





COMMENTARY


How Should the EU Re-Engage with Tehran in the Face of the Russia-Iran *Entente*?

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1. Background

Even though the Joint Comprehensive Plan of Action (JCPOA), signed in 2015, opened a window for Iran to resume relations with the European Union (EU), the withdrawal of the United States (U.S) from the Accords and its subsequent imposition of secondary sanctions closed this casement with a view to the West. Iran was therefore forced to look towards its Eastern Partners, such as China and Russia, as trade with the EU's Member States started to decrease¹. While Iran embarked on a strategic economic partnership with China, the entente with Russia remains ambiguous.

With Russia, the entente has remained ambiguous, as Moscow, opposed to Tehran's development of nuclear weapons, raised diplomatic concerns after Iran's decision to pursue the enrichment of uranium². On the other hand, Moscow has not only supported Tehran politically in key areas, but also diplomatically in international institutions, including its recent support for Tehran in the United Nations Security Council (UNSC) and in the International Atomic Energy Agency (IAEA)³. Russia may seek to establish itself as a reliable diplomatic partner by adopting a firm but conciliatory position towards Iran following its nuclear escalation, due to the rise of antagonism between the Islamic Republic and the U.S, and in the European mistrust. The future of the JCPOA may likely suggest a rapprochement between Russia and Iran on the security dimension.

A better understanding of Russia-Iran entente should help the EU to better work with relevant stakeholders, namely the U.S, Iran, and Russia with respect to its economic, diplomatic, and security interests. In this respect, the present commentary attempts to explain the consolidation of Russia's strategic relationship with Iran after the JCPOA in specific economic and security domains⁴.

2. Current State of Play

After the JCPOA was signed and sanctions were gradually lifted, Iran has returned to being a global centre of gravity for politics and business, a promising geostrategic trade route that Russia cannot ignore⁵. Even if both are direct competitors in several economic sectors, including oil, gas industry, and agriculture, Russia's approach has shifted, trying to forge closer ties in various areas. Moscow has been eager to cooperate with Tehran in three areas: (1) civilian nuclear power, (2) energy cooperation, and (3) security modernization.

Civilian nuclear power: solidarity between Russia and Iran

Nuclear cooperation between Russia and Iran will face constant technological and financial obstacles in the coming years but the post JCPOA era has shown that both partners remain politically

¹ Faucon, B. "European Firms Start Pulling Back From Iran", The Wall Street Journal, May 16, 2018, <https://www.wsj.com/articles/european-firms-start-pulling-out-of-iran-1526490545>, access 04/03/2021

² "Russia urges Iranian restraint after JCPOA breach with uranium metal production", BNE Intellinews, February 11, 2021, <https://www.intellinews.com/russia-urges-iranian-restraint-after-jcpoa-breach-with-uranium-metal-production-202760/>, access 20/03/2021

³ "Security Council Announces Failure to Adopt Text on Iran Sanctions by 2 Against, 2 in Favour, 11 Abstentions", August 14, 2020, United Nations Press Release, <https://www.un.org/press/en/2020/sc14277.doc.htm>, access 10/03/2020.

⁴ This paper does not focus on Russia-Iran cooperation on Syrian grounds. To better understand Russia - Iran cooperation in Syria, see also: Andrey Kortunov, A. Khlebnikov, A. Sanaei, M. and Shoor, M. "Russia and Iran in Syria and Beyond: Challenges Ahead", Russia International Affairs Council, N°59, 2020, <https://russiancouncil.ru/papers/Russia-Iran-Syria-Paper59-En.pdf>, access 15/09/2020

⁵ Sazhin, V. "Strategic Partnership Between Russia And Iran At a New Phase: What Can The Two Countries Offer Each Other?", The Institute for Iran-Eurasia Studies, January 18, 2021, <http://www.iras.ir/en/doc/article/3522/strategic-partnership-between-russia-and-iran-at-a-new-phase-what-can-the-two-countries-offer-each-other>, access 22/03/2021

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determined to materialize efforts notably with the signing of an agreement for the building of eight new nuclear reactors⁶. Both countries have also agreed to exchange Iranian enriched uranium for Russian raw uranium. Nonetheless, it remains to be seen due to Russia's limited flexibility and resulting “administrative and funding problems”, even if progresses have been declared by Russia and Iran in the recent years⁷. Despite the launch of a nuclear deal between Iran and China after the signature of the JCPOA, Iranian nuclear experts seem to prefer Russian technology, which could be attributed to historical ties.

Energy cooperation: A rapprochement between Russia and Iran

As Iran's hydrocarbon industry and energy infrastructure has fallen behind due to reimposition of sanctions. Russia has shown a certain willingness to expand cooperation in the area, despite the potential competition the long term⁸. However, the announcement of a US\$50-billion investment plan after the American withdrawal from the JCPOA failed to materialize due to the United States's secondary sanctions⁹ and the sensitivity of the issue of penetrating the Iranian oil and gas industries because of the involvement of Russian companies also active in the United States¹⁰. Nonetheless, Russia might renew its interests in the energy sector in 2021 as Iran's Minister of Energy, Bijan Zanganeh, met with Russian energy officials in Moscow in December 2020, calling Russian energy companies to “operate” and “invest” in Iran, designating Moscow as “a strategic partner”¹¹.

Russian cautious approach towards arms sales with Iran

Since the signing of the JCPOA, the Russian and Iranian government have expressed desire to boost military and defence cooperation, such as with the Russian delivery of S-300 systems¹² and the launch of discussions over a US\$10 billion arms deal including the sale of Russian tanks, artillery systems, and aircraft¹³.

⁶ “Russia to build eight more reactors in Iran”, World Nuclear News, November 11, 2014, <https://www.world-nuclear-news.org/NN-Russia-to-build-eight-more-reactors-in-Iran-11111401.html>, access 16/02/2021

⁷ “Iran, Russia officially launch the construction of Bushehr NPP's second stage”, Russian News Agency, <https://tass.com/economy/1087884>, access 11/03/2021. See also: “Work to begin on €1.4bn Russian-financed power plant in Iran”, Global Construction Review, <https://www.globalconstructionreview.com/news/work-begin-14bn-russian-financed-power-plant-iran/>, access 10/03/2021. See also: “Bushehr nuclear plant expansion continues”, Nuclear Engineering International, January 29, 2021, <https://www.neimagazine.com/news/newsbushehr-nuclear-plantexpansion-continues-8481788>, access 04/02/2021

⁸ Foy, H. Bozorgmehr, N. “Russia ready to invest \$50bn in Iran's energy industry”, Financial Times, July 13, 2018, <https://www.ft.com/content/db4c44c8-869b-11e8-96dd-fa565ec55929>, access 07/01/2021

⁹ Jalilvand, D. R. “Iran's Energy Industry: Going East?”, pp. 6.; In: Zamiriad, A. (eds). “Forced to Go East? Iran's Foreign Policy Outlook and the Role of Russia, China and India”, German Institute for International and Security Affairs (SPW), April 01, 2020. <https://www.swp-berlin.org/10.18449/2020WP03/>, access 09/03/2021

¹⁰ Therme, C. “Chapter 6: The Iran-Russia Entente: Marriage of Convenience or Strategic Partnership?”, pp. 95-115. In: Magri, P & Perteghella, A. (eds). “Iran After the Deal: The Road Ahead”. Istituto per gli Studi Internazionali, <https://www.ispionline.it/it/publicazione/iran-after-deal-road-ahead-13902>, access 10/02/2021

¹¹ “Iran Welcomes Oil and Gas Investments From Russian Companies”, Caspian News, December 22, 2020, <https://caspiannews.com/news-detail/iran-welcomes-oil-and-gas-investments-from-russian-companies-2020-12-22-18/>, access 24/12/2020. See Also: Heinrich, M. “Iran sees Russia as 'strategic partner', views close within OPEC, Zanganeh says”, Reuters, December 21, 2020, <https://www.reuters.com/article/oil-opec-russia-iran-int-idUSKBN28V2G4>, access 12/03/2021.

¹² Gady, F.S. “Russia Delivers First Missiles for Iran's New Air Defense System”, The Diplomat, July 19, 2016, <https://thediplomat.com/2016/07/russia-delivers-first-missiles-for-irans-new-air-defense-system/>, access 16/01/2021

¹³ Gady, F. S. “Iran and Russia Negotiating \$10 Billion Arms Deal”, The Diplomat, November 15, 2016, <https://thediplomat.com/2016/11/iran-and-russia-negotiating-10-billion-arms-deal/>, access 05/02/2021

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However, despite the lifting of the weapons embargo in October 2020 following the U.S.'s failure to extend UN sanctions, it is unclear whether Russia will deliver in the near future. Given the history of Russian arms sales to Iran, as well as international political and economic constraints, Russia's major arms agreements with Iran may indicate that delivery will take years¹⁴.

Even if Russia has geopolitical and security reasons for selling arms to Iran to counter the US and advance military cooperation in Syria, it will not sell arms to Iran unless it is certain of receiving payment, which is a major obstacle now that Iran's banking system is subject to secondary US sanctions¹⁵. Furthermore, arms sales to Iran could harm Moscow's security and economic ties with the Gulf Cooperation Council and Israel. Nonetheless, it could give Russia more bargaining power in the oil and gas market with Arab monarchies in the Persian Gulf¹⁶.

The Russia-Iran cybersecurity pact

As the Islamic Republic has been confronted with its security weaknesses, there is no doubt that the recent killing of General Soleimani and Nuclear scientist Fakhrizadeh have led the regime to seek help from Russia to strengthen its intelligence apparatus. On January 26, 2021, Russian Foreign Minister Sergey Lavrov, and his Iranian counterpart Javad Zarif signed a memorandum of cooperation on cybersecurity, which includes cybersecurity cooperation, technology transfer, combined training, and coordination at multilateral forums¹⁷. Iran certainly needs technical support as it is the lowest-scoring nation for cyber defence¹⁸.

Therefore, the pact with Russia may be its best means of enforcing much needed reforms. The Iran-Russia cooperation on cybersecurity is not surprising, as both countries have shown desire to work within the existing UN-led international order to develop a legal framework, despite continuing to build offensive cyber-capabilities with a track record of use for intelligence-gathering¹⁹. Hence, as cyber cooperation between Russia and Iran will grow, it may pose new threats to Western partners' domestic security.

3. Future Perspective

Even though Russia and Iran conceive the relationship as a short-term solidarity due to their mutual distrust, both have exhibited pragmatic willingness to cooperate, thus operating an undeniable rapprochement on security to resist Western pressures on the JCPOA. Russia's renewed interests in Iran's nuclear and energy industries post JCPOA could highlight Moscow's intentions to maintain

¹⁴ Geranmayeh, E. "Do not expect a rush of arms sales to Iran", European Council of Foreign Relations, October 16, 2020, https://ecfr.eu/article/commentary_do_not_expect_a_rush_of_arms_sales_to_iran/, access 20/12/2020

¹⁵ Wadhams, N. Mohsin, S. "U.S sanctions 18 Iranians banks in move to choke off economy", Bloomberg, October 08, 2020, <https://www.bloomberg.com/news/articles/2020-10-08/u-s-sanctions-18-iranian-banks-in-move-to-choke-off-economy>, access 12/02/2021

¹⁶ Mahmoudian, A. & Caffiero, G. "Does Russia really want a US return to the Iran deal?", Atlantic Council, January 19, 2021, <https://www.atlanticcouncil.org/blogs/iransource/does-russia-really-want-a-us-return-to-the-iran-deal/>, access 22/01/2021

¹⁷ "Russia, Iran sign agreement on cyber security cooperation", Russian News Agency, <https://tass.com/politics/1248963>, access 22/02/2021

¹⁸ Wechsler, O. "The Iran-Russia Cyber Agreement and U.S. Strategy in the Middle East", Council of Foreign Relations, March 15, 2021, <https://www.cfr.org/blog/iran-russia-cyber-agreement-and-us-strategy-middle-east>, access 21/03/2021

¹⁹ Hodgson & Al. "Fighting Shadows in the Dark: Understanding and Countering Coercion in Cyberspace", Rand Corporation, 2019, https://www.rand.org/content/dam/rand/pubs/research_reports/RR2900/RR2961/RAND_RR2961.pdf, access 22/02/2021

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Europe's energy dependence. Russia's approach aims at circumventing Western sanctions and undermining the potential reconciliation between the West and Iran to reduce their trade prospects.

The future of Russia's and Iran's ambivalent entente

Conservatives in Tehran expect Moscow to provide economic and security tools to improve Iran's resilience against international isolation and pressures, but it knows that Russia's support will fail to meet their expectations. Both countries have different views on the long term of the JCPOA, and on regional issues. While Tehran has rejected any new nuclear and non-nuclear negotiations, Russia implicitly approved Western views, believing that Iran's regional issues should be negotiable under certain conditions, in a broader regional context aside from the JCPOA.

Russia considers that a functioning JCPOA represents an essential condition to position itself favourably towards Iran's presumptive future non-nuclear negotiations with the U.S. and the EU²⁰. Russia also understands that the provision of regional talks can be in its interests as it seeks a de-escalation, especially since it has spent considerable financial and military efforts in the Syrian crisis, and it may find itself in contradiction with Iran on the future governance of the Syrian Arab Republic under Assad²¹. Moscow appreciates Tehran's intervention in Syria, but it does not want Iran to undermine its relations across the Middle East, such as with Israel and Saudi Arabia²².

The aftermath of the Iranian elections in June 2021

An Iranian conservative executive will probably come into power in June 2021, with tougher demands at the negotiating table. However, Tehran will be less inclined in risking international isolation and the imposition of additional sanctions as it understands that it will face domestic growing disaffection from the population towards institutions²³.

Thus, Iran will certainly look up to Europe for a constructive dialogue to decrease its dependence on Russia's security partnership and short term solidarity. This will require the EU and the E3 to adopt a reconciliatory approach towards Iran as to set a favourable environment for the preservation of the JCPOA and their economic prospects in trade and energy. The ability of Europeans to offer a "steps by steps" implementation plan for both the U.S and Iran to effectively return to the JCPOA will prove crucial for the continuation of the negotiations as to incentivize the future Iranian government to better reduce its dependency on its Eastern partners and thus envision reliable economic opportunities to turn towards the West in future years.

²⁰ Fardin Eftekhari, F. "Is Russia Preparing to Get Closer to Iran in the Biden Era?" February 1, 2021, Modern Diplomacy, <https://moderndiplomacy.eu/2021/02/01/is-russia-preparing-to-get-closer-to-iran-in-the-biden-era/>, access 26/02/2021

²¹ Rumer, E. "Russia in the Middle East: Jack of All Trades, Master of None", Carnegie, October 13, 2019, <https://carnegieendowment.org/2019/10/31/russia-in-middle-east-jack-of-all-trades-master-of-none-pub-80233>, access 12/01/2021. See Also: Golshiri, G. "Entre l'Iran et la Syrie, des lendemains économiques qui déchantent", Le Monde, March 19, 2021, https://www.lemonde.fr/international/article/2021/03/19/entre-l-iran-et-la-syrie-des-lendemain-economiques-qui-dechantent_6073816_3210.html, access 22/03/2021

²² Parker, J. W. "Russia-Iran: Strategic Partners or Competitors?", The Baker Institute for Public Policy, , p. 8-9, 2016, <https://www.bakerinstitute.org/media/files/files/bb15c711/WorkingPaper-Iran-Parker-042716.pdf>, access 12/03/2021

²³ Ziabari, K. "Biden's vowed US-Iran detente won't come easy", Asia Times, February 16, 2021, <https://asiatimes.com/2021/02/bidens-vowed-us-iran-detente-wont-come-easy/>, access 14/03/2020

4. Policy Recommendations

The E3 must take advantage of this situation to engage with Iran's economic potential while also engaging in dialogue with Russia to better position themselves for future nuclear talks and the possibility of a regional settlement.

(1) Restoring the Dual Track Approach and Transatlantic unity

The question for Transatlantic partners should be how to reinforce transatlantic unity by consolidating the dual track approach of merging diplomatic offers with rising pressures. In this regard, the E3 must maintain their strategic alignment with the Biden administration while preserving their economic access to Iran. They should strike a deal with the US for sanctions waivers for European business actors interested in Iran's energy and civilian nuclear industries in exchange for improved coordination on Iran's regional operations and human rights abuses. As a result, the E3 and the US should strengthen their collaboration on three Iranian-related issues: (1) Iran's hostage policy, (2) Iran's malicious cyber activities, and (3) Iran's money laundering and terrorism financing.

(2) Rebuilding trust with Tehran with the provision of economic incentives

While the E3 should keep a tough stance against Iran's nuclear and regional activities, it should also take a more reconciliatory approach within the JCPOA framework. In light of Trump's legacy and the resulting loss of confidence, the E3 should express his willingness to relaunch energy diplomacy once Iran returns to full compliance as part of its reconciliatory approach. If Iran honours its nuclear commitments, the E3/EU should press for the resumption of trade and cooperation talks in exchange for a broader nuclear deal and the adoption of the Financial Action Task Force (FATF) and the Palermo Convention on money laundering.

(3) Engage actively with Russia on Iran's nuclear program and regional issues

Concerning Russia, to better understand its intentions, the E3 should begin discussing future negotiations over a larger Nuclear Accord, as well as regional issues, focusing on a wider JCPOA, and the definition of a multilateral security concept for the Persian Gulf. The E3 should also convince the US and Russia to agree on UN snapback sanctions if Iran's nuclear enrichment activities continue to escalate.

In terms of broadening the JCPOA, the E3 should motivate Russia to urge GCC countries to adopt non-proliferation standards such as the IAEA Additional Protocol and to implement anti-proliferation measures based on selected provisions of the JCPOA²⁴. Adopting possible measures to frame nascent nuclear programs could aid the E3, the U.S, and Russia in moving closer towards regional dialogue. It will be more credible to pursue a step-by-step approach to advance the non-proliferation agenda.

(4) Launching discussions and consultations on regional issues

Regarding regional issues, Europeans should go even further with Russia and suggest talks for a Gulf Maritime Security Charter based on the UN Convention on the Law of the Sea²⁵. For the EU/E3, exploring the possibility of including the European Maritime Awareness in the Strait of Hormuz (EMASoH) and Operation Atalanta (EU NAVFOR) as prospective technical assistance and coordination providers may be of strategic interest. In this regard, the E3 should mobilize the EU to

²⁴ Adebarh, C. "Europe needs a Regional Strategy on Iran", Carnegie Europe, Working Paper, pp.13-15, <https://carnegieeurope.eu/2020/05/13/europe-needs-regional-strategy-on-iran-pub-81769>, access 17/01/2021

²⁵ Ibid, pp.16-17.

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position itself as a reliable and trustworthy mediator through its High Representative and perhaps expand Brussels security aspirations in the Gulf of Aden and the Strait of Hormuz.

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