

# Iran to Capitalize on Russia-West Standoff Over Ukraine

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President Vladimir Putin meeting with his Iranian counterpart Hassan Rouhani on September 13, 2013.

When President Vladimir Putin and his Iranian counterpart Hassan Rouhani meet on Friday against the backdrop of Russia's slide into the abyss of Western sanctions, the two countries may find one another to be increasingly suitable economic allies.

The two leaders will attend a security summit of the Shanghai Cooperation Organization in the capital of Tajikistan, Dushanbe, to discuss trade, international security and Iran's nuclear program.

Experts on the Middle East on Thursday said the meeting is promising for both sides as Russia seeks closer economic and political ties with Iran, which is experienced when it comes to coping with economic embargoes.

"This could possibly turn out to be a key meeting in the development of Iranian-Russia

relations," said Alexei Malashenko, head of the religion, society, and security program at the Carnegie Moscow Center, a global research organization.

Russia needs Iran's help to escape from the growing isolation that has stemmed from Western sanctions over Moscow's alleged involvement in the conflict in Ukraine, he said.

At the same time, the West needs Iran, one reason being that Tehran and Washington share the same position on the need to crush the Islamic State uprising in Iraq.

"Rouhani is now in a very advantageous position and can negotiate with all sides — be it the U.S., Europe, or Russia," Malashenko said.

## **Sanction After Sanction**

Since 2006, the international community, including Russia, slapped Iran with one restriction after another for its refusal to halt its uranium enrichment program. Tehran says the program is peaceful, but Western countries suspect Iran of trying to achieve nuclear arms capability.

Sanctions reached their peak in 2012, when Moscow joined with Western leaders and China on the toughest economic restrictions on Iran to date. The countries imposed an almost total economic blockade on Tehran, refusing to buy Iranian oil — a valuable source of the country's income — and switching off its access to SWIFT banking transactions system.

One result was that Russia's trade turnover with Iran, a country with a population of nearly 80 million, dropped to a mere \$1.6 billion last year, three times less than in 2012.

After building a 1,000-megawatt nuclear power station near the Iranian city of Bushehr, which began operating at full capacity in 2012, Russia was not involved in any other large infrastructure projects in the country.

The situation started to change for the better at the beginning of 2014 when the sanctions against Iran were temporarily lifted for six months after Tehran agreed to scale back its uranium enrichment program.

The agreement to lift sanctions expired at the end of July but negotiations on a similar new deal are expected to commence at the end of November.

"It looks like the sanctions will be eased off further or even canceled and Russia needs to act as this [development] brings not only political but also substantial economic benefits," said Vladimir Sazhin from the Russian Academy of Science's Institute For Asia Studies.

## **Russia Steps In**

Since the beginning of the year Russia has been in talks with Iran, offering one option for cooperation after another.

The most economically significant of those agreements so far came in the sphere of electricity generation.

"We are talking about construction of eight to 10 units for thermal power plants, 350

megawatts each, with a combined power output of up to 3 gigawatt," Russian Energy Minister Alexander Novak said in an interview with the Rossia 24 television channel on Wednesday, on the sidelines of a Russian-Iranian business forum in Tehran.

These projects are estimated to be worth \$10 billion.

Furthermore, earlier this year the Iranian nuclear power authority said that it had inked a preliminary deal with Russia's state-owned nuclear agency Rosatom to build two more nuclear power stations of the same capacity as the one in Bushehr.

This week, the two countries' governments signed tentative cooperation deals for building alumina and mineral fertilizer plants in Iran, conducting Russian-led geological exploration projects in Iran, and for the import of Russian agricultural products to Iran.

And in May Russia and Iran agreed on a program to train Iranian cosmonauts, who Tehran hopes to send into space at the beginning of the next decade.

"Although Russia has much to offer in the areas mentioned above, Iran needs large investment and advanced technology, which the country will seek in the West," Sazhin said, adding that Iranian businessmen are more inclined to turn to Western ways of living and doing business.

"But one would be wrong to think that Tehran will be a faithful ally for Europe, the U.S. or Russia. Business is business and Iran chooses partners based on the benefits it can get from them," Sazhin concluded.

## **Looking Both Ways**

While selling oil is essential for Iran's economy, Tehran's own proposal to the international community was to add its vast gas reserves to the hydrocarbons trade, which will require substantial investment from its partners.

According to the BP Statistical Review of World Energy for 2014, Iran's proven natural gas reserves stand at 33.8 trillion cubic meters, compared to Russia's 31.3 trillion cubic meters. Iran is the world's third-biggest natural gas producer after the U.S. and Russia. Most of its production goes to satisfy its own needs — as the case is with U.S. — but it is ready to provide an alternative supply for Europe.

"The European countries are negotiating with us and testing the conditions in a bid to have an alternative gas supplier," Hamid Reza Araqi, managing director of the National Iranian Gas Company, told Iran's FNA news agency in August.

In July, Iranian Deputy Oil Minister Ali Majedi said his agency has large-scale programs underway to export natural gas to Europe.

He added that Europeans have shown a serious interest in importing Iran's gas to reduce their dependence on Russian gas.

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