DIVERSIFYING RELATIONSHIPS: RUSSIAN POLICY IN THE MIDDLE EAST AND ITS IMPACT ON THE GCC

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Introduction

During the last five years, Russia’s relations with the GCC have developed along a largely positive trajectory. Moscow’s decision to leave the OPEC+ agreement and its launching of a price war with Saudi Arabia in March 2020 did not threaten the gains made by Russian diplomacy in the region. Following a cooling-off period in 2012–2014, caused by the negative reaction of the GCC States to Russian support of the Assad regime in Syria, overall rapprochement has continued. This has been based on a complex mixture of factors that include the growing intensity of Moscow’s presence in the region; the changing dynamics in US relations with Russia and the GCC; the evolution of energy markets; ongoing tensions between the Middle Eastern countries and the ongoing transformation of GCC foreign policy. This paper examines the influence that these factors have had on the current development of Russia’s relations with the GCC and it assesses the prospects for a continuing dialogue between the GCC capitals and Moscow, including an analysis of the ability of both sides to raise these relations to a new, qualitative level.

In terms of methodological approaches, this paper studies Moscow’s foreign policy towards the GCC within the framework of Russia’s growing role in the Middle East, its desire to protect its national interests using a wide range of means and the limited availability of resources to achieve these goals. The study is not, however, solely focused on Russia’s bilateral relations with individual GCC states. Instead it looks into areas of divergence and convergence between Moscow and the Gulf on a wide range of regional and international issues including, but not limited to, the Syrian civil war and Iran’s regional activities. The paper will also look into geopolitical risks affecting Russia’s Gulf strategy, the internal drivers determining Moscow’s behaviour in the region and economic aspects of Russia’s diplomatic approach. It will assess the opportunities and challenges faced by Moscow in the Middle East, which in turn have pushed and motivated the Russian government towards more active cooperation with the Gulf. The study demonstrates that, apart from Russia’s confrontation with the West and its ambitions to reinstate itself as a global power, there are other, no less important factors shaping Russian diplomacy in the region.
1. Russian Priorities in the Middle East and Moscow’s Relations with the GCC

1.1. Understanding Russia’s Presence in the Gulf

Russia’s growing involvement in the Middle East over the past years has resulted in a plethora of authors looking into different aspects of its regional presence. In these studies scholars have begun to address in more detail the issue of Moscow’s relations with the GCC. At the same time, the majority of recently published studies on the Russian presence in the Middle East still only touch upon Russia’s ties with the GCC member states within the broader context of Moscow’s regional approaches, so not extending sufficient attention to these relations. Those studies that do give attention to GCC matters tend to be narrow in focus, either concentrating on the dynamics underlying bilateral Russian-GCC ties with a selected GCC country or focusing on just one aspect of Russia’s dialogue with the GCC, primarily the energy dimension.

In his paper Better than Before: Comparing Moscow’s Cold War and Putin Era Policies toward Arabia and the Gulf, Mark Katz provides a comparison of the strengths and weaknesses of Soviet policy toward the Gulf during the Cold War with Russia’s vision of the region after Putin’s rise to power in 1999. The continuity of Moscow’s policies towards the region is often ignored by other scholars, who instead begin their story of Russia’s relations with the Gulf in the early 2000s. This largely ignores Moscow’s ties with the region during the 1990s and the fact that it represented a strategic interest for the Soviets, who believed that the political and military presence of the USSR in the Gulf strengthened its position in the Cold War. Katz, on the other hand, examines both Soviet and Putin’s foreign policies and explores what went well for Moscow and what did not, thus offering an explanation of the Soviet gains and misfortunes in the Middle East. Still, even here the discourse on Russian relations with the GCC is overshadowed by the analysis of Russian connections with other regional players such as Iraq, Iran and Yemen.

What Katz correctly demonstrates is that while Moscow’s decisions obviously play a role in whether its Middle Eastern policies have been successful or not, the determination of Moscow’s successes or failures is as much a result of Moscow’s own decisions as it is the result of policies pursued by the United States, Middle Eastern countries or other actors. The analysis of these ties through the prism of Russia’s relations with the West and its ambitions to play the role of a global player in the international arena has, in general, become a very popular way to approach the issue. Such an approach, however, fails to account adequately for important domestic and

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1 For example, see Anna Borshchevskaya, Russia in the Middle East (Washington: Washington Institute for Near East Policy, 2016); Mark Katz, Better than before: Comparing Moscow’s Cold War and Putin Era Policies toward Arabia and the Gulf (Durham: Durham University, 2018); Mark Katz, Support Opposing Sides Simultaneously: Russia’s Approach to the Gulf and the Middle East (Doha: Al Jazeera Center for Studies, 2018); Samuel Ramani, “Russia and the UAE: An Ideational Partnership,” Middle East Policy 27, no. 1 (2020); Alexander Shumilin, Inna Shumilina, “Russia as a Gravity Pole of the GCC’s New Foreign Policy Pragmatism,” The International Spectator 52, no. 2 (2017); Li-Chen Sim, “Russia and the UAE GCC’s New Foreign Policy Pragmatism,” The International Spectator 52, no. 2 (2017); Samuel Ramani, “Russia’s Strategic Balancing Act in Yemen,” Blog post - The Arab Gulf States Institute in Washington, 1 May 2019, https://agsiw.org/russia-strategic-balancing-act-in-yemen/ (accessed 5 July 2020).

2 Such as Eugene Rumer, Russia in the Middle East: Jack of all Trades, Master of None (Washington: CEIP, 2019).


4 For details, see Alexey Vasilyev, Russia’s Middle East Policy: From Lenin to Putin (London: Routledge, 2018), pp. 160 – 170.

5 Mark Katz, Better than before: Comparing Moscow’s Cold War and Putin Era Policies toward Arabia and the Gulf, op.cit.

6 Ibid.

economic factors that are at least equally as significant. Russia’s dialogue with Saudi Arabia on the OPEC+ example is often considered within the framework of Moscow’s vision of the global energy market rather than as part of the Russian dialogue with the region itself.

Russia’s foreign policy towards the Gulf is inseparable from its broader diplomacy in the Middle East. Since the beginning of Russia’s military deployment in Syria in 2015, Moscow’s importance for regional and non-regional players has been based on two pillars: an expanding Russian military presence in the Middle East (in both Syria and Libya) and a ‘pragmatic’ balancing act between key regional players. This core set of priorities shaping Moscow’s approaches to the region and consequently the GCC has remained unchanged. This list includes Russia’s ambitions to project power, the Kremlin’s endless quest for economic profit and Moscow’s domestic concerns. What has shifted over the last five years is the nature of the impact of these factors on Russian strategic thinking. These factors are constantly evolving, in turn adding new shades to the Kremlin’s approaches. Specifically since 2015, the influence of economic considerations on Russia’s regional decision-making has become much more obvious.

In the geopolitical sphere, Russia’s leadership always looks at the Middle East and the Gulf through the lens of its goal to project power globally and to confront the West. Regional priorities play a secondary role. Moscow’s involvement in the conflicts in Syria and Libya, its close contacts with the Palestinian authorities and Israel, as well as its attempts to maintain good ties with Iran on the one hand, and the GCC on the other, seek to demonstrate to the United States and the EU Russia’s importance as a global player, thus compelling the West to take Russia’s world view into account and to keep communication channels with Moscow open.

In July 2019, Russia released its ‘Concept of Collective Security in the Persian Gulf,’ believing that current tensions in the region would mean that the international community would be ready to support this initiative. The Kremlin further believes that it will be able to use this document not only in the Gulf but further afield, to amplify Russia’s important international role. Russia’s Ministry of Foreign Affairs argues that the publication of the ‘concept’ is a response to attempts by Western actors to impose a ‘western solution’ on the region. Ultimately, the Kremlin believes that the emergence of a new security system in the Gulf is inevitable. Yet given its ambitions to play a larger role in this part of the region and beyond, it does not want this new system to be established without its participation.

In order to use Middle Eastern issues to shape its relations with the West, the Russian leadership has to maintain Russia’s position as an influential external player in the region, including the Gulf. This means that Moscow also needs to demonstrate its importance to the regional players. Under these circumstances, Moscow’s active attempts to maintain good ties with the warring sides in Yemen, its support for General Khalifa Haftar in Libya, its active cooperation with Saudi Arabia and the UAE in the OPEC+ agreement and its readiness to open Syria for the economic presence of the GCC countries are all aimed at making the Gulf states take the Kremlin’s world view into account and at keeping communication channels open. Russia is not confident that it would be able to respond effectively if forced into a reactive mode by other players in the region, therefore it seeks to retain the initiative and thus shape the regional agenda according to its needs and resources.

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8 Leonid Issaev represents a contrast as he pays attention to the domestic factors of Russia’s foreign policy towards the region. See Leonid Issaev and Alisa Shishkina, “Russia in the Middle East: in Search of its Place,” in Wolfgang Muhlberger (ed.), Political Narratives in the Middle East and North Africa (London: Springer, 2020).

1.2. The US Factor

A key aspect of Russia’s relations with the GCC is influenced by the changing regional perceptions of the US role in the Gulf. Local policymakers often argue about US disengagement from the Middle East and the rising reluctance by Washington to protect the interests of the GCC member states. Under the Obama administration from 2009 to 2017, the US was seen as gradually becoming less inclined to be involved in Middle Eastern affairs. Instead, the US adopted the strategy of “restrained power,” which implied the active interference in regional affairs, including the use of force and means of coercion, only when and where it is really needed. GCC concerns over a US repositioning were first strengthened in 2011 by the Americans’ reluctance to come to the assistance of Egyptian president Hosni Mubarak during the revolutionary uprising in his country, despite the fact that Mubarak had been seen as a loyal ally in the past. This was considered a betrayal by the Gulf states and a significant blow to the American image.

Donald Trump’s victory in the US presidential elections of 2016 did not lay some of these fears to rest. While his initial trip to Saudi Arabia in May 2017 certainly gave the impression of a return to the strategic US-GCC ties of the past, subsequent moves such as the proposals in the so-called ‘deal of the century’ to resolve the Israeli-Palestinian question created new points of contention and brought the question of US reliance back to the forefront between the American leadership and the GCC. During the same 2017 trip to Saudi Arabia, the US president introduced the Middle East Strategic Alliance initiative, whose formal goal is to strengthen the military, political and economic security of the region. However, the plan implied a greater participation of the regional players in ensuring their own security. Consequently, instead of strengthening American ties with the GCC, it was interpreted by the regional players as an attempt to reduce further the US presence.

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11 Interviews with Lebanese and US experts on US foreign policy in the Middle East, Carnegie Middle East Center, Beirut, Lebanon, 5 May 2015.

12 Interview with a Saudi official, London, 1 October 2015; Interview with Qatari diplomats, Doha, Qatar, March 2019. According to the traditions of the region, treachery (no matter who is the betrayed person) is never forgotten and considered as a sign of weakness.

in the Gulf and the Middle East, making the regional players believe that President Trump will follow the same disengagement policy as his predecessor.14

The GCC players were further motivated to diversify their international relations by the US reaction to the 2019 drone attacks on the Saudi oil infrastructure in Abqaiq and Khurais allegedly undertaken by Iran.15 In spite of some loud statements on the need to help its Saudi allies, the US not only refrained from any retaliation to Iran’s aggressive moves but tried to encourage its own oil producers to use the moment to increase their stake in the market at the Saudi’s expense.16

By September 2019, Iran was either directly involved or suspected of being behind a number of other moves aimed at the destabilization of oil supplies from the Gulf.17 However, in each case the US authorities preferred to limit themselves to diplomatic statements. In the same month, President Trump agreed to increase the numbers of US military personnel deployed to Saudi Arabia.18 Yet on the same day, when commenting on the planned US response to the attacks, the then US Joint Chief of Staff General Joseph Dunford made it clear that even a significant increase in the numbers of US personnel in the Middle East and the provision of new weapons to Saudi Arabia would not fully guarantee the security of its oil infrastructure.19 He was clear that the US was leaving the primary responsibility for protecting Saudi oil installations to Riyadh.20

Under these circumstances, it is not surprising that the GCC members do not feel confident with the US. President Trump’s initial attempt to support the Quartet’s (Bahrain, Egypt, Saudi Arabia and the UAE) side in its tensions with Qatar pushed Doha further in its move to diversify the range of its foreign policy partners, although the US president was quick to change his mind and declare neutrality. Moreover, President Trump’s periodical statements that his foreign policy is pre-determined primarily by US domestic priorities reinforces GCC concerns that, in most cases, the White House will continue to stick to a policy of non-interference in the region.

Russia, on the contrary, has acquired a greater interest in the region, including a readiness to become more involved. Since 2015, Russian foreign policy in the region has become tougher in

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14 Ibid.
19 The Russian leadership did not miss the chance to use the situation in its interest and shortly after the Abqaiq incident ‘reminded’ the Saudi leadership that Moscow is ready to supply Riyadh with sophisticated anti-aircraft defence systems that might appear to be more effective than the American alternatives. On 16 September 2020, President Putin participated in trilateral negotiations with Iran’s President Hassan Rouhani and Turkey’s President Recep Erdogan. During the subsequent press conference, he sarcastically noted that Riyadh’s oil infrastructure could have enjoyed better protection if the Saudi authorities had bought Russia’s munitions. To emphasise this point, Russia’s president highlighted the examples of the Russian S-300 missile systems sold to Iran and their more advanced S-400 version that Moscow agreed to export to Turkey. Putin’s words also contained another message: he was, de-facto, reciting an old mantra that Russia’s diplomats in the Gulf had been repeating for a long time when addressing the regional elites. This mantra can be formulated as following: we are different from the Americans and you can gain a lot if you are more active in dealing with us. For more details, see DM Chan, “Putin’s progress: Russia’s S-400 vs US Patriot, The Asia Times, 12 October 2019, https://asiatimes.com/2019/10/putins-progress-russias-s-400-vs-patriot/ (accessed August 26, 2020).
defending its specific interests. While Russia was unable to match the economic and political capacities of the US and was unwilling and/or unable to confront the Americans on most matters pertaining to the region, there was an opening to exploit the GCC members’ interests in the diversification of their foreign policy relations and to promote this in Russia’s own interest.

For Russia, it is important to avoid using ideological rhetoric in its official dialogue with the GCC. Unlike in the post-Soviet republics, Moscow tries to avoid imposing its views either by force or by economic coercion, except in rare cases of extreme necessity, to ensure that Russian interests are defended.21 In its dialogue with the countries of the region, Russia tries to focus on commonalities rather than on differences and contradictions. In most cases, Russia also remains highly pragmatic. It is the mixture of pragmatism, opportunism and loose adherence to moral values in its foreign policy approaches that have helped Moscow to find friends in the Gulf region. This clearly contrasts with the US policies that before (and partly during) the Trump administration were affected by the ideological considerations connected to Western values. Under these circumstances, Moscow’s pragmatism and silence on the domestic issues of the region clearly contrast with the US’s occasional attempts to bind arms supplies and military support to human rights considerations.22

From this point of view, Russia does not need to promote any anti-American thesis in the Gulf to strengthen its position. It only needs to stay different from the US, thus exploiting the regional interests in the diversification of international partners. For example on 26 October 2018, a day after the phone conversation between President Putin and King Salman of Saudi Arabia, the Kremlin’s spokesman Dmitry Peskov stated that Russia trusts the Saudi

21 In the last five years, there have been only two occasions when Moscow tried to put pressure on selected GCC members. In 2015-2016, Russia actively suppressed pro-Saudi groupings in Syria to ensure the victory of Assad’s regime and to persuade Riyadh be more flexible on Assad’s future. Secondly, in March 2020 Russia left the OPEC+ agreement, hoping that Saudi Arabia and the UAE would agree to allow Moscow to avoid deeper cuts of its oil production. The quick defeat of the majority of forces opposing Assad was important in decreasing Russia’s own risks of becoming bogged down in the protracted active military conflict, with high military and financial losses in Syria, and to bring the regional supporters of the opposition to the negotiating table. Meanwhile, the March 2020 decision to leave the OPEC+ was determined by domestic considerations (discussed later).

explanations of the killing of the journalist Jamal Khashoggi and believes that the Saudi ruling family was not involved in it. President Putin thus clearly took the Saudi side in the Khashoggi investigation. This political gesture was well received in Riyadh and additionally strengthened the bilateral ties between the two countries, including at least temporarily elevating the relations between President Putin, King Salman and Saudi Crown Prince Muhammad bin Salman to the level of a personal friendship. At the same time, Russia’s position obviously contrasted with the mixed American reaction to the Khashoggi case.

Russia is not considered by the region to be a fully-fledged replacement of the US but rather as an instrument that can be used together with other assets (for instance GCC contacts with China) to limit the risks connected with the changes in US policies towards the region. Thus when going beyond bilateral relations, dialogue between Russia and the GCC member countries usually becomes active on those issues on the regional or international agenda where the US is unwilling to involve/help the Gulf states to pursue their goals or may even act against them. During 2018 – 2019, Russian cooperation with Saudi Arabia and the UAE within the framework of the OPEC+ clearly contrasted with the US statements criticising the actions of the oil cartel and its allies. In Libya, Moscow supports the forces of Khalifa Haftar alongside similar support provided by Egypt, the UAE and Saudi Arabia. Meanwhile, the US at a certain point distanced itself from the Libyan conflict and now is possibly more inclined to support Haftar’s opponents. Finally, in Syria the Gulf states have to deal with Russia as a dominant non-regional force, while the US clearly demonstrated its unwillingness to go beyond the mere preservation of its foothold in the North-East of the country.

1.3. Syria and Russia’s quid-pro-quo approach

As opposed to the US image of a power disengaging from the Gulf, Russia managed to build up the image of a country willing to engage and be decisive in its actions in the region. The failure of the US to undertake military operations against the Assad regime in Syria in 2013, followed by Russia’s own military deployment in the country after 2015, were vital in strengthening the perception of Moscow as an influential player. Russia’s military deployment in Syria became not only the symbol of Russian decisiveness to protect its allies but clearly showed that Russia’s involvement could in fact be a game-changer. It thus contrasted sharply with the US approach to the Mubarak regime in Egypt. Moreover, the military operation ensured not only the survival of the Assad regime but further demonstrated that the Western monopoly in the use of force in the Middle East that emerged after the fall of the USSR was over. For the GCC, this was an acknowledgement that Russia should no longer be considered a weak player when it comes to the larger strategic picture in the region.

24 It was also the first time that Moscow not only avoided distancing itself from the discussion of the issue that was politically sensitive for a GCC country and totally irrelevant to Russia, but also picked the side of the Gulf state.
25 Interview with Russian expert on the Middle East, IMEMO, Moscow, Russia, 19 December 2018.
28 As it will be demonstrated below, Libya also illustrates the fact that in a number of cases Moscow and the GCC players are uninterested in building up firm alliances. For them, quite often it is enough to go on parallel courses with occasional interactions as happens between Russia and the UAE in Libya. For more details, see Samuel Ramani, “Putin, Mohamed bin Zayed seek to reclaim common ground on Libya,” Al Monitor, 15 July 2020, https://www.al-monitor.com/pulse/originals/2020/07/russia-uae-libya-policy-hifter-egypt.html (accessed 29 July 2020) or just provide silent support as happens with the Russian-Saudi dialogue on Yemen where Moscow is mainly trying not to create obstacles for Riyadh.
Initially Russian support for Bashar al-Assad remained one of the main deterrents for the development of Russian contacts with the GCC states. From the outset of the civil war, Riyadh heavily criticized the Kremlin for its stance on the conflict. Yet in order to shape the situation in Syria in its interests, Russia understood that it needed to open channels of communication with Saudi Arabia, the UAE and Qatar. Through the deployment of its military forces, Moscow put pressure on those groups that were receiving support from Saudi Arabia. As the pressure on those groups increased, Saudi Arabia felt the need to talk to Russia. This in turn led Moscow to offer a number of incentives for the intensification of the political dialogue on Syria. By mid-2017, for example, Russia supported Saudi efforts to assemble the Syrian opposition groups into a unified opposition that could take part in the Geneva peace talks. The Kremlin also demonstrated to Riyadh that there were other topics of mutual interest that could be discussed if the opposition that could take part in the Geneva peace talks. The Kremlin also demonstrated to Riyadh that there were other topics of mutual interest that could be discussed if the disagreements on Syria were either put aside or overcome. Finally, the Kremlin underscored its readiness to give certain concessions to Saudi Arabia in exchange for reciprocal moves from Riyadh. Again by mid-2017, Russia agreed not to voice objections against Saudi actions in Yemen, in exchange for a more flexible position on Syria by the Kingdom.

From a Russian perspective, the quid-pro-quo approach has brought about the necessary results. For one, Saudi Arabia helped Moscow to launch the dialogue with the part of the Syrian opposition supported by Riyadh. Secondly, in 2018 Saudi Arabia was seen as giving its silent consent regarding the intentions of Bahrain and the UAE to re-open their embassies in Damascus and to provide limited economic assistance to the reconstruction of Syria. Thirdly, Russia gradually persuaded Riyadh to support the Syrian return to the League of Arab States (LAS) and in this context some progress in the discussion over Saudi assistance in the reconstruction of Syria is also reported.

However, from the Saudi side as well as from the positions of other GCC members, the situation is viewed differently. Russia’s pro-government experts and decision-makers, de-facto, believe that the GCC member states succumbed to Moscow’s pressure tactics. Riyadh and other players see Russia’s presence as just one of many factors affecting their approaches to Syria, largely driven by their own interests and considerations. The current dialogue on some aspects of the Syrian conflict settlement between Russia on the one hand and Saudi Arabia and the UAE on the other is perceived by the regional players to be a result of overlapping interests, where each side is equally important and has something to offer to the others, rather than the consequence of Russia’s pressure or a quid-pro-quo approach.

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30 Including the situation in the international oil market.

31 Interview with a Russian expert on the Middle East, Higher School of Economics, Moscow, Russia, 19 September 2018.


33 Interview with Russian experts on the Middle East, Moscow, Russia, September, December 2018.

34 Interview with Russian experts on the Middle East, IMEMO, op.cit.


36 Such as - the struggle against radical groupings associated with political Islam; the need to restore the dialogue between Syria and the Arab countries; the deterrence of growing Turkish ambitions, etc.

37 For instance, the potential return of Syria to the LAS is viewed as a way to create another leverage of GCC influence on the Syrian issue, but not as a supporter of the Russia’s inspired initiative. See Naser Al Wasmi, “Dr Anwar Gargash: Solving the Qatar crisis must involve tackling the ‘trust deficit,’” The National, 6 June 2018, https://www.thenational.ae/world/ MENA/dr-anwar-gargash-solving-the-qatar-crisis-must-involve-tackling-the-trust-deficit-1.737701 (accessed 29 July 2020).
The truth is probably somewhere in between. By 2017, the GCC member states had to acknowledge that the Assad regime had survived and would remain a part of the Middle Eastern geopolitical reality. Assad’s survival was the result of Russia’s efforts and so Russia was recognized as one of the important players in Syria. Consequently, in order to be able to influence the political settlement in Syria, Saudi Arabia and the UAE needed to speak to Moscow and Damascus.38 On the other hand, this does not mean their subjugation to Russia’s will. First of all, the Saudi ties with the Syrian opposition, the UAE and Saudi contacts with the Syrian Kurds, as well as Moscow’s vision of Riyadh and Abu Dhabi as potential sources of funding for the Syrian reconstruction, make the Kremlin respect them as independent players.39

Secondly, GCC member states still retain a certain degree of criticism about Moscow’s policies towards Syria, including its cooperation with Iran and its inability to make President Assad transform his political regime into being more inclusive and democratic, although critical statements about Russia by GCC members became less vocal, while being more the prerogative of political analysts rather than officials.40 Thus in mid-2018, the UAE’s Minister of State for Foreign Affairs Anwar Gargash was still criticizing the Russian-backed Astana format and Russia itself as one of three countries (together with Iran and Turkey) “whose presence in Syria remains troubling to Arab countries and the United States.”41

Thirdly, even in those cases in which Russia’s interests overlap with those of some GCC member countries, they are still far from being fully compliant. When speaking about Syria’s return to the League of Arab States (LAS) or helping to establish a closer dialogue between the Syrian regime and the opposition, the UAE and Saudi Arabia are talking about the need to introduce changes within the Assad regime as certain preconditions for their assistance. However, as was mentioned, Moscow is neither willing nor able to push Damascus to change.

All in all, the sides are compelled to recognize each other’s importance and take the position of the other side into account. Yet, as it was formulated by a GCC official interviewed for this research, in the best case scenario Russia and the GCC states would rather go on parallel courses in some cases.42 This does not, however, exclude occasional productive interactions and quid-pro-quo exchanges. This also does not exclude disagreements and rivalry as well. Such a vision can be applied not only to Syria but other areas of the GCC member state dialogue with Russia.

40 For instance, see Ghasan Sharbal, ‘Khmeimim during the Epoch of Huawei’ [in Arabic], Al Sharaq Al Awsat, 10 June 2020, https://aawsat.com/home/article/2311571/%D8%BA%D8%B3%D8%A7%D9%86-%D8%B4%D8%B1%D8%A8%D9%84/%D8%AD%D9%85%D9%8A%D9%85%D9%8A%D9%85-%D9%81%D9%8A-%D8%B9%D8%B5%D8%B1-%C2%AB%D9%87%D9%88%D8%A7%D9%88%D9%8A%C2%BB accessed 29 July 2020.
41 Naser Al Wasmi, op.cit.
2. Security Concerns and Domestic Drivers of Russia’s Relations with the Gulf

Security concerns also remain important for Russia’s decision-making on its relations with the GCC. Here perceptions have considerably evolved since 2015, making security concerns less important than political and economic goals. While between 2014 and 2016, these concerns centred on the infiltration of so-called Russian-speaking jihadists with battle experience from the Middle East into the post-Soviet space, recently Moscow has become more worried about the possibility of ideological and financial support from Middle Eastern (and primarily Gulf) private individuals to home-grown radical Islamists in Russia and its ‘near abroad’, especially Tajikistan, Uzbekistan and Kazakhstan. As a result, Moscow has intensified its attempts to persuade these elites to support ‘official’ Islam in Russia instead. The Kremlin has allowed more active contacts between the government-supported leaders of Russia’s Muslim community and the local governments of its majority Muslim-populated republics with the religious circles and the political establishments of the United Arab Emirates, Qatar and Saudi Arabia. The aim is not only to strengthen Russia’s relations with these countries and to encourage them to invest in the Russian regions where they share a religious affinity, but to convince GCC elites that the rights of Muslims are not being abused in Russia.

Over the last few years, these efforts have managed to bring substantial results. Russian muftis are welcomed in Mecca at a very high level and Saudi officials have stopped criticising Moscow for real or imagined abuses of Muslim rights in Russia. On 21 January 2019, Saudi Minister of Islamic Affairs Sheikh Abdullatif al-Sheikh took part in the 29th International Islamic conference in Cairo, where he met the deputy head of Russian muftis’ council, Rushan Abbyasov. After this meeting, al-Sheikh gave an official interview in which he praised the Russian authorities for their just and fair policies towards the Russian Muslim community and its rights since the fall of the USSR. His statements marked a drastic change in Saudi rhetoric and narratives on the situation of the Russian Muslim community during the post-1991 history of Russia.43 Previously, at least till 2016, Moscow was quite often criticised for the suppression of Islam in the Caucasus and Volga regions and even occasionally positioned as one of Islam’s enemies.44

44 Interview with a Russian diplomat, Doha, Qatar, March 2019.
The Kremlin’s decision to boost the development of relations between the local governments of its majority Muslim-populated republics and the GCC countries is directly connected to another new factor shaping the development of Moscow’s relations with the region: the emergence of a wide range of domestic actors who can affect the policy-making process in the GCC or in individual countries there. After Russia began its ‘return’ to the Middle East in 2012, it had to deal with numerous non-state and quasi-state structures and was forced to use ‘parallel diplomacy’ with formal and informal Russian structures that have no ties to the Russian Ministry of Foreign Affairs that usually develop relations in the region. For example, to be able to speak with different actors in Libya, Russia relied not only on the ministry but also on Russian individuals not openly associated with official agencies that deal with foreign affairs. Such individuals’ personal views inevitably affect policy, as these personalities also tend to push their own agendas.

The head of the Chechen republic, Ramzan Kadyrov, and his team are one of these centres of Russia’s ‘parallel diplomacy’. His official status as the head of one of the Russian regions formally limits his foreign policy activities in the promotion of the interests of his region. In other words, he is not entitled to act at the federal level by fulfilling the functions of a national diplomat. However, Kadyrov played a role in improving Russia’s relations with Saudi Arabia and the UAE where he was often a guest during official and private visits in recent years, strengthening the relations of the Chechen community with the Gulf. The Kremlin uses Kadyrov to carry messages to Riyadh and Abu Dhabi when it does not want to draw attention to the matters being discussed. Kadyrov’s visits to the two countries usually precede important decisions taken at the official level. For example, in August 2018 Kadyrov was invited to Saudi Crown Prince Muhammad bin Salman’s palace to celebrate Eid al-Adha. It is reported that during this visit matters discussed included the export of S-400s missile systems to Saudi Arabia, the potential training of Saudi special forces in Chechnya, the future of Syria and Putin’s visit to Riyadh. Only when Kadyrov brought the message from the Saudi leadership to Moscow that King Salman was willing to host the Russian president in Riyadh did the Kremlin officially declare that the trip would take place and this occurred in October 2019.45

Parallel to these activities, the GCC states have formed their own lobbies inside Russia at the regional and federal levels. According to some Russian analysts, the influential pro-Saudi lobby in Moscow involves Minister of Energy Aleksandr Novak and the head of the Russian Direct Investment Fund, Kirill Dmitriev.46 These people are quite influential and capable of countering any negative political influence on the development of the Russian-Saudi dialogue.

While the impact of domestic factors on Russian decision-making remains largely underestimated by the expert community, its importance for diplomacy in the GCC is growing. The Kremlin uses Russia’s presence in the Gulf for its propaganda needs, including attempts to shore up support for Vladimir Putin among Russian society. Trips by Russian officials to the region are offered as proof that Russia is an influential player. Yet serving the domestic needs of Putin’s regime, Russia’s messaging is not always coordinated with foreign policy priorities. Attempts by the Russia media to accuse Qatar of launching a war against Russian gas producers in the European and Turkish markets, in order to explain export losses of the Russian budget, created serious concerns in Doha in June 2020.47

Growing domestic unrest and the problem of President Putin’s succession is making Russia more cautious when making decisions on the Middle East.48 The Kremlin would like to avoid

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46 Interview with a Russian expert on the GCC countries, Higher School of Economics, 21 June 2020, op.cit.
47 Ibid.
48 Novaya Gazeta, ”Levada Tsentr Soobshchil o Padenii Reytinga Putina do 25% [Levada Center Reported on the Fall of Putin’s Ratings to 25%),” Novaya Gazeta, 30 May 2020, https://novayagazeta.ru/news/2020/05/30/161906-levada-
unnecessary problems and complications in foreign policy while approaching 2024, the year when Putin will either run for his fifth term as President or he might agree on a power transition to a successor. The latter option is still not excluded by some analysts, even though the amendments to the Russian constitution adopted in 2020 allow Putin to be re-elected in spite of the legal principle limiting presidential terms in the office to two. 49 Whatever option is chosen by Putin – to stay or to leave in 2024 – his choice could spark serious unrest inside the country, as there is no national consensus on how legitimate the 2020 constitutional amendments are and whether the next President of Russia should be a Putin successor. The shrinking available resources and the increasing importance of domestic issues make Russia less interested in being involved in new conflicts and risky undertakings in the Middle East. The need to deal with the impact of the COVID-19 pandemic on the socio-political stability of Russia further diverts the Kremlin’s attention from risky adventures in the Middle East. Thus the Kremlin is trying to place greater emphasis on diplomatic activities in Libya, while pulling Russian mercenaries back from the front lines and deeper into the territories controlled by Tobruk, even allegedly decreasing their numbers in the country. 50 Moscow is also demonstrating a negative attitude towards Assad’s initiatives to resume the offence on Idlib in Syria. Instead, Russia is concentrating on those opportunities that the region can provide as a means to mitigate the negative impacts of the domestic challenges to the country’s socio-economic and political stability. This in turn positively affects the Russian dialogue with the GCC. 51


51 For instance, the RDIF is actively discussing options for the GCC member states’ participation in the development and production of vaccines and medicines that will help to cure and prevent the spread of COVID-19. During the late spring – early summer 2020, the UAE provided humanitarian assistance to the North Caucasian districts of Russia severely hit by Coronavirus. The unpredicted COVID-19 impact on Russia also made Moscow revise its decision to leave the OPEC+ agreement and made the Kremlin one of the most loyal participants of this deal when it was restored.
3. GCC and Russia’s Economic Priorities

3.1. Russian Trade with the GCC: When Quality Matters more than Quantity

Russia's decision-makers do not see the GCC solely through the prism of political issues and a regional agenda. The Gulf states are also important for economic reasons.

At first glance, the volume of Russia’s trade with the GCC might create the wrong impression of the minimal role that economic drivers play in the development of a dialogue between Moscow and the region. Indeed, the GCC's share in Russian foreign trade is less than 1%. In terms of sheer numbers, Russia's trade with the Gulf seems unimpressive. For instance, for the last ten years its aggregated volume managed to surpass the level of Russian trade with Egypt (one of the main Russian trade partners in the Arab world) only once (see Table 1).

Table 1 Russian Trade with the GCC Member Countries and Egypt (2010 – 2019, USD million)

<table>
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<tr>
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<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>2.5</td>
<td>5</td>
<td>13.9</td>
<td>15.8</td>
<td>20.1</td>
<td>12</td>
<td>53</td>
<td>10</td>
<td>59</td>
<td>15</td>
</tr>
<tr>
<td>Kuwait</td>
<td>132</td>
<td>357</td>
<td>83</td>
<td>34</td>
<td>48.2</td>
<td>406</td>
<td>480</td>
<td>700</td>
<td>640</td>
<td>554</td>
</tr>
<tr>
<td>Oman</td>
<td>13.3</td>
<td>39.3</td>
<td>42.1</td>
<td>59.4</td>
<td>87.7</td>
<td>106</td>
<td>120</td>
<td>115</td>
<td>157</td>
<td>239</td>
</tr>
<tr>
<td>Qatar</td>
<td>14.6</td>
<td>54.6</td>
<td>40</td>
<td>41.4</td>
<td>53</td>
<td>31</td>
<td>59</td>
<td>73</td>
<td>79</td>
<td>83</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>366</td>
<td>852</td>
<td>1,359</td>
<td>1,078</td>
<td>1,133.1</td>
<td>926</td>
<td>492</td>
<td>920</td>
<td>1000</td>
<td>1670</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>1,019</td>
<td>1,489</td>
<td>1,487</td>
<td>2,516</td>
<td>1,970</td>
<td>1,246</td>
<td>1,244</td>
<td>1630</td>
<td>1690</td>
<td>1840</td>
</tr>
<tr>
<td>GCC Total</td>
<td>1,547.4</td>
<td>2,796.9</td>
<td>3,025</td>
<td>3,744.6</td>
<td>3,312.1</td>
<td>2,727</td>
<td>2,448</td>
<td>3,448</td>
<td>3,625</td>
<td>4,401</td>
</tr>
<tr>
<td>Egypt</td>
<td>2,191</td>
<td>2,820</td>
<td>3,555</td>
<td>2,946</td>
<td>5,400</td>
<td>4,089</td>
<td>4,156</td>
<td>6,722</td>
<td>7,664</td>
<td>6,246</td>
</tr>
</tbody>
</table>

Source: Russian custom statistics (https://russian-trade.com/).
Moreover, there are serious differences between the GCC member countries in terms of the volume of their trade turnover with Russia. While in US Dollar terms, it remains insignificant in the cases of Bahrain, Qatar and to a lesser degree Oman, Russian trade with Saudi Arabia, the UAE and Kuwait has grown substantially since 2010. (See Graph 1).

Graph 1. The Structure of Russian Trade with the GCC (by country)  
(2010 - 2019, USD million)

![Graph 1](https://example.com/graph1.png)

Source: Russian custom statistics (https://russian-trade.com/).

Yet, it is not quantity but quality that matters. The fact that the trade balance is in favour of Russia makes Moscow see it as a small but reliable source of income that has been steadily growing for the last ten years (See Graphs 1 and 2). More importantly, the range of items exported by Russian companies is quite diversified (with the exception of Kuwait), thus offering niches for different producers and goods – arms and military equipment, machinery, oil and gas, petrochemical, metallurgical and agricultural products (See Graphs 3 to 6).
The region still holds great interest for Russia and, in some cases, even key importance in certain sectors, including the agricultural and military-industrial complexes and the petrochemical, space and oil and gas industries. The UAE is an important buyer of Russia’s precious stones and metals, whereas Saudi Arabia is one of the main consumers of Russian grain (first of all, barley and wheat), the sales of which are playing a significant role in Russia’s pursuit of export diversification. The region is also an important market for some small and medium-sized enterprises, for which trade with the Middle East often represents the main and in some cases the only export market for their products.

Graph 2. Export-Import Ratio of the Russian Trade with the GCC by country in 2019 (%)

![Graph 2](https://russian-trade.com/)

Source: Russian custom statistics (https://russian-trade.com/).

Graph 3. Structure of the Russian Exports to Saudi Arabia in 2019 (%)

![Graph 3](https://russian-trade.com/)

Source: Russian custom statistics (https://russian-trade.com/).
Graph 4. Structure of Russian Exports to the UAE in 2019 (%)

Source: Russian custom statistics (https://russian-trade.com/).

Graph 5. Structure of Russian Exports to Qatar in 2019 (%)

Source: Russian custom statistics (https://russian-trade.com/).
During the last decade, items exported by Russian corporations to the region have diversified, with the share of machinery sold to the GCC gradually rising. This trade with the Gulf countries is helpful for the implementation of the Russian government’s economic diversification strategy.

Finally, after 2015, Russia’s increased arms sales to the Middle East became a separate driver of its regional engagement. Russia’s military assistance to Iraq in its struggle against ISIS in 2014 and its subsequent support of the Assad regime in Syria with equipment and ammunition led to Moscow’s direct involvement in the Syrian conflict in 2015 and became an effective promotional exercise for the Russian military-industrial complex. Consequently, not only has the volume of Russian arms exports to the region increased, but so did the importance of this market for the Russian arms producers, which in turn heightened the incentives for Moscow to invest in building positive relations with the region. According to the official data, in 2018 the Middle East’s share in Russian arms sales was equal to 48% (approximately $7.2 billion dollars) compared to 37% in 2015 ($5.5 billion).52

Currently market analysts also argue that, as an outcome of the demonstration of Russian arms capacities in Syria, Moscow managed not only to secure its presence in the traditional consumer markets such as Algeria, Egypt and Iraq, but also advanced its presence in the arms markets of the countries traditionally less open for Russia, such as the members of the GCC.53 The real volume and structure of Russia’s arms trade with the Gulf (as well as with the Middle East in general) is unknown. Customs reports usually classify arms deals under a secret code category, which includes all imports and exports that the Russian authorities prefer not to declare.54 With regard to the Gulf, the official data of Russian customs confirms that, during the period from 2015 to 2020,

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54 However, apart from arms exports/imports, this category includes the trade of dual use items and goods whose trade can fall under the sanction legislation by a third country.
Moscow was indeed exporting goods under the ‘secret category’ to the GCC. If it is assumed that all these figures reflect the exports of arms only, it is possible to conclude that the region was not Russia’s main customer. The volumes of export gains also did not match that of the US or the EU. Yet, they have been growing quickly since 2015, so the Gulf is rising in importance in the eyes of Russia’s arms traders (see Table 2).

Table 2 Russia’s Exports under the Secret Code Category to the GCC Member Countries in 2015 – 2019 (USD)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bahrain</td>
<td>0</td>
<td>38,296,922</td>
<td>0</td>
<td>42,171,017</td>
<td>0</td>
</tr>
<tr>
<td>Kuwait</td>
<td>67,265</td>
<td>22,479</td>
<td>21,019</td>
<td>67,346</td>
<td>39,051</td>
</tr>
<tr>
<td>Oman</td>
<td>8607</td>
<td>0</td>
<td>31700</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Qatar</td>
<td>0</td>
<td>27,669</td>
<td>0</td>
<td>2,600</td>
<td>38,141</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>16,933</td>
<td>27,751</td>
<td>11,643,710</td>
<td>48,010,100</td>
<td>361,761,933</td>
</tr>
<tr>
<td>United Arab Emirates</td>
<td>67,592,389</td>
<td>36,722,269</td>
<td>159,865,067</td>
<td>123,518,458</td>
<td>168,243,826</td>
</tr>
<tr>
<td>GCC Total</td>
<td>67,685,194</td>
<td>75,097,090</td>
<td>171,561,496</td>
<td>213,769,521</td>
<td>530,082,951</td>
</tr>
</tbody>
</table>

Source: Russian custom statistics (https://russian-trade.com/).

Russian media sources also confirm the rising importance of the Gulf as Russian arms consumers. The UAE has the longest experience of arms trade cooperation with Russia and Russia’s arms producers are often guests at the IDEX arms fair in Abu Dhabi. In 2017, Russia and the UAE signed a cooperation agreement in the military-industrial sector.55

3.2. Russian-GCC Investment Cooperation: Economic Motivation with Political Aftertaste

Bilateral trade is just one of the elements of Russia’s economic cooperation with the GCC countries. Russia’s economic goals in the region are broader. In particular, Russia considers the GCC to be an important source of investments in Russia’s economy, with priority given to infrastructural projects. The Russian Direct Investment Fund (RDIF) can be considered to be one of the main promoters and entry gates for GCC investments, through the facilitation of deals and the establishment of joint funds with Gulf business and financial entities. The list of its partners includes the UAE’s Mubadala, DP World, the Saudi Public Investment Fund, Saudi Aramco, Ayar International Investment Company, Qatar Investment Authority, Kuwait Investment Authority and Bahrain’s Mumtalakat Holding Company. As of 2018, the share of the GCC countries in the RDIF investment funds (including potential projects) was estimated at 52% (Saudi Arabia accounted for 22%, the UAE for 18%, Qatar 8% and Kuwait 2%).56 For the last seven years, the volume57 of Saudi

57 Collected in open source data. Given that the data on foreign investments in Russia is restricted, the real volume of money invested in Russia’s economy may be higher.
Arabia’s investments in Russia reached $2.5 billion while the UAE and Kuwait stood at less than $1 billion each.\(^{58}\) Meanwhile, in terms of value, Qatar remains a leader with $13 billion of investments.\(^{59}\)

The strategies of the GCC investors differ by country. Bahrain and Oman have no known presence in Russia, while Kuwait keeps a low profile of its activities.\(^{60}\) Qatar, the UAE and Saudi Arabia are much more active. Doha does not rely on the RDIF for its investment activities to the same extent as the others. It prefers buying shares in large companies such as Rosneft, Russia’s hydrocarbon giant, VTB, which is one of Russia’s main banks, and Pulkovo airport in St. Petersburg (the main transport hub in the North-West of the European part of Russia). The UAE and Saudi Arabia are more focused on investments in local infrastructural projects that have regional rather than federal importance.\(^{61}\)

Qatari, Emirati and Saudi approaches to investments in Russia’s economy have their own pros and cons in terms of economic gains\(^{62}\) and political dividends. Thus, the Qatari strategy of investing in large companies definitely helps Doha to create a lobby of supporters at the very top of the Russian elite at the federal level and to gain access to projects with high returns. These investments are also immediately visible to the Russian central authorities and that helps to raise the profile of the Qatari government in the eyes of Moscow. The efforts of the UAE and Saudi Arabia might, at first sight, seem less important both economically and politically as the size of their investments in a single project are minimal, with low levels of return and are likely to be located somewhere far from the central cities of the country. However, this perception is deceptive as the positive effects in the long run can be higher. The aggregated value of these projects for Russian economic development appear more viable than does the purchase of shares in Russia’s giants by a foreign investor. The participation in these projects also creates more deep-rooted political ties between the UAE, Saudi Arabia and Russia, thus opening options for further participation in bigger and more profitable projects in the future.

Small and medium investments at the regional level help to ease the financial burdens of the Russian regional authorities and to speed up the implementation of those projects that do not have enough federal support (i.e. that are funded either predominantly or solely from the local budgets). This in turn creates a positive image of the Gulf states at the level of Russia’s regions and helps to form a wide base of supporters among the local elites, who in turn might promote the

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58 Margarita Shpilevskaya, “Glava RFPI: Sotrudnichestvo s Saudovskoy Araviey i OAE na Bespretcedentnom Urovne [Head of the RDIF: Cooperation with Saudi Arabia and the UAE has Reached the Unprecedented Level],” TASS, 28 October 2019, https://tass.ru/interviews/7050882 (accessed 29 July 2020).


60 In 2012, the Kuwait Investment Authority signed an agreement with the RDIF on the provision of $500 million (in 2015 this figure was doubled) for future investments in Russia’s economy through so-called automatic co-funding schemes. The scheme implies that Kuwaiti investors can automatically participate in the RDIF’s projects, covering up to 10% of necessary funds. However, there is no confirmed data on any investment projects in Russia. See Galaktionova, Jorgiyeva and Yakunina, op.cit.

61 In recent years, Ayar International Investment Company participated in the reconstruction of St. Petersburg’s tram lines. The UAE’s money was invested in the development of IT software for Russian oncology and maternity centres with Mubadala contributing to the development of medical clinics in Podolsk and Balashikha. It also funded the construction of logistic complexes in the Novosibirsk and Moscow districts. Meanwhile, the PIF participated in the reconstruction of the petrochemical factory ZapSibNeftekhim in Tobolsk, the construction of a hydropower plant in the Karel district and in the transport infrastructure of St. Petersburg. In early 2020, DP World was considering the purchase of a 49% stake in the Vladivostok-based transport company Fesco. See Margarita Shpilevskaya, op.cit.; “Emirates Giant DP World Seeks 49% Stake in Vladivostok Operator Fesco,” Russia Business Today, 27 January 2020, https://russiabusinesstoday.com/economy/emirates-giant-dp-world-seeks-49-stake-in-vladivostok-operator-fesco/ (accessed 29 July 2020).

62 Galaktionova, Jorgiyeva and Yakunina, op.cit.
interests of the GCC states in Moscow. Not surprisingly UAE and Saudi investments are especially welcomed in the Northern Caucasus regions that cannot fund their needs without either external or federal support.

Russian business is also interested in entering the GCC. There is a distinct interest for Russian companies to enter the agro-industrial and nuclear sectors of the GCC economies, as well as to create joint ventures in the fields of telecommunications, IT-technologies as well as in the mining and petrochemical sectors. As such, Russian economic interests are also becoming more diverse. Moscow views long-term economic projects as a solid base for the further development of bilateral ties with the region. Russia’s activities in the nuclear sector are an example of politically driven economic steps. Nuclear projects require long-term post-construction service contracts and would bind the countries concerned to Russia. In the case of the GCC countries, such ties could help to ensure long-term economic cooperation in the absence of progress in other areas.

3.3. Hydrocarbon Frenemies?

Russia’s relations with the GCC countries in the oil and gas fields are not straightforward. In the spring of 2020, the short-lived price war between Russia and Saudi Arabia demonstrated that, in spite of the deep interest in developing cooperation with Middle Eastern hydrocarbon producers put forward by Russia over the last four years, the alliances it has built remain fragile. Even positive bilateral dialogues with Middle Eastern exporters cannot offset challenges to Russia’s position in the global energy market. The Kremlin is particularly worried about competition in the EU market.

The fact that Russia and Saudi Arabia have periodically competed for oil markets in Asia and Europe in recent years is often ignored by analysts. In 2018-2019, in spite of domestic production cuts, both countries increased their supplies to China in competition for the spare share of the country’s market that had been created by a decrease in Iran’s oil exports, growing domestic demand and Beijing’s attempts to diversify its sources of hydrocarbon imports. In the first half of 2019, Russia became the largest oil exporter to China, but by the beginning of 2020, Saudi Arabia had taken over this position. Saudi Arabia has also been a competitor to Russia in other regions. Its decision in July 2019 to further discount oil sold to Europe caused concern in Russia. These concerns strengthened following the March 2020 decision by Russia to leave the OPEC+ arrangement and Saudi Arabia declared its intention to provide European consumers with historically high discounts on its oil for April loaded cargoes. Moscow, however, equally never missed an opportunity to exploit the misfortunes of the Arab ‘partners’: in September 2019, the suspected attack by Iran on the Saudi oil-refining infrastructure in Abqaiq and Khurais led to Riyadh being temporarily unable to fulfil its export obligation to Asian countries. Russia immediately used this opportunity to position itself as a more reliable supplier to India in order to increase its share of the country’s market.

The EU’s attempts to decrease its dependence on Russian gas, which started in the mid-2000s, caused the Kremlin to follow closely Qatar’s plans to increase its output of liquefied natural gas (LNG). Yet despite Middle Eastern countries being potential rivals in supplying the European and Asian oil and gas markets, Russia continues to prefer cooperation over confrontation and tries to establish good relations to ensure that it has a stake in energy projects in the region. Even during the period of the 2020 price war between Russia and Saudi Arabia (de facto supported by the UAE and Kuwait), Moscow periodically expressed a desire to resume discussions regarding mutual investments in oil, gas and petrochemical projects with the GCC member countries. Earlier, in

63 Interviews with Russian experts on the Middle East, Institute of World Economy and International Relations under the Russian Academy of Science, Moscow, Russia, June 2020.
October 2019, the Abu Dhabi National Oil Company (ADNOC) awarded the Russian company Lukoil a 5% share in the Ghsha concession (consisting of nine oil and gas fields). While Lukoil’s share is much smaller than that of the Italian ENI (25% of the concession) and Germany’s Wintershall (10% of the concession), its symbolic meaning is clear. The Gasha concession became the first large hydrocarbon project in the UAE that included the participation of a Russian company.\textsuperscript{65}

It should also be understood that Russia continually uses economic means to achieve political goals. The presence of Russian companies in the region is therefore occasionally useful to exert political influence. The company Rosneft is one example. In 2018, the Russian government approved the purchase of 14.6% of the company (for €2.5 billion) by the Qatar Investment Authority (QIA). Together with the Rosneft’s shares that the Qatari fund had bought earlier, its overall stake in the Russian company increased to 18.93%. However, it is not clear whether from the very beginning QIA was to become one of the largest shareholders of the Russian energy behemoth or if this happened by chance: according to the initial plans, QIA was to resell its share to a Chinese shareholder, who allegedly would then transfer this stake to private investors in Russia.\textsuperscript{66} For reasons that remain unclear, this scheme was not implemented and QIA remains the final shareholder. The Russian government’s decision to leave Rosneft’s shares in QIA’s hands was aimed at strengthening ties with Qatar and opening up another channel of communication with its rulers. Here Rosneft sometimes acts as an informal arm of Russian diplomacy, handling sensitive matters that the Kremlin does not want to draw attention to. For example, Rosneft’s head Igor Sechin visited Doha in March 2019 and delivered to Qatar’s Emir, Shaikh Tamim Bin Hamad Al Thani, a personal message from President Vladimir Putin that allegedly contained suggestions for improving ties.\textsuperscript{67}

Another factor that compels Moscow to prefer cooperation with the GCC countries rather than rivalry is that Russia wants GCC investors to participate in joint ventures to research, design and produce oil, gas and petrochemicals equipment. Russia pays special

\textsuperscript{65} Shpilevskaya, op.cit.
\textsuperscript{66} Alina Fadeeva, “Shekhi v Rosnefti: Kak Katarskiy QIA Zamenil Skandalnyuyu CEFC iz Kitaya [Sheikhs in Rosneft: How Qatari QIA Replaced Scandalous CEFC from China],” \textit{RBC}, 5 May 2018, https://www.rbc.ru/business/05/05/2018/5ae97e59a7947f6533deea1 (accessed 1 September 2020); Interview with a Russian energy expert, Doha, Qatar, 27 February 2020.

attention in this regard to cooperation with Saudi Arabia and the United Arab Emirates. In 2018, Saudi Aramco established cooperation with Moscow University on the development of upstream technologies. Since 2017, the petrochemical company Sibur has been discussing options for entering the project for the construction of the Al Jubail petrochemical factory, conducted by Saudi Aramco and Total. Saudi Aramco is also involved in negotiations with Rosneft and Lukoil over joint ventures in the petrochemicals sector. In 2018, the Saudi Minister of Energy, Industry and Mineral Resources said that Saudi Aramco was also ready to invest in the efforts of Rosneft and Lukoil to buy or build refineries in third countries. So far, however, further cooperation has brought few results as most of the discussed projects remain on paper only.

Russia’s cooperation with the UAE represents a different case: it is not accompanied by loud statements on intention and consequently it does not attract much unnecessary attention. The discussed projects are more of local importance but at the same time the results of these discussions are also more visible. For instance, on 5 September 2018 Gazprom Neft and Mubadala Petroleum (owned by the Mubadala Foundation) officially sealed the deal on the purchase of 44% of the shares of Gazprom Neft’s subsidiary – Gazprom Neft Vostok. By investing in Gazprom Neft Vostok, Mubadala Petroleum not only entered the Russian oil sector but also received access to one of the largest Russian oil companies operating in Western Siberia, one of the traditional oil producing regions. Both the UAE and Russian authorities believe that if the experience of the UAE investments in the Russian oil company are successful, this will open further access to the Russian oil and gas sector for UAE investments. From a practical point of view, the Emirati investments help Gazprom Neft Vostok to intensify the development of the tight (shale) oil fields in Western Siberia. This is extremely important for Moscow as the active development of marginal oil-fields and tight oil reserves may allow Russia either to completely avoid or at least to slow down the fall in oil output that is expected to begin after 2021.

The demand for natural gas is likely to continue in the long run. The GCC member states are likely to increase the role of natural gas in their domestic energy consumption baskets, in line with their diversification efforts and economic development plans and as part of the efforts aimed at slowing climate change. The Saudi Vision 2030 plan attributes to natural gas an important role in the reduction of liquid fuels’ share in the domestic power mix and in helping the country to meet the bulk of future power demand growth. According to Russian gas industry experts, Saudi Arabia and other Gulf states will have to rely partially on the import of natural gas. Consequently, Moscow is hoping to enter some markets, for example in Saudi Arabia, by establishing Russia as a reliable supplier through its investment in LNG projects. In late 2017, the then Saudi Minister of Oil Khalid al Falih was even invited to the ceremony of the dispatch of the first LNG consignment from the Yamal LNG factory, one element of the LNG production cluster built by Russia in the Arctic. So far, however, attempts to involve Saudi Arabia in such projects have not been very successful.

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68 Gazprom Neft Vostok is currently working on 12 oil fields located in Tomsk and Omsk districts with the proven volume of reserves in 300 mbpd.

69 In the early 2020, Mubadala and Gazprom Neft signed an additional MoU on technological cooperation in the field of tight oil extraction as proof that the cooperation between them is developing positively. See “Gazprom Neft i Mubadala Petroleum Razvivayut Tekhnologicheskoye Sotrudnichestvo [Gazprom Neft and Mubadala Petroleum are Developing Technological Cooperation],” Gazprom Neft, 12 February 2020, https://www.gazprom-neft.ru/press-center/news/gazprom_neft_i_mubadala_petroleum_razvivayut_tekhnologicheskoe_sotrudnichestvo/ (accessed 29 July 2020).

70 Ibid.


72 Interview with a gas industry expert, February 2020, Moscow, Russia; February 2020, Doha, Qatar.

3.4. The fall and Raise of the OPEC+

The dependence of the Russian state budget on the export of hydrocarbons and the Kremlin’s concerns about long-term low oil prices compels Russia to cooperate actively with the Organization of the Petroleum Exporting Countries (OPEC) and in particular with Saudi Arabia. Russia’s decision to coordinate its output with OPEC producers can be considered historic. Until the mid-2010s, Moscow’s vision of its relations with the cartel was based on the principle of a free rider: profiting from OPEC’s attempts to regulate market prices through the readjustment of oil during the 1990s and 2000s while showing no interest in working with this organisation. OPEC members, in their turn, never insisted on such cooperation.74 By the mid-2010s, new trends in the global oil market compelled Russia and OPEC to revise their relationship in order to protect their interests in the hydrocarbons market.

The roots of the problems encountered by OPEC oil producers and Russia go back to the late 2000s. They are connected to two factors: the impact of the US shale revolution on the global hydrocarbons market and the beginning of the global energy transition to non-carbon fuels. The shale revolution not only turned the US into the largest producer and exporter of hydrocarbons but it also stimulated the emergence of new, strong market players in other parts of the world.75 Driven by these factors the growth rates in global oil supplies have been steadily surpassing the growth in oil demand since 2011, causing an oversupply in the market and destabilizing oil prices in recent years. Due to the specifics of shale oil production and the high volumes of oversupply, neither the 2014-2016 price war between traditional and shale oil producers nor OPEC alone could remove the extra barrels from the market.

The high sensitivity of shale oil production to oil prices subsequently shortened the duration of oil price cycles and changed their amplitude: given the ability of shale oil producers to increase output quickly if encouraged to do so by positive market dynamics, oil prices were unable to rise too high and/or for too long, forcing the GCC countries and Russia to forget about the era of ultra-high incomes. By 2016, this seriously undermined the role of OPEC in influencing price dynamics, as it could only do so to a limited extent. Any reduction in production volumes inevitably raised prices, creating favourable conditions not only for OPEC members but also for other players to increase their outputs and thus to bring prices back down again. The situation could be changed only by increasing the number of countries ready to coordinate their output.

75 For example, see the experience of the oil industry of Australia, Brazil and Canada.
production policies with OPEC members, in order to raise the potential share of production capacities that could be excluded from global output while decreasing the potential number of free-riders. Under these circumstances, coordination with Russia, one of the largest oil producers in the world, seemed to be logical.

By late 2016, the Russian leadership also realized that without active cooperation with OPEC it will be difficult to ensure stable budget incomes. The domestic political situation thus provided the Russian government with additional motives. In 2016, joint Russian-Saudi efforts led to the Vienna Agreement between OPEC and non-OPEC countries (the so-called OPEC+), aimed at decreasing production in order to ensure a degree of stability in oil prices. The initial six-month OPEC+ deal has since been extended several times. It also led to the formation of a permanent forum-like structure with its own charter, signed in July 2019, which allows participants to coordinate and adjust their production policies.

From Russia’s perspective the arrangement proved beneficial as the oil price remained fairly high and stable, at least temporarily. Thus according to the Russian Minister of Energy, Aleksandr Novak, speaking in 2019, the Vienna Agreement resulted in a positive budget accumulation of about $32 billion for Russia. In December 2019, the deal was extended until April 2020. However, the announcement by Russia’s Energy Minister on 6 March 2020, withdrawing Russia from the Vienna Agreement from 1 April 2020, revealed the fragility of the relationship. Moscow’s decision to stop the engagement was caused by the declining ability of OPEC+ to affect the global oil market. By March 2020, Russia accepted that the era of high oil prices had ended, an assessment clearly reflected in the Russian state budget planning that is built on the assumption of prices floating in the corridor $50–60 per barrel (likely closer to the lower end) until 2036. Moscow is also convinced that oil prices will drop below $50 per barrel over the coming four years before returning to the $50-60 per barrel corridor. Russia’s leadership further sensed the growing influence of non-OPEC+ members on oil prices as well as forthcoming structural changes in market fundamentals that neither Russia alone nor OPEC+ can control.

In addition, Russia is nearing a psychological threshold in 2021–2022 when its oil output is expected to start falling from the current production capacities of 11.4 mbpd to ultimately 6.3 mbpd in 2036. As part of its preparations, Russia has begun to look into the development of new oil production projects, something that is however not possible under existing OPEC+ production policies with OPEC members, in order to raise the potential share of production capacities that could be excluded from global output while decreasing the potential number of free-riders. Under these circumstances, coordination with Russia, one of the largest oil producers in the world, seemed to be logical.

77 Russia was due to have a presidential election in March 2018. High oil prices allowed President Putin to fund extensive social programmes in order to win the support of the low-income sections of the population on the eve of the elections. Fluctuations in the oil price immediately affected key Russian macroeconomic figures. In the run up to the 2018 election, it was important for the regime to demonstrate a strong economic performance and to show that Putin is able to deliver on his promises of economic growth. See M. Voytenko, “Progonzy i Reformy [Forecasts and Reforms],” Politcom, 5 December 2017, http://politcom.ru/22866.html (accessed 5 Jan. 2018).
78 The text of the Charter can be found here: https://minenergo.gov.ru/node/15216.
81 Interviews with Russian experts on oil and gas markets, Doha, Qatar, February, 2020; Institute of the World Economy and International Relations under the Russian Academy of Science, Moscow, Russia, March 2020.
limitations. Russia was thus tempted to adopt an ‘all to the market’ strategy to maximize exports and to increase income while its oil output is still high. Businesses and politicians have been calling on the Kremlin to expand oil exports further and had started to dub 2020 ‘Sechin’s year’, referring to the fact that the chief executive of Rosneft, Igor Sechin, had come out strongly against the OPEC+ limits with his calls for Russia to leave the organisation. At the same time, the Kremlin decided, out of necessity, to decrease the state budget’s dependency on oil, reflecting a degree of pessimism about the ability to maintain current oil output. Expected low prices, high upfront costs for the majority of new oil fields and the lack of technologies and funds make one-third of Russian oil reserves unprofitable. Under these circumstances, the share of budget revenues from oil that is expected to fall makes Russia’s engagement with OPEC+ less important for its economy.83

Moscow appears to have underestimated the potential consequences of its withdrawal from OPEC+. The Kremlin either expected that its move would scare other participants to accept Russia’s demands not to deepen production cuts or it assumed that the negative impact of the collapse of the existing arrangement would not be that dramatic. According to some market analysts, Russia’s initial expectations were based on the assumption that the 2020 annual oil price would stay in the $40–45 per barrel range, with the possibility of only a temporary fall below the $40 per barrel threshold. Even with the decline in Asian energy demands as a result of the COVID-19 pandemic, there was still the expectation that prices would return to the $50–55 per barrel corridor in 2021 as oil demand in China and other Asian nations resumes.84 Instead, Russia was overtaken by events and quickly found itself in a fully-fledged oil war. As the COVID-19 implications intensified and GCC countries, foremost Saudi Arabia, decided to expand oil production in an effort to gain market share, oil prices soon found themselves well below the $40 per barrel threshold, with no indication of any immediate recovery. This scared the Kremlin and resulted in Minister Novak calling on OPEC+ members to keep their oil outputs within the limits observed in January/February 2020, less than a week after the initial announcement of the Russian

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withdrawal from the consortium.\textsuperscript{85} The pressure on world energy markets ultimately resulted in a new production deal being renegotiated in April 2020. The revival of the OPEC+ agreement improved the situation in the oil market and stabilized oil prices in the $40-50 per barrel corridor by July 2020, thus keeping them slightly above the official breakeven threshold of $42 per barrel for the Russian budget.

The Russian decision to pull out of the OPEC+ was also determined by domestic political considerations. By 2020, the Russian authorities began preparations for the end of President Putin’s fourth term in power in 2024 and the necessity for him to extend his stay. This changed the regime’s priorities from satisfying the needs of the general population to ensuring the sustainability of the Kremlin’s alliance with powerful tycoons, including those controlling oil production, who would in the end either approve Putin’s successor or support a change in the constitution that would allow him to stay in power for two more terms. As stated above not all of these power brokers were happy with the existing OPEC+ arrangement. In February 2020, Igor Sechin and Aleksandr Dyukov, the head of Gazprom Neft, voiced clear resistance to further production cuts under the OPEC+,\textsuperscript{86} as this would go against their own development plans by limiting expected income.\textsuperscript{87}

In general, Russia is still defining its strategy on how to deal with the consequences of the shale revolution and the beginning of the global energy transition. Alternatives consist of either losing a share of the oil market but sustaining high oil prices by limiting output with other members of the OPEC+ agreement or fighting for market share at the expense of low oil prices. Neither of these options is ideal. It is important to keep in mind that Moscow’s participation in OPEC+ was restored by external circumstances, as the Kremlin could not foresee the depth of the negative impact of COVID-19 on global oil demand. Yet this also means that, following stabilisation in the oil market, Russian oil producers may try to leave OPEC+ again.

\textsuperscript{85} “Rossiya Vistupayet za Sokhraneniye Dobychi Nefti na Urovne I Kvartala’ [Russia Calls upon the Keeping of Oil Production at the Level of the 1 Quarter],” RNS, 11 March 2020, https://rns.online/energy/Rossiya-vistupaet-za-sohranenie-dobichi-nefti-na-urovne-I-kvartala--2020-03-11/?fbclid=IwAR1woJK_ZurL1xMK-ok-m-bDa-8x1Lj1L6fgeszKWuTRVDjw7dgWhAGk (accessed 5 July 2020).

\textsuperscript{86} As opposed to the majority of the OPEC+ countries whose oil production is largely concentrated in the hands of government-controlled national oil companies, Russian oil producers enjoy relative market freedom. Consequently, when persuading them to cut oil output, the Kremlin can predominantly use ‘carrots’ rather than ‘sticks’. Yet by the end of 2019 all existing ‘carrots’ had been used by the Kremlin: the provision of further tax exemptions and financial support to Russian oil producers became economically unjustifiable, while all potential loopholes in the Vienna agreement that allowed the Russian producers to justify their low compliance with the OPEC+ obligations had also been used. Under these circumstances, the additional deepening of production cuts by 1.5mbpd suggested by Saudi Arabia to be introduced after March 2020 became impossible for Moscow to agree to without further lowering the level of compliance with already existing obligations.

4. Challenges and Outlook for Russia – GCC Relations

Moscow’s capacities to develop further relations with the GCC have their natural limits. The continuing deterioration of Russia’s economy and the lack of financial resources remain two of the main factors limiting Moscow’s capacities to expand its presence in the region. The COVID-19 pandemic will further hit the Russian economy, seriously shrinking the volume of available resources. Growing technological backwardness is making Russia less appealing to Middle Eastern investors and limits the range of products it can trade. As argued by some experts, the low quality of the equipment produced by Novomet became one of the reasons behind the Saudi decision to cancel the purchase of Novomet shares. The passive behaviour of the Russian business community and the large share of the ‘black’ sector in the country’s economy additionally slows down the development of Moscow’s economic dialogue with the Middle East.

During the last few years, the Kremlin has tried hard to draw the attention of the GCC States to numerous promising investment projects in Russia. Yet these attempts were in most cases unsuccessful or have not yet brought results. The exchange of business delegations between Russia on the one hand and the GCC on the other is very active and is accompanied by loud statements by officials from both sides on plans to invest billions of dollars in the Russian economy. However, when it comes to Russia, it is primarily market principles and not political imperatives that determines the final decision of the GCC business community to move forward. These principles underline that Russian projects as well as the overall business environment remain questionable and that other profitable alternatives exist. Saudi Aramco indeed had an interest in buying shares in the Arctic LNG–2 project in Russia. One of the key reasons for the Saudi side to invest in the LNG industry is to gain access to relevant technologies that can support Riyadh’s intentions to become an important player in the market of LNG supplies. However, Russia is developing its own technologies for natural gas liquefaction, meaning that the Saudi investment would go into this development and not into accessing already existing technologies. Saudi Arabia would also have to ensure that sanctions currently in place against Russia will not hamper and delay the development itself. Participation in, for example, US LNG projects provide access to

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88 Dmitri Kozlov, “Korolyam Tut ne Mesto [There is no Place for Kings],” Kommersant, 16 March 2020, https://www.kommersant.ru/doc/4290336, (accessed 5 July 2020). According to other explanations, the key role was played by Sechin, a vocal critic of the Saudi-Russian rapprochement who made Novomet exit the deal.

89 Interviews with the representatives of Russian business, Saint Petersburg, Russia, 24 – 26 April 2019.

a more developed technological base. As a result, Saudi Aramco chose to invest in the United States. It openly pointed out to the Russian firm Novatek that these are more interesting, profitable and less risky projects and that in order to make the Saudi side re-consider its decision, the Russian company would have to revise its financial demands significantly with regard to the purchase of the Russian project’s shares.91

Outside the economic realm, Russia periodically tries to underline its status as a leading regional power, for example when it sets itself up as a regional broker on the Israeli-Palestinian issue or the current crisis still in place within the GCC itself. Neither of these efforts drew much attention. In 2018-2019, a Moscow initiative to reconcile Qatar with the boycotting countries was based on the suggestion that the ministerial consultations of the Russia-GCC forum in Moscow should be resumed, as the meetings had been put on hold following the outbreak of the diplomatic crisis in 2017. According to some Arab diplomats, Russian Foreign Minister Lavrov even came up with a list of concessions that the participants in the quarrel could make to each other.92 In the end, there was almost no reaction to the proposals put forward. Given the numerous efforts to resolve the crisis by actors from the US, Europe and the Middle East itself, the Russian foray did not stand out. Moscow soon discovered that, in addition to its weaker influence as compared to American or European proposals, the conflict is also too deep for a resolution to be agreed to through simple appeals to the opposing camps. Here Russia lacks the power to guarantee ultimately that all parties to an agreement would stick to its terms. As argued by one diplomat from the GCC - “Russia has to have cards to play the mediation game and it does not.”93

To a certain extent, Russian success in the development of these ties is more often than not determined by the policy mistakes made by the EU and US. This suggests that ‘corrections’ in Western approaches to regional issues would limit Russia’s ability to manoeuvre. Despite discord with the United States, the GCC still sees Washington as its main foreign partner. Consequently, steps taken to develop relations with Russia are always considered within the framework of relations with Washington. Under these circumstances, the GCC countries are not ready to cross certain red lines that could irritate their American ally.94 For example, while initially demonstrating an interest, neither Qatar nor Saudi Arabia have moved forward on the purchase of the Russian S-400 missile systems.

Closer relations are also hampered by the fact that Russia’s priorities in the Middle East remain unclear to regional players, while Moscow’s attempt to balance between the key countries is viewed as an irritant. During the period of 2015 to 2020, Russia’s return to the Middle East was partially supported by the GCC’s disappointment in various aspects of US policies. When strengthening relations with Moscow, the Middle Eastern players expected it to be equal in its military, economic and political capacities to the USSR, including its abilities to form long-lasting alliances and play the role of a political and economic alternative to the US. This never happened, however. Meanwhile, in the eyes of the region, Moscow’s strategy of balancing between all key players does not correspond to the status of a great power capable of playing the role of a viable alternative to the US in the eyes of the regional players.95 Within the framework of this approach, the balancing logic as one of the key pillars of foreign policy is believed to be appropriate for small or medium states with the ambitions of a regional power and with a limited set of foreign policy leverages, but not for a country that tries to claim the status of a powerful global player. Under the current circumstances, Russia’s balancing between key regional players with its attempts to avoid the construction of long-term alliances is viewed by the Gulf as a result of misbalances between what it can do in the international arena, what it really wants and how it presents itself to the other

91 Interview with a Russian oil market expert, Doha, Qatar, April 2019.
92 Interview with GCC diplomats, Doha, Qatar, March 2019.
93 Ibid.
94 Ibid.
95 Interview with a GCC expert on foreign policy, Prague, Czech Republic, February 2020.
players. Things would be better if Moscow possessed the economic capacities of China, allowing an emulation of Beijing’s increasing influence in the region while staying politically neutral.

In addition, Russia’s involvement in the Syrian and Libyan conflicts prevents it from being seen as an impartial actor. For the time being, the strategy was chosen as the least problematic path to maintain Russia’s relevance in the region. Previously, the strategy had been to use Russia’s role in key international organizations such as the UN to underline its position. To play a bigger role, Russia requires resources that for the moment are unavailable. The absence of a proper pro-Russian lobby in the region further strengthens the local critical attitude to the Kremlin. The inability of Moscow to deliver on its initiatives and promises also significantly undermines its status as a mediator and prevents regional players from seeing it as a force they cannot challenge. Consequently in 2020, the initial anxiety about an expanding Russian role in the Middle East and what this can provide for the GCC states is being replaced by the more traditional view of Moscow as a non-regional player with modest capabilities.96

Moscow’s relations with Iran and its ties with the Syrian regime also remain two of the factors deterring the development of Russia’s relations with the GCC. Over the last few years, Russia’s improving relations with the GCC, as well as occasional upticks in Russian-US dialogue, periodically boosted speculation that Moscow might distance itself from Iran in exchange for investments and greater political support from the GCC member states. Other experts have suggested that Moscow could facilitate a reduction in the Iranian presence in Syria, in exchange for Gulf support in the recognition of Bashar al-Assad and the country’s reconstruction. Yet Russia’s leadership is not prepared to burn all its bridges with Iran.

Moscow and Tehran collaborate on a wide variety of other regional issues, such as energy and security in the Caspian region and Central Asia. And it is not only Iran who wants these collaborations to continue. Moscow has not forgotten how the civil war in Tajikistan in the mid-1990s was stopped only with effective cooperation from Iran. Similarly, Tehran’s stance during the Russian war with Georgia in 2008 was construed by the Kremlin as de facto pro-Russian. The adoption in 2018 of a Moscow-backed framework agreement on the legal status of the Caspian Sea would also have been considerably more difficult without Iranian consent. In exchange for its diplomatic support, Iran aimed to secure the Kremlin’s further assistance in its struggle against American

pressure—although of the five littoral countries that signed the agreement, Iran’s interests were ranked as the lowest priority.97 Previously, the Kremlin had tried to trade its pro-Iranian stance for better relations with the West, as on two occasions in the 1990s and 2000s, but nothing good came of these attempts.98 As a result, Moscow believes that any use of its relations with Tehran as a bargaining chip in the dialogue with a third country is too risky and can bring far less benefits to Russia than cooperation with Tehran.

It is also unlikely that Russia will exert pressure on Iran to withdraw its forces from Syria in exchange for Western recognition of Assad. Russia and Iran were compelled to form an uneasy alliance in Syria, although neither side fully trusts the other. In the post-conflict period, Tehran will become a serious challenger to Russian interests in Syria.99 Moscow will want to avoid a situation in which Tehran is able to control or dominate Syria’s political scene or use its territory as a staging ground for aggressive activities against Israel. Yet Russia’s ability to confine Iran’s presence in Syria is limited. On the one hand, Moscow still needs Tehran’s proxies on the ground for as long as the war continues, even as it tries to squeeze them out of certain areas. On the other hand, Russia has few effective tools to force Iran, its proxies and/or ‘pro-Iran forces’ to leave Syria. Russia could theoretically advocate the withdrawal of groups such as Hashd al-Shaabi, Afghan and Pakistani fighters and Hezbollah, in exchange for concessions to Iran in Syria or elsewhere. Yet there are other local forces supported by Iran such as the National Defense Forces or Local Defense Forces formed by Syrians, to which Tehran is unlikely to end its support.

Consequently, it should by now be clear that any improvement in Russian-Saudi relations will have little noticeable impact on Russia’s sometimes prickly but nevertheless longstanding cooperation with Iran. Despite periodic attempts by Saudi Arabia to get Moscow to move towards the anti-Iranian camp, Russia’s current balancing strategy precludes the likelihood of what it is possible to refer to as a ‘friendship against’ a chosen rival. On top of this, Moscow retains its own level of mistrust towards countries such as Saudi Arabia and the UAE, while seeing Iran as an occasional partner in its efforts to counterbalance US plans in the region. This in turn makes Riyadh and Abu Dhabi sceptical about Russia’s abilities to put pressure on Iran, for instance when it comes to decreasing Tehran’s presence in Syria.100

In Syria, Saudi Arabia has tied its assistance for the reconstruction of the Assad regime and the decreased presence of Iran in the country. However, Moscow had been unable to show much progress with these objectives and in fact it does not have an interest in doing so. Qatar occupies an even more critical position towards Russia’s Syrian policy, rejecting any Russian initiatives related to the reconstruction of Syria or its reincorporation into the international community and regional organizations such as the League of Arab States.101 Qatar’s close connections with Turkey have also pushed Doha to support Ankara’s moves in Syria and Libya that do not necessarily comply with Russian interests.102

98 In June 1995, US Vice President Al Gore signed a secret agreement with Russian Prime Minister Viktor S. Chernomyrdin calling for an end to all Russian sales of conventional weapons to Iran by the end of 1999. In exchange, the Kremlin anticipated closer economic cooperation with the US. These expectations never materialized and in fact the Gore-Chernomyrdin agreement ended up costing Russia $4 billion in lost profits from trade and investment cooperation with Iran. In 2009, the administrations of Dmitry Medvedev and Barack Obama agreed to ‘reset’ Russian-US relations in an initiative that obliged the former to scale back its partnership with Iran. As a result, in 2010 Russia decided not to supply Tehran with S-300 missile systems despite previous promises to the Iranian leadership. The incident caused serious damage to Russian-Iranian relations and led to much distrust and suspicion in Tehran. See Nikolay Kozhanov, Understanding the Revitalization of Russian-Iranian Relations, Moscow, Carnegie Moscow Center, 2015.
102 Interviews with Russian Military Experts, Saint Petersburg, Russia, 15–23 June 2020.
Russia should be considered a tier-2, non-regional player for the GCC states, with a wide dialogue agenda but a limited capacity to pursue its interests or to challenge the interests of the GCC states or Western powers in the Gulf. Moscow is weak economically which in turn weakens its political influence. For the moment, Russia’s relations with the GCC states have probably reached the maximum of their capacities with few chances to improve their quality further. While the period 2018-2019 was marked by numerous multi-level visits by Russian officials to the region and trips by GCC officials to Russia, even President Putin’s visit to Saudi Arabia and the UAE in October 2019 did not facilitate any substantial breakthrough in Moscow’s relations with the GCC states.\(^{103}\)

Nevertheless, the limited chances for the qualitative evolution of Russia’s relations with the Gulf do not mean there are no options for the further development of its current ties. Russia can still play certain niche political roles. Moscow can build up ad-hoc, short-lived partnerships with some Gulf states in dealing with Libya to secure the interests of Tobruk, to help the Gulf players to secure their presence in Syria and to be silently supportive of the Saudi coalition in Yemen. The Russian capabilities as a mediator that can deliver messages between all the Middle Eastern players should also not be ignored when it comes to the GCC member states’ relations with Iran, the Syrian regime or even between themselves. Moscow will also remain one of the important players in the hydrocarbons markets, facing the same set of challenges as the oil producers of the Gulf, such as the impact of shale oil and the transition to non-carbon fuels, and it should be looking for ways to handle these challenges through cooperation with the GCC.

In addition, Russia’s interest in developing relations with the GCC occasionally motivates the Kremlin to underline its importance and relevance to the region by putting forward diplomatic initiatives that do not require much material investment. Examples include capitalising on topics such as Israeli-Palestinian tensions or the insecurity in the Gulf. In each case, Moscow is trying to drag regional players into discussions on these issues, thus showing its importance. It is hard to expect that Russia will be able to play a key role in settling the above-mentioned problems. Yet it

\(^{103}\) Country-wise, Russia’s relations with the GCC are uneven. Moscow’s trade and economic relations are more stable and better with the UAE than with the other countries. In terms of investments, Qatar remains a leader by volumes (yet not by the quality of investments) and Doha hopes to increase them in 2021 when Qatar will be the main guest at the St. Petersburg International Economic Forum (SPIEF), a key economic event in Russia. The Russian-Saudi political dialogue remains one of the most productive, when compared to Moscow’s relations with other players. However, on a broader scale, the GCC member states are facing one and the same issue: in order to move their relations with Russia further, they need to overcome the obstacles mentioned above.

**Conclusion – Looking Ahead**

Russia’s relations with the GCC are uneven. Moscow’s trade and economic relations are more stable and better with the UAE than with the other countries. In terms of investments, Qatar remains a leader by volumes (yet not by the quality of investments) and Doha hopes to increase them in 2021 when Qatar will be the main guest at the St. Petersburg International Economic Forum (SPIEF), a key economic event in Russia. The Russian-Saudi political dialogue remains one of the most productive, when compared to Moscow’s relations with other players. However, on a broader scale, the GCC member states are facing one and the same issue: in order to move their relations with Russia further, they need to overcome the obstacles mentioned above.
is still worth talking to Moscow, as a discussion about Russia’s initiatives definitely flatters the Russian leadership and makes it more open to a dialogue with the Gulf on other matters. In the end, Russia remains a Permanent Member of the UN Security Council, giving it substantial influence over international affairs. It is always good to have at least neutral relations with such players.

Issues related to bilateral economic, humanitarian and cultural cooperation between Russia and the GCC member states offer even broader options for cooperation. This is especially true when it comes to Saudi Arabia, the UAE and Qatar. Firstly, Moscow will definitely be interested in an exchange of information and a coordination of efforts in the hydrocarbons markets. This work can be carried out at several levels at once: through bilateral contacts at the government level; by broadening contacts between Gulf companies and Russian businesses (Gazprom, Rosneft, Lukoil and NOVATEK are clearly demonstrating interest in having closer contacts with the GCC); and through the interaction within the international and regional organizations such as OPEC and the Gas Exporting Countries Forum (GECF).

Secondly, there are still options for the development of investment cooperation. International sanctions and Russia’s economic issues might make the funding of large scale projects risky and unappealing, yet, apart from investments in Russia’s oil, gas and petrochemical sectors, the GCC countries can continue their practice of funding local and regional infrastructure projects. These may not be as significant in terms of investment volumes and returns as the federal projects, but assistance to Russian regions will strengthen Gulf influence in Russia and further influence the attitude of Russian elites in favour of the GCC states. Investments in local infrastructure do not imply huge administrative costs and there is no big time gap between the discussion of these projects with the Russian authorities and their implementation. Meanwhile, the participation of foreign investors in large projects can be additionally hampered by Russia’s internal clan struggles and never-ending concerns of Russia’s security services about the vulnerability of national security.

Thirdly, Russia might represent certain interests within the framework of the UAE’s and Qatar’s humanitarian diplomacy. GCC assistance in the development of various social projects in Russia, especially those related to the support of vulnerable segments of the Russian population, will be very well received by the Russian authorities. At the same time, Russia will be interested in co-funding such projects in the post-Soviet republics, if this is to bring additional benefits to Moscow in the eyes of the local elites. However, in the case of investment and humanitarian cooperation, it is necessary to follow the principle of permanence. As demonstrated by the Emirati, Saudi and Qatari experiences of investments in Russia, large but one-time investments are bringing fewer economic and political gains than protracted investments in smaller projects.

All in all, the existing innate problems of Russia’s relations with the GCC might slow down their development or even prevent them from rising to a new level. Yet this does not mean either the absence of potential for further cooperation or that this potential should not be explored.

104 However, inner tensions between Russia’s companies and the personal views of their top managements should be taken into account. For example, while having a positive attitude to Qatar, Rosneft’s Sechin is believed to be very skeptical about the need to work closely with the Saudis.
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