



The Evgeny Primakov
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Report

Russia and Iran in the Eurasian Context: Outlines of Cooperation

Elena Dunaeva

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Contents

<u>Main points.....</u>	<u>4</u>
<u>Introduction.....</u>	<u>7</u>
<u>1. Priorities of Russia-Iran Foreign Policy Cooperation in Eurasia under Modern Conditions.....</u>	<u>8</u>
<u>2. Dynamics of Foreign Economic Cooperation and Trade Relations.....</u>	<u>15</u>
<u>3. Challenges and Opportunities in Russian-Iranian Relations in the Context of the Expansion of the SCO and BRICS.....</u>	<u>22</u>
<u>4. Successes and Prospects of the Iran-EAEU Free Trade Agreement and the North-South Transport Corridor.....</u>	<u>25</u>
<u>5. Foreign Policy Course of the New President.....</u>	<u>31</u>

Main points

- The Islamic Republic of Iran, as officially referred to in all materials and on the Foreign Ministry's website, is located at the heart of Eurasia. Thanks to its geostrategic position, natural resources, economic potential, and growing military power, Iran plays a key role in the Middle East, the South Caucasus, the Caspian Sea region, Central Asia, and the Persian Gulf.
- Since the early years following the 1979 Islamic Revolution, Tehran has pursued an independent foreign policy, opposing the political and economic dominance of certain states over others. It calls for transforming the international system. Over the past three decades, Iran has aligned with Russia's foreign policy stance on resolving crises in the Caucasus and Central Asia, proving that it can be a partner in maintaining stability to the south of Russia's borders.
- Sharing Russia's approach to reshaping international relations in Eurasia based on equal and strategic cooperation between sovereign states, Iran has shown interest in participating in integration processes across the region and in shaping a Eurasian security framework.
- As part of its Look to the East policy, implemented since 2018, Iran considers Russia, China, and India among its top foreign policy priorities, along with its regional neighbors. It aims to become a significant regional player in the broader Eurasian region. The convergence of geopolitical interests has become a driving force behind cooperation between Russia and Iran in various fields, solidifying their military partnership in the fight against international terrorism.
- Russia and Iran face common challenges and threats in the Eurasian region. Moscow and Tehran can become partners in preventing the spread of radical religious movements, normalizing the situation in the South Caucasus and the Caspian region, stabilizing Afghanistan, and expanding humanitarian and economic cooperation with the Taliban government. They also aim to prevent the emergence of tensions in Central Asian countries, strengthen ties with the Persian Gulf states, and support peaceful resolution of the Israeli-Palestinian conflict.

- Russia and Iran view China and India as key partners in Eurasia and are actively developing cooperation with them both on a bilateral basis and within the frameworks of the SCO and BRICS. They are also collaborating on trans-regional logistics projects, particularly aligning the North-South Transport Corridor with the Belt and Road initiative.
- Until recently, the level of economic cooperation between Russia and Iran lagged significantly behind their collaboration in the political and security spheres and was marked by uneven development. Trade turnover slightly exceeded \$2 billion, although Russia maintained a quite high trade surplus.
- Sanctions have become a factor facilitating trade and economic cooperation between the two countries. Over 70% of the trade turnover between Russia and Iran consists of agricultural and food products, while the share of industrial and high-tech goods in Iran's exports is increasing. Economic cooperation is also expanding in the energy and transportation sectors.
- Iran's accession to the SCO has strengthened the overall defense capabilities of this international organization, enhanced information-sharing and cooperation in the areas of security, counterterrorism, religious extremism, and drug trafficking. Tehran views collaboration within the SCO and coordination with the CSTO as a real opportunity to collectively address regional threats.
- From the perspective of the Islamic Republic of Iran, BRICS is an informal structure that contributes to reshaping the international system, bringing together developing countries to promote the principle of justice in international relations and support the economic development of its members. Iran's main interests within BRICS include energy, food security, transit, and trade.
- At the end of 2023, the Islamic Republic of Iran signed a permanent Free Trade Agreement with the member states of the EAEU, building on the positive experience of the interim agreement from 2018. Between 2019 and 2022, the volume of export-import operations between the parties increased by 80%, reaching \$6.2 billion. Tehran has now expressed interest in obtaining observer status in the EAEU.
- A key element of the transport framework of Greater Eurasia is the North-South Transport Corridor (NSTC)¹, one of the most important

1 See Table 4, p.28

export-import routes for Russia, providing it with direct access to the markets of Iran, the Persian Gulf states, South and Southeast Asia, as well as Africa. The organization of full-scale transportation along the international multimodal North-South transport corridor is currently one of the main areas of Russian-Iranian cooperation.

- The top leaders of Russia and Iran demonstrates a unified view on the further development of bilateral relations and the focus on Eurasia as a priority. Masoud Pezeshkian, elected president of the Islamic Republic of Iran, has stated the need to adjust the foreign policy course toward greater balance between East and West. The inseparability of ties with Russia and China is emphasized, along with the readiness to strengthen their presence in the SCO, BRICS, and cooperation with the EAEU.

Introduction

- ◆ **In the context of the transformation of international relations and the naissance of a multipolar world order, interaction with Iran is an important foreign policy direction for Russia, both in terms of ensuring security in Eurasia and protecting Russian national interests in this macro-region, as well as countering Western sanctions.**

The Islamic Republic of Iran plays one of the dominant roles in the Middle East, the South Caucasus, the Caspian Sea region, Central Asia, and the Persian Gulf area.

- ◆ **In Eurasia, Russia and Iran face common challenges and threats, and their positions on several key global and regional issues are quite aligned.**

Iran's geostrategic position as a key crossroads of Eurasia, connecting its northern regions with the South, and the West with the Far East and Southeast Asia, grants the country a unique transit potential. Iran's natural resources offer opportunities for cooperation in energy and other sectors of the economy. The development of relations in recent years has laid the foundation for reaching the level of a strategic partnership. Currently, an interstate agreement on comprehensive strategic partnership is being prepared for signing, which will define the main areas of cooperation for the coming decades.

1. Priorities of Russia-Iran Foreign Policy Cooperation in Eurasia under Modern Conditions

Since the beginning of the 21st century, Russian-Iranian relations have developed steadily but not consistently: periods of active dialogue and agreements have alternated with periods of restraint and divergence of opinions. The fluctuations were influenced by both international and regional factors, as well as the domestic political situation in each country. Due to its geostrategic position, independence in foreign policy, conviction that a unipolar world order shall not be tolerated, and opposition to one state imposing its will on others, Tehran, along with its resource-economic and military potential and its strong standing in the Islamic world, has impacted key areas of Central Eurasia. In doing so, it has demonstrated that it can be a partner to Russia in maintaining stability in the region to the south of Russia's borders.

The positions of the two countries on issues such as resolving the Nagorno-Karabakh conflict, the Tajik civil settlement, opposing the Taliban regime in the late 1990s, preventing the presence of non-regional forces in the Caspian Sea, NATO's expansion to the east, and a range of other problems have been quite aligned. Iran has shown great interest in the formation of regional integration structures in Eurasia, viewing this macro-region as a future pole of economic power and political influence.

Since the end of the first decade of the 21st century, Iran has been implementing the Look to the East foreign policy. This policy shift was a result of Western sanctions due to its nuclear program and attempts to isolate the country on the global stage. Tehran's change in foreign policy priorities is also explained by its interest in expanding relations with Eastern leaders such as China, Russia, and India, and its aspiration to claim a place as a regional power in the emerging system of relations in Eurasia².

According to prominent Iranian political analysts Mehdi Sanaei and Jahangir Karami, the foundation of this multidimensional and multifaceted strate-

² New Interpretation of Eurasianism. Round Table at IRAS (Bazkhani-ye Urasiagarai. Miz-e Gerdar IRAS) // IRAS. URL: www.iras.ir/images/docs/t/files/000001/nt00001191-1.pdf

gy is the “expansion of economic and trade relations, countering extremism and terrorism,” which will ultimately lead to the creation of an anti-Western coalition shaping the interaction between Iran, the United States, and their allies³. Sharing Russia’s approach to forming a new configuration of international relations in the Eurasian space based on equal strategic cooperation between sovereign states and the pursuit of a more just world order⁴, Iran expedited the implementation of its Look to the East policy after the U.S., under President Donald Trump, withdrew from the JCPOA in 2018 and European countries failed to uphold the agreements reached under the Nuclear Deal. The Supreme Leader of the Islamic Republic of Iran, Ayatollah Ali Khamenei, in outlining the foreign policy priorities, stated: “We prefer the East to the West, close neighbors to distant ones, and prefer those peoples who have something in common with us.”⁵. Within the framework of this policy, particular emphasis has been placed on the need to develop relations with China, Russia, India, the countries of South and Southeast Asia, and to strengthen broader ties with neighboring countries. The Look to the East policy is mainly focusing on the deepening of economic relations.

◆ **The priority areas of foreign policy for Russia and Iran in Eurasia align in many respects, opening up broad opportunities for their cooperation.**

Currently, the policies of both states are aimed at: preventing threats from radical religious movements, normalizing the situation in the South Caucasus and more broadly in the Caspian region, supporting the stabilization of Afghanistan and expanding humanitarian and economic engagement with the Taliban, preventing the emergence of tensions in Central Asian countries, strengthening ties with the Gulf states, seeking ways to halt armed conflict in the Middle East and resolving the Israeli-Palestinian conflict, developing economic partnerships with China, India, Pakistan, and other countries in the macro-region, promoting major transport and logistics projects, and strengthening regional organizations in Eurasia and new international structures beyond it. **In Iran, particular emphasis is placed on the connection between strengthening macro-regional cooperation** and expanding relations with Russia, given the similarity of the two countries’ approaches to most key issues on the regional and international agenda.⁶ The political circles of the Islamic Republic of Iran that are interested

³ M. Sanaei, J.Karami. Iran’s Eastern Policy: Potential and Challenges. //Russia in Global Affairs,2021, 19(3), pp. 25-49.

⁴ T. Bordachev. Russia, Greater Eurasia, and Contemporary International Politics // URL: Valdai 07.02.2024. URL: <https://ru.valdaiclub.com/a/highlights/rossiya-bolshaya-evraziya-i-mezhdunarodnaya-politika/>

⁵ Speech of the Spiritual Leader at a Meeting with the People of East Azerbaijan on February 18, 2018 (29 Bahman 1396) // Bayanat dar didar-e mardom-e Azerbaijan-e Sharqi. URL: <https://www.leader.ir/fa/speech/20596/>

⁶ K. Jalili. Speech at the Opening of the Conference ‘Russian-Iranian Cooperation in a Changing

in developing long-term cooperation with Russia and achieving a strategic level of relations emphasize: “Participation in joint alliances and organizations should make our relations so strong that no temporary political upheavals, third-country interference, or changes in government can alter their strategic nature.”⁷

With the onset of the Special Military Operation in Ukraine, Iran adopted a deliberate position, stating that it understands the reasons behind the crisis situation, which resulted from the expansionist policies of the U.S. and NATO.

At the same time, it emphasized the necessity of resolving conflicts through diplomacy and advocated for the principle of territorial integrity⁸. Sanctions imposed on Russia contributed to the deepening of cooperation between the two countries in all areas, particularly intensifying economic contacts. Russia supported Iran’s accession to the SCO in 2022, its joining the EAEU Free Trade Zone in 2023, and its participation in BRICS in January 2024.

Currently, regular consultations are ongoing between the two countries regarding regional issues. Their approaches to assessing the situation in the Caspian region and the South Caucasus are quite similar. Moscow and Tehran are concerned about the increasing pressure from Western countries on the three Caspian neighbors – Azerbaijan, Kazakhstan, and Turkmenistan – with the aim to change their foreign policies and to obtain consent for the presence of military forces from outside the region in the Caspian Sea, to alter the system of hydrocarbon delivery routes, including the creation of a Trans-Caspian pipeline, and abandoning the implementation of the North-South Transport Corridor. Such attempts are fraught with new geopolitical risks and can lead to a “decline in the level of trade and economic interaction and the emergence of political contradictions, which will ultimately reduce the level of regional cooperation and weaken common approaches to addressing regional problems.”⁹

New trends present Moscow and Tehran with the task of preserving the already established formats of interaction within the five formats: the Caspian Summit, meetings of the foreign ministers of the Caspian states, the Caspian Economic Forum, and the high-level working group on issues related to the Caspian Sea, among others.

World’ on April 25, 2023. // Russian-Iranian Cooperation in a Changing World. Proceedings of the International Conference. Moscow: Institute of Diaspora and Integration (Institute of CIS Countries), 2024 . p.11.

7 M.Vaezi. Iran-Russia Relations: Past Experience and a Look into the Future // Iran in the Second Decade of the 21st Century: Challenges and Prospects. Moscow: IVRAN, 2016. P. 11.

8 The Islamic Republic of Iran (IRI) has not officially recognized the incorporation of Crimea, the Luhansk and Donetsk People’s Republics, as well as the Kherson and Zaporizhzhia regions into the Russian Federation. The IRI’s position can be characterized as positive neutrality. See: Dunaeva E.V., Mirzoev I.Kh. The Reaction of Political Forces of the Islamic Republic of Iran to Russia’s Special Operation in Ukraine. // Eastern Analytics, Vol. 13, No. 2, pp. 73-88.

9 S. Zhiltsov. The Caspian Region: Strategic Tasks and Challenges for Russia.// URL: [Casp-geo https://casp-geo.ru/kaspijskij-region-strategicheskie-zadachi-i-vyzovy-dlya-rossii/](https://casp-geo.ru/kaspijskij-region-strategicheskie-zadachi-i-vyzovy-dlya-rossii/) (access date 20.06.2024)

Given that the process of ratifying the Convention on the Legal Status of the Caspian Sea, signed by the five states in 2018, has not yet been completed, as the Iranian parliament has yet to approve this document, it has been decided to expedite the work on agreeing on the draft Agreement on the Methodology for Establishing Direct Baselines in the Caspian Sea. Iran particularly insists on this due to the unique geography of the southern coast of the sea, as well as on concluding negotiations to prepare a five-party treaty on agreed confidence-building measures in the field of military activities in the Caspian Sea.¹⁰

At the same time, there is an expansion of cooperation in the Caspian Sea within law enforcement: protecting the rights of citizens, combating transnational organized crime and drug trafficking, as well as ensuring environmental safety. Given that most threats to the region's ecosystem are transboundary in nature, partnership among all Caspian states is required to implement the Framework Convention for the Protection of the Marine Environment of the Caspian Sea.

◆ **The Caspian region holds exceptional importance for both countries in terms of implementing the North-South Transport Corridor¹¹ project and as an energy hub for the region¹².**

A relevant priority area of cooperation between Russia and Iran is their interaction in the South Caucasus aimed at facilitating the resolution of the conflict between Azerbaijan and Armenia. For many years, the Iranian side has proposed a 3+3 format, which includes the three South Caucasian republics and three regional neighbors: Russia, Turkey, and Iran. Russia also believes that the current Western agenda will not contribute to stability and security in the South Caucasus, and that **regional security in this area can be most effectively ensured by the efforts of the countries within the region**: “We advocate for regional responsibility both in terms of ensuring security and in terms of economic integration in the South Caucasus and other regions.”¹³ This format, from which Georgia has so far declined to participate, could be employed not only to address border issues and ensure security and political dialogue, but also to establish a new

10 Statement of the Foreign Ministers of the Caspian States 05.12.2023. // URL: МИД РФ <https://www.mid.ru/tv/?id=1919242&lang=ru> (access date 18.06.2024); V. Kaledji. The Decline in the Caspian Sea Level: Causes and Consequences, // URL: IRAS - <https://www.iras.ir/%DA%A9%D8%A7%D9%87%D8%B4-%D8%B3%D8%B7%D8%AD-%D8%A2%D8%A8-%D8%AF%D8%B1-%D8%AF%D8%B1%DB%8C%D8%A7%DB%8C-%D8%AE%D8%B2%D8%B1-%D8%B9%D9%84%D9%84-%D9%88-%D9%BE%DB%8C%D8%A7%D9%85%D8%AF%D9%87%D8%A7/>

11 See table 5, p.30

12 Find more details in the economic sections.

13 The Ministry of Foreign Affairs commented on the strengthening of military cooperation between Paris and Yerevan // URL: RIA Novosti 20.06.2024.- <https://ria.ru/20240620/kavkaz-1954134937.html> (access date 21.06.2024)

transport and logistics architecture and develop projects for economic cooperation in the South Caucasus, thereby serving as a model for a self-sufficient sub-regional system of security and cooperation.

Currently, the Iranian side expresses deep concern regarding Azerbaijan's desire to logistically connect its main territory with Nakhchivan, as the transport routes run along the Iran-Armenia border. There are fears that the trans-territorial control of the so-called Zangezur Corridor could eventually lead to a severing of direct communication between the Islamic Republic of Iran and the Republic of Armenia. Moscow understands the necessity of restoring this route, which existed during the Soviet period; however, it refrains from using the name Zangezur and believes that the agreements between Baku and Yerevan should be implemented by mutual consent "on terms acceptable to both sides." Furthermore, it views the media uproar surrounding this issue as merely an attempt to once again hinder the development of strategic relations between Russia and Iran.¹⁴

Central Asia should also be considered a priority area of foreign policy for both Russia and Iran, as both countries view this subregion as a zone of their historical interests, with Iran relating it to the Iranian civilizational space. The emergence of hotspots of tension and conflict situations in Central Asian states may pose a threat to the security of the Islamic Republic of Iran. For Russia, the significance of Central Asia is defined by its role in ensuring the security of the entire southern flank of Central Eurasia, as "hardly any developments on Russia's periphery could create problems significant enough to hinder the realization of its key national development goals or ensure its own security."¹⁵ Iran can be regarded as an independent actor in Central Asia; **however, many challenges and threats arising from this region (Central Asia) concern both states: arms trafficking, uncontrolled drug trafficking, the rise of radical Islamic movements, the spillover of radical terrorist groups from the Middle East into Afghanistan—close to the borders of Central Asia—and issues related to water resources.** To neutralize these challenges and threats, Iran demonstrates a willingness for active cooperation in this area within not only the structures of the SCO but also the CSTO. Russia and Iran recognize the interconnection between security issues and the socio-economic and cultural development problems of this region and are enhancing their economic and humanitarian cooperation.

◆ **The Afghan track remains a priority for both states. It is worth noting virtually no disagreements regarding countering challenges, the main one being the activities of ISIS, especially in the northern regions of Afghanistan along the borders with Uzbekistan and Tajikistan.**

14 Briefing by the Official Spokesperson of the Russian Ministry of Foreign Affairs, M.V. Zakharova. URL: mid.ru 11.09.2024/ https://www.mid.ru/ru/press_service/spokesman/briefings/1969094/#30

15 T. Bordachev. Priorities of Russian Security in Near Eurasia. URL: Valdai 16.06.2023 / <https://ru.valdaiclub.com/a/highlights/priority-rossiyskoy-bezopasnosti/>

Moscow and Tehran are concerned about the United States' desire to maintain its influence in this area and expand its contacts with the most radical factions of the Taliban movement. For Iran, a key task is to address the water issue. The Afghan government's policy of constructing canals could turn the water question into a challenge not only for Iran but also for the Central Asian states, leading to destabilization in the southern belt of Central Eurasia. To discuss the situation surrounding Afghanistan, Iran participates in the Moscow Format of consultations and is trying to establish the Tehran platform for its development. Together with Russia, it participates in multilateral meetings in Tashkent and Dushanbe. Another area of cooperation regarding Afghanistan could be engagement in addressing humanitarian issues and economic projects, particularly in logistics, mineral resource development, and domestic production enhancement.

For Russia, as well as for Iran, the Middle East region is an important direction of foreign policy activity. **A new phase of Russian-Iranian interaction in the sphere of security and military cooperation began when both countries joined in support of Bashar al-Assad's government in Syria in the fight against international terrorism.** Moscow and Tehran continue to be military and political partners and provide support to Damascus, although on certain issues, the two countries' viewpoints do not align.¹⁶

Iran has its own approach to the issue of the Palestinian-Israeli settlement. However, at present, both states are focused on the need to resolve the conflict in Gaza, prevent the escalation of hostilities, and then address the question of how to recognize the State of Palestine. There is also potential for cooperation between the two countries in the Iraqi track, which is one of the most significant priorities for Iran.

The Gulf subregion is in the crosshairs of both countries. For Iran, this concerns its southern borders and access to international trade routes, primarily for the transportation of energy resources. In contrast, Russia's interest in developing relations with the states of this region is linked to logistics projects that provide access to South and Southeast Asia and Africa, as well as to expanding economic cooperation with the Gulf Cooperation Council (GCC) states. Several years ago, both Iran and Russia presented their concepts for ensuring collective security in the Gulf. Although their approaches differ somewhat, there is a mutual understanding that security issues should be addressed through the joint efforts of all concerned states. In recent years, Iran has restored relations with Saudi Arabia, reestablished contacts with Bahrain, and expanded trade and economic ties with other GCC states. Issues concerning Iran's sovereignty over three islands in the Strait of Hormuz and the no-

¹⁶ For more details, see: Akhmedov V.M. Russia and Iran in Syria—Allies or Rivals? / Eastern Analytics, 2018, No. 4, pp. 91-98

menclature of the Gulf remain very sensitive for Iran, which is also reflected in Russian-Iranian relations.

The tasks of ensuring the security of economic activities along maritime routes are being addressed by the two countries in partnership with China through Maritime Security Belt naval exercise in the Strait of Hormuz and the Arabian Sea, which have been conducted over the past few years.

◆ **China is a key partner for Russia in matters of global politics, the economy, and military-technical cooperation. In 2021, Iran signed a Strategic Partnership Agreement with China, which serves as a roadmap for comprehensive cooperation over 25 years.**

The three countries interact within the frameworks of the Shanghai Cooperation Organization (SCO), BRICS, and in the area of transregional logistics projects, such as the Northern-Southern Transport Corridor and the Belt and Road Initiative, while also leaving open the possibility for other formats of trilateral cooperation.

Relations with India, as a leader of the Global South and a partner in the SCO and BRICS, are developing dynamically for both Russia and Iran.

Recently, India and Iran have reset their relationship in light of changing geopolitical realities. Despite Western pressure, New Delhi is showing increasing interest in its immediate Eurasian neighbors. The signing of a contract by India to provide equipment to the strategic port of Chabahar in Iran indicates a desire to complement the political agenda with economic content and to ensure quicker access for its goods not only to Russia but also to Afghanistan and Central Asian countries. While Western sanctions pose certain challenges, they do not significantly impact India's relations with Moscow and Tehran.

The analysis of the foreign policy priorities of Russia and Iran in Eurasia demonstrates their alignment in many areas. Furthermore, the positions of the two states regarding countering security challenges and threats, as well as developing political and economic cooperation in Eurasia, are quite similar.

2. Dynamics of Foreign Economic Cooperation and Trade Relations

- ◆ The level of economic cooperation between Russia and Iran has significantly lagged behind their interactions in politics and security until recently, and has been characterized by inconsistent development.

Trade turnover grew slowly, barely exceeding \$2 billion by 2020, although Russia maintained a high trade surplus. The primary reason for the modest trade volume is the similar export profile of both countries, as they are major oil exporters.

Russia-Iran trade turnover, USD mln

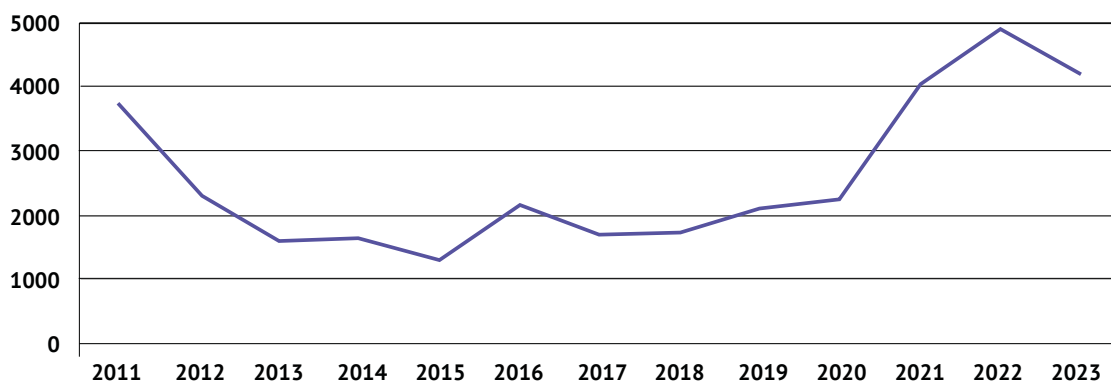


Table 1. Russia-Iran trade turnover in 2011–2023.

Until 2022, Western sanctions against Iran also acted as a deterrent to active contacts and the establishment of direct financial cooperation. For decades, up until 2023, no significant joint economic projects were implemented, except for the construction of the Bushehr nuclear power plant, including the second unit. Despite the efforts of the Russian-Iranian Intergovernmental Commission on Trade and Economic Cooperation (IGC), which established 13 inter-sectoral working groups and outlined several large-scale projects, the launch of these initiatives was repeatedly delayed. In 2021, construction of

the 1,400 MW Sirik Thermal Power Plant began, financed by Russia through loans totaling €1.4 billion. Since 2018, attempts have been made to electrify the Garmsar-Incheboron railway section (part of the eastern branch of the North-South International Transport Corridor) using a loan from Russia, but there is still no concrete information on the success of this initiative.

Since 2021, there has been a noticeable increase in trade turnover, which exceeded \$4 billion, mainly due to an 80.9% rise in Russian exports. The main export categories were: food and agricultural products – 87%, machinery, equipment, and vehicles – 4.7%, wood and paper products – 3.6%, and chemical industry products – 3.1%¹⁷. Russia imported the following from Iran: food products and agricultural raw materials – 77.2%, chemical industry products – 13%, textiles – 2.9%, metals and metal products – 2.1%, and mineral raw materials – 1.9%¹⁸. The share of agricultural and food products in the trade turnover between the two countries amounted to 80%¹⁹. High-tech and innovative goods were virtually absent from the export-import statistics for 2021.

Starting in February 2022, after the introduction of a new wave of sanctions against Russia aimed at cutting the country off from the global market, Russia began reorienting its foreign economic policy toward the East and seeking partners willing to assist in circumventing the sanctions. For Russia, the issue of importing certain types of industrial products from Iran, primarily construction materials and spare parts for cars and aircrafts, has become particularly relevant following the cessation of supplies from Western countries and the withdrawal of Western companies. Iran had already established the production of these goods in response to more than two decades of sanctions. As a result, by 2022, Iran increased its export of industrial goods to Russia by 30%²⁰.

◆ **It can be said that sanctions became a factor contributing to the closer ties between the two countries.**

A reflection of this process was the increase in trade turnover, which reached a record \$4.9 billion²¹ by the end of 2022. Russia ranked seventh on Iran's list of foreign trade partners, accounting for 0.29% of Iran's exports and 3.26% of its imports²². There were no significant changes in the structure of the traded

17 Foreign Trade // Federal State Statistics Service. URL: https://rosstat.gov.ru/statistics/vneshnyaya_torgovlya

18 Ibid.

19 Statistics of Russia's Foreign Trade // Russia's Foreign Trade. URL: <https://russian-trade.com/statistics/by-country/iran/import/2021/>

20 Mamedova N.M. Russian-Iranian Economic Relations Today – State and Challenges // 'Global and National Economy' 2023, № 4 (64). P. 8. URL: https://mirec.mgimo.ru/upload/ckeditor/files/mirec-04-2023_mamedova.pdf

21 Foreign Trade // Federal State Statistics Service. URL: https://rosstat.gov.ru/statistics/vneshnyaya_torgovlya

22 World Integrated Trade Solutions // The World Bank Group. URL: <https://wits.worldbank.org/>

goods: 76% of the trade turnover consisted of agricultural and food products, primarily fruits and vegetables.

However, contrary to widespread expectations, trade turnover by the end of 2023 reached just over \$4 billion, a decrease of 17.3%²³. Exports from Russia decreased by 27.1% to \$2.7 billion, while imports from Iran increased by 15.8% to \$1.29 billion. It is important to note that there is a reduction in the trade deficit with Iran and a growth in exports of Iranian industrial and high-tech goods. According to Iranian data, in the year 1401 of the Iranian calendar (2022/2023)²⁴, components and parts for turbojet and turboprop engines worth \$68.5 million and synthetic fibers worth \$246 million were supplied to Russia. There are discrepancies in the figures provided by both the Russian and Iranian sides, which are related to the solar Hijri calendar used in Iran and the specific counting methodology of the Iranian Customs Service.

In the structure of Russian exports in 2023, there were no significant changes. Traditionally, food products and agricultural raw materials dominated (valued at \$2.2 billion, or 81.1%); machinery, equipment, and vehicles accounted for \$240 million (8.8%); wood and paper products totaled \$152.4 million (5.6%); chemical industry products were valued at \$49.4 million (1.8%); and metals and metal products amounted to \$19.1 million (1.3%).

At the same time, there has been a decline in the share of the agricultural and food sector in Iranian exports over several years (from 75% to 57.8%) and a significant increase in the share of petrochemicals and machinery (from 13% to 22.1% and from 2% to 6.2%, respectively)²⁵.

In the first quarter of 2024, bilateral trade turnover increased by 48% compared to the same period of the previous year. Exports from Russia to Iran rose by 77%, while imports from Iran grew by 13%²⁶. According to a statement by Mehdi Safari, the former Deputy Foreign Minister of Iran for Economic Diplomacy, in the year 1402 of the Iranian calendar (2023/2024), Iran's exports reached \$3.2 billion, while imports amounted to \$2.3 billion.²⁷

It should be acknowledged that the development of trade with Iran faces numerous challenges: the lack of a proper legal framework for expanding the range of goods, unfamiliarity with trading partners, the complexity of certifying products according to international standards, the absence of modern packaging, and so on. This is largely due to Iran not being a member of the WTO.

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²³ The trade turnover between Russia and Iran decreased by 17.3% in 2023, reaching \$4 billion // Interfax, 28.02.2024. URL: <https://www.interfax.ru/russia/948210>

²⁴ 1401 – from March 21, 2022 through March 20, 2023.

²⁵ Statistics of Russia's Foreign Trade // Russia's Foreign Trade. URL: <https://russian-trade.com/statistics/by-country/iran/import/2021/>

²⁶ Alexander Novak held a working meeting with Iran's Minister of Oil Javad Owji // Government of Russia, June 14, 2024. URL: <http://government.ru/news/51867/>

²⁷ Iran's Trade Balance with Russia Became Positive at \$1 Billion (Teraaz-e Tejari-ye Iran o Rusi yek miliard dollar mosbat shod) // Kayhan. URL: <https://kayhan.ir/fa/news/284291/> (1402 r. – from March 21, 2023 through March 20, 2024).

Russia's export to Iran in 2023, %

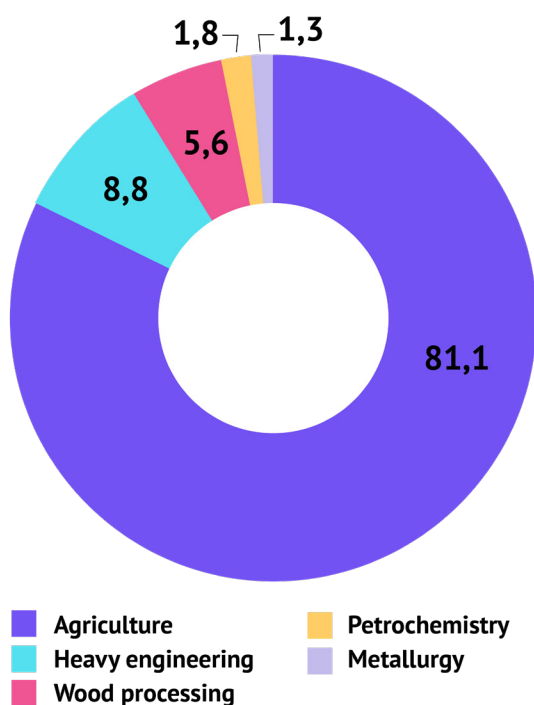


Table 2. Structure of Russia's export to Iran in 2023.

Iran's export to Russia in 2023, %

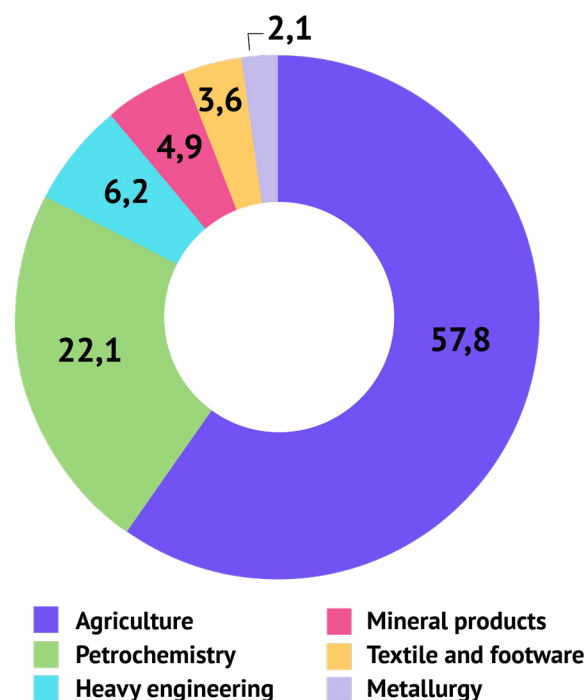


Table 3. Structure of Iran's export to Russia in 2023.

Some of these issues are being addressed following Iran's accession to the EEU Free Trade Zone²⁸.

Economic cooperation is developing in the fields of energy and transportation. In 2022, Moscow and Tehran signed an export agreement for the supply of 40 gas turbines to Russia, with the possibility of barter payments in exchange for metallurgical products.²⁹ In the same year, a memorandum of cooperation was signed between Gazprom and the National Iranian Oil Company (NIOC), which includes the development of the Kish and North Pars gas fields, the development of six oil fields, swap supplies of gas and petroleum products, the construction of export gas pipelines, and scientific and technical cooperation. Russia did not officially disclose the investment volumes under this agreement; however, Iranian media reported financing of \$40 billion.³⁰ During the 17th meeting of the Intergovernmental Commission (IGC) in February 2024,

²⁸ More about this will be said below.

²⁹ Steel for Turbines. Iran may supply parts and turbines to Russia in exchange for imported steel. // Neftegaz, 27.05.2022. URL: <https://neftegaz.ru/news/partnership/738932-stal-za-turbiny-iran-mozhet-postavlyat-v-rossiyu-zapchasti-i-turbiny-v-obmen-na-import-stali/>

³⁰ Iran and Gazprom signed a cooperation agreement worth \$40 billion.// RBC, 19.07.2022. URL: https://quote.rbc.ru/news/short_article/62d695d59a794779f358e0a1; The Gazprom delegation, led by A. Miller, arrived in Iran for some reason // National Association of Oil and Gas Service, 16.05.2024. URL: <https://nangs.org/news/business/delegatsiya-gazproma-vo-glave-s-a-millerom-zachem-to-pribyla-v-iran>

contracts were signed with Russian companies for the development of eight Iranian oil fields, which will provide an increase in oil production of more than 200,000 barrels per day. The Russian company ZN Vostok has been developing the Shadegan oil field since 2023.

In 2023 and 2024, there was active discussion regarding the possibilities of swap supplies of gas and petroleum products. In June 2024, Gazprom and the National Iranian Gas Company (NIGC) signed a strategic memorandum for organizing the supply of Russian gas to Iran. The possibility of transporting Russian gas to Iran via the Caspian region and establishing a gas hub on Iranian territory is being considered. Iran proposed creating an energy corridor from Russia to the Gulf to access the region's markets³¹.

Russian-Iranian cooperation in the field of peaceful nuclear energy is expanding. In addition to work at the Bushehr nuclear power plant, projects for the creation of small-capacity nuclear power plants and four additional large-capacity units are being discussed. Currently, discussions are underway regarding the connection of power transmission lines between Russia and Iran through Azerbaijan. An analysis of the projects and agreements between the two countries indicates extensive opportunities for collaboration in the energy sector.

In 2022 and 2023, Russia became the main investor in Iran, investing \$2.7 billion in the Iranian economy.³² Iran is actively investing in the Astrakhan region: Iranian companies own 53% of the shares in the Solyanka seaport, and in the Lotus free zone, Iranians are building factories for the production of household appliances and cleaning products. Geksa-Lotos joint venture is engaged in the production of textiles from polymers. The large Iranian Parsian holding has joined the Lotus Special Economic Zone (SEZ) and has signed an agreement to organize joint production and increase container shipments along the North-South International Transport Corridor.³³ There are also other examples of economic interaction between regions of Russia and Iran.

The lack of financial infrastructure has limited the growth of trade relations and economic contacts. In the spring of 2022, Russia and Iran agreed to integrate the Mir and Shetab payment systems, and starting in August 2024, Iranian tourists will be able to withdraw money from Russian ATMs using Iranian cards. In the summer of 2022, the parties announced their intention to transition to national currencies for settlements, accelerating the process of dedollarization. By May 2023, the volume of payments in national currencies

31 Iran Offers Establishment of Energy Corridor From Russia to Persian Gulf // SHANA, 11.05.2024. URL: <https://en.shana.ir/news/641544/Iran-Offers-Establishment-of-Energy-Corridor-From-Russia-to-Persian>

32 Russia is Iran's largest investor (Русийе – бозоргтарин сармайегозаре Иран) // ISNA, 12.02.2024. URL: <https://www.isna.ir/news/1402122316704/>

33 Mamedova N.M. Russian-Iranian Economic Relations Today – State and Challenges. p. 10.

between Russia and Iran had surpassed the mark of 80%.³⁴ Already in January 2023, the central banks of Russia and Iran agreed to work together to simplify financial and banking operations. The Russian Bank's Financial Messaging System (SPFS) merged with Iran's SEPAM (System for Electronic Payments Messaging). As a result, Iran was able not only to speed up the process of exchanging payment information with Russia but also to connect with more than a hundred foreign banks. Establishing a transaction system will undoubtedly contribute to an increase in trade turnover.

The Mir Business Bank, a Russian bank with 100% Iranian capital, significantly expanded its activities. Sberbank and Bank Melli (Bank Melli Iran) agreed to open a credit line of 6.5 billion rubles for the import of essential goods to Iran. VTB opened a branch in Iran and launched a money transfer system. In 2023, the Iranian bank Sepah opened a letter of credit for 17 million euros for importing goods from Russia. In June 2024, the Central Bank of Iran proposed using offshore rials for settlements with Russia.

Negotiations are currently underway to enhance cooperation in the automotive, pharmaceutical, and medical sectors. Collaboration on the maintenance of Russian airliners in Iran is rapidly increasing. Cooperation in high technologies is also developing: in March 2024, Moscow and Tehran signed an agreement on collaboration in the field of artificial intelligence development. A Russian rocket launched the Iranian satellite Pars-1 into orbit, which was built in Iran and is intended for photography.

Military-technical cooperation between Russia and Iran³⁵, is expanding rapidly, serving as a driver for the development of bilateral relations. However, this aspect of Russian-Iranian trade cooperation, which also includes barter arrangements, is not fully reflected in statistics and is poorly covered in the media. Russia and Iran state that their interaction in this area is not directed against third countries and is implemented to ensure security and stability in the region. In the absence of official data, media occasionally reports about Iran's procurement of Su-35s, Mi-28 helicopters, and Yak-130 training aircraft. According to some estimates, the volume of arms trade between Russia and Iran could range from \$200 million to \$2 billion.³⁶ It is known that the new strategic partnership agreement between Russia and Iran, which is set to be signed in the fall of 2024, will include a provision on expanding military-technical cooperation.³⁷

³⁴ The Russian Federation and Iran conduct about 80% of their transactions in national currencies // Interfax, 17.05.2023. URL: <https://www.interfax.ru/business/901922>

³⁵ Official data on supplies along military technical cooperation and their volumes are not published.

³⁶ Smagin N.A. A Narrow Corridor: Why Trade Between Iran and Russia is Declining. // Forbes, 28.03.2024. URL: <https://www.forbes.ru/mneniya/509074-uzkij-koridor-pocemu-sokrasaetsa-torgovla-mezdu-iranom-i-rossiej>

³⁷ See. IRAS. URL: <https://www.iras.ir/%D8%A8%D8%B1%D9%86%D8%A7%D9%85%D9%87-%D8%AE%D8%B1%DB%8C%D8%AF%D9%87%D8%A7%DB%8C->

The current leadership of Iran believes that the existing situation allows Iran to play a more active role in the markets of Russia and the region, which will only strengthen Tehran's economic and political position. At the same time, it is acknowledged that Russia's scientific and technological potential is underestimated in Iran.

◆ **For Russia, the interest in expanding trade and economic relations with Iran is explained by Iran's relatively large economy and its experience in developing under sanctions, which has allowed Tehran to successfully implement import substitution programs and significantly increase non-oil exports.**

It is worth noting that certain circles within the Iranian business community not only show little interest in deepening economic cooperation with Russia but also sometimes sabotage agreements made by agencies and organizations. For example, the Iran Chamber of Commerce, Industry, and Mines, the main hub of Iranian private business, holds openly anti-Russian positions due to a greater interest in developing relations with the West, with which it has maintained close ties for many decades. Currently, the primary economic interaction between Russia and Iran is conducted through Islamic funds, the public sector, and semi-state structures.

3. Challenges and Opportunities in Russian-Iranian Relations in the Context of the Expansion of the SCO and BRICS

One of Russia's foreign policy priorities is the development, expansion, and institutional strengthening of the Shanghai Cooperation Organization (SCO). Iran has been an observer in this organization since 2005 and has repeatedly expressed its intention to become a full member, viewing the SCO as a structure for ensuring regional security that could counter U.S. influence and enhance Iran's image on the international stage. Joining the SCO in 2022 was Iran's first experience of joining an international organization since the Islamic Revolution, with the main goals of maintaining peace, security, and stability in the region.

Within Iran, there are various assessments of the significance of this organization: some experts see the SCO as a counterbalance to NATO, while others consider it, in light of the ongoing changes in the global order, as a first step toward forming new poles of power that could end the absolute dominance of the West and lay the groundwork for pluralism in the global system. The SCO is an important mechanism for strengthening security and stability in Eurasia³⁸.

◆ **Iran's accession to the SCO has strengthened the collective defense capabilities of this international structure and increased the level of information cooperation and interaction in the areas of security, combating terrorism, religious extremism, and drug trafficking, as the Iranian authorities have significant practical experience in these fields.**

The interaction between Russia and Iran within the SCO will allow the countries, due to their shared approaches, to reinforce their positions in resolving regional conflicts and addressing existing challenges. Iran views its

³⁸ Karamy J. The Strategic Role of Iran for the SCO: Strengthening Eurasian Integration // Herald of RUDN. Series: International Relations. 2023. Vol. 23. No. 3. p. 551.

membership in the SCO and coordination of actions with the Collective Security Treaty Organization (CSTO) as a real opportunity to collectively confront threats in the region and ensure the security of its borders. Iran also plays a crucial role in preventing new types of threats, such as curbing radical Islamism and addressing water resource issues.

Cooperation within the SCO will further strengthen trust among the member countries and facilitate constructive interaction on both a bilateral and multilateral basis. In the SCO, Iran, as a regional power in the Middle East, alongside the leaders of the Global South, namely Russia and India, will help balance China's agenda on a number of issues. It is also important to note that while Iran is developing strategic relations with China, it remains cautious about the strengthening of Chinese influence in the area of Iranian civilization.

At the same time, the SCO will strengthen the political contacts between Russia, China, and Iran established during negotiations on the Iranian nuclear program. Tehran may also serve as a mediator in resolving disputes between Pakistan and India due to its good relations with both countries.

Iran is also showing significant interest in developing economic partnerships within the SCO, particularly in the areas of transportation, energy, and trade. Specifically, Tehran sees itself as a regional energy and transit hub, hoping to attract investments and technologies for further development. Additionally, cooperation within the SCO offers Russia and Iran extensive opportunities to circumvent sanctions, conduct financial transactions using the national currencies of various countries (such as the rupee, rial, yuan, ruble, etc.), and coordinate policies on the extraction and transportation of oil and gas, as well as align new hydrocarbon supply routes (for example, the Solh ("Peace") gas pipeline from Iran to Pakistan), in order to prevent increased competition between themselves and to form a unified energy market within the SCO.

Given its well-developed pipeline network, Iran's territory can be utilized for supplying energy resources from the Caspian Basin to both global markets and SCO member countries, including through swap mechanisms. Iran's experience in connecting power grids and mutual electricity supply with neighboring countries (Armenia, Azerbaijan, Afghanistan) is another factor that enhances the attractiveness of such cooperation with Iran and opens up prospects for creating an SCO Energy Club, as the shortest route from Central Asia to India and the shores of the world's oceans passes through Iran.

At the same time, the possibility that within the SCO, Iran will align more closely with China's economic agenda should not be ruled out.

Moreover, bilateral interaction in the context of implementing large-scale SCO projects aimed at establishing a unified transport framework for Greater

Eurasia, developing green energy, and environmental programs designed to strengthen energy and food security aligns with the interests of both Russia and Iran.

◆ **Iran views BRICS as an informal structure whose activities contribute to the reshaping of the system of international relations, bringing together developing countries to strengthen the principle of justice in international relations and promote the economic development of its members.**

In this sense, Iran's participation in BRICS+ complements its membership in the SCO. At the same time, there is an understanding that BRICS currently serves as a framework platform for discussing projects and coordinating actions amid the fragmentation of the international economic relations system.

Former Deputy Foreign Minister Mehdi Safari noted: "Iran's accession to BRICS will provide this organization with immense opportunities. One of them is transit, the second is energy, whether it be oil or gas, and the third is new technologies and the knowledge-intensive sector."³⁹ Iran hopes to coordinate energy policy within BRICS and obtain a loan from the BRICS Bank to enhance its transit potential. The recent expansion of BRICS will allow Iran to increase cargo volumes through its territory, necessitating the modernization and development of transportation infrastructure. To ensure food security, Tehran has raised the issue of establishing a grain market within BRICS. Special attention is also given to the stated economic goal of moving away from the dominance of the dollar and euro in global trade relations, which is of great interest to Iran's economy under sanctions⁴⁰. Based on the experience of developing financial contacts with Russia and integrating the payment systems of the two countries, Iran has proposed extending such a mechanism to all BRICS countries. The aforementioned issues are also part of Russia's agenda in its participation in BRICS. Coordination of efforts between Russia and Iran will expand the opportunities for interaction in a bilateral format and prevent increased competition in the energy market. At the same time, it is quite likely that the Russian-Iranian trade turnover may decrease for certain categories of goods, as Iran is interested in diversifying its export directions, including agricultural products; however, the development of its production base is progressing at a slower pace.

³⁹ The BRICS market encompasses nearly half the world (Базар-е БРИКС дар ҳал-е табдилӣ бе несф-е джахан аст)// www.tahlilbazaar.com. URL: <https://www.tahlilbazaar.com/news/265783>

⁴⁰ Advantages of Iran's Membership in BRICS (Мозайа-уе озвият-е иран дар БРИКС) // <https://mag.pouyanbroker.com>. URL: <https://mag.pouyanbroker.com/benefits-of-irans-membership-in-brics/>

4. Successes and Prospects of the Iran-EAEU Free Trade Agreement and the North-South Transport Corridor

It is important to note that the Eurasian Economic Union (EAEU) is an organization focused on economic cooperation aimed at limiting any external influence and fostering comprehensive modernization and cooperation among member states to enhance the competitiveness of their national economies.

Tehran has positively assessed Iran's participation in the Interim preferential Agreement of 2018 as a first step toward establishing a free trade zone with the EAEU. In late December 2023, Iran concluded a permanent free trade agreement with EAEU member states. As a result, the volume of export-import operations increased by 80% during the period from 2019 to 2022, reaching \$6.2 billion. Notably, in the context of Iran's leadership pursuing a course to develop non-oil exports amid sanctions, the increase in Iranian exports to EAEU countries occurred partly due to a group of industrial goods while maintaining the nomenclature of agricultural products. For example, in the category of "metals and products made from them," export growth was approximately 87%, while in the category of plastics and products made from them, the figures increased by 3.4 times⁴¹. Currently, there is no final statistics for 2023; however, according to Iranian sources, in the first ten months of the Iranian calendar year 1402 (2023/2024), the trade turnover reached \$5.5 billion, and it is estimated that this figure could rise to around \$7 billion by the end of 2023. **In an effort to ensure duty-free trade across a broad range of goods, the parties in the new agreement eliminated import customs duties** on nearly 90% of goods (a total of 7,500 items), which account for over 95% of mutual trade. 90% of goods (a total of 7,500 items), which account for over 95% of mutual trade. The advantages of the new agreement for EAEU countries, including Russia, which accounts for 70% of the Eurasian economic bloc's trade turnover with Iran, include access to a highly closed market: Iran is not a WTO member and has not previously offered preferential tariffs to its

41 Solovyova O. Tehran Joined the Trade Zone of the Eurasian Union // Nezavisimaya gazeta, 25.12.2024. URL: https://www.ng.ru/economics/2023-12-25/4_8911_eas.html

trading partners. Under the new FTA, the average tariff on EAEU goods will be reduced to 4.5%, allowing for savings of \$380 million per year in customs duties.⁴² For Iranian goods, the average tariff will be reduced from 6.6% to 0.8%. The agreement also aims to lower non-tariff barriers: it will simplify access to product certification, veterinary and phytosanitary measures, customs administration, the operation of the electronic system for verifying the origin of goods, trade protection measures, customs regulation, and more.

◆ **In Iranian public discourse, this document (the free trade agreement between the EAEU countries and Iran) has been characterized as the most beneficial trade agreement for Iran in the last 100 years.**⁴³

Exclusive supply conditions will be established for EAEU countries on the Iranian market for goods such as grains, corn, vegetable oils, meat, meat and poultry products, canned goods, confectionery, and a wide range of other agricultural products. Regarding industrial goods, a duty-free trade regime will be defined for a broad spectrum of products in metallurgy, chemical and wood-working industries, aircraft and shipbuilding, machinery, railway technology, and equipment, among others. The reduction of import duties on components is also expected to facilitate the localization of production. The agreement envisions the development of cooperation in various areas: mineral resource extraction, energy efficiency and green growth, research and innovation, medicine, and telecommunications. Given the significant attention that the governments of the EAEU countries and Iran are paying to the development of the North-South corridor, the parties emphasize the particular importance of transport and logistics solutions and transit transportation issues.

In Russia, the free trade agreement between the EAEU countries and Iran is seen as a significant step toward a model of comprehensive economic integration. Special attention was given to Iranian products that could replace Western goods in the Russian market, particularly in shipbuilding and the automotive industry. Supplies of these goods will help reduce the existing imbalance between exports and imports in Russian-Iranian trade. Both sides are also interested in participating in investment projects within the EAEU (under Strategy 2030), which envisage the creation of joint Eurasian companies and Eurasian industrial clusters.

In June 2024, Iran expressed interest in becoming an observer at the EAEU, which was supported by Russia. With the consent of other EAEU members, Iran may strengthen its interaction with the Eurasian economic bloc by the

⁴² Commercial Teheran // Kommersant, 22.12.2023. URL: <https://www.kommersant.ru/doc/6413816>

⁴³ Iran's Trade Relations with Eurasia on the Verge of a Historic Breakthrough. (Равабет-е иран ва Урасиа дар астане-йе джахеш-е тарихи) // www.tazehayeeghtesad.com. URL: www.tazehayeeghtesad.com/news/634/

end of the current year.

Iran's transit potential is a unique geostrategic and geoeconomic resource.

Tehran is already engaging in international logistics projects under the auspices of the EAEU, such as the Eurasian Agroexpress, which aims to organize expedited container railway and multimodal deliveries of agricultural products and food from EAEU member states to domestic and external markets.

As part of setting up the Greater Eurasian Partnership, active work is underway to establish a unified transport framework for Greater Eurasia, which involves the synchronized development of international transport corridors in the EAEU and SCO countries (a list of priority infrastructure projects has been adopted, including seven directions) in alignment with China's Belt and Road Initiative. A key element of the planned transport framework is the meridional international transport corridor North-South⁴⁴ which is one of the most important export-import routes for Russia, providing direct access to the markets of Iran, the Persian Gulf states, South and Southeast Asia, and Africa⁴⁵.

The Iranian leadership fully understands that in exchange for providing transit potential for the functioning of the transport and logistics corridor, Iran not only gains economic benefits but also strengthens its geostrategic positions in Eurasia due to the intersection of several transport flows within its territory.

◆ **Organizing transportation along the international multimodal North-South transport corridor is currently one of the main areas of Russian-Iranian cooperation.**

The implementation of the North-South transport corridor project is also of great significance for India: for New Delhi, this corridor will serve as a gateway to Central Eurasia. In May 2024, the Indian side signed an agreement with Iran to upgrade and operate long-term a key transit hub on the coast of the Gulf of Oman—the Shahid Beheshti Port in Chabahar, with investments exceeding \$370 million for the port's infrastructure reconstruction.⁴⁶ The establishment of a system of Eurasian corridors will strengthen intra-regional economic connectivity and reduce transportation costs. According to the forecast from the Eurasian Development Bank, one of the most commonly transported goods along these routes will be food products.⁴⁷

Currently, most cargo transportation along the North-South corridor is car-

44 See Table 4, p.28

45 For more details on the Eurasian Transport Framework, see: Eurasian Transport Framework. Analytical Report. Eurasian Development Bank. Almaty, 2024.

46 USD 370 million – Indian investments in the Iranian port of Chabahar. (Сармайегозари-йе 370 млн долл. Хенд дар бандаре Чаабахар-е Иран) // Mehr, 13.05.2024. URL: <https://www.mehrnews.com/news/6105280/>

47 Eurasian Transport Framework. Analytical Report.



Table 4. North-South corridor of the Eurasian map

Source: Eurasian Development Bank, Eurasian Transport Framework

ried out by road transport. At the same time, efforts are being made to organize a system for servicing the corridor's freight turnover through rail and maritime transport, along with the creation of the necessary infrastructure. Against this backdrop, work has begun on harmonizing the regulatory framework and transportation tariffs among the countries participating in the North-South project. Of the three planned branches of the corridor, only the eastern one⁴⁸ is functioning relatively seamlessly, having transported over 190,000 tons of cargo in 2023, with volumes doubling in the first quarter of 2024. The effectiveness of this route is also evidenced by a 44% reduction in the cost of freight delivery along this direction in 2023⁴⁹.

Currently, it is premature to refer to the international North-South transport corridor as a single functioning system: the three mentioned branches are not well connected logistically⁵⁰. Completing the construction of the missing link of the western branch, which runs through Iranian territory, the 162 km railway from Rasht to Astara along the Iranian coast of the Caspian Sea,

48 There is a difference in track gauge (1520–1435 mm), so it is necessary to change the wheel sets.

49 Fedulov I.V. International North South Transport Corridor // Eastern Analytics. 2023. Vol. 14 (3). p. 89; Eurasian Transport Framework. p. 85

50 Fedulov I.V. International North South Transport Corridor. p 84

faces significant challenges. In 2023, Russia and Iran signed an agreement on cooperation for the construction of this railway segment and agreed to allocate an intergovernmental loan of €1.3 billion (with Russia's share being 85%) for the project. However, completion of the construction is not expected until 2028, and the final cost of the project may reach \$20 billion. In this context, the issue of exploring a new route for the railway section connecting Iran with Azerbaijan, which would then link to Russia's railroads, has been raised for discussion.

The western branch of the international North-South transport corridor is currently the shortest yet the most congested route. The commissioning of a 37 km railway segment from Rasht to the Caspian port in June 2024 is not likely to significantly change the situation, as the railway line does not extend directly to the port infrastructure.

To activate trans-Caspian cooperation, Russia and Iran have been modernizing ports in recent years and expanding container terminal areas. At the same time, the absence of modern river-sea vessels in Russia and ro-ro vessels in Iran significantly limits the volume of transported cargo. During the last two meetings of the Russian-Iranian intergovernmental commission, it was noted that the parties are developing cooperation in the joint construction of large-tonnage vessels at Iranian shipyards and cargo vessels at Russian shipyards. Russia is also exploring investment opportunities in Iranian maritime port infrastructure⁵¹. Currently, there is no railway ferry service across the Caspian Sea, and organizing one is complicated by the differences in the gauge of railway networks in Russia and Iran. Additionally, dredging work is needed in the Volga River to fully utilize Russia's waterways. In 2023, marine transport between Russia and Iran carried 5.54 million tons of cargo⁵², 55% more than in 2022, while railway transport accounted for 12.5 million tons, an increase of 14% compared to 2022. This dynamic undoubtedly indicates certain successes in the implementation of the transport corridor project. At the same time, the limited capacity of all three branches of the North-South transport corridor, amidst increasing cargo volumes, has already begun to affect delivery times and increase tariffs. Despite numerous challenges and problem areas, transit through Iran increased by 58% in the Iranian calendar year 1402 (2023/2024), and the country earned a profit of \$1.2 billion.⁵³

51 Russia and Iran agreed to build 20 vessels for cargo transportation along the International North South Transport Corridor // PortNews 18.05.2023. URL: <https://portnews.ru/news/347587/>

52 The volume of maritime cargo transportation along the International North South Transport Corridor increased by 55% in 2023 // Morskiye Vesti Rossii, 12.02.2024. URL: <https://morvesti.ru/news/1678/107534/>

53 Pezeshkian: For the sake of Iran, I commit // Irandiplomacy, 23.06.2024. URL: <http://www.irdiplomacy.ir/fa/news/2026763/%D9%BE%D8%B2%D8%B4%DA%A9%DB%8C%D8%A7%D9%86%D8%A8%D8%B1%D8%A7%DB%8C%D8%A7%DB%8C%D8%B1%D8%A7%D9%86%D8%AA%D8%B9%D9%87%D8%AF-%D9%85%DB%8C-%D8%AF%D9%87%D9%85->

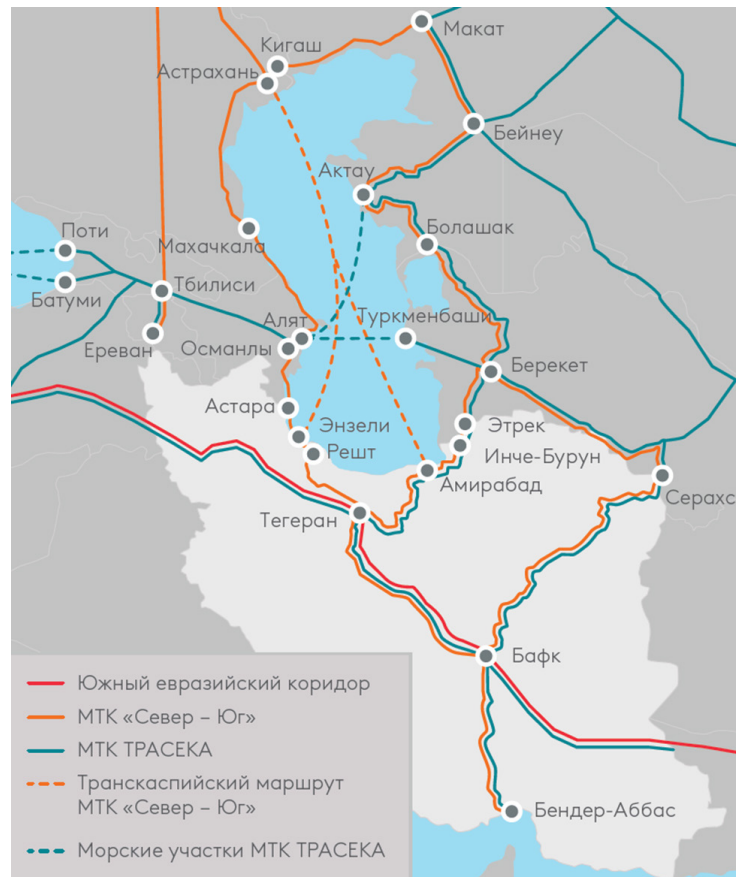


Table 5. Iranian leg of the North-South corridor

Source: Eurasian Development Bank, Eurasian Transport Framework

Still, there are issues that require the efforts of all interested parties to resolve: the underdevelopment of transport infrastructure, especially in the transit part of the route in Iran; a large number of border crossings that are not equipped to handle international transport; the need to establish through tariffs, digitalization at all stages of transport and service, agreements on a single corridor operator, and several others.⁵⁴ If most of these problems are successfully resolved, the total volume of cargo transportation could reach 12–20 million tons in the medium term, and by 2030, the planned 40–50 million tons.

A brief analysis of Russian-Iranian trade and economic relations, as well as the participation of Russia and Iran in regional associations and transport and logistics projects, demonstrates a desire to reach a higher level of cooperation and a clear understanding that strategic partnership in the areas of politics and security should be complemented by strong and mutually beneficial economic ties. It is also worth noting that there are diverse opportunities for deepening bilateral economic relations within the framework of regional integration associations and macro-regional projects.

⁵⁴ For more details, see: Eurasian Transport Framework. Analytical Report.

5. Foreign Policy Course of the New President

The leadership of Russia and Iran demonstrates a unity of views on the further development of bilateral relations and emphasizes the importance of maintaining the Eurasian vector of cooperation as a priority direction of interaction. The tragic death of the President of the Islamic Republic of Iran, Ebrahim Raisi, in May 2024, a conservative politician, who made sure that relations with Russia and Eurasian neighbors reached a new level, raised questions about potential change in Tehran's foreign policy course.

According to the Iranian Constitution, the main direction in foreign and domestic policy are to be determined by the spiritual leader, who is currently Ayatollah Ali Khamenei. The foreign policy agenda in Iran is handled by the Council for the Determination of Foreign Policy, established under the spiritual leader⁵⁵. The President of Iran, as the head of the executive branch, primarily fulfills managerial tasks and implements the directives of the highest leadership represented by the spiritual leader. Ayatollah Ali Khamenei undoubtedly grants the president and the foreign minister a certain room for maneuver; in particular, they can influence the choice of priorities within the approved by Council foreign policy course, as well as determine the methods and pace of implementation. It is worth noting that in one of his speeches prior to the early presidential elections, Ali Khamenei stated that he had no objections to developing relations with all countries, but at the same time opposed appointing individuals to state positions who are "loyal to America and believe that nothing can be done without American approval."⁵⁶

In the run-off of the early presidential elections, the winner was Masoud Pezeshkian, a representative of the moderately liberal faction. During his election campaign, he emphasized the need to adjust the foreign policy course and strengthen a multi-vector diplomacy. The new president aims to lift sanctions on Iran, believing that this will help improve the domestic economic situation, raise the standard of living for the population, and address pressing social issues. He has also expressed the new government's interest in attracting Western investments to Iran. At the same time, Masoud Pezeshkian recognizes the importance of maintaining the accumulated experience of mutually ben-

⁵⁵ The Council is chaired by Kamal Kharrazi, the former Minister of Foreign Affairs. (1997–2005).

⁵⁶ Speech at a meeting with the population on the eve of the elections for the 14th president on the day of the Qadir holiday // Khamenei.ir. URL: <https://farsi.khamenei.ir/speech-content?id=56789>

official cooperation with Iran's closest neighbors and Eurasian partners, thus emphasizing the continuity of ties with Russia and China and the willingness to deepen collaboration with the SCO, BRICS, and EAEU. He articulated these points during a phone conversation with Vladimir Putin immediately after his election. The new head of the Iranian government considers conducting a balanced foreign policy between the West and the East to be the main priority.

In pursuit of political goals, Masoud Pezeshkian is prepared to resume negotiations with the West and agree on a new nuclear deal, as restoring the agreement in its original form is no longer seen as possible six years after the U.S. withdrawal from the JCPOA in 2018. Given the contacts initiated during Ibrahim Raisi's presidency with the U.S. through Omani mediation to discuss the possibilities of lifting American sanctions, it is clear that the new government will continue to exert efforts in this direction. However, it is highly unlikely that, in the context of the complex electoral situation in the U.S. and Europe's strong dependence on Washington's decisions, Western countries will accommodate Iran in the near future. In any case, Tehran's resumption of negotiations with the West regarding the nuclear program and lifting sanctions does not pose a threat to Russian-Iranian relations; on the contrary, it may open an additional window of opportunity, as Moscow was an active partner of Iran in the P5+1 format during the preparation and conclusion of the JCPOA.

Considering that the spiritual leader tasked the new president with continuing the foreign policy line of Ibrahim Raisi during their meeting, and taking into account the position of the predominantly conservative Majlis, which exerts a certain influence on foreign policy by approving agreements made with other states and voting confidence or no confidence in ministerial candidates, Masoud Pezeshkian's powers are somewhat limited.

As part of his initial steps on the international stage as the president of Iran, Masoud Pezeshkian reached an agreement with Vladimir Putin to sign a prepared cooperation agreement in the near future and expressed his willingness to participate in the BRICS summit in Kazan. He confirmed his desire for closer partnership with the EAEU, indicated his intention to continue developing strategic relations with China, and particularly emphasized the importance of strengthening ties with regional neighbors. This collectively demonstrates the continued prioritization of the Eurasian vector in Iran's foreign policy. Even if relations with Europe are restored, Iran will continue to engage with Russia both bilaterally and within regional structures and BRICS, realizing the idea of the spiritual leader, Ayatollah Ali Khamenei, who said: "A strong Russia is in the interests of an independent Iran"⁵⁷.

57 Spiritual Leader: 'An independent Iran is in Russia's interest, and a strong Russia is in Iran's interest// Magiran. URL: <https://www.magiran.com/article/1503020>



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