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NEW GREAT GAME REVISITED, Part 1

Iran and Russia, scorpions in a bottle

By Pepe Escobar

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HONG KONG - Things get curiouser and curiouser in the Iranian wonderland. Imagine what happened last week during Friday prayers in Tehran, personally conducted by former president Ayatollah Hashemi Rafsanjani, aka "The Shark", Iran's wealthiest man, who made his fortune partly because of Irangate - the 1980s' secret weapons contracts with Israel and the US.

As is well known, Rafsanjani is behind the Mir-Hossein Mousavi-Mohammad Khatami pragmatic conservative faction that lost the most recent battle at the top - rather than a presidential election - to the ultra-hardline faction of Ayatollah Ali Khamenei-Mahmud Ahmadinejad-Iran Revolutionary Guard Corps. During prayers, partisans of the hegemonic faction yelled the usual "Death to America!" - while the pragmatic conservatives came up, for the first time, with "Death to Russia!" and "Death to China!"

Oops. Unlike the United States and [Western Europe](#), both Russia and China almost instantly accepted the contested presidential re-election of Ahmadinejad. Could they then be portrayed as enemies of Iran? Or have pragmatic conservatives not been informed that obsessed-by-Eurasia Zbig Brzezinski - who has US President Barack Obama's undivided attention - has been preaching since the 1990s that it is essential to break up the Tehran-Moscow-Beijing axis and torpedo the Shanghai Cooperation Organization (SCO)?

On top of it, don't they know that both Russia and China - as well as Iran - are firm proponents of the end of the dollar as global reserve currency to the benefit of a (multipolar) basket of currencies, a common currency of which Russian President Dmitry

Medvedev had the gall this month to present a prototype at the Group of Eight (G-8) meeting in Aquila, Italy? By the way, it's a rather neat coin. Minted in Belgium, it sports the faces of the G-8 leaders and also a motto - "Unity in diversity".

"Unity in diversity" is not exactly what the Obama administration has in mind as far as Iran and Russia are concerned - no matter the zillion bytes of lofty rhetoric. Let's start with the energy picture.

Iran is world number two both in terms of proven oil reserves (11.2%) and gas reserves (15.7%), according to the BP Statistical Review of World Energy 2008.

If Iran ever opted towards a more unclenched-fist relationship with Washington, US Big Oil would feast on Iran's Caspian energy wealth. This means that whatever the rhetoric, no US administration will ever want to deal with a hyper-nationalist Iranian regime, such as the current military dictatorship of the mullahtariat.

What really scares Washington - from George W Bush to Obama - is the perspective of a Russia-Iran-Venezuela axis. Together, Iran and Russia hold 17.6% of the world's proven oil reserves. The Persian Gulf petro-monarchies - de facto controlled by Washington - hold 45%. The Moscow-Tehran-[Caracas](#) axis controls 25%. If we add Kazakhstan's 3% and Africa's 9.5%, this new axis is more than an effective counter-power to American hegemony over the Arab Middle East. The same thing applies to gas. Adding the "axis" to the Central Asian "stans", we reach 30% of world gas production. As a comparison, the whole Middle East - including Iran - currently produces only 12.1% of the world's needs.

All about Pipelineistan

A nuclear Iran would inevitably turbo-charge the new, emerging multipolar world. Iran and Russia are de facto showing to both China and [India](#) that it is not wise to rely on US might subjugating the bulk of oil in the Arab Middle East. All these players are very much aware that Iraq remains occupied, and that Washington's obsession remains the privatization of Iraq's enormous oil wealth.

As Chinese intellectuals are fond of emphasizing, four emerging or re-emerging powers - Russia, China, Iran and India - are strategic and civilizational poles, three of them sanctuaries because they are nuclear powers. A more confident and assertive Iran - mastering the full cycle of nuclear technology - may translate into Iran and Russia increasing their relative weight in Europe and Asia to the distress of Washington, not only in the energy sphere but also as proponents of a multipolar monetary system.

The entente is already on. Since 2008, Iranian officials have stressed that sooner or later Iran and Russia will start trading in rubles. Gazprom is willing to be paid for oil and gas in roubles - and not dollars. And the secretariat of the Organization of Petroleum Exporting Countries (OPEC) has already seen the writing on the wall - admitting for over a year now that OPEC will be trading in euros before 2020.

Not only the "axis" Moscow-Tehran-[Caracas](#), but also [Qatar](#) and Norway, for instance, and

sooner or later the Gulf Emirates, are ready to break up with the petrodollar. It goes without saying that the end of the petrodollar - which won't happen tomorrow, of course - means the end of the dollar as the world's reserve currency; the end of the world paying for America's massive budget deficits; and the end of an Anglo-American finance stranglehold over the world that has lasted since the second part of the 19th century.

The energy equation between Iran and Russia is much more complex: it configures them as two scorpions in a bottle. Tehran, isolated from the West, lacks foreign investment to upgrade its 1970s-era energy installations. That's why Iran cannot fully profit from exploiting its Caspian energy wealth.

Here it's a matter of Pipelineistan at its peak - since the US, still during the 1990s, decided to hit the Caspian in full force by supporting the Baku-Tblisi-Ceyhan (BTC) oil pipeline and the Baku-Tblisi-Supsa (BTS) gas pipeline.

For Gazprom, Iran is literally a goldmine. In September 2008, the Russian energy giant announced it would explore the huge Azadegan-North oilfield, as well as three others. Russia's Lukoil has increased its prospecting and Tatneft said it would be involved in the north. The George W Bush administration thought it was weakening Russia and isolating Iran in Central Asia. Wrong: it only accelerated their strategic energy cooperation.

Putin power play

In February 1995, Moscow committed to finishing construction of a nuclear reactor at Bushehr. This was a project started by that erstwhile, self-proclaimed "gendarme of the Gulf" for the US - the shah of Iran. The shah engaged KWU from Germany in 1974, but the project was halted by the Islamic Revolution in 1979 and hit hard between 1984 and 1988 by Saddam Hussein's bombs. The Russians finally entered the picture proposing to finish the project for \$800 million. By December 2001, Moscow also started to sell missiles to Tehran - a surefire way of making extra money offering protection for strategic assets such as Bushehr.

Bushehr is a source of immense controversy in Iran. It should have been finished by 2000. As Iranian officials see it, the Russians seem never to be interested in wrapping it up. There are technical reasons - such as the Russian reactor being too big to fit inside what KWU had already built - as well as a technology deficit on the part of Iranian nuclear engineers.

But most of all there are geopolitical reasons. Former president Vladimir Putin used Bushehr as a key diplomatic peon in his double chessboard match with the West and the Iranians. It was Putin who launched the idea of enriching uranium for Iran in Russia; talk about a strategic asset in terms of managing a global nuclear crisis. Ahmadinejad - and most of all the Supreme Leader - gave him a flat refusal. The Russian response was even more foot-dragging, and even mild support for more US-sponsored sanctions against Tehran.

Tehran got the message - that Putin was not an unconditional ally. Thus, in August 2006, the Russians landed a new deal for the construction and supervision of two new nuclear

plants. This all means that the Iranian nuclear dossier simply cannot be solved without Russia. Simultaneously, by Putin's own framework, it's very clear in Moscow that a possible Israeli strike would make it lose a profitable nuclear client on top of a diplomatic debacle. Medvedev for his part is pursuing the same two-pronged strategy; stressing to Americans and Europeans that Russia does not want nuclear proliferation in the Middle East while stressing to Tehran that it needs Russia more than ever.

Another feature of Moscow's chessboard strategy - never spelled out in public - is to keep the cooperation with Tehran to prevent China from taking over the whole project, but without driving the Americans ballistic at the same time. As long as the Iranian nuclear program is not finished, Russia can always play the wise moderating role between Iran and the West.

Building up a civilian nuclear program in Iran is good business for both Iran and Russia for a number of reasons.

First of all, both are military encircled. Iran is strategically encircled by the US in Turkey, Iraq, Saudi Arabia, [Bahrain](#), Pakistan and Afghanistan, and by US naval power in the Persian Gulf and the Indian Ocean. Russia has seen the North Atlantic Treaty Organization (NATO) gobbling up the Baltic countries and threatening to "annex" Georgia and Ukraine; NATO is at war in Afghanistan; and the US is still present, one way or another, across Central Asia.

Iran and Russia share the same strategy as far as the Caspian Sea is concerned. They are in fact opposed to the new Caspian states - Kazakhstan, Turkmenistan and Azerbaijan.

Iran and Russia also face the threat of hardcore Sunni Islam. They have a tacit agreement; for instance, Tehran has never done anything to help the Chechens. Then there's the Armenian issue. A de facto Moscow-Tehran-Erevan axis profoundly irks the Americans.

Finally, in this decade, Iran has become the third-largest importer of Russian weapons, after China and India. This includes the anti-missile system Tor M-1, which defends Iran's nuclear installations.

What's your axis?

So thanks to Putin, the Iran-Russia alliance is carefully deployed in three fronts - nuclear, energy and weapons.

Are there cracks in this armor? Certainly.

First, Moscow by all means does not want a weaponized Iranian nuclear program. This spells out "regional destabilization". Then, Central Asia is considered by Moscow as its backyard, so for Iran to be ascendant in the region is quite problematic. As far as the Caspian goes, Iran needs Russia for a satisfactory juridical solution (Is it a sea or a lake? How much of it belongs to each border country?)

On other hand, Iran's new military dictatorship of the mullahtariat will react savagely if it ever had Russia fully against it in the UN Security Council. That would spell a rupture in economic relations - very bad for both sides - but also the possibility of Tehran supporting radical Islam everywhere from the southern Caucasus to Central Asia.

Under these complex circumstances, it's not so far-fetched to imagine a sort of polite Cold War going on between Tehran and Moscow.

From Russia's point of view, it all comes back to the "axis" - which would be in fact Moscow-Tehran-Erevan-New [Delhi](#), a counter-power to the US-supported [Ankara](#)-Tbilisi-Telaviv-Baku axis. But there's ample debate about it even inside the Russian elite. The old guard, like former prime minister Yevgeny Primakov, thinks that Russia is back as a great power by cultivating its former Arab clients as well as Iran; but then the so-called "Westernizers" are convinced that Iran is more of a liability.

They may have a point. The key of this Moscow-Tehran axis is opportunism - opposition to US hegemonic designs. Is Obama - via his "unclenched fist" policy - wily enough to try to turn this all upside down; or will he be forced by the Israel lobby and the industrial-military complex to finally strike a regime now universally despised all over the West?

Russia - and Iran - are fully committed to a multipolar world. The new military dictatorship of the mullahtariat in Tehran knows it cannot afford to be isolated; its road to the limelight may have to go through Moscow. That explains why Iran is making all sorts of diplomatic efforts to join the SCO.

As much as progressives in the West may support Iranian pragmatic conservatives - who are far from reformists - the crucial fact remains that Iran is a key peon for Russia to manage its relationship with the US and Europe. No matter how nasty the overtones, all evidence points to "stability" at this vital artery in the heart of the New Great Game.