

PROJECT ON EUROPE AND THE TRANSATLANTIC RELATIONSHIP
MIDDLE EAST INITIATIVE

Saudi Arabia and Iran in the Shadows of a Regional War

Juan José Escobar Stemmann
Gonzalo Arana



HARVARD Kennedy School
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SEPTEMBER 2024

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Middle East Initiative

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Cover Image: In this handout image released by the state-run Saudi Press Agency, Iranian Foreign Minister Hossein Amirabdollahian signs a register at the Saudi Foreign Ministry in Riyadh, Saudi Arabia, Thursday, Aug. 17, 2023. Iran's foreign minister traveled to Saudi Arabia on Thursday, marking the first trip to the kingdom by Tehran's top diplomat in years after the two nations reached a détente with Chinese mediation. (Abdulrahman al-Abdulsalam/Saudi Press Agency, via AP)

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About the Project on Europe and the Transatlantic Relationship

The Project on Europe and the Transatlantic Relationship aims to strengthen Harvard University's capacities for teaching, research, and policy on the relationship between the United States and Europe. The program is designed to deepen a relationship which has—for over 70 years—served as an anchor of global order, driven the expansion of the world economy, provided peace and stability, and reunited peoples once divided by war. In doing so, we hope to prepare a new generation of leaders on both sides of the Atlantic.

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Established in 1998, the Middle East Initiative (MEI) is Harvard University's principal forum for policy-relevant research and teaching on the contemporary Middle East and North Africa. MEI convenes policymakers, scholars, and intellectuals from the region and beyond to expand our understanding of this complex part of the world and to contribute to the search for solutions to its most pressing policy challenges. Through the integration of scholarly research, policy analysis, executive and graduate education, and community engagement, MEI aims to advance public policy and build capacity in the Middle East to enhance the lives of all the region's peoples.

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In this picture released by the Iranian Foreign Ministry, Foreign Minister Hossein Amirabdollahian, right, and his Saudi Arabian counterpart Prince Faisal bin Farhan Al Saud shake hands during their meeting in Beijing, China, Thursday, April 6, 2023. (Iranian Foreign Ministry via AP)

Executive Summary

This study explores the evolving geopolitical dynamics between Saudi Arabia and Iran following the Gaza war and the subsequent escalation between Israel and Iran. The paper investigates the motivations behind each country's current foreign policies and its relations with foreign actors such as the United States, Russia, and China. It concludes with recommendations for a durable de-escalation of their relationship in a highly complex security environment.

The paper starts with the evolution of their relations from the birth of the Islamic Republic in 1979 until the outbreak of the Arab uprisings in 2011, when the Saudi-Iranian fracture became the main pattern of enmity in the region. Years later, the lack of U.S. response to the attacks by pro-Iranian militias to the Aramco crude oil refining plant in Abqaiq and the Khurais oil field in September 2019 changed the dynamics between the two countries and marked the beginning of a new era in the geopolitical landscape of the Middle East.

Saudi Arabia's foreign policy significantly changed; the country sought to diversify its strategic options and assert itself as a middle power to gain influence in an increasingly multipolar international order. On the one hand, it initiated a policy of improving relations with Sunni powers with which it had previously clashed over their support for Islamist parties in the region. On the other hand, Saudi Arabia softened its aggressive stance against Iran and began seeking to normalize its relations.

Just as Saudi Arabia began to modify its foreign policy after 2019, Iran also changed the course of its foreign relations following the U.S. administration's policy of maximum pressure and the election of a new president. The new Iranian government decided to look eastward, strengthening ties with China and Russia and to improve relations with neighboring countries, aiming to reduce the impact of Western sanctions and to prevent the formation of alliances against it. As a result—and under the mediation of China—Iran and Saudi Arabia signed an agreement in March 2023 to reestablish their diplomatic relations, severed in 2016.

Before the Hamas attack on Israel on October 7, 2023, the ever-evolving geopolitical landscape of the Middle East was apparently finding some respite after a decade of turbulence. However, the war between Israel and Hamas endangered

the de-escalation process, altering the landscape of Middle Eastern geopolitics. The Iranian response to Israel's military incursion into Gaza has spread the conflict to Syria, Iraq, the Red Sea, Yemen, and Lebanon, opening the door to a regional war.

As noted in the report, the Gaza war has not hindered the de-escalation process between Saudi Arabia and Iran, although relations have focused on security issues, with no progress in exploring economic and cultural opportunities. Both countries remain suspicious of each other. Iran's attack on Israeli territory last April has introduced new dynamics in the region. In light of the military capabilities of Iran and its allies, Saudi Arabia sees a formal defense agreement with the United States as a critical goal for its foreign policy.

The Biden administration's integrated vision of a bilateral security understanding between the United States and Saudi Arabia, in exchange for the normalization of relations between Israel and Saudi Arabia, has opened the door to a unique opportunity to firmly anchor Saudi Arabia within the American sphere of influence. If the defense agreement is finally signed, it will probably affect the process of de-escalation between Saudi Arabia and Iran, as their dynamics will run parallel to the relations between the United States and Iran. If the defense treaty is not signed, Saudi Arabia may well redouble its efforts to diversify its defense relations and continue to focus on strengthening its different strategic alliances.

This study will underline that the pattern of hostility between Saudi Arabia and Iran is no longer the main geopolitical fracture in the region and is now somewhat connected to the dynamics of the Iran-Israel conflict. It will offer some advice on how to manage both countries' expectations and will conclude with the idea that unless there is a fundamental shift in the strategic thinking in Iran, it will not be possible to fully normalize its relations with its neighbors.



1. **Saudi Arabia-Iran: A Long Pattern of Enmity**

No bilateral relationship in the Middle East has played such a crucial role for the region as the one between Saudi Arabia and Iran since Ayatollah Khomeini took power after the Iranian Revolution of 1979. The emergence of a regional power that challenged Saudi leadership among Muslims opened the door to one of the most important patterns of enmity in the region over recent decades, provoking a long sectarian conflict that has transformed societies and altered cultural and religious references in the Middle East.¹

The transformation of Iranian foreign policy after the 1979 revolution, characterized by a mix of Islamic, nationalist, and revolutionary causes, was interpreted by the Gulf monarchies as an existential threat. Tehran's calls to export the Iranian revolution to other territories and the description of the Gulf leaders as illegitimate increased the insecurity of Saudi Arabia, which feared that the new Iranian regime would seek regional hegemony. This led Riyadh to reorient its identity more toward Sunni Islam and openly oppose Iran. For its part, Iran has long nurtured a sense of civilizational superiority toward the Arab world, but its policies have also been conditioned by threats from its neighbors. The support of the Arab states for the Iranian anti-revolutionary forces and, above all, their assistance to Iraq in its war against Iran (1980-88) had a significant influence on the Iranian sense of insecurity. This explains the birth of the "forward defense strategy," whose first component was the creation of Hezbollah in 1986 after the Israeli invasion of Lebanon in 1982.²

In the early 1990s, the establishment of the international coalition to oust Saddam Hussein from Kuwait in 1991 marked the beginning of the era of American unipolar hegemony in the Middle East. The U.S. military intervention in Iraq in 2003 positioned Iran as the main beneficiary of the geopolitical changes provoked by the war.³ The fall of Saddam Hussein's regime and the rise to power of Shiite parties made Iraq a natural ally of Iran. Saudi Arabia and the Gulf Arab countries lost the protective shield that for centuries had separated them from the Persian Empire. This marked the beginning of the instrumentalization of sectarian identity as part of security dynamics across the region. During the first decade of this century, the crisis of the Iraqi state paved the way for the expansion of non-state actors, such as transnational jihadist groups and pro-Iranian militias. Saudi Arabia

and the Gulf Arab states began to lose ground to Tehran in Iraq, Syria, Lebanon, and the Palestinian territories. Meanwhile Iran strengthened its forward defense strategy by creating an axis of resistance to confront the United States and Israel.⁴

The Arab Uprisings and a Reshaped Geopolitical Landscape

The Arab uprisings in 2011 only strengthened Iran's strategic position and increased tensions with Saudi Arabia. Their confrontation became the central geopolitical issue in the region. Saudi Arabia took a prominent role in supporting Arab regimes confronted by protest movements and opposed the growing influence of the Muslim Brotherhood. The destabilization caused by the Arab revolts was coupled with the growing tension with Iran and its allies. Saudi Arabia interpreted the Shiite protests in the Saudi Eastern Province and Bahrain as an Iranian attempt to impose its hegemony in the region and to overthrow legitimate governments with the help of Arab Shiites. This double strategic threat to Saudi Arabia was taking place at a time when its main ally, the United States, seemed ready to reduce its political and military presence in the region. The withdrawal of U.S. troops from Iraq in 2011 and the evident lack of U.S. interest in supporting key allies such as President Hosni Mubarak in Egypt led Saudi Arabia to adopt a more assertive regional policy. Saudi Arabia and the UAE decided to counter Iran's efforts to capitalize on the protests and in March 2011 led a military operation together with Kuwait and Qatar in support of Bahrain's monarchy, as protests by the local Shiite population began to spread. In Egypt, Saudi and Emirati support was instrumental in the 2013 military coup that overthrew the elected government of Mohamed Morsi, led by the Muslim Brotherhood.⁵

In 2011, the civil war in Syria broke out, providing a new opportunity for the Iranian regime to strengthen its concept of forward defense. Iran supported the regime of Bashar al-Assad to maintain its influence in the country. Syria's strategic and geographical position was critical for transferring military capabilities to Hezbollah to confront Israel. Iran's military support for Hezbollah enhanced its deterrence capability by extending the front line with Israel from Lebanon to Syria.⁶ In response, increased repression against protesters and Iranian support for the al-Assad regime led Saudi Arabia to deliver arms and money to Syrian rebel groups not linked to the Muslim Brotherhood. However, rivalries among the rebels and the increasingly brutal repression by the al-Assad regime boosted the rise of al-Qaeda's Syrian affiliate, the al-Nusra Front, and later Daesh. As a result, Saudi leaders eventually scaled back their support for Syrian rebel groups, as the Saudis

were aware that some of these groups were planning to attack targets in Saudi Arabia.⁷

In neighboring Iraq, and although Daesh also posed a direct threat to Iran, Tehran benefited from the expansion of this organization across the north of the country during 2014, allowing it to further expand its resistance front. Faced with the collapse of the Iraqi army and the possibility that Daesh would end up occupying the country's capital, a fatwa by the country's main religious leader, Ayatollah Sistani, promoted the creation of a series of Shiite militias to confront Daesh. These militias eventually united to become part of the resistance front that Iran has been building in the region over the last 20 years. After the defeat of Daesh in 2017, these groups were able to reach and control the border between Iraq and Syria. Iran was able to establish a land corridor to the Mediterranean, securing a route for its military supplies to Syria and Hezbollah.⁸

In 2015, the perception of Iran as a threat to Saudi Arabia intensified when a nuclear deal (Joint Comprehensive Plan of Action) was signed between Iran and the members of the United Nations Security Council plus Germany, in exchange for lifting international sanctions. While the international community celebrated the deal, alarm bells rang in both Israel and the Gulf countries. They feared the agreement not only left Iran with the capability to manufacture nuclear weapons in the future, but also provided it with a financial lifeline to enhance its influence and sow chaos in the region.⁹

Furthermore, Riyadh saw the offensive in Yemen by the Shia Zaydi Houthi Group, also known as Ansar al-Islam, to overthrow the Saudi-backed President Abdu Rabbu Mansour Hadi's government as further proof of Iran's role in destabilizing the region. Consequently, Saudi Arabia and its allies decided to intervene directly in the conflict. The military operation failed. Saudi Arabia and the UAE ended up supporting different Yemeni factions to counter the Houthis: Saudi Arabia supported the Islamists of al-Islah, the main political group backing President Hadi, while the UAE, opposed to Islamist forces, supported the Southern Transitional Council militiamen. The UAE, more interested in confronting al-Qaeda in the Arabian Peninsula, quickly withdrew its troops when the situation did not improve. Saudi Arabia continued the war, leading to greater involvement from Iran and Hezbollah in the conflict. This included sending more sophisticated weaponry to the Houthis, who soon began attacking Saudi territory directly.¹⁰

Tension between Iran and Saudi Arabia continued to escalate, reaching its peak in January 2016 after Saudi Arabia executed Nimr al-Nimr, a Saudi-born Shiite cleric.¹¹ He was accused of being a foreign agent and taking up arms against security forces. The execution sparked protests in several cities in Iran, Iraq, and Lebanon. In Tehran, the Saudi embassy was attacked and ransacked, leading to Saudi Arabia severing diplomatic relations. All Gulf Arab countries, except Qatar and Oman, joined Saudi Arabia in this action.

U.S. Policy of Maximum Pressure

After years of disagreements with the United States, the arrival of a new Republican administration in 2016 offered Saudi Arabia the opportunity to strengthen its relations with the United States. President Trump's decision to visit Riyadh on his first foreign trip in May 2017 emboldened Saudi officials, who quickly elevated their criticism of Iran and urged the abandonment of the Iran nuclear deal. Their pressure, along with Israel, on the new U.S. administration eventually paid off. President Trump decided to abandon the agreement in 2018, setting up a policy of maximum pressure and reimposing all sanctions on Iran that were lifted before the United States pulled out of the JCPOA.¹²

Iran's reaction was swift. It began a series of covert operations aimed at pressuring U.S. partners in the region and demonstrating that any conflict between the United States and Iran would eventually spread to the Gulf Arab countries. This included the sabotage of merchant ships in May and June 2019, the shooting down of a U.S. surveillance drone in June, and strikes by pro-Iranian militias on the Aramco crude oil refining plant in Abqaiq and the Khurais oil field in September. The attacks, along with the U.S. decision not to respond militarily to the provocation, were a wakeup call for the Gulf Arab countries.¹³

Military tensions shifted to Iraq, focusing on U.S. targets. The United States and Iran nearly entered open conflict in January 2020. Pro-Iranian militias attacked the U.S. embassy in Baghdad, followed by the killing of General Qassim Suleimani at Baghdad airport and the Iranian ballistic missile attack on U.S. forces in the al-Asad's base in the Anbar region. Meanwhile, Saudi Arabia and the Gulf Arab countries began a slow process of de-escalation with Iran that culminated in 2023 with the reestablishment of diplomatic relations between Iran and Saudi Arabia.

2. A New Middle East

Before October 7, 2023, the ever-evolving geopolitical landscape of the Middle East was apparently finding some respite after a decade of turbulence. A change of perceptions about U.S. security guarantees in a highly complex security environment produced a significant impact on policies, partnerships, and alliances. Saudi Arabia and the GCC states began to engage in shaping a new regional landscape. Iran was also interested in regional normalization. The absence of sanctions relief and the growing risk of conflict with the United States and Israel gave Iran greater incentive to rely on developing bilateral and multilateral relationships within the region. Despite the serious risk of conflict and strategic competition in the region, some observers thought that the normalization deals could open a new era in the Middle East, putting an end to a decade of tension and chaos set off by the Arab uprisings.

2.1 Saudi Arabia: An Emerging Middle Power

Saudi Arabia's foreign policy has undergone a major transformation in recent years. Until the summer of 2019 it pursued an aggressive strategy shaped by the geopolitical consequences of the Arab uprisings. This policy caused regional instability and endangered the objectives of the Saudi Vision 2030¹⁴ launched in 2016. This major initiative was designed to transform the country's economy and society, boost economic diversification, and attract foreign investors. The Saudi authorities adopted a strategic pause, a reflection process facilitated by the arrival of the COVID-19 pandemic in 2020.¹⁵ Uncertainty about U.S. commitment to Gulf security prompted a strategic reorientation to diversify Riyadh's diplomatic and security relations. Its leaders began to focus more on strengthening their own influence than on confronting regional competitors. The Saudi authorities designed a less combative foreign policy based on diplomacy and economic promotion, facilitating the de-escalation of regional tensions before the October 7 attacks. Saudi Arabia decided to diversify its strategic options and assert itself as a middle power with the aim of gaining influence in an increasingly multipolar international order.¹⁶ This change of course was also driven by the need to improve the international image of Crown Prince Mohammed bin Salman, which was deeply affected by the murder of activist Jamal Khashoggi in the Saudi consulate in Istanbul in 2018 and the massive bombing campaign in Yemen against the Houthis.¹⁷

Riyadh's Changing Priorities

As a result, Saudi Arabia changed its priorities regarding the main patterns of enmity that surged in the wake of the Arab uprisings. On the one hand, it embarked on a policy of rapprochement with Sunni powers with which it had previously clashed over their support for Islamist parties in the region. In early 2021, Saudi Arabia promoted reconciliation talks with Qatar within the Gulf Cooperation Council, leading to the end of its boycott.¹⁸ The 2021 Al-Ula declaration ended tensions between Riyadh and Doha. Qatar scaled back its regional ambitions and stopped supporting Islamist parties. Qatari Emir Tamin bin Hamad al-Thani and Saudi Crown Prince Mohammed bin Salman put aside their differences and created a Saudi-Qatari Coordination Council to deepen coordination.¹⁹ Similarly, relations with Turkey improved substantially starting in 2022, following President Erdogan's visit to Riyadh in June. The economic difficulties Turkey was experiencing led President Erdogan to initiate a de-escalation process with the Gulf Arab countries, beginning with reconciliation between Turkey and the UAE in 2021 and the decision to transfer the Khashoggi case to the Saudi judicial system. In 2023, President Erdogan and Mohammed bin Salman exchanged state visits and signed several economic and security agreements, including the sale of state-of-the-art drones from the Turkish company Bayraktar.²⁰

The 2023 Saudi-Iranian Agreement

On the other hand, Saudi Arabia reduced its aggressive stance against Iran and began seeking détente. With the mediation of the Iraqi prime minister in April 2021, the parties began a series of talks in Baghdad that moved later to Oman. The talks focused on security issues such as the war in Yemen, Iran's nuclear program, the role of Hezbollah in Lebanon, and maritime security. In April 2022 the negotiations broke down due to Iranian disinterest in addressing the issue of Yemen, where the Houthis continued to threaten Saudi territory. Finally, Saudi Arabia sought the assistance of Chinese authorities to mediate and persuade Iran to participate in the process of de-escalation and help resolve the conflict in Yemen. In December 2022, Chinese President Xi Jinping traveled to Riyadh to participate in the first Chinese-Arab Summit, where the idea of China playing a role in mediating between both countries was first proposed. Chinese mediation was successful. Beijing hosted a new round of bilateral negotiations in March

2023, resulting in an agreement that focused on a mutual commitment to noninterference in internal affairs.²¹

The two countries not only restored diplomatic relations but also adopted a series of agreements facilitating normalization. Tehran agreed to stop encouraging Houthi attacks against Saudi Arabia, while Riyadh agreed to stop funding Iran International, the London-based Persian-language television channel that had become a main mouthpiece for protests in Iran, following the death of Mahsa Amini in police custody.²² Iran also called on Saudi authorities to stop supporting Sunni militant groups such as Jaish al-Adl in Sistan and Baluchistan regions, and ethnic Arab separatist forces in Khuzestan. Additionally, Tehran advocated for the normalization of Gulf countries' relations with Syria, its main ally in the region. Saudi Arabia agreed to these demands and, in May 2023, reestablished diplomatic relations with Syria, paving the way for the Syrian regime's return to the Arab League.²³

As an expression of its new status as a middle power, Saudi Arabia has aspired to become a key partner of all global powers. Without abandoning its main strategic objective of obtaining security guarantees from the United States, Saudi Arabia has sought to align with other global powers when it believes its interests are best served. Its leaders have consistently supported calls for a new multipolar world order, believing they can act as a bridge between East and West or between the West and the Global South. As a result, they have refused to align with their Western partners in confrontations with Russia or China.²⁴

A Pragmatic Understanding with Russia

A clear example of this new policy was the Russian-Saudi partnership launched under OPEC+. In the 2010s, the United States began producing increasing amounts of shale oil, flooding world markets and causing prices to fall.²⁵ This prompted Saudi Arabia to reach out to Russia and include it in the so-called OPEC+ as a special member with restricted rights, but the capacity to help control a large part of the world's oil supply. The understanding between Saudi Arabia and Russia was evident after the full-scale Russian invasion of Ukraine in February 2022. While the global energy crisis increased Saudi Arabia's power and wealth as the world's leading oil producer, its authorities rejected multiple requests from the West to call for the end of Russian's military intervention in Ukraine. Riyadh also resisted U.S. pressure to increase oil production to weaken

Russian finances. Instead, it supported a production cut that drove up prices in October 2022 and began importing record quantities of Russian oil products, refining and exporting them at much higher prices.²⁶

To counteract these decisions favoring Russia, in 2023 Saudi Arabia pledged \$410 million in funds to Ukraine, organized an international conference in Jeddah to convey the Western and Ukrainian perspectives on the war to representatives from the Global South, and voted against Russia in key U.N. General Assembly resolutions. Despite this, President Putin's visit to Riyadh in late 2023 demonstrated the strong ties between the two countries.²⁷

A Strategic Economic Partnership with China

Saudi Arabia has also been working in recent years to strengthen its relations with China, which it views as a strategic partner for its economic security. Since 2019, China has been the largest buyer of Saudi crude oil, importing about 25% of Saudi's total production. Alongside the E.U., China is one of Saudi Arabia's main trade and investment partners, with Saudi exports to China exceeding \$68 billion by 2022. Additionally, Saudi Arabia has become the largest recipient in the region of funds from the Belt and Road Initiative, receiving nearly \$5.5 billion in 2022. This included the purchase by leading Chinese shipping company Cosco Shipping Ports of a 20% stake in the Saudi terminal Red Sea Gateway, the largest terminal in the port of Dammam.²⁸

The two countries have also strengthened their scientific and technical cooperation.²⁹ Saudi Arabia has gained access to sensitive technologies in fields such as biotechnology, artificial intelligence, cybersecurity, and defense. This has led it to occasionally downplay U.S. warnings about the security risks associated with the Chinese digital infrastructure. Certain contracts with U.S. companies have fallen through due to the connections between some Saudi companies and Chinese and Russian firms. This happened in 2023 with the contract between U.S. giant RTX and Saudi defense company Scopa, as well as the decision to limit Saudi imports of semiconductors from Nvidia.³⁰ U.S. reluctance to supply certain weapons systems has prompted Saudi Arabia to develop a local military industry, with Chinese companies transferring technology in areas where the United States has objected to sales, such as drones and ballistic missiles.³¹ Beijing and Riyadh have also explored what they would do were the West to impose sanctions on China, for example denominating purchases of Saudi oil in renminbi rather than

dollars. In 2023, the two countries signed their first currency swap agreement worth \$7 billion, set to run for three years.³²

On the eve of October 7, Riyadh viewed China as a reliable partner and the only one with real influence over Tehran. Saudi authorities intended to continue establishing transactional relations with various global powers, setting their own agenda. The country aimed to become a regionally influential and globally recognized middle power, as evidenced by the various summits organized in Riyadh during 2023 and its selection to host the 2030 World Expo and the 2034 soccer World Cup.

2.2 Iran: A Regional Power Looking East

Just as Saudi Arabia began to modify its foreign policy after coming to believe that the United States would not guarantee its security, Iran also changed the course of its foreign relations following the U.S. administration's policy of maximum pressure and the election of a new president. The rise to power of Ebrahim Raisi, following the victory of the hardline representatives in the 2021 presidential elections, marked the end of the Iranian strategy of rapprochement with the United States and Europe that had allowed the signing of the JCPOA in exchange for the lifting of sanctions. The new Iranian government decided to look eastward, strengthening ties with China and Russia, and to improve relations with neighboring countries, aiming to reduce the impact of Western sanctions and prevent the formation of alliances against it.³³

Looking East

Since then, Iran has been committed to strengthening its relations with China, which it regards as the best counterweight to the United States in the region. In March 2021, the two countries signed a strategic partnership agreement to deepen their economic, political, and security relations within the framework of the Belt and Road Initiative (BRI). Under this agreement, China pledged to invest up to \$400 billion over the next 25 years in various sectors, including transportation, telecommunications, oil and gas, manufacturing, and the arms industry.³⁴ Despite these commitments, the promised investments have not yet materialized. The volume of Chinese foreign direct investment in Iran has remained low, barely reaching \$185 million since 2021.³⁵ Nevertheless, China has been Iran's main trading partner for years. In 2022 China accounted for 36 percent of Iranian

exports (\$5.7 billion out of \$15.9 billion) and 28.4 percent of Iranian imports (\$9.4 billion out of \$33.3 billion). China has also become the main destination for Iranian crude oil exports. The loosening of sanctions controls over the past two years to prevent oil prices from rising has allowed Iran to export up to 1.5 million barrels per day to China, accounting for 99 percent of its crude oil exports in 2022.³⁶

Iran has also strengthened its relations with Russia in recent years. In July 2021, the two countries extended for another 20 years the bilateral cooperation agreement signed in 2001. Their leaders share a common vision to promote a multipolar international order to replace the one imposed by the United States and its allies. However, their relations had been traditionally marked by ambivalence, with grand headlines but little substance and a certain level of mistrust. The war in Ukraine decisively transformed their relationship. Their cooperation to jointly resist political isolation and Western sanctions has reached an unprecedented level.

Iran's decision to support Russia in the war in Ukraine was driven by the regime's disappointment with the Biden administration's initial hesitation about returning to the nuclear deal. This led Iran to prioritize its geopolitical ambitions over its economic needs. In July 2022, Iran began sending drones to Russia. The two countries have formed a full-fledged defense partnership, strengthening military cooperation in areas such as drones, attack helicopters, air defense devices, and training aircraft.³⁷ Russia's decision to launch a new Iranian satellite in August 2022 further evidenced the deepening strategic partnership between the two countries.³⁸

Although economic relations began from a limited base, in recent years Russia and Iran have significantly strengthened their trade ties. By 2021, Russian exports to Iran reached \$1.52 billion, following a 50% growth rate over the previous five years.³⁹ Additionally, both countries have made efforts to de-dollarize their financial relations: In August 2022, they created a mechanism to exchange rubles for rials, and in February 2023, they connected their financial messaging services after being expelled from SWIFT. Sanctions imposed on Russia for the invasion of Ukraine have revived old projects like the International North-South Transit Corridor (INSTC), aimed at establishing rail, sea, and road connections from northern Russia to India. The logistical needs created by the sanctions regime against Russia have increased the importance of this corridor, which could play

a crucial role in ensuring access for Russian exports to Asian markets. In May 2023, Presidents Putin and Raisi signed an agreement for the construction of a key segment of the INSTC, the railroad linking the Azeri city of Ashtara with the Iranian city of Rasht.⁴⁰

The strengthening of bilateral relations between the two countries has also influenced Russia's stance on the Iranian nuclear program. Moscow had traditionally served as an intermediary between Iran and Western powers. However, the support Russia receives from Iran in the Ukrainian war, along with the increasing tension between Russia and the West, have led the Russian government to avoid condemning Iran's nuclear activities over the last two years. Some experts believe that although Moscow will have to consider the reactions of Israel and the Gulf countries, if Iran decides to pursue nuclear weapons, Russia might not object.⁴¹

Resisting Isolation

The deepening of its relations with Beijing and Moscow has allowed Iran to escape the isolation imposed by Western sanctions and to join international organizations influenced by both countries. In July 2023, Iran became the ninth member of the Shanghai Cooperation Organization, a Chinese-led security alliance that includes Russia. In December of the same year, Iran signed a free trade agreement with the Eurasian Economic Union,⁴² a bloc led by Russia and comprising Central Asian countries. In January 2024, Iran joined the BRICS group of countries.⁴³ And in March, Iran, Russia, and China launched the fourth edition of their trilateral naval exercises, which Iran hailed as the emergence of a new alliance to guarantee security in the northern Indian Ocean.⁴⁴

Improving relations with neighboring countries also became a clear objective of the new Iranian government. Along with the agreement to restore diplomatic relations with Saudi Arabia, Tehran upgraded diplomatic ties with the United Arab Emirates and Kuwait in August 2022.⁴⁵ It improved its relations with Egypt and Jordan, following regional conferences organized by Iraq in 2021 and 2022. The new Iranian government also began to enhance its relations with Turkey. Their ties had been strained due to several conflicts: in Syria, where pro-Iranian militias clashed with Ankara-backed forces in Idlib; in the South Caucasus, where the war in Karabakh in 2020 pitted the two countries against each other; and in the Iraqi district of Sinjar, where pro-Iranian militias allowed the PKK to establish

itself. After President Raisi came to power, the Turkish foreign minister traveled to Tehran in November 2021 and announced, with his Iranian counterpart, a desire to work toward a long-term cooperation agreement. Shortly thereafter, President Raisi met with President Erdogan at the Economic Cooperation Organization summit in Turkmenistan, where they signed a memorandum of understanding to reactivate the high-level cooperation council between the two countries. Since then, President Erdogan visited Tehran in July 2022, and President Raisi visited Ankara last January. Both countries have decided to compartmentalize their differences and focus on economic interests.⁴⁶

Shortly before the Hamas attack on Israel, the region seemed to be consolidating a process of de-escalation driven by both Saudi Arabia and Iran. Several analysts began to speak of a new geopolitical landscape where China appeared to be emerging as a strategic ally for both countries, challenging the U.S.-backed alliance of Arabs and Israelis aimed at containing Iran.⁴⁷ However, as a sign of its status as a middle power, Saudi Arabia was at the same time negotiating with the United States and Israel a grand bargain to normalize relations with Tel Aviv. Meanwhile, the United States and Iran were also working to reduce regional tensions. In August 2023, they reached an agreement in Oman to release five American hostages held in Iran in exchange for the release of approximately \$6 billion of frozen Iranian funds from oil sales in South Korea. They also agreed to limit uranium enrichment to 60% and to end pro-Iranian militia attacks on U.S. bases in Iraq and Syria.⁴⁸

3. The Gaza War

The war between Israel and Hamas, provoked by the attack of the Palestinian Islamist militia on southern Israel on October 7, has endangered the de-escalation process that the region had experienced in 2023. Iran's support for Hamas, through militias in the Axis of Resistance, has interconnected the Israeli-Palestinian conflict with the shadow war that Iran and Israel have been waging in the last decade. In this new geopolitical landscape, Saudi Arabia is trying to avoid being drawn into a regional conflict it does not want. In recent years, it has remained neutral in the war in Ukraine and strengthened ties with China, avoiding U.S. geopolitical rivalries. With Israel and Iran in open conflict, Saudi Arabia may be forced to choose sides.

3.1 Navigating the Gray Zone

The Hamas attacks and the Israeli response have undermined Saudi Arabia's objectives of consolidating the de-escalation process in the region. The escalating geopolitical rift between Iran and Israel has threatened Saudi Arabia's main strategic objective: reaching a peace agreement and ending the war in Yemen. Since November 19, the offensive of Ansar Allah against commercial shipping has complicated the peace talks with the Yemeni militia. Despite the attacks, Saudi Arabia has continued pushing for negotiations. In November of 2023 Riyadh submitted a draft proposal for an end to hostilities to the U.N. special envoy for Yemen, as a first step for the U.N. to lead future talks between the Yemeni government and the Houthis.⁴⁹

The actions against commercial cargo ships have boosted the political and strategic profile of the Houthis, potentially leading them to make greater demands in future peace negotiations with Saudi Arabia. The military escalation has highlighted that major Saudi projects along the Red Sea are within range of Houthi missiles. To avoid increasing tensions and as a sign of strategic pragmatism, Saudi authorities have refused to participate in the U.S.-led military coalition to confront Houthi attacks in the Red Sea and have denied the use of Saudi territory for Western military operations against pro-Iranian militias.⁵⁰ For now, direct strikes against Saudi Arabia from Yemen and elsewhere have halted, suggesting that these concessions and de-escalation with Iran have improved the kingdom's security situation. Nevertheless, without a final peace agreement in Yemen, attacks could resume.⁵¹

From De-escalation to Conflict Prevention

Similarly, the Gaza war has not hindered the de-escalation process with Iran. In fact, it even promoted at the beginning some degree of Iranian-Saudi alignment in denouncing the Israeli response to the October 7 attacks. On November 11, 2023, President Raisi visited Riyadh to address the joint Arab League-Organization of Islamic Cooperation (OIC) summit on Gaza, becoming the first Iranian president to visit Saudi Arabia since 2012. However, Riyadh did not involve Tehran in any of the following meetings on Gaza, ensuring that it could maintain its leadership of the cause. Nevertheless, the two countries held the first meeting of their joint committee with China on December 15, in accordance with the agreement that

restored their diplomatic relations in March 2023. Contacts at the highest level have continued despite Iran's support for military escalation in the Red Sea. The latest, on May 24, was a call by Crown Prince MBS to the Supreme Leader to convey his condolences on the death of President Raisi, during which he announced an upcoming trip to Tehran.⁵² Riyadh has committed to keeping the channel of dialogue with Tehran open to de-escalate tensions. Although regional dynamics are unpredictable, both countries seem willing to keep their agreement in line with their strategic objectives.⁵³

The Gaza war has not affected the de-escalation process between both countries but has introduced new dynamics in the region. During the direct confrontation between Israel and Iran in the last month of April, the U.S. managed to assemble an international coalition under U.S. Central Command (CENTCOM) to address the barrage of Iranian missiles and drones launched against Israel. Although not involved in the strikes, both Saudi Arabia and the UAE shared intelligence with CENTCOM, contributing to the mission's success. Some observers hailed this regional security coordination effort as proof that Arab states would side with Israel if its conflict with Iran continued to escalate.⁵⁴ However, the realities that constrain Arab-Israeli cooperation have not changed significantly. Saudi Arabia has led a group of regional countries (UAE, Egypt, Turkey, Qatar, and Jordan) increasingly frustrated with the Israeli prime minister's policies. Their main objective remains balancing their relations with Iran and Israel, protecting their economies, and avoiding a wider regional conflict. While they share Israel's concerns about Iran's regional activities, they have concluded that direct diplomatic contacts and economic incentives are the best ways to protect their interests and prevent conflict spillover. Efforts to normalize relations with Iran have accelerated since the Gaza war began, while attempts to normalize relations with Israel have practically stalled.⁵⁵

A Long-Term Alliance with the United States

Saudi Arabia's accession to a formal defense commitment with the United States remains a top priority for its foreign policy. Consequently, Saudi Arabia welcomed the U.S. initiative in 2023 to link the signing of a U.S.-Saudi security agreement to the normalization process with Israel. At that time, Saudi Arabia and the United States were willing to accept modest concessions from Israel for the Palestinians.⁵⁶ The war in Gaza changed the parameters of the negotiation. Saudi Arabia conveyed to the Biden administration that there will be no diplomatic

relations with Israel unless a tangible peace process with irreversible steps toward a two-state solution is initiated. Riyadh's linking of any involvement in the reconstruction of Gaza to the initiation of such a process has strengthened its negotiating position with the United States and Israel.⁵⁷

Although the Israeli government has so far given no sign of accepting the new requests, the United States and Saudi Arabia have accelerated bilateral negotiations in recent months, hoping Israel would eventually accept the U.S. offer. As a result of these negotiations, the broad outlines of two agreements that would establish a long-term alliance between the two countries have already been agreed upon: one on mutual defense and another on civil nuclear cooperation.

The draft defense treaty is inspired by Washington's mutual security pact with Japan. In return for a U.S. promise to defend Saudi Arabia if it were attacked, Riyadh would allow Washington to use its territory and airspace to safeguard U.S. interests and regional allies. An additional Defense Cooperation Agreement, which can be implemented by an executive order, is also being negotiated to enhance weapons sales, intelligence sharing and strategic planning on common threats including terrorism and Iran. The agreement aims to strengthen ties between Riyadh and Washington by preventing China from establishing military bases in Saudi Arabia or engaging in security cooperation.⁵⁸

However, such a treaty must be endorsed by a qualified majority of 67 votes in the Senate, complicating its approval unless it is accompanied by the establishment of diplomatic relations between Israel and Saudi Arabia. It seems there is currently no support among U.S. members of Congress for a standalone bilateral defense agreement with Saudi Arabia. Nevertheless, the Biden administration will keep working in the coming months to finalize a deal with Israel and Saudi Arabia. The end of the war in Gaza could open a window of opportunity to present the defense agreement to the Senate.⁵⁹

The Agreement for Nuclear Cooperation also appears to be nearly finished. If agreed, U.S. companies would build the first phase of the 17 nuclear power plants that Saudi Arabia plans to develop over the next decade. The Saudi authorities had demanded that the program should include the construction of a uranium enrichment facility in Saudi Arabia, which could allow it in the future to produce highly enriched uranium used to develop nuclear weapons. Crown Prince Mohammed bin Salman (MBS) has publicly stated that Saudi Arabia would build

nuclear weapons if Iran developed them.⁶⁰ Riyadh wants to enrich uranium locally to generate electricity through controlled nuclear fission reactions, rather than depending on pre-enriched uranium from external sources. Its demands could significantly impact the global nonproliferation regime.⁶¹

The U.S. would be more comfortable building a uranium conversion facility to convert processed uranium ore into uranium hexafluoride (UF₆) used for centrifuge enrichment. Saudi Arabia would be able to sell the converted uranium on the international market and send a part to the United States to be enriched. Then, it would be transferred to Saudi Arabia for use in nuclear reactors or for sale on the international market. But the Saudis are demanding the construction of a uranium-enrichment facility that will give them more control over its nuclear fuel supply chain. In exchange there will be a formal compromise not to enrich uranium for military use. The U.S. might end up accepting the Saudi demands if the enrichment facility can be operated by U.S. personnel or includes a remote shutdown as a safety measure.⁶² In any case, the approval of the nuclear agreement will require a majority support in both houses of Congress. The text of the agreement must be available in both houses 90 days before a vote could take place, complicating the ratification of the agreement during this administration.⁶³

The two treaties will be accompanied by various minor agreements that will address issues such as energy security and the reduction of U.S. export controls on computer chips used in AI development tools. Saudi Arabia aspires to become the region's high-tech hub and considers access to American technology essential. In return, it will need to be transparent in its transactions with China and offer strict security guarantees for any weapons or technology exported by Washington.⁶⁴

Recognizing the significance of the agreements, Saudi Arabia has suggested the possibility of signing them bilaterally, without waiting for normalization with Israel. Its authorities see the agreements like a marriage contract and as a unique opportunity to firmly anchor Saudi Arabia within the American sphere of influence.⁶⁵ It would integrate Saudi Arabia into U.S.-led global coalitions, distance the kingdom from China's influence, and curb Beijing's efforts to expand its presence in the Middle East. However, the Biden administration has made it clear that the integrated vision involves a bilateral understanding between the United States and Saudi Arabia, combined with normalization between Israel and Saudi Arabia and meaningful measures on behalf of the Palestinian people.⁶⁶ So far, the Israeli refusal to allow the takeover of the Palestinian Authority in Gaza at

the end of the war and to negotiate the establishment of a Palestinian state has hindered the normalization process with Saudi Arabia. Until the picture becomes clearer and the U.S. administration's willingness to establish a genuine long-term partnership with Saudi Arabia is confirmed, the Saudi government will continue to navigate the gray zone, pursuing a regional policy based on détente with Iran and achieving peace with the Houthis.⁶⁷

3.2 Is This the End of the Strategic Patience?

Israel's decision to invade Gaza after the October 7 attacks has provided Iran an opportunity to weaken its main regional adversary and undermine U.S. influence in the Middle East. Iran has created a strong network of non-state actors throughout the region, who have taken an aggressive stance to stop the war in Gaza. After suffering the consequences of what Israel has termed “the war between wars”—a military campaign in Syria directed against Iranian arms shipments to Hezbollah and members of the Iranian Revolutionary Guard, and covert actions to damage Iran's nuclear program and energy infrastructure—the Gaza war has enabled Iran to activate the axis of resistance. This has led to attacks on Israeli territory from Lebanon, Yemen, Syria, and Iraq, with the aim of pressuring Israel to accept a ceasefire.⁶⁸

The Axis of Resistance

Iran has invested significant effort and funds in creating, training, and supplying non-state actors throughout the region. Their decentralized management has given them greater agency and influence.⁶⁹ Today, they are no longer proxies but partners with internal autonomy who coordinate transnationally. Each axis member has prioritized its own interests in responding to the Israeli military intervention in Gaza: Iraqi militants against U.S. troops in Iraq, Hezbollah against Israel, the Houthis conducting maritime operations in the Red Sea, and Syrian militias harassing U.S. troops in Syria. Each faction is vying to reshape the regional landscape according to its agendas. This decentralized approach has traditionally allowed Iran to project its strength on multiple fronts, providing it with a strategic barrier that reduces the risk of a direct attack on its territory and allowing it to maintain a strategy of ambiguity through plausible deniability.⁷⁰

Until the Israeli attack on the Iranian Consulate in Damascus on April 1, in which the top commander of the Quds Force in the Levant, Mohammad Reza Zahedi, was killed, Iran was able to navigate the Gaza war without changing its strategy. Tehran had refrained from directly responding to Israeli attacks, delegating retaliation to its allies or evading direct confrontation, showing strategic patience. Iran was achieving its strategic objectives: reestablishing its credibility in the Arab world, promoting the decline in the popularity of the United States in the region, and paralyzing Israel's contacts with the Arab world.⁷¹ Iranian leaders are convinced that the country's geostrategic situation has improved substantially with the strengthening of the strategic partnership with Russia, its good relations with China, the new neighborhood policy with Arab countries, and progress in the nuclear field. They believe that the regional order in the Middle East is shifting in their favor, with Israel facing growing ostracism and the United States losing influence in the region to other powers such as China, Russia, or India.⁷²

Iran's unprecedented attack against Israel on April 14, 2024,⁷³ was a manifestation of its new assertiveness, and it could mark the end of the strategic patience it had shown in the face of Israeli attacks. Tehran likely felt that leaving the Israeli attack in Damascus unanswered would have invited Israel to continue the escalation initiated since October 7. Additionally, aware of the possibility of a confrontation between Israel and Hezbollah in the near future, Iran may have wanted to establish a red line against a possible Israeli incursion into Lebanon.⁷⁴ In any case, the large-scale attack with more than 350 drones and missiles was widely announced, probably as a signal that Iran wanted to avoid a further escalation that could trigger a wider regional war. The Iranian response intended to demonstrate its capability to attack Israel while avoiding a direct military confrontation with Israel or the United States. The successful detection and interception of the Iranian attack, and the limited Israeli response against an S-300 missile defense system in Natanz, concluded this new chapter in the confrontation between Israel and Iran.⁷⁵

President Raisi's Death

The death of Iranian President Mohamed Raisi in a helicopter crash in the mountainous province of East Azerbaijan last May has added further uncertainty to the region.⁷⁶ Iranian authorities reacted quickly by implementing the constitutional mechanism that allowed for the election of a new president in July. The election resulted in a victory for Masoud Pezeshkian, a reformist candidate

who ran on a platform of greater engagement with Western powers.⁷⁷ Overall, though, no fundamental changes are expected in the strategic direction of Iran's foreign and regional policy. This policy is executed directly by the Office of the Supreme Leader, advised by the Supreme National Security Council and the Revolutionary Guard.⁷⁸

The recent appointment of Ali Shamkhani as the Supreme Leader's top adviser further indicates the control that the regime's hardliners, long-time critics of the JCPOA, have over Iran's decision-making process.⁷⁹ Raisi's status as the most likely candidate to succeed Ayatollah Ali Khamenei will force the regime to manage the future succession, testing a system in which hard-liner conservatives dominate all spheres of power. The regime has already implemented measures to ensure that the Supreme Leader's successor aligns with its vision for the future.⁸⁰ If Khamenei handles effectively the internal conflict that his succession might provoke and the IRGC retains its internal cohesion, there is every indication that the regime will continue to effectively suppress internal protests and survive.⁸¹

Iran's Dangerous Nuclear Flirtation

The consolidation of the regime's hardliners and the escalating tension between Iran and Israel once again raise the possibility of Iran accessing nuclear weapons. Although Ayatollah Ali Khamenei's 2003 fatwa against weapons of mass destruction remains in force,⁸² recent rhetoric from senior officials on the regime's nuclear position has hardened. Kamal Kharrazi, senior adviser to Ayatollah Khamenei, recently stated that Iran is not developing a nuclear bomb but that changes in nuclear doctrine could occur if the country's existence is threatened.⁸³

Information on the Iranian nuclear program provided after the recent visit of IAEA President Rafael Grossi to Tehran in May 2024 is concerning: The Islamic Republic has more than 140 kilograms of uranium enriched to 60%,⁸⁴ representing a 700% increase from January to April 2024. Iran has significantly increased its nuclear capabilities and possesses 27 times more enriched uranium than allowed under the JCPOA.⁸⁵ With that amount of enriched uranium, Iran could produce material for three nuclear weapons in a matter of weeks and could build two or three bombs that could be transported on ships or trucks within six months. The incorporation of these weapons into missiles would probably take one to two years.⁸⁶

The IAEA has lost visibility on the Iranian nuclear program. As a result, European countries presented a motion to raise Iran's noncompliance to the Security Council at the recent IAEA annual meeting held in June. The U.S. did not support the European motion, considering it would create unnecessary tensions and have little chance of success in the Security Council, where it would be opposed by China and Russia. The U.S. favors later requesting a comprehensive report from the IAEA that could serve as a basis for reimposing international sanctions lifted under the nuclear deal in 2015, an option that expires in October 2025. Iran has reacted sharply to the European motion, noting that such actions will only reduce its engagement with the IAEA.⁸⁷

So far, Iran does not appear to have taken steps to convert its enriched uranium into nuclear weapons. However, it may continue to maintain an ambiguous position in the future regarding whether it has decided to build a nuclear weapon. This decision will depend on several factors. If Iran concludes that the deterrent offered by conventional weaponry is insufficient to deal with Israeli or U.S. attacks, it could take the final step toward developing nuclear weapons. Possession of nuclear capabilities could grant it a level of immunity similar to that enjoyed by North Korea and Russia, allowing it to respond to provocations more directly with limited fear of catastrophic consequences.⁸⁸ The lack of significant relief from economic sanctions and the possibility that a future U.S. administration may undertake new military or economic measures against Iran are also factors that will influence its final decision.⁸⁹

In any case, Iran appears to have maintained its strategic patience regarding Israel. Despite announcing that any Israeli attack on an Iranian target would be met with a response, Tehran did not retaliate after the Israeli counterattack on Natanz on April 19, 2024. Similarly, there was no reaction to the Israeli attack on June 3 on an arms depot of pro-Iranian militias in Aleppo, which resulted in the death of an Iranian senior adviser for the first time since the April crisis. All signs indicate that Iran will keep its strategic patience in Syria. A return to the pre-Gaza war status is considered a good outcome by Iran. Tehran hopes that its response will put an end to Israeli attacks on senior Iranian commanders and Israeli covert operations in Iran.⁹⁰

3.3 Great Power Rivalry in the Region

The Indispensable Actor

China's involvement in the regional de-escalation process, notably sponsoring the restoration of diplomatic relations between Iran and Saudi Arabia in March 2023, seemed to be laying the foundations for a new geopolitical landscape in the Middle East. However, one year later, the war in Gaza has shown that the United States remains the indispensable actor in the region. Although in its early stages the Biden administration sought to reduce the focus on the Middle East in favor of Asia, the Russian invasion of Ukraine in 2022 significantly transformed the narrative and made the United States shift its strategy. Rising oil prices derived from the war in Ukraine forced the United States to become more actively involved, and geopolitical tensions stalled plans to reduce the U.S. presence in the Middle East. During his trip to Saudi Arabia that same year, President Biden reaffirmed the U.S. commitment to a strong presence in the Middle East to counter the influence of China, Russia and Iran.⁹¹

The U.S. National Security Strategy of October 2022 outlined a new framework for U.S. policy in the Middle East aimed at building coalitions and alliances to strengthen deterrence and using diplomacy to de-escalate tensions. The strategy also underscored the need to enhance capabilities to address Iran's destabilization activities. In this framework, the Biden administration has supported initiatives such as the Middle East Air Defense Alliance, the integrated air defense network coordinated by CENTCOM that proved so successful in Iran's attack on Israeli territory last April. It has also led projects for regional integration through the construction of infrastructure such as the India-Middle East-Europe Economic Corridor (IMEC) announced at the G20 in New Delhi and the Comprehensive Security and Prosperity Integration Agreement (C-SIPA) with Bahrain, both signed in September 2023. These measures indicated the U.S. commitment to defend the Gulf States and other regional partners against external threats, especially from Iran.⁹²

The war in Gaza has altered the geostrategic context in the region and has threatened the goals of the U.S. administration. The United States has been forced to manage not only the consequences of the war but also a dangerous regional escalation provoked by Iran and its allies. To demonstrate resolve, reinforce its

support for Israel, and deter Iran from escalating the crisis, the United States has deployed two aircraft carrier strike groups, a nuclear-capable submarine, advanced fighter aircraft, and more than 1,200 additional troops to the region, adding to the approximately 45,000 U.S. military personnel already stationed in the Middle East.⁹³ Washington has also responded forcefully to pro-Iranian militia attacks on U.S. troops in Syria and Iraq and sponsored an international mission to counter Houthi attacks on maritime traffic in the Red Sea.

The unwavering support for Israel has been accompanied by growing criticism for the high number of civilian casualties and obstacles to the arrival of humanitarian aid in Gaza. Nine months into the war, the U.S. administration continues to be committed to negotiating a ceasefire. It has concluded that Israel can achieve security only through the establishment of a Palestinian state. Therefore, it has agreed to tie normalization between Israel and Saudi Arabia to a credible process for establishing a Palestinian state and has worked with its regional partners to develop a plan for Gaza once the war ends.⁹⁴ At the same time, the United States seems to have resumed indirect talks with Iran in Oman to lower tensions and seek ways to avoid a regional conflict.⁹⁵

No Will to Get Involved

The intense activity of U.S. diplomacy contrasts sharply with the scant diplomatic presence of China since October 7. The expectations that China could play a more decisive role in the region after sponsoring the reestablishment of diplomatic relations between Iran and Saudi Arabia has not yet materialized. In the last decade, China has increased its economic, political, and, to a lesser extent, security presence in the region. Its relations revolve around energy demand and the Belt and Road Initiative (BRI) launched in 2013. China is a major buyer of oil and natural gas from Middle Eastern producers, where approximately 40% of its imports come from. China has signed strategic agreements with 15 countries in the region⁹⁶ and has become the main trading and investment partner. Its trade exchanges with the region have increased from \$180 billion in 2019 to \$259 billion in 2021.⁹⁷

Despite its growing economic and political clout, China has so far had little appetite to challenge the U.S.-led security architecture of the region, from which it has benefited, or to play a more active role in the regional conflicts. Although it has at times mediated in Syria and Yemen and was instrumental in getting Iran to agree to the nuclear deal, Chinese diplomacy has tried not to get too involved in the conflicts

plaguing the region. However, when Saudi Arabia proposed to mediate with Iran, China seized the opportunity to step forward and offer its support. By doing so, it succeeded in presenting its mediation as a sign of China's emerging international role and the inability of the United States to manage conflicts in the region. It also sought to safeguard its investments in Saudi Arabia from Houthi attacks and to support Russia's plan to establish the NTSC transit corridor through Iran, which would allow Russia to avoid the Suez Canal and will permit China to elude the Strait of Malacca, where the United States and its allies have a significant naval presence.⁹⁸

In the last nine months, China has followed its traditional policy of staying out of regional rivalries. Its involvement in the Israeli-Palestinian conflict has been limited to receiving Arab delegations and exchanging calls with their counterparts. Gone are all references to China's willingness to host Israeli-Palestinian peace talks. China has allied itself with members of the Global South in harshly criticizing Israeli military intervention. It has promoted a narrative accusing U.S. intervention in the Middle East and its biased support for Israel of being responsible for the chaos in the region.

Chinese appeals to Iran, at the behest of the United States, to mediate to end the attacks on shipping traffic in the Red Sea have been ineffective, merely resulting in negotiations to ensure that Chinese ships are not targeted. China's lack of response to managing the crisis is worrying as it underscores the unwillingness of the major powers to jointly defend threats to global goods traffic. During the escalation between Iran and Israel last April, China's only concern was that it did not affect the Saudi-Iranian normalization it had facilitated. Chinese Foreign Minister Wang Yi made calls to his counterparts welcoming Iran's limited response, acknowledging its right to defend itself and appreciating that Iran had not attacked neighboring countries.⁹⁹

China's lack of involvement in managing the regional crisis has not prevented it from continuing to support Iran in the U.N. and strengthening its bilateral relations. Iran's deepening strategic ties with Russia and China, which could be more tolerant of a nuclear-armed Iran, will complicate efforts to address the nuclear issue and the future of the U.S.-Iran relationship.¹⁰⁰

4. Can the Détente Survive a Regional War?

The Middle East's regional order has undergone a real upheaval in recent months due to the Gaza war and the escalation of hostilities between Israel and Iran. The pattern of enmity between Saudi Arabia and Iran is no longer the main geopolitical fracture in the region. The Palestinian issue has once again come to the forefront of the geopolitical dynamics and has jeopardized the de-escalation process undertaken by the regional powers over the past two years. It has provoked a strong emotional reaction throughout the Arab world that has allowed Iran to become the champion of the Palestinian cause. And it is likely to provoke a process of radicalization that Daesh, al-Qaeda, and other radical groups will take advantage of. The Iranian response to Israel's military incursion into Gaza has spread the conflict to Syria, Iraq, the Red Sea, Yemen, and Lebanon, opening the door to a regional war. As a sign of the interconnection between the different conflicts in the Middle East, the war in Gaza has increased the confrontation between Iran and Israel, making it the main pattern of enmity in the region.¹⁰¹

Indeed, the future of Saudi-Iran relations will probably depend on how the dynamics of the Iran-Israel conflict evolve. On this front, Tehran has adopted a new equation of deterrence, with which it intends to maintain a strategic balance with Israel. Iran is pursuing a strategy that has proven successful for it over time: Experiment with armed actions, assess the response of adversaries, and if their responses are minimal, establish those actions as a new normal. Tehran is showing an increasing willingness to take risks, as evidenced by the missile attack last January on a Sunni militia base, Jaish al-Adl, in Pakistan, a private residence in Erbil (Iraq), and a house in Idlib (Syria) in response to the Daesh attack in Kerman during the commemorations of the death of General Suleimani.¹⁰² Iran has also demonstrated its ability to disrupt maritime traffic, to maintain Hezbollah's capabilities as a deterrent against an Israeli attack on its nuclear facilities, and to use allies in Iraq and Syria to pressure both Israel and the United States. Although Tehran has demonstrated caution, explicitly stating it does not want a war that would involve the United States, reverse Israel's growing isolation, and endanger its presence in Lebanon and Syria, the escalation with Israel could ultimately influence its strategic thinking and regional calculations. Ultimately, if

Iran concludes that its conventional capabilities are not sufficient to deter Israeli attacks, it is likely that it will pursue the development of nuclear weapons.¹⁰³

How to Go from De-escalation to Cooperation

More than a year after their agreement in Beijing, Saudi Arabia and Iran have yet to consolidate a path to a real cooperation in an increasingly complex regional context. Relations have focused until now on security issues, with no progress in exploring cultural and economic opportunities. While there have been encouraging developments, like Saudi Arabia allowing Iranian citizens to pilgrimage to Mecca, they have yet to reach an agreement on establishing direct flights between them.¹⁰⁴ Last February, Iran waived visa requirements for citizens of 33 countries, including Saudi Arabia, but Riyadh has yet to follow suit. On the economic side, trade in non-sanctioned goods has hardly increased, and expected investments have failed to materialize due to the continued enforcement of U.S. sanctions. The dispute over the Iranian nuclear program continues to condition the relationship. Additionally, disputes such as the right to extract and sell gas from the Durra field, located on Kuwait's maritime border, have not been resolved.¹⁰⁵

Both countries remain suspicious of each other. Iran has expressed frustration over Saudi Arabia's apparent disinterest in developing the Iranian economy. They question why the UAE, despite U.S. sanctions, has become Iran's second largest trading partner while Saudi Arabia has made no efforts to enhance investment and bilateral trade. Iran has also criticized Saudi reluctance to engage Iran in a solution to the Gaza crisis. In Tehran there is a prevailing sentiment that the 2023 agreement signed in Beijing favors Saudi Arabia more than Iran. Riyadh has managed to shield itself from regional tensions, while Tehran has seen little advantage from the agreement. For its part, Saudi Arabia believes that Iran's destabilizing activities in the region remain unaddressed. Iran is using the Gaza war as an opportunity to destabilize the Middle East and oppose the normalization of relations between Saudi Arabia and Israel. Since Iran does not support a two-state solution, Riyadh has chosen to exclude Iran from diplomatic initiatives aimed at resolving the conflict. It also believes that Iran has not lived up to its commitments regarding Yemen and has continued to arm the Houthis, nor has it toned down criticism of Saudi Arabia in the Iranian media.¹⁰⁶

Amid a volatile Middle East, the relations between both countries have likely reached a deadlock, increasing the risk of escalating tensions. The deepening Iranian-Israeli fracture has reinforced Saudi Arabia's understanding that the United States remains the only actor capable of providing them with security guarantees. Therefore, it will continue to pursue a defense treaty with the United States that would guarantee its support in the face of an eventual conflict with Iran. If the treaty is eventually signed, it will probably affect the de-escalation process with Iran. Tehran fears that the agreement could give Israel access to Saudi military bases. In any case, Saudi Arabia aspires to play a certain mediation role between Israel and Iran, even under the umbrella of U.S. protection. This is a role that it will only be able to play if there is a de-escalation process between the United States and Iran. If a U.S.-Saudi defense pact is signed, the Saudi-Iranian dynamics will run parallel to the relations between the United States and Iran. If the defense treaty is ultimately not signed, Saudi Arabia may well redouble its efforts to diversify its defense relations and continue to focus on strengthening its strategic alliances.¹⁰⁷

To consolidate a durable de-escalation, Iran and Saudi Arabia must manage their disagreements and show some flexibility. Both parties should recognize that Tehran will not dismantle its network of regional allies, nor will Riyadh abandon its goal of gaining security guarantees from the United States or normalizing its relations with Israel. It will therefore be necessary to include Iran in future discussions on regional security issues that may be established in the future.

The Arab Gulf states presented on March 28, 2024, the GCC Vision for Regional Security, a document similar to previous proposals made by Iran, China, and Russia. It aims to create a regional forum that will discuss not only security issues, but also shared environmental challenges, energy transitions, food security, and regional and interregional connectivity agendas. This forum could become the groundwork for an inclusive regional dialogue aimed at reducing tension in the region, and in order to be effective, it should include Iran.

In the short term, the two countries could establish a Saudi-Iranian coordination council, similar to the one Saudi Arabia created with Qatar after the Al-Ula agreements in 2022. This council could expand the dialogue between the two countries on economic issues, health, environment, or education. Some observers

have even raised the possibility of a trilateral agreement among the United States, Iran, and Saudi Arabia, in which Iran would limit its projection of force in the region and its nuclear program in exchange for sanctions exemptions that would allow Saudi Arabia and other Arab Gulf countries to invest in the Iranian economy.¹⁰⁸ Although an unlikely outcome given the increasing influence of extreme factions within the Iranian government, it is certainly worth a serious diplomatic effort by all involved parties, including more neutral stakeholders such as the E.U.

In the end, the Middle East will have to face the inescapable reality of the structural imbalance in the Gulf. Saudi Arabia and the Gulf Arab states will continue to demand outside military support to balance what they see as Iran's inherent hegemonic aspirations. And Iran, for its part, will continue to demand a Gulf free of foreign forces to assert what it sees as its legitimate leadership role. Unless there is a fundamental shift in the strategic thinking in Iran, it will not be possible to fully normalize its relations with its neighbors.

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