

# **Shifting Sands: Continuity and Change in Russian-Saudi Relations**

**Christopher Diehl**  
**Political Science**

Of the many changes that Russian foreign policy has undergone since the end of the Brezhnev era, the evolution of Russia's policy toward Saudi Arabia is particularly striking. This change in foreign policy toward Saudi Arabia and the greater Arabian Peninsula is a dramatic departure from the policies of exploiting regional conflicts to gain political influence and military footholds that characterized the Brezhnev era. What has changed in this relationship is not merely the liquidation of Russian military presence in the region or the fact that the Middle East is no longer a field of competition for dueling superpowers. Instead, it is the essence of what motivates Russian foreign policy that has been transformed. Russian foreign policy toward Saudi Arabia is now motivated by economic interests and to a lesser extent, national security concerns. Saudi Arabia is no longer the prized jewel to be influenced in an ongoing campaign to diminish US standing in the region. Instead, Russia views Saudi Arabia as both an economic competitor and potential partner. Russia also views Saudi Arabia as a state whose religious influence must be harnessed to serve Russian security imperatives, and as a state whose security concerns will have to be taken into consideration when dealing with other states in the region.

To begin exploring the changing nature of this relationship, this paper will trace Soviet policies in the Middle East that impacted relations with Saudi Arabia and the Saudi response to these policies. Next, the role Mikhail Gorbachev's "New Thinking" played in precipitating far-reaching change in Russian foreign policy toward the Gulf will be examined. Finally, this paper will survey the three key concerns that currently drive Russian foreign policy toward Saudi Arabia: oil and natural gas, arms and technology trade with Iran and Israel and Islamic extremism. Examining this change in Russian foreign policy and these key areas of current interest will provide much insight into what motivates Russian foreign policy in general and what the future of Russian-Saudi relations may hold.

## **A Short History of Russian-Saudi Relations to 1979**

Modern Russian interaction with Saudi Arabia dates back to the 1920s, a time when much of the Middle East was under British mandate. The landmass that later became modern-day Saudi Arabia was still divided amongst rival tribes. The Hejaz, home to Mecca, Medina, and the port of Jeddah, was under control of the Hashemites, a favorite of the British, whose members also ruled Transjordan and Iraq. When the Hejaz was captured by the rival al-Saud, the USSR was delighted to immediately recognize them as the area's legitimate rulers. Unlike the Hashemites, the al-Saud were not beholden to British support. Naturally, the Soviets saw this as a prime opportunity to both curb British imperialism and make an ally of their own in the region.<sup>1</sup> This would not be the last time the Soviet Union sought to influence Saudi Arabia vis-à-vis another great power.

Relations between Russia and Saudi Arabia tapered off to an eventual end following a trade dispute in 1928 and interaction between the two states would remain

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<sup>1</sup> Mark N. Katz, *Russia and Arabia: Soviet Foreign Policy toward the Arabian Peninsula*, (Baltimore, The Johns Hopkins University Press, 1986), p. 132

dormant until Nikita Khrushchev came to power.<sup>2</sup> The Middle East soon became centrally important to expanding the USSR's influence across the Third World at the expense of its rivals, as US and British influence and military presence in the region was already strong.<sup>3</sup> Therefore, good relations with Saudi Arabia were an obvious objective of Soviet foreign policy. Despite its high value as a potential client in the region, Soviet actions overwhelmingly proved to alienate Saudi Arabia and would forestall diplomatic relations for three and a half decades.

The first instance in which the Soviet Union and Saudi Arabia found themselves at odds was in North Yemen following a Nasserist coup there in 1962. When Egypt, Saudi Arabia's rival for leadership of the Arab world, moved seventy-thousand troops into North Yemen to bolster the republican forces that recently came to power, the Saudis responded by lending material support to the deposed royalist forces in their bid to regain power. When Egyptian troops were withdrawn from North Yemen in the wake of Egypt's defeat in the 1967 war with Israel, the USSR quickly moved to fill the void, supplying MiG fighters, Ilyushin bombers, small arms, regular airlift support and even pilots for the Yemen Arab Republic Air Force.<sup>4</sup> The Saudis were already wary of the Soviets because of their relationship with Egypt and this move seemed to confirm their suspicions that the Soviets had larger designs on the region. Both states soon found themselves engaging each other by-proxy once again in The People's Democratic Republic of Yemen (South Yemen). The Soviets provide substantial training to the new Marxist government there and gained a military foothold in the process. Technical and material support was nominal, but extensive access was given to Soviet military schools. A party school was also established by the Soviets, complete with Soviet instructors to teach Marxist-Leninist theory and party control methods in an effort to ensure the Soviet (as opposed to Maoist) interpretation of Marxism-Leninism became firmly entrenched within the PDRY government. In addition, the USSR increased its offshore naval presence, made use of the port of Aden as a submarine base, and took control of former British airfields for reconnaissance flights during its involvement there.<sup>5</sup> In response to the growing presence of the USSR in its neighborhood, the Saudis proceeded to arm and support tribal factions purged from the PDRY army in their bid to overthrow the Aden government. The Saudi-backed campaign amounted to little more than a series of raids, with the movement having no clear agenda or appeal to the general population. The movement steadily declined, and after being fairly inactive in its aid, Riyadh formally ceased their support when it normalized relations with the PDRY.<sup>6</sup>

This same policy of intervening in internal conflicts to support socialist-oriented regimes that have come, or are fighting to come, to power continued to be employed by the Soviet Union into the 1970s. The Saudis perceived this policy as one of steady encirclement and were further alarmed by the growing relationship between the USSR and

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<sup>2</sup> Katz, *Russia and Arabia*, pp. 132- 133. This dispute was caused by extremely cheap Russian goods flooding the market. After complaints by Jeddah's merchants, Russian goods were embargoed. The embargo was later lifted, but trade never recovered.

<sup>3</sup> Talal Nizameddin, *Russia and the Middle East: Towards a New Foreign Policy*, (New York: St. Martin's Press, 1999), p. 21

<sup>4</sup> Katz, *Russia and Arabia*, p. 29

<sup>5</sup> Aryeh Y. Yodfat, *The Soviet Union and the Arabian Peninsula: Soviet Foreign Policy Toward the Persian Gulf and Arabia*, (New York: St. Martin's Press, 1983), p. 6-7

<sup>6</sup> Katz, *Russia and Arabia*, pp. 76-77

Iraq, which began with arms sales and culminated in a Treaty of Cooperation and Friendship in 1972. The Soviet Union and Saudi Arabia gave support to opposing sides during the Marxist Dhofar rebellion in Oman and continued to match each other's support tit-for-tat in places like Ethiopia and Somalia, with Saudi Arabia going so far in the case of the latter to advocate US military and economic assistance. The Saudis also extended aid to anti-Soviet forces outside of the greater Arabian Peninsula area, including Zaire and Angola.<sup>7</sup> Finally, the Saudis scored their biggest coup when Egyptian President Anwar Sadat, with whom the Saudis had been cultivating a relationship, ordered the withdrawal of Soviet advisors in 1972. In seizing upon the many opportunities to gain influence and military footholds, the USSR set itself back in achieving its foreign policy goal of developing relations with Saudi Arabia.

### **The Policies of the Late Brezhnev Era**

After making the Saudis wary and later hostile to its foreign policy in the 1960s and 1970s, the Soviet Union opted to attempt to exploit cracks in Saudi-American relations in order to get closer to the desert kingdom. After the Saudis condemned the outcome of the US-sponsored Camp David Accords and joined in expelling Egypt from the Arab League, the Soviets wasted no time commencing a charm offensive aimed at bringing the Saudis around to rapprochement.<sup>8</sup> In a January 1979 article entitled "Saudi Arabia: What Next?" Soviet Middle East specialist Igor Belyayev asserted that Saudi fear and mistrust of the USSR was largely created and stoked by the US media. Belyayev also argued that there were no serious impediments to renewed Soviet-Saudi relations, even quoting a senior Saudi Prince as being amenable to the possible reestablishment of diplomatic ties.<sup>9</sup>

This appeal in Soviet commentary for better relations continued in the subsequent months, highlighting the fact that the USSR and Saudi Arabia shared the same position on resolving the Arab-Israeli conflict and accusing the US of fanning Saudi fears in order to gain a military advantage of its own.<sup>10</sup> In regards to growing US arms exports to Saudi Arabia that included Airborne Warning and Control Systems (AWACS) and F-15 fighter aircraft, one commentator accused the US of "using Saudi money to build reserve bases in Saudi Arabia, fully equipped and waiting to be used by American forces." He argued that by doing so the US was "ignoring the will and aspirations of the true masters of this region – the peoples who inhabit it."<sup>11</sup> In effect, the Soviets were trying to cast the US as a meddling, destabilizing force in the region in hopes of appearing more reasonable to the Saudis by comparison. By touting its pro-Palestinian credentials, portraying the US in a negative light and consistently calling for relations, the USSR believed Saudi Arabia would soon come around to restoring diplomatic ties.

It is difficult to assess how well the strategy of exploiting cracks in the US-Saudi relationship was working because amid this flurry of commentary came the eruption of conflict in Afghanistan. Faced with the prospect of an allied socialist nation on its border disintegrating into factional rule and threatening a spillover effect on the rest of the Central

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<sup>7</sup> William B. Quandt, *Riyadh between the Superpowers*, Foreign Policy, No. 44 (Autumn, 1981), pp. 49-51

<sup>8</sup> William B. Quandt, *Saudi Arabia in the 1980s*, (Washington; The Brookings Institution, 1981), p. 69

<sup>9</sup> Igor Belyayev, *Saudi Arabia: What Next?*, Literaturnaya Gazeta, January 31, 1979, p. 14  
found in translation via The Current Digest of the Soviet Press, Vol. 31, No. 5, pp. 5-6

<sup>10</sup> Igor Belyayev, *Just Who is Threatening Saudi Arabia?*, Literaturnaya Gazeta, July 9, 1980, p. 14  
found in translation via The Current Digest of the Soviet Press, Vol. 32, No. 28, pp. 1-3, 19

<sup>11</sup> A. Vasilyev, *Arabia: Oil and AWACS*, Pravda, March 11, 1982, p. 4  
found in translation via The Current Digest of the Soviet Press, Vol. 34, No. 10, pp. 12-13

Asian Soviet republics, the USSR, in accordance with the Brezhnev doctrine, decided to intervene. The Soviet Union invaded Afghanistan on Christmas Eve 1979 to aid the unpopular Marxist government in regaining control over a rebelling population that resented secular reforms.<sup>12</sup> The Soviets also saw the ensuing unrest as an element of the US's "imperialist strategy," with Afghanistan being a suitable place for the US to reconstitute electronic listening posts that were lost when the Shah of Iran was toppled.<sup>13</sup>

From a Saudi and American point of view, the invasion represented a Soviet thrust toward the Persian Gulf area, putting Soviet forces several hundred miles closer than they had been to the Arabian Peninsula and its oil reserves. While a thrust toward the Gulf was not likely part of the Soviet calculus, the invasion led President Jimmy Carter to comment on the situation in his 1980 State of the Union address, stating that any hostile actions by the Soviets in the Persian Gulf would be considered an attack on the vital interests of the US and that "such an assault would be repelled by any means necessary."<sup>14</sup>

The US soon concluded that a forceful response was indeed necessary and the best option was to arm the Afghan rebellion. The Saudis, who by now were convinced that Soviet foreign policy was unquestionably aggressive and hostile to Muslim states, became a natural and willing partner in this endeavor. The Saudis provided much of the funding that was channeled through the Pakistani intelligence service to furnish training and equipment for the resistance, matching the CIA's contributions dollar for dollar between 1981 and 1984.<sup>15</sup> Saudi Arabia also provided some of the Arab manpower that joined the resistance, enabling its citizens to visit and train at mujahideen camps in Pakistan.

Once again, the USSR and Saudi Arabia were engaged in indirect conflict with each other, and by the mid-1980s, relations between the two were no better off than they were two decades earlier. Afghanistan was simply the latest in a string of situations in which Soviet policies toward the Third World, specifically the Middle East, conflicted with its own desire to have diplomatic relations with Saudi Arabia. The policy of trying to gain influence wherever there was an opening by befriending the current radical government or helping a new one come to power, could not be reconciled with Saudi Arabia's own need to feel secure amongst its neighbors. Therefore, the strategy that was employed by the Soviets for twenty years ultimately failed to advance their foreign policy objectives toward Saudi Arabia.

## **The Impact of New Thinking**

In 1985, just as Soviet efforts in Afghanistan began to falter, Mikhail Gorbachev became General Secretary of the Communist Party. His outlook on international relations and policies of New Thinking were a significant departure from the foreign policy carried out during the Brezhnev era. Gorbachev recognized that the nations of the world were becoming increasingly interdependent. He believed that unbridled competition in terms of weaponry and world influence served only to threaten international security and that an enormous amount of energy and resources had already been diverted from other priorities

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<sup>12</sup> Steve Coll, *Ghost Wars: The Secret History of the CIA, Afghanistan, and Bin Laden, From the Soviet Invasion to September 10, 2001* (New York: Penguin Press, 2004), p. 40

<sup>13</sup> Unnamed Editorialist, *Doomed to Failure*, Pravda, February 14, 1985, p. 4  
found in translation via The Current Digest of the Soviet Press, Vol. 37, No. 7, p. 4

<sup>14</sup> Carol R. Saivetz, *The Soviet Union and the Gulf in the 1980s*, (Boulder: Westview Press, 1989), p.4

<sup>15</sup> Coll, *Ghost Wars*, pp. 65-66

because of such competition.<sup>16</sup> In practical terms, this meant a shift in foreign policy was in the offing, with influence and military presence in the Third World becoming less important in the future. In the very beginning of the foreign policy portion of his speech to the twenty-seventh congress of the Communist Party of the Soviet Union (CPSU), Gorbachev stated that “the tasks of the country’s economic and social development also determines the CPSU’s international strategy.”<sup>17</sup> In other words, the most pressing issues of the day, such as economic reform, would have an increased bearing on Soviet foreign policymaking. Among other things, this new outlook had implications for Afghanistan. In his speech Gorbachev went on to refer to Afghanistan as a “bleeding wound,” and while the USSR “supports the country’s efforts aimed at defending its sovereignty,” extricating itself from this conflict and bringing its troops home would be high on the Soviet foreign policy agenda.<sup>18</sup>

Gorbachev also explicitly stated that the Soviet Union was “in favor of stepping up collective searches for ways of defusing conflict situations in the Middle East.”<sup>19</sup> The Soviet Union did just that when it cosponsored a UN resolution with the US calling for a cease-fire in the war between Iran and Iraq.<sup>20</sup> It was clear that Gorbachev was interested in curbing geo-strategic competition with the US in order to build trust and cooperation, as well as to allow the Soviet Union to focus more of its attention and resources on internal demands. Once the USSR completed its withdrawal from Afghanistan, Soviet and Saudi officials began to seriously discuss normalizing relations.

Shortly after these developments came the ultimate test of New Thinking’s practicality: the Iraqi invasion of Kuwait. There was a great deal of internal debate in the Kremlin concerning what position the USSR should take on this crisis. The Soviet Union was faced with a choice of either following through on Gorbachev’s vision of building a strong, cooperative relationship with the West and entering an interdependent world free of zero-sum competition, or drifting back to the more conservative policies of maintaining regional influence.<sup>21</sup> It is important to consider what the USSR had to lose by joining the international coalition in condemning Iraq. By its own estimates, the USSR stood to lose approximately \$800 million in trade and payments, mostly from tripartite oil deals and arms sales as well as an additional \$5-20 billion in lost debt repayment.<sup>22</sup> In addition to these economic disincentives, the USSR would have to live with what conservatives in the Kremlin considered to be a blow to its own prestige if it were to ignore its own interests and condone a US led intervention.<sup>23</sup>

Reluctant to abandon its long-time trading partner but also committed to remaining on the right side of world opinion, the Soviets opted for a middle-of-the-road approach. As the crisis wore on, Soviet diplomats laboriously tried to convince Saddam Hussein to withdraw from Kuwait in order to save the USSR’s trade relationship with Iraq, or at least ensure that it remained in salvageable condition after hostilities ceased.<sup>24</sup> More

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<sup>16</sup> Mikhail Gorbachev, *Perestroika: New Thinking for Our Country and the World*, (New York: Harper & Row, 1987), p. 141

<sup>17</sup> As reprinted in-translation in *The Current Digest of the Soviet Press*, Vol. 38, No. 8, p. 27

<sup>18</sup> *Ibid.*, p. 29

<sup>19</sup> *Ibid.*, p. 29

<sup>20</sup> Robert H. Donaldson & Joseph L. Noguee, *The Foreign Policy of Russia: Changing Systems, Enduring Interests*, (Armonk, NY: M.E. Sharpe, 2005), p. 108

<sup>21</sup> Galia Golan, *Gorbachev’s Difficult Time in the Gulf*, *Political Science Quarterly*, Vol. 107, No. 2 (Summer 1992), p. 217

<sup>22</sup> *Ibid.*, p. 214

<sup>23</sup> Nizameddin, p. 201

<sup>24</sup> Unnamed correspondent, *Making Up*, *The Economist*, September 22, 1990, p. 46

importantly, however, the USSR never withdrew its support of the US-led coalition and enjoyed a worthwhile pay off as a result. In addition to upholding some of the principles of New Thinking and improving its standing with the West, the USSR was rewarded with what it had been seeking for decades. In September 1990, diplomatic relations with Saudi Arabia were restored and the Saudis offered a \$1.5 billion aid package to the USSR. The Soviet Union was also delighted by the prospect of Saudi investment in their economy and arms deals with the kingdom. This episode would help set the course for future Russian foreign policy. From this point on, relations would primarily be conducted in pursuit of tangible rewards, not military or geopolitical superiority vis-à-vis the US.<sup>25</sup>

## **A Look to the Present**

In the years that have followed since the end of the Cold War, Russia's priorities have shifted from trying match US military and political strength, to reforming and growing its economy and coming to grips with ethnic and religious strife. Despite this seemingly more inward-looking priority shift, relations and interaction with Saudi Arabia still figure prominently into the post-Soviet national agenda. Russia and Saudi Arabia must still deal with each other on three key issues that are central to Russia's economic growth and the easing of ethno-religious troubles. First, Russia and Saudi Arabia find themselves as competitors and potential partners in the world energy market. Second, Saudi Arabia has objections and concerns about Russia's commercial dealings and growing relationships with Iran and Israel. Finally, Moscow's relationship with Riyadh is an important part of quelling Islamist extremism within its borders and integrating its Muslim minority in order to prevent future religiously-charged political violence. In short, Russia's relationship with Saudi Arabia, in both competitive and cooperative aspects, is one determined by economic interests and national security concerns, not the desire for strategic influence that characterized its foreign policy in the past.

## **Energy: Competition and Cooperation**

With economic growth ranking high on the national and foreign policy agenda, the success and profit of Russia's oil and natural gas industry is of utmost importance to the Russian economy, as well as the health of the government's treasury. Saudi Arabia and Russia are the number one and number two oil producers in the world respectively, but despite sharing this distinction, both have very different pricing policies, bringing both states into direct competition. This competition is virtually non-existent in the natural gas sector, and the many incentives for cooperation in this area could form the basis for better relations and policy coordination on other issues.

## **Oil**

The 1990s were a troubling time for the Russian oil industry with production declining to 6.1 million barrels per day (b/d) in 1996, down 5.4 million b/d from 1987 levels.<sup>26</sup> However, a turnaround began in 1999 as world oil prices began to rise. Production is now booming and Russia's output is second only to Saudi Arabia. With

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<sup>25</sup> Nizameddin, p. 190

<sup>26</sup> Gawdat Bahgat, *The New Geopolitics of Oil: The United States, Saudi Arabia and Russia*, Orbis, Vol. 47, No. 3 (Summer 2003) p. 449

prices high and output growing at a rate of 800,000 b/d annually, Russia is growing increasingly accustomed to and even dependant on the large revenue that comes with such a boom.<sup>27</sup> Therefore, oil interests are no doubt a top consideration for Russia in formulating its foreign policy.

Before going any further, it is important to understand Russia's position in the world oil market relative to Saudi Arabia. Russia holds 6.2 percent of the world's proven oil reserves, compared to Saudi Arabia's 22 percent.<sup>28</sup> Unlike Saudi Arabia, geography is a limiting factor for Russia's oil industry. Much of Russia's unexploited reserves lie in arctic and far eastern areas and the location and extreme climates of these reserves present additional challenges and costs to their development. Russia also lacks the robust pipeline infrastructure and deep water terminals that are required to accommodate the large tankers that can carry oil across the Atlantic to the US. A pipeline to the Pacific, intended to serve tankers bound for Japan, South Korea and the US, is currently under construction and is expected to be completed in 2008, however.

In contrast, Saudi Arabia has easy access to its unexploited reserves, a well developed pipeline system and access to deep water terminals on both the Red Sea and Persian Gulf. Another key difference between the Saudi and Russian industries is state control. Saudi ARAMCO is state owned and the kingdom is a member of the Organization of Petroleum Exporting Countries (OPEC), and as such it is capable and willing to increase or decrease production as needed to control prices. While there is growing concern over increased state control, particularly due to the growing strength of the state-controlled firms Gazprom and Rosneft, approximately 70 percent of Russia's oil industry remains privatized, making the regulation of production more difficult to coordinate.<sup>29</sup>

The fundamental difference in the oil policies of Russia and Saudi Arabia stems from each state's unique position in the world oil market. As a country with a large population and small reserves relative to other top producers, Russia favors a strategy of short-term revenue maximization. Saudi Arabia, a country with much larger reserves, low production costs, a small population and low domestic consumption, favors a strategy of long-term revenue maximization.<sup>30</sup> It is in Saudi Arabia's interest to extend the life of its oil economy as long as possible because it has the reserves to do so and because its economy is less diversified than an economy like Russia's. Russia, on the other hand, does not have the infrastructure or cheaply exploitable reserves that are suited for long term maximization and instead seeks to make the most of current boom times. These differing strategies bring Russia and Saudi Arabia into direct competition and disagreement with each other on world oil pricing policy.

Saudi Arabia's policy is to keep prices at a moderate level that is acceptable to world consumers, especially the United States. While Saudi Arabia certainly wants prices that will generate healthy revenue, it is sensitive to prices becoming too high. If prices were to remain too high for an extended period of time, this could prompt a dedicated effort by consumers to develop and implement the use of alternative fuels and conservation. If and when oil alternatives such as fuel cells or hydrogen became inexpensive and commonplace, Saudi oil fields would be significantly devalued and the

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<sup>27</sup> Mark N. Katz, *Saudi-Russian Relations Since 9/11*, Problems of Post-Communism, Vol. 51, No. 2 (March/April 2004), p. 6

<sup>28</sup> British Petroleum, *BP Statistical Review of World Energy*, (London: British Petroleum, 2006), p. 6

<sup>29</sup> BBC News, *Russia Energy Overview*, found online at: <http://news.bbc.co.uk/2/hi/europe/4699942.stm>

<sup>30</sup> Gawdat Bahgat, *Terrorism and Energy: Potential for Strategic Realignment*, World Affairs, Vol. 167, No. 2 (Fall 2004), pp. 53-54

incentive for the US to ensure security in the Persian Gulf would be greatly reduced.<sup>31</sup> The obsolescence of oil is certainly in the distant future, but Saudi Arabia is intent on slowing the emergence of a truly competitive alternative fuel industry. In order to influence world oil prices, Saudi Arabia keeps a portion of its production capacity idle so that it can pump more oil in times of shortage or crisis and thus keep prices stable.

Russia and Saudi Arabia first came into conflict over oil prices in late 2001. Unrestrained production by non-members, including Russia, led OPEC to call on all producers to coordinate a curb on production to prevent a price collapse. OPEC planned to cut production by 1.5 million b/d and requested that non-members collectively pledge a 500,000 b/d cut, with Russia cutting 150,000 b/d of that sum. The Russian government balked at this, agreeing to only cut 30,000 b/d, not yet ready to let go of the windfall revenue that came from its increased production over the past two years. Russian officials cited two reasons for not wanting to join in the production cut. First, Russia did not want to lose any additional revenue, as it already stood to lose some in the coming months as Siberian operations began to slow down for winter. Second, Russia wanted to regain market share lost after the disintegration of the USSR.<sup>32</sup> However, as the threat of a price collapse continued to loom, Russia finally agreed to the originally requested cuts.

Russia and Saudi Arabia also collided on oil pricing during the run up to the American invasion of Iraq in early 2003. Saudi Arabia pledged to raise production by as much as 2.5 million b/d to make up for any supply shortages that might occur as a result of hostilities. This elicited a harsh response from Russia, in which deputy prime minister, Viktor Khristenko warned that if OPEC “played politics” with the war in Iraq, “it would be the beginning of the end of the organization.”<sup>33</sup> The roles were now reversed, with Russia fearing that a price collapse could result from OPEC’s rapid expansion of production.

In September 2003, then-Crown Prince Abdullah visited Moscow to ease tensions over pricing and to begin a dialogue on developing a mechanism by which Russia and Saudi Arabia could coordinate their pricing policies toward mutually beneficial ends.<sup>34</sup> It is important to note, however, that Saudi Arabia does have some leverage over Russia. Saudi Arabia has confronted the problem of “quota busters” before, and its position in the world oil market gives it the ability to punish those who are uncooperative. It can use its excess capacity to drive prices down to a level that would make production unprofitable for Russian firms. Saudi Arabia’s low production costs allow it to still turn a handsome profit at \$10/barrel while Russian production becomes unprofitable at \$12/barrel.<sup>35</sup> It is unlikely that Russia will provoke such actions given the fact that every \$1/barrel decline in prices cuts around \$1 billion from its federal budget revenue.<sup>36</sup> With both states being dependent on their oil wealth to varying degrees, there is a shared interest in maintaining a mutually satisfactory price range and cooperation on the issue is likely. Of course, during periods of record demand that force both Russia and Saudi Arabia to produce at full capacity, pricing policy becomes less contentious an issue.

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<sup>31</sup> Mark N. Katz, *Saudi-Russian Relations in the Putin Era*, Middle East Journal, Vol. 55, No. 4 (Fall 2001), p. 610

<sup>32</sup> Bahgat, *Terrorism and Energy: Potential for Strategic Realignment*, p. 54

<sup>33</sup> Katz, *Saudi-Russian Relations Since 9/11*, p. 6

<sup>34</sup> Yulia Petrovskaya, *Russia Doesn’t Have the Money to Enter the Saudi Market*, Nezavisimaya gazeta, September 3, 2003, p. 6, found in translation via The Current Digest of the Post-Soviet Press, Vol. 55, No. 35, online

<sup>35</sup> Bahgat, *The New Geopolitics of Oil: The United States, Saudi Arabia and Russia*, p. 451

<sup>36</sup> *Ibid.*, p. 450



## Natural Gas

Another area in which Russia and Saudi Arabia share similar economic interests and cooperative potential is the natural gas industry. Russia is the world's largest exporter of natural gas, possessing an estimated 1688.0 trillion cubic feet of the resource, or 26.6 percent of the world's total proven reserves.<sup>37</sup> Unfortunately, much like its oil reserves, most of Russia's untapped reserves are found in some of its more hostile environments such as Siberia and the Arctic Ocean. The costs associated with developing these distant and difficultly situated fields are daunting, mainly due to the transportation infrastructure that would need to be further developed to be able to deliver gas to consumers.<sup>38</sup> In contrast, Saudi Arabia has not placed as much emphasis on developing its smaller natural gas deposits until recently. Through the 1990s, the kingdom has become more reliant on natural gas for its power generation, petrochemical manufacturing and water desalination needs and has expressed a desire for more investment in its natural gas industry.<sup>39</sup> It is widely believed that Saudi Arabia has considerable gas reserves that have yet to be fully exploited and is therefore becoming increasingly attractive to non-Saudi firms in the business of exploration and development.

This opening presents a prime opportunity for Russia to advance economic interests and build the foundation for cooperation on other issues.<sup>40</sup> This is also an opportunity for both states to finally realize the vibrant trade and investment relationship that was supposed to materialize after the USSR supported US intervention and sanctions against Iraq in 1991. Gazprom, for example, has considerable experience in natural gas exploration and development and would benefit greatly from the opportunity to develop the much more accessible Saudi gas deposits.

This is already beginning to happen. After "core venture" agreements with several Western energy firms fell through in 2003, Saudi Arabia, still intent on attracting investment in its gas reserves, signed exploration and development deals with several international firms. One of these firms was LUKoil, Russia's largest privately owned energy firm.<sup>41</sup> Saudi ARAMCO also conferred official contractor status on Stroitransgaz in 2003 so it could participate in future oil and gas projects.<sup>42</sup> Cooperation on energy policy between Russia and Saudi Arabia may only be in its infant stages, but it is clear there is great potential in the natural gas sector for both states to prosper through joint efforts.

## Israel

Since the end of the Cold War, Russian relations with Israel have warmed significantly in many respects, much to the chagrin of Saudi Arabia. Up until this point, policy toward Israel was one of few similarities shared by both states. Cooperation to advance their common position on settling the Arab-Israeli conflict was traditionally seen as a potential point of departure for improving relations between Russia and Saudi Arabia. Nevertheless, Russia has cultivated a close relationship predicated on strong mutual

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<sup>37</sup> British Petroleum, *BP Statistical Review of World Energy*, (London: British Petroleum, 2006), p. 22

<sup>38</sup> Bahgat, *Terrorism and Energy: Potential for Strategic Realignment*, p. 57

<sup>39</sup> Abdullah M. Aitani, *Big Growth Ahead Seen for Saudi Gas Utilization*, Oil and Gas Journal, Vol. 100, No. 30 (July 29, 2002), p. 20

<sup>40</sup> Bahgat, *Terrorism and Energy: Potential for Strategic Realignment*, p. 57

<sup>41</sup> *Ibid.*, p. 56

<sup>42</sup> Katz, *Saudi-Russian Relations Since 9/11*, p. 7

economic, cultural and counterterrorism interests with Israel. It is unlikely Moscow will forego these new ties simply to maintain its pro-Palestinian credentials in the Arab world.

Relations began to thaw in 1991 when diplomatic relations with Israel resumed and immigration restrictions that prevented *refuseniks* from moving to Israel were lifted.<sup>43</sup> Over the course of the 1990s, an estimated one million Russian Jews immigrated to Israel, and now make up twenty percent of the population and are a powerful political, cultural and economic force in the country. In particular, they are a much sought after bloc of swing voters in Israeli elections.<sup>44</sup> The growing cultural interconnectedness between both states is significant; Russian Jews in Israel seem adamant to retain their Russian identity as Russian language daily newspapers and Russian TV beamed via satellite are immensely popular among these communities.<sup>45</sup> While retaining their own distinct culture, Russian Jews are still making strides integrating themselves into Israeli society by embracing civic obligations. It is interesting to note that the proportion of Russian Jews serving in combat units in the Israeli Army is greater than their proportion of the general population, and their patriotism and commitment to the state have not gone unnoticed by older Israelis.<sup>46</sup> This greater proportion is due in part to a dearth of Orthodox Jews eligible for military service exemptions in the Russian-born segment of the Israeli population, but it is noteworthy nonetheless. In essence, the world's largest Russian diaspora, still connected to their homeland, will play an increasing role in Israeli politics and this could eventually have some bearing on Russian attitudes and policy toward the Arab-Israeli conflict.

Cultural and linguistic ties are only one dimension of improved Russian-Israeli relations. In tune with the theme of advancing economic interests that has become central to Russian foreign policy, Russia is also forming a substantial trade relationship with Israel, which has grown to be worth more than \$1 billion annually.<sup>47</sup> In addition, this trade relationship has given way to joint defense-industry projects. Russia and Israel have already completed development of the Kamov 50-2 attack helicopter, combining a Russian airframe with Israeli avionics.<sup>48</sup> Russia has also made its spacelift capability available to Israel, recently launching the Eros-B imagery satellite for Tel Aviv.<sup>49</sup> Joint defense industry ventures like these will not only open new markets to Russian arms and expertise, they also give Russia greater access to sophisticated technology.<sup>50</sup>

Finally, Russia and Israel have come to identify with each other as they both continue to face Islamic extremism and terrorist attacks on civilians. Russian and Israeli officials have declared their solidarity in the fight against terror numerous times and have been conspicuously guarded in their commentary of each others counterterrorism policies. Besides sympathizing with each other, there is potential for actual cooperation on issues of counterterrorism. Following the Beslan school attack, Israeli officials offered to help Russia in its struggle during a visit by Russian Foreign Minister Sergei Lavrov.<sup>51</sup> Israel has

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<sup>43</sup> Shlomo Avineri, *Israel-Russia Relations*, Carnegie Endowment Report, 2001, p. 1  
<http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=659&prog=zru>

<sup>44</sup> Avineri, *Israel-Russia Relations*, p. 4

<sup>45</sup> Dmitry Radyshesky, *The Russians Will Save Israel*, *Moskovskiy novosti*, No. 45 (Nov 19-25, 2002), p. 13 found in translation via The Current Digest of the Post-Soviet Press, Vol. 54, No. 47, p. 2 online

<sup>46</sup> *Ibid.*, p. 2

<sup>47</sup> Mark N. Katz, *Putin's Pro-Israel Policy*, *Middle East Quarterly*, Vol. 12, No. 1, (Winter 2005), p. 6

<sup>48</sup> Ka-50-2 Erdogan page, found at: <http://www.globalsecurity.org/military/world/russia/ka-50-2.htm>

<sup>49</sup> Associated Press, *Russia Helps Israel Keep an Eye on Iran*, *New York Times*, April 26, 2006, online

<sup>50</sup> Avineri, *Israel-Russia Relations*, p. 3

<sup>51</sup> Grigory Asmolov and Aleksandr Reutov, *Israel's Intelligence Community Will Assist Russia's*, *Kommersant*, September 7, 2004, p. 9 found in translation via The Current Digest of the Post-Soviet Press, Vol. 56, No. 36, p. 1 online

dealt with terrorism far longer than Russia and is viewed by many as a counterterrorism laboratory from which the rest of the world can learn. If cooperation on counterterrorism training and intelligence sharing occurs, the bonds that have formed between Russia and Israel will only become stronger.

There are, however, many contentious issues in Russian-Israeli relations that have yet to be resolved; Iranian nuclear development, arms sales to Iran and Syria, and an invitation to Moscow for Hamas officials following their 2006 election victory are just a few areas in which Russia and Israel have serious disagreements. Nevertheless, the relationship between Moscow and Tel Aviv has grown closer in recent years, and Riyadh is not happy. Russia's pro-Palestinian tendencies could fade if a strong relationship with Israel should emerge, dashing the Saudis' hopes that Russia would continue to look out for Palestinian interests by pushing for a return to the peace process.

## **Iran**

Russian relations with Iran are also problematic to Saudi Arabia. While Saudi-Iranian relations have improved significantly in recent years, there was a time when Iran was quite hostile toward the Saudis, criticizing their relationship with the US, their backing of Saddam Hussein in the Iran-Iraq war, and the treatment of their Shi'a minority. This former animosity could be reignited, with growing concern that Saudi Arabia and Iran could find themselves backing opposing sides of an Iraqi civil war, following an eventual US withdrawal. Iran's nuclear and ballistic missile programs are also unsettling to the Saudis. Tehran's push to develop fissile material, in conjunction with a long range missile capability, could eventually give Iran the capability to launch a nuclear strike on its neighbors and lead to the adoption of a more coercive foreign policy.<sup>52</sup> Therefore, it should come as no surprise that Riyadh does not look favorably on Moscow's support to Iran's nuclear and missile development programs and conventional forces.

Iran has been a lucrative market for Russia to unload military equipment and technical know-how in return for hard currency. Russia has sold three Kilo-class submarines to Iran and in 2000, President Vladimir Putin decided to walk away from the Gore-Chernomyrdin agreement so Russia could enter into a licensing agreement that would allow Iran to assemble MiG-29 fighter aircraft and T-72C tanks.<sup>53</sup> Iran has also benefited from the availability of exportable Russian air defense systems, most recently purchasing Tor M-1 tactical surface-to-air missile systems in late 2006. It is also widely believed that Iran has benefited from Russian expertise in the development and enhancement of its Shehab-3 medium range missile, which could one day serve as a nuclear delivery platform.

The most important and most profitable Russian contribution to Iranian military capability is nuclear cooperation. In 1995, Russia signed on to complete the Bushehr nuclear reactor left unfinished by the German firm Siemens shortly after the Islamic Revolution. The chance to complete the abandoned reactor was a prime opportunity to advance Russian economic interests in the Middle East. It was believed by Russian officials that work on Bushehr would bring positive publicity to the Russian nuclear

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<sup>52</sup> James A. Russell, *Saudi Arabia in the 21<sup>st</sup> Century: A New Security Dilemma*, Middle East Policy, Vol. 12, No. 3 (Fall 2005), p. 67

<sup>53</sup> Oded Eran, *Russia in the Middle East: The Yeltsin Era and Beyond*, in Gabriel Gorodetsky (editor), *Russia Between East and West*, (Portland, OR: Frank Cass Publishers, 2003), p. 160

industry and lead to other deals in the region.<sup>54</sup> The Bushehr deal itself was estimated to have been worth between \$800 million and \$1 billion, with eighty percent of the contract reportedly being paid in cash, undoubtedly giving a much needed shot in the arm to the Russian nuclear industry.<sup>55</sup> Russia also stands to gain from enriching uranium for Iran, should Tehran choose to forego its fledgling indigenous enrichment capability.

Despite the destabilizing effects Iranian nuclear and missile advancements could have on the region and the objections of the US, EU and others, Russian technical support to Iran has been very profitable and is illustrative of Russia's policy of pursuing economic interests first and foremost. While cooperation with Iran is not necessarily grounds for severing relations with Russia and foregoing some of the emerging benefits, Saudi Arabia will certainly remain wary.

### **Chechnya, Terrorism, and Islam**

The last major foreign policy issue facing Russia relative to Saudi Arabia is the secessionist movement in Chechnya, the terrorism campaign conducted in its name, and the potential spread of radical Islam among Russia's Muslim population and the neighboring states of Central Asia. While economic considerations involving energy pipelines do factor into the Chechnya problem, this is largely an issue of national security. Russian officials, including Vladimir Putin, believed that failure to suppress the Chechen insurgency could ultimately lead to the disintegration of the Russian Federation. Therefore ensuring Chechnya stays pacified remains high on the government's agenda.<sup>56</sup> Moscow and Riyadh have long been at odds concerning the spread of conservative Islam. Hard feelings surrounding this issue date back to the war in Afghanistan and were reignited when Saudi Arabia recognized and provided economic assistance to the Taliban. This renewed Islamist influence in Central Asia led Moscow to grant support in the form of ammunition, uniforms, fuel, helicopters, intelligence, and air support to Ahmed Shah Massoud's Northern Alliance long before 9/11.<sup>57</sup>

Although the Taliban has since been removed from power and Afghanistan is slowly being secured and rebuilt under international stewardship, the issue of Islamic extremism is still very much on the minds of Russian policymakers. Radical Islam appears to be overshadowing separatism as the cause fueling violence in Chechnya and it threatens to divide Chechen society itself and usher in more instability.<sup>58</sup> Russia charges that Saudi Arabia is to blame for this rise in extremism, by not only using its wealth to spread Wahhabi teachings, but to fund actual terrorist operations in Chechnya and neighboring republics. In Dagestan, for example, officials claimed that at one point, up to three thousand Saudi-funded, Wahhabi fighters were operating there.<sup>59</sup> It is also worth noting that several former key operatives in Chechnya, including the notorious Khattab and Sheikh Abu Omar al-Saif, hailed from the desert kingdom. It has also been widely

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<sup>54</sup> Vladimir A. Orlov and Alexander Vinnikov, *The Great Guessing Game: Russia and the Iranian Nuclear Issue*, Washington Quarterly, Vol. 28, No. 2 (Spring 2005), p. 51

<sup>55</sup> Orlov and Vinnikov, *The Great Guessing Game: Russia and the Iranian Nuclear Issue*, p. 51

<sup>56</sup> Donaldson & Noguee, *The Foreign Policy of Russia*, p. 277

<sup>57</sup> Brian Glyn Williams, *From "Secessionist Rebels" to "Al-Qaeda Shock Brigades": Assessing Russia's Efforts to Extend the Post-September 11<sup>th</sup> War on Terror to Chechnya*, Comparative Studies of Asia, Africa and the Middle East, Vol. 24, No. 1, (November 2004), p. 199

<sup>58</sup> Vladlen Maksimov, *Chechen Authorities Want to Ban Wahhabism*, Noviy Izvestia, April 5, 2005, p. 2 found in translation via The Current Digest of the Post-Soviet Press, Vol. 57, No. 14, p. 1 online

<sup>59</sup> Katz, *Saudi-Russian Relations in the Putin Era*, p. 613

circulated that the Chechen rebels who seized a Russian theater in 2002 had placed several telephone calls to Saudi sponsors during the standoff.

In addition to alleged operational aid, both sides remain at odds over the nature of Saudi humanitarian assistance to Chechnya. Russia asserts that this aid is being used to build schools and mosques that espouse a radical interpretation of Islam. The Saudis acknowledge they do not have absolute control over where the donations of their independently wealthy citizens ultimately end up, but they insist that Islamic foundations based and registered in the kingdom do not engage in funding the spread of radical ideology or terrorist activities and that their aims are charitable. Russia is also suspicious of Saudi Arabia's resistance to allow Russian NGOs and government agencies to distribute the aid collected by Saudi charities. Saudi Arabia contends that much of the aid does not meet the intended recipients when distributed by Russian authorities. As a result, Chechen authorities in charge of reconstruction have sought direct links with Riyadh.<sup>60</sup>

Because Saudi Arabia has some influence and standing among Russia's estimated 20 million Muslims, due to both its largesse and status as the guardian of Islam's holiest sites, Russia has sought to use its relations with the kingdom as a means to improve its own standing. In addition to its observer status in the Organization of the Islamic Conference, closer cooperation with Saudi Arabia on dispensing humanitarian aid could significantly boost the Russian government's image among its Muslim population and give it better leverage in dealing with extremism in Chechnya. Riyadh's official position on this subject remains to be seen, however. The royal family's legitimacy and survival is largely dependent on its image as a defender of Islamic causes. Cooperation on aid distribution could create the perception of Saudi support for Russia's operations in Chechnya, which would be met with disapproval in much of the Muslim world.<sup>61</sup> Nevertheless, Russia will continue to seek cooperation from the Saudis on this subject as it is viewed as being critical to the security and stability of Russia itself.

## Conclusion

Russian foreign policy has changed considerably in the several decades that have passed since the late Brezhnev era. Gone is the overarching goal of securing influence and military ties in order to eclipse US influence in strategic areas such as the Persian Gulf. As a result of this change, relations with countries that were once threatened by Soviet-era policies are now approached by Russia with tangible interests in mind. Relations with Saudi Arabia, both good and bad, are quite illustrative of this. Oil pricing policy is a potential area of competition; however the incentive for coordination in order to achieve mutual benefits is high. Russia will likely continue to make the advancement of economic interests the centerpiece of its foreign policy and opportunities like the development of Saudi gas resources will undoubtedly be pursued. In addition, Russia is also compelled to pursue economic interests that the Saudis do not approve of if the rewards are great enough. Iran represents a lucrative market for readily exportable conventional arms and technical knowledge and Israel also offers promising rewards, including access to advanced technology, trade and counterterrorism cooperation. Finally, as Russia continues to combat Islamist terrorism within its borders, it will likely seek to enlist the Saudis' help,

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<sup>60</sup> Katz, *Saudi-Russian Relations in the Putin Era*, p. 613 and Ivan Sukhov, *The Prince and the Pauper*, *Vremya novostei*, January 19, 2004, p. 1 found in translation via The Current Digest of the Post-Soviet Press, Vol. 56, No. 3, p. 1 online

<sup>61</sup> Katz, *Saudi-Russian Relations Since 9/11*, p. 5

fully aware of Riyadh's stature in the Muslim world and its usefulness in solving the Chechnya problem. Simply put, Moscow is no longer primarily interested in winning allies and holding sway; it is interested in winning contracts, growing its economy and staying secure.