

• Author: [Sergey Balmasov](#)

## **[Russia's Nuclear Power Politics in the Middle East](#)**



Egypt is the latest country to seek assistance from Russia for its nuclear energy programme. On September 6th, the Egyptian State Council [approved](#) contracts with Rosatom for construction of the first Egyptian nuclear power station in El Dabaa.

This is not the first such agreement between Russia and a Middle Eastern country. In 2010 and 2013, Russia signed agreements with Turkey (the Akkuyu nuclear power station) and Jordan (Qasm-Arma), and in 2011 it launched the Bushehr nuclear power station in Iran. We cannot rule out that Russia will implement future contracts for similar plants in Algeria and Sudan, with which the country signed [memorandums](#) of understanding for cooperation in the field of "[the peaceful atom](#)."

Russia may also work with Syria (the implementation of a nuclear project was disrupted by the start of the civil war in 2011) and Saudi Arabia, which is selecting a partner for the construction of its own nuclear power stations. The Saudis are motivated not only by competition with regional rival Iran, but also by the achievements of their "ally-competitor", the UAE, which is completing the first fully functioning nuclear power station in an Arab country. Possession of such facilities will allow any country in the region to significantly increase its political power, and will play a key part in furthering its regional leadership ambitions.

However, the reasons that are forcing Middle Eastern states to choose nuclear projects don't boil down to their desire to keep up with their neighbors in terms of image, "prestige" or fighting against Israeli influence. The actual reasons include: ensuring stable energy supplies, in light of continuing demographic growth and future plans for industrial modernization; diversifying energy sources, which is especially important for countries like Egypt and Jordan, which don't have large hydrocarbon reserves; for traditional suppliers, increasing exports of oil and gas (for example, after launching the Baraka nuclear power station, the UAE will cover at least a quarter of its energy needs); and resolving water supply problems by using nuclear energy for desalinization.

### **Russia's interests**

If Russia successfully implements contracts with Egypt, Jordan and Turkey, it will become a sort of informal leader in "peaceful atom" development in the region. "Peaceful atom" diplomacy and construction of nuclear power plants in the region are some of few means (and quite successful ones) for promoting geo-political interests without using instruments of power such as military intervention or coups. As a result, by implementing such strategically important projects, the Kremlin in many ways ties local ruling elites to itself.

Over the post-Soviet period, Russia has lost the ability to compete with other countries in the production of most civilian goods, but its nuclear industry remains a reliable and effective instrument to maintain its influence over the world's economy and politics. It is also economically beneficial for Russia: it became a co-owner of the nuclear plants in Jordan and Turkey, with 49% stakes. And by employing its "peaceful atom diplomacy," Russia earns loyalty from influential technological and industrial elites from the countries it works with, including through professional training.

At the same time, it's also beneficial to Russian enterprises that are not directly related to Rosatom but are sub-contracted to produce and service peripheral equipment. For example, together with the agreement on the construction of the upcoming plant in Egypt, Moscow also almost automatically received contracts to build desalinization plants. All that means jobs for tens of thousands of specialists in Russia. As a result, Russia has started overtaking its former main rivals - France, the U.S. and Japan - on the Middle Eastern nuclear energy market, where there is large growth potential.

### **Reasons behind the choice of Russian projects**

There are several reasons for the Russian success. First, the deals proposed by Moscow are more attractive economically. For instance, in the case of Egypt, the \$30 billion contract offers the construction of four state-of-the-art power units, with a very beneficial payment plan. At the outset, Cairo will only pay \$5 billion, with the remaining \$25 billion paid over 13 years with a comparatively low interest rate (3% was mentioned initially, now it's 4.5%). Long-term low-interest loans would be very costly for Moscow's competitors.

Political factors are also important in choosing Russia. For example, it was Moscow that finished the long-delayed construction of [Bushehr](#) in 1992-2011, even though there were some serious problems. It is important to remember that this project was initially started by Germany, but because of the sanctions against Iran introduced in 1979, Berlin withdrew, and Russia took over. By doing this, Moscow has established itself as a more flexible partner. Some regimes in the region prefer Russia as a partner because it doesn't pressure them to change their internal policies; quite the contrary, it openly supports them in fighting the opposition and foreign opponents (as in Syria).

### **The global impact of "peaceful atom" development in the region**

There are benefits for the EU from Moscow's penetration of the Muslim world. For example, it is expected that the huge area of Mersa Matruh will be supplied with water and electricity once the nuclear power station is launched, which would spur development and decrease demographic pressure on the overpopulated Nile Delta. This could reduce the impetus for migration to Europe.

The development of nuclear energy also contributes to lower oil and gas prices. Some of the countries with nuclear power stations will buy less energy resources, while others, as a result, will be able to increase supply to the market. This can have negative effects on Russia's own position in the energy sector, but Russia cannot abandon its peaceful atom diplomacy, otherwise rivals will take its place.

## Is Russia able to complete its nuclear projects?

Despite Moscow's obvious advances in this direction, it is far from "triumph" in the full sense.

Firstly, so far not a single project apart from Bushehr has been completed – in fact, Russia has only started building nuclear power stations in Arab countries, and is quite far from finishing.

Secondly, existing projects have been subjected to serious pressure from disgruntled groups inside the countries themselves. For example, [major protests](#) took place in Turkey. A significant number of opposition politicians strongly oppose the nuclear power plant, and accuse President Recep Tayyip Erdoğan of making a "[dangerous, unfavorable deal](#)," which was actually frozen in 2015-2016 because of worsened relations around the Syrian problem.

Nor is the relationship with Jordan entirely smooth. That country's authorities demanded revision of some points of the agreement: Amman tried to prevent the construction loan from Russia (approximately \$10 billion) being [provided by banks with private equity](#). One of the reasons for seeking such amendments is the worsening of Russia's economic situation due to Western sanctions and continued low energy prices. Such problems at least slow down the implementation of the agreements, and in the worst case could lead to cancellation.

It is too early to talk about implementation of Rosatom's Egyptian project. Both Cairo and Moscow announced the agreement at the end of 2016, but it still hasn't been signed by the two presidents due to various [disputes](#). Recall that the Egyptian side tried to negotiate concessions including lower interest rates and a resumption of Russian charter tourism. Cairo's behavior was encouraged by its closer relationship with Germany in the energy sector, in particular with Siemens. They signed an agreement in 2017 to build state-of-the-art gas turbine power plants, which are more efficient. With this conventional project, Germany creates serious competition to Russia's nuclear endeavor. Stable, cheap raw gas prices and possible further declines make Rosatom projects less attractive not only in Egypt but worldwide.

Russia is also facing other difficulties in the nuclear sphere. For example, after signing an agreement for construction of a second plant in Bushehr, Tehran does not intend to offer Russia all of the contracts related to its ambitious program to build dozens of other units. Moscow's main competitors remain South Korea and China, with whom Iran has already signed a range of agreements within the framework of its "peaceful atom" program, and it is Seoul that is finishing the construction of the nuclear power station in the UAE.

In addition, Russia is losing to its competitors due to its negative political image among the region's elites, caused by its own actions in Syria. Furthermore, the construction of the Bushehr plant, for instance, was much slower than the same work done by South Koreans in Abu Dhabi.

Finally, implementing these plans could be affected by political events in the region – all of which to some extent have experienced surges of instability in recent years. Even the most stable have lost quite a bit of their former economic "inviolability" because of long-lasting low oil prices, which, combined with protests in the region, could lead to a temporary or complete halt of at least some such projects.

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