear power to the south of Russia (along with India and Pakistan) but would also serve to prevent a possible U.S. or Israeli strike on Iranian nuclear facilities – something that would pose difficult problems of choice for Moscow. While the U.S. appears to be becoming, for the short term at least, more and more bogged down in Iraq, one could not rule out the possibility of a U.S. strike against Iranian nuclear facilities, if not a full scale invasion of Iran, if Tehran continues to develop its nuclear capability while at the same time refusing to allow U.N. inspections.

The dilemma here for Putin is if Iran conditions the contracts for additional nuclear reactors on Moscow's acquiescence in Tehran's refusal to sign the additional IAEA protocol or otherwise cooperate with the IAEA. Here, again, Putin would have to balance the economic

benefits Moscow would get if it sold additional reactors to Iran, to the political and economic costs it would pay in alienating the Bush Administration. Up until now Putin has managed to finesse the situation but it appears that the time is drawing near when he will have to make a choice. It will be interesting, indeed, to see what that choice may be.

Endnotes

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