

# Challenge Dialogue: What Links Russia and Saudi Arabia

**Leonid M. Issaev**

Russia's relations with Saudi Arabia throughout its modern history were difficult and ambiguous. The interaction between these countries involves a history of ups and downs, severe conflicts and sharp warmings, which can largely be explained by the constantly changing role and place of each country in the world in general and in the Middle East in particular.

The Soviet Union was the first country to recognize the independence of the Saudi state created by King Abd al-Aziz in 1926. However, this did not prevent the Saudi leadership from breaking diplomatic relations with the Soviet Union 12 years later after the Soviet ambassador Karim Khakimov was recalled to Moscow and shot on charges of espionage as part of the anti-religious campaign that had gained momentum in the country. The dramatic nature of this story is attributed to the fact that only six months after the murder of the Soviet diplomat, huge oil deposits were discovered in Saudi Arabia. However, by that time all the staff of the Soviet diplomatic missions has already left the kingdom.

## **With an eye on Washington**

Relations between Russia and Saudi Arabia weren't restored until 1990. The joint Russian-Saudi communique stressed that both countries sought to develop "friendly relations for the benefit of the people of both states", promoting "the settlement of regional conflicts, the development of international cooperation and the strengthening of peace and international security". Despite this, many disagreements remained between Russia and Saudi Arabia in the 1990s, especially on political issues. One of the most acute, of course, was the situation in the North Caucasus.

The subsequent history of Russian-Saudi relations largely depended on the state of relations between Riyadh and its main geopolitical ally, the United States. After the terrorist attacks in New York on September 11, 2001, the US-Saudi cooperation deteriorated

sharply. The United States claimed that Saudi Arabia had become the “center of evil” in the Middle East and a dangerous opponent of the United States<sup>2</sup>. Under these conditions, it became possible to symbolically improve Russian-Saudi relations.

The next stage of rapprochement between Saudi Arabia and Russia was also connected with the American invasion into Iraq in 2003. Moscow argued against the actions of the United States, and the voice of the Kingdom which refused to participate in the anti-Iraqi coalition, was not conceived by Washington. At the same time, Saudi criticism of Russia’s policy in the North Caucasus was muffled. In January 2004, Saudi Arabia accepted the Chechen leader Akhmad Kadyrov as a legitimate representative of the Chechen people. Moreover, he received a high honor: along with Prince Abdullah he participated in the Washing of the Kaaba<sup>3</sup>. And in 2008, after the conflict in South Ossetia, King Abdullah said that he “understands Russia’s actions”<sup>4</sup>. However, this was not followed by the recognition of the independence of South Ossetia and Abkhazia by the Kingdom.

Thus, it can be said that the 2000s became a period in which both countries sought to bring together, but the fragility of this process was largely provoked by external circumstances, rather than by the internal needs of the two countries. As a result, the remaining disagreements on many issues, the lack of trust and negative images of each other formed over the decades (anti-Russian materials in the Saudi media were published with the same regular consistency as the accusations of the Kingdom by Russian media in its adherence to medieval customs and complicity in world terrorism) led to the fact that the desire

for cooperation was preserved only on paper. Trade between Russia and Saudi Arabia, which by 2009 amounted to only \$ 363.8 million, is the brightest indicator of this<sup>5</sup>.

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In 2008, “Russian Railways” won a tender for the construction of a 520-kilometer railway line worth \$ 800 million, but four months later Saudi Arabia refused to sign the contract. This purely political decision made by the Saudi leadership, on the one hand, demonstrated the real attitude of the Kingdom to the expansion of cooperation with Moscow, and, on the other, coincided with the next period of normalization of relations with Washington. In 2008, when Barack Obama became the US president, Riyadh had high reliance on him. Suffice it to recall his first visit to Saudi Arabia, with which he began his first tour of the Middle East, culminating in his speech at the University of Cairo, where the American president addressed the entire Muslim community with his vision of the American Middle East policy underway. Under these conditions, Russia once again ceased to represent any interest for Saudi Arabia, which predetermined another period of stagnation in the relations between the countries.

#### **Forced partnership and the long-awaited visit**

With King Salman’s coming to power and the strengthening of the position of his son Muhammed who became the second person in the Kingdom in June 2017, Russian-Saudi relations



gradually began to move into more pragmatic cooperation, all the less resembling ideological confrontation. Both Muhammed bin Salman, who said that “the relationship between Saudi Arabia and Russia are experiencing one of the best moments»<sup>6</sup> and the Russian leadership have an interest in developing the potential for better relations between the two countries.

The welfare of the upcoming transfer of the title from King Salman whose legitimacy does not cause doubts among the members of the dynasty, to his son Muhammed who made a dizzying career by the new, not yet established rules, remains the key issue for the Kingdom. In this regard, the Crown Prince still desperately needs foreign-policy victories, which have not yet been achieved in Syria, Yemen, or in confrontation with Qatar, and even in the case of the unsuccessful resignation of Lebanese Prime Minister Saad Hariri. In turn, the agreements with Russia, which after the start of the military operation in Syria has become one of the key players in the Middle East, on the important foreign policy issues for Riyadh which can contribute to this.

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The Saudi leadership did not hide its disappointment with the actions of the Obama administration in the Middle East. In the opinion of the Russian expert Grigory Kosach, “the Arabians have a feeling that they should seek solutions to the Syrian puzzle not so much in

Washington, but rather in Moscow”<sup>7</sup>. The situation is similar in the case of Yemen. In 2018, Riyadh significantly intensified the dialogue with Moscow in search of ways out of the Yemeni crisis. According to the Saudi leadership, Russia could play an important mediating role between the pro-Saudi government of Mansour Hadi and the Sana’a authorities under the control of the Ansar Allah movement.

In turn, Moscow is interested in strengthening the financial and economic component of Russian-Saudi relations. The Russian leadership has repeatedly expressed its dissatisfaction with the fact that most of the agreements affecting economic, as well as military-technical cooperation, remain at the MoU level. In other words, Russian interests were largely determined by internal difficulties caused by the sanctions regime. Under the conditions when Russia lost its key trading partner, the European Union, Moscow was forced to look for an alternative. In this regard, strengthening the position of Muhammed bin Salman who has taken the course of diversifying foreign policy and foreign economic relations, has proved to be very useful.

King Salman’s visit to Moscow was the culmination of the aspirations of the two countries for the next rapprochement, which Russia had been waiting for quite a long time. This was first mentioned in the first half of 2015, when Vladimir Putin, during a telephone conversation, invited the new monarch of Saudi Arabia to visit Russia. Since then, the King has scheduled several more visits, but each time its terms were moved back. In the past six months alone, Salman’s visit dates were reviewed three times: first it was expected in mid-July, immediately after the G-20 summit in Hamburg, then in early August and finally in October 2017.



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Salman's arrival became the first visit of the Saudi monarch to Russia. Faisal has visited Russia when he was still Minister of Foreign Affairs, Abdallah – when he was crown prince, and even Salman visited when he was the emir of Riyadh, but until today the Saudi kings have never been to Russia on an official visit. Vladimir Putin drew attention to this in his welcoming speech, calling this visit “a landmark”<sup>8</sup>.

Speaking about the political component of the Russian-Saudi dialogue, Riyadh may well be satisfied with its current state. Of course, the positions of the two countries on Syria are still diametrically opposed. However, the Syrian problematic recently played a significantly smaller role in the Russian-Saudi dialogue than it was in the early years of the Russian invasion of Syria. Firstly, the Syrian issues have already become secondary for Saudi Arabia, being replaced by the need to resolve the situation with its Arabian neighbors, Yemen and Qatar. In this regard, Russia's neutrality on the Gulf crisis in June 2017 acted as an important component of Russian-Saudi relations.

And, secondly, in view of the fact that Saudi Arabia seems to have resigned to the victory of Bashar al-Assad in the civil war. In view of this, the Russian-Saudi dialogue on Syria for the Saudi leadership has boiled down to looking for opportunities to reduce the Iranian presence in Syria, including through the introduction of a split in the relationship between Tehran and Moscow.

No less eloquent example is Yemen, on which Saudi Arabia still counts not only for loyalty, but also for mediation efforts on the part of Moscow. Since the beginning of the Saudi military operation in Yemen, closely related to Muhammed bin Salman, the Russian leadership has tried to refrain from categorical comments on Yemen, de facto supporting the efforts undertaken by Riyadh. In 2015, Russia abstained in voting on resolution 2217 on Yemen proposed by Jordan, France, Britain and the United States, and in 2017 voted in favor of resolution 2342, essentially repeating the requirements of the previous one and justifying Saudi intervention in Yemen.

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The meeting of Vladimir Putin and King Salman in Moscow only strengthened this trend, so the Russian leadership confirmed its intention not to prevent the Saudis from taking further steps in solving the Yemeni conflict. The fact that the “silent” position of the Russian leadership is still relevant, is clearly demonstrated by two circumstances that took place in the summer of 2018. First, the military operation to seize Hodeida, which the Coalition launched in mid-June 2018, and which only exacerbated the already difficult humanitarian situation in Yemen. And, secondly, the report of the UN group of experts, during which the Coalition countries, among others, were proclaimed responsible for human rights violations and crimes that could be regarded as “military”<sup>9</sup>. However, none of the episodes were awarded the attention of Moscow.



### **Agreements with an uncertain future**

A more or less favorable political situation in the relations between the countries has made it possible to achieve some success in the economic sphere. The main interest of the Russian leadership towards Saudi Arabia was the development of the financial and economic component of cooperation between the two countries, “the level of which does not correspond to the available potential,” as noted in the Russian Foreign Ministry. The level of trade and economic cooperation between the countries, although higher than in the 2000s, still fluctuates around \$ 500 million<sup>10</sup>, which is certainly a meager indicator (for comparison, the analogous figure between Saudi Arabia and the US is more than \$ 70 billion<sup>11</sup>). The Russian leadership has repeatedly expressed its dissatisfaction with the fact that most of the agreements affecting economic, as well as military-technical cooperation, remain at the level of memorandums of understanding.

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In some sense, the visit of King Salman has contributed to a departure from the practice of conclusion of non-committal agreements. Despite the fact that out of the 14 documents signed by Vladimir Putin and King Salman, 9 are non-committal framework agreements<sup>12</sup>, the parties still managed to advance on investment issues and military-technical cooperation which were precisely the areas of cooperation that had been worked out by the parties long enough and substantively.

In the field of investments, the parties agreed on the creation of an Investment Energy Fund in the amount of \$ 1 billion (with the joint participation of the Russian Direct Investment Fund (RDIF), ARAMCO and the Public Investment Fund of the KSA), as well as the High-Tech Investment Fund with a similar capital (with the joint participation of the RDIF and the Public Investment Fund of the KSA). In addition, an agreement on joint investment of \$ 100 million in the “United Transport Concession Holding” which is intended to invest in infrastructure projects, was signed<sup>13</sup>. However, despite the fact that Moscow and Riyadh managed to reach a real agreement in this direction, the amount of the investment is symbolic and demonstrates the reluctance of the Saudis to hurry with the adoption of a strategic decision on this issue.

In addition, at the initiative of the Russian party, a memorandum of understanding was signed between Gazprom and ARAMCO. According to this, the parties will explore the prospects for cooperation along the entire value chain from exploration, production, transportation and storage of gas to LNG projects. These agreements were reinforced during the December visit of Saudi Arabian Minister of Energy, Industry and Mineral Resources Khalid al-Falih to the opening of the Yamal LNG. The parties managed to reach a preliminary agreement on the supply of Russian liquefied gas to Saudi Arabia. It is assumed that the contract for its supply will be concluded between ARAMCO, on the one hand, and “Novatek” and “Rosneft”, on the other<sup>14</sup>.

Two more memorandums were signed in the oil sector. SIBUR, RDIF and ARAMCO signed a memorandum of understanding on possible cooperation in the field of petrochemicals and marketing of



petrochemical products on the territory of the Russian Federation and Saudi Arabia. According to the agreements, the companies will assess the potential of the petrochemical markets in Russia and Saudi Arabia and will consider the possibilities for further cooperation. A similar memorandum was signed between SIBUR, ARAMCO and SABIC Industrial Investment Company<sup>15</sup>.

The caution of the Saudi Kingdom on the development of economic cooperation with Russia was also demonstrated by the meetings of King Salman with the heads of the Russian constituent entities of the federation (the head of Tatarstan Rustam Minnikhanov, the head of Chechnya Ramzan Kadyrov, the head of Ingushetia Yunus-Bek Yevkurov and the head of Bashkiria Rustem Khamitov). The main issues raised during each of these meetings were the attraction of Saudi investments to the region and the development of trade and economic relations between Saudi Arabia and the above-mentioned constituent entities.

However, even here the Saudi party chose not to hurry and proposed to forward these issues to the Russian-Saudi intergovernmental commission for trade, economic, scientific and technical cooperation, as well as to the Russian-Arab Business Council, which can also be seen as a weak interest of the Saudis. By the way, even after the June visit of Muhammad bin Salman to Moscow for the opening of the World Cup in football, the situation in this area has not undergone major changes.

Progress in the field of military-technical cooperation is also still insignificant. Russia and Saudi Arabia have reached only verbal agreements in this area: the parties have previously agreed

on the supply of S-400 surface-to-air missile systems. Also, Riyadh is going to purchase anti-tank missile systems “Kornet-M”, heavy flamethrower systems TOS-1A “Buratino” and grenade launchers from Moscow. In view of the premature announcement made by Saudi Arabia and the Emirates media of agreements on the S-400, the Federal Service for Military-Technical Cooperation of the Russian Federation was forced to confirm this information, also the conclusion of a written agreement on the S-400 has not yet taken place.

The real contract has so far been signed only between Rosoboronexport and the Saudi military industrial company on the licensed production of Kalashnikov AK 103 assault rifles on the territory of the Kingdom. The value of this transaction is symbolic (\$ 3.5 billion)<sup>16</sup>, especially compared to the Saudi-American deal concluded in May this year, which calls for the purchase of weapons worth \$ 110 billion<sup>17</sup>.

Specific terms of the bargain for the delivery of S-400 systems are still unknown; in particular, it remains unclear whether Russia has given consent for the maintenance of systems by Saudi experts, which implies the transfer of technology to the Saudi side. These details will be discussed during the meetings of the Russian-Saudi commission on military-technical cooperation established after the visit. The implementation of this project largely depends on the political dialogue between the countries on the Iranian issue. However, regarding the sale S-400 to Turkey, at this stage Russia is not ready to transfer its technologies.

The fact is that Riyadh is not interested in Russian weapons as such and certainly does not intend to rearm its army. For the



Kingdom, this issue has a more political meaning, which is to prevent the sale of Russian weapons to Iran. In other words, Saudi Arabia is looking for opportunities to buy out Iranian contracts, and that makes this deal unacceptable for Moscow, at least at this stage.

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At the same time, one must understand that further development of investment, economic or military cooperation between the two countries remains questionable and has the same prospects for both further development and termination. In many respects, this will depend on how the dialogue on political issues, in which the Saudi Kingdom is most interested, will move forward.

### **Energetic Breakthrough**

The agreements reached in the framework of OPEC+ to reduce oil production and stabilize prices for black gold can be considered the only exception. Following a series of meetings between Khalid al-Falih and Alexander Novak in the first half of 2018, Saudi Arabia confirmed its support for the Russian idea to increase oil production by OPEC + countries by 1.5 million barrels per day. At the same time, the parties agreed that the increase will be gradual and in a test mode. It will last only the 3rd quarter of 2018, after which OPEC + will decide on adjusting production volumes to larger or smaller amounts.

In addition, Russia and Saudi Arabia have agreed that they will be in favor of a permanent OPEC + treaty. At the same

time, a rigid production quota will not be defined, and the structure itself will be transformed into a forum whose participants can, by common decision, introduce production restrictions with the aim of regulating the market, if necessary.

In addition, Russia and Saudi Arabia have agreed that they will be in favor of an indefinite OPEC + treaty. At the same time, a rigid production quota will not be defined, and the structure itself will be transformed into a forum whose participants can, by common decision, introduce production restrictions with the aim of regulating the market, if necessary.

Work on the establishment of a bilateral Russian-Saudi agreement that would oblige Moscow and Riyadh to cooperate to maintain the balance of the global oil and gas market and invest in the oil and gas infrastructure (both each other and abroad) was launched. It is noteworthy that a great emphasis in the agreement will be placed on interaction precisely in the gas sector, and not only in the oil sector.

In this case, much attention is paid to the development of the project "Arctic LNG-2", to the development of which Russia is trying to attract Saudi investments. Its construction will begin in 2019. The first industrial batch of liquefied gas is expected to be produced in 2022-23, with production capacity of 19 million tons of LNG per year. The volume of necessary investments is estimated at 20 billion US dollars.

The very fact of the Kremlin's decision to involve the Saudis in the implementation of this project demonstrates the growing mutual trust between Moscow and Riyadh.



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The construction of the "Arctic LNG-2" is of strategic importance for Russia and its gas industry. The successful completion of this project guarantees Moscow access to new gas markets (the Indian Ocean, the Persian Gulf), and also ensures the implementation of the Kremlin's plans to increase its share in the international gas market from the current 5.5% to 15-20% by 2035. For this purpose, by 2030, several gas producing and gas-firing plants with a total production capacity of 55 million tons of LNG per year will be built on the Yamal Peninsula. As a result, under the conditions of external sanctions, only those countries that are trusted by Moscow and in whose readiness to bring the project to completion Moscow is sure, are involved in the development of LNG projects in Yamal.

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All this testifies to the existence of serious limits for Russian-Saudi cooperation, which are defined by both the preservation of a fundamental divergence in political issues and the economic ties that have developed over the decades, which are not at all oriented to cooperation with each other. Riyadh's continuing interest in maintaining strategic relations with Washington still remains, that is why Russia is still perceived as a situational partner for the Kingdom. However, the same can be said about the Saudi perception in Moscow. Even seemingly emerging "rapprochement" in relations between the two countries should not be misleading: the interaction between the two countries is devoid of systematic and strategic depth. And the nature of

the relationship between Moscow and Riyadh still has undulating dynamics, where rapid ups are followed by no less severe recessions. This, however, does not exclude the temporary cooperation between Russia and Saudi Arabia based on the achievement of pragmatic interest.





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