

Russian Weapons Sales to Iran

Why They Are Unlikely to Stop

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Russian-Iranian Defense Cooperation vs. U.S. Sanctions

From 1995 to 2005, more than 70 percent of Iran's arms imports came from Russia, according to data from the Stockholm International Peace Research Institute, a well-respected observer of global military transfers. Although Iran imported far fewer arms from Russia than either China or India during this time, it was still Russia's third largest buyer. Russia's weapons sales to Iran, as well as its assistance in developing Iran's nuclear energy and space programs, are often linked to Moscow's opposition to harsh measures levied in response to Iran's nuclear transgressions.

For years, the United States applied pressure to Russia through diplomatic channels and sanctions against actors believed to contribute to Iranian nuclear and missile programs. Though the United States did not succeed in its attempts to dissuade Moscow from launching the Bushehr nuclear power station project, Russia did sign the Gore-Chernomyrdin memorandum restraining its military sales to Iran for a period of five years. On several occasions, the U.S. government applied sanctions against individual Russian entities for proliferation activities related to Iran's nuclear and missile programs. However, in most cases the grounds for the penalties were debatable, and the effect on the targeted enterprises was minor. Finally, in mid-2006, the United States enacted sanctions against two of Russia's key defense entities: the state-owned weapons exporter Rosoboronexport, and Sukhoi, a producer of world-famous fighter aircraft. This time, U.S. punitive measures promised to affect very serious interests within the Russian defense industry: Sukhoi has a subsidiary that carries out Russia's largest civil aircraft development project with the participation of several U.S. partners, and Rosoboronexport recently acquired a titanium producer with sizeable sales in the

United States.

So far, however, statements from Russian government and industry communicate a message of business as usual, including the reaffirmation of the most controversial of the weapons deals to date: a sale, agreed upon in late 2005, of Tor-1 short-range air defense systems to Iran. One industry representative stressed: "We send our systems to Iran with a totally clear conscience, because they are exclusively defensive weapons." A similar line is invariably offered by the spokespeople of Rosoboronexport, who insist that it operates exclusively within the framework of international law. Fully aware of the international concerns regarding Iran's nuclear program, as well as the U.S. position on military cooperation with Iran, Russia endorses preserving contacts in this sensitive sphere even though it faces unfavorable consequences for doing so. What factors lie behind this preference?

An Overview of Russian Weapons Sales to Iran

The start of substantive military sales to Iran predates Russian independence. From 1989 to 1991, the Soviet Union signed a series of deals supplying Iran with MIG-29 and SU-24 fighter aircraft, aircraft missiles, S-200 air defense complexes, three diesel submarines, and hundreds of tanks and armored vehicles, as well as various munitions. The arrangement included licensed manufacturing of tanks and armored vehicles and a 10-year period for parts supplies. The contracts were thus to stay in effect until 1999-2001. With the exception of tank and armored vehicle exports that fell short of expected quotas, the bulk of the weapons were shipped to Iran in 1992-1996.

In the spring of 1995, the Russian government, seeking U.S. support in the upcoming elections, agreed to enter into a non-public agreement that committed Moscow to phase out its military cooperation with Tehran by signing no new contracts and completing the remaining exports by the end of 1999. In return, the United States offered to temporarily exempt Russian companies from legislation penalizing businesses for dealing with Iran. In Russia, the agreement was seen as a net loss, including revenues lost on uncompleted exports, the loss of new orders from Tehran, and diminished credibility as a partner. In November 2000, after Vladimir Putin was elected president, Moscow annulled the agreement.

Military contacts between Russia and Iran were revived in 2001, a year marked by exchanges of delegations and a state visit to Russia by then Iranian president Mohammad Khatami. A bilateral agreement on military and technical cooperation was signed, leading to widespread anticipation of future multi-billion dollar contracts. Few deals were ultimately concluded, however, and these were relatively modest: a \$150 million helicopter contract and an order for 300 armored vehicles that was suspended a few years later. Some enterprises received smaller orders for repairing Russian-made equipment. In the end, the contentious \$700-900 million air defense systems contract announced in December 2005 became the only large-scale weapons deal signed with Iran in the entire post-Soviet period.

Expectations, however, still persist. Rosoboronexport, the state-owned arms export intermediary, is negotiating a number of contracts for upgrading or modernizing equipment. It has also facilitated contracts for building and launching Iranian satellites.

Iran's first satellite was built and launched in October 2005, and there are standing orders for the construction of an additional satellite and two more launches.

This overview suggests a generally sustained and evolving pattern of mutual interest. How realistic, then, is the policy of applying pressure to stop Russia's defense cooperation with Iran?

Interests Behind Russian Exports: Looking at Actors

The interest of individual companies in foreign contracts is often evoked as a rationale for Russian-Iranian arms cooperation. There is no doubt that Russian defense companies are interested in foreign orders. Throughout the 1990s, overseas sales were a vital source of income and development for the Russian defense sector. In less dramatic fashion, the same situation still applies today. Russian defense companies are willing to compete for orders from Iran as they would from any other foreign buyer. For that matter, Iran is among the defense industries' more familiar customers: its representatives reach out to the enterprise level, visiting plants and exhibitions. During a spate of intensive contacts in 2001, Iranian delegations visited a shipbuilding company in St. Petersburg, precision weapons producers in Tula and Kolomna, and an air defense systems manufacturer in Izhevsk. The sanctions imposed by the United States on Russian defense enterprises before 2006 did not present any real dilemma because none of them had any contracts, or even contacts, with their U.S. counterparts. Within the more internationalized space industry, the Krasnoyarsk-based Reshetnev Scientific Production Association holds a satellite construction contract with Iran, as previously did the Omsk-based Polyot. Both companies intend to bid for follow-up projects, despite being aware of the possible complications (recognizing the threat of sanctions, these companies concluded their past contracts through a third party).

At the level of government institutions, commercial incentives clash more visibly with political constraints. Rosoboronexport, the intermediary for more than 85 percent of foreign defense contracts, measures its performance by billions of dollars in annual sales and even more billions in its portfolio of orders. State entities' political constraints are, however, also high. U.S. pressure led former president Boris Yeltsin to publicly cut the terms (and value) of a nuclear energy cooperation deal that Russia's nuclear agency Rosatom was ready to sign. In less conspicuous fashion, Rosoboronexport has also in recent years been forced to take into account the political constraints involved in dealing with Iran. Aware of Iran's longstanding interest to acquire the S-300 long-range air defense systems, media reports persistently suggested that a deal could be announced at any time. Probably in view of the unfavorable international situation, however, the contract has yet to be signed, and Russian officials continue to deny that talks are even being conducted. A wave of unconfirmed reports about plans to supply the S-300 air defense systems to Iran via re-export from Belarus, irrespective of the credibility issue, suggests that for the moment Rosoboronexport cannot politically afford a direct deal.

Extending the View

The balancing of profit motives and political constraints only partially explains the

nature of Russian-Iranian defense cooperation. This cooperation is embedded in a dense and diverse network of Russian-Iranian ties and associated interests. The two countries are long-time neighbors with a complex bilateral agenda that, over the last 20 years, has moved steadily in the direction of greater cooperation.

In addition to the interests of the defense industry, Russian cooperation with Iran is grounded in the interests of other economic actors and regions. Russia and Iran have the largest natural gas deposits in the world. Gazprom, the most powerful economic entity in Russia, participates in developing the rich gas fields of Southern Pars in the Persian Gulf and hopes to direct this gas through a yet-to-be-constructed pipeline to India. Russia's first tier oil companies Lukoil and Tatneft have operated projects in Iran and currently hold cooperation agreements with Iranian entities. Other Russian companies have ambitious plans to develop Iran's energy and transportation infrastructure. At the same time, certain Russian regions have concluded agreements of cooperation with Iranian counterparts. In addition to visiting Tatarstan, an industrially developed and Muslim-populated republic within Russia, and Astrakhan, Iran's neighbor across the Caspian Sea, Iranian trade delegations have also reached St. Petersburg and even the Siberian regions of Omsk and Novosibirsk. Incidentally, all these regions except Astrakhan host defense enterprises, some of which have been or are currently involved in contracts with Iran.

The consolidation of Russian state control over profitable sectors (often dubbed strategic sectors) is creating particular amalgamations of interests across these various economic actors and regions. Gazprom owns the controlling stock of Atomstroieksport, the prime contractor in the Bushehr nuclear power station project. Iran is seeking to obtain S-300 advanced air defense systems for the purpose of protecting Bushehr and other nuclear installations. The S-300 systems would complement the shorter-range Tors, manufactured under a 2005 contract by a Russian defense company whose management is directly appointed by the Kremlin. In 2003, Rosoboronexport, which has facilitated all contracts with Iran, signed an agreement with Tatneft, which is set to bid for the next round of Iranian oil project tenders, on a mutual clearing scheme for dealings with Iran. Kamaz, Russia's largest truck maker, is based in Tatarstan and has opened a licensed truck manufacturer in Iran, with plans to expand to regional markets; Rosoboronexport and the government of Tatarstan are the principal contenders for ownership of the plant. This dense and complex conglomerate of material stakes is evolving into an independent factor accounting for Russia's international position on issues concerning Iran.

Conclusion

The material interests that drive Russian relations with Iran are strong and go beyond narrow interests of particular power groups. Iran is, in fact, an important trading partner for Russia, and one of the few larger markets for Russia's industrial and technological output, which has been painfully insignificant in comparison with its fuel exports. Strategically, Iran is important as a neighboring power with a largely compatible structure of interests in a region vital for Russian security.

It would also be a mistake to ascribe the pro-Iranian aspects of Russia's foreign

policy to anti-American sentiment and corresponding efforts to do everything it can to prevent the United States from achieving “world dominance.” That said, the prevailing nationalist mold of the Russian state today certainly reinforces material considerations. The difficulty with addressing the issue of Russian-Iranian weapons cooperation lies with the confluence of the narrow and short-sighted material motives of power groups and the more widespread set of interests among numerous other actors, shored up with an ideology of rising geopolitical assertiveness.

All this raises questions about the efficacy of punitive and other reactive measures in addressing concerns about Russian-Iranian military cooperation. Targeting companies whose international connections are essential for their development, like Rosoboronexport and, especially, Sukhoi, is probably the most effective way for the United States to get its message across. At the same time, given the ideological undertones of Russia’s resurgent defense-industrial capacity and considerable opposition to U.S. foreign policy in many areas around the globe, a punitive approach might only strengthen the already discernible anti-U.S. logic of Russia’s weapons export policy.