

## SAUDI-RUSSIAN RELATIONS SINCE THE ABDULLAH-PUTIN SUMMIT

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In February 2007, then Russian President Vladimir Putin visited Saudi Arabia, the very first visit by a top Russian leader to the kingdom. The Russian press expressed confidence that Saudi-Russian cooperation was about to increase dramatically. However, similar Russian hopes for Putin's visits to other countries in the Middle East and elsewhere in the developing world have remained largely unfulfilled. Saudi-Russian cooperation, though, actually did increase after Putin's 2007 trip to Riyadh. With Riyadh signaling strong support for Russian policy in Chechnya, giving its assent to Russian accession to the World Trade Organization (WTO) and signing a military-technical cooperation agreement with Moscow in July 2008, the Kremlin has reason to be pleased. Moscow is disappointed, however, that there have not been more Saudi contracts with Russian businesses. Tension between Moscow and Riyadh over Russia's relations with Iran is also apparent, in part due to the dramatic fall in the price of oil since mid-2008. More fundamentally, Saudi and Russian leaders appear to have different expectations of improved Moscow-Riyadh ties. This could well serve to limit their willingness to cooperate.

A number of high-level Saudi-Russian meetings have taken place since Putin's February 2007 visit to Riyadh. Saudi Arabia's National Security Council secretary, Prince Bandar Bin Sultan (who had been Saudi ambassador to the United States for many years), visited Moscow in July-August 2007 and met with Putin, among others. The Moscow-appointed Chechen leader, Ramzan Kadyrov, visited Mecca in March 2007, August 2007 (when he met with King Abdullah), and December 2008. Crown Prince Sultan met with Putin in Moscow in November 2007, as did Saudi Foreign Minister Prince Saud Al Faisal in February 2008. Russian Finance Minister Alexei Kudrin, as well as a deputy prime minister — visited Riyadh in June 2008 and concluded Saudi-Russian trade talks, with Riyadh giving its approval at that time for Russian accession to the WTO. In July 2008, Prince Bandar visited Moscow again, where he met both Putin and Russian President Dimitry Medvedev and signed the Saudi-Russian military-technical cooperation agreement. Prince Bandar and Putin also met in Astrakhan in September 2008. Finally, in December 2008, at the OPEC Conclave in Algeria, Russian

Deputy Prime Minister Igor Sechin, one of Putin's closest associates, met with Saudi Petroleum Minister Ali al-Naimi.

Yet, while frequent high-level bilateral meetings may indicate a mutual desire for improved relations, they do not necessarily achieve this result. This article will discuss the Moscow-Riyadh interaction since the February 2007 Putin visit to Riyadh with regard to several issues of importance to both: Chechnya and the Caucasus, Saudi-Russian business deals, Iran, the impact of the recent oil-price decline, and what might be called religious reciprocity.

#### **CHECHNYA AND THE CAUCASUS**

The improvement in Saudi-Russian relations has certainly yielded dividends for Moscow with regard to Chechnya. For several years, through the end of 2002, Russian officials and media frequently complained (perhaps with some degree of justification) that the Saudis were providing aid to Chechen rebels.<sup>1</sup> When Saudi-Russian relations first began to improve in 2003, though, Chechnya ceased to be a point of contention between Moscow and Riyadh. With the August 2007 visit of Kadyrov to Mecca, however, the Saudis moved well beyond not opposing Russian policy in Chechnya to signaling strong support for it.

During his August 2007 visit to Mecca, Kadyrov joined King Abdullah in the ceremony of the washing of the holy Kaaba, an event that was broadcast live on Saudi television. Kadyrov was reportedly "the first Russian citizen accorded the honor of participating in the ritual of the washing of the Kaaba, . . . which takes place twice a year."<sup>2</sup> Putin, for his part, expressed his gratitude for the Saudi king's reception of Kadyrov.<sup>3</sup> And well he should have. King Abdullah has effectively rec-

ognized Kadyrov as a legitimate Muslim ruler and expressed his government's approval for Chechnya's remaining part of Russia. Moscow could hardly have hoped for more from the Saudis on the sensitive Chechen issue.

Further, while many Western and other governments strongly criticized Moscow for its August 2008 invasion of Georgia and recognition of Abkhaz and South Ossetian independence, the Russian press agency ITAR-TASS noted gratefully Prince Bandar's reassurance during his September 2008 meeting with Putin that the Saudi government "perceived with understanding the logic of Russia's actions during the recent crisis."<sup>4</sup> The Russian side also expressed gratitude toward Saudi Arabia for hosting in October 2008 the fourth meeting of the "Group of the Strategic Vision 'Russia-Islamic World.'"<sup>5</sup> This move showed Saudi support for Moscow's effort to portray Russia as a country friendly to Muslims both at home and abroad.

A dissonant note, though, emerged in December 2008, when the president of Dagestan (a predominantly Muslim republic neighboring Chechnya in the Russian North Caucasus) claimed that the Saudi, Turkish and Jordanian intelligence services were partly responsible for increased violence in Dagestan.<sup>6</sup> This statement is reminiscent of Moscow's tendency before and just after 9/11 to blame unrest in the North Caucasus on Saudi Arabia and other Muslim governments.

#### **BUSINESS DEALS**

Moscow had hoped that improved relations with Riyadh would also lead to lucrative contracts for Russian firms. While Saudi-Russian trade since 2005 has increased greatly over previous levels, total turnover was still less than \$1 billion

in 2007.<sup>7</sup> Before Putin's February 2007 visit to Riyadh, the Saudis had awarded a contract to Lukoil to develop a natural-gas field in the Rub al-Khali.<sup>8</sup> (Riyadh's giving this contract to Lukoil appears to have been connected with the kingdom's inability to agree on terms with the Western multinational petroleum corporations it had originally invited to develop Saudi gas fields.) Stroitransgaz had also set up a joint venture with Saudi Oger to bid on construction projects in the kingdom.<sup>9</sup> While in Riyadh, Putin himself expressed his hopes for expanded Saudi-Russian cooperation in the petroleum sphere as well as for the initiation of cooperation in metallurgy, atomic energy, high technology and transport.<sup>10</sup> Discussions about Saudi arms purchases from Russia also reportedly began at this time.<sup>11</sup>

But since February 2007, relatively few large-scale Saudi-Russian business deals have been agreed to. In March 2007, Stroitransgaz did sign a contract to build a 217 km oil pipeline for Saudi Aramco. This deal, however, was reportedly only in the \$100 million range.<sup>12</sup> Russian Railways (RZD) obtained an \$800 million contract in January 2008 to build a 520 km rail line inside the kingdom, but Riyadh canceled it four months later.<sup>13</sup>

The conclusion of Saudi-Russian bilateral trade and WTO negotiations in June 2008 and the signing of the Saudi-Russian military-technical cooperation agreement in July 2008 gave rise to renewed Russian hopes for more contracts. The Russian press has speculated in detail about the sort of weaponry Riyadh might buy from Moscow. In mid-July 2008, for example, AVN reported that "active talks" were being held for the Saudis to buy 150 T-90S tanks; over 100 Mi-35, Mi-17 and Mi-28NE

helicopters; Buk-M2E medium-range air-defense systems; and several hundred BMP-3 armored personnel carriers.<sup>14</sup> During Prince Bandar's September 2008 visit to Russia, he also met with officials from the Russian Federal Service for Defense Cooperation and from Rosoboronexport (the Russian weapons exporter).<sup>15</sup> It does not appear, however, that any of these plans have come to fruition. Nor does it appear that any further agreements have been reached in the energy sector. After his December 2008 meeting with the Saudi petroleum minister calling for increased economic cooperation, Russian Deputy Prime Minister Sechin made reference only to the ongoing projects of Lukoil and Stroitransgaz in the kingdom, not to any new projects or agreements.<sup>16</sup>

## IRAN

Russian press commentary suggests that Russian-Iranian relations might be an important obstacle to the signing of additional Russian-Saudi contracts as well as to fulfillment of existing ones (like RTZ's to build a rail line inside the kingdom), even if they are signed. According to *Kommer-sant*, when Saudi Foreign Minister Prince Saud Al Faisal met with Putin in Moscow in February 2008,

the prince conveyed a personal message of King Abdullah, where Riyadh expressed its concerns over Iran's growing impact in the Middle East. The authorities of the Kingdom suggested that Moscow should scale down its cooperation with Tehran. In exchange, Saudi Arabia offered beneficial contracts. Actually it was suggested that Russia should let down its key partner in the Middle East.<sup>17</sup>

Prince Bandar reportedly reiterated these offers during his July 2008 visit to Moscow.<sup>18</sup>

Putin's office hotly denied that any such offer was even made. According to Putin's spokesman, Dmitry Peskov, "Any allegations to the effect that Russia's relations with Saudi Arabia as regards military technological

cooperation may in any way be linked to the Russian-Iranian dialogue are out of place and untrue."<sup>19</sup> This criticism was ostensibly aimed at the Russian press. Peskov's

message, though, may have actually been meant as a signal to Riyadh that Moscow has no intention of giving up the sale of arms, nuclear know-how or anything else to Iran in order to obtain contracts from Riyadh.

Is Riyadh actually linking lucrative Saudi contracts for Russian firms with Moscow's distancing itself from Tehran? The Saudis do not appear to be saying so, publicly. However, despite Peskov's denials, Russian media reports that the Saudis are doing this privately could be accurate. A case can certainly be made to explain why Riyadh would not only link increased Saudi purchases from Russia to Russian agreement to reduce its arms sales and nuclear cooperation with Tehran, but also why Riyadh might think it could do this successfully. From Riyadh's perspective, a nuclear-armed Iran might seem as much a threat to Russian as to Saudi interests. But if Russian foreign policy is strongly motivated by commercial concerns — an im-

pression that Putin himself may well have fostered by bringing a large delegation of Russian businessmen with him to the kingdom in February 2007 — reducing Russian military-related sales to Iran ought to be accomplished through replacing them with equal or greater such sales to Saudi Arabia.

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On the other hand, a case can be made for why Moscow might think that the Saudis will buy arms and other high-cost items from Russia despite continuing close ties between Moscow and Tehran. Moscow might see four possible incentives for Riyadh to do so: (1) Saudi frustration over not being able to buy whatever weaponry Riyadh wants from the United States due to the strength of the pro-Israeli lobby; (2) the Saudi desire to be seen as a more independent foreign-policy actor through diversifying arms purchases; (3) a Saudi calculation (strongly encouraged by Moscow) that continued good Russian-Iranian relations may prove useful in moderating Iranian behavior; and (4) Saudi fear (again, encouraged by Moscow) that, if Riyadh does not make sizable purchases from Moscow, the Kremlin will do even more for Tehran than it has been.

Moscow may hope that one or more of these motives will prevail in Riyadh, and that Saudi-Russian military, as well as

economic, cooperation will greatly expand while the current level of Russian-Iranian cooperation continues. However, Russian press commentary about how Riyadh is linking its agreement to lucrative contracts with Moscow to the modification of Russian behavior toward Iran—and the fact that Putin’s office found it necessary to deny these reports—indicates that Moscow suspects, or even knows, that this is indeed the Saudi position. If so, the critical question for Moscow is whether the Saudis will strictly adhere to it or back down.

Russia’s relations with Libya may be indicative. As mentioned earlier, Russian Railways obtained an \$800 million contract in January 2008 to build a 520 km rail line inside the kingdom, but Riyadh canceled it in May 2008. At the time, Russian Railways President Vladimir Yakunin claimed that the cancellation was due “to a problem of international relations.”<sup>20</sup> *Kommersant*, citing diplomatic sources, later reported that the contract’s cancellation “was Russian Railways’ getting a contract in Libya, which Saudi Arabia has complicated relations with.”<sup>21</sup> During Putin’s mid-April 2008 visit to Libya, Russian Railways did indeed sign a contract to build a 554 km rail line between Benghazi and Sirte worth over two billion euros.<sup>22</sup> The Saudi embassy in Moscow, though, denied that the Saudi contract with Russian Railways had been canceled for “political motives,” but only because Riyadh had “made changes in a number of conditions regarding the project.”<sup>23</sup> Far from reassuring Moscow that a new contract would be awarded to Russian Railways, however, the Saudi embassy merely noted that “RZD is equally entitled, like any other bidder, to participate in a new tender.”<sup>24</sup>

Even more indicative that Riyadh is determined to bring about a Russian

disengagement from the Iranian nuclear program was a December 2008 report in *Intelligence Online* that stated,

To delay work on the Iranian nuclear power station at Bushehr, Saudi Arabia is handing out generous payments to Russian experts working on the facility who agree to quit and go home. The operation is being overseen by Prince Bandar.<sup>25</sup>

It is not clear whether this astounding report is accurate. If it is, it would signal that Riyadh sees itself as having the whip hand in the Saudi-Russian relationship. Recent Saudi behavior regarding the oil market also suggests that Riyadh sees itself as being able to alter Russian behavior.

### OIL PRICE DECLINE

As is well known, OPEC has often sought to bolster the price of oil through limiting or even cutting back oil production. As the organization’s, and usually the world’s, biggest oil producer, Saudi Arabia usually has to bear most of the burden of these limitations on production. The Saudis, along with other OPEC producers, have sought to persuade Russia (and other major non-OPEC producers) to cut back on their own production, when OPEC does so. Saudi Arabia and other OPEC members do not think Russia should enjoy a “free ride,” continuing to produce at high levels while benefiting from the higher oil price that OPEC’s self-imposed production limits help bring about. Moscow, for its part, has steadily refused to join OPEC and has usually indicated that it will not limit Russian oil production at OPEC’s behest.

This difference between Saudi Arabia and OPEC, on the one hand, and Russia,

on the other, however, has mainly been a source of contention in a low-oil-price environment, such as existed during the first two years of Putin's presidency (2000).<sup>26</sup> Most of the Putin years, though, have been a period of rising oil prices. In such an environment, OPEC has usually not sought to cut back production; therefore, the issue of how much oil Russia and other major non-OPEC countries produce has receded in importance.

Since mid-2008, however, the price of oil has dropped dramatically. Saudi Arabia and OPEC have once more responded by trying to stabilize prices through reducing oil output. And once again, the reluctance of Russia (as well as other non-OPEC producers) to reduce their oil output has created tension between Moscow and Riyadh, in particular.

In October 2008, OPEC Secretary General Abdalla Salem el-Badri went to Moscow and met with President Medvedev. On that occasion, Medvedev reportedly told el-Badri that "Russia was interested in closer ties with the cartel, but he stopped short of promising any reduction in Russian oil output, on which the government depends for tax revenue."<sup>27</sup> But in December 2008, Medvedev appeared to change his position. OPEC declared its intent to respond to the continuing fall in oil prices by cutting production by two million barrels per day, calling upon Russia and Azerbaijan each to cut their own production by 300,000 b/d. According to *The Daily Telegraph*,

The Kremlin has come under pressure from Saudi Arabia, which has grown irritated by the way Russia has benefited from OPEC cuts without making sacrifices....Saudi officials have told the Kremlin that unless Russia joins

in supply cuts this time, OPEC would not announce significant reductions, raising fears in Moscow that oil could fall as low as \$25.<sup>28</sup>

In response, Medvedev "hinted" that Russia might join OPEC,<sup>29</sup> and both Russia and Azerbaijan announced that they "were ready" to cut back production by 300,000 b/d.<sup>30</sup>

It remains to be seen by how much and for how long Russian oil production will be cut back, but Moscow's mere announcement that it will do so may contribute to the oil-price stabilization that Saudi Arabia and OPEC seek. Still, to the extent that Russia does collaborate with Saudi Arabia and OPEC to cut back oil output, this cooperation is grudging on Moscow's part and likely to be highly resented. And if Moscow says it will cut back oil production, but does not do so by very much or for very long, this will cause resentment in Riyadh. The inherent tension in Saudi-Russian relations over oil-production issues may not be one that can be resolved by cooperation, but only relieved through a strong, sustained rebound in the price of oil.

### RELIGIOUS RECIPROCITY

At present, Moscow has only four mosques to serve more than two million Muslims living there. In November 2008, it was announced that Saudi King Abdullah was willing to support the construction of another mosque and an Islamic cultural center there. In response, though, the leaders of three Russian Orthodox groups (but not the Russian Orthodox Church itself) published an open letter to the Saudi King calling for another mosque to be opened in Moscow only after a Russian Orthodox church is first opened in Mecca! They also called for Christians to be allowed

to visit the Muslim holy cities of Mecca and Medina as well as to wear crosses in Saudi Arabia, and for courses on Christianity (especially Russian Orthodoxy) to be taught in the kingdom.<sup>31</sup> Needless to say, the Saudi government is unlikely to accede to any of these requests.

The open letter from the three Russian Orthodox figures, of course, was not an official Russian government response to the Saudi offer to build a mosque. But it probably reflects the unease within the Russian government and public over the increasingly large Muslim population in Moscow, as well as longstanding Russian fears that the Saudis are working to radicalize them. The Saudis, for their part, may well have been offended by this response to what they considered a friendly gesture. It is not clear whether the Saudi-

sponsored mosque and Islamic center will go forward. Even if it does, it may prove to be a source of more tension than cooperation between Moscow and Riyadh.

## CONCLUSION

The recent high-level interactions between Moscow and Riyadh indicate that both governments have sought an improvement in relations, but that several issues remain unresolved. An important obstacle to their resolution may be that Moscow and Riyadh each sees itself as so important to the other that the other will eventually have to back down. If so, the expectations of at least one, and perhaps both, are likely to be disappointed. It may, however, take some time for this realization to occur.

<sup>1</sup> Mark N. Katz, "Saudi-Russian Relations in the Putin Era," *Middle East Journal*, Vol. 55, No. 4, Autumn 2001, pp. 612-17.

<sup>2</sup> "Saudi King, Chechen President Jointly Perform Islamic Ritual," ITAR-TASS, August 15, 2007 (World News Connection).

<sup>3</sup> "RF, Saudi Intend to Continue Efforts to Settle Crises—Putin," ITAR-TASS, August 15, 2007 (World News Connection).

<sup>4</sup> "Saudi Govt Understands Logic of Russia's Actions in S. Ossetia—Prince," ITAR-TASS, September 4, 2008 (World News Connection).

<sup>5</sup> "Group of Strategic Vision RF-Islamic World to Meet in Saudi Arabia," ITAR-TASS, October 27, 2008 (World News Connection).

<sup>6</sup> "Russia: Dagestani Leader Blames Foreign Intelligence for Upsurge of Violence," Regnum News Agency, December 10, 2008 (BBC Monitoring).

<sup>7</sup> John Sfakianakis, "Saudi-Russian Trade Relations: The Energy Giants," SABB Notes, November, 20 2007, p. 2 (<http://www.sabb.com/Attachments/Publications/SABB-Saudi-Russian-Trade-Relations.pdf>).

<sup>8</sup> *Ibid.*, p. 5.

<sup>9</sup> *Ibid.*

<sup>10</sup> "Russia, Saudi Arabia Should Be Allies on World Energy Market—Putin," Interfax, February 12, 2007 (World News Connection).

<sup>11</sup> Aleksandr Latyshev, "Prince Arrives 'Off Balance': Saudi National Security Official 'Sounds Out' the Kremlin," *Izvestiya*, August 10, 2007 (World News Connection).

<sup>12</sup> "Stroitransgaz, Saudi Aramco Sign Contract to Build Sheiba-Abkaik Oil Pipeline," Interfax, March 31, 2007 (World News Connection).

<sup>13</sup> "The Arab Seduction."

<sup>14</sup> "Russia, Saudi Arabia Prepare Several Big Arms Contracts," AVN, July 15, 2008 (World News Connection).

<sup>15</sup> "Saudi Govt Understands Logic of Russia's Actions in S. Ossetia—Prince," ITAR-TASS, September 4, 2008 (World News Connection).

<sup>16</sup> “Russia, Saudi Arabia Should Strengthen Cooperation Amid Crisis—Sechin,” ITAR-TASS, December 16, 2008 (World News Connection).

<sup>17</sup> “The Arab Seduction.”

<sup>18</sup> Ibid.

<sup>19</sup> “Moscow: Iran Playing No Role in Russian-Saudi Arms Trade,” AVN, July 16, 2008 (World News Connection).

<sup>20</sup> “Saudi Arabia Cancels RZD’s Win in Railway Construction Contest,” ITAR-TASS, May 21, 2008 (World News Connection).

<sup>21</sup> “The Arab Seduction,” Kommersant.com, July 14, 2008 (World News Connection).

<sup>22</sup> “Russian Company to Build Railroad in Libya,” Interfax, April 17, 2008 (World News Connection).

<sup>23</sup> “Saudi Arabia Plans to Invite RZD to Tender Again—Embassy,” Interfax, June 18, 2008 (World News Connection).

<sup>24</sup> Ibid.

<sup>25</sup> “Moscow: Riyadh Butters Up Russian Experts,” Intelligence Online, December 18, 2008 (World News Connection).

<sup>26</sup> On just such an episode, see Mark N. Katz, “Big Decisions Loom for Russian Oil Production,” EurasiaNet, November 26, 2001 (<http://www.eurasianet.org/departments/business/articles/eav112601.shtml>).

<sup>27</sup> Andrew E. Kramer, “OPEC Chief Meets with Russian President but Gets No Promises,” *The New York Times*, October 23, 2008, p. B4.

<sup>28</sup> Tony Harnden, “Russia to Join OPEC in Cutting Oil Production,” *The Daily Telegraph*, December 16, 2008, p. 12.

<sup>29</sup> Ibid.

<sup>30</sup> “OPEC Agrees to Cut Oil Production, As Do Russia, Azerbaijan,” Radio Free Europe/Radio Liberty, December 17, 2008.

<sup>31</sup> Paul Goble, “A Saudi Mosque in Moscow in Exchange for a Russian Church in Moscow?” Window on Eurasia blog, November 26, 2008 (<http://windowoneurasia.blogspot.com/2008/11/window-on-eurasia-saudi-mosque-in.html>).