

Private sector missing link in expanding Iran-Russia trade



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OPINION

There is a concern that after the restoration of Donald Trump's policy of maximum pressure, some countries may back down from trading with Iran. One solution is for the private sectors of Iran and other partners, like Russia, to step up their game.

Vali Kaleji, a member of the Scientific Council of the Institute for Iran & Eurasia Studies (IRAS), made the following statements in a meeting, titled "Prospects for Iran-Russia Trade in Light of the Strategic Partnership Treaty," held at the University of Tehran on February 12, 2025. He aimed to answer the commonly asked question: What is Russia's position after the restoration of the maximum pressure campaign?

According to the latest statistics provided by Iran's customs in November, Iran has trade with 178 countries, but 80% of our trade is with 10 countries, which, due to sanctions and other issues, lacks the necessary diversity. These 10 countries include China, the United Arab Emirates, Turkey, Iraq, India, Pakistan, Afghanistan, Russia, Germany, and Kazakhstan. Therefore, Russia is one of the 10 countries that account for 80% of our foreign trade.

Currently, there is a concern that after the revival of Donald Trump's policy of maximum pressure, the number of these countries may fall below 10, and this is one of the biggest challenges facing our foreign trade. The total value of Iran's exports, according to November statistics, was \$38.032 billion, and our imports during this period were \$45.127 billion; in fact, by November, we had a trade deficit of nearly \$6 billion. During the same period, our exports to Russia were \$494 million, and our imports from Russia were \$1.1 billion; that is, we had a trade deficit of around \$606 million with the Russian Federation by November, which will certainly increase by the end of the year.

Mismatch between ruble, rial

Russia is among the top 10 exporters to Iran, but it is not among the top 10 importers of our goods. The main destinations for our exports are China, Iraq, the UAE, Turkey, and Afghanistan, while the main destinations for our imports are China, Turkey, Germany, and Russia. China, with around \$10 billion, accounts for 25% of our imports; Turkey, with \$16 billion, accounts for 6.5%; Germany, with \$1.4 billion, accounts for 3.6%; and Russia, with \$1 billion, accounts for 1.4%. We need to consider these facts. This imbalance and trade deficit with Russia, given that we have eliminated the dollar, have caused a mismatch between the ruble and the rial, which puts pressure on our traders and exporters; that is, to the extent that Russian exporters bring rubles into Iran, we do not have rubles to give to Russian exporters. It may not be desirable to ask Russian exporters to barter, as they are exporters and want to be paid for the goods they sell, and they may not have the necessary expertise or motivation to invest or barter with specific goods in Iran.

Russia is Iran's first trade partner in the Eurasian Economic Union. The total volume of our trade with the Eurasian Economic Union, until January of this year, was around \$1.494 billion, and our imports were



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\$1.209 billion, which means we had a trade surplus of around \$285 million; This is in contrast to the trade deficit we had with Russia. This trade surplus is due to our exports to Armenia and Kazakhstan, which have covered our trade deficit with Russia at the level of the Eurasian Economic Union and made the trade balance positive.

Setting realistic goals

The situation I described in both bilateral relations and the Eurasian Economic Union between Iran and Russia cannot be compared to the \$14 billion trade volume between Iran and Turkey or the \$60-65 billion trade volume between Russia and Turkey. We should define our expectations very realistically. It is good that we set a goal of \$5 billion and add \$1 billion each year, but some Iranian officials say we should increase this to \$40 billion. It seems that such statements are made by those who are not necessarily experts on Russia. Announcing unrealistic figures that are not achievable, due to the lack of infrastructure and capacity, can lead to disappointment and despair. Our goal-setting should be realistic, and our perspective should match our capabilities. We have one trade representative from Russia, but the Chinese trade delegation in Russia has around 500 people, and the Turkish trade delegation in Russia has around 100 people. Regarding us, that one trade representative is supposed to connect 81 Russian provinces with 31 Iranian provinces.

The third point revolves around the new developments that have taken place in Iran-Russia relations and the developments that are happening at the interna-

tional level. As a result of these developments, we are facing a dual situation. On the one hand, Iran has become a full member of BRICS and an observer member of the Eurasian Economic Union, and the Iran-Eurasia free trade agreement is expected to come

Eurasian Economic Union begins, the policy of maximum pressure will have returned and will be even worse than before. This means that the exemptions we had in Chabahar port or some financial exchanges we had with some Arab countries will be stopped under American

third party. However, field developments are also important as it is a commitment made at the level of leaders and must be implemented.

So far, around \$40 billion worth of oil and gas agreements have been signed between Iran and Russia, all of which are memoranda of understanding and not contracts. After Trump's withdrawal from the JCPOA in 2018, several major Russian companies left the Iranian market. There is a concern that since there is no contract but only a memorandum of understanding and if the Ukraine war ends and Russia's sanctions are lifted, companies in the oil and gas sector, such as Rosneft, will leave the Iranian market and the active oil and gas fields in southern and western Iran. If we do not want these events to be repeated and we want to move forward and not repeat past mistakes, we should not make the same mistakes again.

Bushehr nuclear power plant could have helped

The next point is Russia's commitment to completing the projects it has undertaken in Iran, which is of great importance and can affect public opinion in Iran. The Iranian people are interested in history, and both positive and negative experiences remain in their minds. They remember, on one hand, the Turkmenchay and Golestan treaties and, on the other hand, the Esfahan steel plant and the early factories of the Machine Sazi Arak (MSA) company, which were built by the Russians during the Soviet era. In the 1960s, an agreement was signed to export Iranian gas to the Soviet Union, and a few years later, in 1973, these factories were



Iranian President Masoud Pezeshkian (R) shakes hands with his Russian counterpart, Vladimir Putin, in Moscow, Russia, on January 17, 2025.
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into effect within the next two or three months after being approved by the Guardian Council. Iran's full membership in the Shanghai Cooperation Organization has also been granted, and the Comprehensive Strategic Partnership Treaty between Iran and Russia has been signed. On the other hand, we are witnessing the return of Donald Trump's policy of maximum pressure, which has coincided with these events. We must certainly consider the coincidence of these developments. When our free trade with the

launched. The Iranian people have a historical approach to issues and phenomena, and when they refer to buildings, factories, roads, and railways, they say that they were built by the Germans, Americans, or French. The Esfahan steel plant and the MSA have been active for 50 years and employ thousands of people, and people still say that they were built by the Russians. Besides these two, we do not have another major and significant project in Iran that has been built and operated by the Russians. The symbol of Russian projects is the Bushehr nuclear power plant, which, if it had been fully implemented, could have been very effective in solving the current energy and power shortage that Iran is experiencing and could have created a more positive perception of Russia.

The project to electrify the Incheboron-Garmsar route, which is the eastern wing of the North-South Corridor, has been pending for several years and has been discussed and agreed upon by several governments. There is also a concern about the Rasht-Astara railway; if the three-year commitment made regarding this railway is fulfilled on time, it can have an impact on people's minds, just like the Esfahan steel plant and the MSA.

Relations should move beyond gov'ts

We can only say that Iran-Russia economic and trade relations have reached an ideal and desirable level when Iran-Russia trade relations are similar to Iran's relations with the UAE and Turkey. We did not have an ambassador in the UAE for nearly five or six years. However, why did Iran-UAE relations not cut off, despite not having an ambassador? These relations were weakened and became fragile, but they were never cut off because the economic and trade relations between the private sectors of Iran and the UAE are so strong that neither Iran nor the UAE can do without each other, and that is why relations have continued. We had significant differences with Turkey over Syria, but Iran-Turkey relations were not cut off.

If the private sector enters the field in all areas, including real estate and tourism, regardless of the political relations between the countries, bilateral relations will remain in place. Iran-Russia relations should completely move out of the governmental sphere and take on a form and nature similar to our relations with Turkey and the UAE as models.

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