



## Big economic moves at Russia-Iran summit

By Rachel Douglas

26 July—Russian President Vladimir Putin was in Tehran 19 July for an in-person summit of the Astana Group—Iran, Russia and Turkey. The three are sponsors of ongoing efforts to achieve political solutions and peace within Syria. On this occasion, neither Iran nor Russia would endorse Turkish President Recep Tayyip Erdogan's threatened new military incursion against US-backed Kurdish forces in northern Syria.

During the one-day visit, Putin and leaders of each of the other countries also had bilateral talks. The Russian President's meetings with Iran's Supreme Leader Ayatollah Khamenei and President Ibrahim Raisi were significant in two contexts: American and Israeli threats to Iran during President Joe Biden's visit to Israel a few days prior (Washington Insider, p. 8) and the worldwide rush towards new financial arrangements and real-economic cooperation outside the sickly US dollar-based system.<sup>1</sup>

Khamenei, according to Iran's Press TV, emphasised three main items on the bilateral agenda: new cooperation in the oil and gas sector; making the International North-South Transportation Corridor (INSTC) fully operational; and ending use of the dollar in global transactions.

Iran and Russia are major Eurasian countries, with populations of nearly 87 million and 142 million, respectively. Both are members of the OPEC+ group of oil-exporting countries. Russia is an observer at the Organisation of Islamic Cooperation (OIC), of which Iran is a full member. In the Shanghai Cooperation Organisation (SCO), a possible platform for new financial relations mentioned in recent months, Russia is a founding member and Iran has observer status.

Foreign financial commentators like to point out price competition between Iran and Russia for crude oil sales (but it is noteworthy that in 1995-2011 Russian contractors built a more advanced energy technology in Iran—the Bushehr Nuclear Power Plant). Now their petroleum-related economic relations are about to change, in yet another instance of backlash against the Anglo-American-led punishment of both countries with sanctions. Until this year, Iran was the country sustaining the greatest number of sanctions in the world, many of them imposed outside any United Nations framework. Since the start of its special military operation in Ukraine, Russia has moved into first place.

Just before Putin arrived, the National Iranian Oil Company (NIOC) and Russia's state-owned natural gas giant Gazprom signed a memorandum of understanding (MOU) on US\$40 billion of joint investments in oil and gas projects in Iran. NIOC CEO Mohsen Khojasteh-Mehr stated that the package is the largest foreign investment ever in Iran's oil industry. Development of six different oil and gas fields is anticipated, including the Iranian sector of the South Pars field in the Persian Gulf, the biggest identified natural gas deposit in the world.

Related to the INSTC, Putin told journalists in Tehran that Russia is prepared to help upgrade a 146-km rail line from Astara (in Azerbaijan) along the western coast of the Caspian Sea to Rasht in Iran, thus giving the INSTC an all-rail connection from Russia down to Iran's ports on the Persian Gulf.

Agreement in principle with both Iran and Azerbaijan has been reached.

In line with Khamenei's remark about breaking free from the dollar-based financial system, Iranian Central Bank Governor Ali Salehabadi announced while Putin was in town, that a new foreign exchange mechanism has been established for the Iranian rial and Russian ruble. Salehabadi called it "a suitable means to neutralise the political tools of domination that are global currencies". Russia-China, Russia-India, and China-Saudi Arabia are some of the other pairs of countries between which trade in national currencies is either already happening or under negotiation.

Mohammad Reza Farzin, CEO of Melli Bank (Iran's largest commercial bank), was in Moscow the week before Putin came to Tehran. He tweeted 16 July that he and German Gref, CEO of Sberbank, the state-owned savings and commercial bank that is Russia's largest, had signed MOUs on various banking cooperation.

Putin's foreign policy aide Yuri Ushakov summed up these advances in Russian-Iranian relations, in a briefing on the eve of Putin's trip that was highlighted in all Russian major media. "Both sides have plans to take our bilateral cooperation to a new level", said Ushakov, "and that will be the 'strategic partnership' level. A new bilateral treaty is in preparation." Iranian President Raisi reportedly brought a treaty draft to Moscow in January, and it was to be discussed further between Putin and the Iranian leaders during this trip.

Ushakov also said that Russia—despite diplomatic isolation from the West—would make every effort for resumption of international negotiations on the status of Iran's nuclear program. The Joint Comprehensive Plan of Action (JCPOA) to regulate the program, reached in 2015 between Iran, the five permanent members of the UN Security Council, and Germany, was destroyed by the USA's withdrawal in 2018.

Back in Moscow 20 July, Putin addressed a forum held by the Agency for Strategic Initiatives, a government-sponsored NGO. There he situated his own and Russia's current diplomatic activity in global terms: "National and global processes are under way to develop the fundamentals and principles of a harmonious, fairer and more community-focused and safe world order as an alternative to the existing world order, or the unipolar world order in which we have lived. ... Sovereignty is about freedom of national development, and thus the development of every individual. It is about the technological, cultural, intellectual and educational solvency of a state".

The opposite model, he said, is "total domination by the so-called golden billion [population of the so-called advanced countries]... Why should only part of the global population dominate everyone else and enforce its rules of conduct...? It divides the world into first- and second-class people and is therefore essentially racist and neo-colonial." Putin cited the British Empire's looting of India, as exemplifying how "the golden billion obtained its gold".

On 24-27 July Russian Foreign Minister Sergei Lavrov is touring four countries in Africa: Egypt, Ethiopia, Uganda and the Republic of the Congo. A main theme is developing economic partnerships, including Russian food exports and building nuclear power plants, despite Anglo-American threats to penalise countries that do business with Russia. A Second Russia-Africa Summit (the first was in 2019) is planned for next year.

1. In the AAS this year: "Steps towards a Eurasia-centred, development-based new financial order", 6 Apr.; "BRICS+ push alternative economic platform", 29 June; "China and Russia present financial solutions", 13 July.