



Dissonance between Saudi Arabia and Russia

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The last year's legacy of the Ukrainian crisis, which led to a fall out between Russia and the West, particularly the US, had led to severe economic sanctions on Moscow. The strategic interplay also led to fall in prices of crude oil as Russia is one of the largest exporter. This led to a cyclic downfall because Saudi Arabia refused to cut supply despite dwindling international demands. The excess supply of crude oil pushed the prices to fall at US\$ 45 per barrel early this year, creating a perilous situation for Russia.

Recently, an incremental increase in the prices from \$45 to \$60 per barrel is noticed, but to what extent it will benefit Russia is questionable due to the sanctions it is reeling under.

Taking cue from the sanctions on Iran, Saudi Arabia, at the behest of the US, did not cut oil production despite decreasing demand, hence causing trouble for Russia. Iran, during its sanctions, was able to sell its oil in black market because of high oil prices. However, Russia is unable to apply similar strategy because of excess supply.

Saudi Arabia, in order to affect Russia's oil revenue, knowingly has used this tactic to create domestic pressure within Russia. Earlier, the Russian support to Assad regime and

its non cooperative stance with regard to Iran gave bitter lessons to the West as well as the Saudi regime in the past.

The plausible alibi the Saudi regime has given was that in case it cuts supplies, Russia will take over the Saudi oil market, which will have long term repercussions. The major reason lies behind the competition between Saudi Arabia and Russia to dominate the global oil market.

Saudi Arabia and Russia had a contentious relationship since the Soviet Union's time due to the latter's invasion of Afghanistan in 1979 and dominance in the oil market. The West Asian region, during the erstwhile Soviet time, was divided into the camps of US and Soviet Union. Egypt, Syria and Iraq were allied with the erstwhile USSR, while Saudi Arabia, Turkey and Iran (plus Israel) aligned with the US. Concerns over economic domination from increased Soviet oil production turned into fears of military aggression after the 1979 Soviet invasion of Afghanistan, turning the Persian Gulf states towards the US for security guarantee against Soviet military action.

By 1970s and 80s, the former Soviet Union had become world's largest oil producer, threatening the position of Saudi Arabia. In order to retain its influence, on suggestion by President Ronald Reagan in 1985, Riyadh countered the Soviet growth by increasing oil production and lowering oil prices, leading to the steep devaluation of the Ruble and bankruptcy of USSR. This tense relationship continued even in the 1990s when Russia was accused of its support to Iran in terms of supplying arms and supporting its nuclear energy programme. On the other hand, Moscow had denounced Saudi Arabia for supporting the Chechen rebels and seeking to spread 'Wahhabism' among the Muslims in Russia and other former Soviet republics. The competing interests in the oil market further added to the bitterness between the two countries.

Russia has been ambitious to increase its crude oil production and exports in order to dominate the global energy market. In order to constrain Russia, Saudi Arabia proposed that Moscow should join OPEC so that production of crude oil can be regulated. However,

Russia did not accept this proposal, leading to unbridgeable chasm between the two countries. The failure on Riyadh's part and Russia's economic rise due to vast crude oil production and exports have put Saudi Arabia in an anxious position. Moreover, the discovery of vast reservoirs of oil and energy in Russia reinforces this apprehension within the Kingdom.

In fact, during 2003-2004, there was a competition in crude oil production between Russia and Saudi Arabia, leading to a fear that Russia's enormous potential in this field might challenge the share of Gulf nations in global oil markets, OPEC's capacity to influence prices and erode Saudi Arabia's predominance in oil trade. Russia has adopted differential pricing to win away crude oil customers from the Gulf nations, particularly Saudi Arabia. With the expected increase in demand from the developing countries, particularly Asia, there would be more competition between the two countries on pricing and crude oil supply.

Russia's growing importance as an international player both in political and economic sphere is seen as a challenge by many countries including Saudi Arabia. The rationales behind Saudi Arabia's tactic in decreasing the oil prices since last year that could be seen as a continuation of their age old rivalry are:

- The embedded suspicion between Russia and Saudi Arabia has fuelled the latent friction between the two countries. Russia had accused Saudis and other Gulf countries of funding terror in the region and the globe. During the Sochi Olympics, the Saudis had offered guaranteed protection from the Chechnya rebels and other extremists with regard to any attack on Russia, which the Russian President, Vladimir Putin, had rejected, leading to more bitterness between the two countries. Moscow sees the Assad regime as a bulwark in a region made increasingly volatile by Islamic extremism. It sees the Islamic radicalism as a threat to its security. The Chechnya and the Dagestan separatist issues are huge challenges that the Kremlin government has been trying to suppress. Russia blames the monarchy of supporting

the opposition rebels including the Russian Muslim extremists who joined the rebels against the Assad regime. According to the Kremlin, Riyadh's and other players' support to the opposition has led to the dangerous situation and the stalemate in the Syrian crisis.

- Saudis are becoming uncomfortable with the growing influence of Russia in the region. Moscow, especially after the Arab Spring, was trying to play the role of a peace maker in the region. For example, Moscow, in 2013, tried to be the mediator between the US and Iran, and any thaw in the relationship would not be beneficial for Saudis' future.

The worsening of the Ukrainian crisis since 2014 led to a schism between Russia and the West, especially the US. This has created conducive condition for the Saudis to challenge the Russian oil market. It is a return of similar strategic move of 1985, during which Saudi Arabia tried to retain and prove its hold over crude oil supplies to many countries including the US.¹

In this context, the changing relations between Iran and US might define new regional dynamics. The inherent sectarian differences between Iran and Saudi Arabia as well as possible lifting of sanctions on Iran's crude exports might create a complex power play in the region and a complicated strategic matrix, which will reconfigure geographies and partners. Maintaining a balance with Russia might be a prudent step for the Kingdom rather than creating a fault line with the country.

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¹The decrease in the oil prices would play a negative impact on US' shale oil price.