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Kremlin Confirms Missile and Oil-for-Goods Deal With Iran

By The Moscow Times

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Russian S-300 anti-missile rocket system move along a central street during a rehearsal for a military parade in Moscow in this May 4, 2009 file photo.

The Kremlin confirmed on Tuesday that an oil-for-goods barter deal between Russia and Iran was being implemented and officials said the road was clear for Moscow to supply an advanced S-300 anti-missile system to Tehran.

Oil and commodities traders were skeptical the barter deal was underway, saying they had not seen any volumes of Iranian oil or Russian grain connected to such a deal being shipped so far.

The latest statements from Moscow coincide with politically sensitive negotiations on a final accord between Iran and the United States, Britain, France, Russia, China and Germany on Tehran's disputed nuclear program.

Russia has moved quickly to cement ties with Iran after an interim deal was reached this

month on curbing the Islamic republic's nuclear program in exchange for removing economic sanctions. Talks will resume on April 21 with the aim of reaching a final accord by the end of June.

President Vladimir Putin lifted a self-imposed ban on delivering the air defense system to Iran on Monday, a move to secure a foothold for Russian companies in a much-needed new market after the West imposed sanctions on Russia over Ukraine.

"On the whole you can say one thing — from the legal point of view there are no longer any constraints now that the decree has been signed," Kremlin spokesman Dmitry Peskov said in a conference call with reporters.

In 2010, under Western pressure, Russia suspended a 2007 agreement to sell five S-300 batteries to Iran under a contract then reported to be worth some $800 million.

U.S. Secretary of State John Kerry raised concerns with his Russian counterpart over the decision to lift the ban and said the oil-for-goods swap could conflict with the sanctions regime imposed on Iran by the United States and other Western nations.

A precise mechanism and timetable for lifting sanctions against Iran is still to be worked out. Russia says an arms embargo on Tehran should also be lifted once the final nuclear deal is in place.

"The international situation has changed and this is why the Russian president decided to carry out the [missiles] contract," Nikolai Patrushev, head of the Kremlin's Security Council, said in comments broadcast by the Rossiya 24 television.

Russian TASS news agency also quoted Ali Shamkhani, Secretary of Iran's Supreme National Security Council, as saying in Moscow on Tuesday he expected deliveries before the end of the year and that Tehran would drop a legal suit against Russia once they were completed.

Iran has taken Russia to arbitration over the blocked sale of the S-300 and filed a $4 billion lawsuit against its state arms exporter Rosoboronexport.

"Removing this snag would further help development of our bilateral ties," Shamkhani said.

Concern

The European Union's spokeswoman Catherine Ray expressed concern over Russia's decision but said she did not expect it to hinder further negotiations over Iran's nuclear program.

Russia has said recently that it offered Iran an updated version of the S-300, its latest Antey-2500 missile defense system.

Iranian Foreign Minister Mohammad Javad Zarif told a news conference in Madrid: "We welcome the right decision by President Putin to move forward... I think it is a step in the right direction and we are looking forward to expanding our relations."

The deal will be discussed further when Iran's defense minister, Hossein Dehghan, visits Moscow in the coming days, said Iran expert at the Russian Academy of Sciences, Vladimir

Sazhin, adding that Tehran used to be Moscow's third-largest defense and military trade partner.

"Russia is keen to rebuild those ties, though any large-scale cooperation is only possible after sanctions, including the banking ones, are lifted. Now settling any payments with Iran is very complicated," Sazhin said.

In 2012, the SWIFT payments transfer system cut off Iranian banks that were the subject of EU sanctions over Iran's nuclear program — a step that shut down a major avenue through which Iran did business with the rest of the world.

Sazhin said the oil-for-goods swap was also an attempt by Russia to secure a foothold in Iran.

Sources said more than a year ago that a barter worth up to $20 billion was being discussed and would involve Russia buying up to 500,000 barrels of Iranian oil a day.

Officials from the two countries have issued contradictory statements since then on whether a deal has been signed, but Deputy Foreign Minister Sergei Ryabkov said on Monday Russia had started supplying grain, equipment and construction materials to Iran in exchange for crude oil under such a deal.

The Kremlin spokesman declined to give any details of the deal. But asked whether Ryabkov was correct, he told reporters on Tuesday: "Absolutely. Of course."

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