

PEACE AND SECURITY

RECONCILING RIVALS

Exploring the Implications of Détente
Between Iran and Saudi Arabia

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Iranian-Saudi reconciliation, facilitated by China, marks a significant turning point, pausing the escalation of the two countries' rivalry. It also reflects broader geopolitical shifts and Beijing's evolving role in shaping the Middle East's affairs.



Europe, the United States and Russia found themselves sidelined, forced to observe rather than actively participate in a critical development in the Middle East.



For Europe, the rapprochement poses a serious dilemma as Europeans need to strike a delicate balance between supporting diplomacy in the region without overlooking or tacitly endorsing the autocratic practices of Iran and Saudi Arabia.

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Foreword

The present publication has been produced by the Beirut-based Friedrich-Ebert-Stiftung Regional Office for Peace and Security in the Middle East – North African region. FES's aim is to contribute to the development of a viable regional security architecture as a precondition for more regional stability. As a European organisation we are conscious that all regional crises have direct or indirect repercussions for Europe and Germany. Security in our two regions cannot be dissociated. Our approach is to foster a more inclusive debate that goes beyond hard security issues, dominated by governments and the military, and encompasses civil society actors as well as marginalised groups. Our wider human security-centred approach assumes that sustainable and lasting peace cannot be achieved solely through agreements among (mainly authoritarian) governments. We also need to address some of the underlying issues that have led to the deterioration of relations between ruling elites and populations, thus leading to the present predicament composed of regional instability, breakdown of public order, weak and failed states, and foreign interventions.

Iran's changing role is one of the Regional Office for Peace and Security's priorities. As a regional power challenging the status quo, Iran is today an critical actor with regard to all issues of war and peace. The present publication examines this role by analysing Iran's own changing approach to the region and looks at its likely consequences for European-Iranian relations.

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INTRODUCTION

In March 2023 Ali Shamkhani and Musaad bin Mohammed Al Aiban travelled to Beijing. This was about half a century after US President Richard Nixon's historic diplomatic overture. During talks hosted by Wang Yi, the People's Republic's Foreign Minister, the emissaries of Iran and Saudi Arabia announced the re-establishment of diplomatic relations between their countries, seven years after ties had been suspended.

The reconciliation between Iran and Saudi Arabia marks a significant turning point. It has effectively put an end to the gradual escalation of the long-standing rivalry between these two Middle Eastern powerhouses. For decades, but in particular since the 1979 Islamist revolution in Iran, Riyadh and Tehran have competed both for geopolitical leadership in the Middle East in a narrow sense, and, more broadly, for ideological leadership in the Muslim world. It is Iran's ambition to »export« its revolution, challenging the Saudi monarchy's position as custodian of the holy mosques in Mecca and Medina. In the wake of the instability that followed the uprisings in the Arab world in 2010 and 2011, Iran–Saudi competition expanded into direct and indirect confrontations across the region. This destabilised the Middle East and heightened the risk of an uncontrolled conflict with global consequences.

Iran–Saudi détente also marks a significant geopolitical shift as it highlights the evolving role of China in shaping global affairs. In contrast to the time of Nixon and Mao, but also the years following the end of the Cold War, during which the United States exerted a key influence over Middle Eastern geopolitical developments (among others), recent events mark a notable transformation. Washington finds itself relegated to the sidelines, compelled to observe rather than to actively participate in a critical development in the Middle East. In effect, the United States lacks the convening power to bring together all relevant actors from across the region.

On the other hand, by pursuing a diplomatic solution Tehran and Riyadh echo President Barack Obama's earlier calls to »share the region«. Somewhat ironically, however, the Iran–Saudi rapprochement turns the Obama administration's strategic objective on its head: rather than freeing the United States from responsibilities in the Middle East and allowing it to »pivot« towards Asia, China's entry into the Middle East-

ern arena may force the US to invest in confronting Beijing in this part of the world, too. All this underscores the changing power dynamics and reflects the reconfiguration of diplomatic alliances and partnerships in the region, as well as globally.

Meanwhile, the China-brokered deal poses a serious dilemma for Europe. On one hand, both the EU and its member states have long advocated some sort of diplomatic arrangement between Iran and Saudi Arabia. In line with their diplomacy-focused approach, Europeans have maintained that the region and the world would be better off if Riyadh and Tehran were to manage their rivalry peacefully. On the other hand, Europe has to grapple with the normative challenges presented by the authoritarian rule and human rights situation in both countries. Once more, Europeans risk falling into the trap of prioritising authoritarian stability over support for good governance. In light of this, Europe will need to strike a delicate balance, supporting diplomacy in the region while not overlooking or tacitly endorsing Iran's and Saudi Arabia's autocratic practices. Furthermore, much like the United States, Europe was marginal to the Iran–Saudi rapprochement, which, after all, is a critical geopolitical development in its neighbourhood that affects various European interests, including peace and stability, energy security, free trade routes, and migration.

Beyond Europe and the United States, the rapprochement between Iran and Saudi Arabia also profoundly affects other countries. Israel, committed to isolating its nemesis Iran, faces a shifting regional landscape. Its objective of forming a bulwark against the Islamic Republic in alliance with the Arab Gulf monarchies – the creation of a sort of »Middle Eastern NATO« – now appears elusive.

For its part, Russia has suffered a setback in its aspirations to become a central power in the Middle East, without whom no strategic decisions could be made. Notwithstanding the fact that Moscow may derive some gains of its own from the accord, it finds itself, like Washington, relegated to the role of observer with regard to the negotiation and realisation of Iran–Saudi détente.

Beyond this, the Iran–Saudi rapprochement also illustrates a global trend towards a more multipolar order. Like so many

other countries, Iran and Saudi Arabia are diversifying their foreign relations and, albeit from very different starting points, embracing the emerging powers in what used to be called the »Global South«. Their recent accession to the BRICS countries is a case in point.

The dynamics alluded to here reflect the geopolitical importance of the Iran–Saudi rapprochement. The two countries' new *modus vivendi* is likely to decisively shape developments in the Middle East, as well as Middle Eastern countries' international relations. They thus merit an in-depth discussion.

In light of this, our publication sets out to explore the nature of this rapprochement: how it came about, what motivated Riyadh and Tehran, respectively, and what role China played as mediator. Building on this, we seek to assess the implications of the Iran–Saudi rapprochement for selected actors: Israel, Russia and, last but not least, Europe.

Without doubt, the situation remains dynamic. Based on the deal struck in Beijing, Iran and Saudi Arabia have taken a number of steps to give substance to their rapprochement. This includes the re-opening of embassies and a meeting between Iranian President Ebrahim Raisi and Saudi Arabia's Crown Prince and *de facto* ruler Mohammad bin Salman. Nevertheless, it remains to be seen how far Tehran and Riyadh will advance their relations, particularly if they can find political solutions for their geopolitical rivalry in places such as Iraq or Yemen that go beyond the mere freezing of conflicts.

When we started working on this publication in the summer of 2023, we presumed that the Iran–Saudi rapprochement would be the year's main geopolitical development in the Middle East. Then came the Hamas terror attack of 7 October and the ensuing war in Gaza, which have shifted the geopolitical landscape significantly. But while this has further complicated Middle Eastern geopolitics, the Iran–Saudi rapprochement was not derailed. To the contrary, it has proven resilient even in the face of mounting tensions between Iran, Israel and the United States. This underlines the strategic commitment of Riyadh and Tehran. In any case, taking stock of the current state of affairs is perhaps even more imperative now, while paying careful attention to the ever-evolving situation on the ground.

To this end, the publication brings together a number of renowned international experts. *Maria Luisa Fantappié* reviews the process that led to the rapprochement between Iran and Saudi Arabia. *Mansour Al Marzoqi* and *Hamidreza Azizi* discuss the reasons why Riyadh and Tehran changed course and pursued *détente*. *Moritz Rudolf* discusses China's role and motivations in facilitating the engagement of the two Middle Eastern rivals. *Gil Murciano* analyses how the Iran–Saudi rapprochement challenges Israel to rethink its regional alliances. *Nikolay Kozhanov* examines the consequences of Russia's approach to the Middle East. Finally, *Cinzia Bianco* examines the implications for European policy.

Collectively, these analyses aim to enhance our understanding of the intricate dynamics and background of the Iran–

Saudi rapprochement. By delving into motivations, processes and implications, the publication hopes to contribute to a nuanced assessment of key trends. Beyond this, we hope in particular to inform the discussion of European policy towards the two countries and the region.

SAUDI ARABIA AND IRAN'S FAUSTIAN BARGAIN: HOW STRATEGIC INTERESTS BROUGHT THE TWO RIVALS TO MEND THEIR RELATIONSHIP

Maria Luisa Fantappiè

In March 2023, Saudi Arabia and Iran agreed to resume diplomatic relations. China brokered the deal, raising its status and influence in the region. Back in 2016, Saudi Arabia and Iran severed diplomatic ties because of Saudi Arabia's execution of a popular Shiite cleric and the ransacking of the Kingdom's embassy in Iran. This division between the two Gulf rivals reverberated across the wider Middle East. Riyadh and Tehran locked horns in Syria, Iraq and Lebanon and engaged in an indirect confrontation over Yemen. In 2019, tensions peaked as Iran-linked groups launched an attack on a Saudi oil installation. Saudi Arabia and Iran didn't bury the hatchet because confidence had been restored. Rather, changes in the global order – such as the United States reducing its commitments and China's rising power in the Middle East – have pushed them to mend ties. The deal has proven resilient in the face of the ongoing Israel– Hamas conflict, but even so it has not been sufficient to deliver regional peace as Israel and Iran's mutual hostility remains undimmed.

INITIAL DRIVERS

On 9 April 2021, security officials from Saudi Arabia and Iran held direct talks in Baghdad.¹ Since 2015, Oman had been an intermediary in secret and indirect backchannel diplomacy between the two rivals on Yemen. The «Iraq channel» was initially helpful in initiating direct talks. Iraq had a vested interest in Saudi Arabia and Iran de-escalating tensions to enable it to diversify its regional political and economic ties beyond its long-standing reliance on the Islamic Republic. At the time, Iraq's prime minister Mustafa al-Kadhemi, a former head of intelligence, was trusted in Riyadh, with personal ties to the Crown Prince and channels to the Iranians. Riyadh welcomed Iraq as a convener to strengthen Kadhemi's international credibility and its own among Iraq's Shiite political forces. For Iranians, Iraq provided an opportunity for it to repair its poor relations with the Arab world.²

Dialogue began as a tactical move for both Riyadh and Tehran. Reduced US defence guarantees forced Riyadh to rethink its strategic posture and cautiously consider diplomacy with Tehran. For the Islamic Republic, talks with Riyadh helped to

break the diplomatic deadlock, set a path to détente with the Arab world and put the brakes on Israel's plan of rallying the Gulf around an anti-Iranian defence alliance.

During the decade of Arab uprisings, Saudi Arabia opted for an aggressive regional policy. The Crown Prince launched an offensive in Yemen, imposed an embargo on Qatar and backed the United States' maximum pressure policy against the Islamic Republic. This approach backfired. The Kingdom multiplied its enemies. Meanwhile, Iran's influence grew as armed militias in Lebanon, Iraq and Syria gained control of swathes of territory across the Levant. Fought on the Kingdom's own doorstep, the Yemeni conflict posed a direct threat to Saudi security. The Houthis (Iran's allies in Yemen) launched drone and rocket attacks on Saudi cities and infrastructure.³ The Houthis' progress in the strategic Yemeni province of Ma'arib could have given them and Iran the strategic upper hand in negotiations on the future of Yemen, leaving Riyadh defeated and humiliated. Meanwhile, by 2019 Iran revealed it had advanced missile technology as it shot down an American surveillance drone⁴ and targeted Saudi oil infrastructure.⁵

America's maximum pressure policy against Iran amplified the security threats around the Kingdom while offering no security guarantees in return. As a result of Trump's withdrawal from the nuclear deal the cap on Iran nuclear enrichment was lifted. Trump failed to retaliate against an Iranian drone attack on Saudi oil infrastructure even though it knocked out half the Kingdom's crude oil output. But things didn't improve for Riyadh even when Joe Biden took office. Biden's relations with the Saudi Crown Prince were poor from the start. In continuity with his predecessor, Biden lightened the US military footprint in the region, withdrawing armaments and personnel from strategic bases.⁶ America's drawdown from Afghanistan was yet another sign of Washington's continuing wish to disengage and pivot to East Asia to contain China.⁷

¹ England 2021.

² Younis 2021.

³ Hanna 2019.

⁴ The Wall Street Journal 2019.

⁵ International Crisis Group 2019.

⁶ Lubold, Youssef and Gordon 2021.

⁷ The White House 2021.

This shift in Saudi–US strategic relations changed Saudi Arabia’s calculus vis-à-vis Iran. Security is the Kingdom’s priority.⁸ America did not seem committed to defending it and the Kingdom’s defence technology couldn’t deliver it alone, especially with Iran reaching the status of a threshold state, with advancing missile technology.⁹ Dialogue with the long-standing rival – or even the optics of it – may have persuaded Iran to rein in its allies, helping Saudi Arabia to gain time while boosting its defence apparatus.

Domestic motives also drove Riyadh to a recalibration. The Crown Prince launched an ambitious socio-economic plan, Vision 2030.¹⁰ Vision 2030 offered new generations of Saudis the promise of economic opportunities and some personal freedoms in return for their political acquiescence to the status quo. Following the Emirates’ lead, Saudi Arabia’s Crown Prince was committed to an ambitious plan of reform, promoting the youngest in the ranks of the administration and boosting the private sector, with the aim of turning the Kingdom into a regional hub for industry, innovation and technology. Vision 2030 tied Saudi Arabia’s domestic stability to the stability of its neighbourhood. But this ambitious plan needed a stable regional environment. Mending ties with rivals (Qatar, Turkey), managing competition with the neighbouring Emirates, and de-escalating tensions with the Islamic Republic were a must.

Iran also aimed at repairing past mistakes. Dialogue with Riyadh helped the Islamic Republic to break out of its isolation. Over a decade of uprisings, Iran had boosted its influence but antagonized much of the Arab world. Iran’s affiliated networks of allies in Iraq, Syria, Lebanon and Yemen had multiplied hybrid security threats to oil and maritime infrastructure, impeded trade and undermined relations with most Arab monarchies. US sanctions were added to the mix, preventing formal economic channels and indirectly boosting smuggling networks. Newly elected President of Iran Ibrahim al-Raisi took office in August 2021 and made relations with neighbours its new priority.¹¹ In Tehran, Israel’s expanding relations with the Arab world were a reason for growing concern. Over the years, Israel had taken advantage of Arab monarchies’ security concerns to normalize diplomatic relations, build shared maritime defence alliances, scale up intelligence sharing and further isolate the Islamic Republic from its Gulf neighbours.¹² Tehran saw Israel’s Abraham Accords and improving relations with Arab countries as encirclement. By initiating talks with Riyadh, the Islamic Republic wished to clip the wings of Israel normalization with the Arab world and expand its own.

WEAK COMMITMENT

Early rounds of talks delivered few results. Both Riyadh and Tehran held their cards close to their chests while mistrust

dominated. Iran wasn’t ready to agree on security redlines and the Saudis were unwilling to accept a return to diplomatic relations. As the Saudis addressed security, the Iranians shifted the conversation to diplomatic normalization with Riyadh, which the Saudis were not ready to agree to without security guarantees.

Saudi Arabia procrastinated in negotiations over the restoration of diplomatic ties. The Kingdom perceived Iran to be increasingly isolated and vulnerable. By June 2022, Israel’s encirclement strategy appeared to be working. Israel had multiplied its presence along Iran’s frontiers, from Azerbaijan to Iraqi Kurdistan and the Gulf, as well as inside Iran’s borders. It conducted targeted killings of Iranian nuclear scientists and sabotage operations within the Iran’s borders. Meanwhile, US–Iran nuclear talks stalled.¹³ By October 2022, Iran’s provision of drones to Russia to use against Ukrainian civilians left the Iranian regime isolated even from European capitals.¹⁴ The outbreak of popular protest against the Islamic Republic’s regime reinforced Iran’s isolation and confirmed Saudi perceptions that Iran’s strategic weight was in a steady decline.¹⁵ The calculus in Riyadh was to wait for Iran to reach the lowest point of strategic weakness to strike the most advantageous deal. For the time being, dialogue was useful to win time as Riyadh boosted its military defences and Israel uncovered Tehran’s weaknesses. Meanwhile Riyadh successfully entered Iran’s traditional sphere of influence. It engaged Shia religious clerics and political groups in Iraq and Lebanon,¹⁶ became involved in direct negotiations with the Houthis in Yemen¹⁷ and hinted at normalization with Syria’s Bashar al-Assad.¹⁸

Nor was Iran willing to give Saudi Arabia security guarantees. With conservatives in power, the regime took a defensive posture. It kept hold of missile and drone technology and used it to increase its deterrence, delaying a nuclear agreement with the United States. Conservatives considered that the deal undermined Iran’s deterrent and was part of Israel’s encirclement policy. President Raisi responded to diplomatic isolation from the West by turning east, stepping up trade with China¹⁹ and concluding a defence agreement with Russia.²⁰ Meanwhile, Tehran kept on trying to reach out to the Arab world diplomatically. Iranian officials repeatedly reaffirmed their commitment to continue Saudi–Iranian dialogue through the »Baghdad channel«. Iranian Minister of Foreign Affairs Hossein Amirabdollahian eagerly participated in two Baghdad conferences, declaring his readiness to meet his Saudi counterpart, Foreign Minister Farhan.²¹

⁸ Jacobs 2023.

⁹ Divsallar 2023.

¹⁰ Government of Saudi Arabia, Vision 2030; Bianco 2023.

¹¹ Reuters 2021.

¹² See for instance The Times of Israel 2020.

¹³ Fantappie and Nasr 2022.

¹⁴ The Wall Street Journal 2022.

¹⁵ See for instance Reuters 2022a.

¹⁶ Amwaj 2021.

¹⁷ Reuters 2022b.

¹⁸ Chulov 2021.

¹⁹ Al Jazeera 2022a.

²⁰ Grisé and Evants 2023.

²¹ Reuters 2021; Islamic Republic of Iran 2022.

By 2022, after five rounds of dialogue, slight progress had been made in major areas of confrontation. In Yemen, perhaps under Iranian pressure, the Houthis agreed a truce in return for easing restrictions on the ports and airport they controlled. In Iraq, Iran-linked militias ceased launching attacks on Saudi soil, as well as on Western military bases inside Iraq. Nevertheless, Saudi-Iranian talks strove to advance Iran-Saudi ties even on the most basic issues. Initial bilateral discussions gravitated around admitting Iranian pilgrims to the Hajj in Jeddah and resumption of Iranian representation in the Jeddah-based Organization of Islamic Cooperation.²² Even on these symbolic issues progress was minimal, however. In March 2022, the Saudi decision to execute over 41 prisoners – many of them Shiites – even threatened the continuation of dialogue. Saudi Arabian funding for a channel covering the protests further weakened mutual trust.²³

With time it appeared clear that Saudi-Iranian relations would not be restored on the basis of regained trust and confidence building alone. Saudi Arabia and Iran needed to meld their strategic interests on a shared vision of a multipolar global order.

DEAL DONE

Both Riyadh and Tehran shared a vision of a Middle East moving beyond sole reliance on the West and on the United States in particular. The Islamic Republic's longstanding aim was to force the United States out of the Middle East, to be succeeded by Russia and China. While maintaining ties with the United States, Saudi Arabia multiplied its strategic options by developing and expanding ties with China. The war in Ukraine has both accentuated and accelerated global power competition between the West, Russia and China. Middle Eastern regional powers have tended to try to hedge between the two. The Saudi-Iran agreement of March 2023 was the result of this shared vision of a multipolar global order.

The US and Saudi visions have continued to grow apart. In his speech at the US-GCC Summit (June 2022) President Biden envisioned an alliance of Gulf states with Israel against Iran. He also called on Saudi Arabia to lower oil prices to help energy supplies in the wake of the sanctions imposed on Russia and invoked the longstanding US-Saudi partnership against China and Russia. This vision was too polarized, however, and incompatible with the Kingdom's ambitions. Saudi Arabia has come to see itself as the regional epicentre of the Middle East. Over the years, Riyadh has become China's main trading partner there and the gateway for Beijing's investments in the Gulf. In December 2022, it convened the first Arab-Chinese summit, attended by Chinese President Xi Jinping and leaders from across the Arab world.²⁴ Saudi Arabia has also maintained relations with Russia, engaging with Moscow through the OPEC+ format and resisting Western

pressure to reduce oil prices.²⁵ Riyadh sought to foster its strategic autonomy by becoming the gateway for China's influence in the Middle East and, at the same time, a gateway for US efforts to contain it. That would help with Riyadh's aim of becoming the region's economic hub in line with Vision 2030.

In the region itself, Riyadh aimed at balancing relations with rivals Iran and Israel, potentially reaching agreements with both. Cooperation with Israel against Iran could only heighten threats to the Kingdom, however. Here again Riyadh walked a tightrope. Iran's fear of a Saudi-Israel deal could have prompted Tehran to reach agreement with Saudi Arabia over security red lines. Israel's concerns about a Saudi-Iranian rapprochement would have prompted the Israeli government to accept Saudi demands about Palestine in return for normalization. Riyadh's calculus was clear: take advantage of its relationship with China to prompt Iran to agree to security guarantees in return for the resumption of diplomatic ties, with a view to becoming a regional epicentre. Beijing had enough leverage with Iran – which the United States lacks – and could monitor its commitment to implementation of the deal.²⁶

March 2023 was the right moment to proceed. The Iranian regime was at its weakest strategic point: targeted by US sanctions, isolated from European diplomacy for its crackdown on domestic protest and supply of drones to Russia, and also vulnerable to Israeli attacks. China didn't influence the substance of the deal but had sufficient strategic weight to broker it. It was in all the players' interest that China enhanced its role in the Middle East from an economic to a diplomatic one. The agreement benefited all three parties. Xi Jinping's China saw the deal as a step towards implementing its ambitious Belt and Road Initiative, countering US attempts to contain China in East Asia with an increased Chinese role in West Asia and the Middle East. It served Saudi Arabia's global and regional ambitions, while helping the Islamic Republic out of its isolation.

Above all, China's mediation of peace between the region's fiercest competitors torpedoed American foreign policy efforts in the Middle East. The deal challenged the US vision of the Middle East, hobbling the normalization process between the Gulf and Israel, while boosting Iran's own prospects of resuming diplomacy with the Arab world.

HARD FACTS

Despite initial qualms, written and verbal commitments were followed by hard facts. Only a few months after the tripartite declaration, Iran re-opened its embassy in Riyadh and Saudi Arabia reciprocated in Tehran.²⁷ The Saudi Crown Prince received Iran's foreign minister and the two discussed bilateral

²² Al Jazeera 2022b.

²³ Gambrell 2022.

²⁴ Arab News 2022.

²⁵ Reuters 2022d.

²⁶ Divsallar and Alghannam 2023.

²⁷ Reuters 2023; Saudi Gazette 2023.

relations and boosting economic ties.²⁸ Diplomatic relations resumed in return for mutual respect of red lines. Non-interference in domestic affairs is an established red line for Tehran, and from March Saudi Arabia ceased supplying funds to one of Iran's opposition media outlets, refrained from open criticism of the Islamic Republic and hosted Iran's foreign minister in Riyadh. Non-aggression towards the kingdom is Riyadh's red line, which Tehran respected. After the March deal, Iran-linked paramilitary groups in Yemen and Iraq halted attacks on Saudi soil. The deal seemed to hold even with the advent of the Israel-Hamas hostilities. The Saudi-Iran agreement has been a milestone in the development of a potential regional order. But on its own it is not sufficient to ensure stability. Iran nuclear enrichment remains unresolved. The same applies to the Israel-Iran shadow war, which has been unfolding through Israel's targeted operations and Iran-linked groups launching attacks from Iraq, Yemen and Lebanon on US and Israel targets.

Hamas's attack on 7 October challenged the regional order that Saudi-Israeli normalization could have helped to consolidate. Hamas launched its attack on Israel as Riyadh was about to negotiate rapprochement with Israel against the background of a reinforced defence pact with the United States that could have helped the Saudis to counterbalance Iran's nuclear ambitions. A Saudi-US defence pact – and Saudi normalization with Israel – was perceived as a threat in Tehran, paving the way for further security encirclement and advancing Israel's aims in the Arab and Islamic world.²⁹

The ensuing conflict seems to have drawn the Saudis and the Iranians closer, cementing the deal at Israel's expense. At an historic meeting, President Raisi met Crown Prince Mohammed Bin Salman at the Jeddah summit to discuss diplomatic options for the conflict.³⁰ Nevertheless, the Israel-Iran shadow war continues to escalate, with Houthis attacking commercial shipping headed to Israel, and Israel conducting targeted assassinations of Iran-linked persons in Syria, Lebanon and Iraq.³¹ Saudi installations have not been targeted by Houthi attacks. US calls for an offensive response against the Houthis in the Red Sea have met with a cold response in Riyadh.³²

The ball is now in the United States' court. Conflict could be prevented if Washington offered Saudi Arabia a security package and diplomatic support with putting forward a plan for a Palestinian state. That is the military and political weight it needs to become a regional epicentre capable of balancing Iran's and Israel's security concerns, while avoiding a wider regional war.

²⁸ Amwaj 2023.

²⁹ Fantappie and Nasr 2023.

³⁰ France24 2023.

³¹ See for instance Reuters 2024b.

³² Reuters 2024a.

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IRAN–SAUDI RAPPROCHEMENT: THE VIEW FROM TEHRAN

Hamidreza Azizi

In March 2023, there was a significant development in the Middle East when Iran and Saudi Arabia, two regional powerhouses, agreed to resume diplomatic relations. This momentous decision, mediated by China, marked the end of a seven-year diplomatic rift that began in 2016. Ties had been severed¹ in response to attacks by a group of Iranian hardliners on the Saudi embassy in Tehran and the Saudi consulate in Mashhad, propelling the two countries into their longest period of »cold war«.

This extended phase of strained relations was characterised by various forms of hostility. Ranging from proxy conflicts, notably in Yemen, to overt media wars, the discord between Tehran and Riyadh was evident in multiple arenas. In 2021, however, a change seemed to be on the horizon. Beginning in April that year, negotiations got under way to revive relations, with Baghdad playing host.² Ultimately, however, it was China's diplomatic mediation that facilitated the final restoration of relations.

The period following the announcement of the agreement has been marked by significant progress in Tehran–Riyadh relations. By September 2023, both sides had reopened their embassies in each other's capitals. High-level visits between the two countries further underscored this thawing of relations. The foreign ministers of Saudi Arabia and Iran met³ and exchanged visits, and statements from the highest authorities⁴, including Iran's Supreme Leader and President, and the Saudi Crown Prince, signalled a new phase of robust political support for improved bilateral ties.

A notable event in this warming relationship occurred in November, when Iranian President Ebrahim Raisi met with Saudi Crown Prince Mohammed bin Salman on the margins of a summit of Islamic countries in Riyadh.⁵ This meeting stood out in light of the history of harsh criticisms and threats previously exchanged between Iranian officials and Saudi Arabia.

This chapter examines the Iranian perspective on this rapprochement. While acknowledging that the revival of any diplomatic relationship requires political will and mutual steps on both sides, the focus is on understanding the motivations and strategies that led Iran to change its stance. We shall try to unravel the factors that inclined Tehran first toward negotiations and then towards reaching an agreement with Riyadh.

These factors are divided into three main areas: geopolitical, security and economic. Importantly, developments in those areas have occurred against the backdrop of a shift in Iran's domestic policies, from internal discord during Rouhani's presidency to a more consensus-driven foreign policy approach under the current conservative leadership. Indeed, the consensus refers more to the increasingly harmonised activities of different institutions within the Iranian government than to strategic views across the political spectrum. These categories are interlinked, collectively shaping Iran's calculations in its relationship with Saudi Arabia. Additionally, we will explore how the Gaza conflict may influence Tehran–Riyadh relations. Finally, we shall contemplate the future trajectory of this relationship, including the potential challenges and uncertainties that could once again disrupt the delicate balance of Tehran–Riyadh relations.

ENABLING FACTORS AT HOME

In important ways, the shift towards reconciliation with Saudi Arabia has been underwritten by significant changes in Iran's domestic political landscape. Since Raisi's election in 2021, the dominance of the hardline/conservative camp has led to a more consensus-driven foreign policy, often referred to in Iran as »coordination between diplomacy and the battlefield«, implying a closer alignment between the Foreign Ministry and the Revolutionary Guard. Under Hassan Rouhani's presidency, positive initiatives towards Saudi Arabia and other Arab neighbours, such as the Hormuz Peace Endeavour (HOPE), were frequently undermined by hardline elements in the Iranian government and the Revolutionary Guard's proxy activities across the region. The current political environment under the conservative leadership suggests a more cohesive approach to regional diplomacy, potentially leading to a more sustainable engagement with Saudi Arabia.

¹ Peterson 2016.

² Motamedi 2022.

³ Motamedi 2023.

⁴ Iran International Newsroom 2023.

⁵ Al Arabiya English 2023a.

GEOPOLITICAL CONSIDERATIONS

Geopolitical considerations play a pivotal role in Iran's strategy to normalise relations with Saudi Arabia, as Tehran is aiming to establish a new regional order that diverges from the previous US-dominated framework towards a multipolar and multi-vector order

For over 40 years, the Islamic Republic has consistently positioned itself in opposition to the United States and its leadership role in the international system. This stance dates back to November 1979, when revolutionary students seized the American embassy in Tehran,⁶ marking Iran as a revisionist state intent on challenging US interests in the Middle East and beyond.

In recent years, however, Iranian officials, including Supreme Leader Khamenei, have increasingly spoken of the decline of America's global role,⁷ signalling the emergence of a new, non-Western international order. This perspective posits a world in which powers such as China and Russia gain prominence, challenging US hegemony. Iran views events such as the war in Ukraine and the intensifying competition between the United States and China as accelerants of this global shift, with significant implications for »West Asia«, the term Iranian leaders prefer to use instead of the »Middle East«.⁸

Iran has closely observed how Arab states in the region, including Saudi Arabia, have been adapting their foreign policies in response to these changing geopolitical realities.⁹ These states are no longer exclusively aligned with the United States but are also engaging with other global powers, such as China and Russia. This realignment is a key aspect of what some analysts label a »multi-aligned Middle East«¹⁰, particularly in light of developments such as Russia's invasion of Ukraine and the lukewarm response of Arab states to US efforts to isolate Russia.

The deepening relationships between countries such as Saudi Arabia, the UAE and China indicate a move toward a regional order with diverse alignments. The increasing strategic autonomy of regional states in relation to US influence is a significant factor in the new regional dynamics. Iran sees this as an opportunity to participate actively in the emerging »post-American« order¹¹, which necessitates regional cooperation and conflict resolution. The interests of Iran's partners, Russia and China, in regional stability so that they can pursue their own interests in the region is pushing Tehran further in that direction.

China's mediation in the Iran–Saudi agreement is particularly significant in this context. Iran views China as an unbiased broker because of its friendly relations with Beijing and Chi-

na's increasing role across the region.¹² This contrasts with the United States, which Iran perceives as pursuing a more exclusive approach to regional issues.

Iran's previous perception of Saudi Arabia as a US proxy has also evolved in response to recent global changes.¹³ Iranian leaders have come to understand that under the influence of shifting global dynamics, Riyadh is recalibrating its approach toward the United States, reducing its dependence on Washington. This shift, particularly evident in the wake of the Yemen conflict and the lack of direct US support during events such as the 2019 Houthi attack on Aramco oil facilities,¹⁴ indicates Saudi Arabia's readiness to engage in dialogue and reach agreements with Iran on a more equal basis, moving away from relying solely on the US maximum pressure policy.

This new understanding has paved the way for Iran to envisage a regional order based on mutual respect and shared interests, in which the »axis of resistance«, including Iran and its allies, is acknowledged alongside other stakeholders.¹⁵ Iran interprets Saudi Arabia's engagement with actors such as the Houthis¹⁶ and dialogue with other Iranian allies, such as Hamas¹⁷, as recognition of the legitimacy of the »axis of resistance«. Iran's mediation in improving relations between Saudi Arabia and Syria is also indicative of a desire to play an active role in shaping the new regional order.

SECURITY CONSIDERATIONS

Iran's security considerations in terms of the normalisation of relations with Saudi Arabia have two main aspects, deeply influenced by regional dynamics and threats.

The first aspect is related to the development of Israel's relations with Islamic countries and Iran's neighbours since 2020. The Abraham Accords, signifying diplomatic ties between Israel, the UAE and Bahrain, emerged as a strategic concern for Iran.¹⁸ This agreement indicated a growing Israeli intelligence presence and influence in regions proximate to Iran's southern borders. In parallel, Israel's strengthening ties with Azerbaijan, especially evident since the Second Karabakh War in 2020, intensified Iran's sense of being encircled by Israeli-led alliances in its surrounding regions.¹⁹ In the same vein, Iran is concerned about what it perceives as the growing Israeli influence in the Kurdistan Region of Iraq (KRI).²⁰ Iranian officials claim that Israel has utilised KRI territory to launch sabotage operations inside Iran. In response, Tehran has launched missile attacks on targets within the KRI.²¹

⁶ Office of the Historian.

⁷ Khamenei 2022.

⁸ American Studies Center 2023.

⁹ Alterman 2022.

¹⁰ Kavanagh and Wehrey 2023.

¹¹ The Third Conference on the Decline of the United States 2023.

¹² Fars News 2023a.

¹³ IQNA 2023.

¹⁴ Krane and Finley 2019.

¹⁵ Kalhor 2016.

¹⁶ News Wires 2023.

¹⁷ Ibrahim 2023.

¹⁸ Behraves and Azizi 2020.

¹⁹ Azizi and Isachenko 2023.

²⁰ Kazemi, Rostami and Maleki 2018.

²¹ Khateri 2022.

This sense of encirclement was further exacerbated by the looming possibility of Riyadh joining the Abraham Accords and normalising relations with Israel.²² Tehran perceived these developments as potential precursors to a comprehensive Arab-Israeli-Turkish/Azeri front against Iran. Given Saudi Arabia's central religious significance in the Islamic world, such a move could sway other Islamic states toward normalisation of relations with Israel, thereby isolating Iran.

Iranian leaders recognise that the main reason neighbouring Arab countries have been leaning towards Israel is the perceived threat from Iran and its allies in the axis of resistance. This perception was heightened after events such as the 2019 Aramco attacks, which led these countries to seek alternatives to US security guarantees against Iran. Iran thus anticipated that the formal announcement of Saudi-Israel normalisation was a matter of time and strategised to delay this process or at least prevent Saudi Arabia from acting against Iran's interests. The establishment of an anti-Iranian security coalition in the Persian Gulf region is a primary concern for Tehran, and reassuring its neighbours is seen as a way of preventing it.

Beyond assurances, Iran's aim in improving relations with its neighbours includes convincing them to choose security cooperation with Tehran over Washington or Tel Aviv. This objective is exemplified by Iran's proposal for a Persian Gulf maritime coalition.²³ Iranian leaders, including Ayatollah Khamenei, have actively been trying to discourage neighbouring countries from engaging with Israel, warning against betting on what they perceive as a »losing horse«.²⁴

The second aspect of Iran's security considerations revolves around Saudi Arabia's ability to project influence through media, hybrid and financial tools. This became particularly evident during the 2022 protests in Iran. Despite Saudi Arabia's cautious stance, refraining from directly supporting the protesters, Iranian leaders accused Riyadh of inciting unrest.²⁵ The influence of Saudi-backed Persian-language media in Iran – also attributed partly to the Islamic Republic's failure to use media effectively for public persuasion – raised significant concerns among Iranian authorities.²⁶ These concerns were compounded by the extensive financial resources of Saudi-backed media outlets, enabling them to reach a broad audience even outside Iran.

The nationwide protests in Iran in 2022 expedited finalisation of an agreement with Saudi Arabia, aimed partly at reducing Riyadh's potential negative impact on Iran's internal situation. In the broader context of security considerations, Iran regards Israel as its main regional enemy and so stabilising relations with Saudi Arabia is seen as a strategic move, enabling the Islamic Republic to focus more on formulating and pursuing

long-term strategies against Israel. Some analysts have posited that the Iranian–Saudi de-escalation could serve as a precursor to an escalation on other fronts, particularly against Israel.²⁷

ECONOMIC CONSIDERATIONS

Economic considerations are another crucial aspect of Iran's decision to normalise relations with Saudi Arabia. They encompass three key dimensions.

The first and most critical aspect pertains to Iran's domestic economic situation, which has been deteriorating in recent years. Official statistics showed an alarming inflation rate of 46.5 per cent for the Iranian year ending 20 March 2023,²⁸ although there is a widespread belief that actual inflation is considerably higher. Concurrently, Iran's currency has seen a dramatic devaluation against the US Dollar in recent years. Factors contributing to this economic crisis include government inefficiency and limited foreign economic relations, exacerbated by the failure to revive the 2015 nuclear agreement (JCPOA) and the consequent continuance of US sanctions. These sanctions have severely restricted international trade and foreign investment in Iran. In this context, Iran hopes to bolster its economy by attracting investments from Saudi Arabia and other GCC countries.²⁹ The statement issued by Saudi Arabia's finance minister in the wake of the agreement indicating no obstacles to Saudi investment in Iran has boosted these aspirations.³⁰

The second aspect focuses on the connection between economic development and regional stability. Persistent tensions with Persian Gulf neighbours have deterred these countries from developing trade relations with Tehran, with the exception of Dubai, which has remained a major hub for Iranian economic activities, thereby elevating the risk of investment in Iran. Despite a strategic cooperation agreement with China³¹, significant Chinese investments in Iran have not materialised, partly because of uncertainty about Iran's domestic stability. Iran recognises that to engage effectively in major geo-economic initiatives such as the Belt and Road Initiative (BRI)³² and the North-South Transport Corridor (NTSC)³³, it requires regional stability and the resolution of disputes with its neighbours. Major powers such as Russia, China and India are unlikely to invest in major infrastructure and transit projects with Iran amidst ongoing Iran–Saudi competition and regional instability.

The third aspect concerns how a stable regional environment and reduced competition can lower the costs of Iran's regional policies, particularly expenditure related to proxy con-

²² AFP 2022.

²³ Amwaj 2023.

²⁴ Reuters 2023a.

²⁵ Fararu 2022.

²⁶ Radio Farda 2022.

²⁷ Bakir 2023.

²⁸ Fars News 2023b.

²⁹ Donya-e Eqtesad 2023.

³⁰ Uppal and El Yaakoubi 2023.

³¹ Reuters 2021.

³² Global Times 2023.

³³ Silkroad Briefing 2023.

flicts with Saudi Arabia. While there is no exact figure for Iran's regional expenditures, estimates suggest annual costs exceeding \$4 to \$5 billion.³⁴ These expenses, although not exceptionally high compared with neighbours such as Saudi Arabia, are substantial given Iran's sanctions-burdened economy. Some of Iran's costs, like its involvement in Syria, have been indirect, comprising free or heavily subsidised oil supplies.³⁵ The agreement with Saudi Arabia, while not fundamentally altering Iran's involvement in countries such as Syria or its support for non-state armed groups in Iraq, Lebanon and Yemen, could lead to a moderation of these costs.

In sum, Iran's economic considerations in improving relations with Saudi Arabia are multi-dimensional, focused on alleviating its domestic economic crisis, enhancing prospects for foreign investment and trade, and reducing the financial burden of its regional policies. These considerations are integral to understanding Iran's motivations behind the rapprochement with Saudi Arabia, reflecting a strategic calculation to enhance economic stability and foster regional cooperation.

A LOOK INTO THE FUTURE: OPPORTUNITIES AND CHALLENGES

Given the various factors we have discussed, it can be argued that Iran's intention to improve relations with Saudi Arabia, transitioning from tension to cooperation, is genuine.

Meanwhile, the dynamics of the situation changed notably with the Hamas attack on Israel on 7 October 2023 and the ensuing Israeli war in Gaza. This conflict has heightened Iran's aspirations for enhanced relations with Riyadh and other Islamic countries. Iran hopes that the war in Gaza, coupled with widespread public support for the Palestinian cause, might lead Saudi Arabia to reconsider its stance on normalising relations with Israel. Concurrently, Tehran is seeking to capitalise on these developments to extend its diplomatic reach, not only toward Saudi Arabia but also toward other key Arab states, such as Egypt. The significance of this move was marked by President Ebrahim Raisi's visit to Riyadh in November for an emergency summit of Islamic leaders,³⁶ where he met with Saudi Crown Prince Mohammed bin Salman and Egyptian President Abdel Fattah el-Sisi.

Actual developments on the ground, however, do not fully align with Iran's expectations. Reports indicate that while the Saudi-Israeli normalisation process has temporarily stalled, it hasn't been completely abandoned and is expected to resume once the war in Gaza ends.³⁷ This perspective is also acknowledged within Iran, as reflected in the views of Seyyed Mohammad Hosseini, Iran's former ambassador to Saudi Arabia, who suggests that the Saudi-Israeli normalisation process, though delayed, is unlikely to be halted completely.³⁸

In fact, the significant impact Hamas, Iran's close ally, has had on Israel's security might reignite concerns among Saudi Arabia and other Arab states about the Iranian threat. This could further motivate these countries to explore forming a defensive alliance with Israel. Additionally, Saudi Arabia continues to engage strategically with the United States in certain areas, such as leading the US-led maritime coalition in the Persian Gulf³⁹ and participating in joint counter-drone exercises⁴⁰, which could elevate Iran's threat perception of Saudi Arabia.

The economic dimension also presents challenges. Saudi investment in Iran, in the current context of Western sanctions against Tehran, is fraught with difficulties. In turn, the absence of economic interdependence in their relationship makes it inherently vulnerable. Moreover, Saudi Arabia's involvement in the proposed India-Arab-Mediterranean corridor⁴¹ could pose a competitive threat to Iran's regional transit and economic plans, particularly concerning the NTSC, which would also include India.

Despite these challenges, there are reasons for optimism. Iran and Saudi Arabia's shared membership of BRICS⁴² could provide a platform for enhancing their relationship. Saudi Arabia's apparent willingness to reduce tensions to focus on development goals could help in managing tensions more effectively.

The outcome of the Yemen conflict will be a crucial factor in the future trajectory of Tehran–Riyadh relations. A mutually acceptable resolution to this war could provide a significant boost. For now, both Saudi Arabia and the Houthis seem committed to continuing their path towards ending the war. Despite the Houthis' active involvement in hostilities against Israel, including a naval blockade against vessels heading there, they have notably refrained from directing threats toward Saudi Arabia. This restraint persists even though reports suggest that Saudi Arabia has maintained behind-the-scenes contacts with Israel during the fighting. Additionally, Saudi Arabia's decision to not join the US-led maritime coalition against the Houthi threats in the Red Sea, out of concern that it might jeopardise the diplomatic track with the Houthis,⁴³ reflects a nuanced approach towards the conflict. Following the Iran–Saudi agreement, and particularly since the start of the war in Gaza, the Houthis' role in Iran's regional strategy has shifted, with their threats now directed more toward Israel than Saudi Arabia⁴⁴. On one hand, this shift demonstrates the Houthis' capability as a significant actor in assisting Iran and its allies against Israel; on the other, it shows that the Saudis have begun to recognise the Houthis as an independent partner in dialogue, a development that Iran views with satisfaction. This evolving dynamic is indica-

³⁴ Radio Farda 2020.

³⁵ Sawt al-Asima 2023.

³⁶ DW 2023.

³⁷ Ravid 2023.

³⁸ Khabarfoori 2023.

³⁹ Helou 2023.

⁴⁰ Al Arabiya 2023b.

⁴¹ Soliman 2023.

⁴² Reuters 2023b.

⁴³ Schaer 2023.

⁴⁴ El Dahan 2023.

tive of both Iran and Saudi Arabia's willingness to recalibrate their strategies in Yemen, potentially paving the way for a more stable future.

In summary, while Iran and Saudi Arabia are currently engaged in a process of de-confliction, they are still far from achieving complete reconciliation. Transforming years of enmity into a relationship based on cooperation must cope with a complex set of internal, regional and international factors. This transformation will require careful and strategic efforts from both sides to overcome historical grievances and align mutual interests for a more stable and cooperative regional future.

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SAUDI ARABIA'S RELATIONS WITH IRAN: FROM DEMONISATION TO RECONCILIATION

Sebastian Sons

The resumption of diplomatic ties with Iran in March 2023 was an important step in Saudi Arabia's tactical reconciliation with the Islamic Republic. The Kingdom would like to preserve regional stability and thus it needs to reach a modus operandi with its regional rival in order to achieve its ambitious goal of economic diversification. The agreement with Iran also paves the way for conflict management in Yemen. But closer cooperation will be hard to realise, as Tehran and Riyadh still mistrust each other on various levels. In particular, the continuing war in Gaza could further destabilise the region and harm Iran–Saudi relations.

IRAN AND SAUDI ARABIA: A COMPLEX AND CONTESTED HISTORICAL RELATIONSHIP

Since the Iranian Revolution in 1979, relations between Saudi Arabia and Iran have largely consisted of antipathy, antagonism and apathy.¹ But there have also been periods of pragmatic bilateral cooperation and exchange in Saudi Arabia and Iran's complex and heterogeneous dealings in recent decades.² Overall, however, Saudi Arabia considers the rise of the Shi'ite Islamic Republic and its ideological intention to spread its ideas of expansionist political Islam throughout the region as a direct threat to its stability, its religious supremacy as the 'guardian of the two holy sites' Mecca and Medina and the monarchical legitimacy of the ruling Al Saud family.

The main drivers of the growing Iranian-Saudi rivalry are rooted in geostrategic, political and economic factors. Demographically and geographically, both consider themselves regional superpowers, intent on gaining market access in Africa, and South and Central Asia; playing an important role as oil producers in the global energy market; and seeking international partnerships. Since the US invasion of Iraq and the fall of Saddam Hussein in 2003, Iran has succeeded in carving out a role as the most important force in its neighbour. Hezbollah, which is strongly supported by Iran, functions as Tehran's most important ally in Lebanon, as does Hamas in Gaza and Bashar al-Assad in Syria. In recent years, Iran's influence has also grown in Yemen, manifested in military and logisti-

cal support for the Houthis, who have been in conflict with Saudi Arabia since March 2015.³ In Saudi Arabia, concerns about being surrounded by Iranian proxies have grown steadily in recent years, leading to a period of increasing Saudi 'Iranioia'.⁴ Iran's missile programme, as well as the role of the Islamic Revolutionary Guard Corps (IRGC) in directing Iran's regional policy, further exacerbate Saudi unease. In particular, the growing threat from the Houthis – which launched 439 ballistic missiles and 851 drone attacks on Saudi targets between 2015 and 2021 – has brought Saudi national security to the brink.⁵

In 2016, Saudi Arabia cut diplomatic ties with Iran in response to the attack on the Saudi consulate in Tehran by outraged Iranian protesters after the execution of prominent Shi'ite Saudi preacher Nimr al-Nimr.⁶ The subsequent phase of Iranian-Saudi relations was characterised by open provocation and demonisation. In particular, Saudi Arabia's Crown Prince Muhammad bin Salman (MbS) instrumentalised Iran as the common enemy in order to promote his domestic power consolidation shortly after he came to de facto power in 2016. At that time, the Kingdom's foreign policymaking was driven mainly by a confrontational and interventionist approach.⁷ MbS's anti-Iranian rhetoric featured prominently in his agenda to promote a 'Saudi first'⁸ hyper-nationalism.⁹ In 2017, he said in a TV interview that 'We won't wait for the battle to be in Saudi Arabia (...). Instead, we will work so that the battle is for them in Iran, not in Saudi Arabia.'¹⁰ One year later, he compared Iran's Supreme Leader Ayatollah Ali Khamenei to Hitler.¹¹ Such anti-Iranian statements were also motivated by the desire to portray MbS as a 'modernisation manager'¹² by promoting the substantial transformation of the oil-reliant economy, investing in non-oil sectors such as

¹ Sons 2021.

² Meshawry and Mabon 2021; Mabon 2018.

³ Robinson 2024.

⁴ Sons 2016.

⁵ Reuters 2021.

⁶ Hubbard 2016.

⁷ Sunik 2018.

⁸ Alhussein 2019.

⁹ Blumberg 2020.

¹⁰ Khan 2017.

¹¹ Goldberg 2018.

¹² Derichs and Demmelhuber 2014, 184.

entertainment, tourism, or sports, and empowering young Saudi nationals and women.¹³ At that time, Saudi Arabia's anti-Iran approach was further encouraged by the Trump administration's 'maximum pressure' policy on Iran.¹⁴ By withdrawing from the 2015 agreement with Iran on its nuclear programme (Joint Comprehensive Plan of Action, JCPOA) three years later¹⁵ and (re-)imposing strict sanctions on the Islamic Republic, the Trump administration's pushback against Iran was highly appreciated by Riyadh and promoted by Saudi lobbying in Washington. After Trump's first official overseas visit in 2017 took him to Riyadh,¹⁶ MbS felt encouraged to push ahead with his own anti-Iranian policy. This included the blockade against Qatar, which was cooperating with Iran on the economic level, and the coerced resignation of Lebanese Prime Minister Saad Hariri, whom the Saudis accused of being too close to the pro-Iranian Hezbollah.¹⁷

THE WAY TOWARDS NORMALISATION: MOTIVATIONS AND CHALLENGES

In 2019, however, Iranian-Saudi tensions underwent a de-escalation as the result of Saudi Arabia's foreign policy reassessment. One significant incident pushed the Saudi leadership to adapt its current Saudi regional policy to a changing global and regional situation and focus more on traditional Saudi pragmatism. On 14 September 2019, Iranian-guided drones and missiles struck the Saudi oil refineries in Abqaiq and Khurais.¹⁸ The attack – also framed as Saudi Arabia's '9/11'¹⁹ – led to a 50 per cent crash in Saudi oil production.²⁰ Two aspects in particular shocked the Saudi leadership. First, it was a painful demonstration of how forcefully Iran could strike at the heart of the Saudi economy. Secondly, Trump failed to order massive retaliatory strikes against Iran.²¹ The latter resulted in growing Saudi frustration with US Middle Eastern policy, not only under Trump and Barack Obama, but also under Joe Biden. Obama's commitment to sign the JCPOA with Iran further deepened Saudi mistrust of the United States, as the Kingdom was not involved in the negotiations. Saudi Arabia thus considered the JCPOA as *carte blanche* for Iran to intensify its support for regional proxies undermining the Kingdom's security interests.²² Since then, mistrust in US credibility as a reliable security partner has grown and shapes the public and political discourse across wide parts of the Gulf region. The West is accused of double standards for neglecting key Gulf security concerns. This is nothing new, but it has accelerated further since the Gaza war broke out in October 2023.²³

¹³ Alsharif 2019.

¹⁴ Arabian Business 2019.

¹⁵ Smith 2019.

¹⁶ Shear and Baker 2017.

¹⁷ Berrington and McDonald 2017.

¹⁸ Hubbard, Karasz and Reed 2019.

¹⁹ Bostock 2019.

²⁰ Gambrell 2019.

²¹ Pérez-Peña, Kirkpatrick and Crowley 2019.

²² Sons 2016.

²³ Sons 2024.

NEED FOR ECONOMIC DIVERSIFICATION

Since then, the Saudi leadership has pursued a more pragmatic and reconciliatory approach to Iran as it hedges its bets in a multipolar world order.²⁴ In light of rising pressure for economic diversification, conciliatory ties with Iran are considered predominantly a necessary step in the reassessment of the Saudi regional powerplay. Hence, regional stability is regarded as a prerequisite for economic prosperity and national security inside Saudi Arabia and beyond.²⁵ Under MbS, the Kingdom aims to attract foreign investment, diversify and liberalise its oil-reliant economy with the aim of creating more business and job opportunities for young Saudi nationals. In 2022, 15.9 per cent of people between 15 and 24 years of age were without a job.²⁶ Thus, job creation remains the main priority for the Saudi leadership, as defined in its 'Vision 2030' development agenda in order to prevent future social frustrations.²⁷ Although the share of foreign direct investment in GDP stood at 2.3 per cent in 2021,²⁸ it still lags behind the ambitious target of 5.1 per cent by the end of the decade. Therefore, creating a stable regional business climate is imperative for the ambitious national goals of economic diversification. The breakthrough in March 2023 in restoring diplomatic relations between Saudi Arabia and Iran was thus the result of a long-term process²⁹ of five rounds of direct talks and negotiations involving regional players such as Oman and Iraq, which started in 2020.³⁰ It needs to be considered as an integral pattern of economic diversification and a driver for Saudi national business interests.³¹

CHINA AS THE X FACTOR

By hosting the final round of talks, China took credit for the deal and the Saudis expect it to be the deal-saver in the future.³² Its role as a facilitator also indicates Saudi Arabia's commitment to aligning with non-Western partners such as China in fields of mutual interest.³³ For instance, in 2023 Saudi Arabia and Iran announced that they would join the Chinese-led Shanghai Cooperation Organization.³⁴ On the economic level, China has already replaced the United States as the Kingdom's main trade partner, including in sectors such as energy, infrastructure and finance. In addition, China considers the Gulf region as a relevant pillar of its Belt and Road Initiative (BRI). Beijing is also trying to initiate new and deeper security policy relations. In 2016, China signed a strategic partnership agreement with Saudi Arabia. During Chinese President Xi Jinping's visit to Saudi Arabia in December 2022,

²⁴ Bianco 2022.

²⁵ Koch 2023.

²⁶ World Bank 2024a.

²⁷ Harvard Kennedy School 2019.

²⁸ World Bank 2024b.

²⁹ Ibish 2021.

³⁰ Al-Aloosy 2022.

³¹ Sons 2023a.

³² Khatib 2023.

³³ Mogelniecki 2023.

³⁴ Ardemagni 2023.

a roadmap was signed for the development of new strategic security agreements by 2027 in order to strengthen mutual cooperation in the long term. The number of Saudi visits to China has also increased in recent years, as shown by the trips by King Salman in 2017 and by MbS in 2014, 2016 and 2019. China's close involvement in the Saudi-Iranian agreement showcased that Beijing also wants to engage more in regional political affairs.

EMANCIPATION FROM THE UNITED STATES

As indicated by its close relations with China, Saudi Arabia is pursuing a balancing approach towards global non-Western powers, on one hand, and the United States and Europe on the other. Saudi Arabia thus showed more interest in diversifying its foreign partnerships, seeking closer alliances with a variety of partners, and generally sending out a message that it does not want to take sides or join one camp or another. In this spirit Saudi Arabia also joined the so-called BRICS countries at their fifteenth summit in Johannesburg. As of January 2024 this group includes Brazil, Russia, India, China and South Africa, together with Ethiopia and Argentina, but also the UAE and Iran.³⁵ Despite the fact that the BRICS do not follow a coherent multilateral strategy coordinated by all member states, they do symbolise the growing impact of countries from the so-called »Global South«. They also provide another platform for dialogue between Saudi Arabia and Iran.³⁶ Such a hedging policy, driven by closer cooperation with China, was ignited by the 2019 attacks but further accelerated during the Covid-19 pandemic.³⁷

The deal with Iran also sent a signal to Saudi Arabia's traditional security provider, the United States, that the Kingdom no longer considers itself a »junior partner«. ³⁸ Instead, it is turning towards a more non-aligned³⁹ or multi-aligned⁴⁰ approach in its foreign policymaking. Against this backdrop, Saudi Arabia intends to use the strong involvement of China in the agreement with Iran as a bargaining chip to obtain more US security guarantees. By walking a tightrope between China and the United States on Iran, Saudi Arabia may be aiming to achieve better deals with both sides in terms of economic and military support. Furthermore, Saudi Arabia expects China to use its leverage with Iran during a period of increasing Iranian provocation in the region. Saudi Arabia thus considers the agreement to be a tactical insurance policy rather than a strategic turn in regional policymaking. Despite the trend towards Saudi multi-alignment in a multipolar world order, the Kingdom must balance its relations with China and the United States and not side with only one camp with a view to keeping as many security, economic and political options open as possible. Despite growing tensions, the

United States is likely to remain a close and reliable partner. In 2021/2022, Washington provided Saudi Arabia with more than 50 per cent of the Kingdom's total military assistance, in the amount of USD 2.6 billion, and between 2013 and 2017, Saudi Arabia was the most important purchaser of US arms.

THE WAY FORWARD: REMAINING MISTRUST AND POTENTIAL FOR CLOSER COOPERATION

More than one year after the resumption of diplomatic ties, Iran and Saudi Arabia still seem intent on sticking to their agreement. Embassies have been re-opened, Iran's Foreign Minister Hussein Amirabdollahian and his Saudi counterpart Faisal bin Farhan have met on several occasions,⁴¹ and Saudi Crown Prince Muhammad bin Salman received Amirabdollahian in Jeddah in August 2023.⁴² In November 2023, Saudi Arabia's leadership invited Iran's President Ebrahim Raisi to participate in the summit of the Organization of Islamic Cooperation (OIC) in the context of the escalating war between Israel and Hamas.⁴³

The potential for concrete cooperation is limited, however. Certainly, Iran has shown interest in enhanced trade with the Kingdom and Saudi investment in order to tackle the systemic economic crisis afflicting it. In this regard, Saudi Arabia's Finance Minister Mohammed Al-Jadaan said in March 2023 that Saudi investments in Iran could happen »very quickly«: »We don't see impediments as long as the terms of any agreement would be respected.«⁴⁴ His comments echo claims from 2021 that a normalisation of ties could result in up to USD 20 billion of Saudi investment.⁴⁵ Despite the growing appetite on both sides for enhanced business relations, however, Saudi Arabia is still too reliant economically on the US partnership and cannot afford to jeopardise it by violating the sanctions regime. Hence, such a scenario seems unlikely at the moment. Furthermore, there is still mistrust between the two players, as expressed by Saudi journalist Faisal Abbas: »While the optimist in me would love to see this [rapprochement] happen, along with an end to Tehran-backed malign activities in places such as Iraq, Lebanon and Syria, the realist in me has to say that Iran's track record of adhering to agreements is not reassuring.«⁴⁶ Iran is still portrayed as a source of aggression, intervention and instability: »We cannot expect four decades of Iranian hostility and investment in undermining regional security to disappear overnight«, wrote Abbas. In similar terms, Saudi political analyst Mohammed Al-Sulami stated that »the problem with Iran is not dialogue, but good will«. As such, the deal will be portrayed mainly as a tactical instrument to obtain protection against Iranian attacks, as a smart containment move and »an indication of

³⁵ Hancock and Cohen 2024.

³⁶ Sons 2023b.

³⁷ Demmelhuber, Gurol and Zumbrägel 2022.

³⁸ Siddiqui 2023.

³⁹ Lukas and Sons 2023.

⁴⁰ Sons 2023b.

⁴¹ Asharq Al Awsat 2023; Ministry of Foreign Affairs of the Islamic Republic of Iran 2023.

⁴² Reuters 2023.

⁴³ Amwaj Media 2023.

⁴⁴ Uppal and Yaakoubi 2023.

⁴⁵ Khajehpour 2023.

⁴⁶ Abbas 2023.

having the upper hand, rather than being forced to make concessions», as Al-Sulami wrote.⁴⁷

Yemen also remains a potential hotbed of regional escalation. The Houthis made it clear that they are not »subordinate« Iran.⁴⁸ Since attacking international shipping in the Red Sea after the start of the Gaza war in October 2023, the Houthis have obtained political and military leverage and regained sympathy in some quarters by showing »sovereign solidarity« with Gaza.⁴⁹ Their attacks in the Red Sea have thus also exerted more pressure on Saudi Arabia, which needs to walk a tightrope regarding talks with the Houthis since the Gaza war started. On one hand, the Saudi leadership is concerned that the fragile situation in the Red Sea poses a direct risk to its economic ambitions. As one of the largest global oil producers, Saudi Arabia has a keen interest in free maritime routes and global supply chains. Furthermore, massive Saudi investments in giga projects such as NEOM and The Line on the Red Sea are also aimed at attracting foreign direct investment and positioning Saudi Arabia as a new hub for global business, smart technology and know-how. The Houthi attacks undermine both goals. On the other hand, Saudi Arabia finds itself in a delicate situation in Yemen. After more than nine years of a devastating military campaign against the Houthis, the Saudi leadership is seeking a face-saving exit strategy in order to preserve national security, prevent future Houthi attacks on Saudi targets, and reduce the political and financial costs of the military campaign,⁵⁰ which soon after the start of the military campaign had already reached USD 200 million per day.⁵¹ It entered into direct talks with the Houthis facilitated by Oman in order to reach an agreement and a sustainable ceasefire.⁵² In this connection the deal with Iran is a significant tactical achievement for Saudi Arabia, minimising Iranian support for the Houthis in terms of weapon deliveries and training. In the wake of the bilateral agreement, Tehran thus started to wind down covert weapons shipments to Yemen.⁵³

Despite such challenges, there is considerable potential for long-term Saudi-Iranian collaboration in a number of areas. For instance, increasing the Iranian quota of pilgrims to perform the Hajj, sports diplomacy in the run up to the FIFA World Cup likely to be held in Saudi Arabia in 2034, or various forms of student exchange⁵⁴ could provide quick wins for both sides. To date, direct dialogue has taken place mainly at a high-ranking level, involving prominent governmental and intelligence service representatives. Platforms for people-to-people contacts are rare because the respective governments have previously made little effort to promote such dialogue. International initiatives to facilitate comprehensive

multi-track and multi-dimensional exchange are also limited. Nevertheless, young entrepreneurs, business people, scholars or artists from both countries have shown interest in enhanced options for inter-cultural dialogue⁵⁵ on topics of mutual interest, such as the burgeoning social challenges, climate change and environmental awareness, or cooperation in sports, culture and tourism. In particular, climate-related impacts – such as rising temperatures and sea levels, as well as water scarcity – pose a serious challenge for both Saudi Arabia and Iran.⁵⁶ Their geographical location, arid climate and dependence on fossil fuels mean that both Iran and Saudi Arabia are vulnerable to the impacts of climate change. It is feared that the region could become uninhabitable⁵⁷ by 2075 due to a 4°C increase in temperature. Climate action and the energy transition have thus emerged as cornerstones of Gulf diversification.⁵⁸ For instance, Saudi Arabia has set ambitious renewable energy targets, including the installation of 58.7 GW of solar energy, and aims to generate 50 per cent of its energy from renewables by 2030. Furthermore, the Kingdom wants to position itself as a regional hub for hydrogen production.⁵⁹ It considers sustainability to be a driver of economic diversification and a »green niche«. ⁶⁰ Service providers for regional energy champions, such as Saudi Aramco, are developing training courses and vocational training curricula for young engineers to create »green jobs«. ⁶¹ In addition to economic transformation and electricity cooperation, the implications of climate change have also stimulated efforts to develop multilateral and regional environmental initiatives. By launching the Green Middle East Initiative, Saudi Arabia further aims to instrumentalise the narrative of green recovery as a driver of regional development. Here there is potential for closer trans-regional cooperation with Iran on green developmentalism, which could also promote Iran-Saudi collaboration in the field of know-how transfer in environmental education, data exchange or training courses and capacity development. In this regard, multilateral regional organisations, such as the Islamic Development Bank (IsDB), are pushing triangular cooperation on climate action. The Bank introduced its Climate Change Action Plan (2020–2025) in 2020. As both Saudi Arabia and Iran are members of the IsDB, the bank could serve as a platform for concrete efforts between both states to promote regional cooperation in climate action and energy diversification.

CONCLUSION

Saudi Arabia, in order to achieve its geostrategic aims of economic diversification, political power projection and national stability, has to adapt to a new, more liquid global environment. In this context, the Kingdom is seeking multi-alignment and proceeding with regional reconciliation and con-

⁴⁷ Al-Sulami 2023.

⁴⁸ Khalid 2023.

⁴⁹ Yadav 2024.

⁵⁰ Ali-Khan 2023.

⁵¹ Ottaway 2015.

⁵² Nagi 2023.

⁵³ Nissenbaum, Said and Faucon 2023.

⁵⁴ Hanrath 2018.

⁵⁵ Schmidt and Custers 2022.

⁵⁶ Zumbärgel 2022.

⁵⁷ Zumbärgel 2020, 29.

⁵⁸ Alsayegh, Coates Ulrichsen, Krane and Gil 2023.

⁵⁹ Ansari 2022.

⁶⁰ Zumbärgel 2020, 32.

⁶¹ Mulligan 2023.

flict management. The resumption of diplomatic ties with Iran in March 2023 thus serves as a driver of national development and regional conflict management. In times of growing regional escalation because of the Gaza war, Saudi Arabia considers finding a tactical *modus operandi* with Iran necessary to secure its national security interests and domestic business model. The Yemen issue features prominently here. Despite the trend towards political reconciliation, however, the root causes of the Saudi-Iranian rivalry, such as a lack of substantial trust, the aspiration to regional leverage, the close ties between Iran and its regional proxies, or the Iranian conflict with Israel, have not been solved and are thus hampering a strategic rapprochement. In addition, space for concrete mutual action on an economic, educational, or cultural level is still limited as platforms for comprehensive dialogue are lacking. The bilateral relationship is thus currently characterised by transactionalism rather than by long-term strategic thinking. If the regional situation escalates further as a result of the Gaza war and Iran and Israel enter into direct confrontation, and/or military support for Hezbollah or the Houthis increases, Riyadh is likely to reconsider its proposed reconciliation with Tehran. Although it considers reconciliation with Iran a prerequisite for national and regional security, it does not want it at all costs.

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CHINA'S ROLE IN FACILITATING THE RAPPROCHEMENT BETWEEN SAUDI ARABIA AND IRAN: STRATEGIC REASONING AND OBJECTIVES

Moritz Rudolf

China's involvement in facilitating the diplomatic rapprochement between Saudi Arabia and Iran underlines its foreign policy priorities, in terms of both geography and substance. Over the past decade, the People's Republic of China has increased its foothold in the region. Under Xi Jinping, it has been following a more proactive foreign policy approach. Beijing wants to be perceived as a responsible great power that offers an alternative model to the world.

One key aspect of this endeavour is Beijing's goal of enhancing its role as a facilitator of peace through consultation and dialogue, instead of projecting its military force abroad. China's engagement in the Middle East reflects this.

Even though Oman and Iraq did most of the early work, the 10 March event marks a diplomatic victory for the Chinese President. Previously, China has not been willing or able to broker a significant deal between two regional heavyweights. Despite its growing energy dependence and interest in regional stability, China acts cautiously as it does not want to get sucked into the region's complexities. Beijing does not aim to replace the United States as the global military hegemon in the Middle East as it relies on it as an antagonist.

CHINA'S INCREASING STRATEGIC, ECONOMIC AND POLITICAL INTERESTS IN THE REGION

Over the past decade, because of China's growing energy and strategic interests, the Middle East has been developing into a priority region for it. This trend has accelerated significantly since the Covid-19 pandemic.

The key document from which to gauge China's interests in the region is the January 2016 China-Arab States Policy Paper.¹ It states that Chinese–Arab relations operate primarily within the framework of the so-called 1+2+3 formula, according to which there is one focus (energy cooperation), two priority areas (infrastructure and trade and investment facilitation), and three high-tech sectors in which China would like to break through (nuclear energy, aviation satellites, and new energy). Although the document does not

outline China's relations with Iran, the 1+2+3 formula, in principle, also applies to Beijing's relations with Tehran.

Alongside the 1+2+3 formula, China's economic interests in the region have increased substantially.² Beijing has become the most important trading and investment partner of most Middle Eastern states.

For example, China is the largest export and import partner of both Saudi Arabia and Iran. Over the past 20 years, China has increased its trade volume with Saudi Arabia by a factor of over 20 (from 5.1 billion USD in 2002³ to 106 billion USD in 2022⁴). China's trade volume with Saudi Arabia is much larger than Riyadh's trade volume with the United States (55 billion USD in 2022)⁵ and the European Union (76 billion USD in 2022).⁶ A similar pattern can be seen across the entire region. China has become the largest trading partner and one of the most important sources of investment for Egypt, Iraq, Qatar, Jordan, Kuwait, Yemen and the UAE.⁷ Most Chinese investment goes into the energy and infrastructure sector. Notably, Beijing is increasingly focused on financial cooperation in the region, particularly with the UAE.⁸

It is not surprising that the Arab region and, to a lesser extent, Iran have become a focus area within the Belt and Road Initiative (BRI), Xi Jinping's most important foreign policy programme. With the Belt and Road Initiative, Beijing aims to establish China-centred connectivity networks. Notable projects in the region include the Saudi Arabia Neom City, King Abdulaziz International Airport, Dubai Al-Maktoum Airport Phase 2, Qatar's Integrated Rail Project and several solar power projects in Oman, UAE and Iraq.⁹ ¹⁰ Another aspect of the Belt and Road Initiative is the generation of »soft connectivity«, including expansion of law-enforcement cooperation.

¹ PRC State Council 2016.

² ChinaMed Data MiddleEast.

³ Chinese Consulate General in Jeddah 2004.

⁴ Martin 2023.

⁵ Ibid.

⁶ European Commission 2023.

⁷ ChinaMed Data MiddleEast.

⁸ Ministry of the Economy, United Arab Emirates 2023.

⁹ Belt and Road Forum 2023.

¹⁰ Liu 2020.

tion, cultural exchanges, health cooperation and vocational training. In all these areas, China is prioritising the Middle East, steadily deepening its footprint. For these projects to succeed, the People's Republic needs regional stability. It is therefore highly motivated to get involved in easing the tensions between Iran and Saudi Arabia.

As part of their comprehensive bilateral strategic partnership from 2022, Saudi Arabia and China agreed on an »alignment plan« between the Belt and Road Initiative and Saudi Arabia's Vision 2030 agenda.¹¹ The elevation of bilateral relations to a »comprehensive strategic partnership« underlines the importance Beijing attaches to the relationship with Riyadh. While Sino-Iranian relations have flourished for decades, it is noteworthy that the 2021 Iran–China 25-year Cooperation Agreement elevates the status of the relationship for Beijing. Most importantly, the document highlights both countries' ambitions of cooperating with Beijing under the BRI umbrella.¹²

Beyond bilateral engagement, in its attempt to foster non-US-dominated institutions, China has been pushing to include countries from the Middle East in the BRICS and the SCO. Beijing was a main driver for the BRICS enlargement process. In January 2024, Saudi Arabia and Iran, as well as Ethiopia, UAE and Egypt formally joined BRICS+.¹³ In 2022, Iran joined the SCO, while Saudi Arabia has been a »Dialogue Partner« since 2021.¹⁴

Another strong signal illustrating the region's increasing strategic significance for Beijing was the 2022 China–Arab States summit.¹⁵ While regular ministerial-level exchanges and mechanisms between China and Arab states have been broadening and growing in substance over the past decade, in particular during the pandemic (for example, focusing on health cooperation¹⁶ or trade expos),¹⁷ elevation to head-of-state level highlights Beijing's strategic shift towards the region.

It is also notable that Xi Jinping chose Saudi Arabia for his third official trip after the Covid-19 pandemic, when he attended the China–Arab States summit in December 2022.¹⁸ It underlines the fact that Xi ranks the Middle East as priority region number three after Southeast Asia and Central Asia. Traditionally, Xi would have chosen either Russia or Europe for a third state visit.

The Covid-19 pandemic served to accelerate China's diplomatic outreach to the Middle East.¹⁹ While Beijing's health diplomacy was global, and health cooperation between China and the Middle East predated the pandemic, the region was prominent in Beijing's mask and vaccine donations. Notably, dona-

tions were often sent from the Xinjiang Uygur Autonomous Region, apparently in an attempt to improve relations with major Muslim countries despite allegations of grave Chinese human rights violations against the Uighur population.²⁰

China appears to have the strategic goal of generating support among Middle Eastern states for its global ambitions and positions. For instance, within the UN Human Rights Council, China has been successful in garnering support among major Muslim states regarding the situation in Xinjiang²¹ or accusations of human rights violations in Hong Kong.²²

Furthermore, China views the Middle East region as key to pushing its global standardisation efforts (for example, setting standards in the high-tech sector, or when it comes to generating majorities within UN institutions). In its endeavor to become a global norm setter (for example, with regard to regulating AI or the digital economy) China is seeking support primarily from the Global South,²³ and specifically Middle Eastern states.

NEW ENGAGEMENT IN INTERNATIONAL CONFLICT RESOLUTION

Under Xi Jinping, China has been promoting the concept of a »Global Community of Shared Future« (GCSF).²⁴ In essence, the GCSF is Beijing's vision of a reformed global order without what it styles »Western biases«.²⁵ In this way China aims to establish a »new type of international relations«. In 2022, it launched its »Global Security Initiative«, which claims to aim at »peacefully resolving differences and disputes between countries through dialogue and consultation« as a core principle.²⁶ Inherent in Beijing's global initiatives is a critique of the global role of the United States, stressing the importance of dialogue regarding the exercise military force. China's goal here is to weaken the global reputation of the United States among the Global South.

Beijing's commitment to facilitating a diplomatic rapprochement between Saudi Arabia and Iran therefore should also be understood in the context of China's global ambition to become a key actor in international conflict resolution. To illustrate, China is currently in the process of setting up the International Organisation for Mediation, which would be the world's first intergovernmental legal organisation dedicated to resolving international disputes through mediation.²⁷

In recent years China has also started to send special envoys to conflict regions to assert its position. For instance, Xue Bing, the Chinese Special Envoy for the Horn of Africa, visited

¹¹ Chivvis, Miller, Geaghan-Breiner 2023.

¹² Reuters 2021.

¹³ Rahman 2024.

¹⁴ United Nations 2022.

¹⁵ PRC Ministry of Foreign Affairs 2022.

¹⁶ Ridwan 2022.

¹⁷ Wong 2023.

¹⁸ Al Jazeera 2022.

¹⁹ Rudolf 2022.

²⁰ Ibid.

²¹ Putz 2020.

²² Rudolf 2020.

²³ Rudolf 2023a.

²⁴ PRC Ministry of Foreign Affairs 2023g.

²⁵ Rudolf 2023b.

²⁶ PRC Ministry of Foreign Affairs 2023d.

²⁷ PRC Ministry of Foreign Affairs 2023b.

Ethiopia in December 2023;²⁸ the Chinese Special Envoy for Eurasian Affairs, Li Hui, visited Ukraine in May 2023;²⁹ and the »Special Envoy of the Chinese Government on the Middle East Issue«, Zhai Jun, toured the Middle East in October 2023.³⁰ Besides that, China has become more active in putting out peace proposals. In February 2023, it issued a 12-point Position on the Political Settlement of the Ukraine Crisis.³¹ Then in November 2023, it issued a peace proposal on the situation in the Middle East.³² While China's proposals tend to be rather abstract, the mere fact that Beijing is issuing and promoting them at international level is a new and significant development. In the past, Beijing would confine itself to referring to domestic affairs and failing to communicate its vision of possible solutions.

CHINA'S ROLE IN FACILITATING SAUDI–IRANIAN RAPPROCHEMENT

On 10 March 2023, China, Saudi Arabia and Iran issued a joint trilateral statement that a deal had been reached to normalise ties between Riyadh and Tehran.³³ Talks took place in Beijing 6–10 March 2023. They built on the previous work of Oman and Iraq, which hosted several rounds of negotiation in 2021 and 2022. The ceremonial aspect appears to have been particularly important to Beijing.

While Iraq and Oman laid the groundwork, Beijing was able to use its leverage and build on its trust with both countries to get the deal over the finishing line. In December 2022, Xi traveled to Saudi Arabia to sign an array of landmark agreements between the two countries. In February 2023, Iranian President Ebrahim Raisi visited Beijing.³⁴ This marked the first state visit by an Iranian leader in over 20 years. Those high-level visits appear to have facilitated the signing of the Beijing agreement in March 2023.

There was also a strong political will on Beijing's part to broker the deal. The timing was highly significant because Xi Jinping was elected for an unprecedented third term as Chinese President on the same day the deal was announced.³⁵ Notably, Xi has set out the goal of achieving the so-called »China Dream«, which revolves around achieving the »Great Rejuvenation of the Chinese Nation« by 2049.³⁶ The signing of the deal thus also served the Chinese leadership's domestic agenda.

It is interesting that China has followed this up in an unspectacular manner. On December 15 2023, the Iran-China-Saudi Arabia Joint Committee concluded its first meeting in Beijing.³⁷

²⁸ PRC Ministry of Foreign Affairs 2023j.

²⁹ Reuters 2023.

³⁰ PRC Ministry of Foreign Affairs 2023h.

³¹ PRC Ministry of Foreign Affairs 2023e.

³² PRC Ministry of Foreign Affairs 2023i.

³³ PRC Ministry of Foreign Affairs 2023f.

³⁴ PRC Ministry of Foreign Affairs 2023a.

³⁵ AP 2023.

³⁶ Nikkei Asia 2021.

³⁷ Global Times 2023.

This format is dedicated to discussing implementation of the 10 March agreement. Its main purpose appears to be to provide a platform for political exchanges among the three countries. China also uses the format to promote the idea of reducing the role of »external forces« (meaning the United States) in the region and fostering good neighborliness and economic relations. Previously China had not played much of a role in the numerous Iran-Saudi meetings. Beijing appears to be particularly interested in the macro implications of more stable Iran–Saudi relations (for example, secure energy flows to Beijing and conditions that promote Chinese efforts in the region).

ASSESSMENT

The PRC's engagement in facilitating the deal to reinstate diplomatic relations between Saudi Arabia and Iran sheds light on both, China's incrementally expanding reach in the region and global ambitions.

One of the key questions concerns the concrete implications for the PRC's role in the region. It is important to note that while Beijing can entertain good relations with Saudi Arabia and Iran, this does not mean that it is willing or capable of replacing the United States as the dominant regional guarantor for stability and security.

The PRC's positioning in the current war in Gaza illustrates this. Beijing has been, to a large extent, following a hands-off approach. In November 2023, Beijing published a position paper to end the conflict, which, in essence, repackages the PRC's long-standing position on the issue (two-state solution, borders from 1967, international peace conference; focus on the humanitarian situation in Gaza).³⁸ The document is very abstract, reflecting the PRC's strategic positioning on the side of the Arab world, implicitly criticising Western double standards. It does not indicate any willingness by Beijing to engage more proactively in the region. Beijing is also not involved in the US-led coalition against the Houthis, despite its economic reliance on maritime trade through the Red Sea.³⁹ Also, despite its calls for intensifying humanitarian aid for Gaza, its contributions remain relatively small.⁴⁰ Instead, the PRC focuses on the UN as the key platform and dialogue as the main mechanism to solve the conflict. This behavior reflects the PRC's pre-Iran-Saudi-deal engagement.

It is important to take into consideration that the PRC's foreign policy agenda is preoccupied with the emerging rivalry with the US. Beijing's engagement in the region should, therefore, be viewed through the prism of US-China relations. The PRC's increasing engagement highlights a relative decline in US influence in the Middle East. Nevertheless, Beijing wants to determine how it expand its regional influence, while it continues to act very cautiously as it cannot project any military force into the Middle East.

³⁸ PRC Ministry of Foreign Affairs 2023i.

³⁹ Callahan and Britzky 2023.

⁴⁰ Rudolf 2023c.

Having the US as the dominant military power and ideological antagonist serves Beijing's strategic objectives in the Middle East. On the one hand, US military power minimises China's exposure and reduces the risk of getting sucked into the complex regional dynamics. At the same time, US military supremacy provides stable maritime conditions, on which the PRC relies for its energy imports. China can concentrate on cultivating its economic and diplomatic relations, incrementally expanding its reach, while the US shoulders the costs. On the other hand, it enables the PRC to point the finger at US double standards, while promoting its vision of a "Global Community of Shared Future" and dialogue. For Beijing, it appears to be most important to highlight the different approaches of the PRC and the US as a global actor. The US relies on military force and power projection, while Beijing aims for the construction of a "global community of shared future". This is meant to be a signal to countries of the global south and a narrative China is pushing in the region. To illustrate, in February 2023, Beijing issued a position paper titled "US Hegemony and Its Perils".⁴¹ This, and other similar, papers are published in English to target the global south and in particular the Middle East.

Right now, the PRC is in a rather comfortable position. It can criticise the US as a spectator (in the military realm), while it can increase its economic, diplomatic, and strategic foothold in the region.

Whether Beijing's abstract vision of a global community of shared future can be implemented in times when China's interests are at stake – if a real crisis breaks out – is questionable. As the latest escalation in the Middle East underlines, the PRC still relies on its past practice of calling for peace but refraining from engaging actively. In terms of hard security, it continues to lack any relevant leverage.

While this approach appears to be successful in the short term, the PRC's strategy appears to be unsustainable in the long run. With the US reducing its engagement in the region, there will be a tipping point, when the PRC will have to step in to protect its interests. As long as the US plays a significant role in stabilising the region, the PRC will most likely remain primarily committed to promoting conflict mediation as a low-cost-high-yield strategy. This may change, when Beijing's economic interests are significantly challenged or if the Chinese citizens become a target of terror attacks with links to the Gulf region.

China's efforts to facilitate a diplomatic rapprochement between Saudi Arabia and Iran are, therefore, an important step in the PRC's pursuit to appear as a responsible great power. Several factors came together, the timing was right and there was a strong domestic incentive by the Chinese leadership to engage. Nevertheless, it does not indicate that China aims to replace the US in the region overnight. The PRC's foreign policy agenda is much more long-term oriented.

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FROM BINARY PERSPECTIVES TO SHADES OF GREY: IRAN-SAUDI RAPPROCHEMENT AS A FACTOR IN ISRAELI RETHINKING OF REGIONAL ALLIANCES

Gil Murciano

The renewal of diplomatic ties between Iran and Saudi Arabia caught Israeli strategic circles amid a reassessment of the strategic meaning of its own normalisation with the Arab world. It called into question the perspective previously held by several Israeli strategic planners that normalisation with the Arab world could serve as the basis of a new regional security alliance (a 'regional NATO') to contain Iran. Instead, it demonstrated to the Israelis the limitations of overt cooperation with the Arab world in relation to Iran in the context of rising Iranian regional influence and a declining US regional role. It confirmed to the Israelis a message that had already been emphasised by the UAE, Bahrain and the Saudis from the early days following the signing of the Abraham Accords, namely that the Gulf states bordering Iran could not be seen to be taking sides against it. They could not afford to join the zero-sum game that Israel has been playing with Iran for the past three decades. More broadly, the Iran-Saudi rapprochement called into question the dichotomous perception of the Middle East previously held by several Israeli leaders that divided the region into anti- and pro-Iran camps. Instead, it introduced the need of the Gulf states to adopt a more nuanced approach of hedging risks and interests by balancing between normalising relations with Israel and preventing friction with Iran. Moreover, on the geopolitical level Israelis saw Iran-Saudi normalisation as a clear indication of the limitations on normalisation as a result of two major geopolitical developments: the regional perception of a US shift away from the Middle East, and the rise in Iran's deterrent power as it moves closer to the status of threshold nuclear state.

In addition, as the rapprochement occurred during one of the most extreme splits within Israeli society and politics, Iran-Saudi normalisation was also used as a political tool by the Israeli opposition to underscore the strategic failures of Netanyahu's recently sworn-in government. In the process, Israeli opposition leaders took aim at one of Netanyahu's main electoral assets: his public image as a global leader who is able to reframe Israel's regional standing and lead a global diplomatic campaign against Iran. They emphasised the gap between Netanyahu's promise of a seemingly imminent normalisation with Saudi Arabia, and the reality in which Israel's arch-enemy, Iran, was the country that had managed to renew ties with the Kingdom.

Hence Iran-Saudi rapprochement affected three levels of Israeli strategic discussion: the regional, the geopolitical and the domestic. However, it is important to emphasise that most Israeli thinkers and policy planners still see this normalisation process as a negative development, albeit one that has limited effects on Israeli core interests. Within the framework of future Israel-Saudi relations it is perceived as a necessary real-politik move that does not necessarily negate the possibility of advancing normalisation between the two countries. Iran-Saudi normalisation provoked a rethinking of the boundaries and potential scope of Israel-Gulf normalisation and of a complex incentive structure guiding potential partners in this process. It did not, however, change Israel's basic assessments of possibly advancing normalisation with these countries. Consequently, there is no evidence that Israel changed its core policy vis-à-vis Saudi Arabia or the normalisation process because of the Iran-Saudi rapprochement (for example by offering additional concessions on the Israel-Palestine issue to help advance the process). Increasing Israeli efforts in cooperation with the Biden Administration in the months following the rapprochement to fast-track Israel-Saudi normalisation served several geopolitical and domestic purposes, but could not be tied directly to the Iran-Saudi agreement.

The wisdom of hindsight in relation to the Israel-Hamas war has so far indicated the limited effects of the Iran-Saudi rapprochement on Saudi motivations to continue advancing its normalisation efforts with Israel,¹ or on Saudi willingness to coordinate policy on Israel with Iran. Recent Iranian efforts to use the war to drive a wedge between Israel and the Saudis,² as well as to foster a downgrading of Israel-Arab relations have so far failed to yield concrete results. The Iran-Saudi normalisation may have opened up a channel of communication to discuss the conflict with Iran and address Saudi concerns about its expansion. However, to date it has had little effect on Saudi strategic choices and consequently on Israel's regional standing.

¹ Jerusalem Post 2024.

² Asharq Al-Awsat 2023.

DREAMS OF A MIDDLE EASTERN NATO REASSESSED: RETHINKING ISRAEL'S AMBITION TO FORGE A REGIONAL ALLIANCE TO CONTAIN IRAN

"It is a crucial blow to [Israel's] effort to build a regional coalition vis-à-vis Iran."³

Former Israeli PM Bennet on Iran-Saudi normalisation

The shared threat posed by Iran has been the immediate catalyst of intensive Israel-Saudi clandestine relations in the past two decades. According to several sources, these relations have been limited not only to intelligence cooperation, but have also involved operational coordination involving both Israeli military and diplomatic actions against Iran's nuclear facilities.⁴ Former head of Mossad Meir Dagan's trip to the Kingdom in 2010 to discuss the Iranian threat was the first visit by an Israeli official to Saudi Arabia. His successor, Tamir Pardo, conducted talks in Riyadh with his Saudi counterpart in 2013 to coordinate positions on the evolving nuclear agreement between Iran and the international community.⁵ The signing of the Abraham Accords (2020) and the ensuing trilateral negotiations between Israel, Saudi Arabia and the United States to establish diplomatic ties (2023) between the two countries served to enhance these relations.⁶ In the process, Israel-Saudi security and intelligence cooperation has become one of the best known secrets of Middle Eastern regional geopolitics.⁷

Nevertheless, Israeli strategic planners defined one of the main goals of normalisation with the Gulf states to be the formation of overt security coalitions to contain Iran's nuclear and regional military efforts.⁸ Among other benefits, the Abraham Accords were seen as a means of turning clandestine cooperation with the Gulf partners into a public diplomatic statement of unity in the face of a shared enemy (in Israel's perception). This view not only focused on the Abraham Accords nations (UAE and Bahrain), but also on the future role of the Saudis. A policy report issued by Israel's Intelligence Ministry indicated: 'The Kingdom's network of threats largely overlaps with Israel's network of threats, which may serve as the basis for military and intelligence cooperation in a bilateral framework or as part of regional alliances.'⁹

In Israel's strategic mindset, the value of forming an overt alliance with the Gulf states, and Saudi Arabia in particular, is threefold. First it is designed to serve the military goal of enhancing the current cooperation and building new operational capabilities in the vicinity of Iran's borders. The emerging model of such an alliance consists of ongoing strategic dialogue, security-political coordination, intelligence cooper-

ation, joint exercises, and the supply of advanced weapons systems.¹⁰ The multilateral, but largely informal cooperation achieved in the areas of air defence,¹¹ cyber security and maritime security over the past three years has provided the Israelis with an encouraging sign of their ability to forge what former Israeli PM Bennet described as a NATO-like alliance against Iran¹².

Second, the Israelis viewed forging an overt alliance as the basis of a joint political front involving the countries of the region vis-à-vis the international community. The regional framework was seen as an effective tool to substantiate demands to integrate limitations on Iran's regional efforts in future international arrangements, especially because the topic was ignored completely within the framework of JCPOA. Third, a security alliance was seen as a practical instrument to cement Israel's integration into the Middle East. In this respect, joint containment of a shared long-term threat generator was and is still seen as a platform on which to build long-term and relatively sustainable frameworks of cooperation with the countries of the region, while emphasising Israel's added value in the field of security.

But while Israel and the Gulf states face a common threat, their respective constraints and modus operandi are very different. Israel's leaders often tend to view the region as divided into clear camps, with rigid and uncompromising lines separating them. Thus, they tend to place the UAE and Saudi Arabia (alongside Egypt) on their 'side' in a zero-sum struggle against Iran. This Israeli mindset on regional geopolitics was largely shaped in the previous decade and was based on the events of the Arab Spring and the ensuing regional political dynamics. It often assumes a rigid geopolitical divide between Shia and Sunni regimes, and a similar rigid divide within the Sunni 'camp' between 'moderate' actors (the Arab quartet of Egypt, Jordan, Saudi Arabia, and the UAE) and supporters of the Muslim Brotherhood (Qatar and Turkey).

An in-depth examination of the Gulf states' strategy towards Iran over the past four years and especially since the 2019 Iranian attack on the Aramco facilities in Saudi Arabia, presents a far more complex picture, reflecting their efforts to play both sides of the fence, maintain open channels with Iran, and seek an understanding with it. Mutual visits conducted by Emirati and Iranian national security advisers during the past two years, and the ongoing dialogue between Iran and the Gulf states, have demonstrated the key principle guiding their strategy of working with all the players on the field – including and especially Iran – to reduce risks to their own security. The Iran-Saudi renewal of diplomatic relations can therefore be seen as a meaningful but not unusual component of a careful balancing strategy.

The same hedging strategy that guided the Saudi decision to reestablish ties with Iran makes establishing a formal security

³ Berdichevsky and Barsky 2023.

⁴ Podeh 2022.

⁵ Ibid., 558.

⁶ Haaretz 2023.

⁷ Jacobs and Foucher 2022.

⁸ Zaga 2021.

⁹ Ahren 2020.

¹⁰ Murciano 2022.

¹¹ Ahronheim 2022.

¹² The New Arab 2021.

alliance unlikely. Formalising security cooperation with Israel could have set the Gulf states on a direct collision course with Iran. In fact, Iranian officials publicly warned the UAE about this type of cooperation in the weeks following the signing of the Abraham Accords.¹³ One can understand the Gulf states. Given the current circumstances, they cannot afford to play Israel's zero-sum game against Iran. Although Saudi Arabia and the United Arab Emirates are regional powers with notable influence from the Indian Ocean to the Horn of Africa, there are also countries that possess limited military capabilities, which share a long maritime border with Iran. Its energy production facilities and maritime trade routes are very vulnerable. The Emiratis and the Saudis also recognise the limitations of American intervention in the event of an escalation with Iran. The Trump Administration's limited response to the 2019 attack on Aramco facilities in Saudi Arabia made it clear to the Gulf states that in the event of a military attack, the most they could hope for from the US are economic sanctions. This notion of necessary self-reliance is strengthened by the growing impression of a gradual US withdrawal and a reduction of its commitment to the region. The threat to the UAE and Saudi Arabia is presented as a direct attack not only from Iranian forces, but also from Iran's allies in the region, mainly the Houthis in Yemen, who launched numerous attacks on Saudi soil, as well as a few drone attacks on the UAE (one of them during Israeli President Herzog's visit in January 2022).

The initial misunderstanding regarding the feasibility of involving the Gulf states in a security coalition against Iran reflects a difference in Israeli and Arab understanding of the strategic meaning of the Arab-Israel normalisation process. The Iran-Saudi rapprochement gave the Israelis some indication of the complexity of Middle Eastern alliances and specifically the limited manoeuvrability of Israel's regional partners regarding public action against Iran. It challenged a prominent aspect of the Israeli strategic mindset that saw the evolving normalisation process with the Gulf states as first and foremost a means of containing Iran.

GEOPOLITICAL REASSESSMENT: RETHINKING THE IMPLICATIONS OF DECLINING US REGIONAL INFLUENCE

The renewal of diplomatic relations between Iran and Saudi Arabia has provoked a discussion in Israel about the implications of the perceived US withdrawal from the region. This geopolitical dynamic has often been examined against the backdrop of China's growing role as an alternative force in the region, as well as the influence of Iran's new status as a nuclear threshold nation on regional geopolitics.

The rapprochement was perceived in Israel as a direct result of two interconnected dynamics. First, the cooling off of US-Saudi Arabia relations in the Biden era, which culminated in Saudi public rejection of the US request to maintain oil production

targets following the Russian invasion of Ukraine (2022).¹⁴ Second, the perception that became common in the region (especially following the US withdrawal from Afghanistan) that the United States has decided to shift its resources¹⁵ and political attention from the Middle East to other arenas.

Key in the Israeli discussion on the implications of rapprochement was the potential role of China. China's role as a facilitator of the negotiation process raised questions about its viability as an alternative power to the United States in the Middle East. Some Israeli commentators¹⁶ have even gone as far as to define the Iranian-Saudi-Chinese agreement as 'the harbinger of the end of US hegemony in the Gulf, and maybe even in the Middle East'. Israel's long-term concerns were focused on China filling the vacuum left by the decreasing US involvement. Israeli PM Netanyahu emphasised this concern in his criticisms of the agreement when he stated 'we respect China...but we have an unbreakable alliance with our close friend the US'.¹⁷ Netanyahu used the agreement to call for a clear US commitment to its regional role, stating that 'it is very important that the US make a clear commitment about its involvement in the Middle East'. One of the main Israeli concerns was that the enhancement of Chinese standing in the region will greatly reduce the effect of Western sanctions on Iran in order to stop its race to nuclear capability.

Iran-Saudi normalisation also offered Israeli thinkers the chance to re-examine the effect of Iran's new status as a nuclear threshold nation on the behaviour of regional actors.¹⁸ In this context, there was a clear understanding that the assumption that Iran's unstoppable progress towards military nuclear capability changes its regional standing and creates a strong incentive for countries in the Gulf to reduce tensions with the Islamic Republic.¹⁹ Coupled with the perceived decline in US regional commitment, the Israeli concern was that normalisation is the first domino in a broader process of rapprochement between Iran and other regional actors, such as Jordan and Egypt.²⁰ This development was seen to weaken the anti-Iran camp in the region, enable it to expand its foothold, and eventually put Israel in strategic inferiority vis-à-vis its main enemy.

THE DOMESTIC FACTOR: SAUDI-IRAN NORMALISATION AND ISRAEL'S INTERNAL POLITICAL CRISIS

In Israeli domestic political debate, the Likud party emphasised the signing of the Abraham Accords as a testimony to Netanyahu's global leadership and statecraft. The Israeli PM's success in normalising relations with parts of the Arab world stood at the core of the effort to brand Netanyahu as 'a leader

¹³ Behravesh and Azizi 2020.

¹⁴ Dostri 2023.

¹⁵ Litvak 2023.

¹⁶ Ibid.

¹⁷ Eichner 2023.

¹⁸ Shavit, Guzansky and Shine 2023.

¹⁹ Ibid.

²⁰ MEMRI 2023.

in a different league²¹ whose ability to promote Israel's foreign policy goals is unmatched by any of its competitors. Accordingly, Netanyahu publicly made the promotion of normalisation with Saudi Arabia into a key foreign policy goal.²² Some defined it as a step partially designed to divert public attention from domestic disagreements and widespread civic protests.²³

Iran-Saudi normalisation occurred amidst one of the most severe political crises in Israel's history. Israel's thirty-seventh government advanced a reform that would have limited the judicial system's oversight over lawmaking and public policy. This step, which many considered an attempt to curtail the liberal foundation of Israeli democracy was met with an unprecedented level of protest from the Israeli public, civil society and political opposition and soon led to severe public and political divisions. Against this backdrop, Iran-Saudi normalisation soon exposed the damage done by the Israeli government's domestic policies to Israel's security and international standing. The common argument expressed by opposition leaders was that the judicial reform had weakened Israeli internal cohesion and exposed it as a divided society to the world and the region. This projection of weakness had reduced regional motivation to develop long-term ties with Israel and pushed potential Arab partners into the hands of Iran. Former PM Bennet framed normalisation as a major government failure deriving from a combination of 'diplomatic negligence, general weakness and internal strife'. He said that 'the countries of the Middle East and the world are witnessing an embroiled Israel, led by a dysfunctional government that is engaging in methodical self-destruction. Consequently, these countries pick the side [of Iran]'. Bennet used normalisation to describe the government's actions as an 'immense political, economic and security failure which ... risks the state of Israel.'

One of the main claims was that the coalition's preoccupation with judicial reform had undermined Israeli decision-makers' capacity to monitor, pre-empt and respond to crucial international developments affecting Israel's strategic interests. Former Israeli Minister of Defence MK Benny Ganz lamented: 'The great security challenges facing Israel are intensifying and the PM and his cabinet are busy orchestrating judicial reform... Israel's security was neglected by Netanyahu and the results are in front of us.' Some opposition leaders have used normalisation to underscore the gap between Netanyahu's promises and self-promoted image of global leader and the geopolitical reality. MK Gideon Sa'ar recalled that 'Netanyahu promised peace with Saudi Arabia. But eventually the Saudis chose to make (peace)... with Iran. And they are telling you he is [a leader] in a different league.'

SUMMARY

Iran-Saudi rapprochement has encouraged Israel to reexamine its basic geopolitical assumptions: first, the strategic mindset that perceived the Gulf states and the Saudis as automatic members of a formal security coalition against Iran; and second, their perception that the US holds an exclusive capacity to shape the alliance choices of regional actors at a time when US competitors Iran and China are redefining their regional roles. If Israelis were hoping²⁴ for a US-backed regional coalition as a core component of their containment policy vis-à-vis Iran then rapprochement brought them to a clear realisation that this is hardly realistic amid current geopolitical conditions. Finally, rapprochement, alongside various other recent developments, provided the Israelis with a new prism through which to look at Middle East geopolitics and the variety of considerations guiding potential regional partners. It signals the end of Israel's dichotomous mindset in its strategic thinking about the region. Contrary to previous notions of a region ruled by single-issue, binary and stable alliances, they now find a complex and dynamic ecosystem led by risk aversion, balancing acts and constantly changing interests.

The Israel-Hamas war raging in Gaza should encourage us to rethink the potential for Israeli-Arab normalisation in an era of increasing Iranian regional influence. Does the increase in Iran's (direct and indirect) military activity across the region during the past three months increase or decrease the chance of establishing regional coalitions to confront it? Is Israel an asset or a liability in potential coalitions? How does the war affect Israeli and Saudi approaches to the Palestinian issue in the evolving normalisation between them? Before the war, Iran-Saudi rapprochement was largely perceived in Israel as a 'geopolitical wake-up call', but had limited effects on Israel's regional policy. While reasserting the importance of advancing normalisation with the Saudis, it nevertheless did little to boost Israel's willingness to offer concessions to promote Israel-Saudi normalisation. Whether this strategic policy is due to changes following the Gaza war, and ensuing political changes in the Israeli leadership, remains to be seen.

²¹ Pfeffer 2019.

²² Harel 2022.

²³ Murciano 2023.

²⁴ The Mitvim Institute's 'Foreign Policy Index 2022' indicated that the strategy most favoured by the Israeli public for dealing with the Iranian threat is to 'form coalitions with other Middle Eastern countries threatened by Iran'. This strategy was supported by 38 per cent of respondents (in comparison with 31 per cent supporting military action, and less than 18 per cent supporting negotiation of a new international agreement with Iran). Mitvim Institute and Friedrich-Ebert-Stiftung 2022.

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IRAN–SAUDI RAPPROCHEMENT: DYNAMICS AND PERSPECTIVES: »WESTERN« DIMENSIONS AND IMPLICATIONS FOR EUROPE

Cinzia Bianco

INTRODUCTION

The diplomatic rapprochement between Saudi Arabia and Iran, signed in Beijing in March 2023 seven years after ties between the two had been severed and over a decade of intense regional rivalry, came as a surprise in Europe.¹ Reactions were mixed. Alongside scepticism about the agreement's sustainability, there was optimism about the potential for wider regional de-escalation unlocked by the deal. Certainly, European capitals noticed that the signing was hosted by China, in what felt like a snub by regional powers to the West and Europe.

Almost a year after that first landmark deal, there is more clarity about its resilience, as well as fragility, scope and limits. Indeed, while some progress can clearly be discerned, especially at the level of diplomatic engagement between Riyadh and Tehran, the process remains fragile.² A lack of trust prevails on both sides and numerous obstacles stand in the way of disentangling regional security issues in Yemen, Syria, Lebanon and Iraq. In the meantime, wider global questions, such as the collapse of nuclear-related talks and regional powers' active refusal to side with the West, amid growing tensions against China or Russia are putting Europeans off from further engagement.³ The new cycle of violence which started in October 2023 with a brutal terrorist attack by Hamas against Israel and has been followed with disproportionate military retaliation by Israel against Palestinians, has added a new and thicker layer of complexity to the geopolitical context. Europeans have met this escalation by siding unequivocally with Israel. Initially they struggled to advocate for restraint in the Israeli military response to Palestinian civilians. This deepened the divide between them and the Arab world. Arab capitals already considered Europeans to be hypocritical for asking them to support Ukraine on moral grounds, while ignoring their own moral obligations to the Palestinians' plight. This feeling is now entrenched. European governments also recognise that this escalation will complicate an ongoing process of normalisation between Saudi Arabia and Israel. Many are asking whether, given the staunch relations

between Iran and Hamas, this was one of the intended objective of the Hamas attack.

Despite this difficult context – or, perhaps, precisely because of it – Europeans should move to support Saudi-Iranian détente and encourage it in a constructive direction, including for the sake of European interests. Despite an undeniable regional desire to pursue a more autonomous and assertive policy course, Europeans can and should proactively pursue initiatives to build up the sustainability of de-escalation in the Gulf and, tangentially, strengthen their own posture as regional security interlocutors, offering a European alternative to regional states strategically interested in diversifying their global partnerships. More importantly, preserving the Saudi-Iranian détente would be an important guarantee to prevent an expansion of the Israel-Palestine conflict to other regional theatres, especially the Levant, leading to violence spiralling out of control.

ANALYSIS

Regional de-escalation, especially between Saudi Arabia and Iran, has long been on Europeans' wishlist for the Gulf region. This has been officially spelled out in multiple foreign policy strategies by successive European governments and in the European Union's first-ever joint communication on a »Strategic Partnership with the Gulf«, published in 2022.⁴ Europeans have long argued in favour of a more comprehensive and inclusive approach, as they believe that animosity between regional states leads to instability. This is counterproductive for everyone involved, including Europe, among other things because it threatens critical logistics and energy infrastructure, freedom of navigation, and economic security.⁵

Europeans have significant economic interests in the region, especially in Gulf Cooperation Council (GCC) countries. In 2022, the trade between the EU and the GCC experienced another spectacular jump to 87 billion euros (€).⁶ In addition to bilateral trade, a substantial share of trade between Eu-

¹ Author's conversations in Brussels, March 2023.

² Barnes-Dacey, Bianco and Geranmayeh 2023.

³ Author's conversations in Brussels, March 2023.

⁴ EEAS May 2022.

⁵ Ibid.

⁶ European Commission 2022.

rope and Asia moves through Gulf waters and ports and 40% of this through the Red Sea. As European countries diversified away from dependence on Russian energy, the strategic value of their trade links with Gulf monarchies, especially in terms of energy products, increased substantially.⁷ The Gulf's centrality in economic connectivity between Asia and Europe will only increase after implementation of the India-Middle East-Europe Economic Corridor (IMEC), a G20 project involving India, the United States, the European Union, France, Germany, Italy, Saudi Arabia and the United Arab Emirates (UAE). The aim is to build a railway that will supplement existing maritime and road transport routes – ultimately complemented by cables for electricity and digital connectivity, as well as pipelines for clean hydrogen export – enabling transit from India to Europe via the Gulf monarchies, as well as Jordan and Israel.⁸ IMEC's planned route transits through the Strait of Hormuz, exposing this enhanced connectivity to instability with Iran. From a European point of view, this makes de-escalation between the Gulf monarchies and Iran even more important, especially in the maritime space.

On the most sensitive question, nuclear proliferation, Europeans long took a diplomacy-first approach. Europe has paid a high political price in the capitals of the Gulf Cooperation Council (GCC) countries for its insistence on the value of critical dialogue, diplomatic engagement and de-escalation. The latter were frustrated that Europeans never supported the much harsher and confrontational approach they advocated to deal with Iran's nuclear programme and, especially, Iran's regional activities.⁹ Under the Trump administration in the United States, Abu Dhabi and Riyadh supported Washington's 2018 decision to exit the Joint Comprehensive Plan of Action (JCPOA – the deal on containing the Iranian nuclear programme) and embark on a »maximum pressure« campaign, doubling down on sanctions against Iran.¹⁰ The Europeans rejected »maximum pressure«, trying their best – though without success – to counter it and defend the JCPOA, which they facilitated for almost a decade. This triggered a strong reaction in both the United States and their GCC partners.¹¹

Europeans also invested diplomatic capital in arguing intensely for years in regional capitals as well as internationally that the Saudi-Iran rivalry was fuelling regional conflicts and instability in Lebanon, Syria, Iraq and Yemen. Several European governments have long been quietly supporting Track II initiatives bringing regional voices together to discuss diplomatic solutions to these conflicts.¹² In fact, the idea that regional cooperation was necessary to help Iraq get back on its feet after almost two decades of war and the devastation brought about by Islamic State was behind France's Baghdad Conference for Cooperation and Partnership, held in 2021 and

2022.¹³ President Emmanuel Macron was personally involved in bringing together regional representatives at ministerial level from eleven countries – Iraq, Egypt, Saudi Arabia, the United Arab Emirates, Qatar, Kuwait, Turkey, Iran, France, Bahrain and Oman – in addition to the secretary-generals of both the League of Arab States and the Cooperation Council for the Arab States, and representatives of the United Nations, the European Union, and the Organization of Islamic Cooperation. The first iteration of the Baghdad Conference for Cooperation and Partnership in 2021 was actually the first time that Iran and Saudi Arabia were together at an international political event at the level of their foreign ministers.

Iraq was indeed centre-stage with regard to de-escalation in the Gulf, as Baghdad facilitated the first few meetings between Iran and Saudi Arabia in 2019, leading to the deal signed in China three and a half years later. Such deal was also expected to further promote regional cooperation on Iraq, as well as pave the way for other deals on ending the war in Yemen and untangling the political crisis in Lebanon. However, all of these developments remain hindered by a lack of mutual trust between Tehran and Riyadh, as well as the difficulties involved in bringing local actors on board. To date, the only concrete geopolitical development has been the reintegration of Bashar al-Assad's Syrian regime into the Arab League and the prospect of re-opening diplomatic relations between Damascus and Riyadh. This development does not necessarily please the Europeans, who are still ostracising the Assad regime for its crimes against Syrians and lack a strategy beyond that.¹⁴

Saudi-Iranian détente has already shown some resilience, however, with direct communications between Saudi Crown Prince Mohammad bin Salman and Iranian President Ebrahim Raisi after the escalation in Israel and Palestine. Both have vowed to work against the expansion of violence in the wider region and successfully preserved their own détente. And yet this Iranian-Saudi channel has not been effective in managing to restrain the Iran-supported Yemeni militia known as Houthi in their ongoing offensive against commercial shipping in the Red Sea – allegedly aimed at pressuring Israel into halting its bombing of Gaza – which managed to disrupt global trade since November 2023. There Riyadh has only managed to agree that Saudi territory or assets should not be targeted by the Houthis, in exchange for Saudi Arabia refusing to join the new US-led military missions striking Yemeni targets to degrade the Houthi's capabilities. In the longer term, Europeans would hope that this Saudi-Iranian diplomatic channel could in fact achieve more substantial de-escalatory targets, at the regional level.

Despite this history of strong support for de-escalation in the Gulf, Europeans have been lukewarm as regards the Iran-Saudi deal.¹⁵ There are a number of reasons for this. One major factor was that Iran and Saudi Arabia chose to

⁷ Mills 2022.

⁸ Barnes-Dacey and Bianco 2023.

⁹ Alcaro 2018.

¹⁰ Ibid.

¹¹ Ibid.

¹² Kaye and Vakil 2023.

¹³ Ibid.

¹⁴ Le Monde 2023.

¹⁵ Barnes-Dacey, Bianco and Geranmayeh 2023.

give this diplomatic victory to China, enabling it to cement its geopolitical posture in the Gulf, beyond its status as an economic actor. Several Europeans went to great lengths not even to mention China's role, even though the agreement was signed in Beijing. The EU statement simply acknowledged »the diplomatic efforts leading to this important step«, thus refraining from giving recognition not just to China, but also to Iraq and Oman – who did the heavy lifting in this facilitation – and to France's Baghdad Conference for Cooperation and Partnership.¹⁶ This reflected their disappointment that, despite their involvement in Gulf de-escalation, Tehran and Riyadh did not choose a European host for the signing. The focus on China also reflected a perspective that dominated the US debate on the deal. For few European actors, this was a moment of reckoning with regard to diminishing US influence not just in the wider MENA region, but specifically in the Gulf, which for decades was considered mainly an »American lake«. ¹⁷ In fact, the United States was so little involved that CIA director Bill Burns allegedly told Saudi Crown Prince Mohammed bin Salman that the US had been »blindsided« by the agreement. ¹⁸

Europeans faced the challenge of responding quickly to the declining US role, as their political attention and resources were needed on their own continent to fend off the Russian invasion of Ukraine. Since 2022, even the Gulf has increasingly been seen through the prism of Ukraine. GCC monarchies have been looked at with more suspicion, given their growing cooperation with Russia, including on circumventing US and European sanctions and setting sky-high energy prices in Europe throughout 2022.¹⁹ On the other hand, Iran's growing military partnership with Russia, including the supply of drones used against Ukraine, is arguably the single most decisive factor in determining European attitudes towards Iran.²⁰ Since this Iran-Russia partnership emerged, Europeans have been significantly disengaging from diplomacy with the Islamic Republic. This is also because engagement with Iran has become a toxic issue within European electorates, dismayed at the regime's crackdown against protesters, as well as imprisonment of European citizens on bogus charges to be traded back to their governments.²¹ Iran's staunch support for Hamas is a further crucial aggravation in European public opinion. These elements raise tough political issues for European capitals.

For example, Iran-GCC de-escalation certainly includes a trade and investment element, as Tehran needs regional partners to grant its cash-strapped regime some breathing space. Such regional economic cooperation represents soft power to incentivise Iran to refrain from destabilising, kinetic behaviour. But it simultaneously weakens European coercive power over Iran, opening alternative channels for the latter

to circumvent US secondary sanctions and European measures. Moreover, a stronger China in the Gulf could attempt to build on the Iran-Saudi deal to pull Riyadh further East and into actively exploring how to operate around the Western geo-economic and financial system and infrastructures. This certainly worries Europeans.²²

Another issue under consideration among European policymakers is the potential for active opposition to Iran-Saudi relations in the United States, especially if the 2024 presidential election delivers a new Republican administration and even more so after Hamas' terrorist attack against Israel in October 2023.²³ A US administration willing to disrupt Iran-Saudi relations could join forces with hawks in Israel and launch an even stronger effort to bring about a normalisation of relations between Israel and Saudi Arabia, by significantly beefing up security incentives aimed at deterring Iran. Rightly or wrongly, Israeli policymakers attribute the increase in Hamas' capabilities to Iranian support and thus are even more determined to weaken the Islamic Republic's geopolitical position as part of their own security strategy. A new US-Israeli offensive on Iran would reshuffle the cards in the Iran-Saudi détente.

CONCLUSIONS

The argument often made in European capitals that regional countries do not need interference from extra-regional players to constructively manage their affairs and relations, does not preclude an opportunity for Europeans to offer ideas to help cement this process which, left to its own devices, seems to be mostly superficial and unsustainable. However, in order to play a more active and constructive role, Europeans should rethink their existing approach. They also will need to deal with the growing political toxicity stemming from the escalation in Israel and Palestine, related to how regional countries are viewed by electorates in Europe, and how European credibility has been severely weakened by accusations of hypocrisy in the region. This novel approach should be developed carefully around a few core elements.

Europeans should reject the temptation to view Iran-Saudi relations in the context of the US–China great power rivalry and they should not embrace American or Chinese narratives about it. Doing so would set limits to the potential of the deal itself, which was never a Chinese project to cement its geo-economic posture. Instead, Europe should stick to a European narrative, which for years has emphasised the need for de-escalation between Iran and Saudi Arabia, and should recognise the deal as first and foremost a regional victory, given that it comes on the back of years of slowly-building dialogue in Iraq and Oman. However, Europeans should also acknowledge China's participation in the deal, especially as a way of testing the expectations of regional signatories that Beijing will deploy its economic leverage to guarantee compliance. Beijing will most certainly fail this test.

¹⁶ EEAS 2023.

¹⁷ Gause 1994, 175.

¹⁸ Al Monitor 2023.

¹⁹ ISPI 2022.

²⁰ Vohra 2023.

²¹ Ibid.

²² Author's conversations with European officials, September 2023.

²³ Ibid.

European governments and the EU should support the deal in words, as well as in action, focusing on domains in which Europe can contribute in a meaningful way, European interests are directly involved and governments can escape the growing political toxicity. This includes environmental security or wider regional de-escalation and stabilisation. Europeans could assist in stabilising third countries that are heavily engulfed in the Iran-Saudi equation, such as Iraq and Yemen, by stepping up their development cooperation programmes. Europeans decided to launch their own maritime security mission, *Aspides*, in the Red Sea, correctly judging that US activity in the area have a very inflammatory effect. Europeans should invite regional partners to join *Aspides*, building up and emphasising a de-confliction competence for the mission. On environmental security, the next twelve months offer invaluable opportunities for action using catalyst events hosted in the region, such as the June 2024 UN World Environment Day in Saudi Arabia. Europeans should convene side-events aimed at obtaining the political greenlight from regional players to kick-start specific cooperation projects on joint challenges, such as sandstorms and water scarcity.²⁴ These could include technical and scientific research, for instance on rain enhancement or storms and desertification, as well as joint strategic investments, such as in wastewater treatment infrastructure, last-generation desalination or arid-climate agricultural technology. Initiatives such as these, building on regionally-owned tracks and political intentions and in line with wider European interests, could cement the de-escalation process in the Gulf and make it more resilient to the inevitable ups and downs ahead. Preserving an Iran-Saudi channel becomes even more important as a way of preventing regional expansion of this new cycle of violence as a result of the most recent flare-up between Israel and Palestine.

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²⁴ Bianco 2022.

IRAN-SAUDI RAPPROCHEMENT THROUGH THE PRISM OF PUTIN'S WAR IN UKRAINE AND RUSSIAN INTERESTS IN THE PERSIAN GULF REGION

Nikolay Kozhanov

Since Putin's first visit to Saudi Arabia in 2007, Russian foreign policy in the Middle East has been gradually expanding its regional partnership base beyond the traditional partners of the USSR (such as Algeria, Libya, Iraq and Syria) to the Arab monarchies of the Persian Gulf and Iran.¹ The Russian invasion of Ukraine has accelerated this process, bringing relations with these countries to a new level, entailing much closer harmonisation between Russian actions towards Iran and the Gulf Cooperation Council (GCC) countries. It has also affected the evolution of Russia's strategic thinking. While before February 2022 Iran and the GCC were often considered to be separate elements in Russia's diplomacy, now Moscow clearly sees them as elements of one puzzle.² At the same time, the Iran-Saudi rapprochement has eased Russia's task of striking a balance between Tehran and the Arab monarchies of the Gulf. The Kremlin is no longer expected to pick a side, which makes cooperation with both shores of the Gulf easier. Under these circumstances, the new rapprochement between Iran and Saudi Arabia is in Russia's interests, although it might also bring some risks for Moscow.

MOSCOW'S GULF DREAMS ON THE EVE OF THE WAR IN UKRAINE

Cooperation with the GCC countries, generally speaking, fell within the framework of Moscow's strategic priorities in the Middle Eastern region, which by 2022 could be summarised in terms of the following four groups.

First, Russia's state budget depends on hydrocarbon exports, which compels it to cooperate with the Organization of Petroleum Exporting Countries (OPEC) and its informal leader, Saudi Arabia. Thus Russia's 2016 decision to begin coordinating its output with OPEC producers was historic, allowing OPEC to increase its market leverage.³ Even now, when Russia's oil production is set to decline, OPEC+ leaders remain pragmatic. This pragmatism dictates that they retain Russia among OPEC+ members. They are interested in maximising their profits and maintaining their influence over the market, which will remain difficult and unstable for years to come.

This prioritises the preservation of OPEC+ as an effective lever of influence. Without Russia, which still has the status of a market leader, OPEC+ would be less influential.⁴

Second, the Arab part of the Persian Gulf region has traditionally been important as a source of investments and a key market for selected Russian industries, and this importance has grown in recent years. As of 2021, the Middle East's share in Russian foreign trade was less than 3 per cent, but it is quality, not quantity that matters. For the past ten years Russian trade with the region has grown fairly steadily, despite setbacks caused by the deterioration of the global economy. The positive trade balance with the GCC states made Moscow see the region as a small but reliable source of income. The region has been of considerable interest and, in some cases, even of key importance for certain Russian sectors, including the agricultural and military-industrial complexes, and the petrochemical, space, and oil and gas industries. The UAE, for example, remains the most important buyer of Russia's precious stones and metals, while Saudi Arabia is among the main consumers of Russian grain, sales of which play a significant role in Russia's export diversification strategy.⁵

The region has also been an important market for some small and medium-sized enterprises, for many of which it is the main export destination. During the past decade, Russian exports to the Middle East have also diversified; for example, machinery exports to the GCC have gradually increased. As trade with the Gulf states has benefited Russia's economic diversification strategy, it considers them an important source of investments, with priority given to infrastructure projects.⁶

Third, Russia's leadership has looked at the Gulf in terms of its desire to project power globally and confront the West. Its interaction with GCC member states on issues related to the security of the Persian Gulf, as well as conflicts in Syria, Libya, Palestine and Yemen helped Moscow to demonstrate to the United States and the EU Russia's importance as a global player. The idea is to try to compel them to take its views into

¹ RIA Novosti 2008.

² Rumer 2019.

³ Stanley 2016.

⁴ Reuters 2022b.

⁵ United States Department of Agriculture 2022; Shkvarya 2023.

⁶ HSE 2020.

account and to keep communication channels open. On the other hand, the active political dialogue with the GCC was supposed to prevent the Arab monarchies from joining any anti-Russian camp and ensure Russia's influence in the region.

Finally, security concerns remain important in Russia's decision-making on the Gulf and Middle East, although perceptions have changed considerably since 2015, making them more relevant to the GCC states specifically. Thus between 2014 and 2016 Moscow's security concerns centred on the infiltration into the post-Soviet space of 'Russian-speaking jihadists' with battle experience from the Middle East. Today, Moscow is more worried about the possibility that the GCC elites might provide ideological and financial support to homegrown radical Islamists in Russia and its 'near abroad', especially Tajikistan, Uzbekistan and Kazakhstan. It has therefore intensified its attempts to persuade these elites to support state-controlled Islamic circles in Russia instead. The Kremlin has allowed more contacts between the government-supported leaders of Russia's Muslim community and the local governments of its majority-Muslim republics with the religious circles and political establishments of the UAE, Qatar and Saudi Arabia. The aim is not only to strengthen relations with these countries and encourage them to invest in Russian regions with which they have a religious affinity, but also to convince Middle Eastern elites that Muslims' rights are not abused in Russia.⁷

RUSSIA–GCC RELATIONS AFTER PUTIN'S INVASION OF UKRAINE

Putin's invasion of Ukraine only speeded up the process of Russian-Saudi/Russian-GCC rapprochement. However, the invasion has also led to a shift of emphasis. First of all, Russia has begun to lean more towards diplomatic efforts in the Middle East and specifically the GCC states as a relatively cheap way of resolving pressing problems and demonstrating its own importance. Thus, since February 2022 Russia has not ceased its efforts to bring the Syrian regime out of isolation. Moscow actively mediated in the establishment of relations between Damascus and the Arab Gulf states, and also provided diplomatic support for Syria's return to the Arab League. In 2023, after a long break, it hosted a Russia-GCC summit designed not only to highlight Moscow's growing ties with the region, but also to serve the needs of Kremlin propaganda: the summit was supposed to symbolise the West's failure to isolate Russia internationally. Putin's one-day visit to the UAE and Saudi Arabia on 6 December served the same goals. Similar aims were pursued by Russia's active promotion of its concept of a new security architecture in the Gulf region.⁸

A separate source of concern for Moscow remains Kiev's attempts to play the »Muslim card«: Zelensky's government accuses Russia of infringing the rights of the Crimean Tatars and indeed the Muslim population of both Ukraine and Russia itself (particular reference is made to Russia's deployment

of Muslim troops as cannon fodder on the Ukrainian front).⁹ These efforts are aimed at reviving the old narrative about the Kremlin as an enemy of the Muslim world, which was prevalent in the early 2010s and helped turn the Middle East against Moscow. All has forced Russia to pursue dialogue more actively than ever with Middle Eastern religious and political circles, doggedly propagating a counter-narrative of Russia as a multicultural country in which adherents of traditional religions have equal rights.

Russia is interested more than ever in minimising conflicts with key Middle Eastern hydrocarbon producers, while reorienting its own oil and gas export flows from Europe to Asia, traditionally a major consumer market for the Gulf states. Above all Moscow is keen on maintaining high oil prices, a way of funding its military adventures in Ukraine. These factors, in turn, have substantially increased the Kremlin's readiness to cooperate with OPEC/OPEC+ and its informal leaders, namely Saudi Arabia, the UAE and Kuwait. Not to say that the abovementioned Arab states themselves consider Moscow's participation in OPEC+ as one of the main guarantors of the cartel's effectiveness as a market regulator. This (along with some other motives) in turn encourages them to maintain close relations with the Kremlin despite the US dissatisfaction.

In addition to OPEC+, the region has acquired an important role in reducing the negative impact of the war in Ukraine on the Russian economy. This is not only a matter of circumventing international sanctions, although here too the Middle East (especially the Gulf) has taken on special significance for Moscow. The UAE has become an important channel for so-called »parallel imports« (a term used by Russian officials for sanctioned goods and produce that cannot be directly delivered to Russia from their countries of origin), while a large number of countries – including the UAE, Saudi Arabia and Kuwait – are involved in the re-export of Russian oil and petrochemicals to Europe and beyond. Far more importantly, the Middle East region has become an important end user for a range of Russian products that have been banned from Western markets. Thus, in 2022–2023 there was a significant increase in the export of Russian precious stones and metals (specifically, gold) to the UAE, petrochemical products and fuel oil to Saudi Arabia, and agricultural products to Iran.¹⁰

Finally, some Arab monarchies in the Persian Gulf have also become a convenient safe-haven for Russian emigrant businessmen who, having left Russia, have tried to remain loyal to the Kremlin. In 2022, the Russian community in the UAE recorded significant growth.¹¹

RUSSIAN-IRANIAN RELATIONS AND THE WAR IN UKRAINE

Putin's invasion of Ukraine has played the same catalytic role in Russian-Iranian relations as it did in relation to the GCC

⁷ Bouche 2023.

⁸ Reuters 2023.

⁹ Reddy and Levkova 2022; Mackinnon 2022.

¹⁰ Smagin 2023.

¹¹ Hamid 2023.

member states. In parallel with international developments, however, deepening Iran-Russia relations have also benefited from domestic changes in Iran. Tehran's power-tandem of Supreme Leader Ali Khamenei and President Ebrahim Raisi made an unambiguous decision to the effect that Moscow is Tehran's partner, with which the Iranians are ready to coordinate positions and exchange information on a number of key issues, including the nuclear programme, Syria, Persian Gulf security, work in regional organisations and negotiation platforms (Shanghai Cooperation Organization (SCO), the Summit of Caspian States, Eurasian Economic Union (EEU), as well as implementation of transnational economic projects (such as revitalisation of the North-South corridor).

Three factors represent turning points for Iran's attitude to Russia. First, the election of President Raisi under whom the last pragmatists and moderates have been pushed out of power, significantly strengthened the positions of those conservatives and members of the Revolutionary Guards (IRGC) who traditionally had close ties with Moscow. Second, Tehran perceives the war in Ukraine as a guarantee that the Kremlin will not resume the relations with the West that existed before February 2022, which implied the periodic use of Iran as a bargaining chip in Moscow's dialogue with the EU and the United States. The war is also considered to indicate a restructuring of international relations: supposedly, new blocs and coalitions will be born into which Iran will be able to enter with Russia's help. Third, Iran has revised its views on the so-called Iran nuclear deal (more properly the Joint Comprehensive Plan of Action or JCPOA) and the West. Iran's leadership no longer sees the conclusion of a new nuclear deal as a panacea. Furthermore, Iran cannot be certain that the signing of a new agreement would lead to an influx of Western and foreign investment. In other words, the signing of the JCPOA (although desirable) has ceased to be a goal in itself, merely a potential foreign policy tool for easing pressure on Iran. Under these circumstances, Tehran no longer prioritises a rapprochement with the West, bringing contacts with other countries to the fore (especially because there is no longer any need to ensure that ties with Russia or China do not damage Iran's contacts with the West).

In other words, Iran considers the war in Ukraine an opportunity to strengthen relations with Moscow, including through the provision of practical and advisory assistance to Moscow in evading sanctions and mitigating their effects on Russia's economy.

Tehran's calculations have largely been borne out by further developments. New agreements have been signed on the development of transport corridors. Russian companies have once again started talking about the possibility of operating in Iran and bilateral trade has developed extra dynamics.¹²

At the same time, the conflict in Ukraine, while adding some new parameters to Russia's cooperation with the Gulf states, has also contributed to existing trends. Thus, long before the

start of the Ukrainian conflict, Iran was of interest to Russia as an important player in oil and gas markets, a regional transport hub and a partner for military-industrial cooperation.

Iran has assumed particular importance in Russia's strategic plans, which highlight the Persian Gulf as an important zone of Moscow's interests in the Middle East, precisely as an energy exporting country. Interestingly, Moscow still perceives Iran as both a threat and a partner. On one hand, access to its energy resources would allow Russian companies to acquire additional means to influence foreign markets. On the other hand, Iran itself is capable (albeit in the case of natural gas only in the long term) of challenging the Russian presence in European and Asian markets. However, this ambivalent position has not led to a confrontation between Moscow and Tehran, but rather to closer interaction in order to keep the situation under control and direct oil and gas flows in the right direction (usually the opposite direction from Europe). Perhaps appropriately for a country whose leader has a black belt in judo Russia has sought to grip its opponents tightly so that they are forced to fall where it wishes. Back in the mid-2010s, Russia offered Iran and Pakistan help in constructing the so-called »Peace Pipeline« linking the two countries. Implementation of this project would guarantee that a large share of Iran's natural gas will be sold to South Asia and China, not Europe. In 2016, Putin personally outlined a plan to supply the northern provinces of Iran with natural gas in exchange for Iranian LNG, which Russian companies will take possession of in the Persian Gulf. As with the Peace Pipeline, implementation of this project would also ensure that even less Iranian gas will reach Europe, instead being directed elsewhere by Russian companies.¹³

The outbreak of the Ukrainian conflict did not change this approach too much. It only created more convenient conditions for Russian companies to enter Iran, implementing old plans to strengthen their presence in Iranian oil and gas, both upstream and downstream. The 2022 framework agreement the Iranian authorities signed with Gazprom is gradually being given content.¹⁴ The Russian company is set to be permitted to develop the South Pars field. It is expected that Russian companies will participate in programmes to maintain oil production levels in old fields. Negotiations have resumed regarding the joint creation of an LNG production complex in southern Iran. Also being discussed is the old idea of building a gas pipeline to Oman, where Iranian-Russian natural gas could be processed into LNG. In general, Iran is increasingly seen as a transport hub for Russian energy resources, through which they could reach the Indian Ocean. To date, however, both international sanctions and lack of resources (on both the Russian and the Iranian sides) have prevented the above-mentioned oil and gas projects from coming to fruition.

In this sense, Russia's cooperation with Iran in the transport and military-industrial spheres represents a bright contrast

¹² IntelliNews 2023.

¹³ Kremlin 2017.

¹⁴ Reuters 2022a.

with other areas of their dialogue.¹⁵ It is here that the effects of the Ukrainian conflict have manifested themselves most clearly. Thus, in matters of military-technical cooperation there has been a clear shift. Iran is no longer perceived solely as a potential arms market, but also as a supplier. The supply of Iran-made Shahed attack and reconnaissance drones to Russia has made it possible not only to help solve the problem of equipment shortages in the Russian army, but also to significantly improve its position in Ukraine. Naturally, such cooperation has had a positive effect on the Iranian trade balance – in what are practically barter conditions it has created a good opportunity to pay for Russian weapons. Nevertheless, military-industrial cooperation also has its limits: although it is receiving assistance from Tehran, Moscow is still trying to avoid supplying it with its most advanced weapon systems. Thus, the delivery of long-promised SU-35 jets has been delayed, to Iran's considerable dissatisfaction.¹⁶

The use of Iran as a transport corridor as part of a programme to circumvent sanctions is another aspect of the revitalisation of Russian-Iranian trade and economic relations. Iran has not only taught Russia how to circumvent sanctions, but has also served as a means of doing so. On one hand, it offers an alternative route to the Indian Ocean and Asia, to which Moscow is reorienting in the face of a severance of logistics ties with the EU. On the other hand, a process of obvious and hidden »parallel imports« has been launched through Iran. At the same time, Iran is acting as both a transit country and a supplier of items that Russia can no longer purchase directly. Thus cooperation agreements have been signed in aviation and automotive development as a kind of cover for the import of aircraft parts and avionics through Iran to Russia. At the same time, Tehran is capable of fulfilling the agreement on the supply of gas turbines to Russia on its own.¹⁷

RUSSIAN INTERESTS IN THE PERSIAN GULF AND THE SAUDI-IRANIAN RAPPROCHEMENT

Under the new conditions, the international environment (first of all, Russia's invasion of Ukraine) has turned out to be extremely important for the development of Russian relations with both Iran and the GCC states. Moreover, as part of Russia's global reorientation to non-European markets, the Middle East region has acquired special importance as a transit hub, facilitating Russia's access to the Indian Ocean and Africa. When by April 2022 it had become obvious that instead of a »small and victorious war« Moscow had mired itself in a protracted conflict in Ukraine, the Kremlin hastened to intensify the construction of the so-called international North-South transport corridor, a multimodal route connecting Russia's northern ports through the Caucasus, Central Asia and Iran with India and the Indian ocean region, which also implies access to the Horn of Africa, the Persian Gulf and China. At the same time, sanction evasion schemes have be-

come more complex, involving more than one Gulf state. As a result, Russia could no longer consider its relations with Iran separately from relations with the Arab monarchies of the Persian Gulf.

Also important was the fact that Russia began to perceive its relations with individual countries in the Persian Gulf in the context of regional groupings, such as the SCO, BRICS or EEU.¹⁸ In the case of Iran, the involvement of third countries would make it possible to compensate for the natural shortage of resources which would make a number of joint projects unprofitable if implemented only in a bilateral format. For example, in its familiar form – Russia-Iran-India – the North-South transport corridor would be unprofitable.

Ultimately, improving relations between Tehran and Riyadh are in Russia's interests with regard to strengthening its presence in the region. First of all, Moscow will no longer need to pay excessive attention to how its engagement with Saudi Arabia (or its partners among the GCC member states) will affect relations with Iran and vice versa. For many years, both states demanded more support from Russia in their confrontation with each other and were greatly upset when they did not receive it. In some ways, Russia's foreign policy in the Persian Gulf has been like walking through a minefield: Moscow has had to ensure, carefully but not always successfully, that its interactions with one side are not perceived negatively by the other. A choice in favour of either camp became even more dangerous with the outbreak of the war in Ukraine and the increased importance of the Middle East in matters of economic, military and political support for the Russian invasion. Both Saudi Arabia and Iran were important, but not interchangeable parts of the Russian Middle Eastern strategy.

Second, the rapprochement between two key Middle Eastern players also opened up new opportunities for Russia to implement joint projects (for example, the North-South transport corridor) involving both countries and removed obstacles to coordinating efforts in a trilateral format.

Third, as already mentioned, the Russian invasion of Ukraine is also perceived in the region (as it is in Iran, for instance) as a turning point in the evolution of the existing world order, with the formation of a new one and changing roles for established international and regional structures. In this vein, interaction with Russia is seen as an opportunity to integrate into the emerging new world order, or at least improve the positions of regional players in the existing system. This, in turn, confers a certain prestige on participation in such generally pro-Russian organisations as the SCO, BRICS and EEU in the eyes of the region. Simultaneous cooperation with Iran and the GCC countries within the framework of these organisations would be significantly complicated by an Iran-Saudi conflict.¹⁹

¹⁵ United States Institute of Peace 2023.

¹⁶ Taghvaei 2023.

¹⁷ Strelakova 2023.

¹⁸ Business Standard 2024.

¹⁹ Bagheri 2023.

Finally, Moscow believes that in the context of Iran-Saudi reconciliation, it will be easier to realise a number of its own political initiatives. Thus, Moscow can expect that its initiative to form a new security structure in the Persian Gulf may be less likely to be rejected by regional players that previously feared it might be too pro-Iranian or pro-Arab.

On the other hand, Russia has traditionally used regional instability for its own purposes, partly acting on the principle of divide and conquer. Regional tensions, as well as the strategic confrontation with the United States clearly pushed Tehran closer to Moscow, while Moscow has periodically tried to play the mediation card to maintain its image as an influential international player. The beginning of rapprochement between Iran and Saudi Arabia under Chinese patronage not only demonstrated that regional players could do without Moscow, but also significantly increased stability in the region. A separate worry for Russia was the process of reconciliation itself. Moscow faced the question of how far it could go: the fears of Kremlin strategists are largely related to the fact that Tehran's attempts to reduce foreign policy tensions could sooner or later lead to a rapprochement between Tehran and the West, increasingly alienating Iran from Moscow. Finally, Moscow's increasing dependence on the region imposes a price. Russia is no longer able to speak to the region from a superior position or ignore the interests of the regional elites. The Kremlin will have to carefully build coalitions and plan its moves. Moreover, in some cases, Moscow may be irrelevant: the Saudi-Iranian rapprochement that was brokered without Russia's involvement clearly showed that the Kremlin is not always needed. This frustrates Russia's intention of becoming a global power whose opinions on regional affairs must be taken into account by other players.

Under these circumstances, it remains open what the rapprochement between Tehran and Riyadh will yield, as does whether Moscow will try to disrupt this process.

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RECONCILING RIVALS

Exploring the Implications of Détente Between Iran and Saudi Arabia



The rapprochement between Iran and Saudi Arabia in March 2023, facilitated by China, has halted the gradual escalation of the decades-long rivalry between these two Middle Eastern powerhouses. It also highlights China's evolving role in shaping global affairs and reflects changing geopolitical dynamics. The United States, for a long time the main external power in the Middle East, was effectively relegated to the sidelines, compelled to observe rather than actively participate in a critical development in the Middle East.



Much like the United States, Europe and Russia did not bring about the détente between Riyadh and Tehran. But whereas Moscow may stand to gain from the accord, the situation is more delicate for the Europeans. They long called on Iran and Saudi Arabia to manage their rivalry peacefully in line with their diplomacy-focused approach. However, Europeans will need to strike a delicate balance between supporting diplomacy without ignoring or even tacitly endorsing the autocratic practices of both countries. Israel, meanwhile, is forced to reexamine its strategic approach and geopolitical assumptions vis-à-vis Israeli-Arab normalization. Finally, the situation is dynamic, and it remains to be seen how far Tehran and Riyadh will be able to advance their relations. For example, will they be able to find political solutions to temper their rivalry beyond the mere freezing of conflicts?



This publication seeks comprehensively to enhance our understanding of the intricate dynamics underlying the Iranian-Saudi rapprochement. To this end, it brings together renowned international experts who share their analysis. Starting with a discussion of the process that led to the rapprochement, the publication discusses the respective motivations of Riyadh and Tehran, and assesses China's role and motivations before analysing the implications for Israel, Russia and – last but not least – Europe. The publication hopes to provide a nuanced assessment of key trends by delving into the relevant motivations, processes and implications.

Further information on the topic can be found here:

<https://mena.fes.de/index.html>