

The consequences for Russia of the revolutions in North Africa

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The public protests in North African countries which started at the end of January have met with a limited reaction in Russia. Moscow has appealed to the parties to refrain from using force, and has stressed the necessity of adhering to the principle of non-interference in the Arab states' internal affairs. Only the internal conflict in Libya has prompted Moscow to adopt a more active attitude, together with the support of sanctions against Tripoli in the UN Security Council.

The destabilisation of the energy-rich region of North Africa has meant a rapid rise in crude oil prices, which has in turn translated into a reduction of the Russian budget deficit; it has also strengthened Russia's position as a supplier of raw materials to the European Union. In the regional dimension, it should be expected that Moscow will continue its current policy of maintaining good relations with all the actors in the Middle East. The Russian arms industry may primarily incur economic losses, as it faces the prospect of losing one of its most important markets.

Russia's delayed reaction

Russian reaction to the revolutions in North African countries (notably Tunisia and Egypt), which have been ongoing since the end of January, was at first limited, particularly when compared to Western diplomatic activity. Moscow focused on evacuating Russian nationals from the countries affected by protests, and appealed for non-interference in the Arab states' internal affairs. It was only the outbreak of the internal conflict in Libya which brought about a more robust Russian response.

The Russian position has been inconsistent. On one hand, at a meeting of the National Anti-Terrorism Committee on 22 February, President Dmitri Medvedev warned that the Arab states could disintegrate as a result of the revolution, and power could be seized by radical forces. Russian leaders have also suggested that Western countries are sponsoring the Arab revolutions, and have criticised the promotion of democratisation as leading to revolution and the growth of fundamentalism (*vide* Deputy Prime Minister Igor Sechin's statement on 22 February, and Prime Minister Vladimir Putin's on 24 February). On the other hand, on 24 February Russia and the European Union adopted a joint statement condemning the use of force by the Libyan leader Muammar Gaddafi. On the 25th, the Russian President issued a statement condemning the use of force by the Libyan government, and next day Russia supported the sanctions imposed on Libya by the Security Council, although its

representative Vitaly Churkin warned that they should not serve as an excuse to use military force, for example, in the form of a humanitarian intervention. A new element in the Russian position was their consent for the International Criminal Court (which Russia does not recognise) to examine the use of force against civilians.

Russia's position in the region

At this stage, the impact of the revolutions on Russia's position in North Africa and the Middle East does not seem to be significant. Russia's political and economic presence in the region is actually quite limited, and is often used to build up Russia's image as a global power.

Politically, Moscow has consistently sought to maintain good relations with all the actors in the region, not favouring any party in disputes existing among the individual states, and presenting itself as a potential mediator. At the same time, Russia has had no strong ties to the currently governing regimes. This means that Moscow will still be able to hold talks with the new governments in the North African states, regardless of whether they are more liberal, or whether power will be taken by fundamentalists (Moscow, as opposed to the Western states, maintains political contacts with the radical Palestinian group Hamas and Lebanon's Hezbollah).

In economic terms, the potential losses will not be large, in view of the limited presence of Russian companies in the region (this despite the existence of broad plans for cooperation with Libya, Algeria and Egypt). Russian energy companies do not see North Africa as a priority area. The biggest investments are in Libya, where Tatneft has already invested hundreds of millions of dollars in managing oil deposits (whose resources are estimated at 247 million tonnes), and Gazprom, which is planning to exploit the Elephant deposits in cooperation with the Italian company ENI. Gazprom sees Libya as a bridgehead for expanding its gas business into the southern part of Europe, but its involvement in this country is not very great for the time being. In Egypt, licences to prospect for oil and gas have been awarded to Lukoil and Novatek. Other major investments include the Russian Railways company's contract to construct a railway line in Libya, at a cost of US\$2.2 billion. The changes of government in the North African countries may temporarily restrict the activity of Russian companies, but may also open up for them the prospect of increasing their role, if the new governments decide to review their current economic policies.

The most serious losses may be incurred by the Russian arms industry. North Africa has been regarded as an important market in the Russian policy of diversifying its arms exports. The contracts with Libya came to around US\$2 billion, and talks had also been held with the Gaddafi regime about further deliveries. Russian arms may incur an even greater loss in the case of the internal conflict in Algeria, where contracts for US\$4 billion had been signed. The internal transformations taking place in the North African states may incline them to give up their weapons purchases and allot those funds to internal objectives, which would limit Russia's expansion in this market.

The energy benefits

Moscow's most important benefit from the situation in North Africa is the rapid rise in oil prices, which has a direct influence on the financial situation in Russia. Libya extracts around 2% of the world's oil and provides approximately 10% of its imports to the EU. The Russian budget is based on a mid-year oil price of US\$75 per barrel. At the beginning of March, the price of Urals oil stood at around US\$109, which has brought the budget into the black (starting from US\$105 per barrel). The same high oil prices will help to maintain financial stability in Russia, although at the same time they will undermine the motivation for modernizing systemic reforms.

Russia and the European Union

The North African revolutions may also strengthen Russia's position in relations with the European Union. Moscow is taking advantage of the still volatile situation in the region – which is the third biggest in terms of energy supplies to the European Union (after Russia and Norway) – to present itself as the only supplier which the EU can fully rely on. These arguments were used by Prime Minister Putin during his visit to Brussels on 24 February. At the same time, we may observe a change in the focus of the EU's external policy to the countries of its Southern neighbourhood. Although there has not yet been a similar shift of EU funds from the Eastern to the Southern countries, a visible drop in interest in the Eastern neighbourhood may give Moscow a greater chance than before to put political and economic pressure on the CIS countries, and so to strengthen its position in Central Europe and the Caucasus.

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