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Issue Brief

Iran–Russia Relations under Raisi: The Eurasian Dimension

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S*ummary*

With the failure of Rouhani administration's Western outreach in the aftermath of the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA), the conservatives seized the initiative in consolidating the Eastern dimension of Iran's foreign policy. For conservatives now in power, a long-term partnership with Russia can contribute to stability and security in their shared neighbourhood, bring geoeconomic opportunities and also weaken the influence of moderates and reformists who have long supported the cause of economic reforms and integration with the global economy. Furthermore, Iran, having pursued a pragmatic and a Russia-centric policy in post-Soviet Central Asia and the Caucasus, is now looking to strengthen cooperation with Moscow in order to deal with new geopolitical and security challenges in aftermath of Azerbaijan's victory in the Second Karabakh War in 2020 and the Taliban takeover of Afghanistan.

On 19 January 2022, Iran’s President Ebrahim Raisi visited Moscow for a two-day official visit. It was President Raisi’s first bilateral and third foreign visit after having visited Tajikistan in September 2021 for Shanghai Cooperation Organisation (SCO) summit and Ashgabat in November 2021 to attend the summit of Economic Cooperation Organisation (ECO). During his meeting with his Russian counterpart, Vladimir Putin, Raisi presented a draft of Iran–Russia 20-year Cooperation Agreement. According to the account of the meeting posted on the Iranian president’s website, bilateral cooperation in infrastructure, energy, banking and trade were the main focus of the interaction.¹ Noting that the “common understanding of the two countries on regional and international issues is at the basis of joint cooperation”, Raisi argued that Iran–Russia ties are on the path to become strategic relations.²

As the implementation of Iran–China 25-year Comprehensive Strategic Partnership began on 14 January 2022, Iran’s push for a similar long-term cooperation agreement with Moscow underscores how relations with China and Russia are being deepened under the rubric of the Look to the East policy. Raisi administration, unlike the preceding Rouhani administration, which linked revival of Iran’s economy with resolving the nuclear issue with the West and integrating with international economy, has envisaged Look East policy based on strengthening economic ties with Iran’s neighbours and key non-Western powers as the long-term strategy serving Iran’s geoeconomic and geopolitical interests.

Geoeconomic Opportunities and Challenges

In recent years, from Tehran’s point of view, strengthening of economic ties with Russia has acquired renewed significance in order to counter Washington’s economic pressure and isolation of Iran and also to take advantage of the new geoeconomic dynamics in Eurasia. The bilateral trade between Iran and Russia doubled in the last two years from being US\$ 2 billion in 2019 to US\$ 4 billion in 2021, with the value of Iran’s exports to Russia passing US\$ 1 billion for the first time.³ The impressive growth comes after Iran and the Eurasian Economic Union (EAEU) implemented in October 2019 a three-year preferential trade agreement which stipulated that during this period, the two parties must accept the conditions for achieving a full free trade plan for tariff-free essential commodities.⁴ Since 2019, more than 50 per cent of the total bilateral trade is being conducted through national currencies as both countries

¹ [“Ayatollah Raisi: Iran-Russia Ties on the Path of Strategic Relations/ Bilateral Cooperation in Infrastructure, Energy, Banking, Trade Boom the Main Focus of the Two Presidents' Talks”](#), Official website of the President of the Islamic Republic of Iran, 19 January 2022.

² Ibid.

³ [“Iran-Russia Payment Clearing Mechanism Starts Working”](#), *Islamic Republic News Agency*, 4 December 2021.

⁴ Mehdi Sanaei and Jahangir Karami, [“Iran’s Eastern Policy: Potential and Challenges”](#), *Russia in Global Affairs*, No. 3, July/September, 2021.

seek to break dollar dominance in trade and finance.⁵ Even though the Iranian financial institutions have been cut-off from Brussels-based Swift since November 2018, Iran’s trade ties with Russia and the member states of EAEU have remained unimpeded as Russia’s alternative financial messaging system called SPFS or the System for Transfer of Financial Messages was introduced to the banks of the EAEU in October 2019.⁶ When President Raisi in Moscow was calling for more ‘synergy against US unilateralism’ from Tehran, the Secretary of the Supreme National Security Council, Ali Shamkhani tweeted that Iran is selling its oil and getting its money, something that has become ‘irreversible’ and therefore the US cannot use its sanctions as leverage any more.⁷ The success of such alternative financial and banking mechanisms are crucial to conservative Raisi administration’s narrative of ‘active resistance’, namely that Western sanctions can be rendered ineffective through partnership with non-Western powers.⁸

Since 1990s, when the collapse of the Soviet Union resulted in the emergence of landlocked republics in Central Asia and Russia no longer had a threatening presence on Iran’s northern borders, Iran’s view of Russia has consistently improved. Foreign Minister Hossein Amir-Abdollahian, in an interview given during Raisi’s Moscow visit, observed that “we regard Putin’s Russia as different from the Soviet Union and that there are various strategic issues in Tehran–Moscow relations”. Unlike Soviet Union, which was seen by Tehran as a hegemonic power, Russia is seen as a ‘Eurasian balancer’ seeking to bring forward a multipolar world.⁹ Similarly, instead of seeing Russian efforts of Eurasian integration through the prism of a zero-sum ‘sphere of influence’ geopolitics, Tehran shares Russia’s vision of ‘Greater Eurasia’ as a “powerful new geopolitical space that could pose a fundamental challenge to the US-led liberal international order”.¹⁰ At the same time, it provides Iran with opportunities to advance its own geoeconomic position, especially its transit role and trade, by participating in and seeking synergies with various trans-continental connectivity projects in Eurasia.

At the SCO summit in September 2021, President Raisi projected Iran as the link between the three key infrastructure projects in Eurasia—the Eurasian Economic Union, China’s Belt and Road Initiative and the North–South Corridor. He said, “Iran

⁵ [“Trade with Iran Rising Despite Pressures: Russian Official”](#), *Tehran Times*, 12 February 2020; [“Iran’s Trade with Russia for 2021 Surpasses USD4B”](#), MENAFN, 9 February 2022.

⁶ [“Iran Cut Off from SWIFT Banking System”](#), *Gulf News*, 12 November 2018; [“Russia's SPFS Alternative Payment Network Enters International Markets”](#), *Russia Briefing News*, 3 October 2019.

⁷ [“Putin and Raisi Back Closer Ties in Kremlin Meeting”](#), *Al Jazeera*, 19 January 2022.

⁸ [“Iranian Press Calls Talks with US a ‘Trap’”](#), *Al-Monitor*, 26 January 2022.

⁹ Glen Diesen, [“Europe as the Western Peninsula of Greater Eurasia”](#), *Journal of Eurasian Studies*, Vol. 12, No. 1, p. 23.

¹⁰ Nicole Grajewski, [“Russia and Iran in Greater Eurasia”](#), Middle East Institute, 14 July 2020.

is the link between the above three infrastructure projects. Iran could be the connecting link between South and North Eurasia through the North-South Corridor, connecting Central Asia and Russia to India. The north-south corridor can strengthen the convergence infrastructure in the form of the ‘Great Eurasia’.¹¹ Moscow, for its part, has come to see Iran as a geographically, economically and politically important country located at the southern periphery of its “near abroad” and shares Iran’s interests in promoting north–south connectivity.¹² Since 2016, Iran, Azerbaijan and Russia have had a tripartite mechanism to cooperate on developing transit and transport infrastructure of the North–South transport corridor on the western coast of the Caspian Sea among other common areas of shared concerns.¹³ The integration of the three countries’ railways will enhance their transit capacities, while promoting trans-continental trade in Eurasia.¹⁴ Still, transport and transit infrastructure has developed at a modest pace and new geopolitical realities following Azerbaijan’s victory in the Second Karabakh War in 2020 have thrown up new challenges. For instance, late last year Iran was forced to look for alternative transit routes to Armenia, a member of the EAEU, and Russia, after Baku imposed custom duty on Iranian trucks travelling via Goris-Kapan highway, a segment of 400 km road network running from Norduz on Iran–Armenia border to Yerevan and on to Russia.¹⁵ Goris-Kapan highway straddles disputed sections of Armenia–Azerbaijan border or falls into territory recently liberated by Azerbaijan. As an alternative, Iran has committed to build a transit road on the Armenian soil, and quickly launched six Caspian Sea shipping lines from northern ports of Iran to Russian ports of Astrakhan and Makhachkala as well as the port of Aktau in Kazakhstan. Two more lines are to be added by the end of current Iranian financial year on 20 March.¹⁶

Baku, with backing from Turkey, has pressurised Armenia for opening the ‘Zangezur Corridor’ through its southern Syunik province in order to connect western Azerbaijan to Azeri exclave Nakhchivan and on to Turkey. In January 2021, Azerbaijan began construction of 110 km Horadiz-Aghband railway, an integral part of the Zangezur Corridor spanning across Zangilan, Jabrayil and Fuzuli districts liberated from Armenia in the south of Nagorno-Karabakh and close to Iranian border. As Baku builds railway line to its border with Armenia, Russian Railroad Company, which owns Armenian railroad, is expected to construct the Armenian section. Apart from Tehran’s concerns about sanctity of its 44 km border with

¹¹ [“Iran's Raisi Urges Closer Ties to Boost SCO Role in Global Economy”](#), *Tasnim News*, 17 September 2021.

¹² Nicole Grajewski, No. 9.

¹³ [“An Overview of the Azerbaijan-Iran-Russia Trilateral Summit in Baku”](#), MEMRI, 11 August 2016.

¹⁴ [“Interview to Azerbaijan State News Agency AZERTAC”](#), President of Russia, 5 August 2016.

¹⁵ [“Iran’s New Transit Routes in Armenia and the Caspian Sea”](#), IFMAT, 28 October 2021.

¹⁶ Ibid.

Armenia, the corridor can add a new artery to the East–West and North–South intercontinental transport corridor undermining Iran’s transit potential in the long-run. The Zangezur Corridor can turn the Trans-Caspian international transportation route into a ‘priority vector’ for China’s BRI and provide a South Caucasian route to Europe in addition to the Baku–Tbilisi–Kars railway, a key East–West transport corridor.¹⁷ Turkey’s actions in the Caucasus are seen in Tehran or Moscow as part of the efforts by the West to increase its regional footprint and the EU and the US supported trilateral partnership between Turkey, Azerbaijan and Georgia especially in east–west connectivity as a strategy of pluralism in energy and geopolitics aimed at minimising Russia and Iran’s economic influence in the Caucasus.¹⁸ Iran has agreed to Moscow’s 3+3 formulation involving the three Caucasus countries Azerbaijan, Armenia and Georgia plus Turkey, Russia and Iran for unblocking of Soviet-era transportation lines across the Aras River into Iran.¹⁹

To realise its transit potential, Tehran needs financing to renovate its infrastructure and manage its competition with Baku, which is rapidly constructing transport infrastructure in the territories it recently liberated from Armenia. Given Russia’s transit potential is undermined by the emergence of new Trans-Caucasus, East–West routes connecting China and Central Asia to Europe, both Iran and Russia have interest in expediting the work on the north–south corridor. Furthermore, as negotiations are underway for a full-fledged free trade agreement between Iran and the EAEU, a reliable land transit across the Caucasus is crucial.²⁰ Raisi’s Minister for Finance and Economic Affairs Ehsan Khandouzi, who was part of ministerial delegation to Russia, noted that Moscow has finalised previously agreed US\$ 5 billion credit line for the completion of three power plant projects and finance the Rasht–Astara railway line and electrification of railway line between Garmsar in south-west of Tehran to Incheh-Borun on Iran–Turkmenistan border, a flagship project Russia had abandoned in October 2019.²¹ Rasht–Astara railway line is a joint project by Iran and Azerbaijan for which Baku has committed a loan of US\$ 500 million, which is half of the amount required for completing the rail section.²² It is the only remaining link connecting railway networks of Iran, Azerbaijan and Russia. Baku’s interest in alternative routes means that Iran–Russia cooperation is crucial for finishing the project.

¹⁷ [“Azerbaijan Becomes a Full-fledged Participant of the BRI”](#), *Maritime Gateway*, 28 September 2022.

¹⁸ Sergey Markedonov, [“Russia-Turkey Relations and Security Issues in the Caucasus”](#), Valdai Papers, April 2016.

¹⁹ Paul Goble, [“Russia Would Gain Geopolitically by Expanding Unblocking Project in South Caucasus”](#), *Eurasia Review*, 20 January 2021.

²⁰ [“Iran, EAEU Soon to Begin Talks Over Establishing Free Trade Zone”](#), *Tehran Times*, 6 June 2021.

²¹ Orkhan Jalilov, [“Iran Calls for Boosting Ties with Russia”](#), *Caspian News*, 22 January 2022.

²² [“Azerbaijan to Finance Half of Iran’s Rasht-Astara Rail Project”](#), *Financial Tribune*, 22 September 2017.

Shaping a Eurasian Order

Iran turned to regionalism in the wake of the changes in the post-Cold War international system, when the possibility of balance between superpowers in the bipolar system was suddenly removed and the pursuit of regional cooperation therefore, became a geostrategic imperative.²³ Iran, has therefore pursued a pragmatic and a Russia-centric policy in post-Soviet Central Asia and the Caucasus from mediating alongside Moscow in the Tajik Civil War in 1990s, to considering Russian ‘counter-terrorism’ operations in Chechnya in the 1990s and 2000s as an ‘internal matter’ of Russia.²⁴ While Chechen experience shaped Russian understanding of threat posed by ‘radical Islam’ to regional stability and territorial integrity of Russia, Iran also feels threatened by the spread of anti-Iranian Sunni ‘radical Islam’.²⁵ This convergence culminated into Russia–Iran counter-terrorism partnership in Syria.

The Russia–Iran geopolitical convergence in the Caucasus–Caspian region and Central Asia is based on their shared opposition to the NATO expansion, popular unrest against region’s autocratic leaders as Western-backed ‘colour revolutions’ and their shared belief that regional powers should shape the security architecture in Eurasia. Moscow considers Iran’s participation as necessary in settling regional crises in Syria, Iraq and Afghanistan. In the Caucasus, Iran remains concerned by Baku’s irredentist claims on Armenian territory and border with Iran, the rising influence of US allies such as Turkey, Israel and fears about Azerbaijan becoming a launchpad for attack against Iranian territory and the presence of Syrian mercenaries in the Caucasus facilitated by Turkey during the war.²⁶ As Iran–Azerbaijan tensions escalated in September and Iran carried out a massive military drill near its borders with Azerbaijan, Amir-Abdollahian visited Moscow. In his meeting with Sergey Lavrov, he raised Iran’s concerns given Russia had mediated the November 2020 trilateral agreement that ended the war and its peacekeepers are deployed along the line of contact and along corridors connecting Armenia with Nagorno-Karabakh and Azerbaijan with its Autonomous Republic of Nakhchivan.²⁷ President Raisi tapped into convergent views on the role of Western actors in his meeting with Putin, “NATO influence under any kind of cover in the Caucasus and Central Asia threatens the common interests of independent countries.”²⁸

²³ Edmund Herzig, [“Regionalism, Iran and Central Asia”](#), *International Affairs*, Vol. 80, No. 3, May 2004, p. 510.

²⁴ Adam Tarock, [“Iran Russia in Strategic Alliance”](#), *Third World Quarterly*, Vol. 18, No. 2, 1997, pp. 207–23.

²⁵ Fyodor Lukyanov, [“Russia's Syria Policy Linked to Chechnya, Terrorism”](#), *Al-Monitor*, 7 January 2014.

²⁶ Joshua Kucera, [“What Iran's Zarif said in his 'Whistle Stop Tour' of Post-war Caucasus”](#), Responsible Statecraft, 29 January 2021.

²⁷ Ketevan Murusidze, [“Russia’s Peacekeeping in the South Caucasus”](#), Middle East Institute, 23 November 2020.

²⁸ [No. 1](#).

Similarly, in Afghanistan following the US withdrawal and Taliban takeover of the country, both Tehran and Moscow have been concerned about it becoming a source of regional instability, terrorism and drug trafficking. Just a day after Taliban marched into Kabul, Russia along with Tajik and Uzbek troops, mobilised armoured personnel carriers, attack jets, helicopters, and other weaponry in a simulated joint response to cross-border militant attack near Tajikistan’s border with Afghanistan. Russia has been testing its logistics network to its base in Tajikistan and enhancing its rapid reaction capabilities near Tajik border.²⁹ Iran and Russia share interest in denying security role to US and its allies, especially after reports emerged that the US was seeking Taliban’s cooperation in targeting Islamic State-Khorasan (IS-K).³⁰ They have called on Taliban to wage an “uncompromising fight against terrorist groups and the illegal drug and weapon trafficking”.³¹ Given that Russia is the region’s primary security partner, the experience of military-technical cooperation between Russia and Iran and a coordinated campaign in support of Bashar al-Assad government in Syria means that Iran not only hopes to replicate the success in Afghanistan but also strengthen its position as Russia’s co-operative security partner in Eurasia.³² Iran sees its ‘counter-terrorism’ cooperation with Russia in Syria as a ‘model of regional cooperation’ that succeeded in preventing state disintegration against the rise of Sunni-jihadist forces and advanced regional efforts towards political settlement of the crisis. Hence, President Raisi, during his meeting with Putin noted that “the successful experience of cooperation against terrorism in Syria can be applied to the Caucasus and Afghanistan as well”.³³

Conclusion

In addition to the geopolitical and geoeconomic convergences and challenges facing Iran and Russia in the Eurasia, strengthening of Iran–Russia bilateral relations and its regional dimension is also facilitated by the inter-factional struggle for power in Iran which has for now settled in favour of Iran’s conservatives. When Raisi’s predecessor Rouhani pursued the Western-vector of Iran’s foreign policy with the overarching goal of normalising Iran’s international relations and integrate it with the global economy, the conservatives sought discrediting them ideologically as ‘Westerners’ and ‘liberals’. However, with the failure of moderates’ Western outreach in the aftermath of the US withdrawal from the JCPOA, the conservatives have seized

²⁹ Bradley Jardine and Edward Lemon, [“In Post-American Central Asia, Russia and China are Tightening Their Grip”](#), War on the Rocks, 7 October 2021.

³⁰ [“US CENTCOM Nominee Seeks Taliban’s Cooperation in Anti-ISIS Fight in Afghanistan”](#), *Republic World*, 9 February 2022.

³¹ [“Russia and Iran Call On New Afghan Government to Counter Terrorism, Says Top Diplomat”](#), TASS, 6 October 2021.

³² Nicole Grajewski, [“The Evolution of Russian and Iranian Cooperation in Syria”](#), Center for Strategic and International Studies, 17 November 2021.

³³ [“Raisi in Russia”](#), *The Iran Primer*, 21 January 2022.

the initiative in consolidating the Eastern dimension of Iran’s foreign policy. For conservatives now in power, a long-term partnership with Russia can contribute to stability and security in their shared neighbourhood, bring geoeconomic opportunities and also weaken the influence of moderates and reformists who have supported the cause of economic reforms that will jeopardise the economic dominance of the Islamic Revolution Guards Corps (IRGC) and other para-governmental foundations (bonyads) in order to make way for a productive private sector.³⁴

Notwithstanding Tehran’s push for ever-growing partnership with Moscow, Raisi administration has reiterated its “strategy of balancing foreign relations” on multiple occasions.³⁵ Such declarations at once seek to avoid domestic criticism of overreliance on one power and at the same time try to increase Iran’s bargaining power at a time when its economy is fragile and its international position uncertain.

³⁴ Bijan Khajehpour, [“How Feasible is Raisi’s Economic Roadmap for Iran?”](#), *Al-Monitor*, 4 December 2021.

³⁵ [“Shamkhani: Moscow, Beijing, Vienna Complementary in Securing Iran's Interests”](#), The Iran Project, 25 January 2022.

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