

DEEPENING TIES BETWEEN RUSSIA AND IRAN

The war in Ukraine has presented Iran with a historic opportunity to readjust its relations with Russia, which had previously favoured Moscow.

The multifaceted cooperation between Russia and Iran is likely to become even closer. The extent of this potential deepening of ties depends primarily on Russia's battlefield needs and Iran's willingness to meet those needs in exchange for appropriate compensation.

However, it is unlikely that Russia and Iran will develop strategic ties in the near future.

Since the full-scale invasion of Ukraine on 24 February 2022, Moscow has been searching for new partners among the countries of the global South. This shift mainly aims to reduce its military shortfalls on the battlefield but also to mitigate the impact of sanctions, alleviate international isolation, and establish an anti-Western axis in the long run. Iran, with whom Russia had previously maintained growing but somewhat opportunistic diplomatic and economic relations, as well as military cooperation primarily relating to Syria, has now become one of Moscow's most important partners, and their relations have significantly deepened across several areas.

MILITARY COOPERATION

A new level in Russian-Iranian relations became evident in September 2022 when the Russian Armed Forces were observed using Iranian-made drones, specifically the Shahed-136, in the Ukraine conflict. Iranian drones provide a relatively cost-effective tool to complement Russia's deficient unmanned aerial vehicle (UAV) capabilities. Iran has now supplied the Russian Armed Forces with hundreds of Shahed and other drone types, which have been used in attacks on Ukrainian infrastructure. Furthermore, a joint facility for assembling and producing Shahed-136 drones is under construction in the Alabuga Special Economic Zone in Tatarstan. The factory is at least partially operational, and drones already produced there are likely being used by Russia in Ukraine. Although Russia aims to produce 6,000 drones by 2025, achieving this objective is doubtful due to the shortage of Western electronic components and other obstacles. This substantial addition of drones would impose an extra burden on Ukraine's air defence.

In autumn 2022, Russia and Iran signed an agreement to deliver Iranian surface-to-surface short-range ballistic missiles, Fateh-110 and Zolfaghar, to Russia. Iran has refrained from supplying Russia with missiles mainly due to UN Security Council resolution 2231, which prohibited such transactions, and subsequent Western sanctions and other

measures related to Iranian ballistic missiles after the resolution expired in October 2023. As Russia is not a viable economic alternative to the West, Iran seeks to maintain relations with the West that occasionally allow for the easing of sanctions imposed on Iran, thus bolstering its economy. It is also important for Iran to maintain its image as a responsible, rule-abiding international actor. This is why Iran has consistently denied any form of military support to Russia in the war against Ukraine. Other crucial factors include Russia's capability and willingness to offer an equivalent in return. In exchange

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for Iran's previous support, the Kremlin has promised to supply Iran with 24 Su-35 fighter jets, the most advanced fighter aircraft in Russia's arsenal. To some extent, the two countries have also cooperated in space technology, such as the joint launch of the Iranian satellite Khayyam from the Baikonur Cosmodrome in August 2022. However, Russia's capabilities in this area are limited due to sanctions and other effects of the war. Russia is not currently willing to share the expertise needed for Iran to develop nuclear weapons. While delivering Iranian ballistic missiles to Russia would mark an advancement in Russian-Iranian relations, it would probably not provide Russia with a significant breakthrough in the war in Ukraine, as Iran's capabilities are likely insufficient to supply Russia with large quantities of missiles over an extended period.

ECONOMIC RELATIONS

Formerly rivals in the international energy market, Russia and Iran have turned towards each other as a result of sanctions. Their cooperation is exemplified by several bilateral agreements, the most significant being a \$40 billion memorandum of understanding signed in the summer of 2022 between Gazprom and the National Iranian Oil Company (NIOC) for joint projects in the energy sector. The agreement is intended to enable oil, natural gas and oil-to-gas swaps between Russia and Iran. In the case of natural gas swaps, Russia would supply gas to Iran, which in turn would export its gas to countries such as Oman and Pakistan. To facilitate this, Gazprom has agreed to participate in gas field development in southern Iran and the construction of pipelines and natural gas liquefaction plants in Iran. Gazprom's goal is to gain as much control as possible over Iran's energy sector to make it serve primarily Russia's interests. While Iran is keen on developing its energy sector, it is equally committed to safeguarding its economic sovereignty. This makes Iran a challenging partner in energy cooperation, resulting in complex and demanding negotiations.

Since the outbreak of the war in Ukraine, Russia has sought access to Middle Eastern and South Asian markets through routes that bypass the Baltic Sea and Turkish straits, which Russia no longer considers safe for its trade. Therefore, Russia has set out to create a network of transport corridors in the Caspian Sea region. It has worked closely with Iran, especially on the North-South corridor, with branches crossing the Caspian Sea and running along its coasts. For example, in May 2023, Russia and Iran signed an agreement to build a missing 164-kilometre railway link from Astara to Rasht inside Iran for the western branch of the corridor, which runs from Russia to Iran through Azerbaijan. The project is set for completion by 2028 and, due to difficult terrain, is estimated to cost around \$1.6 billion, which Russia plans to finance through a state loan. Given the project's cost, complexity, and significant differences between the parties, meeting the planned deadline will likely be challenging. At the same time, Russia is

working to facilitate the use of the eastern branch of the corridor, which runs from Russia to Iran through Kazakhstan and Turkmenistan. It has aligned complex tariffs with the participating countries while seeking to expedite customs procedures. Other corridors are also being considered, some of which would bypass Iran as much as possible in case of instability, leading to Turkish ports instead. The efficiency of these corridors is questionable, considering the time required for various countries' customs procedures, capacity issues and potential tensions in the region. However, they hold importance for Russia in terms of image-building.

Cooperation in the banking sector has also seen some progress. In January 2023, Russia and Iran successfully integrated their financial messaging systems, SPSF and SEPAM. Additionally, they have reached an agreement to link their MIR and Shetab payment systems, facilitating transactions in their respective national currencies. However, the integration of payment systems faces ongoing technical issues, creating uncertainty about the timeline for implementation. Future plans include extending this banking cooperation to include Belarus.

While bilateral economic relations are expected to grow in the near term, the sanctions imposed on both countries limit the extent of this growth. Moreover, the alleviation of sanctions on either side would provide significantly better opportunities in Western markets, reducing the motivation to expand bilateral economic relations.

COOPERATION IN INTERNATIONAL ORGANISATIONS

Iran's joining international organisations such as the Eurasian Economic Union, the Shanghai Cooperation Organisation and BRICS² has largely relied on Moscow's support, which Iran sees as reciprocation for what it has offered to Russia. At the same time, Russia values Iran's involvement in these organisations as it enhances their international stature in the Kremlin's eyes, promotes trade among member states and reduces dependence on the United States while offering avenues to bypass sanctions.

FUTURE PROSPECTS

Russian–Iranian cooperation will likely continue to deepen, although the extent of this potential deepening will depend primarily on Russia's battlefield needs and Iran's willingness to meet those needs in exchange for appropriate compensation.

The war in Ukraine has presented Iran with a historic opportunity to readjust its relations with Russia, which had previously favoured Moscow, as Russia now needs Iran more than ever. Russian–Iranian cooperation will likely continue to deepen, although the extent of this potential deepening will depend primarily on Russia's battlefield needs and Iran's willingness to meet those needs in exchange for appropriate compensation.

However, Russian–Iranian relations will necessarily remain limited due to sanctions on both countries and their divergent interests, enduring mutual distrust and cultural differences. Notably, Russia's continued condescension toward Iranians is evident, something Russian officials struggle to conceal in bilateral meetings. For example, during the visit of Iranian foreign minister Hossein Amir-Abdollahian to Moscow in the spring of 2023, Russian foreign minister Sergei Lavrov refused to meet the Iranian minister at

² Iran became a member of the Shanghai Cooperation Organisation in July 2023, signed a free trade agreement with the Eurasian Economic Union in December 2023 and joined BRICS in January 2024.



Russian foreign minister Sergei Lavrov and Iranian foreign minister Hossein Amir-Abdollahian during a bilateral meeting in Moscow in the spring of 2023. Despite Russia's growing need to cultivate ties with Iran, its officials show little sympathy for the Iranians.

Source: Yury Kochetkov/AP

his car to personally accompany him into the Foreign Ministry building, a gesture that was expected by the Iranian side. In private conversations, Russian officials have also alluded to Iranians lacking a sense of reality and compared them to various parasites.

Russia's efforts to maintain relations with the Arab states of the Persian Gulf are another aspect that shouldn't be overlooked. For example, in the summer of 2023, Russia decided to recognise three disputed islands in the Hormuz Strait – Abu Musa, Greater Tunb and Lesser Tunb – as belonging to the United Arab Emirates. This angered Iran significantly, a sentiment Tehran expressed to Moscow.

Regarding the Israel-Hamas conflict, Russia has called on Arab countries to be more active in supporting the Palestinians to limit Iran's role and prominence in the conflict. In communications with Arab countries on other regional security matters, Moscow subtly downplays its relations with Iran to enhance and deepen cooperation with Arab nations.

Iran, in turn, also harbours doubts about developing relations with Russia. Not all Iranian politicians and officials are interested in cooperation with Russia, as they understand perfectly well that improving relations with the West would be more economically advantageous. This is in addition to the opportunity to avoid new sanctions and international condemnation that Iran would inevitably face for supporting Russia as an aggressor.

For these reasons, Russian-Iranian relations will likely remain pragmatic in the near future, based on mutual needs rather than becoming genuinely strategic.

RUSSIA AND THE PALESTINE QUESTION

The Estonian Foreign Intelligence Service first noticed a shift in Russia's policy towards Israel in early 2023 when Moscow, in contrast to its previously neutral stance, began taking markedly anti-Israel positions regarding the Palestine question. This policy continued and became more visible to the global public in the spring of 2023 when Russia held the presidency of the United Nations Security Council.

The heightened prominence of the Palestinian question in world politics in October 2023 provided Russia with an opportunity to exploit the situation. It aimed to enhance its diplomatic visibility and strengthen its image as a staunch advocate of Arab states, leveraging its position as a permanent member of the UN Security Council. This move was particularly important as Russia grappled with the shifting perception of its great power status, brought about by the losses suffered in Ukraine and the absence of decisive military victories. The objective was to undermine Western countries on a global scale by contrasting Ukraine with Palestine, simultaneously expanding the influence of Russian narratives not only among Arab nations but also among countries in the global South more broadly. Russia's consistent message, including behind closed doors, was that in the context of Moscow's pursuit of peace solutions in the Middle East, the West imposed restrictions on Russia's efforts that diverged from Western interests and attempted to thwart them.

Moscow may hope that by adopting an approach favourable to Arab states regarding Palestine, it can contribute to its long-term economic interests in the Middle East. This, in turn, could help reduce the impact of Western sanctions and strengthen cooperation with countries in the region.

Russia's interest lies in international conflicts that demand the attention and resources of the United States, other Western countries and international organisations. Russia anticipates that diverting the attention and resources of Western nations to other areas will further its long-term goal of reducing Western support for Ukraine.