



## ECONOMIC COOPERATION BETWEEN RUSSIA AND THE MIDDLE EAST: PROBLEMS AND PROSPECTS

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### Abstract

This article reveals the current problems and prospects of economic cooperation between Russia and the Middle East countries in the context of new transformations in world politics. The Middle East is considered as a region for strengthening economic rapprochement with Russia in the food, military-technical, and trade spheres.

**Keywords:** Middle East, Russia, sea routes, economic cooperation, military – technical cooperation, food security, risks, prospects, challenges, exports, sanctions.

### Introduction

The Middle East is a fairly large region with an area of more than 7 million square kilometers from Asia Minor in the north and the Arabian Peninsula in the south, the Western Desert in the west and the Kopetdag Mountains in the east. These territories are home to 17 states with a population of about 470 million people: Egypt, Iran, Turkey, Iraq, Saudi Arabia, Yemen, Syria, Jordan, UAE, Israel, Lebanon, Palestine, Oman, Kuwait, Qatar, Bahrain and Cyprus [1]. These figures demonstrate the existence of a large market for the Russian Federation, in particular in terms of food, as Russia is a world leader in the supply of grain products. In particular, about 85% of the grain imported by Egypt falls on Russia and Ukraine, Lebanon and Syria are also heavily dependent on wheat imports. Since the seaports of Ukraine were blocked in 2022, the share of supplies from Russia may be even greater [2].

The volume of mutual trade between Russia and the countries of the Middle East is about \$ 42 billion as of 2021. At the same time, most of the foreign trade turnover accounts for the export of goods from Russia – almost \$ 33 billion. Consequently, Middle Eastern products are imported to Russia for a total value of \$ 9 billion. At the moment, trade with the Middle East countries accounts for 7% of the total volume of Russia's foreign trade activity. For comparison, over 42% of Russian foreign trade still (despite sanctions) falls on the countries of the European Union [3].

Russia has long established economic ties with a number of Middle Eastern countries. Tourism remains one of the main directions. Despite a significant decrease during the coronavirus epidemic, Russian tourists account for about 10% of trips to Turkey, about 17% to the UAE, and almost 20% to Cyprus (before the sanctions were imposed).

In addition, the export of mineral fertilizers, contracts for the supply of military products and the construction of nuclear power facilities have become traditional areas of cooperation for Russia. Trade with the countries of the region continues to grow. The main importers of Russian goods in the Middle East are Turkey, Iran, the UAE, Saudi Arabia, Israel and Egypt.



Separately, it is worth noting Iran, whose exports to Russia have increased by 73% over the past year. It can be assumed that against the background of the imposition of sanctions, Iran will become an increasingly important export hub for the Russian Federation, including for possible circumvention of sanctions. There are also many rumors that Russia may direct its financial flows to the Middle East by establishing cooperation with banks in the Persian Gulf countries [4].

Iran is becoming one of Russia's most important trading partners, and this state is a promising partner for economic cooperation with the Russian Federation. At the same time, the countries compete in the oil and gas market, which is especially acute in the conditions of Western sanctions. Tehran hopes to settle differences with Washington on nuclear developments. In this regard, "positive developments" were achieved at the conference held in Vienna in early 2022 on the Joint Comprehensive Plan of Action, work on which began in 2015 after Iran signed an agreement with six mediators — the United States, France, Great Britain, China, Russia and Germany. Provided that Iran manages to achieve the lifting of sanctions, it will become an even more economically strong partner of Russia and it will very likely be a statement by the Iranian media about a tenfold increase in trade turnover between the countries in the near future, which at this stage amounts to four billion dollars [5].

The problematic issues in strengthening economic integration include the following factors:

- Deterrence and weakening of extremist movements in the Middle East region;
- Creation of long-term geopolitical alliances between the countries of the Middle East and Russia;
- Coordination of the actions of Russia and key oil and gas suppliers in the Middle East, which will directly contribute to maintaining energy prices;
- Attracting investments from rich countries of the Middle East to Russia;
- Expansion of the presence of Russian economic agents in the regional markets of arms, nuclear fuel, oil and gas, food [6].

On the other hand, against the background of the war in Ukraine, Russia is under large-scale sanctions that have affected almost all spheres of the state's economy. In such conditions, it is very likely that the economic course of the Russian Federation will change towards the Middle East, while having reliable partners in Iran and Syria, who can become conduits for further economic "expansion" of Russia.

Demographics. The Middle East is a region with dynamic demographic indicators that tend to grow every year. Over the past 20 years, the number has increased by 45%. The population of the Middle East region for this period is 476 million people [6], which automatically generates a great need for food security. Under these conditions, Russia is exactly the same exporter that can meet the high demand for agricultural products from the countries of this region.

According to the OECD forecast, wheat consumption in the Middle East and North Africa will increase by 9 million tons by 2028. Such dynamics will also affect the import of cereals, leading to its growth. At the same time, a number of states in the region (especially Iran and Turkey) will significantly increase the consumption of fodder crops due to the expansion of livestock and poultry. For example, the import of corn to Iran by 2028 will increase by 2.9 million tons and by another 1.9 million tons — the rest of the feed grain.



Trading. The leading buyer of Russian agricultural products in the Middle East is Turkey, which accounts for more than half of the exports sent to the region (\$2.5 billion in 2019). Among the main Russian goods shipped to Turkey in 2019 are wheat, sunflower oil, sunflower seeds. According to the assessment of the Federal Center "Agroexport", there is potential for further increasing the supply of sunflower oil and seeds, also promising products are corn, legumes, bran, cake, frozen fish, confectionery, mineral and carbonated waters.

Iran is in second place among importers of Russian agricultural products in the Middle East with a share of 20%. Last year, the Islamic Republic increased the volume of imports by 23% to \$ 974 million, the main items were sunflower oil, corn and barley. Starting in 2017, Iran began to buy mutton in Russia, in 2019, 9 thousand tons of this type of meat were sold for \$ 41 million. As the export potential for mutton grows, Russia has prospects for further increase in shipped volumes. Russia also has an export potential for sugar, which Iran in 2015-2018 bought abroad for an average of \$ 250 million annually.

The third largest buyer of Russian food in the Middle East is Saudi Arabia with a share of 7.2% (\$348 million). The main Russian exports to this country are barley, sunflower oil and poultry meat. Saudi Arabia was opened for the supply of Russian poultry meat at the end of 2017, and in 2018 it already entered the top 5 largest buyers of this type of meat. According to the results of 2019, Russia shipped 13.7 thousand tons of poultry meat to Saudi Arabia in the amount of \$ 30 million, in the future this volume may be increased. In addition, the list of products of potential export growth from Russia includes barley and dairy products.

There are prospects for the growth of Russian exports to other countries of the Middle East. Thus, the estimated volume of the potential for increasing supplies to Jordan by 2024 is estimated by Agroexport at \$ 1.4 billion, Oman – more than \$ 500 million, Syria – more than \$ 400 million. Promising products are corn, poultry meat, meal and cake, confectionery, cigarettes, mineral and carbonated water. In addition, Russia has the potential to increase exports of poultry meat, sunflower oil, sugar, flour to Iraq; wheat, vegetable oils, chocolate, corn, meat products to Israel [7].

We can already observe in practice the trend of growth in food, for example, in January-July 2022, wheat exports to Egypt amounted to 1908 thousand tons, for the same period in 2021 – 2719 thousand tons, to Sudan – 288 thousand tons, in 2021 – 297 thousand tons. Nevertheless, recently there has been a steady trend towards an increase in these indicators [8].

Military-technical cooperation. Algeria, Egypt, Iraq, Iran and Syria are among the major and significant clients of the Russian military-industrial complex [9]. In the conditions of a tense situation, a militarized environment, the confrontation of states for dominance in the Middle East, the strengthening of terrorist groups, authoritarian regimes leading frequent conflicts, there is a need for military equipment from Russia, which attracts them with the quality and fashion of weapons, while being the second state (after the United States) in terms of the power of the military-industrial complex. Russia exported almost \$14 billion worth of defense industry products in 2021 [11]. \$6 billion of which are exported to the countries of the Middle East [10].



Transit routes (sea). The presence of well-established sea routes also contributes to strengthening economic cooperation between states. It is the sea corridors that ensure the speed of logistics and is the most profitable type of transportation of goods intended for export. Especially for Russia, there are two sea routes to reach the Middle East. First, there is a direct access of ships to the territory of Iran through the Caspian Sea. The second way is more distant in distance, it starts from the shores of the Black or Azov Sea and heads towards the Bosphorus Strait, through which sea vessels reach the northern regions of Africa (Egypt, Algeria, Morocco), as well as Iraq, Israel and Turkey, respectively. The Suez Canal, in turn, allows you to penetrate into the very depths of the region, reaching the rest of the states. In general, we can expect closer cooperation of the Russian Federation with the countries of the Middle East, there are all conditions for this, and the current "status quo", forcing Russia to seriously pay attention to a large market for its goods, which are sanctioned by Western powers.

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