

News Analysis: Russia Damages Image in Arab Spring

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As the regime of Moammar Gadhafi writhes in its death throes, the rebel leaders set to become the new powerbrokers in Tripoli have promised that contracts signed under Gadhafi will not be reneged on, but Russia's broader reputation as a partner could be harder to maintain.

The Kremlin's acquiescence in the regime change engineered by NATO and imposition of an arms embargo on Libya has discredited Russia in the eyes of other Arab states as a trusted supplier.

"It's irreparable. ... We can forget about the reputation of Russia as a reliable arms supplier. The damage has been done not just in the Middle East but all over the world," said Ruslan Pukhov, director of the Center for Analysis of Strategies and Technologies.

Traditional foreign clients of the Russian defense industry are likely to turn away from the country in favor of China, added Pukhov, whose leadership was more reticent about its

support for the NATO action.

As in Libya, Russia also has extensive business interests in other Arab countries, and the Kremlin's reaction to any snowballing of the Arab Spring will be closely watched. This is particularly true of Syria, where an estimated 2,000 people have already died in a revolt cruelly suppressed by President Bashar al-Assad.

U.S. sanctions are already in place against Syria, and the European union is likely to impose an embargo on imports of Syrian oil next week. The Syrian government derives about one-third of its revenue from oil exports to Europe.

While Tunisia and Egypt — whose governments were overthrown in the first stages of the Arab Spring — were of little economic significance to Russia, Syria is highly important.

According to data compiled by the Moscow Defense Brief, Russia has well over \$4 billion in active arms contracts with Damascus, with the price tag of at least five major contracts impossible to verify.

The Russian-Syrian Business Council, chaired by Dmitry Pumpyansky, head of steel pipe manufacturer TMK, refused to comment when contacted by The Moscow Times. Other firms with large business interests in Syria represented in the council include oil company Tatneft, gas producer ITERA and national carrier Aeroflot.

Asked about the possibility of an international arms embargo on Syria, the head of Rosoboronexport said last week that Russia was "obliged" to fulfill all its arms contracts with the country. But if the momentum of the Arab Spring overtakes Syria, all business agreements could be off.

Although there have been no popular disturbances in Algeria, Libya's western neighbor is also crucial for the Russian arms trade, sitting alongside Syria as one the top five global importers of Moscow's military hardware.

Russian business interests in Libya were extensive under Gadhafi and damaged by the civil war.

The Russia's participation in the United Nations arms embargo imposed at the start of the uprising cost \$4 billion in contract cancellations, the country's state-run arms exporter Rosoboronexport said at the time.

Russian Railways was building a railway in Libya under a \$3.1 billion contract, while oil and gas companies have invested millions in exploration. Gazpromneft, gas monopoly Gazprom's oil arm, was due to acquire a \$170 million stake in Libya's Elephant oil field in conjunction with Italy's Eni just before the violence erupted. The final documents were never signed.

Having supported the rebels, Russian businessmen should be hopeful that their prospects in Libya are more positive, and the Transitional National Council, or TNC, has said repeatedly that contracts signed under Gadhafi will be respected.

"All lawful contracts will be honored," Ahmed Jehani, head of the TNC's reconstruction effort,

told Reuters on Tuesday. "There's no question of revoking any contracts."

Russian companies have even made statements about returning to work in the country once the fighting is over.

Eurasia Drilling, one of Russia's largest oil field service providers, said Thursday that it intends to resume its search for acquisitions in Libya after stability returns, Bloomberg reported.

But the nature of the Kremlin's support for the rebels — half-hearted, tentative and tardy — has not won them many friends among the TNC. Many executives and analysts suggest that this reluctance means that Russia will lose out to Western countries in the competition for business in post-Gadhafi Libya.

Abdeljalil Mayouf, information manager at Libyan rebel oil firm AGOCO, said earlier this week that "we don't have a problem with Western countries like the Italians, French and British companies. But we may have some political issues with Russia, China and Brazil," Reuters reported.

And the former Russian ambassador to Libya, who was fired in March, said at the time that Russia's interests in Libya had been "betrayed."

Given the threats to Russia's economic ties with the new Libya and the undermining of trust in its other relationships with Arab states, some analysts point to a general decline of Russia's prestige in the region.

"We are losing the Middle East," said Viktor Mizin, deputy director of the Institute for Strategic Assessment.

The UN Security Council should use dialogue to persuade Syria to end its violent crackdown on protesters, Russia's envoy said Wednesday, hinting that he may veto a draft resolution being circulated to impose an arms embargo and other measures on President Bashar al-Assad's regime, The Associated Press reported.

Ambassador Vitaly Churkin said he had registered his country's opposition on Wednesday to the sanctions proposed by Britain and supported by France, Germany, Portugal and the United States. ☒The proposal is expected to come up for a vote as early as this week, and Russia is among five permanent council members empowered to veto it.

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