

## Russia and Iran's Nuclear Program

Written by Dr. Emanuele Ottolenghi  
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In an official statement released on October 23, the International Atomic Energy Agency (IAEA) announced that France, Russia and the United States had endorsed an IAEA-sponsored agreement for the transfer of Iranian Low Enriched Uranium (LEU). Less than a month earlier, US President Barack Obama standing on a podium at Pittsburgh's G-20 summit alongside French President Nicolas Sarkozy and British Prime minister, Gordon Brown, had revealed to the world the existence of the Fordow Fuel Enrichment Plant, a secret nuclear enrichment site near Iran's holy city of Qom. The announcement no doubt caused embarrassment in Tehran and put Iran's regime on the defensive. Coupled with nine months of determined efforts by the new US Administration to directly engage Iran's rulers, the atmospherics of such a high-level announcement seemed to pay off.

Negotiations set off immediately after. The five Permanent Members of the United Nations' Security Council plus Germany (the so-called P5+1) and Iran's nuclear negotiators, met in Geneva, on October 1, to restart negotiations over a year after their last, largely fruitless meeting in Geneva in July 2008. A deal soon emerged – Iran's ability to produce medical isotopes was dwindling, as the supply of the kind of uranium needed – enriched at 19.75% and originally provided by Argentina in the early 1990's – was running out. The international community wished to see Iran's stockpile of LEU under stricter supervision. A potential trade-off was clearly available for the diplomats to grab. Details were soon worked out in Vienna on October 20-21 by diplomats from the countries involved. Under the transfer agreement, Iran would ship a significant share of its LEU stockpile to Russia for further enrichment. The uranium would then be processed into fuel rods (in France) and returned to Iran for use in its Tehran Research Reactor, under IAEA safeguards. Under the new format, it could not be diverted or reprocessed by Iran for purposes other than the ones specified in the agreement. And it would also enable France to extract nuclear fuel during the enrichment process.

Iran's negotiating team, headed by its Ambassador at the IAEA, Ali Asghar Soltanieh, initially endorsed the agreement and, according to the statement released by then IAEA Director General, Mohammad ElBaradei, Iran was, "considering the proposal in depth and in a favorable light" though it needed "time until the middle of [the following] week to provide a response." This was the first of a series of delays that left the international community increasingly frustrated but equally guessing about the nature of Iran's response. Was Iran's leadership divided? Was the decision making process paralyzed by Iran's increasingly polarized internal dynamics? These questions, though relevant to those trying to divine the Islamic Republic's domestic predicament after a rigged presidential election followed by a wave of brutal repression and a seeming power shift from the clerical establishment to the Revolutionary Guards, reflect a consensus about the desirability of this deal – something which is far from certain. A separate, but related question has to do with Russia's role – especially if, as it increasingly looks like, the deal falls apart and a new internationally concerted effort must get underway to punish Iran for its non-compliance.

At a first glance, it seems that what bought Iran time and further concessions in the past, did not work its charms this time around. In practice, Iran's foot dragging may have only strengthened

the resolve of the international community to further pressure its regime and deepened an already existing rift between Iran and Russia, whose support for the deal put Moscow's prestige on the line. Even more so, it appeared to put a nail in the coffin of US President Obama's policy of engagement with Tehran, and swing a formerly reluctant European Union on the path of much tougher sanctions against Iran. Regardless, Iran has played its cards well once more – it issued an ultimatum to the international community to accept its counterproposal by January 31, after which it would proceed to produce the needed uranium on its own. The question that arises then is whether the consensus mustered around the IAEA-sponsored transfer agreement can now translate into the international political will to support punitive measures against Iran.

The road to tougher sanctions is a long and winding one still – but at least discussions have begun among EU members and the Obama Administration to work out new measures so that Iran will be confronted with more vigorous pressure from the international community. This is a welcome development, if it happens, but it is not one likely to yield results soon or to necessarily gain Russia's and China's backing. Besides, it should not overshadow the fact that regardless of the consequences of the deal's rejection by Iran, the failure of the transfer agreement should be welcome, and it should therefore not be revived at a later stage if Iran sounds a more reasonable note.

### **The Transfer Agreement Was a Bad One**

Iran has no right to enrich uranium. Technically, any signatory of the NPT enjoys such a right for peaceful purposes, provided it complies with its NPT obligations. But Iran has lost that right. In September 2005, the IAEA declared that Iran was not complying with its NPT obligations; in February 2006, the IAEA Board of Governors voted overwhelmingly to refer the matter of Iran's nuclear program to the UN Security Council. The Security Council in turn demanded, in five successive Chapter VII resolutions (1696, 1737, 1747, 1803 and 1835), that Iran suspends all its enrichment activities. By negotiating a deal over its illegally enriched uranium that does not even ensure immediate suspension of all future enrichment activities, the U.S., Russia and France — the three powers negotiating in Vienna — could have potentially undermined the UN Security Council and handed a victory to Iran: its uranium enrichment could continue, despite its non-compliance with its NPT obligations.

Any future deal should obtain, at a minimum, an Iranian agreement to immediately implement the Additional Protocol that it signed (but not ratified) in late 2003, which would open Iran to unrestricted access by IAEA inspectors. An aggressive and intrusive inspections' regime, coupled with strong messages from the international community that failure to comply will be met with serious consequences is the only possible course of action left for peaceful diplomacy.

### Can Russia be Turned Around?

There is one problem with this prescription – one that the looming crisis artificially created by Iran's turn about on the transfer agreement will soon bring to the fore. Iran has learned over the years that the price of non-compliance is not that high, thanks to Russian reluctance to endorse substantive punitive measures against Iran. It is safe to assume that this time it will be no different. As President Obama switches tactics from engagement to sanctions and his European allies follow suit, both Washington and Brussels would do well to realize the limits of Russia's support and, even more importantly, the motives behind them.

The first and most obvious reason is economic. Russia's industrial complex reaps enormous benefits from the sale of nuclear technology to Iran, the supply of nuclear fuel, the training of Iranian nuclear scientists, and the sale of advanced weaponry. Russia's friendly game in the Security Council is not only cash driven. Energy plays a significant role, and so do strategic calculations about Russian influence and power in the Middle East.

When it comes to energy, there is the privileged access that Russia gains to Iran's rich oil and gas fields, alongside with China, in exchange for playing a friendly game. If for China this may come down to the raw calculus of securing energy supplies, for Russia there is also a matter of gaining a political foothold in the Gulf and ensuring that energy's great game plays by Russian rules. One should not underestimate Iran's role in the Caspian oil trade and the potential benefits for Russia in setting up an energy cartel with Tehran. With Europe toying with the idea that Iran could become an alternative (and therefore a competing) supply of energy to Russia, tying Russian and Iranian energy sectors through a web of economic and political cooperative deals means that Russia kills several birds with one stone. It ensures it could have a role in price fixing and leveraging energy for political purposes. It neutralizes a potential competitor in exchange for political cover on Iran's dubious nuclear dealings. It earns hard cash in the process by selling technology to that very same program it should endeavor to keep in check due to its Security Council membership. And strategically, it gains the leverage that the Iranian nuclear program confers upon Russia vis-à-vis the West.

In short, for Russia, Iran is its entry point into the Middle East; it is a gateway to regaining lost influence in a key strategic region for very sound reasons – energy being among the most prominent. Russia will pursue its interests across this region with vigorous consistency. In the Middle East this implies growing coordination with Iran both bilaterally and through the multilateral GECF on multiple exploration and production projects. It will seek to gain an ownership position in as many projects of economic and geostrategic significance to its principle downstream interest in ring fencing the European market for natural gas which is already hemmed in by pipeline infrastructure and limited diversification in regional gas availability. Russian efforts to coordinate natural gas production and upstream development with Iran and Qatar would tighten Russia's stranglehold on the European gas market and deepen European

gas dependence. Coming out of GECF meeting in October Gazprom's Alexi Miller stated, "We are united by the world's largest gas reserves, common strategic interests and, which is of great importance, high cooperation potential in tripartite projects." Dividing world markets into military like "gas commands" e.g. Russia with its western command, Iran with an eastern command provided the Iran-Pakistan-India pipeline is ever built and Qatar with a global LNG transport reach, if respected, would prevent competition in each other's markets and hence put further upward pressure on regional gas prices. OPEC and the G3 call this cooperation. The US Security and Exchange Commission calls this price fixing.

But even if the above makes perfect sense, why should Russia tolerate a nuclear weapons state next door? Possibly, this has to do with the fact that Russia might not see an Iranian nuclear arsenal as an existential threat – it knows Russia ranks low in Tehran's list of mortal enemies. If anything, one could make the argument that Russia stands only to benefit from a nuclear Iran, since such development would drive oil prices upwards – something Russia can only welcome, since it will earn Russia both cash and influence. One should therefore not make too much of the sudden chill in bilateral relations between Moscow and Tehran that followed Iran's rejection of the transfer agreement. Russia remembers how poorly its interests were served by a Western-friendly Iran during the Shah era. Pushing the regime too far on the nuclear issue might engender the kind of sea change in Tehran that could damage Russia's long-term interests, especially in the energy sector. The last thing Russia wishes to see is Iran's return as a Western ally.

This does not mean that Russia necessarily welcomes a nuclear Iran. But given that Iran provides a lucrative market to Russia's nuclear and military industries, given that Iran may help Russia thwart Western efforts to reduce their dependency on Russian and Middle East energy, given that Iran helps Russia in its efforts to contain Western dominance, given that it is better to keep Iran as a Western foe (and therefore to keep this regime from losing control), given all of the above, why should Russia be of any help?

Multilateralists may answer that Russia will ultimately come around because it cannot possibly want a nuclear Iran on its doorstep.

There are two answers to that. One, Russia may dismiss Iran's technological prowess and think the Iranians will never come around to master the required science to build a bomb – it may be a wrong assessment but one that fits views of the non-Slavic world that hold purchase in certain Russian policy-making circles. The Russians may also think that in any case, sooner or later, Israel or the U.S. (or both) will attack and destroy the Iranian program. So why be seen as hostile in Tehran? They'll be free riders, benefiting from the attack politically (no nukes on their

borders) and economically (Russian contractors will clear the rubble and rebuild the damaged infrastructure).

In short, Russia benefits from a middle ground between the absence of war and the absence of peace. It will continue to play its cards and leave the West stuck in that place. Plain and simple, its interests are not our own. More efforts to bring Russia on board and thus deny cover for China will be a waste of time.

Bottom line – don't wait for Russia.

### Iranian Post-Scriptum

In the third week of December 2009, according to Iraqi officials Iranian troops seized an oil field north of Basra. One possible motive for the incursion may be Iran's unwillingness to see an upswing in Iraqi oil output with the compliance of international oil companies which have been busy responding to tenders for developing Iraqi oil fields. Another more plausible reason may be that the over-run well, well-No.4 in the East Maysan oil field which is in the al-Fakah region, 450 kilometers (280 miles) south of Baghdad, is in a territorial area which has been long in dispute between Iraq and Iran for decades. Yet another may have been a vague dream, cooked up by the Iranian regime increasingly under fire domestically, for Iranian forces to draw-fire from the US military in Iraq and thereby deflect criticism away from Tehran, and towards the US, all the while with the added bonus of driving up international oil prices. Whatever the reasons, no Russian public condemnation of the reported Iranian incursion into Iraq has been registered. This came a time when Russia's own giant independent oil company, Lukoil, was busy inking a deal to help develop Iraq's massive West Qurna-2 oil field. Russian policy again succeeds in having its cake, a bottled up Iran with limited access to international markets accompanied by higher oil prices when Iran disrupts even in small-measure international oil markets, and is eating it too in the form of new access to Iraqi oil fields.

On Iran's nuclear ambitions, the international community should now recognize that every action undertaken by Iran in the nuclear domain suggests that the Islamic Republic has always sought – and never stopped – to produce nuclear weapons. In this context, the Obama Administration should take the lead and coordinate the next moves with its European allies, in the full knowledge that Russian help in offering a temporary reprieve to the crisis through the transfer agreement will not necessarily translate into Russian support for measures that could damage or even undermine Moscow's long term interests in the region.

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