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POST-COLD WAR RUSSIAN FOREIGN MILITARY ASSISTANCE TO IRAN:
ADVANCING THE NATIONAL INTEREST, OR THE SPECIAL INTEREST?

BY

MATTHEW YORK

Baccalaureate of Arts, Stonehill College, 2004

THESIS

Submitted to the University of New Hampshire

In Partial Fulfillment of

The Requirements for the Degree of

Master of Arts

in

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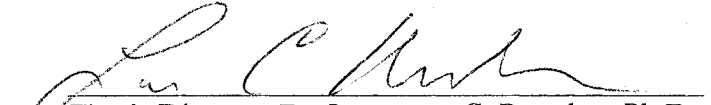
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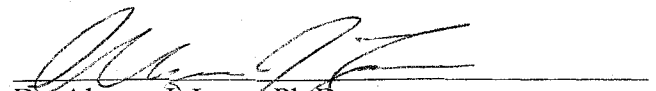
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DEDICATION

To Dr. Randall Caroline Forsberg, Ph.D. (1943-2007), founder of the Nuclear Weapons Freeze Campaign and the Institute for Defense and Disarmament Studies, where this research began.

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There are a number of people without whom this thesis might not have been written. First, thanks to Dr. Richard Finnegan and Dr. Sean Giovanello from the Stonehill College Political Science Department for writing recommendation letters on my behalf. Thanks to the UNH Political Science Department, Survey Center, and Graduate School for their kind financial support during my graduate studies. Thanks to Dr. Alynna Lyon for her rigorous introduction to research methodology and for helping me realize my academic potential. Thanks to my colleague and friend, Lt. Rachel Platt, U.S. Army, for her copy of Bill Gertz's *Treachery*, which initially led me to ask, "Why?" Finally, thanks to Dr. Lawrence C. Reardon for his help in developing my thesis, for answering all my neurotic emails, for helping to launch my career, and for being the consummate advisor.

I must also thank Dr. Hadassah "Dassie" Ramsay for her academic, professional, and spiritual guidance over the last two years. Words cannot express how grateful I am for helping me find my way at UNH and beyond. I also want to thank my parents, Lorraine and Robert York, for all their love, guidance, and financial and moral support. Ma – thanks for all the groceries and leftovers. Dad – thanks for your handiwork and for contributing to my literature review. But most of all, thanks to you both for listening to me at my worst, but then celebrating me at my best. Finally, thanks to my loving girlfriend and best friend, Renée Larose, who's probably heard more about Russian arms sales policy than any other Speech Language Pathologist. Thanks for all the study-dates; for listening to my rants; for reminding me that I'm my harshest critic; and for saying, "Matt, you can do it!" when I didn't think I could.

FOREWARD

Two years ago, before starting graduate school at UNH, I couldn't even imagine turning in a completed thesis. Granted: it's just a thesis, and likely no more than six people will read it. But for two years, this was more than the capstone to my graduate program. This was my Statement – my mark on the high-minded political science wall I'd come to know and respect. It had to be perfect. My variables had to be clearly defined; they had to do exactly what I wanted them to do; and my theory had to explain and describe exactly why. No other theory would suffice.

Then reality set in. There is no perfect study: some variables are hard to define and they rarely do exactly what you want them to; and there is more than one way to describe and explain it all. "Don't reinvent the wheel," my thesis advisor said, again and again. "Just pick a theory and test it: if it works – great. If not, then you've added a little bit to the scholarly debate." It seems less scientific than it is practical. But it was a way out from what had become a set of lofty expectations for a novice political scientist.

When the Hooding Ceremony came and went and a job offer was extended to me (God bless those alumni connections), it was clear to me and those around me that the time had come to get it done and move on. I was absolved of having to write the perfect thesis, and reminded that the best thesis is a done thesis. And so I got to work on the case-study – the put up or shut up. There, my theory would be undressed (or supported) by the facts, revealing how thin my argument was (or was not). Either way, the case-study was the place I feared the most.

The month of June was a blur. As John Mellencamp says, “Days turn to minutes and minutes to memories.” But on the last day of the month, in the early hours of the morning, I finished. Later that morning, I pieced together the bibliography, finished the table of contents, and dashed to campus to print the whole thing off. Wasting paper never felt so good. Less than two weeks later, I defended this thesis, which to my elation was accepted pending only minor revisions. As one committee member put it, “you have your life to live.”

Submission of this thesis marks the unofficial end to two years of exciting, intense and scary, but always rewarding research done in political science, international affairs, foreign policy, and arms proliferation. I am ready to be called a “political scientist,” a dated yet high-minded title in an era of editorial, subjective analyses cloaked in the soiled garments of an ostensibly objective news media. I am ready to be above it all.

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ABSTRACT

POST-COLD WAR RUSSIAN FOREIGN MILITARY ASSISTANCE TO IRAN

By

Matthew T. York

University of New Hampshire, July, 2008

Thesis Committee Chairman: Dr. Lawrence C. Reardon, Ph.D.

Since 1989, Russia has armed and assisted Iran and other anti-Western states despite improved relations with the West, non-proliferation agreements, and United Nations sanctions. Such behavior apparently contradicts Russia's commitments to arms control and international security and stability. Thus, this study seeks to clarify this contradiction by conducting a crucial case-study of Russian military assistance to Iran from 2000 through 2007. It applies interest-group theory and hypothesizes that from late-2000 to present day, interest groups successfully lobbied to increase defense-exports to Iran. It also applies interest-group theory to Stephen J. Blank's 2007 analysis of Russia's defense-export industry. Though insightful, Blank's analysis lacks a theoretical framework and a crucial case-study. Thus, in addition to determining the role of interest-group lobbying in Russia's renewed Iran policy in 2000, this study also tests Blank's argument that Putin-appointees in the military-industrial complex (MIC) have pushed for defense-exports to Iran, then extracted rents from them.

September, 2008

INTRODUCTION

During the Cold War, the United States of America (U.S.) and the Soviet Union provided foreign military assistance (FMA) to allies and non-state actors that were sympathetic to their own national interests and were inimical to those of their geopolitical rivals. Foreign military assistance to client-states in Africa, the Middle East, East Asia, and Latin America enabled both superpowers to support friendly governments, maintain military balances, support their military-industrial complexes (MIC), and assess their weapons' effectiveness under wartime conditions. It also allowed them to engage their rivals "by proxy" on foreign soil and without committing their nation's military. Thus, arming and training one's geopolitical allies was the preferred manner by which the superpowers engaged each other throughout the Cold War.

However, since the end of the Cold War, the Russian Federation and the West – specifically, the U.S. – have continued their Cold War practice of arming and assisting states that threaten each other's national interests and security. For example, the expansion of the North Atlantic Treaty Organization (NATO) into the Former Soviet Union (FSU) – itself a threat and an insult to Russia¹ – has only exacerbated this trend.² Subsequently, the dilapidated Russian military now faces FSU republics in Eastern

¹ NATO expansion into the FSU not only threatens Russian territory, it may also base a disputed missile shield, which Russian officials argue would neutralize its ballistic missile forces – not Iran's. NATO expansion also reminds Russians who won and lost the Cold War.

² NATO membership requires force-interoperability with other members. Thus, prospective FSU members are obliged to transition their military forces from Soviet-era arms and hardware to those of Western designs, a process from which the U.S. MIC has greatly benefited.

Europe, the Caucasus, and Central Asia that are armed with advanced, combat-proven arms provided by their old enemy, the U.S. For its part, Russia has supplied arms and assistance to its traditional client-states, like Libya, Iraq, North Korea, and Syria, which have been hostile to the U.S., its allies, and its interests abroad.³ It has also provided FMA to former U.S. client-states, notably Iran and Venezuela, which are now hostile to U.S. allies, interests, and security (if only rhetorically, in the case of Venezuela).

What makes Russia's post-Cold War defense-export policy worthy of further analysis is that it has apparently continued its Cold War practice of arming and assisting anti-American, anti-Western regimes prior to or during conflict. For example, Kornet-E (NATO reporting name: AT-14 Spriggan) anti-tank guided missiles (ATGMs), night vision goggles, Global Positioning System (GPS) jammers, and air-defense technicians were allegedly sent to Iraq just before, and employed against the March 2003 U.S.-led invasion.⁴ Such provisions violated UNSC Resolution 687⁵ and hindered coalition forces in the first few weeks of the conflict. Soviet and Russian technology form the backbone for North Korea's missile and nuclear programs, while Russian combat aircraft and small arms and light weapons (SALW) have found their way to Myanmar, Sudan, and other pariah-states. Most troubling is that, for nearly two decades, Russia has armed and assisted the Iranian military as the Islamic Republic has defied inter-national calls to suspend uranium enrichment and fully disclose its nuclear activities. Such assistance – material and technical – could be used against U.S. and Western militaries should it be determined

³ Though, only Syria remains hostile to U.S. regional and national interests, and remains on the U.S. State Department's list of state-sponsor's of terrorism.

⁴ Bill Gertz, *Treachery: How America's Friends and Foes Are Secretly Arming Our Enemies* (New York, New York, Crown Forum, 2004), 56-61.

⁵ Ibid.

that Iran’s activities threaten regional and international security and must be neutralized.

The Russia-Iran Case-Study at a Glance

Since the end of the Cold War, Russia has been the world’s second largest supplier of conventional arms,⁶ but it has been Iran’s primary supplier (see Figure 1), exporting a total of \$4.665 billion through 2007. The People’s Republic of China comes in second with \$2.316 billion – slightly less than half of Russia’s export volume. The Democratic People’s Republic of Korea (North Korea), Ukraine, and Poland come in third, fourth, and fifth, respectively.

Figure 1: Sources of Iranian Arms Imports: 1989-2007

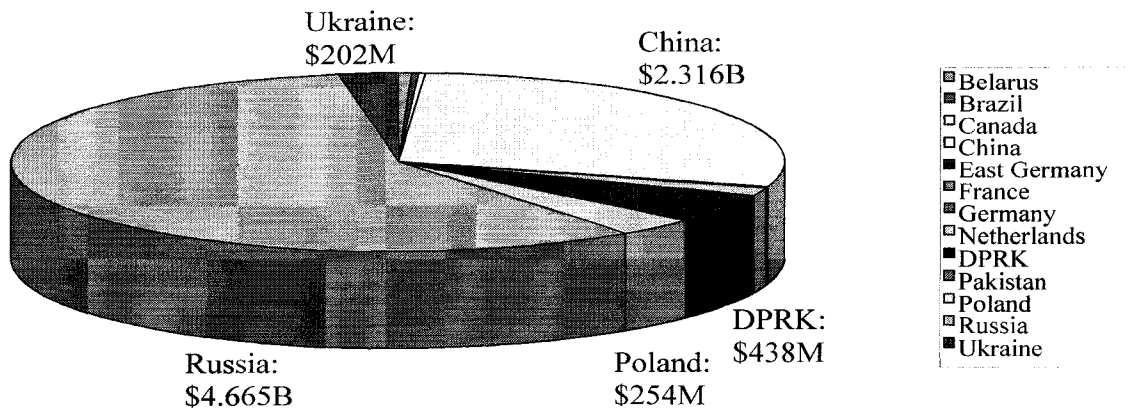


Figure 1: Source, “TIV of arms imports to Iran, 1989-2007,” *Stockholm International Peace Research Institute* (Stockholm), March 31, 2008, http://armstrade.sipri.org/arms_trade/values.php (accessed June 25, 2008). Note: Figures are SIPRI Trend Indicator Values (TIVs) expressed in constant (1990) U.S. dollars.

In terms of volume, Russo-Iranian military-technical cooperation since 1989 has been erratic. Figure 2 (next page) shows the trend indicator value (TIV) of Soviet, and then Russian arms exports to Iran from 1989 through 2007 as reported by SIPRI. The data indicates the yearly volume – measured in 1990 U.S. dollars – of exported/imported

⁶ Though, since the end of the Cold War, the U.S. has led the world in conventional arms exports.

arms and military hardware. Foreign military assistance peaked in 1991 at \$957 million, then dropped sharply to \$220 million in 1992. It rebounded in 1993 to \$564 million, then plummeted to \$88 million in 1994. In 1995, it dropped further to just \$42 million due to the Gore-Chernomyrdin Agreement and the subsequent halt on additional arms contracts. After a few years, trade volumes increased to \$261 million in 1998, and ultimately to \$342 million in 2000. They began to decline in 2001 – ironically, the first full year of renewed arms contracts. Thus, by 2002, arms volumes fell to \$95 million and by 2004 and 2005, they fell to \$14 million each year. But several MTC contracts were signed in late 2005 and throughout 2006, sending volumes back up to \$366 million – their highest since 1993. However, they fell to \$214 million in 2007.

Figure 2: Soviet/Russian Arms Exports to Iran: 1989-2007

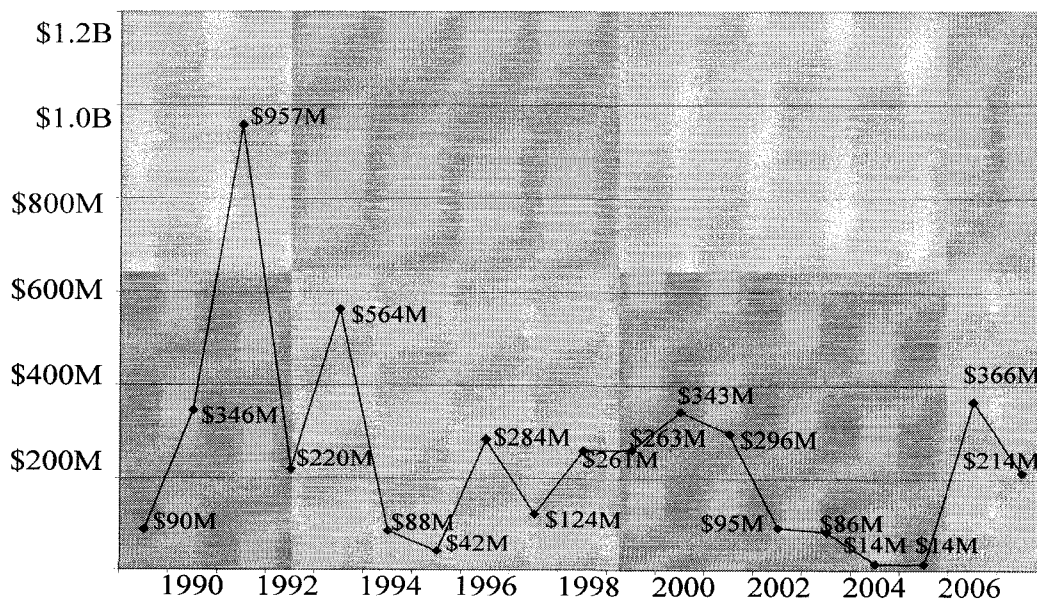


Figure 2: Source, “TIV of arms exports from USSR, 1989-2007” and “TIV of arms exports from Russia, 1992-2007,” *Stockholm International Peace Research Institute (SIPRI)*, March 31, 2008.

Despite the variance in trade volumes, Moscow has had three discernible policies on military-technical cooperation with Iran since 1989: (1) the Open Sales policy (late-1989 to mid-1995), (2) the “No New Contracts” policy (mid-1995 to late-2000), and (3) the Renewed Contracts policy (late-2000 to present).

Between December 1989 and June 1995, Moscow provided extensive military-technical assistance to Tehran, which, before the 1979 Islamic Revolution, was a major ally and client of the U.S. and other Western nations. After the Revolution and through the Iran-Iraq War, the Iranian military attempted to keep its Western, 1960s and 70s-era weapons in service – by illegally acquiring materials abroad and from manufacturing reverse-engineered copies at home. After the war, it began to overhaul its exhausted and largely obsolete military. Alienated from the West, Iran looked to the Soviet Union, and then Russia, for modern arms, which the cash-strapped country happily sold. Thus, from December 1989 through June 1995, Moscow sold anti-aircraft missiles, armored vehicles, combat aircraft, submarines, tanks, and domestic-production licenses to Tehran. Russia also helped to develop Iran’s defense industry, missile and nuclear programs.

But on June 30, 1995, Russian officials ceased signing new defense contracts with Iran. Under what would be dubbed the Gore-Chernomyrdin Agreement, Russia would complete delivery of arms and services already under contract to Iran by the end of 1999, if the U.S. would launch commercial satellites on Russian rockets.⁷ Thus, between 1996 and 1999, the fiscal value of Russian defense exports to Iran totaled just \$200 million.⁸

⁷ Wade Boese, “Putin Reaffirms Arms Sales, Nuclear Assistance to Iran,” *Arms Control Today*, April 2001, http://www.armscontrol.org/act/2001_04/iran.asp (accessed March 16, 2007).

⁸ Boese, “Putin Reaffirms Arms Sales, Nuclear Assistance to Iran,” 2001.

Despite this moratorium on new arms contracts, from 1998 through 2001, Russo-Iranian military-technical cooperation increased to \$300 million. In November 2000, Russia withdrew from the 1995 Gore-Chernomyrdin Agreement and resumed arms sales to Iran, which began a month later. In March 2001, Russian and Iranian officials signed FMA agreements reportedly worth \$6.7 billion.⁹ Thus, between 2002 and 2005, the financial value of Russia's arms sales to Iran increased nearly six-fold to \$1.7 billion.¹⁰ Later agreements have been signed, bringing billions of dollars in revenue to Moscow; advanced armaments to the Iranian military; and vital military-technical assistance in developing Iran's ballistic missile programs and military-industrial complex.

Currently, Iran defies UN and U.S. demands to cease enriching uranium¹¹ and sponsoring terrorism in Iraq and Israel. It also threatens to attack Israeli cities and U.S. assets and disrupt the global oil supply if either attacks its nuclear facilities. Similarly, Russia has defied arms control regimes, like the Missile Technology Control Regime (MTCR), and has abrogated bilateral agreements, like the Gore-Chernomyrdin Agreement, by arming and assisting Iran. Moreover, the possible sale of the S-300PMU-1 (NATO reporting name: SA-20A Gargoyle A)¹² and Pantsyr-S1E (SA-22 Greyhound)¹³

⁹ Tor Bukkvoll, "Arming the Ayatollahs: Economic Lobbies in Russia's Iran Policy," *Problems of Post-Communism* 49 (November/December 2002): 29, 38.

¹⁰ Lionel Beehner, "Russia-Iran Arms Trade," *Council on Foreign Relations*, November 1, 2006, <http://www.cfr.org/publication/11869/> (accessed 15 March 2007).

¹¹ Edmund Blair, "Iran Rules Out Halt to Sensitive Nuclear Work," Reuters, May 5, 2008, <http://www.reuters.com/article/newsMaps/idUSBLA52198020080505?pageNumber=1&virtualBrandChannel=0> (Accessed June 16, 2008).

¹² "Iran Shields Its Nuclear Activities by Russian Missiles," *Kommersant* (Moscow), December 27, 2007, http://www.kommersant.com/p840222/r_1/Iran_Air_Defense_S-300/ (Accessed March 13, 2008).

¹³ Jane's Defence Weekly Exclusive, "Iran to Acquire Advanced Air Defence System Via Syria," http://www.janes.com/press/features/pr070518_1.shtml (Accessed July 29, 2008).

mobile air defense systems could also put Russia in violation of UNSC Resolution 1747.¹⁴ Adopted March 27, 2007, Resolution 1747 “calls upon member states to refrain from selling specific military materiel to Tehran,” including missile systems.¹⁵

What makes Russia’s military-technical assistance to Iran problematic is that it is a permanent member of the UN Security Council – the world body tasked with upholding or restoring order vis-à-vis international crises. Yet, Russian assistance to Iran (and other problematic states) seems to defy both the spirit of and its role on the Security Council, as it rewards Iran’s contentious, irresponsible behavior. It subsequently threatens Western militaries, as Russia’s military-technical assistance has, in part, helped Iran develop a formidable offensive and defensive capability. Should fellow Security Council members, like France, the U.K., and the U.S. attempt to neutralize Iran’s nuclear program, they will encounter 18 years of extensive Russian military-technical assistance. Russian officials are surely aware of this. Thus, one must ask, *why does Russia arm Iran?*

By arming and assisting its anti-Western client-states during international crises, Russia not only condones and rewards aggressive, irresponsible behavior, it also perpetuates it. Moreover, some argue that Russia is engaging in the Great Power Games and power-politics of the Cold War, when arming the enemy of one’s enemy was the preferred manner by which to hurt the enemy. But why would Russia continue with such a policy? Is this a continuation, or a resumption of the power-politics, proxy-wars, and zero-sum games of the Cold War? Or, is it something more typical of Russian domestic politics in the globalized, post-Cold War environment?

¹⁴ Ibid.

¹⁵ United Nations Security Council, *Resolution 1747 (2007)*, 2007, Prepared by the United Nations Security Council [PDF] (New York, N.Y., 2007).

Broader Questions

The Cold War ended nearly 20 years ago. Russia, the U.S., and the West are no longer ideological rivals; instead, they are complex, interdependent partners with shared security concerns who, ostensibly, have little use for Cold War-era power-politics. Yet, they apparently persist on both sides. Though this crucial case-study will analyze the reasoning behind and resumption of Russia's post-Cold War foreign military assistance to Iran in 2000, it will illuminate a broader question: are Russia and the U.S. engaging in post-Cold War power-politics via their defense exports?

Overview of Thesis

Chapter one will discuss a critical piece of literature written on post-Cold War Russian defense-export policy: Stephen J. Blank's *Rosoboroneksport*, the arguments of which this research will test. Because Blank's analysis lacks a theoretical framework, Chapter one will then discuss two predominant theories – state-autonomous and rational choice theories – as they relate to foreign policy questions. Specifically, it will cross-examine the state-autonomous theory and the interest group theory of government in order to deduce the most applicable domestic-level theory for this case-study. It will arrive at the interest-group theory, and then seek to apply it to Blank's analysis of Putin-era arms sales policy – particularly with regard to Iran.

Chapter two will provide the methodological framework for this study. It will define the units and levels of analysis, and key variables. It will provide the argument's justifications, strengths, and weaknesses, and suggestions for further study of the topic.

Chapter three will comprise the actual case-study. It will present a brief overview of arms and service agreements signed between the Soviet Union (and then Russia) and

Iran, beginning in December 1989 and continuing through June 1995. It will then survey goods and services provided to Iran – legally and illegally – through 1999, just before Moscow shifted policy vis-à-vis Iran. It will then examine both Western foreign policy institutes and Russian media sources from early 2000 to present day to measure (1) the role of Russian interest-group lobbying in Russo-Iranian military-technical cooperation, and (2) their effects of their lobbying (i.e., rent-seeking). It will analyze the subsequent deals made in the context of Kremlin official statements, as well as regional and international developments, to determine approximately how much of a bearing those groups had. Though this study works at the domestic level and takes as its units of analyses domestic interest groups, it does not discount the role that international variables play. Thus, it will measure domestic variables while controlling for systemic variables.

Finally, this study will present its findings. It will suggest alternative domestic-level theories – such as corporate, elite, and rent-seeking theories – that future studies could apply to the same topic. It will also suggest alternate levels of analysis – notably, the international level – at which such studies could work. Because this study will work entirely at the domestic level, it does not vet individual or international-level variables, which many other studies have examined and have subsequently shown to contribute to Russia's post-Cold War military-technical relations with Iran.

This study will also conclude with a list of policy recommendations which U.S. officials may use to discourage Russia's provision of advanced conventional arms to, and military-technical cooperation with Iran. The West's options are limited – though, they are worth exploring, particularly as Iran's nuclear and regional activities continue to be problematic, and the Russian defense industry tries to remain afloat.

CHAPTER I

TOWARDS AN ANALYTICAL FRAMEWORK

As Peter Gourevitch states, “If nations have choices, we need theories and research that explains how countries make these choices.”¹⁶ As a result, there are multiple theories on foreign policy at multiple levels of analysis – from the individual, to the domestic, to the regional, to finally the international level. But, without discrediting most theories and entire levels of analysis, this research will work at the domestic level and analyze the role of special interest groups in Russia’s defense exports to Iran since 2000. Specifically, it will apply the interest-group theory of government to Stephen J. Blank’s analysis of Russia’s defense-export industry and policies under President Vladimir Putin. This research acknowledges that other scholars¹⁷ have analyzed such policies at the international level. It grants such systemic explanations, yet supplements them with a group-oriented approach at the domestic level.

First, this chapter will analyze Blank’s argument, distil its main points, and highlight its major weaknesses. Though groundbreaking and insightful, Blank’s argument must be theoretically examined, as it lacks a theoretical framework. Thus, this chapter will then examine two opposing, yet potentially applicable domestic-level theories:

¹⁶ Peter Gourevitch, “Domestic Politics and International Relations,” *Handbook of International Relations*, ed. Walter Carlsnaes, Thomas Risse-Kappen and Beth A. Simmons (London: Sage, 2002): 310.

¹⁷ Such as Eugene Rumer, Brenda Schaffer, and Ze’ev Wolfson.

realism and rational choice theory. It will first offer a critique of Blank's argument using Stephen D. Krasner's two realist criteria for empirically-inducing the national interest: (1) distributed effect and (2) consistency. Failing such criteria, it will illustrate how realism's statist/state-autonomous theory is insufficient for describing and explaining post-Cold War Russian defense-export policy. This chapter will then move to the rational choice literature where it will induce a theoretical framework for this research. It will then arrive at the interest-group theory of government, which will later be applied to Blank's analysis of Russia's defense-export policies and processes since 2000.

Rosoboroneksport: Stephen J. Blank's Analysis

Blank (2007) argues that since 2000, Russia's "conspicuous sale of weapons to states who are openly or potentially anti-American [e.g., Venezuela, Syria, Iran]"¹⁸ represent "an increasingly adversarial policy towards the U.S."¹⁹ They are also zero-sum for Russia: they "strike at U.S. interests while simultaneously advancing its own."²⁰ They "include obtaining a foothold in the target state's defense and foreign policies and acquisition of revenues along with market share from these sales."²¹ Other authors, like Ze'ev Wolfson,²² have provided similar, multi-level explanations for Russia's defense-export policy. But unlike Wolfson, Blank analyzes the inner dynamics of the statist, top-down paradigm, and argues that this contentious arms-export policy has emerged along with

¹⁸ Stephen J. Blank, *Rosoboroneksport: Arms Sales and the Structure of Russian Defense Industry* (Carlisle, PA, Strategic Studies Institute, 2007), 1.

¹⁹ Blank, *Rosoboroneksport*, 1.

²⁰ Ibid.

²¹ Ibid.

²² Wolfson, "The 'Russian Factor' in the Military Balance in the Middle East."

“Russia’s regression to an authoritarian, even autocratic system, a so-called ‘managed economy.’”²³ As such, arms are exported exclusively through Rosoboroneksport, Russia’s lone, state-owned and -controlled defense-exporter managed by Putin loyalists.²⁴

There are two tenets of Blank’s argument: first, Rosoboroneksport “epitomizes much of the unique Russian state supervision of industry as a whole,”²⁵ and second, it “represents the recrudescence of the tsarist or neo-Muscovite patrimony that survived both tsarism and the Soviet epoch where it appeared.”²⁶ Paraphrasing Grigory Yavlinsky, Blank states that, “the entire economy operates within a system of informal, shadow relationships, including a vast, equally informal government that must control or own all property through control over resources and the judiciary.”²⁷ Thus, “property rights are either non-existent or at best conditional upon service to the state.”²⁸ In return for their service, stewards are allowed to extract rents from the defense-export process in the form of bribes, corruption, kickbacks, and commissions.²⁹

Given such rent-seeking and granting among Putin’s appointees – most of which hold stock, or executive positions within Russian defense companies – this paradigm inevitably blurs the line between Kremlin *apparatchiks*³⁰ pursuing the national interest or

²³ Ibid.

²⁴ Notably Putin’s colleagues from the security services who now direct Russia’s commercial, economic, and political activities – the so-called *Chekisty*.

²⁵ Ibid, 4.

²⁶ Ibid, 5.

²⁷ Ibid. A Russian economic and political figure.

²⁸ Ibid.

²⁹ Ibid, 6.

their special interests. Thus, despite Putin's lofty claim that arms exports during his tenure are meant, in part,³¹ to further Russia's national interests, they have apparently fallen victim to myriad rent-seekers in and out of the Kremlin.

In sum, Blank argues that Putin-era defense-export policy follows a Statist, top-down paradigm which increasingly resembles neo-Muscovite, Soviet, and even tsarist models of state ownership, management, and elite-patrimony. By virtue of its structure, Russia's defense-export industry rewards elite functionaries for their loyalty to the State by permitting them to extract rents from the defense-export process. Though rent-seeking and -granting occurred to varying degrees during the Yeltsin-era (i.e., in the form of companies lobbying for arms sales abroad, or conducting them in contravention of Russian policy), such activities during the Putin-era are fundamentally different. Here, elite patronage, rent-seeking, and unscrupulous business activities are bi-products of Putin's tenuous reward system; they are payment for advancing Russia's national interest. Ironically, such patronage, rent-seeking and rent-granting detract from Russia's national interests, while they further the various special interests in and out of the Kremlin. Thus, Russians might very well have traded one kleptocracy for another, more charismatic one.

Weaknesses

As insightful as Blank's argument appears, it has two critical pitfalls. First, Blank is unclear about *why* Putin has engaged in elite patrimony, and *why* his appointees are then allowed to seek rents. Is it because Putin is "taking care of his own" (they mostly

³⁰ A colloquial Russian term for an unqualified bureaucrat or a political-appointee.

³¹ Russia's energy industries – also state-owned and -controlled – are the other means by which Putin is trying to further Russia's national interests.

come from the security services), or because they helped Putin win the 2000 presidential election? It is a cliché in politics that “to the victor go the spoils.” However, it may apply here. Since 2000, Putin has appointed colleagues and confidantes from the KGB, and its successors [the Federal Security Service (FSB) and the Foreign Intelligence Service (SVR)] in executive-level positions in both government and industry. As a result, Andrei Belyaninov, Sergei Chemezov, Sergei Ivanov, Victor Ivanov, and Mikhail Dmitriev have clearly benefited – financially and politically – from Putin’s rise to power.

It may also be that Putin’s appointees in the defense industry and the so-called power ministries (*siloviki*) – members of his “winning coalition”³² – are being repaid for helping Putin win the presidency in 2000. Tor Bukkvoll (2003) argues as such, drawing on the winning coalition literature expounded by Bruce Bueno de Mesquita and James Lee Ray. He argues that in exchange for their support, Putin has included members in his close, inner policy-making circle while rewarding others with pure material payoff.³³ Coming full circle, Putin’s patrimonial, rent-seeking system as characterized by Blank may be Putin’s attempt to reward his “winning coalition.” By extension, renewed arms contracts with Iran may ultimately be Putin’s payoff to this coalition.

Second, Blank’s analysis lacks a theoretical framework and a crucial case-study, compelling this research to find a suitable theory to describe and explain Putin’s defense-exports to Iran and other pariah-states. This is no small task, as Blank describes and explains relationships between the state and society that, on the surface, resemble a statist, top-down paradigm. However, as the research digs deeper, it uncovers relationships that

³² Tor Bukkvoll, “Putin’s Strategic Partnership with the West: the Domestic Politics of Foreign Policy,” *Comparative Strategy*, 22, 3 (2003): 223.

³³ Bukkvoll, “Putin’s Strategic Partnership with the West,” 223.

suggest societal, bottom-up paradigms (i.e., bureaucratic, corporate, elite, interest-group, rent-seeking, and winning-coalition theories). Thus, the following section will examine these opposing theoretical bodies, starting with realism and moving to rational choice.

Towards an Analytic Framework

Realism: Statist, or State-autonomous theory

Realists, notably Stephen D. Krasner, view the state as a viable, “autonomous actor”³⁴ that is insulated from special-interest groups and sets policy independent from them. Krasner’s seminal, realist critique of raw materials investments and U.S. foreign policy, *Defending the National Interest*, provides a statist theory (also known as the state-autonomous; state-centric) for explaining and describing foreign policy.³⁵ Under a statist paradigm, “the objectives sought by the state cannot be reduced to some summation of private desires.”³⁶ Instead, they are called “the national interest.”³⁷

For Krasner, a state’s strength vis-à-vis societal groups – “ranging from weak to strong”³⁸ – determines how insulated it is from those groups,³⁹ and ultimately how effectively it advances its national interests. Most “capitalist or market-economy countries”⁴⁰ fall into one of “three *ideal-typical* relationships between the state and society:”⁴¹ weak,

³⁴ Stephen D. Krasner, *Defending the National Interest: Raw Materials Investments and U.S. Foreign Policy* (Princeton, NJ, Princeton University Press, 1978): 6.

³⁵ Krasner, *Defending the National Interest*, 5-6.

³⁶ *Ibid.*

³⁷ *Ibid.*, 6.

³⁸ *Ibid.*, 55.

³⁹ *Ibid.*

⁴⁰ *Ibid.*

moderate, and strong states. To some extent, all can advance their national interests because they all can resist private pressures. Unlike weak states, moderate states can change private behavior; however, they cannot change social structures. Only strong states can resist private pressures and change both private behaviors and social structures.⁴² Thus, strong states can more effectively advance their national interests.

According to Krasner, a state's national interests can be determined by one of two methods: (1) Logical-Deduction, and (2) Empirical-Induction. As logical-induction is less consistently applicable to foreign policy issues than empirical induction, the latter is the preferred method. Using empirical-induction, "the national interest is induced from statements and behavior of central decision-makers. If their preferences meet two basic criteria, they can be called the national interest."⁴³ First, policy-initiatives "must be related to general objectives [e.g., economic growth, national security, etc], not to the preferences or needs of any particular group or class, or to the private power drives of officeholders."⁴⁴ Second, such policies "must persist over time."⁴⁵

Applying Krasner's First Criterion

According to Krasner, policy must "affect the whole community"⁴⁶ if it furthers the national interest. Also, "if there are gains from a policy, these must not always accrue

⁴¹ Ibid, emphasis retained.

⁴² Ibid, 57.

⁴³ Ibid, 35.

⁴⁴ Ibid.

⁴⁵ Ibid.

⁴⁶ Ibid, 43.

to a particular group or class,”⁴⁷ while losses “must not always fall on a particular group or class.”⁴⁸ Lastly, “the preferences of central decision-makers must not be directed solely to their own personal interests, if they are to be termed the national interest.”⁴⁹

Applying Krasner’s first criterion to Blank’s analysis of post-Cold War Russian foreign military assistance policy, the research reveals that the “gains” from the resulting sales (i.e., profits and revenues) have had little positive impact on Russia’s economy or national security sectors (i.e., the defense industry and the military). Indeed, Russia’s economic upturn owes more to the rise in energy prices since Putin took office than to its defense exports. Meanwhile, the defense industry struggles to procure modern, reliable arms⁵⁰ – even for the export market.⁵¹ As a result, Russia’s military continues to atrophy, as maintenance and manpower costs sap funds for modernization and procurement.⁵² However, as Blank argues, there are several sectors of Russian society – notably, Rosoboroneksport (Russia’s sole, state-owned defense-export company), the Ministry of Defense (MoD), and Kremlin actors, including Putin, himself – that, by design, benefit more from defense exports than the economy or the military.

Since President Putin consolidated the defense-export sector in November 2000, most defense companies have exported arms, goods, and services through Rosoboroneksport. For its services to the state, Rosoboroneksport earns a 3.8 percent commission

⁴⁷ Ibid.

⁴⁸ Ibid.

⁴⁹ Ibid.

⁵⁰ Blank, *Rosoboroneksport*, 25.

⁵¹ Stephen Fidler, “Russian weapons sales to China fall,” *Financial Times* (London), March 30, 2008.

⁵² Blank, *Rosoboroneksport*, 25.

from all sales⁵³ and is obligated to transfer between 10 and 50 percent of export revenues to the federal budget.⁵⁴ However, Blank cites data showing that in 2001 – Rosoboroneksport’s first full year of operation – it had “transferred only 4 percent of its net income to the federal budget.”⁵⁵ The Russian Federation’s Accounting Chamber not only cited “irregularities” in Rosoboroneksport’s financial procedures, but also claimed that “the framework of its activity was so convoluted it defied meaningful control.”⁵⁶ Such negligible revenue transfers and irregular accounting have impacted the state defense order. By November 2005 – five years after the creation of Rosoboroneksport – Defense Minister Sergei Ivanov, himself, admitted “that defense allocations were falling short of needs, with the Navy and Air Force particularly lacking in supplies.”⁵⁷ Thus, between 70 and 80 percent of the Russian Military’s equipment was viewed obsolete.⁵⁸

According to Blank, such malfeasance is nothing new to the Russian MIC. “It is well known that, for both President Boris Yeltsin and Vladimir Putin, the arms sales organization served as a slush fund by means of which unaccountable funds went straight to the President for unspecified political purposes.”⁵⁹ Moreover, “many of the funds that accrue personally to Sergei Chemezov, the director of Rosoboroneksport, and his key subordinates are equally untraceable. In return, these servitors must carry out policies

⁵³ Ibid, 7.

⁵⁴ Ibid, 47.

⁵⁵ Ibid.

⁵⁶ Ibid.

⁵⁷ Ibid, 26.

⁵⁸ Ibid.

⁵⁹ Ibid, 7

made atop the government machine.”⁶⁰ Thus, commissions, funds, and revenues “are merely among the more visible examples of rents accruing to key state players from the of weapons abroad.”⁶¹ The more opaque examples include inter- and intra business governmental bribes, kickbacks, corruption, and financial and political favors secured by executives and governmental officials.⁶²

Thus, to increase Rosoboroneksport’s efficiency, transparency, and ultimately its contributions to the state defense budget, Putin initiated three military-industrial reforms in 2004, one of which was to subordinate Rosoboroneksport beneath the Ministry of Defense.⁶³ This move gave Defense Minister Sergei Ivanov and his subordinates control over the defense-export industry and access to its profitable system of rent-seeking and granting.⁶⁴ Moreover, with Ivanov now chairman of the board of directors of the United Aircraft Corporation (OAK) – a state-owned holding-company for all major Russian aerospace companies⁶⁵ – he and his subordinates have an added financial incentive to push for arms exports abroad. As one analyst put it, “It would be like if Donald Rumsfeld were on the board of directors of Lockheed Martin.”⁶⁶

⁶⁰ Ibid.

⁶¹ Ibid.

⁶² Ibid,

⁶³ Ibid, 48-9.

⁶⁴ Ibid, 54-8.

⁶⁵ Investing In Russia, “United Aircraft Building Corporation,” <http://www.investinginrussia.ru/ppp/oak/> (accessed May 13, 2008).

⁶⁶ Blank, *Rosoboroneksport*, 22

In all, despite the stated goals of Russia's defense-export industry – economic growth and defense-industrial restoration⁶⁷ – those directing or associated with industry are poised to benefit more than the economy, the defense industry, the military, or the state. Thus, Krasner's first criterion for inducing the national interest – policy affecting all, rather than some – does not apply to Blank's analysis of Putin-era defense-exports.

Furthermore, this criterion is mutually exclusive, given the relationship between the defense industry and the state in capitalist economies. Regarding Russia's defense industry, even *if* it were to receive sufficient funds from arms exports and were to fulfill domestic defense orders, there would still exist a mutually beneficial relationship between itself and the state. But Russia is not a red herring; this is true of all defense industries in capitalist economies, where national security is a public service provided by private industry. However, while most state's defense industries further their special interests *while advancing* the national interest, according to Blank, Russia's defense industry furthers their special interests *at the expense of* the national interest. Thus, Krasner's first criterion – policy affecting all, not some – is not only inapplicable to Blank's analysis of Russia's defense industry, it is perhaps inapplicable to all cases involving domestic defense industries in capitalist economies.

Krasner's Second Criterion

Applying Krasner's second criterion for inducing the national interest – persistent policy-implementation – this research finds that Russia's defense-export policy vis-à-vis Iran has been inconsistent. It has gone through three distinct phases: open sales (December 1989 – June 1995); restricted sales (June 1995-November 2000); and renewed sales

⁶⁷ Ibid.

(December 2000 – present). As Krasner writes, “when confronted with a similar problem at a different time, leaders might choose another ordering of goals.”⁶⁸ Such ordering might “change from one administration to another,”⁶⁹ but this “would not be consistent with the notion that” such a policy furthered the national interest.

Moscow’s military-technical cooperation with Tehran began in December 1989 and increased through the mid-1990s. In June 1995, Russian Prime Minister Viktor Chernomyrdin and U.S. Vice-President Al Gore agreed that Moscow would halt signing further arms contracts with Tehran. It allowed arms and services under contract at the time of the agreement to continue, but required them to conclude by the end of 1999. Thus, while bilateral military-technical cooperation continued through 1999, it dipped sharply from 1995 through 2000.

However, on November 3, 2000 – a day before Putin created Rosoboroneksport – Putin abrogated the Gore-Chernomyrdin Agreement and pledged to renew arms negotiations with Iran. Then in March 2001, President Putin and Iranian President Mohammed Khatami signed a multi-year, multi-billion dollar agreement that renewed their bilateral relationship for the 21st century. Since then, Russia has transferred dozens of high-tech weapons platforms to Iran, including air defense systems, ground attack aircraft, and multi-role helicopters. It has also provided Iran with anti-aircraft and anti-tank missiles, aircraft engines, and technical assistance in developing its domestic arms industry and modernizing its largely Western military. Thus, Russia’s military-technical cooperation with Iran has been inconsistent.

⁶⁸ Krasner, *Defending the National Interest*, 44.

⁶⁹ *Ibid.*

Also, Moscow has inconsistently defined its military-technical cooperation with Iran since it renewed in late-November 2000. That month, Andrei Nikolayev, Chairman of the State Duma Committee for Defence, stated that renewed MTC with Iran would “bring political advantages, above all,”⁷⁰ but also noted that “Iran is a solvent country, which will be paying in cash.”⁷¹ Similarly, General Anatoly Kvashnin, head of the Russian General Staff, stated that Russia would expand its MTC “with any countries if it benefits Russia, benefits its defensive capability, among other things.”⁷²

More recently, though, Russian officials have defined their MTC with Iran in strict geopolitical terms. At the February, 2007 Munich Conference on Security, Defense Minister and First Deputy Prime Minister Sergei Ivanov stated that the sale of 29 Tor-M1 short-range air-defense (SHORAD) systems to Iran were “designed for the defence of that country.”⁷³ Similarly, Mikhail Dmytriyeu, head of the Federal Service for Military-Technical Cooperation (FSVTS), stated that their “mission is to protect a specific facility”⁷⁴ – i.e., the Busheher nuclear power plant. Putin stated “We have done this so that Iran should not feel cornered or [sic] that is in some hostile surrounding and understand that he has a channel for communication and friends who can be trusted.”⁷⁵

⁷⁰ Pavel Koryashkin and Sergei Ostanin, “Iran Said Russia’s Strategic Partner in Southerly Direction,” *ITAR-TASS* (Moscow), November 24, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

⁷¹ Koryashkin and Ostanin, “Iran Said Russia’s Strategic Partner in Southerly Direction,” 2000.

⁷² “Moscow Ready to Cooperate with Anyone if it Benefits Russia – Top Military Official,” *Interfax* (Moscow), November 24, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

⁷³ “Russia Does Not Break Rules in Arms Trade with Iran – Defence Minister,” *ITAR-TASS* (Moscow), February 11, 2007, <http://wnc.dialogue.com> (accessed April 4, 2007).

⁷⁴ “Russian Official Cites ‘No Doubts’ in Sale of Air Defense Launchers to Iran,” *ITAR-TASS* (Moscow), December 20, 2007, <http://wnc.dialogue.com> (accessed May 5, 2008).

In sum, there is much vacillation among statements made by top Kremlin officials regarding Russia's defense-export motives and policies – from general policy to specific deals with specific client-states. Such inconsistency further weakens the Statist claim that Russia's foreign military assistance policy serves the national interest – particularly since Russian officials are not in agreement about what interests they advance. Taken together – Russia's inconsistent post-Cold War defense-exports to Iran and the Kremlin's conflicting statements vis-à-vis such exports – this research finds that Russia's defense-export policy fails Krasner's second criterion for inducing the national interest. Thus,

if the goals of central decision-makers are transitory, shifting in importance from one case to another, a bureaucratic-politics or group-oriented approach would be more appropriate: these models predict vacillations in the preferences of governmental actors because the influence of different bureaus or societal groups changes from one issue to another.⁷⁶

In light of Krasner's recommendation, this research turns to rational-choice theory for its analytic framework. It will discuss the works of Marceau, LaPalombara, Schattschneider, and Olson. It will build on Schattschneider's groundbreaking work on interest-group theory and utilize Olson's conception of special-interest groups (sometimes called distributional coalitions), as well as how they operate within society. Olson's work is critical here because it will connect the interest-group literature to the rent-seeking literature, just as Stephen J. Blank does in his analysis of Russia's defense-export industry. Paradoxically, this will allow the research to delineate between interest-group lobbying and *the costs of such lobbying* within Russia's defense-export industry – two different variables – which will help ensure internal validity for this study.

⁷⁵ “Russian Arms Sales to Iran Minimal – Putin,” *ITAR-TASS* (Moscow), February 10, 2007, <http://wnc.dialogue.com> (accessed April 4, 2007).

⁷⁶ *Ibid.*

Rational Choice Theory: Interest-group theory of Government

Unlike realism, which views the state as an autonomous actor and policy from the top down, rational choice theory's basic unit of analysis is *the group* and views policy from the bottom up. Policy is then viewed as a competition among various groups – bureaucratic, economic, political, social, and others.⁷⁷ As a result, “Government institutions merely process inputs and outputs.”⁷⁸ Also, rational choice theories – the interest-group theory, in particular – treat the state as “a set of formal structures, not an autonomous actor. There is no cohesive center of decision-making.”⁷⁹ Thus, “the locus of power may move from one bureau to another, from one branch of government to another, depending on the interests and resources associated with particular issues.”⁸⁰

The Interest-Group Theory of Government

According to Oliver Garceau (1958), there has been an effort in the scholarly literature to create a broad theory which considers the group the central or sole building block in the political process⁸¹ and accounts for all resultant policy. “To do this, it is necessary in effect to give the group tag to many different kinds of social relationships and interactions.”⁸² Garceau, and then LaPalombara (1960) note that “the trouble with this ‘theory’ is that the data from the field do not confirm it.”⁸³ As a result, scholars have

⁷⁷ Ibid, 26.

⁷⁸ Ibid.

⁷⁹ Ibid.

⁸⁰ Ibid.

⁸¹ Oliver Garceau, “Interest Group Theory in Political Research,” *Annals of the American Academy of Political and Social Science* 319 (1958), 105-106.

⁸² Garceau, “Interest Group Theory in Political Research,” 106.

included not only interest groups in the model, but also the groups with which members associate (i.e., “reference groups”), and groups “that may, if put under stress, serve as the basis for organized political activity” (i.e., “potential groups”).⁸⁴ However, as Garceau notes, “The search for such a complete theory of the group basis of politics may be stretching too far for theoretical elegance”⁸⁵ at the expense of “an analytical tool.”⁸⁶ Indeed, such a broad notion of interest-group theory makes for an awkward, bulky, and non-parsimonious theory that decreases in utility as it increases in scope.

Thus, “we must see interest groups as *parts* of whole political processes”⁸⁷ – as opposed to political processes, themselves. In other words, interest groups must be conceived as *singular actors* in the democratic political process – along with the executive, judicial, and legislative branches, and the electorate – seeking to affect that process. On the strength of this more parsimonious theory, a number of key assumptions, concepts, and propositions regarding interest groups are evident, including:

- A. A group’s influence vis-à-vis its competitors will vary with the proportion of the total membership in its specialized area that it [can] organize.
- B. Although formal organization is not essential to an interest group, all other things being equal, organization is in itself an independent variable affecting the degree of success a group can have in influencing decisions or policies.
- C. A group’s ability to intervene efficaciously in governmental decisions affecting it varies directly with the nature of the group’s access to decisional information.
- D. Bureaucratic agencies differ in the degree to which they are penetrable

⁸³ Joseph LaPalombara, “The Utility and Limitations of Interest-Group Theory in Non-American Field Situations,” *Journal of Politics* 22 (1960), 31.

⁸⁴ Garceau, “Interest Group Theory in Political Research,” 106.

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*, 111. Italics mine.

- by organized groups. Responsiveness to group demands will be maximized in those agencies that are newer and more functionally specialized.
- E. All other things being equal, decision makers will favor those group representatives or negotiators who evidence life experiences (social origin), social class, education, *etc.*) similar to those of the decision makers.
 - F. Interest groups will be ineffective in the degree to which the concept of the “public interest” is a strongly held myth by the governmental decision makers.
 - G. Interest groups will be more active in public administrative areas in those countries displaying the highest degree delegated legislation.
 - H. The administrative role, as such, limits the influence of interest groups because, like all roles, it involves required, permitted and forbidden behavior.
 - I. The power of any sample of politically active groups (on any given series of issues) will vary with a) the political “styles” of the groups, b) the reference groups of the bureaucrats, and c) the structure and processes of the bureaucracy.⁸⁸

Subsequent case studies that have applied interest-group theory to policy formulation “have focused attention on nexus points of decision making where interest groups are seen in context.”⁸⁹ Thus, as Krasner writes, “In its most simplified and schematic form, interest group theories view politics as a vector diagram in which a series of pressures are brought to bear on the state, which then moves in the direction it is pushed by the strongest societal forces.”⁹⁰

Perhaps the most well-known application of interest-group theory to public policy is E. E. Schattschneider’s *Politics, Pressures, and the Tariff*. Schattschneider (1935) argues that the Smoot-Hawley Tariff of 1930 was “a product of the desires of a multiplicity of economic actors.”⁹¹ As a result, “Government policy was simply a summation

⁸⁸ LaPalombara, “The Utility and Limitations of Interest-Group Theory in Non-American Field Situations,” 35.

⁸⁹ Garceau, “Interest Group Theory in Political Research,” 107.

⁹⁰ Krasner, *Defending the National Interest*, 26.

⁹¹ Garceau, “Interest Group Theory in Political Research,” 107.

of private goods.”⁹² Schattschneider’s argument implies that “government policy is a reflection of whatever groups have power in society. The concept of the public interest slips away.”⁹³ Thus, interest-group theory posits that “the public or national interest can only mean some summation of private interests.”⁹⁴

Towards a Theory of Rent-Seeking

While Schattschneider illustrates that special-interest groups can infiltrate public policy for private gain, Olson (1971; 1982) illustrates how. He argues that organized interest groups rationally serve their “members’ interests by obtaining a larger share of the society’s production [i.e., budgets, likened to pies] for the organization’s members”⁹⁵ while giving nothing back to society. They are “utility maximizers” – i.e., the more profit they can make, the better. Far from being altruistic, they are capitalistic profiteers that interfere with a state’s ability to institute policy and advance the national interest.⁹⁶

Olson argues that interest groups can obtain more of the budgetary pie either by increasing its overall size (while holding proportions constant), or “by obtaining larger shares or slices.”⁹⁷ Groups rarely attempt to increase the social pie’s overall size, as this requires them to expend significant resources in exchange for minimal gains. Instead,

⁹² Ibid.

⁹³ Krasner, *Defending the National Interest*, 28.

⁹⁴ Ibid.

⁹⁵ Mancur Olson, *The Rise and Decline of Nations: Economic Growth, Stagflation, and Social Rigidities* (New Haven, CT, Princeton University Press, 1982): 42.

⁹⁶ Lawrence C. Reardon, “Political Use of American Force and Terrorism” (lecture presented at the weekly meeting of POLT 760/860, Durham, New Hampshire, 11 October 2007), Horton Social Science Center, University of New Hampshire, Durham.

⁹⁷ Olson, *The Rise and Decline of Nations*, 42.

they seek a larger slice of the pie.⁹⁸ But, to pursue this larger slice, groups must divert resources from producing the social output “they produced in their previous employments,” which “will reduce social output to some extent.”⁹⁹ Though they are part of this society and will endure the costs of their own greed, they have conducted a cost-benefit analysis and have determined that the benefits of their actions will outweigh the costs.¹⁰⁰ They have made the “rational choice” to pursue their self interest at the expense of the national interest. Moreover, “the typical organization for collective action will do nothing”¹⁰¹ to recoup such expenses. As Olson states, “The familiar image of the slicing of the social pie does not really capture the essence of the situation; it is perhaps better to think of wrestlers struggling over the contents of a china shop.”¹⁰²

As a result, interest groups are “overwhelmingly oriented to struggles over the distribution of income and wealth rather than to the production of additional output – they are ‘distributional coalitions’ (or organizations that engage in...‘rent-seeking’).”¹⁰³ Distributional coalitions “are essentially free-riders: it is in their framework not to pay, yet they still reap social benefits.”¹⁰⁴ Thus, “they are a drag on budgets”¹⁰⁵ and inhibit the state from pursuing the national interest, particularly in weak or semi-democratic states¹⁰⁶

⁹⁸ Ibid, 42-3.

⁹⁹ Ibid, 42.

¹⁰⁰ Ibid, 43.

¹⁰¹ Ibid, 43-44.

¹⁰² Ibid, 44.

¹⁰³ Ibid.

¹⁰⁴ Reardon, “Political Use of American Force and Terrorism.”

¹⁰⁵ Ibid.

(e.g., the Russian Federation, 1992-present). “This will be expedient,” Olson writes, “even if the social costs of the change in the distribution exceed the amount redistributed by a huge multiple; *there is for practical purposes no constraint on the social cost such an organization will find it expedient to impose on the society in the course of obtaining a larger share of the social output for itself.*”¹⁰⁷

Similarly, Gordon Tullock (1971) “focused on the resource cost of competitive lobbying of politicians and bureaucrats, both by those who seek to extract government transfers and by those who seek to prevent [them].”¹⁰⁸ Tullock found that regardless of who wins the political or bureaucratic struggle, “the resources invested...are wasted and society as a whole is worse off.”¹⁰⁹ That rent-seeking happens in government is a certainty. However, scholars are less certain about how to measure such rent-seeking – if it can be measured at all. Anne Krueger (1974) notes that “the value of rents associated with import licenses can be relatively large.”¹¹⁰ And though “import licenses constitute a large and visible rent resulting from government intervention, the phenomenon of rent-seeking is far more general.”¹¹¹ Thus, as Robert Tollison (1998) states, “there exists no clear agreement in the literature about how to model rent-dissipation processes, and so there is no clear agreement about whether such costs bulk large or small in real economies.”¹¹²

¹⁰⁶ Ibid.

¹⁰⁷ Olson, *The Rise and Decline of Nations*, 44. Emphasis retained.

¹⁰⁸ Gordon Tullock, “The Fundamentals of Rent-Seeking,” *The Locke Luminary* 1 (1998): 2.

¹⁰⁹ Tullock, “The Fundamentals of Rent-Seeking,” 2.

¹¹⁰ Anne O. Krueger, “The Political Economy of the Rent-Seeking Society,” 64 (1974), 301.

¹¹¹ Krueger, “The Political Economy of the Rent-Seeking Society,” 301.

¹¹² Robert D. Tollison, “The Interest-group theory of Government,” *The Locke Luminary* 1 (1998): 2.

The Way Forward

Though “the social costs of rent seeking (Tullock 1967) forms the normative backdrop for the interest-group theory of government,”¹¹³ it is separate from the theory, itself. Indeed, as Tollison (1998) states, interest-group theory concerns lobbying, while rent-seeking theory concerns “the costs of lobbying.”¹¹⁴ Bearing this distinction, this research recalls the original research question: why does Russia arm Iran? It also recalls Stephen J. Blank’s analysis of the Russian defense-export industry under Putin, which illuminates a patrimonial, self-serving culture of military-industrial lobbying, rent-seeking, and rent-granting. According to Blank, defense exports to Iran and other Russian client-states ostensibly represent the state pursuing its national interests. But since there are various rewards for the “stewards” of this process, there are also various incentives for them to lobby and seek rents at the expense of the national interest. Kremlin apparatchiks can now operate *from within*, turn the national interest on its head, and “wag the dog” in pursuit of their various special interests. Thus, this research will apply interest-group theory to Blank’s analysis of Russia’s defense-export policy to determine if it can link his general argument to Russia’s military-technical relationship with Iran.

Though interest-group theory has mostly been applied to domestic policy, it is applicable to foreign policy “when economic issues are at stake.”¹¹⁵ Defense-export policy is one such issue. Here, there are clear links between policy and special interests – i.e., the defense industry. Indeed, as Krasner states, “Commercial agreements usually

¹¹³ Tollison, “The Interest-group theory of Government,” 2.

¹¹⁴ Ibid.

¹¹⁵ Krasner, *Defending the National Interest*, 27.

have a very salient impact on particular actors and a diffuse impact on the society as a whole.”¹¹⁶ Under such circumstances, interest-group theory suggests that Russia’s defense-export policy vis-à-vis Iran has been strongly affected by interest groups and will most likely “reflect the demands of particular social groups.”¹¹⁷

By default, this study will not analyze the costs of lobbying within Russia’s military-industrial complex (i.e., rent-seeking’s impact on its defense industry, economy, military, and national security). Future studies could examine such costs and attempt to make connections. Furthermore, bureaucratic, corporate, elite, rent seeking and winning coalition theories may describe and explain Russia’s defense-exports to Iran under Putin as well as interest-group theory. Therefore, this research does not attempt to discredit any one of them over the other. But because prior studies applied interest-group theory to Yeltsin-era defense exports to Iran, it seems natural to pick up where they left off. Also, Krasner proffers a group-centric theory when a state’s foreign policy fails to meet his criteria for inducing the national interest. Thus, not only will this research test Blank’s argument using interest-group theory, it will also determine if the theory is still applicable to Russo-Iranian military-technical relationship.

¹¹⁶ Ibid.

¹¹⁷ Ibid.

CHAPTER II

METHODOLOGY

Rationale/Purpose

This study's purpose is to clarify Russia's post-Cold War defense-exports to Iran and other anti-Western states in order to determine Russia's place in the post-Cold War, and, more importantly, the post-9/11 environment. After the Berlin Wall fell, it was believed that the Soviet Union and its successor, the Russian Federation, would cease the great power games of the Cold War and refrain from arming anti-Western regimes that threaten regional and international security. However, Russia has not only continued arming its Cold War-era client-states, like Syria, North Korea, and Iraq, it has also armed anti-Western or potentially anti-Western regimes in China, Iran, and Venezuela. For Western policy makers and military planners, alike, this is problematic – particularly as several of Russia's client-states possess weapons of mass destruction (WMD) and sponsor terrorism. Thus, one must ask: why does Russia arm hostile, anti-Western regimes? Is this an example of Russia pursuing its national interests, or have special-interest groups again infiltrated the Kremlin? Finally, given its problematic proliferation in the post-9/11 world, can Russia be considered a Western ally in the Global War on Terror (GWOT)?

Contribution

This study contributes to the field of political science and international relations by adding to literature on post-Cold War Russian foreign and foreign military assistance

policy. Yet, unlike much of the literature, which provides various statist, top-down explanations,¹¹⁸ this study will provide a societal, bottom-up explanation. In addressing these questions, it will build upon previous studies that have used corporations, elites, and/or interest groups as their units of analysis, but have provided inconclusive or insufficient explanations.¹¹⁹ But, it will mostly test Stephen J. Blank's 2007 analysis of Russia's defense-export industry vis-à-vis its arms exports to Iran. Though groundbreaking and insightful, it lacks a theoretical framework. Thus, his argument is questionable and deserves further scrutiny before it can be accepted as a viable domestic-level, group-centric approach.

Research Questions

The Cold War ended nearly two decades ago. Russia and the West are no longer ideological rivals, but instead are economic partners with a common enemy in Islamic terrorism. However, just as the Berlin Wall fell, Russia and Iran began a contentious, multi-dimensional, and mutually beneficial relationship that has threatened Western allies, interests, and security. Thus, one has to ask (R.Q.): why does Russia arm Iran? Is it a top-down dynamic driven in pursuit of the state's national interest? Or, is it a bottom-up dynamic driven in pursuit of special interest? Either way, what can U.S. and Western policy-makers do to counter the Kremlin's contentious arms trading behaviors?

Hypotheses

To answer these questions, the following hypotheses will be tested. However, two basic assumptions about the period from 2000 through present must be made: first,

¹¹⁸ Such as Robert Freedman, Eugene Rumer, Brenda Shaffer, and others.

¹¹⁹ Such as Tor Bukkvoll, Victor Mizin, Roma Tsvang and Ze'ev Wolfson.

that Iran's military and political leaders have always sought foreign military assistance – either conventional arms, military-technical cooperation, or both; and second, that Russian bureaucratic and business institutions, if not the state or political leadership, have always been willing to provide Iran with such assistance. Thus, both the demand- and supply-sides of the Iranian-Russian equation must be held constant.

This study's hypotheses (below) will test interest-group influence on, and activity within Russia's post-Cold War foreign military assistance policy towards Iran since 2000. Did the special interests find their way back into Russia's Iran policy in 2000? Have they pushed Russia's arms exports to Iran since, or do such exports reflect Russia pursuing its national interests? Finally, can rent-seeking behaviors account for Russian arms and assistance to Iran? The following hypotheses seek to answer these questions.

H0: If interests groups do not lobby for arms sales, then sales will not increase.

H1: If interest groups lobby for arms sales, then sales will increase.

H2: If interest groups seek rents from arms sales, then sales will increase.

Unit/Level of Analysis

This study will work within the domestic level of analysis; its units will be special-interest groups. The domestic level is best for this research design because much of the literature concerning post-Cold War Russian foreign military assistance to Iran and other anti-Western states treats the issue at this level – particularly Stephen J. Blank's analysis. Thus, there is a substantial precedence for such a study. Also, since Russian FMA to Iran and its other client-states is an extension of Russia's overall foreign policy, it is necessary to look at the domestic determinants of this policy. Finally, the domestic level is best for this study because

the international variables that could have caused changes in Russia's arms policy have been relatively constant through the period under investigation: Iran has not changed in a way that would substantially affect Russian strategic perceptions, U.S. political pressure not to sell arms has been unremitting, and the Iranian desire to purchase Russian [weapons] of almost any kind is also unchanged. Thus there are good reasons to look for domestic reasons for the policy changes.¹²⁰

The only events that would have affected Russia's defense-exports to Iran vis-à-vis the West and the U.S. are the terrorist attacks of September 11, 2001. Given that Russia has faced a militant Islamic threat in Chechnya since the early 1990s, one would have expected Russian foreign policies to have become more cooperative with Western and U.S. security policies. That they have not is suggestive – though, not necessarily indicative – of a foreign policy-agenda that is decidedly different from, if not hostile to, Western and U.S. interests. Thus, knowing where Russia stands vis-à-vis arms control and proliferation issues will identify where it sits in the post-Cold War and post-9/11 world vis-à-vis the West.

Methodology

This study will conduct a crucial case-study¹²¹ of Russia's defense exports to Iran since Vladimir Putin took office in 2000 – specifically, Stephen J. Blank's 2007 analysis of Russia's defense-export industry. It will apply the interest group theory of government to his analysis to determine: (1) if there is any evidence to support his arguments, (2) if interest-group theory is a viable theoretical framework for his study, and (3) if interest-group theory explains and describes Russia's defense-exports to Iran under Putin as well as it does under Yeltsin.

¹²⁰ Ibid.

¹²¹ Alexander L. George and Andrew Bennett, *Case Studies and Theory Development in the Social Sciences*, (Cambridge, MA; MIT Press, 2005), 32-33.

A crucial case-study is best suited for this research design, as the specifics of the Russia-Iran defense-export dynamic make it difficult to be quantified and statistically studied. How does one quantify interest group power and influence? Or foreign policy decision-making vis-à-vis corporatist, elitist, or individual interest-group pressure? Thus, a qualitative analysis will account for Russia's nuanced economic, political, and social environments and achieve high internal validity vis-à-vis its foreign and foreign military assistance policies. However, to ensure high external validity, the proposed hypotheses are generally stated so that they may be applied to additional Russian client-states, as well as to Western client-states.

However, because Russia's economic, political, and social environments are so complex, accurately and thoroughly conducting a qualitative analysis may be difficult. Access to accurate, relevant, and unbiased information may also be difficult. This research grants that because many Russian media outlets are state-owned, or are owned by Kremlin loyalists, finding reliable, unbiased information may be difficult. Kremlin-controlled newspapers may be reluctant to report that special-interest groups continue to influence or set foreign policy. Conversely, Western academic and news outlets may too readily report that such interests have crept back into policy. Thus, controlling for media bias will be one of this study's greatest challenges.

Data

Policy-related data will be collected from translated, online Russian daily news-sources, such as *Interfax*, *Itar-Tass*, and *Kommersant*. They will be accessed primarily through World News Connection, the online, full-text database of foreign news reports collected by the U.S. Intelligence Community. Scholarly discussions on Russian

defense-export policies and practices will be culled from academic journals, such as *The Middle East Review of International Affairs (MERIA)*, *Problems in Post-Communism*, and *Strategic Analysis*. However, the marquis resource for this study will be Stephen J. Blank's *Rosoboronekспорт: Arms Sales and the Structure of Russian Defense Industry*, a monograph published by the Strategic Studies Institute at the U.S. Army War College.

Yearly statistical data on Russian arms sales to Iran will primarily be culled from defense and international security think-tanks, notably the Stockholm International Peace Research Institute (SIPRI), but also the Center for Strategic and International Studies (CSIS), and the International Institute for Strategic Studies (IISS). Information on recent, ongoing, or future Russian FMA to Iran will primarily be culled from weekly defense publications, like *Jane's Defence Weekly* and other reliable mainstream media sources.

Key Variables

Dependent Variable: Foreign Military Assistance (see operationalization, below)

Independent Variables: Interest Groups

Control Variables: a) National Interest

b) Non-state actors (e.g., illegal arms dealers)

c) Rent-Seeking (as a dependent variable, it is outside the scope of study)

d) Executive power/strength

Operationalizations: Key Variables

“Foreign Military Assistance,” a broad term used by the U.S. Department of State,¹²² shall mean a) conventional arms¹²³ transfers in exchange for currency, or in lieu

¹²² U.S. Department of State, “Foreign Military Training: Joint Report to Congress, Fiscal Years 2005 and 2006,” *Bureau of Political-Military Affairs*, <http://www.state.gov/v/p/m/rls/rpt/fmtrpt/2006/74680.htm> (Accessed June 12, 2008).

of debts owed to the patron- by the client-state; and b) “military-technical cooperation”

(MTC), which shall include:

- Organization of licensed armament and military equipment production abroad
- Maintenance and repairs of armaments and military equipment supplied earlier
- Modernization of armaments and military equipment made in Russia
- Training of foreign specialists to operate and maintain supplied materiel, either in Russia or in customer countries
- Technical assistance in building military infrastructure installations, such as defense enterprises, airfields, depots, firing grounds, training centers, etc.¹²⁴

For this case-study, “special-interest groups” shall include: 1) Rosoboroneksport (the lone, state-owned and -controlled defense-export company), 2) individual defense companies, 3) the Ministry of Defense (MO) and all subordinated commissions, committees, and services, 4) the Ministry of Foreign Affairs (MID), 5) the Federal Security Service (FSB), and 6) the Foreign Intelligence Service (SVR).¹²⁵

“Special-interest groups” can be private- or public-sector institutions. Private interest groups, notably defense companies, lobby either to secure a favorable policy from the state, or a business contract from the state. Government institutions, like the MO or MID, can also be considered interest groups when they pursue the special interest, rather than the national interest. Unlike corporations, which lobby for policies or contracts for monetary gain, state institutions typically lobby for policies that allow them to

¹²³ Note: This study excludes Russian atomic and nuclear energy assistance to Iran as a form of either FMA or MTC because it assumes that such assistance has been and continues to be legal according to the Nuclear Non-Proliferation Treaty. Article IV, Section 2 of the NPT allows Nuclear Weapon States (i.e., Russia) to trade atomic and nuclear-related materials to, and to cooperate with Non-Nuclear Weapon States (i.e., Iran) for “the further development of the applications of nuclear energy for peaceful purposes”. Thus, this study assumes that Russian atomic and nuclear energy assistance to Iran is in accordance with the NPT.

¹²⁴ “Company Info: Basic Trade Activities,” *Rosoboronexport: State Corporation*, <http://www.roe.ru/> (accessed June 25, 2008).

¹²⁵ It should be noted that groups three through six are all members of the *siloviki*, the so-called “power ministries” that are administered and staffed by current or former KGB agents. Those listed are all Kremlin-level ministries and services, and thus, are closely connected with President Vladimir Putin, himself a former KGB agent.

pursue ideological and/or political agendas. Moreover, as Blank argues, those directing the defense-export process have other incentives, as they are allowed to extract “rents” from the process [i.e., bribes, commissions (both legal and illegal), extortion, kickbacks, and malfeasance]. Far from furthering the national interest, state institutions can just as easily further their own interests. Thus, they are also considered special-interest groups.

Operationalizations: Control Variables

Regarding the “national interest,” Krasner defines it as a state’s “drives, compulsions, and aims...that are separate and distinct from the interests of a particular societal group,” and “are associated either with general material objectives or with ambitious ideological goals related to beliefs about how societies should be ordered.”¹²⁶

“Non-state actor interest” shall include arms dealers, civilian employees of the military and the military-industrial complex, and uniformed military personnel who have illegally acquired arms, munitions, and/or weapons platforms, and have sold them to other states, or entities within a state. This can also include engineers and technicians who have sold their services to a state for the development of the state’s military-industrial complex, modernization and/or repairs of weapons systems, training, et cetera.

“Rent-seeking,” defined by Blank, “means that people who are placed in a position where they have control over assets are able to appropriate the proceeds or rents from those assets to their private use without developing the property in question through a strategy of optimal investments.”¹²⁷ While this research argues that defense-industry officials and Kremlin apparatchiks are lobbying for arms sales to Iran in order to extract

¹²⁶ Krasner, *Defending the National Interest*, 10.

¹²⁷ Blank, *Rosoboroneksport*, 7.

rents from the process, as Tollison (1998) states, it is not concerned with the costs of such lobbying.¹²⁸ It is outside the scope of this study and therefore must be controlled.

Finally, “executive power/strength” will be measured by the state’s decisions to provide arms and military-technical assistance to Iran vis-à-vis foreign (i.e., U.S.) pressure not to provide them amidst escalating security concerns. Conversely, it will also be measured by the state’s ability to restrain arms sales vis-à-vis arms control agreements, export controls, and foreign (i.e., Iranian) and domestic demand to provide arms.

Measurement

As best as possible, “foreign military assistance” will be measured in terms of: a) year ordered, b) dollar amount (in U.S. dollars) agreed to by both parties, and, where applicable, c) year and d) number delivered. The last two measurements are difficult, as it is often hard to measure results of extensive, ongoing military-technical cooperation, such as assisting in the development of a state’s domestic arms industry, foreign military financing (FMF), international military education and training (IMET), and others.

Measuring interest-group pressure on Russia’s defense-export policy vis-à-vis Iran will be done by analyzing English-translation editions of online Russian newspapers, as well as secondary sources written by Kremlin-watchers and post-Sovietologists. This research will look for evidence that Russia’s defense and defense-export lobbies lobbied for, or defended arms exports when it was apparent that such exports would not, or did not advance Russia’s national interests. Thus, cognizance of Russia’s stated national interests, executive power to pursue, or uphold the national interest, and governmental processes will be vital in measuring this data.

¹²⁸ Tollison, “The Interest-group theory of Government,” 2.

For example, interest groups are more influential vis-à-vis weak central governments, and little or no export controls or arms control agreements. Thus, active FMA lobbying under optimal conditions for interest groups, followed by a known FMA agreement with a client-state would be a strong indicator that such lobbying was effective. However, active FMA lobbying under *sub-prime* conditions, followed by a known FMA agreement would be a weaker indicator that such lobbying was effective. Lastly, active FMA lobbying under sub-prime conditions, followed by *no* known FMA agreements would be the weakest indicator that such lobbying was influential.

Limitations

Because Russia's economic, political, and social environments are so nuanced, accurately and thoroughly conducting a qualitative analysis on this aspect of Russian foreign policy may be difficult. Likewise, access to accurate, unbiased, and useful information may be difficult, given that neither the principal investigator's native language nor his academic background is in Russian. Language barriers may hinder this study, but the principal investigator is confident that such obstacles can be overcome via World News Connection and through English-language editions of Russian daily newspapers.

Controlling for the "national interest" may make it difficult to determine if and when special interests drove Russian FMA to Iran or other client-states, and not vice-versa. The nature of defense industries, particularly within capitalist economies, makes it difficult to differentiate between state and societal interests. Pursuance of state interests – e.g., arms procurement for its military and allies – inevitably benefits special interests, like the defense industry. Thus, determining the *dominant* domestic determinant behind

Russian defense exports to Iran since President Vladimir Putin took office in 2000 will be this study's primary challenge.

Furthermore, this study acknowledges that applying the interest-group theory of government to Stephen J. Blank's analysis of Russia's defense-export process may not describe and explain Russia's military-technical relationship with Iran as well as other theories. This study began with the assumption that, despite Putin's pledge to minimize the role of interest groups in the policy-making process, the defense and defense-export industries were still dominant and were pursuing their special interests in arming Iran. Since then, other theories have emerged in the literature, such as corporate, elite, and rent-seeking theories, which may be as insightful. Thus, interest-group theory may or may not be an adequate model for describing and explaining this process. Finally, as this study only works at the domestic level, it does not vet systemic (i.e., international) variables and theories that may round out Russia's military-technical relationship with Iran. For example, Russian arms may have been rewards for Iran's treatment of the Chechen Wars. Their relationship also makes sense vis-à-vis their mutual fear of U.S. regional and international hegemony.

Conclusions

Ironically, this study's limitations are what make its contributions to academia and policy so critical: cutting through the cultural and language barriers between Russia and the West, and analyzing post-Cold War Russian foreign policies to better understand its place in the world vis-à-vis the West. Differentiating between "national" and "special interests" and determining which has been, or is dominant in Russian policy circles will clarify Russia's place in the post-Cold War, and now the post-9/11 environment. Is

Russia an ally in the Global War on Terror whose foreign policies are regrettably influenced by domestic interest groups? Or, or is it *actively* and *autonomously* arming the West's next potential adversary? If so, then why? The answers to these questions grow in importance with each day, as both Russia and the U.S. may have to determine where Russia stands on the Iranian nuclear issue.

Analyzing one of Russia's most dynamic, peculiar, and troubling bilateral relationships is the work of any good political or military intelligence analyst. Thus, identifying not only what foreign military assistance it has provided to Iran, but also why, is critical for preparing Western democracies to address such policies, and for preparing its militaries to counter its effects on tomorrow's battlefields.

CHAPTER III

CASE-STUDY

Post-Cold War Russian Foreign Military Assistance to Iran: 2000-2008

This chapter will begin with a brief overview of Russo-Iranian military-technical cooperation from November 1989 through December 1999. Understanding the depth and scope of their pre-2000 bilateral relationship is critical for understanding their post-2000 relationship. Many arms and military-technical agreements signed during Putin's tenure have concerned repair or upgrade of arms and weapons platforms delivered during the Gorbachev or Yeltsin years (see Appendix A for a tabled list of all major Russo-Iranian defense contracts signed since 1989). Also, some arms, like helicopters and anti-tank guided missiles (ATGMs) were ordered in the 1990s but were delivered after 2000.

This chapter will then describe and analyze Russia's defense exports to Iran since early 2000. It will chronologically list and detail the arms sales and military-technical contracts signed between the two countries. It will survey statements made by Kremlin and industry leaders to analyze the domestic actors who were prominent in the process, as well as their justifications for conducting such deals. In doing so, it will illuminate the alternating influence of special-interest groups in the Russo-Iranian military-technical relationship vis-à-vis the state's attempt to conduct a rational foreign policy. It will also apply interest-group theory to Stephen J. Blank's argument that under Putin's patrimonial, power-vertical defense-export system, parasitic rent-seekers undermine the state's efforts to pursue the national interest via defense exports. It will attempt to show active

rent-seeking and granting in the Russo-Iranian defense-export paradigm.

Finally, this chapter will conclude with a brief summary of the case-study. It will review the major arms contracts signed between Moscow and Tehran, the justifications provided, and the domestic actors and forces prevalent in the process. It will also show Kremlin decision-making vis-à-vis domestic pressure-groups, Iranian pressure to provide arms, and Washingtonian pressure to halt arms amidst an escalating nuclear crisis.

Background

Late-1989 to Mid-1995: Open Sales

On November 5, 1989, Iran's Speaker of the Parliament, Ali Rafsanjani, flew to Moscow to discuss arms deals with Soviet officials.¹²⁹ There, "the first Russo-Iranian intergovernmental agreement on military-technical cooperation was signed,"¹³⁰ and resulted in a total of \$5.1 billion in arms sales.¹³¹ The first deal included 24 MiG-29A Fulcrum multi-role fighters, 12 Su-24MK Fencer fighter-bombers,¹³² R-60 and R-27 (NATO reporting names: AA-8 Aphid and AA-10 Alamo) air-to-air missiles, a 10-year spare-parts agreement, and 2 batteries of the S-200BE (NATO reporting name: SA-5B Gammon) surface-to-air missile (SAM) system.¹³³ It also "cement[ed] bilateral ties and mutual confidence" between Moscow and Tehran.¹³⁴

¹²⁹ Jalali, "The Strategic Partnership of Russia and Iran," 99.

¹³⁰ Bukkvoll, "Arming the Ayatollahs," 33.

¹³¹ Mikhail Barabanov, "Russia on Iran's Market for Arms," *Moscow Defense Brief* (Moscow), 2007 http://mdb.cast.ru/mdb/1-2006/arms_trade/item1/ (Accessed June 22, 2008).

¹³² Bukkvoll, "Arming the Ayatollahs," 33.

¹³³ Barabanov, "Russia on Iran's Market for Arms," 2007.

¹³⁴ Jalali, "The Strategic Partnership of Russia and Iran," 99.

On May 17, 1990, Russia agreed to sell 3 877EKM *Kilo*-class diesel-electric submarines to Iran. A year and a half later, it provided Iran with the domestic production capacity for more than 1,000 T-72S main battle tanks (MBTs) and 1,500 BMP-2 infantry fighting vehicles (IFVs).¹³⁵ The deal further developed Iran's military-industrial complex, which would allow it to produce more of its own arms.¹³⁶ Also in 1991, Russia contracted to deliver approximately 15,000 AT-4 Spigot ATGMs,¹³⁷ which began in 1993 and continue through today.

Mid-1995 to late-2000: Yeltsin's "No New Contracts" Policy

By 1994, Russia had delivered to Iran all of the MiG-29 and Su-24s fighters, air-to-air and surface-to-air missiles, 2 *Kilo* subs, 80 BMP-2s, 100 T-72s, and about 800 AT-4 ATGMs – a sizable arsenal, indeed. But in September, Russian President Boris Yeltsin stated that arms sales to Iran would end after all current contracts were fulfilled.¹³⁸ He cited the Kremlin's "wish to participate in the development of a 'post-COCOM [Coordinating Committee for Multilateral Export Control]' system".¹³⁹ Such an initiative would also improve relations with the U.S., which would hopefully offset revenue losses. Then on June 30, 1995, Russian Prime Minister Victor Chernomyrdin and U.S. Vice-President Al Gore signed the secretive and controversial document, dubbed the "Gore-Chernomyrdin Agreement," by which Russia agreed to forgo signing additional arms

¹³⁵ Barabanov, "Russia on Iran's Market for Arms," 2007.

¹³⁶ *Ibid.* Russia built the T-72 MBT factory, which began production on July 8, 1997 in Dorud, and the BMP-2 IFV factory, which started work in 1998, in Tehran.

¹³⁷ *Ibid.*

¹³⁸ *Ibid.*

¹³⁹ *Ibid.*

export contracts with Iran and complete deliveries of arms currently under contract by the end of 1999. In exchange, the U.S. would help Russian firms find new arms markets, and use Russian space-launch vehicles (SLVs) to launch commercial satellites into orbit.¹⁴⁰

Yeltsin's "no new contracts" initiative in late 1994, followed by the secret Gore-Cheromyrdin Agreement in mid-1995 subsequently stemmed the flow of Russian arms and MTC to Iran. However, per the Agreement, Russia delivered its third and final *Kilo*-class diesel-electric submarine to Iran in 1996,¹⁴¹ complete with "large numbers of wake-homing torpedoes... and advanced naval mines".¹⁴² Thus, between 1996 and 1999, the financial value of Russian arms sales to Iran totaled just \$200 million.¹⁴³ However, this figure hides the illicit technical and technological assistance provided to Iran's missile programs. From 1994¹⁴⁴ through at least 1998,¹⁴⁵ Russian missile technicians and parts found their way into Iran, which hastened Iran's Shahab-3 medium-range ballistic missile (MRBM) program. Also, Iranian engineers, physicists, and missile technicians received assistance from Russian universities (see Appendix B for a list of those sanctioned by the U.S. Government).¹⁴⁶ While the Kremlin admitted that some "individual contacts'

¹⁴⁰ Ibid.

¹⁴¹ Ibid.

¹⁴² Eisenstadt, "The Armed Forces of the Islamic Republic of Iran," 10.

¹⁴³ Boese, "Putin Reaffirms Arms Sales, Nuclear Assistance to Iran," 2001.

¹⁴⁴ Eisenstadt, "The Armed Forces of the Islamic Republic of Iran," 13.

¹⁴⁵ Mizin, "The Russia-Iran Nuclear Connection and U.S. Policy Options," 76.

¹⁴⁶ Eisenstadt, "The Armed Forces of the Islamic Republic of Iran," 13; Robert Freedman, "Putin, Iran, and the Nuclear Weapons Issue," *Problems of Post-Communism* 53 (March/April 2006): 40; Michael Rubin, "What are Iran's Domestic Priorities?" *Middle East Review of International Affairs* 6 (June 2002): 30.

between Iranian and Russian entities” had occurred, they were not state-sponsored.¹⁴⁷

However, “reports surfaced in early 1998 that the Russian FSB [Federal Security Service, Russia’s chief domestic intelligence and security agency] was coordinating clandestine missile technology transfers to Iran – allegations denied by Russian officials”.¹⁴⁸ A CIA report was among those that exposed Russia’s illicit ballistic missile assistance to Iran.¹⁴⁹ Despite these allegations, Russian officials claim that it had not violated any of its export-control and/or non-proliferation agreements – notably, the Missile Technology Control Regime (MTCR).¹⁵⁰ Though, given that in late-1998, Iran’s Islamic Revolutionary Guards Corp (IRGC) successfully test-launched the Shahab-3A MRBM, it is difficult to imagine that Russian technical assistance had not found its way into Iran’s suddenly successful ballistic missile program.

Late-2000 to Present: Renewed Arms Contracts

In the mid-to-late-1990s, Iran’s defense industry began to produce Russian arms under license. Thus, by January 2000, Iran had procured a total of 422 T-72 MBTs and 413 BMP-2 IFVs,¹⁵¹ and soon acquired a license to produce Russian tank rounds. That month, it also began to mass-produce the AT-5 Spandrel ATGM,¹⁵² in addition to hundreds of AT-6s, thousands of AT-4s, and thousands more ATGMs on order. It had also

¹⁴⁷ Rubin, “What are Iran’s Domestic Priorities?” 30. For a list of Russian firms suspected of having been involved with Iran’s ballistic missile programs, see Appendix B.

¹⁴⁸ Ibid.

¹⁴⁹ Freedman, “Putin, Iran, and the Nuclear Weapons Issue,” 40.

¹⁵⁰ Mizin, “The Russia-Iran Nuclear Connection and U.S. Policy Options,” 76.

¹⁵¹ Barabanov, “Russia on Iran’s Market for Arms,” 2007.

¹⁵² Nikolay Novichkov, “Iran Begins Production of Russian Antitank Missile,” *ITAR-TASS* (Moscow), January 19, 2000, <http://wnc.dialog.com/> (Accessed June 7, 2008).

received more than two dozen Russian Mi-17H and Mi-171Sh multi-role helicopters. Many of these acquisitions were allowed under the 1995 Gore-Chernomyrdin Agreement. But SIPRI data suggests that the Mi-171sh helicopters and the AT-5 and -6 ATGMs with which they could be armed violated the Agreement, as they were ordered after June 30, 1995.¹⁵³ Additionally, the successful test-launch of Iran's Shahab-3A MRBM in late-1998 strongly suggests that Russian technical and technological assistance found its way to Iran since before 1995, further undermining Russia's non-proliferation commitments.

Over the next eight years, Russia would not only continue to provide arms and military-technical assistance to Iran (indeed, defense-exports peaked in 2000 when they should have receded), it would also renege on the 1995 Gore-Chernomyrdin Agreement and sign new MTC contracts with Tehran. Figure 3 (below) illustrates this renewed

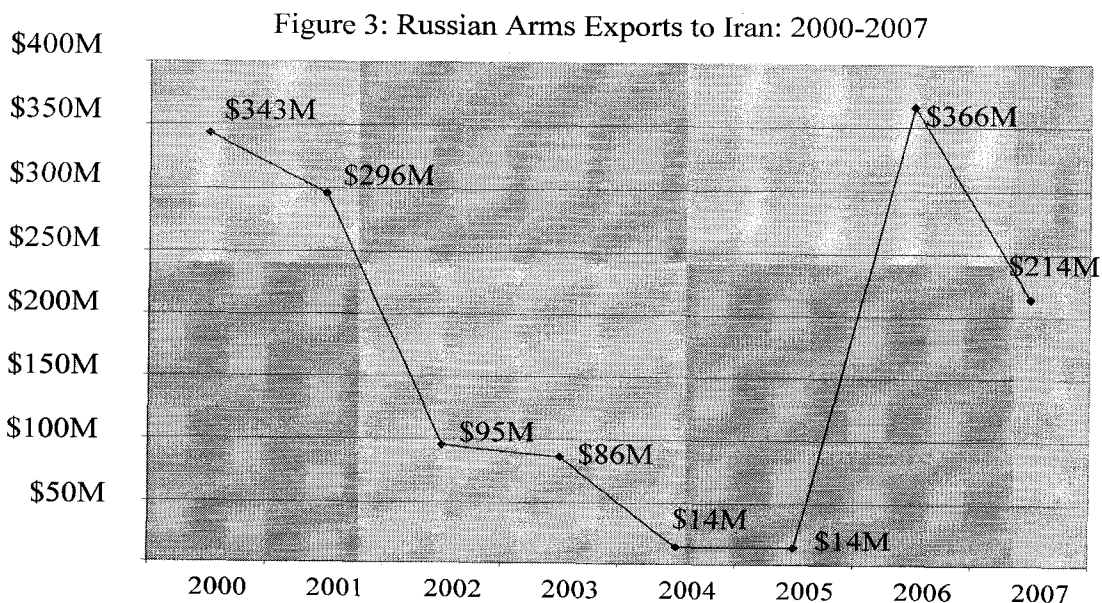


Figure 3: Source, "Trend Indicator Value of arms exports from Russia, 1992-2007," *Stockholm International Peace Research Institute (SIPRI)*, March 31, 2008.

¹⁵³ SIPRI Arms Transfer Database, Generated June 11, 2007.

relationship, again citing SIPRI TIV data. Though, it is ironic that defense-export volumes decreased from 2001 on – *after* Russia indicated it would sign new defense contracts with Iran. But as Figure 2 indicates, the volume spiked in 2006 to \$366 million.

Active Lobbying

In March 2000, Vladimir Putin officially became President of Russia. Putin's presidency marks the most significant evolutionary period in Russia's defense and defense-export policies – particularly regarding Iran.¹⁵⁴ Signs of this evolution appeared a month earlier, when Putin stated that Russia should “engage the enormous scientific-technical and human resources of the [MIC] as much as possible”.¹⁵⁵ In April, Boris Kuzyk, Yeltsin's military-technical cooperation advisor, echoed Putin's statements. He added that “Russia should explore the arms markets ‘more deeply, actively, rationally and consistently,’”¹⁵⁶ with the government lobbying “Russia's interests in the key countries and regions.”¹⁵⁷ Coincidentally, Kuzyk was also “the general director of the New Programs and Concepts military-industrial holding company, one of the largest Russian companies of its kind.”¹⁵⁸ Though he was speaking on behalf of the Russian MIC's interests, he might have well have been speaking of his own.

In August 2000, Putin merged Rossiyskiye Tekhnologii into Promexport – both state-controlled defense-export companies. Then on November 4, Putin merged Prom-

¹⁵⁴ Basu, “Russian Military-Technical Cooperation,” 10.

¹⁵⁵ Bukkvoll, “Arming the Ayatollahs,” 39.

¹⁵⁶ “Military-technical cooperation may bring Russia \$4.2 bln - \$4.5 bln annually,” *Interfax* (Moscow), April 19, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

¹⁵⁷ *Ibid.*

¹⁵⁸ *Ibid.*

export and Rosvoorehzenie and created Rosoboronexport, Russia's sole, state-controlled arms-export company, to increase commercial efficiency and governmental oversight. Towards these ends, he appointed former Deputy Director of Promexport, Andrei Belyaninov as Director of Rosoboroneksport. Putin then named former Director General of Promexport, Sergei Chemezov, as First Deputy Director of Rosoboroneksport. Coincidentally, both Belyaninov and Chemezov served with Putin in the KGB.¹⁵⁹

A day before Putin consolidated the defense-export sector and created Rosoboroneksport, Russian Foreign Minister Igor Ivanov informed U.S. Secretary of State Madeleine Albright that Russia was withdrawing from the 1995 Gore-Chernomyrdin Agreement. He gave two reasons: (1) the secret Agreement was disclosed during the 2000 U.S. Presidential Election; and (2) Iran had made positive domestic political and social changes, and Russia would reward it, ironically, with renewed arms sales.¹⁶⁰

Three weeks later, Kremlin officials defended withdrawing from the Agreement and offered a plethora of economic, international, legal, and strategic reasons. Ilya Klebanov, First Deputy Prime Minister, said Russia would soon negotiate the sale of defensive weapons to Iran, which would "not violate Russia's international commitments."¹⁶¹ He added, "There are quite a lot of limitations on the supply of weapons to such a country as Iran, relating to both distance and speed."¹⁶² Similarly, Andrei Nikolayev, Chairman of the State Duma Committee for Defence, insisted that "Russia has always proceeded

¹⁵⁹ Basu, "Russian Military-Technical Cooperation," 10.

¹⁶⁰ Bukkvoll, "Arming the Ayatollahs," 38.

¹⁶¹ "Russia to Start Talks with Iran on Defensive Hardware Sales Soon," *Interfax* (Severodvinsk), November 24, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

¹⁶² "Russia Ready to Negotiate Supply of Conventional Weapons with Iran – Klebanov," *Interfax* (Moscow), November 27, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

from the observance of international obligations, including the non-proliferation of nuclear and missile technologies.”¹⁶³ But the Agreement “has no legal force,” and “was not an agreement and not an official document.”¹⁶⁴ Thus, Moscow was not bound to it and could pursue relations with Iran, its “strategic partner in the southerly direction.”¹⁶⁵

While Nikolayev believed that renewed Russo-Iranian MTC “will bring political advantages, above all,”¹⁶⁶ he also noted that “Iran is a solvent country, which will be paying in cash.”¹⁶⁷ Similarly, General Anatoly Kvashnin, head of the Russian General Staff, stated that Russia would expand its MTC “with any countries if it benefits Russia, benefits its defensive capability, among other things.”¹⁶⁸

Though Kremlin officials gave international, legal, and strategic reasons for renewing Russo-Iranian MTC, their last two statements point the research towards economic motives. By 2000, Moscow still had between \$1.5 and \$2.2 billion in arms and services to deliver to Tehran. Ceasing arms shipments then would have deprived the MIC of these modest, yet badly needed revenues.¹⁶⁹ Since it continued to sell Iran arms after the December 31, 1999 deadline, it seems that the Russian defense industry was already trying to preserve as much revenue as possible from its prior Iranian deals. Moreover, Tsvang and Wolfson (2001) note that sometime in 2000, Iranian leaders

¹⁶³ Koryashkin and Ostanin, “Iran Said Russia’s Strategic Partner in Southerly Direction,” 2000.

¹⁶⁴ Ibid.

¹⁶⁵ Ibid.

¹⁶⁶ Ibid.

¹⁶⁷ Ibid.

¹⁶⁸ “Moscow Ready to Cooperate with Anyone if it Benefits Russia – Top Military Official,” *Interfax* (Moscow), November 24, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

¹⁶⁹ Barabanov, “Russia on Iran’s Market for Arms,” 2007.

decided to undertake a 25-year military-modernization program that would emphasize Russian arms and technology.¹⁷⁰ Thus, “it was now worthwhile for Moscow to abandon the limitations placed upon it by the Gore-Chernomyrdin agreements.”¹⁷¹

Quite obviously, renewed arms contracts with Iran were in the defense industry’s interests. But given Putin’s recent consolidation of the defense-export industry to control policy and revenue,¹⁷² how could the MIC have secured this lucrative policy? It had two possible – though, not mutually exclusive – inroads through which to lobby Putin. First, the defense industry campaigned on his behalf before the 2000 presidential election, and the export sector, in particular (pre-Rosoboroneksport) allegedly “made substantial contributions to Putin’s election campaign.”¹⁷³ Thus, Putin could have repaid his “winning coalition”¹⁷⁴ member by forgoing with an unpopular policy and pledging to renew arms contracts with Iran.

Second, given that the defense industry had representatives close to Putin, it is very possible that they lobbied for new arms contracts with Iran through this “class-friendly faction of KGB veterans in Putin’s entourage.”¹⁷⁵ Indeed, both Andrei Belyaninov and Sergei Chemezov had served with Putin in the KGB and were, at the time, both serving at Rosoboroneksport. Observers at *Nezavisimaia Gazeta* later cited Boris Kuzyk

¹⁷⁰ Roma Tsvang and Ze’ev Wolfson, “The Russian Version of Globalization,” *CIS Environment and Disarmament Yearbook* (2001): 24.

¹⁷¹ Tsvang and Wolfson, “The Russian Version of Globalization,” 24.

¹⁷² Freedman, “Putin, Iran, and the Nuclear Weapons Issue.”

¹⁷³ Bukkvoll, “Putin’s Strategic Partnership with the West,” 226.

¹⁷⁴ *Ibid.*

¹⁷⁵ Mizin, “The Russia-Iran Nuclear Connection and U.S. Policy Options,” 75.

“as the prime mover of the new policy.”¹⁷⁶ One should recall that in April, he had stated that “Russia should explore the arms markets ‘more deeply, actively, rationally and consistently,’”¹⁷⁷ with the government lobbying “Russia’s interests in the key countries and regions.”¹⁷⁸ Moreover, Boris Kuzyk was the only MIC representative named in *Novaia Gazeta*’s October 2000 list of trusted governmental and presidential spokesmen.¹⁷⁹ Thus, it is possible that Kuzyk, a trusted and vested MIC lobbyist, could have lobbied Putin to annul the Gore-Chernomyrdin Agreement and renew arms contracts with Iran.

Whether the defense industry called in Putin’s debts, or lobbied their interests through their “class-friendly faction of KGB veterans” in the Kremlin – or both – it is clear that domestic economic actors lobbied for, and would later receive a favorable Iran policy. Indeed, Lilia Shevtsova of the Moscow Center of the Carnegie Endowment for International Peace stated that at the time, “Putin was ‘constantly looking over his shoulder at lobby groups.’”¹⁸⁰ These suspicions were confirmed in early December 2000 when Andrei Nikolayev told reporters that “the economic benefits and business opportunities for Russia’s defence industry”¹⁸¹ were the most important reasons for resuming arms negotiations with Iran.¹⁸² Thus, Moscow planned to sign roughly \$7 billion in contracts

¹⁷⁶ Bukkvoll, “Arming the Ayatollahs,” 38.

¹⁷⁷ “Military-technical cooperation may bring Russia \$4.2 bln - \$4.5 bln annually,” *Interfax* (Moscow), April 19, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

¹⁷⁸ Ibid.

¹⁷⁹ Bukkvoll, “Arming the Ayatollahs,” 38.

¹⁸⁰ Ibid.

¹⁸¹ “Russia’s arms for Iran,” *Jane’s Intelligence Digest*, December 8, 2000, http://www.janes.com/security/international_security/news/jid/jid001208_1_n.shtml/ (accessed June 20, 2008).

¹⁸² “Russia’s arms for Iran,” 2000.

with Tehran “over the next few years.” In light of such lucrative prospects, *Jane’s Intelligence Digest* wrote, “the Russians are prepared to risk an inevitable rise in tension with Washington by ditching a memorandum which never had the status of a ratified, legally-binding treaty.”¹⁸³ Thus, in addition to international, legal, and strategic variables, the political economy of the Russian defense industry clearly weighed in Putin’s decision to abrogate the 1995 Gore-Chernomyrdin Agreement and renew arms contracts with Iran.

In early December, Russian Defense Minister Igor Sergeyev flew to Tehran to discuss future military-technical cooperation with Iran.¹⁸⁴ He had hoped that broadening Russo-Iranian relations would strengthen “security and stability in Central Asia”¹⁸⁵ – serving both countries’ national interests.¹⁸⁶ It would begin with “supplying spare parts to the Soviet and Russian military equipment that the Iranian armed forces already possess,” followed by conventional arms for defensive purposes.¹⁸⁷ It would also “include bilateral ‘consultations on security...the mutual notification about military doctrines and military building in our countries,’”¹⁸⁸ and international military education and training (IMET).¹⁸⁹ The MoD reiterated its claims that Moscow’s rapprochement with Tehran was in both countries’ national interests.¹⁹⁰

¹⁸³ Ibid.

¹⁸⁴ Bukkvoll, “Arming the Ayatollahs,” 38.

¹⁸⁵ “Situation in Central Asia a Threat to Russia – Sergeyev,” *Interfax* (Tehran), December 28, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

¹⁸⁶ “Situation in Central Asia a Threat to Russia – Sergeyev.”

¹⁸⁷ Ibid.

¹⁸⁸ “Moscow, Tehran Begin New Phase in Military Cooperation – Russian Defense Minister,” *Interfax* (Tehran), December 29, 2000, <http://wnc.dialog.com/> (accessed June 7, 2008).

In early February 2001, the ultra-nationalist Vice-Chairman of Russia's State Duma, Vladimir Zhirinovskiy, led a parliamentary delegation to Tehran to promote the new policy out of pure ideological interest.¹⁹¹ Zhirinovskiy and other "supporters of an assertive foreign policy,"¹⁹² like former Prime Minister Yevgeni Primakov, "count on closer ties with Iran, India, and China to challenge US influence and promote a multi-polar world." Primakov, himself, would later travel with his own delegation to deliver an identical message.¹⁹³ Later that month, Iran's ambassador to Russia, Mehdi Safari, indicated that Iranian President Mohammed Khatami would sign defense contracts with Russian firms worth between \$6.5 and \$7 billion. On March 11, Khatami flew to Moscow seeking advanced arms and increased domestic production capacity,¹⁹⁴ including:

- Ka-50 Hokum attack helicopters¹⁹⁵
- Mi-8/17H Hip multi-role helicopters
- Additional MiG-29 Fulcrum multi-role fighter jets
- Su-25 Frogfoot CAS fighter-aircraft
- Su-27 Flanker air-superiority fighter jets
- Additional T-72 MBTs, and the more advanced T-90 MBTs
- Advanced naval mines and torpedoes
- Licenses to produce *Kilo*-class diesel-electric submarines¹⁹⁶
- Overhaul/upgrade of Iran's three existing *Kilos*
- Production technology for artillery, aviation, and warships

¹⁸⁹ "Moscow, Tehran Begin New Phase in Military Cooperation – Russian Defense Minister," *Interfax*, 2000.

¹⁹⁰ "Situation in Central Asia a Threat to Russia – Sergeyev."

¹⁹¹ Jalali, "The Strategic Partnership of Russia and Iran," 109-109.

¹⁹² *Ibid.*

¹⁹³ *Ibid.*

¹⁹⁴ Brenda Shaffer, "Khatami in Moscow Boosts Russian-Iranian Arms Cooperation," *Policy Watch #522: The Washington Institute for Near East Policy*, 1.

¹⁹⁵ Rubin, "What are Iran's Domestic Priorities?" 31.

¹⁹⁶ Jalali, "The Strategic Partnership of Russia and Iran," 104.

- Self-propelled air defense systems: BUK-M1, S-300P,¹⁹⁷ S-300V, and Tor-M1
- Igla-1E (NATO reporting name: SA-16 Gimlet) MANPADS¹⁹⁸
- Satellite Launch Vehicle (SLV) capability
- Launchers for its Shahab-3 MRBMs¹⁹⁹

On March 12, President Putin described the arms and services sought by Iran as purely defensive, adding that “Iran has the right to ensure its country’s defensive capacity and security.”²⁰⁰ However, most of the arms listed above are quite robust, and could very easily be used in an offensive manner.

Regardless, on March 15, Khatami and Putin issued a joint communiqué confirming that “mutually advantageous cooperation in the political, economic, scientific and technical [arenas meet] the national interests of the two countries and plays an important role in the cause of supporting peace and stability at the regional and global levels.”²⁰¹ The communiqué also stated that Moscow and Tehran’s military-technical cooperation was “not directed against third countries.”²⁰² Khatami then reportedly signed a total of \$6.7 billion in contracts, with an average of \$300 million in arms, hardware, and military-technical assistance to be provided annually.²⁰³ Thus, the Russian MIC got what it wanted. As Russian defense analyst Pavel Felgenhauer wrote, the “military-industrial lobbies

¹⁹⁷ Rubin, “What are Iran’s Domestic Priorities?” 30-31.

¹⁹⁸ Jalali, “The Strategic Partnership of Russia and Iran,” 104.

¹⁹⁹ Rubin, “What are Iran’s Domestic Priorities?” 31.

²⁰⁰ “Russia, Iran discuss weapons, Afghanistan, Middle East,” *Interfax* (Moscow), March 12, 2001, <http://wnc.dialog.com/> (accessed June 7, 2008).

²⁰¹ “Russia: Joint communique following President Khatami’s visit,” *ITAR-TASS* (Moscow), March 15, 2001, <http://wnc.dialog.com> (accessed June 2, 2008).

²⁰² “Russia: Joint communique following President Khatami’s visit,” March 15, 2001.

²⁰³ Rubin, “What are Iran’s Domestic Priorities?”, 28.

are obviously more powerful in the Kremlin today than they were in the 1990s.”²⁰⁴

On October 5, 2001, Iranian Defence Minister Ali Shamkhani met with his Russian counterpart, Sergei Ivanov, in Moscow. Shamkhani sought anti-aircraft, anti-ship, and anti-tank missiles, as well as Tochka-U (NATO reporting name: SS-21 Scarab) and Iskander-E (NATO reporting name: SS-26 Stone) tactical/theater ballistic missiles (TBM) – again, hardly defensive weapons.²⁰⁵ Nevertheless, the two defense ministers signed a 10-year intergovernmental agreement on military-technical cooperation.²⁰⁶

Disappointment-Corruption

Two months later, the first Iranian defense order placed since the 1995 Gore-Chernomyrdin Agreement was reached: a paltry \$150 million contract for 30 Mi-171sh multi-role helicopters.²⁰⁷ Moreover, Iran apparently acquired just 20 or 21 of the aircraft from Russia in 2002.²⁰⁸ In all, the deal fell far short of both Russian military-industrial and Iranian military-political expectations, suggesting that either Moscow had shown restraint vis-à-vis U.S. concern or that Iran could not afford more.

Still, there is a third possibility: corruption, mismanagement, and patrimony at

²⁰⁴ Bukkvoll, “Arming the Ayatollahs,” 39.

²⁰⁵ Though both missiles’ payloads and ranges allow them to be exported under the MTCR, they are hardly defensive weapons. “SS-21 Scarab (9K79 Tochka),” *Federation of American Scientists*, updated October 29, 1999, <http://www.fas.org/man/dod-101/sys/missile/row/ss-21.htm> (accessed June 27, 2007); “Iskander / SS-26,” *Federation of American Scientists*, updated September 3, 2000, <http://www.fas.org/nuke/guide/russia/theater/ss-26.htm> (accessed June 27, 2000); “Arms Control Association: Fact Sheets: The Missile Technology Control Regime at a Glance,” *Arms Control Association*, September 2004, <http://www.armscontrol.org/factsheets/mtrc.asp> (accessed June 27, 2008).

²⁰⁶ “Russia: Military sources say cooperation with Iran good for regional stability,” *ITAR-TASS* (Moscow), October 5, 2001, <http://wnc.dialog.com/> (accessed June 2, 2008).

²⁰⁷ Sergey Putilov, “New Orders Seen Making Iran Russia’s No. 3 Arms Customer,” *Vremya MN* (Moscow), December 7, 2001, <http://wnc.dialog.com/> (accessed June 2, 2008).

²⁰⁸ Barabanov, “Russia on Iran’s Market for Arms,” 2007; *SIPRI Arms Transfer Database*, Generated June 11, 2007.

Rosoboroneksport – the sole, state-controlled arms-exporter that conducted the deal. In June 2001, reports emerged that President Putin was unhappy with Director Belyaninov and Deputy Director Chemezov, and that their KGB legacies were hindering company performance.²⁰⁹ As Viktor Litovkin states, “representatives of special organizations [security services] do not always use economic arguments in their work and they sometimes confuse the interests of the state and its enterprises with the interests of particular groups of state officials.”²¹⁰ While there is nothing wrong with former spies working in the arms-export industry, they should not lead that industry, as that inevitably leads to patrimonialism. Under patrimonial business relationships, success often hinges on *who* you know rather than *what* you know – a costly and inefficient business practice.²¹¹

While Litovkin did not connect these legacies and practices to Rosoboroneksport’s dealings with Iran, a report published in mid-December of that year suggests that there had been some mismanagement of company funds, with potential linkage to Iranian contracts. The State Audit Chamber had exposed “violations in the arms trade, including small deductions to the federal budget,”²¹² which Putin’s Committee for Military-Technical Cooperation (CMTC) could not explain. These “small” deductions amounted to \$70 million, suggesting corruption, malfeasance, and mismanagement at Rosoboroneksport,²¹³ right around the time of the Mi-171 deal.

²⁰⁹ Viktor Litovkin, “Ex-FSB Managers Seen Damaging Russian Arms Exports,” *Obshchaya Gazeta* (Moscow), June 7, 2001, <http://wnc.dialog.com/> (accessed June 6, 2008).

²¹⁰ Litovkin, “Ex-FSB Managers Seen Damaging Russian Arms Exports,” 2001.

²¹¹ *Ibid.*

²¹² “Russia: Arms exports to exceed \$4 billion in 2001, official says,” *Interfax* (Moscow), December 17, 2001, <http://wnc.dialog.com/> (accessed June 6, 2008).

Russo-Iranian Military-Technical Developments

In addition to the apparently botched helicopter deal, several reputable sources claim that sometime in 2001, Iran procured two batteries of the S-300 PMU (NATO reporting name: SA-10C Grumble C) self-propelled air defense system from Russia, complete with 96 4V55RUD long-range, low-to-high altitude SAMs.²¹⁴ The systems reportedly became operational in February 2003 and are positioned in and around Tehran,²¹⁵ but neither their status nor origin can be confirmed. Also, sources have “confirmed” to *Jane’s Defence Weekly* that, as of May 2007, Iran had acquired at least two of the newer, more advanced versions of the system, either the S-300 PMU-1 or PMU-2.²¹⁶ However, like the older variants, neither their status nor their origins can be confirmed. Meanwhile, Russian officials have consistently denied exporting them to Iran.

The years 2002 through 2004 were fairly unremarkable for the Russo-Iranian arms trade. In 2002, Russia shipped 20 or 21 of the 30 Mi-171sh military transport helicopters that Tehran originally ordered. In 2003, Russia delivered the first three of six Su-25T Frogfoot close air-support (CAS) fighter-aircraft to Iran, which complemented the seven ex-Iraqi Air Force Su-25s that were flown to Iran during the 1991 Persian Gulf War. In September 2003, the U.S. government sanctioned Russia’s Tula Instrument

²¹³ “Russia: Arms exports to exceed \$4 billion in 2001, official says,” 2001.

²¹⁴ Jane’s Press Centre, “NATO Aircraft Will ‘Hunt’ Russian Missile Systems During Defence-suppression Exercise,” *Jane’s Defence Weekly*, March 17, 2005. http://www.janes.com/press/press/pc050317_1.shtml (accessed December 12, 2007); Michael Knights, “Hard Target: Rolling-Back Iranian Nuclear Programmes,” *Air Combat Information Group*, http://www.acig.org/artman/publish/article_398.shtml (accessed December 12, 2007); Charles P. Vick, “Iran: Weapons Systems Purchased By Iran,” *Federation of American Scientists*, <http://www.fas.org/nuke/guide/iran/missile/overview.html> (accessed December 12, 2007).

²¹⁵ *Ibid*; Knights, “Hard Target: Rolling-Back Iranian Nuclear Programmes.”

²¹⁶ Robin Hughes, “Iran set to obtain Pantsyr via Syria,” *Jane’s Defence Weekly*, May 22, 2007. http://www.janes.com/defence/news/jdw/jdw070522_1_n.shtml (accessed December 12, 2007).

Design Bureau “for selling laser-guided artillery shells to Iran.”²¹⁷ The move was more likely a diplomatic warning shot than a punitive measure, as the U.S. government and military did not contract with Tula. But in 2004 and again in 2005, Russo-Iranian MTC hit its lowest levels, plunging below 1995 levels to just \$14 million in annual volume.

In July 2005, Rosoboroneksport contracted with Iranian officials to repair and upgrade its 3 *Kilo*-class diesel-electric submarines. Each would be serviced for \$80 or \$90 million, to include the fitting of Russia’s newest anti-ship cruise missile (ASCM), the 3M-54 Klub-S (NATO reporting name: SS-N-27 Sizzler).²¹⁸ By year’s end, at least one *Kilo* had been serviced, but it was unknown if the ASCMs were, or would be installed.²¹⁹

Taking Sides?

In August 2005, France, Germany, and the United Kingdom (the EU-3) presented Iran’s newly-elected president, Mahmoud Ahmadinejad, with an incentives-based proposal to halt its nuclear program. After the EU-3’s proposal was “contemptuously rejected as a joke, and Iran announced the resumption of work at the uranium enrichment conversion plant at Isfahan,”²²⁰ the issue was referred to the IAEA. Thus, in late September, the IAEA met to discuss Iran’s nuclear program and how to address it. Russia opposed referring the matter to the UN Security Council.²²¹ “But, after a heated debate, Russia (along

²¹⁷ Freedman, “Putin, Iran, and the Nuclear Weapons Issue,” 44.

²¹⁸ “Russia Will Equip Iranian Subs with Missiles,” *Kommersant*, July 4, 2005 <http://www.kommersant.com/page.asp?id=588627> (Accessed June 2, 2008).

²¹⁹ Barabanov, “Russia on Iran’s Market for Arms,” 2007. As of March 2007, Pentagon officials had “no evidence a sale has gone through.”

²²⁰ Freedman, “Putin, Iran, and the Nuclear Weapons Issue,” 46.

²²¹ *Ibid.*

with eleven other countries) abstained from an IAEA resolution, passed 22 to 1,²²² that ultimately referred Iran's nuclear program to the Security Council.²²³ Robert Freedman (2006) notes that

Russia's behavior at the IAEA meeting illustrated Moscow's ongoing dilemma in dealing with Iran. While [it] did not want Iran to acquire nuclear weapons, it also did not want sanctions imposed on one of its closest allies, who was also a good customer, buying not only the Bushehr nuclear reactor (and possibly more in the future) but military equipment, as well.²²⁴

Despite Russia's abstention, a second IAEA meeting was scheduled for late November. Meanwhile, Tehran escalated the crisis by reprocessing more uranium at Isfahan. Then, the Iranian parliament voted "to stop IAEA inspection of its facilities if the IAEA referred Iran to the UN Security Council."²²⁵ At the IAEA meeting, "Moscow continued to oppose referring Iran to the UN Security Council,"²²⁶ though it acknowledged "that it could happen."²²⁷ Russian delegates also compromised with the EU-3 to allow Iran to convert enriched uranium into uranium hexafluoride gas: the enrichment would happen in Russia, but the conversion would happen in Iran.²²⁸ This would ensure that Iran would not enrich uranium to weapons grade, but preserve its right to civilian nuclear energy. But Iranian delegates rejected the EU-3-Russia compromise

²²² Ibid.

²²³ Ibid.

²²⁴ Ibid.

²²⁵ Ibid.

²²⁶ Ibid.

²²⁷ Ibid.

²²⁸ Ibid.

and demanded “the right to develop a full fuel cycle.”²²⁹

Soon after the IAEA meeting, reports emerged that Russian and Iranian officials had signed a \$1.4 billion arms contract – their largest since the early-1990s. Rosoboron-eksport would modernize Iran’s Soviet-era MiG-29 and Su-24 fighters, and sell it 29 Tor-M1 (NATO reporting name: SA-15 Gauntlet) mobile, short-range air defense (SHORAD) systems,²³⁰ with which Iran would defend its nuclear infrastructure.²³¹ Indeed, the head of Russia’s Federal Service for Military-Technical Cooperation (FSVTS; formerly the CMTC), Mikhail Dmytriyeu, stated that their “mission is to protect a specific facility”²³² (i.e., the Busheher reactor complex). Likewise, Defense Minister and First Deputy Prime Minister, Sergei Ivanov, stated that the systems were “designed for the defence of that country.”²³³ Furthermore, Putin stated “We have done this so that Iran should not feel cornered or [sic] that is in some hostile surrounding and understand that he has a channel for communication and friends who can be trusted.”²³⁴

The timing of the deal, coupled with the above statements, suggest a calculated, state-autonomous attempt by the Kremlin to balance Russia’s domestic-economic and regional security interests vis-à-vis foreign pressure – both to sell and *not* to sell arms to Iran. Russia’s defense industry had wanted to renew, and then expand its sales to Iran, while Tehran had wanted fighter-upgrades and air-defense systems (among many other

²²⁹ Ibid.

²³⁰ Barabanov, “Russia on Iran’s Market for Arms,” 2007.

²³¹ *SIPRI Arms Transfer Database*, Generated June 11, 2007.

²³² “Russian Official Cites ‘No Doubts’ in Sale of Air Defense Launchers to Iran,” 2007.

²³³ “Russia Does Not Break Rules in Arms Trade with Iran – Defence Minister,” 2007.

²³⁴ “Russian Arms Sales to Iran Minimal – Putin,” 2007.

items) from Moscow since at least Khatami's March 2001 visit. Thus, it appears that for nearly five years, Moscow had restrained both domestic and foreign pressure to provide such arms until it was deemed appropriate – useful, even – for it to do so. After the November IAEA meeting, it was clear that Iran's nuclear program would progress, and the matter would be referred to the UN Security Council. There, Russia would have to either agree to sanction Iran, or obstruct the diplomatic process, which experience has shown to lead to preventative military action. Either way, Russia's economic and regional interests were at stake. By providing Iran with short-range, low-to-medium altitude air defense systems, Moscow satisfied its defense-industrial lobby, helped Tehran deter military action, and preserved the regional military balance in the process.

Thus, in 2006, Russia began upgrading Iran's MiG and Sukhoi fighters, and would deliver the first Tor-M1 SHORAD systems in December.²³⁵ Meanwhile, Russia delivered three Su-25UBK combat-trainer aircraft and 40 R-60 (AA-8 Aphid) short-range air-to-air missiles to Iran's Islamic Revolution's Guards Corps (IRGC). It also sold the VA-111 Shkval rocket-propelled, super-cavitating torpedo to the Iranian Navy, and tested it during summer naval exercises in the Persian Gulf. In response, the U.S. Department of State sanctioned Rosoboroneksport and Sukhoi on July 28, 2006, citing their violations of the Iran Nonproliferation Act of 2000.²³⁶ It sanctioned Rosoboroneksport again on December 28, as well as the Kolomna and Tula Design Bureaus, this time citing the Iran and Syria Nonproliferation Act.²³⁷

²³⁵ "Russia does not break rules in arms trade with Iran – defence minister," *Interfax* (Moscow), February 11, 2007, <http://wnc.dialog.com/> (accessed April 4, 2007).

²³⁶ U.S. Department of State, "Iran Nonproliferation Act of 2000," U.S. Department of State, February 7, 2008, <http://www.state.gov/t/isn/c15234.htm> (accessed June 28, 2008).

The Russian Foreign Ministry rejected the sanctions as “an application of domestic legislature to international matters.”²³⁸ Despite the sanctions, both the value and volume of Russo-Iranian military-technical cooperation spiked in 2006, as by then, Iran had also procured hundreds more BMP-2 IFVs and T-72 MBTs, and thousands more ATGMs from Russia. Indeed, Mikhail Dmitriyev, director of Russia’s FSVTS, confirmed that the sanctions had no effect Russia’s MTC with foreign states. “However,” he added, “that was a very important message for us.”²³⁹

A Conflict of Interests?

In January 2007, Pavel Felgenhauer of the conservative Jamestown Foundation noted that Viktor Ivanov, an advisor and colleague of Putin from their KGB years, is the chairman of the board of directors of Almaz-Antei.²⁴⁰ In fact, Putin, who had been recruited to the KGB by Ivanov in the 1970s, appointed Ivanov and other former KGB officers to Almaz-Antei in 2002 “to control the billions of dollars of proceeds generated by anti-aircraft missile exports.”²⁴¹ Coincidentally, the state-owned air-defense consortium manufactured the Tor-M1s that were sold to Iran. Thus, as Felgenhauer notes, “this

²³⁷ U.S. Department of State, “Iran and Syria Nonproliferation Act,” U.S. Department of State, May 10, 2007, <http://www.state.gov/t/isn/c20760.htm> (accessed June 28, 2008).

²³⁸ Pavel Baev, “U.S. Sanctions Rosoboroneksport over Deals with Iran,” *Eurasia Daily Monitor* (Washington), January 8, 2007, http://www.jamestown.org/edm/article.php?article_id=2371778 (accessed February 27, 2008).

²³⁹ “U.S. Sanctions Don’t Harm Russian Military-Technical Cooperation,” *Agentstvo Voyenmykh Novostey* (Moscow), December 25, 2006, <http://wnc.dialog.com/> (accessed May 5, 2008).

²⁴⁰ Pavel Felgenhauer, “Iran Takes Delivery of Russian Tor-M1 Missiles,” *Eurasia Daily Monitor* (Washington), January 17, 2007, http://www.jamestown.org/publications_details.php?volume_id=420&issue_id=3975&article_id=2371811 (accessed June 2, 2008).

²⁴¹ Felgenhauer, “Iran Takes Delivery of Russian Tor-M1 Missiles,” 2007.

made the Iranian Tor-M1 contract a very special order for Kremlin insiders.”²⁴²

Indeed, the contract typifies the patrimonialism and conflicted interests that are inherent in Russia’s military-industrial and military-technical affairs. Andrei Belyaninov, Sergei Chemezov, Sergei Ivanov, Viktor Ivanov, and Mikhail Dmitriyev all served with Putin in the KGB or FSB, either in East Germany or St. Petersburg. Coincidentally – or perhaps consequently – they have all had personal and professional interests in Russia’s defense and defense-export industry (see Table 1, below). Sergei Chemezov holds stock in both Rosoboroneksport and Rostekhnologii (Rosoboroneksport’s state-owned holding-company), and is CEO of the latter. Moreover, Sergei Ivanov, who now directs the Military-Industrial Commission and its subordinate, the Federal Service for Military-Technical Cooperation (FSVTS), became chairman of the board of directors at the United Aircraft Corporation (OAK) in December 2006.²⁴³ Since OAK owns MiG, Sukhoi, and other military aircraft companies, Ivanov would personally benefit from aircraft sales, repairs, and modernization contracts with Iran. These conflicted interests further blur the line between pursuing their business interests and Russia’s national interests.

Table 1: Former KGB Agents in the Defense- and Defense-Export Industry	
Individual	Business Interest
Andrei Belyaninov	Rosoboroneksport
Sergei Chemezov	Rosoboroneksport/Russian Technology
Sergei Ivanov	OAK (United Aircraft Corporation: Ilyushin, MiG, Sukhoi, and Tupolev), Rosnanotech, Rosoboroneksport
Viktor Ivanov	Aeroflot (Civilian Aircraft Company), Almaz-Antei

Table 1: Brian D. Taylor, *Russia’s Power Ministries: Coercion and Commerce* (Syracuse: Maxwell, 2007), 49. All additions mine.

²⁴² Ibid.

²⁴³ Brian D. Taylor, *Russia’s Power Ministries: Coercion and Commerce* (Syracuse: Maxwell, 2007), 48.

Prospective Deals

Throughout 2007, British, Israeli, and Iranian media reported that Russian-Iranian military-technical cooperation would increase – qualitatively and quantitatively – with the sale of newer and more advanced conventional arms. Moreover, the reports came *after* the UN Security Council passed Resolution 1747, which barred states from directly or indirectly providing arms, military-technical, and/or nuclear assistance to Iran. Thus, news that Moscow was ratcheting up its defense-exports to Iran on the heels of prior exports suggested that Russia, which had voted in favor of UNSC Resolution 1747, was again merely paying lip-service to international security while undermining it.

On May 22, 2007, *Jane's Defence News* reported that Iran would receive at least 10 Pantsyr-S1E (NATO reporting name: SA-22 Greyhound) advanced SHORAD systems from Russia via Syria, which had just contracted with Rosoboroneksport for 50 such systems.²⁴⁴ Citing a source close to the deal, Robin Hughes wrote, “Iran will [sic] part finance the Syrian acquisition along with payment for its own 10 systems to Damascus for its compliance with the deal.”²⁴⁵ Furthermore, the systems Iran would receive would “not be taken from the first ones supplied to Syria but from later deliveries,”²⁴⁶ and would thus arrive in late-2008.²⁴⁷ The indirect route of the systems would allow Russian officials to categorically deny that they had sold them to Iran. However, since UNSC Resolution 1747 forbids arms cascading, Russia would still be in violation.

²⁴⁴ Robin Hughes, “Iran set to obtain Pantsyr via Syria,” *Jane's Defence News*, May 18, 2007, http://www.janes.com/press/features/pr070518_1.shtml (accessed June 21, 2008).

²⁴⁵ Ibid.

²⁴⁶ Ibid.

²⁴⁷ Ibid.

On July 30, 2007, *The Jerusalem Post* published a sensationalist report indicating that Iran may purchase 250 Su-30MKI Flanker multi-role fighter aircraft and 20 IL-76 airborne tankers with which to extend their range.²⁴⁸ If true, the deal would make the Iranian Air Force the preeminent air force in the Middle East and alter the military balance decidedly in Iran's favor. However, Russian officials have flatly denied the deal and as of June 30, 2008, nothing has come of it.

As fears of a preventative U.S. or Israeli air strike on Iran's nuclear infrastructure mounted, voices within Russia's State Duma lobbied for more, and more advanced arms sales to Iran. On September 5, the ultra-nationalist Vice-Chairman of the State Duma, Vladimir Zhirinovskiy called for the rapid delivery of Russia's newest, most advanced air defense system, the S-400 Triumf (NATO reporting name: SA-21 Growler) to Iran. Given the imminence of an air strike on Iran's infrastructure, Zhirinovskiy called for the air-defense systems to "be delivered as soon as possible to enable Iran to defend its airspace."²⁴⁹ The Triumf had just been successfully tested that summer, but despite Mr. Zhirinovskiy's urging, defense-industry sources had already stated that the S-400 would not be exported to any country – even those in the CIS – in the next few years.²⁵⁰

Regardless, tensions eased on December 2 when the U.S. National Intelligence Council (NIC) published its National Intelligence Estimate (NIE), "Iran: Nuclear Inten-

²⁴⁸ Y. Katz and H. Keinen, "Reports: Iran to buy jets from Russia," *The Jerusalem Post*, June 30, 2007, <http://www.jpost.com/servlet/Satellite?cid=1185379034835&pagename=JPost%2FJPostArticle%2FShowFull>, (Accessed June 23, 2008).

²⁴⁹ "Iran's army to be equipped with S-400," *PressTV* (Tehran), September 5, 2007, <http://www.presstv.ir/pop/print.aspx?id=21983> (accessed September 14, 2007).

²⁵⁰ "Russia unlikely to export S-400 SAM systems any time soon – source," *Ria Novosti* (Moscow), August 23, 2007, <http://en.rian.ru/russia/20070823/73849589.html> (accessed June 29, 2008).

tions and Capabilities.” According to the NIE, the U.S. intelligence community assessed “with high confidence that in fall 2003, Tehran halted its nuclear weapons program.”²⁵¹ However, it also assessed “with moderate-to-high confidence”²⁵² that, at a minimum, Tehran is “keeping open the option to develop nuclear weapons.”²⁵³

Encouraged by the NIE, Russian and Iranian officials met later that month at their fourth intergovernmental commission for military-technical cooperation in Tehran.²⁵⁴ There, they negotiated the sale of additional air defense systems, Ka-32 helicopters, and modified RD-33 aircraft engines to upgrade Iran’s aging fleet of F-5 fighters, as well as all domestically produced variants of the U.S.-made aircraft. Speaking of the arms deal, Mikhail Dmitriev, head of Russia’s FSVTS, stated that “Russia and Iran are strengthening stability in the region.”²⁵⁵ He also stressed that the arms in question were defensive, and that “Iran has never asked for and Russia would never give Iran offensive weapons to encourage, conditionally speaking, aggression against anyone.”²⁵⁶

But on December 27, Iranian Defense Minister Mostafa Mohammed-Najjar stated that Russia would sell Iran five batteries of the S-300PMU-1 mobile air-defense system

²⁵¹ “National Intelligence Estimate – Iran: Nuclear Intentions and Capabilities,” *National Intelligence Council*, November 2007.

²⁵² *Ibid.*

²⁵³ *Ibid.*

²⁵⁴ “Russia-Iran Mil-Tech Cooperation Aimed at Security – Minister,” *ITAR-TASS* (Moscow), December 20, 2007, <http://wnc.dialog.com/> (accessed May 5, 2008).

²⁵⁵ “Russia Helps Iran Keep Balance of Power,” *Kommersant* (Moscow), December 24, 2007, http://www.kommersant.com/p839198/arms_sales/ (accessed February 27, 2008).

²⁵⁶ “Russia Helps Iran Keep Balance of Power,” 2007.

for \$800 million.²⁵⁷ If true, Tehran would significantly enhance its air-defense capability, which would shield its nuclear infrastructure from air and missile strikes, and thus allow it to progress with an offensive nuclear weapons program. The next day, Russia's FSVTS denied negotiating the deal,²⁵⁸ while Rosoboroneksport and Almaz-Antei had no comment. But neither denied the deal,²⁵⁹ suggesting that Tehran and Moscow are playing a game of calculated ambiguity in order to test the waters in Washington and Jerusalem.²⁶⁰ "If followed through," Pavel Baev writes, "these developments could signify not only a 'softening' of Russia's position on the long-unfolding Iran crisis, but a complete collapse of the international efforts aimed at dismantling Iran's nuclear program."²⁶¹

Summary

This chapter examined Russia's post-Cold War military-technical relationship with Iran from 2000 to present day – basically, since Vladimir Putin took office. In the months that preceded his decision to renounce the Gore-Chernomyrdin Agreement, defense-industry lobbyists and Iranian officials had expressed interest in resuming arms sales to Iran and others. When Putin consolidated the defense-export industry and placed two former KGB colleagues in executive-level positions, the military-industrial complex had inroads to Putin's policy-making process. And when Iranian officials announced that

²⁵⁷ Konstantin Lantratov and Alexandra Gritskova, "Iran Shields Its Nuclear Activities by Russian Missiles," *Kommersant*, December 27 (Moscow), 2007, http://www.kommersant.com/p840222/Iran_Air_Defense_S-300/ (accessed June 24, 2008).

²⁵⁸ Pavel Baev, "Moscow Raises Stakes in Iran Game," *Eurasia Daily Monitor*, January 8, 2008, http://jamestown.org/edm/article.php?article_id=2372696 (accessed February 27, 2008).

²⁵⁹ Baev, "Moscow Raises Stakes in Iran Game," 2008.

²⁶⁰ *Ibid.*

²⁶¹ *Ibid.*

they would begin a 25-year military-modernization plan that would feature mostly Russian weapons, systems, and tactics, Putin appears to have caved into interest-group pressure at home. Statements made by Kremlin officials cite legal, inter-national, and social reasons for resuming arms negotiations with Iran. But the most and most consistent statements concerned the obvious economic incentives for Russia's MIC.

In December 2001, the first Russo-Iranian arms contract since the early 1990s was signed. However, it fell far short of Russian military-industrial and Iranian military-politico expectations. Indeed, just one item on Khatami's "shopping list" had been delivered to Iran. Russian restraint, or perhaps Iranian financial woes may explain why only 20 or 21 helicopters were sold the following year. Available data does not indicate one or the other. However, in June 2001 and again in December 2001, reports emerged that the Kremlin was dissatisfied with Rosoboroneksport's performance, citing accounting problems, corruption, malfeasance, and mismanagement. While the reports indicate that rent-seeking had taken place at Rosoboroneksport at the time of the Iranian Mi-171 deal, there is no conclusive or direct evidence to link rent-seeking with that deal.

From 2002 through mid-2005, Russo-Iranian military-technical cooperation cooled. The hype surrounding their new cooperation is said to have given way to Iranian financial woes, and Russian reluctance to provide Iran with newer, more advanced systems given their nuclear activities. However, there is no data available to draw conclusions on why Russo-Iranian MTC subsided during these years. In the summer of 2005, Russia agreed to repair and upgrade Iran's three aging *Kilo*-class diesel-electric submarines, supposedly with the new Klub-S ASCM. However, it is not known if they have received the system.

In December 2005, following heated IAEA meetings concerning Iran's nuclear program, Russia announced plans to sell Iran 29 Tor-M1 mobile SHORAD systems to defend its nuclear infrastructure. Given that the Tor-M1s had been on Khatami's list for nearly five years, the deal's timing and purpose suggest that the Kremlin had greater control of the defense industry and thus resisted their special-interest pressures to provide these and other, more capable systems. Indeed, "executive strength" factored into the Russo-Iranian MTC paradigm as an intervening variable, particularly in Putin's second term. Thus, in 2005 and 2006, he apparently used arms exports to Iran to further several of Russia's national interests, which included patronizing its defense industry, protecting its other investments in Iran (i.e., the Bushehr reactor complex), and strengthening security and stability in the Middle East.

Despite Putin's apparent furthering of Russia's national interests via arms exports to Iran, the Tor-M1 deal involved an incestuous, patrimonial system in which former KGB colleagues are placed in high positions within the MIC and are allowed to seek rents from the process. Viktor Ivanov benefited personally from the Tor-M1 deal, since his company manufactured the systems. However, he had been at Almaz-Antei for nearly four years before the deal was approved, suggesting that Russia's national interests were of primary concern, while Ivanov's business interests were secondary. Thus, this study was unable to connect rent-seeking behaviors to Russo-Iranian arms contracts, even when MIC actors were pre-positioned, there were incentives, and there had been precedence to seek rents.

CONCLUSIONS

Summary of Findings

Interest-Group Theory and Arms Exports to Iran

This study found that the interest-group theory of government is partially applicable to Russia's military-technical cooperation with Iran since 2000. The data presented shows that interest groups lobbied successfully to repeal the Gore-Chernomyrdin Agreement in November 2000. There were international variables, such as the deal becoming public record in the U.S. and Iran's supposedly positive steps at home. However, the most prominent factor seemed to be the Russian defense industry interests and lobbying. This lobbying came in the form of both intra-governmental (i.e., bureaucratic) and extra-governmental (i.e., economic and industrial) lobbying from the beginning of Putin's administration. They eventually won a modest renewal of military-technical cooperation with Iran. Thus, the hypothesis: (H1) *If interest groups lobby for arms sales, then arms sales will increase*, is strongly supported by this part of the case-study.

However, beginning in 2002 and continuing through at least the beginning of 2005, defense-industry interests and lobbying were much less successful in winning arms contracts with Iran, as the value and volume of their exports declined sharply to just \$14 million in 2004 and again in 2005. By then, it appears that Putin had sufficiently consolidated the defense-export industry, and thus, had sufficient executive power to control the MIC vis-à-vis Iranian demand for advanced, major conventional arms. By then, the Iranian nuclear crisis was escalating, and though Iran would become Russia's third best

customer, it was not in Russia's interests to sell to Iran at the time. Thus, hypothesis: (H1) *If interest groups lobby for arms sales, then arms sales will increase*, is not supported by this part of the case-study.

In late 2005, Putin appeared to turn the tables on the defense-industry, using the sale of 29 Tor-M1 mobile SHORAD systems to Iran to further several Russian national interests. Certainly, strengthening the defense industry was one of them. But statements made by Russian and Iranian officials indicate that international variables were also at play: strengthening stability and security in the Middle East by protecting Iran's territory and infrastructure – i.e., deterring EU-3, Israeli, and/or U.S. military action. Furthermore, such a policy initiative reflects Russian executive power and state-autonomy vis-à-vis decision-making. Iran had sought the Tor-M1 SHORAD systems for nearly five years, and the defense industry had sought to provide them and other, more advanced, capable, and costly systems. But Putin resisted both foreign and domestic pressure, and approved the deal only when it furthered Russian national interests, and without upsetting regional and international military balances. Thus, the hypothesis (H1) *If interest groups lobby for arms sales, then arms sales will increase*, is not supported by this part of the case-study. Interest-group lobbying did not appear to have a bearing on Putin's decision-making; executive decision-making vis-à-vis international developments did.

Thus, from 2007 on, interest-group theory proved either inapplicable or inconclusive. Nothing has come of Vladimir Zhirinovsky's call to ship the S-400 Triumph to Iran in September, and statements made by MIC officials indicate that neither Iran nor any other foreign country will acquire the advanced air-defense system any time soon. Meanwhile, it remains to be seen what – if anything – will come of the Su-30MKI, S-300

PMU-1, and Pantsyr-S1E deals.

It is worth pointing out that beginning in 2005 and continuing through today, Putin consolidated his grip on other sectors of the Russian economy – notably, the energy and financial industries, and the media. By then, Yukos, once Russia’s largest oil company, had been shut down and its CEO, Mikhail Khodorkovsky, imprisoned. Other so-called “oligarchs,” like Boris Berezovsky (CEO of Sibneft, another oil company) and Vladimir Gusinsky, CEO of MediaMost, have since fled to London fearing a similar fate. Thus, Putin has pressured political enemies to move from the private industry and insert loyal friends and colleagues in their place in a de facto re-nationalization of industry. This has ensured that special-interest groups serve the state (or, at the very least, Putin and the Kremlin) before they serve themselves. Indeed, state-ownership and/or control of the media has gone a long way to serve these ends.

Rent-Seeking and Arms Exports to Iran

While interest-group theory was partially-applicable to the case-study, it was not able to reveal rampant rent-seeking by Kremlin and defense-industrial officials in the context of the Russo-Iranian relationship. It revealed a couple of instances in mid- and late-2001 when corruption, malfeasance, and mismanagement were undermining Rosoboroneksport’s performance in the defense-export industry. While this supports Stephen J. Blank’s general argument concerning the defense-export monopoly, there was no available data to connect these business practices with Russia’s defense contracts with Iran.

Likewise, the Russo-Iranian deal for 29 Tor-M1 mobile SHORADs in December 2005 suggests, but does not link, rent-seeking with Russia’s military-technical relations with Iran. Though Viktor Ivanov had close personal and professional connections with

Putin, who had appointed him to Almaz-Antei in 2002, it does not appear that Ivanov used them to lobby him or his subordinates for the deal. Or if he had, he was not successful, as the Tor-M1s were on Iran's wish-list for nearly five years before Putin allowed them to be exported. Thus, Ivanov was in a position to benefit from his company's sale of the air-defense systems, but was only able to when Putin approved the sale. Thus, the hypothesis (H2): *If interest groups seek rents from arms sales, then arms sales will increase*, is not supported by this part of the case-study.

Recommendations for Future Studies

In light of this case-study's findings, future studies could measure Russo-Iranian military-technical cooperation several different ways. Working at the domestic level, future studies could apply any one of several theories to the same case-study, such as corporate, elite, and rent-seeking theories. The nature of Russia's defense- and defense-export industries is such that they are entirely state-owned and controlled, resembling not independent entities under a capitalist system, but de facto government bureaus staffed with loyal government apparatchiks. Thus, future studies could apply corporate, or corporatist theory to this case-study to determine if it more accurately and consistently describes, explains, and perhaps predicts Russian foreign military assistance to Iran.

Also, since those in charge of the defense-export process appear to mostly originate from the KGB or one of its post-Cold War successors (e.g., the FSB, SVR), Russia's post-Cold War defense-export system appears to be militocratic, or elitist. Thus, future studies could apply elite theory, or a similar theory to determine if *who you are, where you came from, and if you served the state* have any bearing on Russia's defense-exports, particularly to problematic regimes-states like Iran. Perhaps those with security service

back-grounds who grew up with an anti-American, anti-Western Weltanschauung, and view arms sales to their enemies as a way to undermine their interests are more likely to continue to fight yester-year's wars with yester-year's tactics.

Moreover, future studies could apply the rent-seeking theory, itself, to Russian-Iranian military-technical cooperation. Recall that this study applied the interest-group theory to Blank's analysis of the Russian defense industry hoping to illuminate interest-group lobbying *as well as rent-seeking* within Russia's defense-exports to Iran. But it was only able to uncover the former, and only in the beginning of Moscow and Tehran's renewed relationship. Thus, future studies could seek to uncover the effects of that lobbying (i.e., the parasitic rent-seeking and granting). This would perhaps be the hardest theory to apply to the case-study, for two reasons.

First, since rent-seeking theory measures the *effects* of lobbying, it would almost certainly have to move from a political to a financial analysis. It would have to analyze myriad variables, including whether companies were selling at discount, market, or premium prices; their yearly profits; percentage of profits sent to state coffers, legally or illegally held as profits, reinvested in the company, used to buy up other companies, or spent on over-head. It would also have to investigate claims of bribes, kickbacks, extortion, and myriad other unscrupulous business activities that go on behind closed doors.

Also, the nature of defense industries in capitalist economies makes it difficult to discern between companies and governments exporting arms to further their national or special interests – be they bureaucratic, economic, ideological, tactical, and so on. Accusations of rent-seeking and -granting are not just applicable to the Russo-Iranian case-study. Who in Venezuela needs 24 Su-30MKI fighter-bombers? Will 24 new F-16

C/Ds really help Pakistan fight the GWOT? Why does South Korea buy arms from Russia *and* the U.S.? Arms purchases can be justified in more ways than they can be used; and not just abroad. Corruption and rent-seeking have also rocked the U.S. government in recent years, with Congressman Randy “Duke” Cunningham convicted of taking bribes and gifts from defense contractors in exchange for Pentagon contracts.

Beyond the domestic level, future studies could also look at the Russo-Iranian military-technical relationship at the international level. Indeed, Russian policy-makers consistently defined Russia’s *overall* policy vis-à-vis Iran in terms of geopolitical interest – security, stability, commerce, energy, and mutual protection from outside forces (i.e., NATO, Turkey, and the U.S.). While this study granted these factors, it did not examine them closely. Thus, future studies could look at the Iranian nuclear crisis, NATO expansion, insurgencies in the Caucasus and Central Asia, and even the GWOT as potential drivers of Russo-Iranian military-technical cooperation.

Recommendations for U.S. Policy Makers

Unfortunately, the U.S. government has limited countermeasures when addressing Russian foreign military assistance to Iran. Moscow has already violated and withdrawn from a key bilateral arms control agreement with the U.S. – the 1995 Gore-Chernomyrdin Agreement – which critics say never had the status of a legally-binding international treaty anyway. Meanwhile, multilateral arms control agreements already exist, such as the Missile Technology Control Regime, the Wassenaar Arrangement, and the various UN Security Council Resolutions which prohibit arms trading with Iran. However, experience has shown that Moscow circumvents or flouts nonproliferation measures while it pays lip-service to international security and stability. Experience has also

shown that Moscow pays little-to-no regard to U.S. legislation prohibiting arms deals with Iran, and has taken steps to ensure that its companies' commercial dealings with U.S. companies are not affected by U.S. government-imposed sanctions.

Nonetheless, the U.S. government should follow a four-dimensional approach to counter Russia's military-technical cooperation with Iran.²⁶² First, it should continue to point to Russia's commitments to nonproliferation and international security, particularly as a permanent member of the UN Security Council. When its actions appear to diverge from its commitments, U.S. officials should resort to "the politics of shame" and call Moscow out on its actions. Second, it should then sanction Russian firms, citizens, and institutes suspected of selling, loaning, leasing, or otherwise providing any form of military assistance to Iran. Perhaps the reason why President Putin has exercised relative restraint in Russia's military-technical cooperation with Iran is the notion that he and his administration will inevitably be criticized and his colleague's companies sanctioned by Washington, even if the U.S. is the world's number one arms dealer.

Third, U.S. officials and policy-makers should attempt to find common ground with Russia on the Iranian nuclear issue, beyond the IAEA and UN Security Council. Washington should understand that Moscow does not want to see Iran acquire nuclear weapons either; but it does not share Western concern vis-à-vis Iran's nuclear activities. Russia has a complex, interdependent relationship with Iran: they are diplomatic, economic, political and strategic partners with shared security concerns. Thus, it does not

²⁶² Note: This study only examines the supply-side of the Russo-Iranian military technical relationship. It grants that Iran acts rationally in its pursuit of advanced, major conventional arms and military assistance, particularly as members of the European Union, Israel, and central actors within the incumbent U.S. presidential administration lobby for military action on Iran's civil, military, and nuclear infrastructure. Since the U.S. currently does not have diplomatic relations with the Islamic Republic of Iran, its only diplomatic course of action is to address the supply-side of the problem – i.e., engaging the political actors within the Russian government (as well as Belarus, China, the DPRK, Poland, Ukraine, et al).

make sense for Iran to bite the hand that feeds it, builds its nuclear reactors, and equips its military. Perhaps the only reason why Russia does not want to see Iran develop a nuclear weapon is that it fears an Israeli or U.S. military response.²⁶³ Even a brief conflict in Iran would be too close for Russia's comfort, which is already threatened by eastern NATO expansion, a proposed missile defense shield in Poland the Czech Republic, and conflicts in the Caucasus and Central Asia. Indeed, given the West's hubris and saber-rattling, and Jerusalem and Washington's precedence for launching preventative military action on suspected WMD states, Moscow's fears are real.

Thus, the U.S. should assure Russia that it, along with the EU-3 and the UN are committed to resolving the issue peacefully and diplomatically. It should also inform Israel of this renewed and strengthened diplomatic course, and assure it that while the U.S. is committed to peacefully resolving the nuclear crisis, it will not tolerate unilateral military action by either Iran *or Israel*. U.S. officials could threaten to withhold Peace Marble military aid packages to Israel if Jerusalem were to defect, hunt the hare, and sabotage the diplomatic process. Collectively, such measures should assuage Moscow's need to protect its investments in Iran, as well as prevent a third war from breaking out in its proverbial back yard.

Finally, the U.S. military should *quietly* prepare to exercise the military option. By most accounts, the military option is a nearly no-win scenario, as it is debatable whether any air-strike could neutralize the Iranian nuclear program. Iranian leaders learned from the 1991 Persian Gulf War and built many of their nuclear facilities underground and/or hardened them with layered steel and reinforced concrete. With precision-

²⁶³ Eugene B. Rumer, *Russian Foreign Policy Beyond Putin* (London: Routledge, 2007), 38.

guided, bunker-busting bombs dropped from high altitudes, many of Iran's facilities would be severely damaged or destroyed; but they could always be rebuilt. Moreover, the engineers and technicians who harbor the most vital components of all – the expertise – could be relocated at a moment's notice and would live to build another day.

Meanwhile, the action would cause Iran's moderate, pro-Western citizens and leaders to radicalize, rally around the mullahs, and ultimately undo decades of progress made by internal and external leaders to improve relations with the West. Furthermore, given Iran's vows to retaliate with "the oil weapon," the West might then be cut off from 25-40% of the world's oil, sending its economies further into recession and its governments into panic mode. Also, Israeli cities and/or U.S. forces in Iraq and elsewhere in the Middle East would likely be targeted with Iran's ballistic missiles, while U.S. cities and global assets would also be targeted by asymmetrical means. Lastly, Israel and/or the U.S. would draw the ire of the world, further chastening their diplomatic maneuvering.

The military option would be a nightmare scenario, whether the U.S. or Israel exercised it. Thus, it should be the U.S. government's last resort. However, should diplomatic efforts fail, the above scenario would still be better than Washington or Jerusalem dissolving beneath a fiery mushroom cloud, with hundreds of thousands or millions dead. So while the IAEA, UN, and the U.S. State Department work to diplomatically resolve the crisis, the U.S. military should still prepare for the military option.

In preparation for an air campaign and in an attempt to counter years of Russian help in rebuilding Iran's air defenses, the U.S. Air Force and Navy should acquire Soviet/Russian air-defense systems through FSU Republics and allies with such systems. They should adjust their electronic countermeasures (ECM) and prepare for the suppression of

enemy air defenses (SEAD) mission in order to facilitate safe ingress to targets. Also, in order to keep the Strait of Hormuz open, the U.S. Navy should prepare to hunt, track, and kill Iran's 3 *Kilo*-class diesel-electric attack submarines, and interdict mine-layers and/or missile patrol boats. To counter the ballistic missile threat, U.S. forces should position Patriot PAC-3 anti-ballistic missile batteries in Kuwait, Iraq, and Israel (if they have not already been placed there). Furthermore, it should position at least one of its sea-based missile-defense platforms inside the Persian Gulf in order to "layer" its missile defenses and increase the chances of successfully intercepting incoming missiles.

APPENDICES

Appendix A: Major Russian Conventional Arms Transfers to Iran: 1989-2007²⁶⁴

Date	Name of Weapon/Classification	Quantity	Notes/Status
1989	MiG-29A Fulcrum multi-role fighter aircraft	24	Delivery completed in 1994
1989	Su-24MK Fencer fighter-bomber	12	Delivery completed in 1994
1989	S-200BE (SA-5 Gammon) fixed air defense system	2 batteries (12 launchers)	Delivery completed in 1994; unknown number of 5N62 missiles transferred; domestic production underway
1990	877EKM/ <i>Kilo</i> -class diesel electric submarine	3	Delivery completed in 1996
1991	T-72S Main Battle Tank (MBT)	1,000	Local production began in 1993; 826 procured as of 2006
1991	BMP-2 armed infantry fighting vehicle (IFV)	1,500	Local production began in 1993; 800 procured as of 2006
1991	9MIII (AT-4 Spigot) ATGM	15,000	Delivery began in 1993; 9,750 delivered as of 2006
1993	V-46 Diesel Engine (AV)	200	For Russian T-54/5, and Chinese Type 59 MBTs; Delivery completed in 2000
1994	AA-8 Aphid and AA-10 Alamo air-to-air missiles (AAM)	94	To arm MiG-29s
1995	9M14M (AT-3 Sagger) ATGM	Unknown	Delivery began in 1996; 2750 delivered as of 2006
1997	D-30 122 MM towed artillery gun	100	Delivered between 1998 and 2002
1998	Mi-8/17 Hip-H multi-role helicopter	5	For Search and Rescue (SAR); Delivery completed in 2000
1998	9M113 (AT-5 Spandrel) ATGM	Unknown	Delivery began in 1999; 1400 delivered as of 2006
1999	9M114 (AT-6 Spiral) ATGM	540	Delivered between 2000 and 2003
1999	Mi-171Sh Hip Multi-role helicopter	22	Some intended for SAR; Delivery completed between 2000 and 2001
2001	Mi-171Sh Hip Multi-role helicopter	20-30	Delivered between 2002 and 2003
2003	Su-25 close air-support (CAS) fighter-ground attack (FGA) aircraft	6	Delivery completed between 2003 and 2006; 3 Su-25UBK and 3 Su-25T
2005	<i>Kilo</i> submarine upgrades; possibly with Klub-S (SS-N-27 Sizzler) ASCM	3	As of 2005, one upgraded; no evidence that Klub-S has been installed/transferred
2005	MiG-29 and Su-24 upgrades	Unknown	\$700 million (part of \$1.4 billion deal)
2005	Tor-M1 (SA-15 Gauntlet) mobile, short-range air defense system	29	Deliveries began by November/December 2006; Completed by 2007
2005	9K331 (SA-15 Gauntlet) low-to-medium altitude surface-to-air missiles (SAMs)	500	Deliveries began by November/December 2006; Completed by 2007
2006	R-60 (AA-8 Aphid) short-range air-to-air missile (SRAAM)s	40	Delivered 2006; to arm ex-Iraqi Air Force and newly-acquired Su-25s
2007	Modified RD-33 aircraft engines	Unknown	To outfit/upgrade U.S.-made F-5s and Iranian variants (Azarakhsh & Saeqeh)

²⁶⁴ Most of this diagram is from Tor Bukkvoll's article, "Arming the Ayatollahs." All other additions are from the SIPRI Arms Transfer Database, "Iranian Imports," Generated June 11, 2007.

Appendix B: Russian Entities Suspected of Assisting Iran's Ballistic Missile Program –
1997-1998²⁶⁵

Entity	Alleged Activity	Action Taken
Baltic State Technical University	Training of Iranian personnel	Denied US funding (March 1998), sanctioned by the United States (July 1998)
Bauman Technical University	Training of Iranian personnel	
Europalaz 2000	Attempted transfer of special steel via Azerbaijan	Sanctioned by the United States (July 1998)
Federal Security Service (FSB)	Facilitated travel of Russian specialists to Iran	
Glavkosmos	Transferred dual-use missile production technology	Sanctioned by the United States (July 1998)
Grafit Research Institute	Transferred graphite ablative materials to Iran	Sanctioned by the United States (July 1998)
INOR Scientific Centre	Transferred special mirrors, composite materials, foils, and metals to Iran	Sanctioned by the United States (July 1998), restrictions lifted (April 2000)
Kominterm Plant (Novosibirsk)	Missile specialists traveled to Iran under false documents	Suspicious not substantiated, sanctions not imposed
MOSO Company	Attempted transfer of special steel via Azerbaijan	Sanctioned by the United States (July 1998)
Moscow Aviation Institute	Training of Iranian personnel	Denied US funding (March 1998) sanctioned by the United States (January 1999)
NPO Energomash	Transferred SS-4 engine technology	Suspicious not substantiated
NPO Trud	Transferred engine components, documentation, and engine test equipment; contracted to manufacture engine turbo pumps	Lattermost effort thwarted; no recent signs of activity with Iran
Polyus Science and Research	Transferred missile guidance technology and assisted with design of Shahab-3 guidance package	Sanctioned by the United States (July 1998), restrictions lifted (April 2000)
Russian Space Agency	According to Israeli Intelligence, Director Yuri Koptev facilitated technology transfers	
Rosvoorouzhnie Arms Export Agency	According to Israeli intelligence, recruited Russians to assist Iranians and facilitated several technology transfers	
Tikhomirov Institute	Unclear	Suspicious not substantiated, sanctions not imposed
TsAGI Central Aerohydrodynamic Institute	Contracted to build wind tunnel; transferred model 1998)	Denied US funding (March 1998) no recent signs of activity with Iran

²⁶⁵ Col. Eas Bokhari (ret.), "Russian Arms & Technology transfers to Iran," defencejournal.com, <http://www.defencejournal.com/2001/august/russians.htm> (accessed July 29, 2008).

Appendix C: Acronyms

ASCM.....	Anti-Ship Cruise Missile
ATGM.....	Anti-Tank Guided Missile
CAS.....	Close Air-Support
CIA.....	Central Intelligence Agency
CIS.....	Commonwealth of Independent States
CMTC.....	Committee for Military-Technical Cooperation with Foreign States
COCOM.....	Coordinating Committee for Multilateral Export Control
ECM.....	Electronic Countermeasures
EU.....	European Union
FMA.....	Foreign Military Assistance
FSB.....	Russian Federal Security Service
FSU.....	Former Soviet Union Republic
FSVTS.....	Federal Service for Military-Technical Cooperation
IAEA.....	International Atomic Energy Agency
IRGC.....	Iranian Revolutionary Guards Court
IFV.....	Infantry Fighting Vehicle
KGB.....	Committee for State Security (English Translation)
MANPADS.....	Man-Portable Air Defense System
MBT.....	Main Battle Tank
MIC.....	Military-Industrial Complex
MiG.....	Mikoyan-Gurevich (Russian Aerospace Company)
MTCR.....	Missile Technology Control Regime
MTC.....	Military-Technical Cooperation
NATO.....	North Atlantic Treaty Organization
NPT.....	Nuclear Non-Proliferation Treaty
P-5.....	Five Permanent Members of the United Nations Security Council
R&D.....	Research and Development
SAM.....	Surface-to-Air-Missile
SEAD.....	Suppression of Enemy Air Defenses
SHORAD.....	Short-Range Air-Defense System
SLV.....	Satellite Launch Vehicle
Su.....	Sukhoi (Russian Aerospace Company)
SRAAM.....	Short-Range Air-to-Air Missile
SVR.....	Russian Foreign Intelligence Service
UAV.....	Unmanned Aerial Vehicle
UN.....	United Nations
UNSC.....	United Nations Security Council
USA.....	United States of America
USSR.....	Union of Soviet Socialist Republics

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