

ia. The meeting was attended by Minister of Foreign Affairs Sergey Lavrov, Minister of Defence Sergey Shoigu, Minister of Industry and Trade Denis Manturov, Minister of Energy Alexander Novak, as well as Rosneft's CEO Igor Sechin and RDI's CEO Kirill Dmitriev.

President Putin had already met King Salman outside Russia during the G20 summit in November 2015. They also met in 2007 when the Russian president visited Saudi Arabia.

The Saudi monarchs do not often make international visits, but King Salman has already made a tour of Asia this year — the first in half a century. In particular, agreements worth \$65 billion were signed in China as part of this visit. In addition, the King visited Japan, Indonesia, Malaysia, Brunei and the Maldives. In addition to investments in traditional sectors such as energy, the Vision 2030 initiative was also discussed at meetings with heads of state and business communities (see page 2). Now it's Russia's turn.

Discussions on foreign-policy agenda are likely to be held among the two countries in Moscow.

An equally important matter of discussion will be the possibility of extension of restrictions on production by oil exporting countries beyond March 2018 — and this is not only the current state of international relations.

Russia and Saudi Arabia signed an agreement in September 2016 on joint actions to maintain stability of the oil market. This arrangement was made feasible by an agreement to cut production by a total of 1.8 million barrels per day, which oil-producing countries signed on November 30 last year and extended for another nine months in May this year. In addition to OPEC, the agreement was endorsed by 11 countries — Russia, Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Equatorial Guinea, Sudan and South Sudan. The members promised to cut their production by 1.2 million bpd for a total of up to 32.5 million barrels. Saudi Arabia pledged to take 486,000 bpd off its October 2016 level output and keep production at 10,058 million bpd. Non-OPEC countries agreed to cut production by 558,000 bpd, including Russia by 300,000 barrels. The agreement provided support for oil prices as Brent crude exceeded \$55 per barrel in early December for the first time in more than a year. According to the International Energy Agency, Russia had fulfilled the agreement by 105% as of August, reducing production by 316,000 bpd and Saudi Arabia by 112%, reducing production by 540,000 bpd.

Saudi Minister of Energy Khalid Al-Falih noted at the time that the heads of Russia and Saudi Arabia had been the key leaders in the agreement. Russian Minister of Energy Alexander Novak also said that Mr. Putin "actively supports all our initiatives in the discussion process, while Crown Prince Mohammed bin Salman actually came to Moscow to give the talks an additional impetus." It was paramount to reach an agree-



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HEAD OF RDI KIRILL DMITRIEV (RIGHT) IS ALREADY USED TO WORKING CLOSELY WITH CROWN PRINCE MOHAMMED BIN SALMAN (LEFT)

ment on Iran, which had insisted on a significant increase of its output amid the lifting of sanctions, and Saudi Arabia, which demanded that Tehran abandon these plans. The current agreement enables Iran to increase oil production by 90,000 barrels per day.

Although energy resources account for a significant portion of exports by both countries (about 85% for Saudi Arabia and 70% for Russia), completely different groups of goods

The new contracts with Russian state-managed companies, particularly Rosatom, could sharply increase mutual

ports from Saudi Arabia remain negligible (\$12 million over the past year) and primarily consist of plastic products, paint and steel. Meanwhile, imports decreased by almost 50% compared with 2015 and more than 67% compared with 2014 (the country's total imports decreased by about 20%). In turn, exports from Saudi Arabia does not have industrial nuclear power plants, it has rather ambitious plans to develop nuclear power.

turnover. In addition, Saudi Arabia's military budget is also growing. It has increased to \$67 billion in 2013 (the fourth largest military budget in the world), putting it ahead of the UK, France and Japan. In 2015, Saudi military spending was higher than that of Russia at \$87.2 billion, placing the country in third place after the United States and China.

While Saudi Arabia does not have industrial nuclear power plants, it has rather ambitious plans to develop nuclear power. Saudi leaders previously announced plans to build up to 16 nuclear power plants in the country by 2030 at a cost of \$100 billion. Russia and Saudi Arabia signed an intergovernmental agreement in June 2015 in St. Petersburg to cooperate in the peaceful use of nuclear energy, and the first meeting of the Russian-Saudi coordinating committee on nuclear energy, which was established as part of the agreement, took place in March 2016 in Riyadh.

According to the annual report of Rosatom for 2016, the construction of two nuclear power units in Saudi Arabia with the Russian help is among the projects where "discussions could start on their possible implementation" by 2030. Rosatom's CEO Alexey Likhachev said that negotiations are under way on all aspects, starting with the possible construction of a large, powerful plant with desalination capabilities as well as possible projects involving medium and small sources, including floating plants.

However, it has already become clear from the OPEC+ agreement that the development of relations between Russia and Saudi Arabia could figure as a crucial factor in global politics. In addition, Russia and Saudi Arabia, the two largest oil exporters, have much more in common at the moment than ever before. Given that the two countries have many things to offer each other, the strengthening of their relations is a significant story that should continue. ■

SAUDI ARABIA HAS FOR MANY DECADES BEEN BETTING ON A DELICATE BALANCE OF ALL GLOBAL POWERS AND HAS BEEN MASTERFUL AT MAINTAINING IT