

Putin Should Thank US for Sanctions: Russia and Iran Ink \$2.5 Billion Deal

US sanctions have opened the door to closer economic cooperation between Tehran and Moscow

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Russia and Iran signed a \$2.5 billion deal on Monday to start up a much-needed rail wagon production operation. [The agreement](#) was forged between the Industrial Development and Renovation Organization of Iran (IDRO) and Transmashholding, who is Russia's largest rail equipment supplier. The two sides will set up a new joint venture, which will be 80% owned — although completely funded — by the Russian partner.

Iran is currently in the midst of what could be called an infrastructure building bonanza. Emerging from decades of sanctions which left much of the country's transportation infrastructure descending into proverbial ruins, Iran has embarked upon a near complete rebuild of its highway and rail networks. The country is expected to add on 15,000 kilometers of new rail lines in the next five years alone — a rapid expansion which is going to require 8,000-10,000 new wagons each year.

Reinvigorating the transport sector is a key part of Iran's vision to leverage its geographic position [to become a vibrant hub of trans-Eurasian trade](#), which plugs nicely into China's Belt and Road Initiative and Russia's continued economic activity in the post-Soviet neighborhood. Iran is also a core partner, along with Russia and India, in the emerging [North-South Transport Corridor](#), which seeks to create a multimodal trade route that would cut the lead time between cities on the west coast of India and St. Petersburg in half, and has also worked out its territorial squabbles with Russia over the Caspian Sea.

[Tossed in the same boat by U.S. sanctions](#), this agreement to produce rolling stock for Iran's new railways is the latest in a string of deals that [show Tehran and Moscow's growing partnership](#). Seemingly setting aside a longstanding sentiment of distrust and competition, which resulted from various military fracas throughout the Soviet period, Iran and Russia have recently been [establishing economic and strategic partnerships on many fronts](#), including energy, infrastructure development, and military aid — along with being [on the same side](#) of the Syria crisis. According to the speaker of Iran's parliament, Iran has also [given Russia priority](#) in any industry it wants to invest in.

Trade between Russia and Iran [doubled over the course of 2016](#), with the sale of military equipment — such as MI-17 helicopters and various rocket systems — being some of Iran's [most sought after acquisitions](#). Russian oil and gas companies are also moving into Iran, with Gazprom recently being given the contract to [develop the Farzad B gas field](#). It is estimated that the bilateral annual trade between the nations will soon [spike to over \\$10](#)

[billion](#) — which would be up from a paltry, sanctions-induced \$1.68 billion in 2014.

Beyond the buying and selling of Persian rugs and commercial airplanes, companies from the United States simply cannot get in on the [spoils of a rapidly emerging Iran](#), as the country maintains its sanctions for Tehran's reputed support of terrorism and its human rights record — sanctions which have [recently been intensified](#). The U.S. also holds a large amount of influence over the actions of European firms in Iran, with companies like France's Total, an oil and gas provider, reportedly [needing U.S. approval before entering the market](#). These are moves which leave everything wide open for Russia.

In this era of mass-cross border trade and investment, the way that countries gain leverage and influence over each other is via increased economic activity and joint development projects. In this fray, the imposers of sanctions essentially take themselves right out of the game and leave everything on the table for their rivals to accumulate additional wealth and power. [China knows this](#); Russia knows this. Putin probably owes the U.S. congress a thank you.

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