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Losing Balance: Russian Foreign Policy toward Iraq and Iran

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The policies pursued by Washington toward both Iraq and Iran have underscored Russia's declining ability to act as a great power. But, despite what many Russians believe, us foreign policy alone did not bring about their country's weakness. The recent crises over Iraq and Iran have revealed both an inherent contradiction in post-Soviet Russian foreign policy and a continuing failure by Moscow to prioritize among conflicting foreign policy goals, even as the costs of this failure have escalated.

The contradiction at the heart of post-Soviet Russian foreign policy is this: while seeking friendly relations with the United States, Moscow also has tried to preserve close ties with countries hostile to Washington, such as Iraq under Saddam Hussein and Iran under the ayatollahs. In Iraq this contradictory policy inevitably led Washington to penalize Moscow for its efforts to defend Saddam. It also provoked Saddam to penalize Moscow for its cooperation with Washington. **A** similar dynamic is emerging in Russia's relations with Washington and Tehran.

The limitations of Russia's contradictory foreign policy did not become evident until mid-2002, when the confrontation between the United States and Iraq heated up. Until then, the policy had appeared successful. Detecting an opportunity to advance its own interests, especially in the economic realm, Moscow had seized on Washington's enmity with Baghdad and Tehran. Indeed, the persistence of this enmity appeared to present Moscow with the possibility of maneuvering to its own advantage indefinitely between the feuding nations.

The success of this policy hinged on the prospect of Iraqi-American and Iranian-American tensions continuing but not escalating. The Bush administration, however, decided that Saddam must go, and proceeded to oust him in the spring of 2003, despite Moscow's objections. Although prospects for intervention in Iran remain uncertain, the United States has made it clear that it would like to see Iran's Islamic Republic fall as well. The Bush administration has become increasingly insistent that Russia should curtail its cooperation with Iran if it wishes to continue to enjoy Washington's cooperation.

Moscow's balancing act between Washington and Baghdad thus failed, and its balancing act between Washington and Tehran is becoming increasingly difficult to maintain. The stakes involved include not only, with regard to Iraq, oil contracts and debt repayment, or, in Iran's case, nuclear reactor sales and the threat of nuclear proliferation. Moscow's reluctance to establish clear priorities among competing interests threatens to undermine both its relations with the United States and its influence in a region of continuing strategic importance to Russia.

MOSCOW AND THE CRISIS OVER IRAQ

During the latter part of the cold war, Iraq was one of the Soviet Union's principal allies in the Middle East. Since then, Iraq has been important to post-Soviet Moscow primarily for economic reasons. Indeed, President Vladimir Putin and Foreign Minister Igor Ivanov have said that Russia's economic interests are now a central concern of Russian foreign policy.

Moscow's ties to Baghdad were especially close throughout the 1970s and 1980s but the relationship stalled in the aftermath of Iraq's 1990 invasion

of Kuwait. In the months following the invasion, the Soviet Union under Mikhail Gorbachev (who was then pursuing closer cooperation with the United States) voted in favor of UN Security Council resolutions that imposed economic sanctions against Iraq and that authorized the use of force to drive Saddam out of Kuwait in early 1991.

Although disappointed that Moscow had cooperated with Washington during the Kuwait crisis, Saddam soon turned to Russia for support in lifting the economic sanctions and in weakening America's ability to use the Security Council against his regime. Saddam sought Moscow's support in part by negotiating agreements that allowed Russian companies to develop many of Iraq's oil fields. (Iraq possesses the world's largest proven but undeveloped oil reserves.) The Russian oil companies, for their part, jumped at the opportunity. Not wanting to harm us-Russian relations by violating the UN sanctions against Iraq, Moscow specified that implementation of deals signed, initialed, negotiated, or just discussed would occur only after sanctions had been lifted. Yet Russian fastidiousness in this regard actually benefited Saddam, since it provided

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Moscow with a powerful incentive to work toward ending Security Council sanctions. Saddam also indicated that, after sanctions were removed, Iraq would repay the \$8 billion debt Baghdad owed Moscow from the Soviet era, adding another inducement for Moscow to seek an end to the sanctions.

Besides offering the prospect of these future rewards, Saddam sought to secure Moscow's goodwill by allowing Russian oil firms a favored role in facilitating the Iraqi oil exports that were allowed by the UN Security Council. He also favored Russian vendors when placing orders for imports within the limits of the Security Council-imposed "oil for food" program.

Moscow responded in much the way Baghdad hoped—regularly calling for the removal of sanctions and criticizing Washington for its harsh stance against Iraq. Still, there was in Moscow a cynical recognition that the continuation of the sanctions regime benefited Russia: under it, Saddam favored Russian firms to a far greater extent than would probably be the case if sanctions were lifted. According to this strategy, Russian oil companies would take advantage of their privileged access to Iraq under the sanctions regime to sign oil devel-

opment deals so that after sanctions were lifted, Russia could profit from those agreements. Many in Moscow also appeared to recognize that Baghdad was more likely to honor these contracts if Saddam's regime remained in power at the time the sanctions were removed.

This assumption, of course, came under serious challenge in mid-2002—especially when President George W. Bush indicated in his September 12, 2002, speech before the UN General Assembly that he intended to overthrow Saddam with or without Security Council approval. At this point, some of the seeds Saddam had planted in Moscow bore fruit. Before, during, and even after the war to overthrow Saddam, President Vladimir Putin's administration repeatedly expressed its opposition to unilateral American intervention in Iraq.

In conjunction with France, Germany, and China, Russia also worked to block passage of a single, us-backed Security Council resolution that called for the return of weapons inspectors to Iraq and that authorized the use of force if they found Baghdad to be in "material breach" of previous resolutions demanding the dismantling of all weapons of mass destruction. Instead, Russia and its partners lobbied for—and the United States in November 2002 accepted—a two-resolution formula. The first called for the return of weapons inspectors, but if Iraq were found in "material breach," UN authorization of military action would require a second resolution. Russia and its partners then seized upon the ambivalent nature of the weapons inspectors' reports to prolong the inspection process and thereby forestall intervention. When Washington grew impatient and sought Security Council approval for a resolution authorizing the use of force against Iraq, Russia worked with France, Germany, and other Security Council members to block it, forcing the United States to withdraw the resolution to avoid defeat.

But some of the seeds that Saddam planted in Moscow yielded bitter fruit. While France and Germany, along with others, remained adamantly opposed to intervention in Iraq under virtually any conditions, Moscow repeatedly signaled throughout the crisis that, for a price, it would drop its opposition in the Security Council to a us-led intervention. Reports of Russian demands varied, but a few themes were constant. Moscow sought Wash-

ington's "guarantee" that post-Saddam Iraq would honor the agreements Russian oil firms had reached with Baghdad under Saddam; that Iraq would limit Iraqi oil production so that world oil prices would not drop dramatically, thereby damaging Russia's oil export-dependent economy; and that it would repay Iraq's Saddam-era debt to Moscow.

Amid the wrangling over Iraq's future, the behavior of one Russian oil company especially angered Saddam. Lukoil was the principal participant in the one major production contract that Baghdad had signed with Russian oil firms: a 1997 agreement to develop the West Qurna oil field containing estimated reserves of 15 billion barrels. Lukoil reportedly pressed both the US government and Iraqi opposition groups for guarantees that it would be allowed to keep this contract in the event of a regime change in Baghdad. As this campaign mounted, Baghdad announced in mid-December 2002 that it was canceling Lukoil's contract to develop West Qurna. The Iraqi government first claimed it was doing so because Lukoil had failed to carry out the terms of the contract. When Lukoil denied this, a senior Iraqi official acknowledged that the contract had been canceled because Lukoil was seeking American guarantees in a post-Saddam Iraq. Lukoil then launched a campaign to persuade Baghdad to reinstate the contract, even announcing in late January 2003 that it had succeeded in doing so. However, soon after President Putin made a statement indicating that Russia might agree with the United States on "tougher moves" against Iraq, the acting oil minister in Baghdad announced in mid-February that Lukoil's contract was "dissolved."

Washington, of course, did not agree to meet the conditions that Russia set for dropping its opposition to a US-led intervention. Indeed, the United States could not have done so without seriously compromising prospects for an economic recovery in post-Saddam Iraq; any money Baghdad repays to Moscow (or any other creditor) is clearly money not available for Iraqi reconstruction.

Throughout this crisis, Moscow sought both to prevent US military intervention and to protect Russia's economic interests in Iraq. But Moscow's pursuit of the former goal left Washington with no incentive to accommodate Moscow on the latter. Had Russia supported US intervention, Washington would have been willing—as it repeatedly signaled—to aid Russia's economic interests in Iraq, though not to the exorbitant extent that Moscow demanded. Despite the American overthrow of Afghanistan's Taliban regime in 2001, most Russian

analysts underestimated the ability of the United States to rapidly oust Saddam Hussein's regime. The Putin administration badly miscalculated in assuming that US intervention in Iraq could not succeed without Moscow's blessing, and that Washington would thus have to pay Moscow's price to achieve its goals. As a result, the Putin administration failed both in preventing the US intervention that ousted Saddam and in securing Russia's economic interests in post-Saddam Iraq.

BUILDING TIES WITH IRAN

During the cold war, Iran was an American ally until Islamic revolutionaries overthrew the shah in 1979. But the Islamic Republic that came to power with the revolution viewed not only the United States but also Moscow as an enemy because of the Soviet Union's 1979 invasion of Afghanistan to Iran's east and the Soviet aid extended to Iraq during the 1980-1988 Iran-Iraq war. Soviet relations with the Islamic Republic remained extremely chilly until a thaw emerged toward the end of the Gorbachev years that continued under the presidency of Boris Yeltsin. Moscow realized then that US economic sanctions against Iran, as well as American pressure on its allies not to sell weapons or other sensitive material to Tehran, gave it an opportunity to step in. Iran, for its part, was eager to buy from Russia.

By the end of the 1990s, Iran had become the third-largest purchaser of Russian weaponry. Even more important, Russia's atomic energy industry undertook to complete the nuclear reactor at Bushehr that the West Germans had begun building but left unfinished in the wake of the Iranian revolution. Noting that oil-rich Iran did not need a nuclear reactor to meet its energy requirements, the Clinton administration became concerned that Tehran wanted it instead to acquire fissionable material necessary to make nuclear weapons. Further, US officials worried that sales of Russian missile technology would enable Iran to threaten nuclear attack against American allies in the Middle East and beyond.

Yielding to US pressure over these concerns in 1995, Russian Prime Minister Viktor Chernomyrdin signed a secret agreement with Vice President Al Gore under which Moscow pledged to limit what it transferred to Tehran in the military and nuclear spheres. As Russian-American relations deteriorated over the next few years, however, Moscow increasingly chafed at the limitations of the Gore-Chernomyrdin agreement. In late

2000, President Putin repudiated it. Shortly thereafter, Moscow agreed to sell more weapons to Tehran, renewed its pledge to complete the nuclear reactor at Bushehr, and expressed the desire to build even more reactors for Iran. Moscow stoutly defended Tehran's claims that its atomic energy program was for peaceful purposes only.

Despite a continuing dispute between the two countries over territorial division of the oil-rich Caspian Sea, by mid-2001 Russia and Iran appeared to have formed something of an alliance aimed at limiting US influence in the region. After the terrorist attacks of September 11, 2001, however, Putin quickly moved to declare Russia's solidarity with the United States. At first, America's invigorated war on terrorism appeared not to affect Russia's ability to continue cooperating with Iran. Indeed, both Russia and Iran supported the US campaign to rid Afghanistan of the Taliban regime in the fall of 2001. Iranian-American relations soured, though, when Iran sought to assert its influence in western Afghanistan, and deteriorated even further when President Bush in January 2002 identified Iran as part of an "axis of evil" with Iraq and North Korea.

A NUCLEAR NEIGHBOR?

American pressure on Moscow to cease its cooperation with Iran in the nuclear realm increased thereafter. But Russia's atomic energy industry put up a fierce resistance. Moscow could ensure that Iran would not fabricate nuclear weapons, Russian spokesmen insisted, since Iran would turn over to Russia the spent fuel needed to produce them. The spokesmen also claimed that economic rather than security concerns motivated US efforts to curtail Russia's role in the Iranian nuclear energy program: what Washington really wanted, it was suggested, was to end sales of Russian atomic energy technology to Iran so American firms could obtain the business instead.

Russian denials of Iran's interest in acquiring nuclear weapons began to look increasingly threadbare when an Iranian opposition group revealed in 2002 that Tehran in fact has more nuclear facilities than it had previously declared to the International Atomic Energy Agency. Since then Iran has resisted repeated calls by many countries that it sign the IAEA's so-called Additional Protocol allowing officials to inspect anywhere in a country instead of just its declared nuclear facilities. Iran announced that it would retain control of the entire nuclear fuel cycle, thus contradicting Moscow's assurance that spent fuel would be delivered to Russia. Then, in

June 2003, Tehran refused to permit IAEA officials to inspect even a declared Iranian nuclear facility.

This sequence of events has left Russian government officials as well as commentators expressing doubts about Iran's nuclear intentions. Russian Atomic Energy Minister Alexander Rumyantsev, who had previously denied that Iran was capable of acquiring nuclear weapons, said in March 2003 that he simply did not know whether Iran could develop them.

At the Group of Eight summit meeting in France this past June, British Prime Minister Tony Blair said Putin had declared that Russia would not begin shipping fuel for Iran's nearly completed nuclear reactor until Tehran signed the IAEA Additional Protocol. Almost immediately following Blair's report, however, both the Russian Foreign Ministry and Atomic Energy Ministry denied Putin had said this. The ministries indicated that, while Moscow would try to persuade Tehran to sign the Additional Protocol, Russia would ship nuclear fuel to Iran whether it did so or not. Putin's office did not clarify what he actually meant. What this seems to indicate is that Moscow is genuinely torn between the desire it shares with Washington and others to prevent Iran from acquiring nuclear weapons and the desperation of the Russian atomic energy industry to keep Iran as one of the very few customers that it has.

Iranian Foreign Minister Kharrazi said on May 30 that Tehran would sign the IAEA Additional Protocol, but only if all (that is, American) economic sanctions against Iran were lifted, and if Tehran were provided with Western nuclear technology. This demand is, of course, unacceptable to Washington. Tehran no doubt knows this and made the proposal in anticipation that it would be rejected so that Iran would have an excuse for not signing the Additional Protocol.

Tehran's behavior has only served to confirm the Bush administration's conviction that Iran seeks to acquire nuclear weapons. This, combined with Washington's suspicion that Al Qaeda operatives in Iran played a role in the May 2003 terrorist bombings on us and other foreign worker compounds in Saudi Arabia, suggests the looming possibility of a confrontation between Washington and Tehran. Moscow wants desperately to prevent the United States from destroying the Bushehr nuclear reactor or from intervening to overthrow the Islamic Republic. But in the wake of the Iraq war, Moscow knows it cannot prevent either possibility.

Yet Russia is reluctant to pressure Iran too much to make the concessions necessary to avoid these scenarios. Moscow fears Tehran would stop buying

weapons and nuclear know-how from Russia, purchasing them from China, North Korea, or other countries instead. The rise in us-Iranian tensions has thus resulted in the decline of Russia's ability to maneuver between Washington and Tehran. And if, as many in Moscow expect, the United States does intervene in Iran, Tehran will cease to be the valued customer it now is for both Russia's atomic energy and weapons industries.

RUSSIA'S OPTIONS

Russia can still play a role in Iran and even in Iraq. But Moscow faces a series of trade-offs that will limit its influence in both countries—especially if it does not recognize the existence of these trade-offs. The Iraqi debt is a case in point. Since Saddam's downfall, Russian officials have issued several statements indicating that they want the debt repaid under the auspices of the Paris Club, an informal group of official creditors that coordinates solutions to debtor nations' payment difficulties. For government-to-government debt, the Paris Club usually negotiates a percentage of a country's debt to be written off and sets terms for the rest of it to be repaid. Some Russians (as well as officials of other governments) have called for Baghdad's debt to be repaid in full since Iraq, unlike most debtors, has massive oil reserves with which to repay it. But aggressive Russian demands for repayment likely would foster an unwillingness, not only by the United States but also by any future Iraqi government, to allow Russian firms a role in Iraq's oil sector.

A second trade-off concerns those Saddam-era contracts signed with Russian oil firms, especially the agreement with Lukoil for the massive West Qurna field. Although Saddam's oil ministry canceled the contract, Lukoil insists the ministry lacked grounds for doing so and the contract remains in force. A company vice president went so far as to suggest that Lukoil might call for the "arrest" of any oil tankers carrying Iraqi oil and would present claims for \$20 billion in lost profits if its contract were not restored. Any future Iraqi government, however, is sure to review the terms of the Saddam-era oil contracts, essentially granted on a noncompetitive basis, to decide whether to meet those agreements or seek better terms from Western companies. If Lukoil's blustering falls short, not only will it fail to get its West Qurna contract reinstated, the dispute will reduce any future Iraqi government's willingness to sign further contracts with the company. If, however,

Lukoil succeeds in reinstating the contract despite the wishes of Iraq's future government, that could lead to widespread Iraqi resentment against Russian "exploitation"—in which case Baghdad might refuse to sign additional contracts with any Russian oil firm.

A third trade-off is Russia's continuing involvement in Iran's atomic energy program despite mounting international concern, including in Moscow itself, that Russian help is enabling Tehran to acquire nuclear weapons. Despite this growing realization, Moscow continues to move ahead with the sale of nuclear reactors to Iran. This is perhaps understandable from a purely economic perspective. With so few buyers of Russian nuclear reactors (including within Russia itself), the loss of Iran as a customer threatens the continued existence of the Russian atomic energy industry. But those who fear the prospect of a nuclear-armed Iran are increasingly alarmed by Russia's continued contribution to the emergence of this threat—and are likely to react accordingly. Since Washington regards, and any future government in Baghdad is also likely to regard, a nuclear Iran as a threat, neither will reward Moscow for contributing to the development of this threat by granting Russian oil firms additional Iraqi oil contracts. Further, while Russia does not want the United States to destroy Iranian nuclear facilities or intervene to bring about regime change in Tehran, the Bush administration may view continued Russian nuclear assistance to Iran as one of the factors that requires just such a course of action.

As recent Russian experience with Iraq and Iran indicates, attempting to achieve contradictory goals simultaneously is a strategy that risks backfiring. If cooperation with the United States is as essential for Russia as Putin believes it is, Moscow should deemphasize the collaboration with anti-American regimes that hinders closer ties. A change in this direction, however, will be difficult for Russia's foreign policy architects to accomplish. The effort would not only pit them against powerful domestic interests, especially the atomic energy industry; it would also require them to acknowledge the failure of their long-cherished preference for attempting to balance between rivals in the hope of deriving advantages and concessions from both sides. Whether Russia's foreign policymakers can overcome these obstacles seems doubtful; it is likely that Moscow will continue to pursue contradictory goals simultaneously both in Iraq and Iran. It is also likely that this approach will backfire. •