

RUSSIA AND ANTI-WESTERN REGIMES IN THE MIDDLE EAST

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Abstract

This article discusses how Moscow's policy of cultivating anti-Western regimes in the Middle East can result in Russian firms obtaining trade and investment deals in these countries that they might not have gotten if they had had to compete for them with Western firms. It also notes that the downfall of these anti-Western regimes in the Middle East — whether as a result of external intervention, internal opposition, or a combination of both — can lead to the loss of whatever advantages these Russian firms previously obtained.

Unlike during the Cold War, Moscow is no longer actively promoting the downfall of Middle Eastern governments allied to the West. Since the rise of Putin, Moscow has sought to develop good relations with all the West's friends and allies in the Middle East - including Israel, the Arab monarchies and republics allied to the United States, and even (after a short interval) the post-Saddam Hussein government in Iraq that America and its coalition partners installed there.

Nevertheless, there has continued to be friction regarding the Middle East between the West on the one hand and post-Soviet Russia on the other. This friction has had to do with Moscow's friendly ties to certain anti-Western regimes in the Middle East: Iraq (under Saddam), Iran, Syria, and Libya. These are all governments to which Russia has sold arms. Moscow, though, has been more interested in simply pursuing Russia's commercial aims rather than in furthering any geopolitical ambitions it might have. For in addition to selling arms to these governments, Moscow has also sought to make trade and investment deals with these countries in other spheres - including oil, gas, atomic energy, railways, and more.

The benefit to Moscow in trading with and investing in Middle Eastern countries governed by anti-Western regimes is that Russian enterprises face much less competition from their Western counterparts. Middle Eastern countries with pro-Western regimes have long-established trade and investment relations with American, European and Japanese corporations with which Russian ones have had difficulty competing for business. By contrast, Western corporations have often been prevented or restricted by sanctions from doing business with anti-Western governments in Middle Eastern countries. Russian firms, of course, have still faced competition in these markets from Chinese, Ukrainian, and Belarusian firms, but much less than in countries the West does extensive business with.

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Consequently Moscow has benefited commercially from not having to compete for business with Western firms that are either unwilling or unable to operate in Middle Eastern countries with anti-Western regimes - provided that these regimes remain in power. If these regimes fall, the commercial advantages Russian firms have gained - or just hoped to gain - can all be lost.

The Russian oil firm Lukoil, for example, signed a lucrative contract with the Saddam Hussein regime to develop Iraq's enormous West Qurna 2 oil field which was to become operative after UN Security Council sanctions against Baghdad were lifted. Saddam, however, unilaterally cancelled the contract in late 2002 - possibly because he had learned that Lukoil was attempting to obtain American and Iraqi exile assurances that its contract would be honoured by a post-Saddam Iraqi government. Despite loud complaints by both Lukoil and the Russian government about how the contract remained valid, the new government in Baghdad disagreed. Lukoil eventually got the contract, but only after its terms had been renegotiated in Iraq's favour and Moscow made other concessions to Baghdad (such as writing off most of the Saddam-era debt to Russia).

The Arab Spring of 2011 has posed similar problems for Russian enterprises in Libya and Syria. Various Western governments - including even the George W. Bush administration - had improved relations with the Qaddafi regime - Moscow's close partner from the Cold War era. Putin in particular had cultivated trade and investment relations with Qaddafi. When opposition to Qaddafi arose in early 2011 and the West decided to back it, Moscow feared that its trade and investment ties with Libya would suffer. Now that the Qaddafi regime has fallen, the new Libyan government may be more willing to pursue economic relations with firms from Western countries which aided its downfall rather than with those from Russia which did not.

Similarly, the downfall of the Assad regime in Syria could lead to a loss of Moscow's trade with and investment in that country - especially if the new regime turns to the West and reviles Russia for having supported Assad.

What Moscow especially dreads, however, is the possibility that Iran's Islamic Republic will fall and be replaced by a government friendly to the West. This could not only lead to a significant loss of business for Russian firms if Western firms then enter the Iranian market, but it would also allow Caspian Basin oil and gas to flow south to Iranian ports and the world market - thus reducing the transit fees Moscow reaps from American sanctions that have blocked this route up until now. Russia, then, greatly prefers that the Islamic Republic remain in power - despite the difficulties Moscow often experiences in dealing with it.

Moscow's policy of cultivating anti-Western regimes in the Middle East can result - indeed, has resulted - in Russian firms obtaining trade and investment deals in these countries that they might not have gotten if they had had to compete for them with Western firms. The downfall of these anti-Western

regimes in the Middle East - whether as a result of external intervention, internal opposition, or a combination of both - can lead to the loss of whatever advantages these Russian firms previously obtained.

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