



Russia-Saudi Arabia Cooperation: Potential and Limitations

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Saudi Arabia and Russia promote contrary approaches to resolving the conflict in Syria as well as differ in their perceptions of Iran's role in the Middle East. This splits in interest limit cooperation in the armaments sector. The new sphere of Russian-Saudi cooperation is energy, especially in the oil market. Russia seeks to use Saudi Arabia as an instrument to undermine U.S. influence in the Middle East.

Political Cooperation. The premise behind the intensified dialogue between Russia and Saudi Arabia was the increase in Russian activity in the Middle East. The growth in regional security challenges have forced closer relations between the two countries. This was compounded by the deterioration of the Saudis' relationship with the U.S. during Barack Obama's presidency. Since then, Russia and Saudi Arabia have declared the fight against international terrorism as a platform for cooperation.

Saudi-Russian relations improved in 2003 with the end of the war in the North Caucasus. Russia had accused the Saudis of financing terrorist organizations in Chechnya, but by then the groups had been marginalized. Saudi Arabia is now regularly visited by Chechen leader Ramzan Kadyrov and politicians from the North Caucasus. They formally oppose Islamic fundamentalism and support the fight against the Islamic State (IS/ISIL/ISIS).

Saudi Defence Minister Muhammad bin Salman Al Saud—appointed in June by King Salman as heir to the throne—declared during his recent meeting with Russian President Vladimir Putin that relations between Saudi Arabia and Russia are the best in history. Stabilization of the global oil market was identified as a key area of cooperation.

Differences of Interest. The successor to the Saudi throne opposes Iranian influence in the Middle East, especially in the Persian Gulf. That is why, despite the declaration of cooperation, the interests of Saudi Arabia and Russia are fundamentally different. The challenge for Saudi Arabia is the Iranian-Russian partnership in the Middle East (including in Syria). The Saudis fear Iran and its partners in Iraq, Lebanon, Syria, Yemen, and Bahrain. To counter Iran's growing presence in the Middle East, Saudi Arabia is using the clear anti-Iranian attitude of the new U.S. administration, as it did during President Donald Trump's visit to the kingdom on 19 May. In early June, shortly after Trump's visit, Saudi Arabia and three other Arab states broke off diplomatic relations with Qatar, accusing it of supporting terrorism and close contacts with Iran. Russia, however, is not interested in isolating Qatar because it would lead to the regional dominance of Saudi Arabia. Instead, it has called on the parties to conduct talks.

Syria is also a point of contention. Russia and Saudi Arabia sit on the International Syria Support Group, which conducts peace talks, but they hold different visions of the solution to the conflict. The Saudis support the Sunni opposition while the Russian government supports the regime of Bashar al-Assad. Saudi Arabia also supports the American military operations in Syria that often conflict with Russian policy.

Economic Cooperation. The potential of Russian-Saudi arms cooperation depends on the settlement of the differences in their Middle East interests. Faced with growing regional threats, the Saudis spend 10.4% of

their GDP on the military, or \$63.7 billion as of 2016. The country buys most of its weapons from the United States and the UK. While the Russians occasionally announce the signing of lucrative contracts to sell arms to Saudi Arabia, none of the deals have been completed.

Information about the sale of \$4 billion worth of Russian arms to Saudi Arabia appeared in 2007 and in 2009 (including 150 tanks, 200 multi-role combat helicopters, 250 infantry vehicles). Saudi Arabia expected the contract would prompt Russia to abandon its armaments cooperation with Iran, which then had promised to buy 40 Russian S-300 anti-aircraft systems. Russia in 2010 refused to hand over the systems to Iran, not because of Saudi Arabia, but because of UN sanctions on the Iranian nuclear programme. Russian-Saudi talks at the time on the purchase of heavy combat equipment ended and the Saudis decided to purchase small assault rifles, worth significantly less. In April 2015, after the agreement limiting the Iranian nuclear programme and easing sanctions on Iran was concluded, Putin approved the sale of the S-300 systems to Iran.

Trade between Russia and Saudi Arabia in 2016 amounted to only \$351 million (for comparison, Saudi Arabia's trade with the U.S. was nearly \$38 billion that year, and with China, \$42 billion). Russia's share of the Saudi trade balance is only 0.2% (2016). Raw materials and agricultural products as well as refining products comprised the most important Russian exports to Saudi Arabia. In June 2015, the Russian Federal Direct Investment Fund and the Saudi Public Investment Fund agreed on investment in infrastructure projects and in the agricultural sector in Russia. However, those have not started up yet.

Energy Cooperation. Saudi Arabia and Russia share the drive to maintain stable, preferably high, oil prices on the world market. Both countries are strongly dependent on revenue from the sale of oil products, making up 97% of Saudi Arabia's income and 57% of Russia's. The drastic fall in oil prices in the second half of 2014 led to a respective 4% and 2.5% decrease in GDP for the two countries in 2015.

What were competitors are now potential partners. In November 2016, they, together with 22 other oil producers, signed an agreement to stabilize the oil market. The deal between OPEC and Russia, which had been in negotiations for 15 years, initially increased the price per barrel to above \$50 (in the first half of 2017). This meant additional revenue to the Russian budget of more than \$12 billion (RUB 719 billion). However, its extension on May 25 by nine months came with a fall in the price per barrel to \$ 46-47 in May. Both the Russians and the Saudis say oil price hikes are limited by the rise in oil production in the U.S.

To further the cooperation, Russian companies have been included in exploration and production of energy resources in Saudi Arabia. In 2004, Lukoil won a tender to assess the value and possibly develop oil reserves in the Rub' al Khali desert.

Luksar Joint Venture was set up to carry out the work (80% of the shares were held by Lukoil and 20% by Saudi Aramco). In 2012, Lukoil began talks with the Saudi government on commercial terms of activity, but in June 2016, in the significantly different market conditions (lower oil prices), the director of the Russian company, Wagit Alekperov, said the venture was estimated to be unprofitable and that Lukoil had left Saudi Arabia.

Perspectives. Russia's Middle East policy priority is to neutralize and further weaken U.S. influence in the region. The development and maintenance of cooperation with both Iran and Saudi Arabia are subordinate to this goal.

However, the U.S.-Saudi rapprochement seen in the first months of Trump's presidency and the recent change of order of succession in the Saudi royal family may prompt Russia to intensify its cooperation with Iran. Another source of tension in Russian-Saudi relations is also likely to be Syria.

The differences in their approach to regional issues are the most important obstacles to closer military cooperation. Large Saudi orders for Russian armaments are unlikely in this situation. This is also because the Saudi military has bought weapons from the U.S. and European contractors for years now.

Russia's and Saudi Arabia's interests in the Middle East should not affect cooperation on stabilization of the oil market. Growing competition from U.S. producers has forced the Saudi-Russian cooperation on energy matters because it enhances revenue and ensures the effectiveness of the OPEC+ agreement. Other areas of potential cooperation between Saudi Arabia and Russia are agriculture and nuclear power. The Saudis also see investment opportunities in Russian chemical and refining industries.