

# COUNCIL *on* FOREIGN RELATIONS

*Center for Preventive Action*



Protesters in Tehran hold pictures of Shiite cleric Sheikh Nimr al-Nimr at a January 4, 2016, demonstration against his execution by Saudi Arabia. (Reuters/Raheb Homavandi)

## *INSIGHTS FROM A CFR WORKSHOP*

# Managing the Saudi-Iran Rivalry

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*In July 2016, the Council on Foreign Relations' Center for Preventive Action held a workshop on the growing tensions between Saudi Arabia and Iran. The workshop was held at the Tufts University European Center in Talloires, France, and was made possible by the support of the Carnegie Corporation of New York. The views described here are those of workshop participants only and are not CFR or Carnegie Corporation positions. **The Council on Foreign Relations takes no institutional positions on policy issues and has no affiliation with the U.S. government.***

## CONFERENCE TAKEAWAYS

- The rivalry between Saudi Arabia and Iran is mostly, but not exclusively, geopolitical in nature. A clear sectarian dimension helps fuel the conflict. Domestic factors in each country also contribute heavily.
- The rivalry presents tangible risks, which could increase over the next decade, to the United States and Europe. These risks include the spillover effects (such as migration and terrorism) of heightened tensions and violent conflict in the Middle East exacerbated by the rivalry, renewed pressure to develop nuclear weapons and long-range missiles, and increased volatility in the global oil market.
- The United States and Europe should explore ways to dampen, if not resolve, the Saudi-Iran rivalry through initiatives that address the immediate areas of friction (such as in Yemen and Iraq) and through long-term efforts to prevent potentially dangerous military interactions. These efforts include confidence-building measures and the promotion of regional cooperation on trade, economic development, and environmental concerns.

## INTRODUCTION

The growing rivalry between Saudi Arabia and Iran—and by extension, their allies and proxy forces in the region—will likely shape the Middle East for many years, and possibly even decades, to come. The Center for Preventive Action at the Council on Foreign Relations convened an international group of twenty experts at the Tufts University European Center in Talloires, France, on July 6–7, 2016, for the workshop “What to Do About the Saudi-Iranian Rivalry?”

Workshop participants analyzed the Saudi-Iran rivalry—in particular its evolution, drivers, current manifestations, and plausible trajectories—while assessing policy options to help manage the conflict.

Participants discussed what the United States and Europe can do collectively and with partners in the region, and also with other international actors (e.g., China, India, and Russia) that have growing interests in the Middle East. Although the rivalry has manifested itself mostly in the Middle East—namely in Syria, Yemen, Iraq, and Bahrain—general instability and war threaten broader security, and the West could experience spillover effects if a war were to actually break out between the two countries.

*The West could experience spillover effects if a war were to actually break out between Saudi Arabia and Iran.*

## SOURCES AND DYNAMICS OF THE SAUDI-IRAN RIVALRY

The conflict between Saudi Arabia and Iran, while historical and religious in origin, has evolved into a geopolitical competition. One workshop participant explained that the principal sources of friction are rooted in the countries’ national, political, religious, economic, and military concerns.

Saudi Arabia and Iran have not always had a bad relationship. Up until the 1970s, Saudi Arabia and Iran’s pro-Western monarchies served as the “twin pillars” of regional order after the United States took over from the British in the Persian Gulf. One workshop participant noted that following Iran’s Islamic Revolution in 1979 and the ushering in of a theocratic Shiite government lead by Ayatollah Ruhollah Khomeini, the regional dynamics took on a more religious tone. Although the relationship has worsened over time, there were periods of relative cooperation during the time of the shah in Iran (prior to the revolution) and during subsequent administrations there.

In the 1980s and 1990s, anti-Shia rhetoric in the greater Middle East—including the growth of Saudi Wahhabi fundamentalist schools and the exporting of that ideology to places in the region (e.g., in South Asia) that did not have preexisting Shiite communities—increased to isolate Iran. Saudi Arabia, as the leading Sunni rival and declared guardian of Islam’s twin holy sites, countered Iran’s influence and exportation of the Islamic Revolution throughout the region.

In subsequent years, two fundamental regional shifts had a cascading effect on overall Saudi-Iran relations: the U.S. war on terrorism following the 9/11 attacks, and the Arab uprisings in 2011. While the former removed Iraq as a major power in the Middle East, the latter destabilized Syria and Egypt—two historical Arab stalwarts. Workshop participants agreed that the elimination of these three major regional powers intensified the rivalry between Saudi Arabia and Iran.

These events also redefined the rivalry, with a new emphasis on supporting proxy terrorist groups, and necessitated a new foreign policy outlook for each country. One participant raised the question of how proxy groups are defined: Do they have a mandate from a particular country or do they simply bear allegiance to a country or government? Post 9/11, the disagreement also took on a more religious tone, intensifying the centuries-old schism between Sunnis and Shias.

*Timeline of Events*

- 1979:** Islamic Revolution in Iran.
- 1980:** Iraq invades Iran. The Iran-Iraq War lasts until 1988.
- May 1981:** Arab Gulf states form the Gulf Cooperation Council as a security response to the Iranian Revolution and Iran-Iraq War.
- May 1984:** Iran attacks a Saudi oil tanker and Saudi Arabia shoots down an Iranian jet.
- 1987:** Shiite pilgrims clash with Saudi police during the hajj, triggering a stampede and clashes that kill at least four hundred—including more than two hundred Iranians. Protestors in Tehran attack Saudi and Kuwaiti embassies.
- 1988:** Saudi Arabia severs diplomatic ties with Iran. Iran boycotts the hajj.
- 1990:** Saudi Arabia sends aid to Iran after an earthquake kills forty thousand people.
- 1991:** Iran and Saudi Arabia restore diplomatic ties.
- 1997:** Crown Prince Abdullah attends the Organization of Islamic Cooperation summit in Tehran—the most senior Saudi official to visit Iran since 1979.
- 1999:** President Mohammad Khatami visits Saudi Arabia and meets with Crown Prince Abdullah, in the first visit by an Iranian leader since 1979.
- 2001:** Iran and Saudi Arabia sign a security pact on terrorism and drug trafficking.
- 2011:** Saudi Arabia accuses Iran of inciting protests in Bahrain during Arab uprisings; two Iranians in the United States are charged with attempting to assassinate the Saudi ambassador.
- 2012:** Protests erupt in Saudi Arabia’s predominantly Shiite Eastern Province; Saudi Arabia blames Iran for inciting the demonstrations.
- 2014:** Shiite cleric Nimr al-Nimr is arrested and sentenced to death in Saudi Arabia; Iran denounces the Saudi action.

Another participant pointed out how, moving forward, the conflict will continue to shift as a result of political changes in or external pressures on either country.

Saudi policy has also evolved since 1979. Under the leadership of King Salman (crowned in January 2015), Saudi Arabia has increased its foreign policy pursuits and introduced domestic reforms across all sectors, including Crown Prince Mohammed bin Salman’s Vision 2030 plan—a package of economic and social reform policies to help reduce the kingdom’s dependence on oil. King Salman has expanded Saudi military involvement in foreign wars, most notably the military campaign in Yemen to counter Houthi rebels—who Saudi Arabia alleges are backed by Iran—beginning in March 2015.

One participant pointed out that since the Iran nuclear deal was signed in July 2015, the general U.S. outlook on Iran has also changed. To some, the Joint Comprehension Plan of Action (JCPOA) between Iran and six major Western powers advocated for a potential rapprochement with Iran and had a ripple effect on the entire Middle East. The United States and Europe want to see Iran join the “community of nations,” but the Arab Gulf countries and others in the region remain fearful of Iran’s increasing regional hegemony. This agreement also increased the tension between Iran and Saudi Arabia as Sunni and Shia rivals in the greater Middle East.

*Timeline of Events (Continued)*

**March 2015:** Saudi Arabia begins bombing Shiite Houthi rebels in Yemen, who it alleges are backed by Iran.

**July 2015:** Iran and six major world powers sign the Joint Comprehension Plan of Action.

**September 2015:** Stampede during the hajj kills at least two thousand people, including nearly five hundred Iranians.

**November 2015:** Iran and Saudi Arabia attend Syrian peace talks in Vienna; their foreign ministers argue during the negotiations.

**January 2016:** Saudi Arabia executes Nimr along with forty-six others, leading to protests across Shiite communities in the Middle East; in Iran, protestors storm and set fire to the Saudi embassy in Tehran and try to attack the Saudi consulate in Mashhad; Saudi Arabia cuts off diplomatic ties with Iran.

**May 2016:** Iran bars pilgrims from traveling to Saudi Arabia for the hajj.

*CURRENT AND EMERGING CONCERNS ABOUT THE RIVALRY*

Participants agreed that the current Saudi-Iran rivalry is likely to intensify within the next five years and reiterated that a principal area of contention includes Iran’s support of proxy groups in Middle Eastern conflicts (primarily in Iraq and Syria, and allegedly in Yemen and Bahrain). Iran is indirectly fighting against Saudi Arabia in Syria, Yemen, and Bahrain. Although the Saudi support of proxy groups is not as strong as the Iranian support, it nonetheless intensifies the tensions between the two countries.

Though Saudi Arabia does not have a strong foothold in Iraq—having just reestablished relations in January 2016 after twenty-five years—it has, on occasion, interfered in Iraq’s affairs, calling out Iran for its support of Shiite militias actively fighting the self-proclaimed Islamic State. Participants agreed that discussing how to resolve the conflict in Iraq with Saudi Arabia and Iran could offer an opportunity for both countries to work together (which was proven unsuccessful in the case of talks to resolve the Syrian conflict), as the two are not directly involved in a proxy war in Iraq. Likewise, Iraq’s government has offered to mediate between the two countries over increased tensions from Nimr al-Nimr’s execution in January 2016.

Iran and Saudi Arabia have been actively supporting proxy groups fighting on opposite sides in Syria. This includes Iranian support for Lebanese Hezbollah and Saudi support for a number of Salafi jihadist militias who are either formally or informally allied with Jabhat Fateh al-Sham (formerly al-Nusra Front), an al-Qaeda affiliate. Iran sends members of its Revolutionary Guards Corps to Syria, while Saudi Arabia sends arms and ammunition to rebel groups there.

In Yemen, however, Saudi government forces are waging a military campaign against the Houthis, who took over the country in early 2015. One participant pointed out that the Saudis believe that Iran directly supports the Houthis, and the Saudis view the war in Yemen as defending against Iranian Shiite hegemony on their southern border.

Another participant identified Bahrain, where a Sunni monarch rules over a majority Shiite population, as a gray area in the proxy war between Saudi Arabia and Iran. Saudi Arabia alleges that Iran incited the demonstrations there in 2011; at the behest of Bahrain's royal family, Saudi Arabia sent troops to combat the protesters. The Saudis and Iranians continue to squabble over Bahrain, accusing each other of meddling in the country's internal affairs and exerting influence.

Regarding domestic indicators of growing unrest, Saudi Arabia seems to have hardened its stance against its Shiite minority. In January 2016, Saudi Arabia executed the prominent Shiite leader Sheikh Nimr al-Nimr, along with forty-six others, angering Iran and resulting in the termination of diplomatic relations between the countries. Yet the new Saudi king also seems ready to suppress public unrest in his country. The recently introduced Vision 2030 plan outlines policies that seek to guard against such demonstrations by creating more jobs and developing private sector industry. On foreign policy, however, King Salman has led his country into a full-fledged war in Yemen.

Lastly, on the economic front, Saudi Arabia and Iran will increasingly compete on the international oil market after the Iran nuclear deal. One participant noted that the Saudis use oil as a weapon, refusing to reduce production and thereby preventing Iran from selling its oil at higher prices. As this new era of conflict emerges, there could be more economic competition if Iran is back on international markets—adding another dimension to the rivalry. Furthermore, the economic perspective of the conflict could be problematic for the World Trade Organization and the Gulf Cooperation Council (GCC), as some Gulf states would likely benefit from greater Iranian trade and investment. It could also cause greater fissures in the GCC, contrary to the Saudis' desire to present a unified front against Iran. In the next ten to fifteen years, new areas of competition and friction might evolve, particularly after the JCPOA terms expire in 2030.

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#### POTENTIAL ACTIONS FOR THE UNITED STATES AND EUROPE

Participants agreed that the Saudi-Iran cold war will likely intensify in the years to come, as wars and conflicts in the Middle East continue. The United States and Europe have a collective interest in preventing the competition from becoming a hot conflict, which could damage regional order and have lasting negative effects on international security.

Preventive efforts that could minimize new and potentially dangerous avenues of competition and, more broadly, promote stability in the Gulf region, include initiatives relating to arms sales; security assistance and guarantees; arms control, economic aid, and regional institution-building. One participant emphasized that the United States and European countries should try to manage the sources of tension between Saudi Arabia and Iran, especially the ongoing proxy wars. Failing active mitigation efforts, the United States and European countries should try to contain, or otherwise limit, the harmful spillover effects on their regional interests and national security.

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The workshop participants discussed the broad strategic options for the United States and Europe to manage the Saudi-Iran rivalry in the short and long terms.

*Options for the Next Five Years*

- Introduce positive inducements to encourage responsible behavior by Iran, particularly with regard to lessening its support for Hezbollah in Lebanon and Bashar al-Assad’s regime in Syria.
- Explore possible options for track one dialogues and build on existing track two dialogues.
- Secure progress for peace talks in Yemen. Although Iran and Saudi Arabia are already involved in peace talks over Syria, these efforts have not been enough to thaw tensions. Saudi and Iranian cooperation to address the conflict in Yemen could help change the Saudi attitude toward the Houthis.

*Options for the Next Five to Ten Years*

- Encourage rules of the road to moderate potentially dangerous Saudi-Iran interactions in air and maritime military activities, ballistic missile development, cyber interference, political and informational warfare, and religious events, such as the hajj.
- Promote regional institution-building and cooperative activities in areas of common concern, such as resource management, environmental degradation, and regional infrastructure development.
- Encourage important international actors—for example, the United Nations, as well as major powers with a growing interest in the Gulf region, such as China and India—to become involved in stabilizing the region.