

Confidential

RUSSIA

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Natalya Kalinina reports from Moscow:

MILITARIZATION OF THE MIDDLE EAST: RUSSIA'S ROLE

ANNOTATION

In terms of its portfolio of contracts and actual deliveries, Russia has for a long time been the world's second-largest arms supplier after the United States. Over the past few years Asia Pacific has been the biggest destination of Russian arms exports, accounting for 55-57 per cent of the overall figure. The Middle East is second with 14.2 per cent, followed by Northern and Northeastern Africa with 12.7 per cent. The top ten of the largest buyers of Russian weaponry in these two regions includes Algeria; Iran (4.1 per cent of total Russian exports), Syria (3.1 per cent), Egypt (3 per cent) and the UAE (1.8 per cent).

In 2012 Russia exported about 15.2bn dollars worth of weapons, of which the Middle East accounted for about 20 per cent. But of all the Middle Eastern countries, only Iraq made it into the Top 10 of the biggest destinations of Russian defense exports in 2012. That year, the country placed 4.2bn dollars worth of tentative orders for Russian weaponry, which accounts for 23.17 per cent of the defense contracts Russia signed in 2012.

But the ongoing military and political developments in the Middle East and North Africa are putting a growing pressure on the regional balance of Russia's defense exports. It has already become clear that the share of the Middle Eastern countries in these exports is sliding.

Senior Research Fellow, Head of the Group on unconventional threats to security of the Center for International Security Studies at the Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences, member of the PIR Center Executive Board Natalya Kalinina has looked more closely at this situation and identified its possible consequences.

THE GULF MONARCHIES: STRANGERS ARE NOT WELCOME

Bahrain. Bahrain maintains close military-political ties with Washington. The country hosts the headquarters of the U.S. 5th Fleet, and buys weapons mainly from the United States. Bahrain's oil reserves, and therefore its revenues from oil exports, are limited. For that reason, the country often buys or leases used weaponry in an effort to cut costs.

In recent years Bahrain has ranked 57th among the world's largest arms importers, and 13th in the Middle East, just ahead of Yemen and Lebanon, with a 0.7-per-cent share of the region's arms imports.

Military and technical cooperation between Russia and Bahrain is almost nonexistent. The only known weapons deal between the two countries was a single delivery of 40 KAMAZ-4326 trucks in 2004. Some small orders may also have been placed for weapons used by special task forces (there is no official information about such contracts). So far, that is about it in terms of the Russian presence on Bahrain's defense market. There were intense negotiations between the two countries about possible aircraft contracts during the *Bahrain International Airshow* in 2010 - but they do not seem to have yielded any results.

Given the utter dominance of the United States in Bahrain's defense market, Russia is unlikely to win a significant share of that market any time soon. There is a small chance of Bahraini contracts for Russian military-transport helicopters, combat trainer aircraft, and ground weaponry. But these contracts may materialize only in a fairly distant future, if at all.

Qatar. This emirate too has come under a very strong influence of the United States. Qatar hosts a large U.S. military base, which clearly affects the country's choices in terms of what kind of weaponry it buys, and from whom. France used to have fairly strong positions in the Qatari defense market, but in the past decade that market has been dominated by the U.S.

Over the past eight years Qatar has ranked 12th among the largest Middle Eastern weapons importers. In dollar figures, it is fairly close to Iran; by 2015 Qatar will have spent an estimated 1.186bn dollars on arms imports. The U.S. will account for 750m dollars (63.2 per cent), followed by Germany and Switzerland with 150m dollars apiece (12.65 per cent). Qatar has also signed small arms contracts with Italian, French, and Dutch suppliers.

There is very little arms trade between Russia and Qatar. The only known deal is the single sale of 500 KAMAZ army trucks in 2004, and no major breakthrough is expected any time soon. The best Russia can hope for are small programs related to the repairs of previously supplied hardware, and/or orders for small batches of armored vehicles or dual-use products. Russia and Qatar are also negotiating contracts for some weapons systems used by special task forces (in fact, some contracts may have already been signed).

However, any significant increase in arms trade between the two countries is highly unlikely. The reasons for that include Qatar's strongly pro-Western orientation. Also, supported by the Americans, Qatar is strengthening its positions as Russia's main competitor on the market for natural gas. Moscow has already lost a share of the European energy markets to the Qataris.

Kuwait. Even though Kuwait is a typical pro-Western Arab monarchy, it tries to maintain friendly relations with many other countries, including Russia. Kuwait has largely competed the restoration and modernization of its armed forces after the Iraqi occupation of 1990-1991. It has been buying weapons not only from the West, but from Russia as well (including BMP-2 and BMP-3 infantry fighting vehicles and Smerch MLR systems). Nevertheless, the Kuwaiti defense market is dominated by the United States, and this situation is unlikely to change any time soon.

Russia is now trying to get the Kuwaitis interested in its upgrade options for the M-84AB and BMP-3 armor, as well as in Russian air defense systems. But the country has not placed any large orders for Russian weapons since 2002, with the exception of a 2009 contract for two Project 12061E Murena amphibious assault hovercraft. The deal was signed to offset part of the Russian debt to Kuwait, but as of autumn 2013, no information is available on the progress made on this particular contract. Also, Russia is about

to complete an upgrade project for *Smerch* MLR systems previously supplied to Kuwait, and has begun to upgrade the Kuwaiti fleet of *BMP-3* infantry fighting vehicles.

In the medium term, any significant increase in arms trade between Russia and Kuwait is unlikely, although the Kuwaiti armed forces could place up to 100m dollars worth of small contracts by 2015, mostly for the repair of previously supplied weaponry.

UAE. The United Arab Emirates is the second-biggest arms importer in the Middle East after Saudi Arabia. The UAE has always pursued a policy of diversification of its arms imports; nevertheless, its defense market is dominated by U.S. suppliers.

One of the largest weapons deals in history was the 2007 contract between the UAE and the United States for nine *PAC-3* SAM batteries, worth 9bn dollars. In 2008-2011 U.S. weapons deliveries to the country reached an estimated 7.335bn dollars, which makes up 66.1 per cent of UAE weapons imports over that period (11.095bn dollars). Russia was a distant second with 891m dollars worth of arms deliveries to the UAE, followed by France (818m), Germany (507m), and Switzerland (307m).

The United States is expected to retain its huge share of the UAE defense market over the coming years. Its accumulated arms deliveries to the country are expected to reach 12.717bn dollars by 2015, which makes up 77.53 per cent of the total figure. France is expected to make another 1.881bn dollars worth of deliveries, followed by Italy (607m), Switzerland (204m), and Sweden (180m). Russia is not on the list of the biggest arms suppliers to the UAE.

Meanwhile, arms trade between Russia and the UAE has a long history. Since the early 1990s Russia has supplied large batches of armored vehicles (815 *BMP-3* infantry fighting vehicles and other armor using the *BMP-3* chassis), as well as *Smerch* MLR systems, *Igla* and *Igla-S* man-portable SAM systems, anti-tank and anti-aircraft missile systems, and trucks. But in 2001 Russian arms deliveries to the UAE began to fall. The only large contract in recent years was for 50 *Pantsir-S1* gun-missile AA systems; the development of that product was commissioned by Abu Dhabi. The deal was worth 734m dollars.

Russia and the UAE have long been in talks about a possible contract for developing an integrated air defense system for the Arab state based on the Russian *S-400* SAM system. So far, however, these talks have not yielded any results, even though a proposal was made back in 2007 about in-kind repayment of Russian debt to the UAE by weapons supplies. In the 2008-2011 period Russia supplied 890.6m dollars worth of weaponry to Abu Dhabi, but since then deliveries have fallen sharply.

*So far, the possibility of Russia winning a significantly larger share of the UAE defense market appears remote. In 2013 Rosoboronexport completed a 75.2m-dollar upgrade project for 135 previously supplied *BMP-3* vehicles, and the Tula-based Instrument Design Bureau (KBP) signed a 128.63m-dollar contract for various types of ammunition.*

Oman. The Sultanate of Oman is one of the most militarized states in the Middle East. Thanks to its oil export revenues, the country has brought its military spending to record levels. The main arms suppliers to Oman are Britain and the United States. In recent years, defense contracts were also signed with France, Germany, South Africa, Pakistan, India, Jordan, and Saudi Arabia. In 2003-2009 Oman received almost 1bn dollars worth of American weaponry. The country's territory remains a key base for the Western countries in the event of military action in the Middle East. That is why the Americans and the British treat Oman differently from many other Arab countries, to which they usually sell obsolete weaponry; Oman receives fairly advanced and up-to-date military hardware.

Arms contracts between Russia and Oman have been few and far between. In fact, the only known contracts are the 1992 sale of six *T-80* tanks (according to the UN Conventional Arms Register), and the 2005 order for a batch of the *9K129 Kornet-E* anti-tank missile systems. Oman has also expressed interest in the Russian-made *Bastion* coastal defense missile system, which is equipped with the *PG-10 BrahMos* supersonic anti-ship missiles (developed jointly by Russia and India). But there has been no information about an actual contract being signed for that weapons system.

On the whole, Russia is making efforts to revitalize its arms trade with Oman, but with little to show for it so far.

Saudi Arabia. Being the largest oil producer in the Middle East, and a key U.S. ally, Saudi Arabia spends huge amounts of money on weapons. On the one hand, Washington supplies the Saudis with the latest defense hardware. But on the other, it tries not to undermine Israel's regional superiority in defense technology.

A new wave of Saudi defense contracts began in 2006, when the country placed about 13bn dollars worth of orders for American and French weaponry. That is about as much as the country had spent on these purposes during the entire period of 1998-2005. In 2007 Riyadh also signed a large contract with Britain for 72 *Eurofighter Typhoon* aircraft worth 8.9bn dollars (the overall value of the deal could well top 20bn dollars). The Saudis are currently negotiating other large contracts for aircraft with Britain and France. They are also expected to place orders for tanks, air defense systems, and escort ships.

Britain is currently the biggest arms supplier to Saudi Arabia, followed by the United States (3.417bn dollars), France (880m), Canada (498m), and Turkey (408m). A total of 11 countries have been selling weapons to the Saudis in recent years; Russia is not among them. In terms of the overall value of arms supplies to Saudi Arabia by 2015, the United States is expected to top the ranking with 16.843bn dollars worth of exports.

Russia has long been trying to win a share of the Saudi defense market, but with little to show for these efforts. It is known that the Russian *T-90S* main battle tank has undergone trials in Saudi Arabia. At one point the two countries were negotiating contracts for various types of armor worth about 1bn dollars. The Saudis have also shown interest in Russian air defense systems and helicopters.

In the summer of 2009 Russia and Saudi Arabia signed a framework agreement on military and technical cooperation. Since then there have been several reports claiming that Moscow and Riyadh are negotiating a package of contracts for Russian helicopters, air defense systems, and armor worth more than 4bn dollars. There have not been any reports about an agreement being reached - but it has not been reported that the talks have ended, either.

On the whole, the Saudi Arabian weapons market remains off limits to Russia. What is more, there has been a notable rise in tensions between the two countries since 2012 due to the events of the Arab Spring, and especially in connection with the crisis in Syria.

THE ARAB SPRING AS A MARKET FACTOR

Egypt. Egypt buys most of its weapons from Western countries, especially the United States. Arms trade between Egypt and Russia fell sharply in 1972; only a handful of small contracts have been signed since then. In the period since 1990 Egypt has bought a batch of *Mi-17* helicopters and various spare parts for Soviet-made weaponry. Most of the recent sales are in such categories as SAM systems and air defense weaponry, as well as upgrades of previously supplied air defense systems. The bulk of the Russian defense exports to Egypt currently consist of several hundred *Igla-S* man-portable SAM systems. No contracts have actually been cancelled in the wake of the *Arab Spring*, but the deadlines have been pushed back. Sales have been particularly slow since 2012, and the total value of contracts signed is expected to reach only 343.3m dollars by 2015.

Egypt needs to refresh its fleet of combat aircraft, but for now the United States is refusing to sell the latest versions of the F-16 to the Egyptians. There is, therefore, a chance that Cairo will turn to other suppliers of advanced fighter jets, including Russia. Nevertheless, Russian-Egyptian arms trade is more likely to remain limited to air defense systems and helicopters.

According to unofficial sources, the delivery of Russian weaponry may become the main theme of the upcoming November meeting of defense and foreign ministers of Egypt and Russia in Cairo: the Egyptian media referred to a possible contract amounting to 4bn. dollars, but there have been no official comments in this regard.

Yemen. The country has been a Russian defense customer since Soviet times. In 1998 Russia and Yemen signed an agreement on military and technical cooperation. Yemeni imports from Russia have included 31 T-72B main battle tanks; 16 MiG-29 fighters, which were upgraded in 2003-2005 to the MiG-29SMT specification; six new MiG-29SMT jets; 11 Mi-171Sh helicopters; several civilian helicopters; and significant numbers of infantry fighting vehicles, small arms, and various types of ammunition. Russia also upgraded and conducted a technical inspection of 80 Soviet-made *Tochka* tactical missile systems. At one point Yemen was planning to place up to 1.3bn dollars worth of new orders for Russian weapons, but the *Arab Spring* has derailed those plans. Accumulated Russian arms exports to Yemen reached 363m dollars in 2011.

Currently, Yemen is primarily interested in small arms and ammunition, which can be supplied from the Russian weapons depots, as well as engines for previously supplied armor. There is a chance of Yemen placing more weapons orders with Russian suppliers if the domestic political situation in the country returns to normalcy - but these orders are unlikely to be big. The reasons for that include not only Yemen's financial constraints, but also the growing military-political influence of the United States, which has been donating helicopters, patrol boats, and trucks to Yemen, as well as training Yemeni soldiers free of charge.

Syria. For a long time, confrontation with Israel over the Golan Heights remained at the core of Syrian foreign policy. Essentially, a state of undeclared war continues to exist between Syria and Israel, as witnessed by regular Israeli airstrikes against Syrian targets. At the same time, the ongoing civil war in Syria has become a major headache for the international community. So far, all attempts to get the Syrian government and the opposition to negotiate have failed.

Despite the difficult military-political situation in and around Syria, military and technical cooperation between that country and Russia continues. Up until 1991 Syria was the largest foreign recipient of Soviet weaponry. A new stage of Russian-Syrian military and technical cooperation began in 1998. Since then, Russia has supplied the Syrians with the *Metis-M* and *Kornet-E* anti-tank missile systems; *Igla* MANPAD systems; *Strelets* turrets; guided tank projectiles; *RPG-29* grenade launchers; and other weapons. Contracts have also been signed for the *Buk-2ME*, *S-300PMU-1*, and *Tor-M1* SAM systems, as well as *MiG-29* fighters. In 2010 Russia made final deliveries under a Syrian contract for 36 *Pantsir-S1* gun-missile air defense systems.

Negotiations are ongoing on a number of potential contracts, including orders for two diesel-electric submarines, large batches of *MiG-29SMT* and *Yak-130UBS* fighters, and upgrades of the *S-125 Neva* SAM system. Also, Russia is still considering the possibility of supplying and/or upgrading helicopters, heavy armor, tactical missiles, various types of combat ships, and other weapons.

Russia continues to fulfill Syrian contracts for 24 *MiG-29M/M2* and 36 *Yak-130UBC* fighters, but making actual deliveries is extremely difficult owing to what amounts to a blockade of transport routes into Syria by Western countries. In 2008-2011 Russia supplied 1.49bn dollars worth of weapons to Syria. By 2015 it is expected to make another 2.24bn dollars worth of deliveries, barring any force-majeure circumstances.

Amid the ongoing civil war, the United States and several other Western countries want Russia to stop its arms supplies to Syria, but the government in Moscow has taken an unyielding stance on this issue. It argues that since there are no UN sanctions in effect against Syria, there are no reasons to stop military and technical cooperation with that country.

ISRAEL AND ITS NEIGHBORS: THE PRICE AND VALUE OF A DELICATE APPROACH

Israel. Russia is an importer of Israeli weaponry. The first weapons systems Russia bought from Israel were unmanned aerial vehicles (UAVs). In June 2009 it placed orders for 12 *Bird-Eye 400*, *I-View MK150* and *Searcher Mk II* drones, worth a total of 53m dollars. It later placed a 100m-dollar order for another 36 drones.

The next step was the signing in September 2010 of the first-ever military cooperation agreement between the two countries. This was a framework document meant to facilitate the signing of new contracts. Moscow hoped that one of these future contracts would be for a

joint UAV production facility in Russia. Later that year *Israel Aerospace Industries* and *Oboronprom* signed a contract for building a new facility that would assemble Israeli drones in Tatarstan. But the deal has stalled due to Russia's energetic military and technical cooperation with Iran (prior to the introduction of the UN Security Council embargo) and Syria. Discussions between Russia and Israel about building the joint UAV facility have not been broken off completely, but no major progress is being made, either.

Nevertheless, the Russian order placed for Israeli UAVs has played a positive role, and stimulated the development of similar systems by Russia's own defense industry. This is especially important because Israel had no plans of transferring the underlying UAV technologies to Russia.

Jordan. Russia attaches great importance to cooperation with Jordan in all areas (military and technical, economic, political, etc.). Since the mid-2000s Moscow has given Amman a 350m-dollar loan for the purchase of *Kornet-E* anti-tank missile systems, *Igla-S* MANPAD systems, and several *Il-76MF* aircraft. Russia's *Oboronprom* and the *King Abdulla II Design Bureau* have signed a contract for six *Ka-226* light multirole helicopters. The contract also includes the establishment of a joint venture that will make helicopter components.

The most important Russian-Jordanian weapons deal was the 2008 agreement on the construction of a new plant in Jordan to make *RPG-32 Hashim* anti-tank grenade launchers. The plant is already up and running; it is expected to produce 20,000 grenade launchers by the end of 2013.

For all these Russian achievements, however, most of the weaponry Jordan receives is used American, British, and other Western hardware; the bulk of it is donated as military aid. Before the Arab Spring the United States controlled a lion's share of the Jordanian defense market. In 2008-2011 it supplied 1.363bn dollars worth of weapons, which is 65.5 per cent of the total Jordanian weapons imports. The U.S. was followed by Russia (175m dollars, 8.4 per cent), and Belgium (173.7m dollars, 8.35 per cent). Other suppliers included China, the Netherlands, Turkey, South Africa, Ukraine, Britain, the Czech Republic, and Austria. If things go well, Russia will retain its current positions in the 2015-2016 time frame, although its accumulated exports will reach a relatively modest 120m dollars by 2015.

Lebanon. The Lebanese army has long been used mostly as a domestic political instrument, and it cannot afford to buy modern weaponry. Most of its hardware is used American weapons received free of charge as military aid. Western countries have strong reservations about supplying weapons to Lebanon. Nevertheless, apart from the United States, the list of ground and naval weapons exporters to that country includes France, Germany, Italy, and some Arab states (the UAE, Jordan and, prior to the *Arab Spring*, Libya).

On several occasions groups of Lebanese officers were trained in Russia, but there is little military and technical cooperation between the two countries. There have been several reports since late 2008 claiming that Russia plans to transfer 10 used *MiG-29* fighters to Lebanon free of charge, and train Lebanese pilots. Beirut has also shown interest in Russian armor, artillery systems, and helicopters. The Lebanese were hoping, however, that these future imports would be financed by Saudi Arabia and the UAE, or by a low-interest Russian loan.

The problem is that Lebanon cannot put fighter jets to good use anyway because the country lacks the infrastructure to maintain them; neither does it have the required numbers of qualified technicians and pilots. For that reason, Moscow and Beirut were at one point discussing the possibility of supplying 10 Mi-24 attack helicopters instead of fighter jets; these discussions do not appear to have been broken off completely. On the whole, it is safe to say that Russian arms trade with Lebanon is in the nascent state, and no major progress is expected any time soon.

The Palestinian Autonomy. The Palestinian Autonomy receives weapons through legitimate imports (from some Arab states) as well as smuggling. There are no official figures about the PA's military spending, and no reliable data is available about its defense procurement. In 2008 it was officially reported that Russia had agreed to transfer two *Mi-17* military transport helicopters and about 50 armored personnel carriers to the Palestinians. It was stressed, however, that the weapons to be supplied were purely defensive, and that they would be supplied with Israel's consent and via Israeli territory. In 2010 Russia officially

transferred 50 *BTR-70* APCs to the Palestinian National Administration free of charge. The hardware was left in storage in Jordan pending Israeli permission to make the actual delivery.

To summarize, Russia maintains and develops friendly relations with the Palestinian autonomy - but in a delicate manner, trying to work within the rules that have come to exist in this complex part of the world.

THE SHIA STATES: DEALS UNDER U.S. PRESSURE

Iraq. Since the 2003 change of government in Baghdad, Russian defense exports to Iraq have been limited to only a few *Mi-17* multirole helicopters. The bulk of the Iraqi defense market is now controlled by the United States, which accounts for about 85 per cent of Iraqi weapons imports.

There was, however, a major new development in mid-2012, when Russia and Iraq agreed a package of weapons contracts worth 4.2bn dollars. These included orders for 48 *Pantsir-S1* gun-missile air defense systems (2.2bn dollars); 36 *Mi-28NE* attack helicopters (2bn dollars); and other weaponry. There were also reports claiming that Bagdad might soon place an order for *MiG-29M/M2* fighters.

The signing of one of the largest contracts between Russia and Iraq in recent history was taken as an indication that the Shia-led government in Baghdad was trying to pursue a more independent foreign policy and end its utter dependence on Washington. But shortly after the deal was signed, various parties - including some Iraqi officials - began to question it, and to insist that the agreements with Russia must be reviewed over allegations of corruption. It still remains unclear whether, when, and to what extent the contracts will be fulfilled. Meanwhile, Washington continues to put a lot of pressure on Baghdad over this issue because it does not want Russia to strengthen its positions in the region.

If, however, all the Russian-Iraqi arms contracts are fulfilled despite U.S. pressure, Russia will become the second-largest supplier of weapons to Iraq after the United States. The value of its arms exports to Iraq will be about 30 per cent of the projected U.S. figure (which stands at 12.3bn dollars). Meanwhile, Ukraine has also been strengthening its cooperation with Iraq, and could well claim the third position in the ranking of top arms exporters to the country, with potentially more than 2bn dollars worth of sales.

Iran. In view of its international isolation, Iran is aiming for self-sufficiency in defense matters. Cooperation between Iran and Russia was fairly active during the implementation of the package of agreements signed in 1989-1991. As part of those agreements, Iran received *MiG-29* and *Su-24MK* aircraft, *S-200VE* SAM systems, and three Project *877EKM* submarines. The agreements included local production in Iran of the Russian *T-72S* tanks and *BMP-2* infantry fighting vehicles. Russia ended that cooperation in the late 1990s after coming under pressure from the Americans.

After 2000 Russian-Iranian military and technical cooperation was resumed, but it remained fairly limited. The largest contracts signed since then have been for *Tor-M* SAM systems, *Su-25* ground attack aircraft, and *Mi-17* helicopters. Negotiations and contacts continued, on and off, in the subsequent years; they were complicated by the exceptional political situation over the Iranian nuclear program and the international reaction to that program.

Whenever Russian companies resumed arms supplies to Iran, they would always come under U.S. sanctions. The list of these companies includes Russian makers of aircraft, missiles, and air defense systems, such as the *Instruments Design Bureau (KBP)*, *Sukhoi*, and the state intermediary *Rosoboronexport*.

Tensions subsided briefly once again in 2007, when Tehran hosted a meeting of the Russian-Iranian intergovernmental commission for military and technical cooperation. After the meeting Russia announced its intention to continue such cooperation with Iran. But in the spring of 2010 it became clear that Iran was going to come under even tougher UN SC sanctions, which Russia would have to (and eventually did) support, for a variety of reasons.

UN Security Council Resolution 1929 was passed on June 9, 2010. On September 22, 2010 the Russian president issued a decree ordering measures to comply with the resolution.

Those measures included a ban on any transfers to Iran of main battle tanks, armored combat vehicles, combat aircraft, attack helicopters, military ships, missiles and missile systems, the S-300 SAM systems, or any related hardware, including spare parts.

During the brief détente, Russia and Iran were in negotiations about a whole package of contracts. These included an order for 50 RD-33 aircraft engines, which Iran wanted for its Azarakhsh supersonic fighter-bombers; the development of a modified version of the Ka-32 helicopter specially for Iran, and mass production of these helicopters in Iran; and the repair of Iran's Project 877EKM submarines. Moscow and Tehran also discussed a contract for Su-30 and MiG-29SMT fighters; Iskander-E theater ballistic missiles; T-90S tanks; Nona-K towed artillery systems; and other hardware. The Iranian Navy expressed interest in Russian-made missile, amphibious landing and patrol boats, as well as corvettes. Both sides also spoke about other potential areas of military and technical cooperation, including the development of space communication and Earth imaging systems, and production of ground and naval weaponry in Iran under Russian license. In addition to these talks, in 2007 Russia made actual deliveries of 29 Tor-M1 SAM systems, including 1,200 missiles.

The most important event during that period was the signing of a contract for five batteries of the S-300PMU-1 SAM systems, worth an estimated 800m dollars. But after Russia supported the arms embargo on Iran in June 2010, it refused to go ahead with the deal.

Iran reacted angrily, accusing Russia of being an unreliable partner, and announced that it was developing indigenous SAM systems with a similar capability. It is clear that even if the sanctions are lifted at some point in the future, Iran is unlikely to buy weapons from Russia; it will probably prefer to take its custom to China (in fact, it is already doing just that) and other, more agreeable suppliers. Iran has also filed a 4bn-dollar claim against Russia at a court of arbitration in Geneva; proceedings have been under way since the spring of 2011. Russia has returned only the Iranian deposit of 166.8m dollars under the failed contract; it has also been trying to get Iran to drop its legal action, but without any results so far.

Russian losses resulting from its decision to suspend military and technical cooperation with Iran are estimated at 11bn-13bn dollars; the figure includes not only the contracts that have fallen through, but lost opportunity as well. Russian-Iranian defense cooperation continues only in a small number of areas that do not fall under the scope of the UN Security Council resolution. According to some odd bits of information, these areas may include upgrading previously supplied Su-24MK aircraft and repairing Iranian submarines. Russian defense exports to Iran are expected to reach a mere 60m dollars by 2015, down sharply from 1.68bn dollars in 2004-2007, and 410m dollars in 2008-2011.

Given the difficult political situation in the Middle East in general, and the crisis over the Iranian nuclear program in particular, Russia is unlikely to sign any large new weapons contracts with Iran over the next few years. It is safe to say that military and technical cooperation between the two countries has been completely suspended, and will not be resumed any time soon.

TURKEY: CAREFUL BARGAINING

Turkey's military spending has been growing steadily; it topped 18bn dollars in 2012. The Turkish armed forces are the second most numerous among the NATO countries. The Turkish defense market is worth an estimated 3-5bn dollars; it has traditionally been dominated by such arms suppliers as the United States, Britain, France, and Germany. China, Bulgaria, Romania and Ukraine have also secured some sales in recent years.

Turkey bought 12.813bn dollars worth of weapons in 2004-2011; by that indicator it ranks fourth in the Middle East after Saudi Arabia, the UAE, and Egypt. By 2015 the country is expected to buy another 11.36bn dollars worth of weapons.

Russian-Turkish military and technical cooperation has a long history. Speaking of the recent decades, it resumed in 1992. The Turkish border service and gendarmerie brigades have received Russian BTR-60 and BTR-80 APCs, Mi-8MTSh/Mi-17 multirole helicopters,

Kalashnikov assault rifles and machine guns, Dragunov sniper rifles, RPG-7 hand-held anti-tank grenade launchers, MLR systems, and other weapons.

In 1994 Russia and Turkey signed an intergovernmental agreement on military-and-technical and defense industry cooperation. In May 2001 the two governments set up a joint Russian-Turkish commission on military and technical cooperation. In December 2004 they also signed an agreement on mutual protection of intellectual property in the area of military and technical cooperation, and another agreement on mutual protection of secret information in the same area.

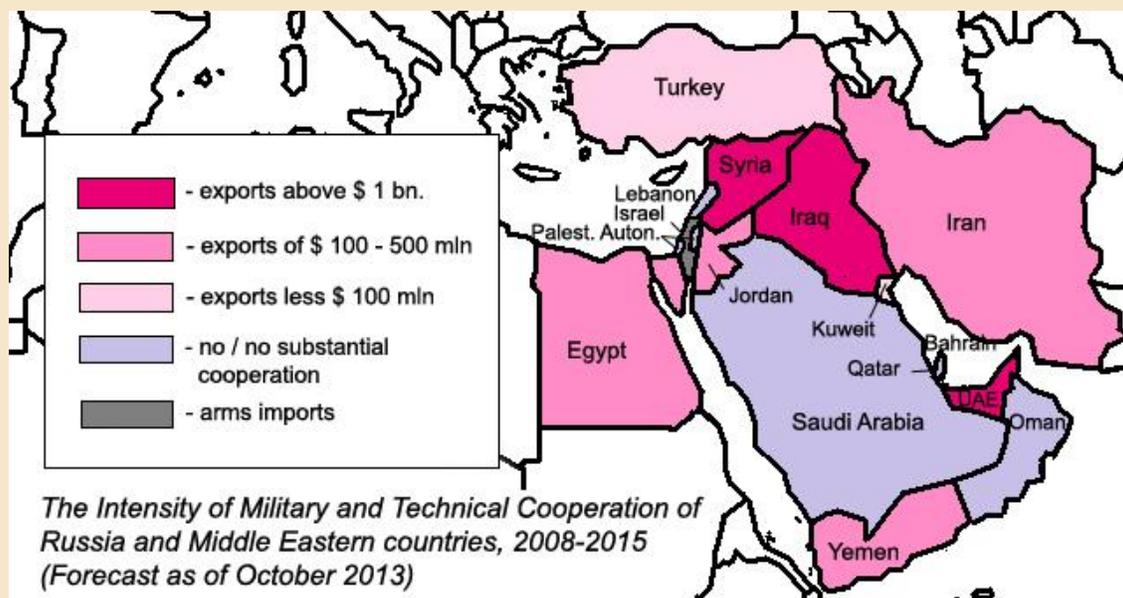
Although Russia and Turkey have put in place an extensive legal framework for military and technical cooperation, the prospects for such cooperation are limited for a variety of obvious reasons. One of them is that Turkey uses NATO weapons standards. Another is that Russian suppliers face stiff competition in the Turkish market from the United States and other Western countries, which have a lot of influence on Turkey's military and political establishment.

Some time ago Russia proposed to begin production under Russian license in Turkey of T-80/T-90 tanks adapted to NATO ammunition standards, as well as BTR-80/BTR-90 APCs and Tigr armored vehicles. Russia was also willing to supply short and medium-range anti-tank missile systems; jointly build search and rescue ships; integrate the Strelets SAM system with a similar Turkish system called Aselsan; and pursue joint military space projects. None of these proposals have been implemented, and the situation is unlikely to change any time soon.

Russian arms exports to Turkey have been very limited over the past few years. Russia has supplied 80 Kornet-E anti-tank missile systems worth 70m dollars, and signed a 5m-dollar contract to repair five Mi-17TV-1 multirole helicopters previously supplied to the Turkish police. The helicopter repair contract was fulfilled in 2011. Negotiations have been ongoing since 2008 about a contract for at least 12 Mi-28 attack helicopters.

Russia continues to try to win a larger share of the Turkish defense market, even though no major progress is expected over the coming years. For example, Russia is bidding for a Turkish air defense contract with the S-300 SAM system; its chances to win that contract are extremely slim, given that all air defense systems operated by the NATO countries are required to be interoperable. Another obstacle is the political differences between Moscow and Ankara over the Syrian problem. Russia is also worried by Turkey's efforts to draw Azerbaijan and Kazakhstan closer to its own sphere of interests; military and technical cooperation between Turkey and the two former Soviet republics has been growing steadily in recent years.

Table 1. The Intensity of Military and Technical Cooperation of Russia and Middle Eastern countries, 2008-2015 (Forecast as of October 2013)



Source: PIR Center

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CONCLUSIONS

As far as identified weapons contracts are concerned, the ranking of the biggest importers of Russian weapons by 2015 may include two Middle Eastern states: Iraq (provided that the contracts already signed are actually fulfilled), and Syria. They are expected to take the 5th and 6th places in that ranking, respectively. But even if Bashar Assad manages to hold on to power and achieve a return to normalcy in his country, Syria will almost certainly be unable to make further payments under weapons contracts with Russia due to the huge damage inflicted on its economy and infrastructure by the ongoing conflict. There is also a chance of Egypt making it into the Top 20 of the biggest Russian defense customers.

Even in the best-case scenario, Russia will probably come only 5th after the United States, Britain, France, and Germany in the global ranking of the biggest arms suppliers to the Middle East. Its actual ranking may turn out to be even lower.

Preliminary estimates suggest that the cost of lost opportunities in Russian arms trade with the Middle Eastern countries could reach 24bn dollars. In addition, potential cooperation programs between Russia and Turkey have been jeopardized by political differences over Syria. Russian arms exports to North Africa will face similar problems. In the 2013-2016 period the share of North Africa in Russia's global defense exports may fall to 5 per cent or less from 12.5 per cent in the previous four-year period.

Of course, all these lost-opportunity figures are based on estimates, because even in the best-case scenario not all of the potential cooperation programs would have led to the signing of firm contracts (especially in the case of Iran and Saudi Arabia). But the problem of the *shortfall* in Russian arms trade with the Middle East and North Africa is very real, and it will have tangible consequences for Russia, leading to a slowdown in Russian defense exports.

- ✓ *In order to secure its geopolitical interests in the Middle East and North Africa, Russia must, at the very least, keep Syria and Algeria in its sphere of influence; win a greater share of the Iraqi market; try to maintain, in as much as possible, its close ties with Iran; and strengthen its presence in Afghanistan after the pullout of U.S. troops from the country in 2014.*
- ✓ *There are also some limited opportunities for greater cooperation with Jordan, Egypt, and Yemen. These involve the use of subsidized loans, offset contracts, and other attractive financing options. Russia should also aim to maintain its presence in the defense markets of the UAE, Qatar, and Kuwait, even though any significant expansion of military and technical cooperation with the Gulf monarchies is unlikely in the foreseeable future.*
- ✓ *The ongoing shifts in the global economics and politics, the internal dynamics in the Middle East itself, and actions (or inaction) of the great powers make it all but inevitable that the region will plunge even further into conflict. The Middle East has entered a period of fundamental and irreversible change; the eventual outcomes of that change are impossible to predict.*
- ✓ *The continuing arms race in the Middle East, coupled with the region's Islamization, may pose serious challenges to Russia, especially near its southern borders. On the whole, a destabilization in the South Caucasus is making the threats to Russian security originating in the Middle East even more pressing. In view of these threats, Russia must take more energetic action - including a revision of its Middle East arms exports policy - in order to prevent possible use of military force in the region.*
- ✓ *One of the measures that could reduce the potential for conflict in the Middle East would be for all the exporter countries to introduce a moratorium on arms supplies to the region. If Russia were to propose such an initiative, it would significantly augment its international standing and reputation.*

This article was written by Natalya Kalinina, Senior Research Fellow, Head of the Group on unconventional threats to security of the Center for International Security Studies at the Institute of World Economy and International Relations (IMEMO) of the Russian Academy of Sciences, member of the PIR Center Executive Board

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Moscow-Geneva, November 2013

Excerpts from the Membership Terms and Conditions at the Trialogue Club International

3. Club members' rights

[...]

3.1. Individual members of the Club have the right to:

3.1.3. Receive one copy of the Russia Confidential exclusive analytics bulletin by email, in their preferred language (Russian or English). Under the rules of the Club, the bulletin may not be made available to third parties.

[...]

3.2. Corporate members of the Club have the right to:

3.2.3. Receive two copies of the Russia Confidential exclusive analytics bulletin by email, in their preferred language (Russian or English) or in both languages, and to make the bulletin available to other representatives of the corporate club member. Under the rules of the Club, the bulletin may not be made available to third persons who are not members of the Club.

[...]

4. Club members' responsibilities

4.1. All current members of the Club have the following responsibilities:

4.1.6. Not to share materials of the Russia Confidential bulletin they have received, as well as passwords to the Club section of the PIR Center website, with individuals and/or entities who are not members of the Club.

[...]

6. Russia Confidential

6.1. The Russia Confidential exclusive analytics bulletin is issued by the Trialogue Ltd at the commission of PIR Center for personal use by Club members only.

6.2. The bulletin contains concise and exclusive analysis of problems pertaining to international security, as well as foreign and domestic policies of Russia and CIS states, written specially for Russia Confidential by PIR Center staff and invited experts.

6.3. Materials published in the bulletin should be treated as confidential for at least 30 days since the date of publication. During that period they may not be quoted or made available to persons or entities who are not Club members.

6.4. After a period of at least 30 days since the date of publication the Trialogue Ltd may choose to lift the exclusivity and confidentiality requirements for some of the materials published in the bulletin, in which case they may be reprinted in other PIR Center publications and quoted by Club members.

6.5. The bulletin is sent to Club members by email on a monthly basis, in English or in Russian, depending on the individual club member's preference.

6.6. Upon request, Club members can also receive a hard copy of the bulletin in their preferred language.



Dear members of Trialogue Club International,

In 2013 the Club marked its **anniversary**. It has now been 20 years since we began to provide our members with the results of top-notch international security research, and opportunities for informal dialogue with senior politicians and diplomats.

Clearly, **the Club would not have succeeded without its members**, i.e. without you and your colleagues. It is thanks to your interest and your contributions that we have been able to take *Trialogue Club International* forward over the past 20 years, and offer you new information and analysis products produced by PIR Center exclusively for Club members.

We will shortly be holding an **anniversary meeting of Trialogue Club International members** to honor our very old friends, and welcome those who joined us only recently.

The year 2013 is drawing to a close - but the Club's work continues. The **upcoming 2014 Club season** will bring new meetings, topical analysis, and enticing membership privileges.

That is why I would like to invite you today to **renew your Club membership for 2014 or for the next two years**. We are offering **attractive renewal offers** that will enable you to make substantial savings while keeping all the advantages of being a member. We also have a special offer for those who are only just thinking about becoming members. Please find information about our membership offers below. If you have any questions, please don't hesitate to contact my colleagues at +7 (985) 764-98-96, or send an email to trialogue@pircenter.org.

The Club's doors are always open to you and your colleagues!

Best regards,

Dmitry Polikanov
Chairman
Trialogue Club International

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- Special offer for subscribers of the *Security Index* journal on the occasion of *Trialogue Club International's 20th anniversary*: If you **join the Club by November 30, 2013, and opt for two-year membership**, we will waive the joining fee and invite you to the anniversary Club meeting at the end of 2013.
- An attractive membership renewal offer: pay your membership fee **by November 30** for a **10-per-cent discount**.
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