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Possibilities of a Strategic Relationship Between Russia and Saudi Arabia

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Possibilities of a Strategic Relationship Between Russia and Saudi Arabia

Russia's foreign policy in the Middle East is a multidimensional endeavour, which calls for something akin to strategic relations to be built with influential regional actors. Pursuing a partnership with Saudi Arabia is a comprehensive task for the Russian Federation.

Saudi Arabia is a leading country in the Cooperation Council for the Arab States of the Gulf (GCC) and, like Russia, it is a serious player on the global oil market. Changes in the region and around the world, as well as the declaration by Saudi Arabia in April 2016 of its socioeconomic transformation in the "Vision for Saudi Arabia until the year 2030" open up new opportunities for the two countries.¹

The Current Status of the Political Dialogue

Since the restoration of Soviet/Russian–Saudi diplomatic relations in 1991, bilateral engagement has been quite unstable. Phases characterized by close contacts gave way to periods of decline during which accusations were thrown around by both sides, specifically in connection with the transformation processes in the Arab world in 2011–2012.² While the positions of Moscow and Riyadh on Egypt and Tunisia coincide, they tend to differ with regard to the processes currently underway in Syria, because the two countries disagree when it comes to Iran's policy. Furthermore, Riyadh supported Qatar and the United Arab Emirates, which contributed to the fall of the Gaddafi regime.

The June 2015 meeting between the President of the Russian Federation Vladimir Putin and Deputy Crown Prince and Minister of Defence of Saudi Arabia Mohammad bin Salman in St. Petersburg (as well as Vladimir Putin's meeting with King Salman of Saudi Arabia in Antalya in November 2015) could have paved the way for overcoming the crisis; however, Russia's military operation in Syria put an end to that. Some Saudi religious scholars called for jihad, accusing Russia of Islamophobia.³ Putin's meeting with Mohammad bin Salman in October 2015 failed to bring positions closer.

Nevertheless, differences in political contacts are limited and do not affect the neutrality of the House of Saud with respect to the Crimean issue and sanctions against Russia, which Saudi Arabia has not joined.

The two countries have similar positions with regard to the resolution of the Middle East conflict, based upon the "two-state solution." Both believe the Geneva Communiqué of June 2012 serves as the foundation for the resolution of the conflict within Syria. Russia had maintained contacts with leading groups of the "moderate" opposition before the Russian Aerospace Forces commenced the operation in Syria. The convergence of Russian and Saudi positions was further promoted by Moscow's decision to abstain from voting on Resolution 2216 on Yemen at the UN Security Council. Despite the disagreements that still remain, Moscow and Riyadh are unanimous in their approach towards stabilizing the situation in Lebanon and Iraq.

The joint fight against terrorism and extremism is one of the key dimensions for bilateral cooperation between Russia and Saudi Arabia.

In February 2005, Moscow supported the Saudi initiative to establish an international counter-terrorism centre under the aegis of the United

¹ Hereinafter: Saudi Vision 2030. 25.04.2016. URL: <http://vision2030.gov.sa/ar/node/125> (in Arabic)

² G. G. Kosach. The Russia–Saudi Arabia Relationship: The Political Aspect. 1990–2015. Moscow: Institute of the Middle East, 2016, pp. 3–103

³ G. G. Kosach. The Right Sector of Syria's Friends. 21.10.2015. URL: http://www.ng.ru/facts/2015-10-21/6_siria.html (in Russian)

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Nations. In 2011, the initiative evolved into the United Nations Center for Counter-Terrorism (UNCCT), which implements the UN Global Counter-Terrorism Strategy with the involvement of Russia. Both countries regard the Islamic State of Iraq and the Levant (IS), the Al-Nusra Front (Jabhat al-Nusra) as well as al-Qaeda as sources of terrorism and regional instability, and a threat to international security.

The Fourth Round of the Ministerial Strategic Dialogue between the Russian Federation and the Cooperation Council for the Arab States of the Gulf that took place in Moscow in May 2016 resulted in a joint declaration that reflected the intention of both sides to continue their collective fight against terrorism by implementing the UN Global Counter-Terrorism Strategy. The participants in the meeting welcomed Vladimir Putin's proposal to form a broad anti-terrorist front based upon the UN Charter that would act in close coordination with the countries of the region. The same position was expressed with regard to the "Islamic coalition" and support for Russia's engagement with the US-led Coalition Coalition to Counter ISIL, which comprises GCC member states.⁴ In his statement at the joint press conference with Russian Foreign Minister Sergey Lavrov, Saudi Minister of Foreign Affairs Adel al-Jubeir said that he and his GCC counterparts regarded Russia as a neighbouring country with which they should coordinate their activities.⁵

The differences between Moscow and Riyadh over the Iranian issue do not prevent the two countries from supporting the transformation of the Persian Gulf, and the Middle East as a whole, into a region free from weapons of mass destruction, while recognizing the right of all of its countries to the peaceful use of nuclear energy.

While Saudi Arabia does not accept Russia's proposal to include Iran in the Persian Gulf Security System (especially after diplomatic relations

between Saudi Arabia and Iran were severed in January 2016), Riyadh believes this initiative may be fleshed out once Tehran begins pursuing a policy of good neighbourliness and non-interference. As long as Saudi Arabia views Iran as a strategic adversary, it will reject the idea of a comprehensive security system in the Persian Gulf.

The Economic and Trade Aspects of Cooperation

In the course of his February 2007 meeting with representatives of the Saudi business community in Riyadh, Vladimir Putin noted that two-way trade was at a "very low" level.⁶ Russia accounted for just 0.2 per cent of Saudi foreign trade at the start of 2016.⁷ Russian export prevails in the overall volume of bilateral trade. Russian investments in the Saudi economy are insignificant, and Saudi Arabia has not invested in the Russian economy at all.

The policy of economic transformation and the establishment of an investment economy that is envisaged in Saudi Vision 2030 could help increase bilateral cooperation.

The priorities of the national programme include creating a defence industry (specifically aviation); developing the mining and processing sectors; infrastructure and civil engineering; nuclear power engineering; improving the financial sector; tourism; culture; sports; and environmental protection. Projects in these areas will be implemented in cooperation with other countries.

Russia has developed a sufficient regulatory framework to be involved in the implementation of Saudi Vision 2030. Back in November 1994, the General Agreement was concluded between the Government of the Russian Federation and the Kingdom of Saudi Arabia, and the agreement on the intergovernmental commission for trade, economic, scientific, and technical cooperation was signed. During President

⁴ Joint Statement of the Fourth Round of the Ministerial Strategic Dialogue between the Russian Federation and the Cooperation Council for the Arab States of the Gulf (GCC). Moscow, 26 May 2016. URL: http://www.mid.ru/web/guest/foreign_policy/news/-/asset_publisher/cKNonkJE02Bw/content/id/2294986 (in Russian)

⁵ Lavrov Welcomes Saudi Arabia's Efforts to Establish a Delegation of the Syrian Opposition. 27.05.2016. URL: <http://m.aawsat.com/home/article/649656/> *فيديو: وزير الخارجية الروسي يرحب بتأسيس وفد المعارضة السورية في الرياض* (in Arabic)

⁶ Statement at a meeting with representatives of the business community of Saudi Arabia. 12.02.2007. URL: <http://kremlin.ru/events/president/transcripts/24037> (in Russian)

⁷ This section uses data and certain provisions from an unpublished work by A. O. Filonik

Putin's February 2007 visit to Riyadh, agreements were signed on energy production and processing, transport infrastructure, space, nuclear power engineering and metallurgy. The legal framework for cooperation was supplemented by new agreements reached in St. Petersburg: the agreement on the peaceful use of nuclear energy, and three memorandums – on joint intentions in space, on joint intentions in construction, and on the procedure for increasing the effectiveness of the joint commission for military and technical cooperation. The two countries also approved cooperation programmes in power engineering and investment.⁸

The Russian business community – state companies, major corporations, small and medium-sized business – have experience in cooperating with Saudi Arabia, including in the oil sector.

Despite the fact that the energy crisis encourages competition between the two countries, Russia and Saudi Arabia remain capable of consulting with each other on the production and sale of hydrocarbons.

Since 2000, Russian launch vehicles have put 14 Saudi communications and ERS satellites into orbit. Roscosmos and King Abdulaziz City for Science and Technology (KACST) are working on draft agreements on space exploration and the use of the GLONASS system.

Russia's LUKOIL and Sroytransgaz operate in the Saudi market. LUKOIL had a contract for the exploration and development of an oil field within the framework of LUKSAR,⁹ a joint venture with Saudi Arabia Energy Ltd., while Sroytransgaz has established a consortium with Saudi Oger and is involved in the construction of a water transport system for southwestern provinces of the Kingdom.¹⁰ The terms of the agreement enable Sroytransgaz to be involved in the implementation of projects in third countries, including the Middle

East and Africa. This also applies to the project to build a bridge across the Red Sea and develop Sinai, which is currently a matter of negotiations between the Russian company and Saudi stakeholders.

Drawing on its experience of military and technical cooperation with Kuwait (in the early 2000s) and the United Arab Emirates, Moscow has sought to establish similar contacts with Saudi Arabia. However, following his visit to Riyadh, the President of the Russian Federation said that it was a sensitive matter, and that comments would be made as soon as specific contracts were signed.¹¹ To date, no contracts have been signed, however, despite efforts to explore possibilities for supplying Iskander ballistic missile systems and S-400 guided missile systems to Riyadh. Russia's position on Syria and the military collaboration between Russia and Iran were the reasons why the House of Saud refused to endorse the agreements. King Salman's visit to Washington in September 2015, followed by Prince Mohammad bin Salman's visit there in June 2016, made it clear that Riyadh gravitates more towards the United States when it comes to military, technical and high-tech cooperation.

This does not mean, though, that Russia has no future in this area.

There are obvious trends towards the diversification of Saudi Arabia's military and technical connections, whereas the focus of Saudi Vision 2030 on the establishment of the defence industry calls for the openness of the Saudi market (which is evidenced by contracts with Ukraine¹²) to foreign investments, including the production of components for military aircraft.

A further deepening of military and technical contacts between Russia and the GCC member states will encourage the House of Saud to seek closer ties with Moscow.

⁸ Six Agreements Crown the Visit of the Deputy Crown Prince to Russia. 19.06.2015. URL: <http://aawsat.com/home/article/387151/6-قراري-چوتتستايقيافتا-6> (in Arabic)

⁹ The company declared its exit from the Saudi market on June 16, 2016, while remaining partners with Saudi Aramco in order to coordinate activities within the framework of foreign projects. LUKOIL Announces Intention to Leave Saudi Arabia. 19.06.2016. URL: <http://www.rbc.ru/rbcfreenews/5762802a9a794724eff78999?from=newsfeed> (in Russian)

¹⁰ Sroytransgaz and Saudi Oger Ink Deal to Set Up Consortium. 13.03.2003. URL: <http://www.oilcapital.ru/industry/76877.html> (in Russian)

¹¹ Q&A Session with Russian Journalist Following Visit to the Middle East. 13.02.2007. URL: <http://www.kremlin.ru/transcripts/24041> (in Russian)

¹² Saudi Arabia to Build Planes with Ukraine's Antonov. 07.05.2015. URL: <http://www.reuters.com/article/us-saudi-ukraine-airplane-idUSKBN0N51J320150507>

The Cooperation Council for the Arab States of the Gulf can help Russian business play a more prominent role in the implementation of major infrastructure projects. The declared plans to unite GCC power grids, alongside the project to build railways connecting the member states should be regarded as an option for Russia to expand its economic presence in Saudi Arabia. Another focus of the Saudi Vision 2030 programme – on the promotion of nuclear power engineering with subsequent electricity supplies to the rest of the GCC members – is an opportunity for Russia to further its economic engagement with the Arab countries. A contract with a GCC member state can serve as a springboard for Russia to approach the Saudi market.

In cooperation with Riyadh, Moscow must pay close attention to those sections of the Vision 2030 that pertain to environmental protection. Russia owns critical resources – land and water. Russian companies can be involved in the export and production of farm products, making use of Saudi investments in Russia. The Kingdom imports grain, cattle, sheep and goats, and dairy products. This will enable Saudi Arabia to save water resources. One example of this cooperation is SAHO-MENA, a joint venture established in 2012 by Siberian Agrarian Holding Group (Novosibirsk) and Saudi Najd Investments Ltd. (Dubai), which specialized in supplies of Russian grain.¹³

The crisis of 2008–2009 drew additional attention to the Islamic banking sector, which showed resilience to the fluctuations in financial markets. Given Saudi Arabia's role in the sector and its ability to channel substantial capital into banks, as well as the significant proportion of the Muslim population, Moscow can seek closer contacts with Riyadh in this area as well, the more so because the Islamic Development Bank, which is part of the Organisation of Islamic Cooperation (OIC) and has operations in the republics of Tatarstan and Bashkortostan, is interested in deepening its collaboration with Russia.¹⁴

The main reason why Islamic banks are attractive to Russia is that they invest in infrastructure, rather than stock market trading. The absence of regulatory acts allowing the incorporation of Sharia provisions in the financial sector and regulation of the securities market slows progress in this area, though.

The Russian–Saudi Business Council established in May 2005 is designed to expand cooperation between small and medium-sized businesses in the two countries. This work is facilitated by the “Russia–Islamic World” business forum, which includes OIC countries. One of the priorities for business cooperation is the organization of road shows for Russian companies and regions, including Russia's “Muslim” republics, in Saudi Arabia, and of Saudi exhibitions and investment and business forums in Russia. The Council of Saudi Chambers (CSC) emphasizes the importance of overcoming differences and ensuring productive economic engagement.¹⁵

The liberalization of the investment market in the Kingdom resulted in amendments to the status of foreign small and medium-sized business. Saudi Arabia cancelled the requirements that a newly established company must be headed by a Saudi citizen, and that Saudi capital must account for at least 51 per cent of the entire share capital. The Saudi side facilitates access for entrepreneurs to finance by providing assistance securing loans for manufacturing projects for a 15-year term at a rate of 1 per cent.¹⁶ However, Russian business is poorly represented in the Saudi market, and there are no Saudi businesses in Russia.

Nevertheless, there are two examples of Russian business adapting successfully to the terms applicable in Saudi Arabia: ECOS has won a tender for the integrated reconstruction of treatment facilities in Riyadh, while Kaspersky Lab entered the Saudi market via the markets of the

¹³ SAHO to supply Siberian Grain to the Middle East. 14.12.2012. URL: <http://sib.fm/news/2012/12/14/sakho-budet-postavljat-sibirskoe-zerno-na-blizhnij-vostok> (in Russian)

¹⁴ Relying on the Islamic Bank 16.06.2015. URL: <http://islam-today.ru/obsestvo/islamskie-finansy/s-nadezdoj-na-islamskij-bank> (in Russian)

¹⁵ Riyadh and Moscow: Noticeable Economic Convergence. 24.11.2015. URL: http://www.aleqt.com/2015/11/24/article_1008984.html (in Arabic)

¹⁶ Doing Business in Saudi Arabia. L: HLB International, 2012. P. 7–14. URL: https://issuu.com/enterpriseuropenetwork-spbu/docs/saudi_arabia_-_saudi_arabia2012?layout=http://skin.issuu.com/v/light/layout.xml&e=1793686/1554203

United Arab Emirates and Qatar. Both examples prove that Russia–Saudi cooperation can be successful when based upon smaller companies associated with innovation and start-up projects.

Cultural and Humanitarian Aspects of Cooperation

Inter-parliamentary cooperation is one of the areas of engagement between Russia and Saudi Arabia. The State Duma of the Russian Federation has a group focusing on contacts with the parliaments of the Kingdom of Saudi Arabia and the Kingdom of Bahrain. The Council of the Federation Committee on Foreign Affairs promotes contacts with the Committee on Foreign Affairs of the Consultative Assembly of Saudi Arabia, in which there is a commission responsible for building relations with the legislative authorities of the post-Soviet European states, including Russia.

The relationship between Russia and Saudi Arabia envisages the development of contacts with the OIC. Since 2006, the Russia–Islamic World Strategic Vision Group has pursued inter-civilizational and inter-religious dialogue as one of the dimensions of Saudi and Russian foreign policy. In October 2008, the Group convened in Jeddah. After Vladimir Putin decided to resume the activity of the Group, a meeting was held in Moscow in June 2015, which focused on the role of Islam in fight against terrorism.

The factor of Islam presented by the Russia Mufties Council and other religious offices is an important component of the development of Russia–Saudi Arabia relations.

However, in the context of bilateral relations between the two countries, the role of Islam appears to be ambivalent, because the cross-border nature of the confession is regarded as a channel through which “extremist” views and practices can be spread. The capacity of Muslim religious offices further narrowed in the wake of the Arab Spring, when IS and the Al-Nusra Front were perceived as a consequence of the House

of Saud’s policy. The Russian administration put forward the idea of recreating a domestic Muslim school and reinstalling a system of religious education, while limiting contacts between Russian citizens and their Saudi (and foreign) coreligionists.¹⁷

The evolution of culture, education, and inter-university contacts as a field for mutual cooperation was restrained by the Saudi policy aimed at preserving the “traditional” lifestyle of its society. During the “Islamic Renaissance” period in Russia back in the 1990s, which saw the establishment of Muslim educational institutions, Saudi Arabia became an appealing destination for Russian Muslim students. The number of Russian students in that country subsequently decreased, though, which was in line with Russia’s policy to limit the possibilities for receiving education at foreign Islamic centres and instead encourage training in Russia. Despite the high degree of educational mobility of Saudi students, there are very few of them in Russia.¹⁸

Saudi Vision 2030 has the potential to change the situation, though. It proposes a course to establish a contemporary system of education in conjunction with the world’s leading universities and aims to increase the number of students trained abroad. It involves the transformation of Saudi educational institutions into a “source of knowledge” for citizens of the Arab and Muslim world. Russian universities may become attractive to Saudi students. However, the requirement for Saudi students to study “Islamic sciences” that is incorporated in the Kingdom’s education system and which has not been cancelled by Saudi Vision 2030 will narrow the presence of Russian students at Saudi universities (even those seeking to perfect their Arabic) to Muslims.

In the context of diversifying foreign political and economic ties, Saudi Arabia is growing increasingly interested in having its specialists study foreign languages, including Russian. The Russian language has been taught at King Saud University in Riyadh since 2006.

¹⁷ Moscow Jameh Mosque Opens after Reconstruction. 23.09.2015. URL: <http://www.kremlin.ru/events/president/news/50351> (in Russian)

¹⁸ A. R. Arefyev, F. E. Sheregi. Foreign Students at Russian universities. Ministry of Education and Science of the Russian Federation. Moscow: Centre for Sociological Studies, 2014. P. 72. URL: <http://www.socioprognoz.ru/files/File/2014/full.pdf>

The first steps have been made in cooperation in culture and media. It was only in the course of Vladimir Putin's visit to Riyadh that an agreement was reached which paves the way for cooperation between news agencies of the two countries. This enabled Russia to open offices of RIA Novosti and the Arab version of Russia Today in Riyadh. People in Saudi Arabia know nothing about Russian artists; however, the initiatives to open numerous cultural centres, develop museums and promote sports envisaged in Saudi Vision 2030 could change the situation for the better. At the same time, the focus on the preservation of the Arab–Muslim identity of the Kingdom will inevitably limit contacts to Muslim cultural figures and the heritage of Muslim peoples in Russia.

The initiatives of the Saudi Vision 2030 programme on the conservation of Saudi monuments of pre-Islamic and Islamic culture and openness to the world are associated primarily with the development of the tourist industry. Saudi Arabia seeks to attract foreign tourists, whereas the Saudi people are interested in experiencing new countries. In this context, there are good prospects for the engagement between Russia and Saudi Arabia in tourism and travel.

Conclusions

Russia and Saudi Arabia have never enjoyed a strategic relationship. And ties between the two countries are far from being sustainable or multilateral. The development of mutual ties is affected by the track record of relations, in which each country's views on certain specific aspects of its partner's general course plays an

important role. The lack of trust complicates joint activities aimed at addressing regional issues. Despite the complex nature of the relationship between Saudi Arabia and the United States, Russia views Saudi Arabia as the "reserve" of the West. The Saudis interpret Russia's activities as a manifestation of Islamophobia.

Russia's presence in the Middle East is a reality that Riyadh needs to reckon with. Currently, this presence is associated with Russia's allied relations with Iran and the incumbent Syrian government. Riyadh considers both countries to be its adversaries and perceives Syria as an area of political conflict with Moscow. The impact of this conflict on other segments of the bilateral relationship is obvious. Nevertheless, judging by the experience of Saudi–China ties, these discrepancies, however deep they may be, should not become obstacles to mutually beneficial bilateral contacts. And both sides are genuinely interested in this.

The willingness of the Saudi business community to intensify contacts with Russia stems from Riyadh's official policy of diversifying its foreign economic ties. For its part, Russia has found itself in economic isolation and seeks new areas for developing contacts. Although the mutual interest in rapprochement is rather far from being a reality and differences reduce the effectiveness of the agreements that have already been achieved, the potential for convergence has not yet been exhausted, and there are still significant possibilities for exploiting it. Steps to reach compromise situations can facilitate the appearance of prerequisites for establishing strategic relations between the two countries.

RECOMMENDATIONS

- It is imperative that obstacles to establishing mutually beneficial connections – namely, political differences – be removed. This applies to the internal Syrian conflict, which requires increased coordination on the part of Russia with Riyadh (and the GCC) in the fight against IS and the restoration of contacts with “moderate” groups of the Syrian opposition. The refusal to classify some of the members of the High Negotiation Committee backed by Riyadh as “terrorists” does not contradict the support for those “moderate” groups that are included in the “Moscow list” or the “Cairo platform.” As part of the policy to preserve Syria’s statehood, Russia should take the interests of Saudi Arabia into account, while focusing on the positions that coincide (both countries acknowledge the importance of achieving national reconciliation) and facilitate political transit.
- Moscow should regard relations with Iran as a factor to ensure stability in the Middle East and the Persian Gulf. Maintaining the status quo, condemning acts designed to incite anti-state activity among religious minorities in the GCC member states, and the interference of the Army of the Guardians of the Islamic Revolution and associated paramilitary troops in Syria, Iraq and Yemen – all this will help reduce Saudi concerns over “Russia’s support” for Iran. The Joint Statement of the Fourth Round of the Ministerial Strategic Dialogue between the Russian Federation and the Cooperation Council for the Arab States of the Gulf confirmed Moscow’s intention to move in this direction.
- The Russian Islamic community is a crucial factor for deepening contacts between Russia and Saudi Arabia. This is due to not only Saudi Arabia’s interest in supporting direct contacts with that Russian community, but also to its ability to demonstrate to Riyadh the uniqueness of the experience of interethnic and inter-faith cooperation and tolerance in Russia. The accession to the Organisation of Islamic Cooperation has enabled Russian Islam to become not only a bridge between Russia and the world of Islam, but also an example of resolving fundamental problems in the world today. The objective of the Russian administration is to draw a line between the fight against extremism, on the one hand, and support for comprehensive ties between Russian Muslims and their coreligionists, on the other. The vagueness of this line is what causes Russia to be accused of Islamophobia.
- The diversification and liberalization of Saudi Arabia’s foreign economic ties can help bring bilateral economic relations to a higher level. However, in order to secure positions on the Saudi market, Russia will need ingenuity and the ability to offer competitive products and services in various areas, such as space, nuclear power engineering, agriculture, etc. Another promising area for cooperation is the provision of Russia’s services to facilitate the establishment of the Saudi defence sector, including on the basis of cooperation with other contracting parties. The two countries should only join efforts on the basis of the terms and conditions stipulated by specific agreements and contracts. Small and medium-sized business should be included as well, for it is this segment that has the most potential in terms of high technologies and innovation start-ups. This is equally true for the development of relations in culture, education, sport and tourism.



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