DOES RUSSIA NEED BUSHEHR-2?

In the run-up to the launch of commercial power generation at the Bushehr nuclear power plant in Iran Moscow-based Center for Energy and Security Studies (CENESS) and the Nuclear Club journal held a round table. The topic was, ‘Does Russia Need Bushehr-2?’ Would it be in Russia's interests to expand cooperation with Iran in building nuclear power reactors? These questions, among others, were raised during the meeting.

Russian experts with different background, including in diplomatic and military services, as well as in the nuclear industry and Iranian studies were invited to take part in the round table. It was chaired by Anton Khlopkov, CENESS director and editor-in-chief of the Nuclear Club. During the discussion the key comments were delivered by: Dr. Viktor Kozlov, professor of the Plekhanov Russian University of Economics and former director-general of Atomstroyexport, general contractor of Bushehr NPP (1998-2003); Col. (ret.) Oleg Kulakov, expert of the Military University of the Russian Ministry of Defense; Dr. Vitaly Naumkin, director of the Institute of Oriental Studies of the Russian Academy of Sciences; and Dr. Vladimir Rybachenkov, senior fellow at the Center for Arms Control, Energy and Environmental Studies.

A round table transcript is now available.

KULAKOV: After the exhausting war between Iran and Iraq (1980-1988) finally ended, the Iranian leadership felt an acute deficit of consolidating national factors. It needed some grand national projects which could unite the Iranians around the country's political leaders. The nuclear program was just such a project. It gave the Iranian leadership a chance once again to set the agenda for the country. And they did not miss that chance. The program continues to enjoy widespread public support in Iran. What is more, it has become a cause for enthusiasm even among the Iranian emigrants who left the country after the Islamic Revolution of 1979. They have seldom welcomed any political initiatives by the government in Tehran, so their support for the program has been quite a surprise for the Iranian leaders.

NAUMKIN: There are several factors behind Iran's interest in nuclear energy. First, this is a question of historical continuity for Iran. The nuclear energy program is part of the previous government’s commitments reaffirmed by the Islamic regime at some point after it came to power. Shah Reza Pahlavi launched that program back in the 1960s. The Iranian leadership would lose face if it began to express doubts about that program, let alone suspending it, since the program enjoys widespread public support.

* - The publication is based on the report prepared for the Nuclear Club journal.
Second, this is an issue of prestige. Iran wants to be the only country in the region to have nuclear power plants. Tehran has declared that its goal is to become the leading technological power in the Middle East by 2020. It is hard to say how feasible that goal is, given the current circumstances. But now that Iran has acquired its first nuclear power plant it has already become one of the leading technological powers in the region, and not just in the region, in terms of such an important indicator.

Third, nuclear energy enables Iran to export more of its fossil fuel resources rather than consuming them domestically. Given the political isolation of Iran and the increasingly harsh unilateral Western sanctions against that country, oil export revenues give Tehran greater independence in pursuing its foreign policy despite the sanctions.

KOZLOV: The construction of the first reactor of the Bushehr nuclear power plant has enabled Iran to form a pool of qualified experts who can be entrusted with some elements of any future projects to build more nuclear power reactors. At the same time, I disagree with those who believe that Iran is ready to build new nuclear power reactors on its own, without external help. For Atomstroyexport, the general contractor of the first reactor project, it did not make sense to do all the work all by itself – that would mean keeping 10,000 Russian specialists at Bushehr. The company therefore used the local subcontractors. There were some problems; in some cases the Iranian subcontractors proved unable to deliver their part of the work on time and to the required quality standards. We had screened a large number of local companies to figure out which ones can be trusted to deliver. But by now that trial-and-error period is over; we have formed a pool of companies which have the required skills and experience.

KULAKOV: The nuclear energy program enables Iran to train highly skilled specialists not only for the nuclear industry but for other industries as well, including machine-building, metallurgy, construction, thermal engineering, etc. At the early stages of the program there was an obvious gap between the level of skills and training of the Iranian specialists and the requirements of a complex nuclear energy project. Much to the credit of the Iranian authorities, it did not take them long to make the necessary adjustments to their training programs. The results have been impressive. Many of the young Iranians who were only yesterday chanting “Allah Akbar” are now enthusiastically pursuing their training programs and gaining qualifications in advanced fields of science that have suddenly become very prestigious. In the 19 years since the singing of the Russian-Iranian intergovernmental agreement on the construction of the nuclear power plant the Bushehr project has produced a whole generation of highly educated and highly motivated young Iranian scientists who are now beginning to set the tone for Iran not only in science, but in politics as well.

NAUMKIN: Russia needs Bushehr-2 in order to maintain constructive technical and economic cooperation with Iran. The country shares a land border with the Commonwealth of Independent States (CIS); maintaining good-neighborly
relations with it must remain one of Russia’s foreign policy priorities. Russia began to lose its positions in Iran after it supported the new round of sanctions against Tehran imposed by UN Security Council Resolution 1929. Moscow has pledged not to supply the S-300 SAM systems and a number of other weapons systems to Tehran. Taking all these events into account, Russia needs a new infrastructure project that would help us maintain our good relations and serve as an anchor for Russian-Iranian relations. Such a project will help us not to alienate Iran completely – otherwise our relations will be limited to supplying nuclear fuel for the already built first reactor at the Bushehr NPP. The volume of our trade with Iran is not large, it stood at about 3bn dollars in 2009. Building a second nuclear power reactor in Iran would add stability to our relations for the foreseeable future. It would also give us some additional leverage in our dealings with Iran.

**KULAKOV:** Cooperation with Russia on building a second reactor at Bushehr would help Iran in solving a number of very important economic and social problems. The first reactor at Bushehr will fully supply the country's southwestern provinces with electricity. It has also created a lot for jobs in the high-tech sector, especially jobs for the young people, creating an entirely different climate for their political activity. A second stage of the Bushehr project would support the Iranian high-tech industry and create even more jobs, and not only in the southwest.

Speaking about the economic and social benefits of Russian-Iranian cooperation on peaceful use of nuclear energy, let us not forget about the political effects, which are quite important for Russia, although they do not attract many headlines. High-tech projects require a high level of education and training; they foster a whole new class of technocratic intelligentsia in Iran, which will be less prone to religious extremism.

In addition, as I have already mentioned, the nuclear program serves to consolidate the Iranian public. It is important for Russia to retain its unique position as an element of that consolidation.

**KOZLOV:** The Bushehr NPP project will also serve to place the Iranian nuclear activities under closer international controls. Right now Tehran is facing accusations of being insufficiently transparent regarding its nuclear program and insufficiently cooperative with the IAEA. The second reactor at Bushehr (just like the first) will be placed under the IAEA safeguards, meaning that there will be additional international inspectors working in the country. The US administration has used the prospect of greater IAEA controls as an argument in favor of changing the international rules of nuclear trade with India, which is not a member of the Nuclear Non-Proliferation Treaty. It would be wrong to ignore this factor when making a decision on building new reactors in Iran.

Also, if the international community wants to persuade Iran not to pursue a large-scale nuclear fuel cycle program, there need to be alternative projects, equally attractive and ambitious in terms of their technological potential. Building a series of nuclear power plants in Iran could go a long way towards solving that task.
NAUMKIN: Bushehr-2 would also be important for Russia’s relations with the West. Through that project we will be able to get Washington's attention because we will retain real leverage over Iran. The Iranian factor has lately been at the center of our dialogue with the United States. We cannot afford to squander such an instrument. We are not talking about using Iran as a bargaining chip in our relations with the United States. But strong Russian-Iranian relations enable Russia to pursue a more independent, multi-directional and balanced foreign policy, especially in the Middle East, where Russia has few foreign policy instruments. By retaining its active presence in Iran, Russia will be able to feel more confident while pursuing its national interests in the region and globally.

Also, it is difficult to predict how the situation with Iran will unfold. There are several possible scenarios. One of them is a normalization of Iran’s relations with the West – although that particular scenario does not seem very realistic at this time. The nuclear energy market is very competitive, and there will be a lot of people wishing to play the role Russia is now playing in Iran. Suffice is to say that in recent years, Iran has approached France's Areva at least twice with a proposal to build nuclear power plants on Iranian territory. Russia can lose the Iranian market unless it holds tight to it.

KULAKOV: Let us also not forget that other countries in the Gulf are watching the Bushehr project very closely, and this is not just idle interest. If the project concludes successfully – and there is little doubt about that now, although the deadlines have been postponed several times - these countries' interest in Russian technologies and Russian experience could well translate into tangible new projects. Russia could well land new contracts to build nuclear power plants in the Gulf countries.

NAUMKIN: The paradox of the situation is that on the one hand, the Arab states in the Gulf are extremely wary of Iran’s nuclear energy plans. For example, Kuwait has repeatedly criticized the Bushehr NPP project at various international forums, citing the alleged risk of contamination of the Persian Gulf, on which the economies of all the countries in the region depend, and which is a source of energy for countries across the globe. On the other hand, given that all the Gulf states have now declared their interest in pursuing nuclear energy programs, the success of Russian-Iranian cooperation in this area makes it easier for Russia to promote its products and services in the Gulf. I do not believe that expanding our cooperation with Iran would have any adverse effects on our prospects for nuclear cooperation with the Arab states in the Gulf region or with Turkey. But neither can we rule out that some large countries in the region will offer Russia’s Rosatom nuclear corporation their own contracts as an alternative to Bushehr-2. If that happens, the Russian nuclear industry will have to consider the relative economic merits of these alternative projects.

KOZLOV: Moscow and Tehran have overcome a lot of difficulties on their way towards the completion of the first reactor at Bushehr. They have managed to find
common language in some very difficult circumstances. That experience should facilitate continued cooperation. After the launch of power generation at Bushehr all those difficulties will be in the past, but the working reactor will remain. The growing pains we were facing during the construction of the first reactor are in the past, and we have developed a certain immunity to them. It is safe to say that the technological obstacles on the way towards building a second reactor at Bushehr have been resolved; it is now a matter of a political decision.

A preliminary feasibility study for a second reactor at Bushehr, which looked at the various options but did not look at the cost of the project, the financial issues or the deadlines, was submitted to the Iranian side back in 2002. Russia has repeatedly stated that it would not make sense to build the second reactor using the old shell sitting at the site since the late 1970s. The shell of the second reactor was seriously damaged during the Iran-Iraq war, so the integrity of the reinforced concrete dome may have been compromised. Russia believes the second reactor should be built from scratch, using a purely Russian design.

RYBACHENKOV: The already stated arguments in favor of building another reactor in Iran are quite strong. They include the need to retain Russian influence on our southern neighbor; economic and social benefits of Russian-Iranian nuclear energy cooperation; the experience accumulated during the construction of the first reactor; and the availability of a sufficient pool of Iranian engineering and technical specialists following the completion of the first reactor.

Nevertheless, I believe that in and by themselves, these arguments are not sufficient for Moscow to make a purely political decision on building a second reactor in Iran. For the picture to be complete, we need to take into account the overall situation with the Iranian nuclear program and the decisions made on Iran by the IAEA and the UN Security Council.

These international organizations passed several resolutions in 2006-2010 demanding that Iran suspend uranium enrichment and reprocessing related activity, grant IAEA inspectors access to all its nuclear facilities, and provide the agency with full information to answer the remaining questions which make the international community suspect that these Iranian activities are aimed at acquiring nuclear weapons.

UN Security Council Resolution 1929 of June 2010 notes that in the past five years Iran has not only failed to comply with these demands, but exacerbated the situation by building a uranium enrichment plant near Qom and informing the IAEA about this only in the autumn of 2009. The resolution also states that Iran will be considered to be in full compliance with its commitments under the Nuclear Non-Proliferation Treaty only when it has restored the international community’s confidence in the peaceful nature of its nuclear program.

It is also important that Annex IV to Resolution 1929 reiterates the offer made by the 5+1 Group in 2006 and expanded in June 2008 on helping Iran to build a
modern light-water reactor on the condition that it suspends nuclear enrichment and reprocessing related activity.

I therefore believe that given the current situation, it would be counterproductive for Russia to make a unilateral decision on building a second reactor at Bushehr without waiting for the outcome of the talks in the 5+1 format. Any political or economic dividends from expanding nuclear cooperation with Iran will not be able to compensate for a deterioration of our relations with the leading Western countries that will result from such a decision.

**NAUMKIN**: Clearly, there are many risks linked to the construction of a second reactor at Bushehr. Some of those risks we have already discussed. Let me mention some others. First, if the domestic political struggle in Washington intensifies, Bushehr-2 will be used by our opponents in the West to put additional pressure on President Obama. They will say, "look, the Russians gave the impression of cooperating with the United States, they supported the sanctions against Iran – but they refuse to put any serious pressure on Iran; they continue their cooperation with Iran, thereby giving it access to advanced technologies and making it easier for Tehran to acquire nuclear weapons". Second, in the event of a serious escalation of the situation with Iran, it cannot rule out that military force will be used against that country. That would pose grave risks for the security and safety of the nuclear fuel supplied to Bushehr by Russia; the consequences could be truly catastrophic. There are also other risks - but I absolutely do not believe that those risks outweigh the potential benefits Russia would reap from building a second reactor at Bushehr. Let us not forget that building new reactors at the Bushehr site would not actually be in breach of the sanctions now in effect against Iran.

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1 Bushehr-2 refers to the construction of new reactors at the Bushehr nuclear power plant.