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Iran and Russia: An Incomplete Alliance with Unclear Prospects

Nikita Smagin on Russia-Iran relations after 2022



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Since 2022, Moscow has markedly stepped up its engagement with Iran. High-level Russian delegations have made repeated visits to Tehran, and talks have focused on large-scale infrastructure and oil-and-gas projects. Iran quickly became a significant arms supplier to Moscow.

By 2026, however, bilateral trade had still failed to reach a qualitatively new level. Progress in other areas has been modest, and the possibility of Western sanctions on Tehran being lifted as part of a potential deal with the United States adds a further layer of uncertainty.

Ambitious Plans, Modest Results

Shortly after Russia launched its full-scale invasion of Ukraine, a wave of high-profile announcements was made regarding Iran. Already in 2022, Gazprom signed a memorandum of intent to invest around $ 40 billion in Iran's oil and gas sector, including the giant South Pars gas field. Moscow also announced plans to finance the construction of the Rasht-Astara railway in Iran with a € 1.3 billion state credit. The project was intended to link the Iranian and Russian rail networks via Azerbaijan and create a continuous route from St. Petersburg to the Persian Gulf as part of the International North-South Transport Corridor (INSTC).

After the initial media splash, news of major Russian projects in Iran continued to surface periodically. In 2023–2024, there was active discussion of turning Iran into a «gas hub» through which Russian gas would reach the Persian Gulf and then be exported as LNG to global markets. In 2025, Tehran and Moscow signed an agreement to build a new nuclear power plant in Hormozgan province at an estimated cost of around $ 25 billion.

In most cases, the scale of the publicity far exceeded the actual results. Over the past four years, construction of the Rasht-Astara railway has not begun. There is no reliable information about any practical steps by Gazprom to develop Iranian gas fields. The agreement on the new nuclear plant in Hormozgan also remains at the level of intentions. Moreover, in 2026 even work on the existing nuclear project — the Bushehr nuclear power plant being built by Rosatom — had to be suspended. Amid the war between the United States and Israel and Iran, the site suffered at least four strikes. In these circumstances, Moscow decided to evacuate its personnel until conditions improve.

Some limited progress was recorded on the gas-hub idea. Russia had planned to begin swap supplies of gas to Iran via the Azerbaijani pipeline by late 2025 or early 2026, but regional instability pushed the timeline back. The volumes involved are relatively small — around 1.8 billion cubic meters per year. Iran currently has no operational LNG export terminals, so any re-exports would have to go through existing pipelines to Iraq and Turkey. In any case, the gas would most likely be consumed domestically in Iran, which struggles to meet its own gas demand because of production constraints and rising consumption, especially during peak summer periods. A plan has been agreed to build a new pipeline through Azerbaijan with a capacity of up to 55 billion cubic meters per year, but this remains only a preliminary understanding: construction has not started and no timeline has been announced.

It would be wrong to say that joint initiatives have produced no results at all. Russia was the largest foreign investor in Iran at least in 2022–2024. Data on this are incomplete because both sides release information selectively. According to Iranian statements, however, Russia invested $ 2.76 billion in Iran in 2022–2023. Subsequent figures have not been disclosed. Iranian media report that the bulk of the investment has gone into the oil sector. In particular, ZN Vostok (a subsidiary of Zarubezhneft) is involved in the development of at least five Iranian oil fields.

Another notable achievement has been the integration of the two countries' banking systems. For Iran, the Russian Mir payment system became the first foreign system to operate officially on its territory. For now, the cards are accepted only at selected ATMs in both countries, but it is still a significant step toward economic integration given the international isolation of both banking systems.

Stagnant Trade

Despite intensified political contacts and efforts to deepen economic integration, trade figures between Iran and Russia have shown no explosive growth since 2022. Bilateral trade stood at around $ 4 billion in 2021 and fluctuated between $ 4 billion and $ 5 billion over the following three years. Only in 2025 did it exceed $ 5 billion. Exact data have not yet been published, but according to Russian Deputy Prime Minister Alexey Overchuk the increase was 22 percent, putting 2025 trade at roughly $ 5.8 billion. By comparison, trade with Egypt rose from $ 4.8 billion to $ 10.5 billion over the same period, while trade with the UAE grew from $ 5.4 billion to around $ 14 billion.

Thus, despite numerous agreements and loud declarations of strategic partnership, the results of trade and economic cooperation with Iran remain modest. The main reason lies in the structural similarity of the two economies. Both countries are hydrocarbon exporters, both are under sanctions, and both have a strong need for foreign technology. Early hopes that import-substitution successes could boost mutual trade have not materialized. With few exceptions, neither Iranian goods in Russia nor Russian goods in Iran can compete with products from China and other Asian countries.

The story of Iranian car imports is illustrative. Iran is consistently among the world's top 20 car manufacturers, producing 1.1□1.3 million vehicles a year. Given Russia's car shortage, this initially raised expectations that Iranian brands would enter the Russian market. However, Iran's high output is largely the result of strict protectionist policies that limit imports of foreign cars and effectively force consumers to buy domestic models. As a result, Iranian vehicles lag noticeably behind foreign equivalents in quality and technical specifications. Iranian manufacturers also have little incentive to export, since protectionism gives them comfortable conditions at home.

Consequently, food products dominate bilateral trade from both sides, accounting for around 60 percent of Iranian exports to Russia and up to 80 percent of Russian exports to Iran. Russia mainly supplies grains (wheat, barley, corn) and vegetable oils to Iran, while Iran exports vegetables, fruit, dried fruit, and nuts to Russia. This structure makes trade highly volatile. In 2023, for example, Iran had a bumper harvest and temporarily stopped importing wheat from Russia, causing bilateral turnover to drop by roughly $ 1 billion. Other notable Russian exports include mineral fertilizers and timber; key Iranian exports include plastics and construction materials.

Additional constraints include unfavorable legal and regulatory conditions for foreign business in both countries, as well as logistics and payment difficulties. Russia and Iran are working to improve all these areas. In 2025, a free-trade agreement between Iran and the Eurasian Economic Union (EAEU) entered into force, significantly reducing import duties on 90 percent of the goods traded between the parties. As already noted, Russia and Iran have also integrated their Mir and Shetab payment systems.

In 2026, cargo turnover across the Caspian Sea rose sharply because traditional routes through the Strait of Hormuz were blocked. In the first half of the year, Russian Caspian ports recorded record results: cargo volumes in Astrakhan and Olya nearly doubled, while Makhachkala saw a 50 percent increase. Further development of this route could significantly ease logistics between the two countries.

None of these measures, however, address the fundamental problem stemming from the structural similarity of the two economies. That is why trade between Russia and Iran has grown

only very slowly in recent years.

A Military Partnership Short of an Alliance

Military-technical cooperation between Iran and Russia generated considerable attention in 2022 when Tehran began supplying Moscow with various types of weapons, most notably attack drones. Russia has since localized and modernized the supplied models, so Iran has lost its status as a major military supplier.

At the same time, Russian arms exports to Iran have expanded noticeably in recent years. In 2024, Tehran received at least one squadron of Yak-130 trainer/light-attack aircraft. In 2025, Russian Orsis T-5000M sniper rifles and dozens of Spartak armored vehicles were observed in the country; the latter were later used in the suppression of protests in early 2026. In January 2026, Iran took delivery of its first six Mi-28 combat helicopters. During the war between Israel and the United States and Iran, reports also emerged that Moscow was providing Tehran with intelligence for strikes on U.S. targets and was shipping components for Shahed kamikaze drones across the Caspian Sea.

Overall, however, the level of military-technical cooperation remains limited. Russia has still not supplied Iran with the weapons it needs most: modern combat aircraft and advanced air-defense systems. There are reports of two contracts in these areas — for the purchase of roughly 50 Su-35 fighters and 500 Verba man-portable air-defense systems — but there is still no confirmation of actual deliveries. These appear to be plans for the future rather than firm commitments. Even if implemented, the quantities would not meaningfully alter the regional balance of power. Fifty Su-35s would be clearly insufficient to counter the Israeli Air Force, widely regarded as one of the strongest in the world (let alone the combined potential of Israel and the United States). The Verba systems have very limited functionality and are mainly suited to engaging low-flying targets. Moscow has not offered Iran more advanced air-defense systems.

The reasons for this half-hearted military support are both practical and political. On one hand, Russia is waging a full-scale war against Ukraine, and its defense industry is primarily geared toward meeting its own needs. This is especially true of air-defense systems, whose acute shortage became evident amid Ukrainian strikes on Russian oil refineries in 2026. Russia simply lacks the production capacity to satisfy Iranian demand. On the other hand, large-scale deliveries of advanced weapons to Iran face opposition not only from Israel and the United States but also from important Russian partners in the Middle East, including the Gulf states and Turkey. Because Moscow's economic ties with these countries are far larger than those with Iran, it has to take their views into account.

Finally, Iran itself is not prepared to provide Russia with the resource it currently needs most on the Ukrainian front — manpower. Unlike North Korea, the Iranian leadership has shown no inclination to send its own troops to Ukraine. Such a step would likely lack domestic support in Iran. Moreover, Iran is itself engaged in military confrontation with Israel and the United States and needs to retain its own resources, including human ones.

It is telling that the 2025 Treaty on Strategic Cooperation between Iran and Russia does not include a clause on mutual assistance in the event of foreign aggression. The parties only undertook not to assist an aggressor. Experts have rightly interpreted this nuance as evidence of a strategic partnership without a full-fledged military alliance.

Enduring Importance

The development of Russia-Iran relations since 2022 shows uneven and contradictory dynamics. On one side are loud political statements, regular high-level visits, and rhetoric about moving to a qualitatively new level of partnership. On the other side, the actual substance of the relationship remains quite limited.

In the economic sphere there has been modest growth in trade, but it lags well behind Russia's key regional partners. Investment volumes are also significantly lower than in other Middle Eastern countries. Military-technical cooperation has advanced, but the two sides have clearly not reached the level of a full alliance: Russia has acted cautiously and has not fully met Tehran's expectations.

Nevertheless, Iran continues to hold importance for Moscow for several reasons. First, it is one of the few countries where, under conditions of Western isolation, Russian oil-and-gas companies can still develop foreign cooperation relatively freely and test their technologies. The profitability of such projects remains questionable, but after the mass loss of overseas assets and contracts following 2022, the Iranian direction represents almost the only remaining opportunity to maintain an international presence for the sector. ZN Vostok, for example, is testing its field-development technologies there. In theory, potential also remains for developing transit through Iran under the INSTC and the gas-hub project, although these plans continue to be postponed indefinitely.

At the same time, Moscow is interested in using Iran to test new mechanisms of non-Western international integration. Following the successful conclusion of the free-trade agreement between the EAEU and Iran, the EAEU signed a similar deal with the UAE and hopes to reach comparable arrangements with Egypt. A similar approach could be applied to payment-system integration: despite all the caveats, cooperation between Mir and Shetab is viewed as a successful precedent. In this sense, the Islamic Republic serves Russia as a kind of «test bed,» and its value in that role persists.

It should not be forgotten, however, that the Middle East is currently experiencing serious turbulence that could affect Russia's position in the region. If a sanctions-relief agreement is reached between Iran and the United States, Tehran's interest in cooperation with Moscow could diminish. While a flood of European investors into Iran is unlikely, Asian businesses would almost certainly seek to expand their presence. In that scenario, Russia risks shifting from being a key partner to becoming merely one among many.

If Washington and Tehran fail to reach an agreement, the region can expect a new round of instability, including disruptions to cargo transport through the Persian Gulf. Iran would then find itself in even greater isolation, and Russia's importance to it would, on the contrary, increase. Yet Iran's deteriorating economic situation would probably still prevent trade and economic cooperation with Moscow from moving to a new level.

