



Great Expectations: The Future of Iranian-Saudi Détente

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What's new? Since Iran and Saudi Arabia resumed ties in March 2023, the two rivals have named ambassadors, set up embassies and exchanged senior-level visits, but further progress appears to have stalled amid disagreements about important aspects of the revived diplomatic relationship.

Why does it matter? Today's tentative cooperation between Tehran and Riyadh follows a period of deep hostility. If the two states do not build on the 2023 deal, they could revert to that acrimony, leading to dangerous incidents like the 2019 attack on oil installations in Saudi Arabia.

What should be done? Despite disagreements, Tehran and Riyadh should start building confidence by cooperating in areas like health, culture and the environment. Better ties could facilitate increased economic engagement, which Saudi Arabia might give in exchange for shifts in Iran's nuclear and regional policies, though such an offer would likely require U.S. buy-in.

I. Overview

Iran and Saudi Arabia have reached a plateau in restoring the full relations envisioned by a China-brokered agreement, risking a return to open hostility in an already unstable Middle East. The deal, struck in March 2023, set a timeline for re-establishing diplomatic ties, reaffirmed principles of mutual non-interference and territorial integrity, recommitted the parties to two previous cooperation agreements, and promised to explore new areas where they might work together. But more than a year on, beyond opening embassies and facilitating *hajj* for Iranian pilgrims, the sides have done little to expand their ties. Progress will require compartmentalisation. Forward movement will not be possible if Riyadh expects Tehran first to sever links to Middle Eastern allies while lacking security guarantees. Nor can it be achieved if Iran believes Saudi Arabia and its Gulf Arab allies will end their security partnership with the U.S. Tempering those hopes, however, could allow cooperation on non-sanctioned trade, commercial flights, student exchanges and public health – helping build confidence and contain regional tensions.

Relations between Shiite-majority Iran and Sunni-majority Saudi Arabia have long been complicated. Tehran and Riyadh are old rivals competing for both regional hegemony and leadership of Islam, fuelling sectarian tensions throughout the Middle

East. They have been on opposite sides of several regional wars, including most recently in Yemen. The latest break in diplomatic relations occurred in 2016, after Saudi Arabia executed a Shiite cleric, Sheikh Nimr al-Nimr, which prompted a mob to ransack the Saudi embassy in Tehran. Tensions rose after the U.S. launched a “maximum pressure” campaign of economic coercion against Iran in 2019, peaking in attacks on Saudi Arabia’s oil infrastructure later that same year, which Riyadh and Washington blamed on Tehran. But in 2021, the two countries began a fitful dialogue aimed at de-escalation. On 10 March 2023, with a strong push from China, they agreed to restore diplomatic relations and work toward strengthening their ties.

Over the succeeding months, the two states reopened their respective embassies, engaged in several high-level exchanges and expanded the conditions under which Iranian Muslims could make the pilgrimage to holy sites in Saudi Arabia. But progress then sputtered as they failed to address outstanding areas of dispute. From Tehran’s perspective, the Saudis are dragging their feet on their promise to boost economic relations while still keeping Iran at arm’s length in regional security discussions. In Riyadh’s view, Iran has done little to curb support for non-state groups in the Middle East through which it projects regional influence, notably in Yemen, where Tehran’s backing for the Houthis is a longstanding concern.

To solidify their hesitant détente, the two countries will need to find a way to contain their disagreements – even ones seemingly addressed in the 2023 deal – while they work to advance in less controversial parts of their relationship. Saudi Arabia should not hold progress hostage to its long-time insistence that Iran scale back ties with non-state allies without significant security guarantees in return. Iran, for its part, should recognise that Saudi Arabia and its allies will continue to rely on outside partners, especially the U.S., for their security.

More confidence-building measures could then follow. For example, Saudi Arabia and its allies should involve Iran in discussions about regional security while contributing to talks about how to resolve the Iranian nuclear impasse. The two states should also deepen cooperation in less political domains, such as enhancing non-sanctioned trade, facilitating academic exchanges and improving dialogue about public health and environmental concerns. As a first step, Tehran and Riyadh should establish a joint coordination council to develop specific plans, with timelines, to deliver concrete returns and lend momentum to rebuilding relations. These might include economic pilot projects, such as joint ventures or Saudi investment in an agreed-upon Iranian endeavour. Progress on this front could in turn open the possibility of a triangular understanding involving the U.S., by which Iran would constrain its regional power projection and nuclear program in exchange for U.S. sanctions exemptions that would allow Saudi Arabia and other Gulf Arab states to trade with and invest in the Iranian economy.

Success is far from assured, but the 2023 agreement that Beijing brokered – and that remains only partly fulfilled to date – continues to present an opportunity for expanding rapprochement to the benefit of both parties as well as regional peace and security. Tehran and Riyadh should make the most of it.

II. The 2023 Deal

On 10 March 2023, with China's encouragement, Iran and Saudi Arabia agreed to restore diplomatic ties after a seven-year hiatus.¹ Tensions between the two regional powers have seen peaks and valleys for more than four decades, spiking with the 1979 Islamic revolution in Iran, easing during a period of détente in the 1990s and then rising again during the past twenty years. In making the 2023 deal, both sides hoped that by laying the foundation for more consistent communication and cooperation they could lessen tensions in the Gulf region and beyond, while boosting and diversifying their economies.²

A. A Complicated History

Rivalry between Riyadh and Tehran, the Gulf's respective dominant Sunni and Shiite powers, is longstanding, with the two states vying for both regional hegemony and leadership of Islam. They have backed opposite sides in several wars in recent decades, notably in Yemen, where Saudi Arabia led a military campaign to reinstall the internationally recognised government and Iran supports the Houthi rebels with funds, training, intelligence and arms.³

To Saudi Arabia, Iran is a major security threat – a revisionist power that seeks to insert itself into Arab affairs through its support for non-state actors in Iraq, Lebanon, Syria and especially Yemen, undermining both Saudi and regional security. Saudi Arabia has also accused Iran of fomenting dissent among its minority Shiite population. Iran, for its part, views the Saudi state as a geopolitical parvenu that relies on immense wealth for influence and Western protection for survival in power. It has alleged that Saudi Arabia backs Iranian opposition and separatist groups that have committed acts of violence inside Iran.

The latest crisis in the tumultuous relationship erupted in 2016, when the Saudi authorities hanged Sheikh Nimr al-Nimr, a well-known Saudi Shiite cleric and dissident, along with 47 others, on terrorism-related charges.⁴ The executions prompted Iranian protesters to storm the Saudi embassy in Tehran and the Saudi consulate in Mashhad. Accusing Iran of failing to stop these attacks, and even of being complicit in them, Riyadh cut diplomatic ties.⁵ Saudi Arabia, along with Gulf Arab allies such as the United Arab Emirates, subsequently threw its weight behind U.S. President

¹ Dina Esfandiary and Anna Jacobs, "How Beijing helped Riyadh and Tehran Reach a Détente", Crisis Group Commentary, 17 March 2023.

² "Joint trilateral statement by the People's Republic of China, the Kingdom of Saudi Arabia and the Islamic Republic of Iran", China Ministry of Foreign Affairs, 10 March 2023. See also Dion Nissenbaum, Summer Said and Benoit Faucon, "Iran agrees to stop arming Houthis in Yemen as part of pact with Saudi Arabia", *The Wall Street Journal*, 16 March 2023.

³ For details, see Crisis Group Middle East Reports N°184, *Iran's Priorities in a Turbulent Middle East*, 13 April 2018; N°203, *Saving the Stockholm Agreement and Averting a Regional Conflagration in Yemen*, 18 July 2019; N°186, *Saudi Arabia: Back to Baghdad*, 22 May 2018; and N°175, *Hizbollah's Syria Conundrum*, 14 March 2017.

⁴ "Sheikh Nimr al-Nimr: Saudi Arabia executes top cleric", BBC News, 2 January 2016.

⁵ "Saudi Arabia cuts diplomatic ties with Iran after execution of cleric", *The Guardian*, 4 January 2016. See also "Press conference on the attack on the Saudi mission in Iran", Saudi Ministry of Foreign Affairs, 2 January 2016.

Donald Trump when he withdrew the U.S. from the Iran nuclear deal, known as the Joint Comprehensive Plan of Actions (JCPOA), and launched a “maximum pressure” campaign against Iran, seeking to isolate and weaken the regime through a combination of economic sanctions and belligerent rhetoric.⁶

Tensions peaked following the September 2019 attacks on Saudi Arabia’s major oil installations at Abqaiq and Khurais, as well as on international shipping in the Gulf’s strategic waters, all of which Riyadh (and Washington) attributed to Tehran.⁷ After first stating that the U.S. was “locked and loaded” to respond to the attack, Trump changed course, saying there was “no rush” to respond. He did not want to involve the U.S. in a war, he added.⁸

When the Saudis and their Gulf Arab allies concluded that the U.S. – their main security guarantor – had put them in the line of fire through its “maximum pressure” campaign and then failed to come to their aid when they were attacked, they tried a new approach toward Iran. The UAE, and particularly Dubai, which maintained robust commerce with Tehran despite U.S. sanctions, pioneered this effort. Having downgraded its ties with Iran in 2016, the UAE commenced quiet re-engagement with Tehran in 2019. The renewed relationship, evolving largely outside the public eye, culminated in the return of an Emirati ambassador to Iran in 2022, after a six-year hiatus, a move Iran reciprocated in April 2023.⁹

B. *From Strained Relations to Détente*

Saudi Arabia followed in the UAE’s footsteps. The initial bilateral talks, held between senior security officials and mediated by the Iraqi government in Baghdad in April 2021, were fitful and difficult.¹⁰ Iraq and Oman subsequently hosted several separate rounds of discussions between Saudi and Iranian intelligence and foreign ministry officials.¹¹ The Baghdad meetings focused on security issues, including the war in Yemen, Iran’s nuclear program, protection of oil infrastructure, Iranian pilgrims’ ability to do the *hajj*, the role of Hezbollah in Lebanon, maritime security, the sanctity of diplomatic missions and the scourge of sectarianism.¹² The Muscat talks likewise addressed a range of issues, but zeroed in on Saudi concerns about Iran’s role in Yemen.¹³

In April 2022, talks broke down and did not resume for eleven months. A senior Saudi official said “the biggest challenge” – from Riyadh’s perspective – “was that the Iranians wanted to re-establish relations, but Saudi Arabia wanted to talk about why the two countries had broken off relations in the first place”.¹⁴ From his side, and

⁶ “Kingdom of Saudi Arabia’s Statement on the United States Withdrawal from the JCPOA”, Saudi Foreign Ministry, 8 May 2018.

⁷ “Incidents at Abqaiq and Khurais”, Aramco, 14 September 2019. See also “Special report: Time to take out our swords’ – Inside Iran’s plot to attack Saudi Arabia”, Reuters, 26 November 2019.

⁸ “Trump says he does not want war after attack on Saudi oil facilities”, Reuters, 17 September 2019.

⁹ “UAE ambassador to return to Iran, boosting ties after years”, Associated Press, 21 August 2022; and “Iran appoints first UAE ambassador since 2016 as Gulf relations improve”, Reuters, 5 April 2023.

¹⁰ Crisis Group interviews, Iranian and Saudi officials, Riyadh and Tehran, March-December 2023.

¹¹ Crisis Group interview, senior Omani official, Muscat, 29 April 2024.

¹² Crisis Group interview, Saudi think-tank expert, Riyadh, 12 September 2022.

¹³ Crisis Group interview, Omani academic, Muscat 28 April 2024.

¹⁴ Crisis Group interview, senior Saudi official, Riyadh, 16 October 2022.

with the benefit of hindsight, a senior Iranian official said, “the Saudis wanted to discuss Yemen first, while we wanted to discuss bilateral relations first. It was always clear that the only way forward was to discuss both of those issues at the same time”.¹⁵

Enter China. In early December 2022, Chinese President Xi Jinping went to Riyadh for the first-ever Chinese-Arab summit, where the idea of a Chinese role in brokering an agreement first came up.¹⁶ Later that month, the Saudi and Iranian foreign ministers greeted each other on the sidelines of the Baghdad Conference in Amman, Jordan – the highest level of contact since the two countries severed ties in 2016.¹⁷ While this encounter was merely an ad hoc opportunity to exchange diplomatic courtesies, the conversation’s positive tone encouraged Saudi and Iranian officials to meet again on the occasion of Brazilian President Luiz Inácio Lula da Silva’s inauguration in Brasília in January 2023.¹⁸ These two meetings may not have been substantive, but they reflected both sides’ desire to remain in contact and show each other good-will while bilateral talks remained on hold.¹⁹ Most importantly, they provided the basis for China to host a new round of bilateral talks in Beijing in early March; these discussions’ successful conclusion produced a Joint Trilateral Statement that sealed the deal.²⁰

Only some of the agreement’s elements have become public. It outlined a timeline for re-establishing diplomatic ties, reaffirmed principles of mutual non-interference and territorial integrity, recommitted the parties to two previous cooperation agreements signed in 1998 and 2001, and promised to explore new areas where the states could collaborate.²¹ Reportedly, it also included an Iranian pledge to help curb Houthi cross-border attacks on Saudi Arabia and stop shipping weapons to the group, as well as a provision on moving toward an intra-Yemeni peace process. Both sides reportedly also agreed to tone down the inflammatory rhetoric they had used about each other in state media outlets.²²

¹⁵ Crisis Group interview, Tehran, April 2023.

¹⁶ The summit came about as Saudi Arabia sought to deepen ties with the U.S., China and Russia simultaneously, with big-power competition heightening and global divisions deepening following Russia’s all-out invasion of Ukraine. Riyadh’s showcasing of its relations with other powers was also likely a response to candidate Biden’s threats during the 2020 U.S. election campaign to isolate the kingdom if he became president. See Anna Jacobs, “Understanding Saudi Arabia’s Recalibrated Foreign Policy”, Crisis Group Commentary, 14 September 2023. While some, including a Saudi official, reported that China proposed to host a round of Iranian-Saudi talks during this summit, others suggested that Riyadh asked Beijing to mediate by sending a message to Tehran about the resumption of talks, with the goal of convening a Gulf-Iran dialogue in China in 2023. Crisis Group interviews, Saudi official, 15 March 2023; Iranian official, April 2023.

¹⁷ “Iranian minister says spoke to Saudi counterpart at Jordan conference”, Reuters, 21 December 2022.

¹⁸ Crisis Group interview, Saudi official, Riyadh, 15 March 2023. See also “Iranian VP, Saudi FM hold talks in Brazil”, *Tehran Times*, 2 January 2023.

¹⁹ Crisis Group interview, Saudi official, Riyadh, 15 March 2023.

²⁰ Ali Shamkhani, the secretary of Iran’s Supreme National Security Council, signed the agreement on the Islamic Republic’s behalf; the Saudis were represented by the national security adviser, Musa‘id bin Muhammed al-Aiban. “Joint trilateral statement by the People’s Republic of China, the Kingdom of Saudi Arabia and the Islamic Republic of Iran”, China Ministry of Foreign Affairs, 10 March 2023.

²¹ Nissenbaum, Said and Faucon, “Iran agrees to stop arming Houthis in Yemen as part of pact with Saudi Arabia”, op. cit.

²² Crisis Group interview, senior Saudi official, Riyadh, 29 February 2024.

Saudi and Iranian officials have different narratives about what led to the breakthrough. A senior Saudi official said:

I think the reason the negotiations succeeded was multi-fold: 1) the pause in the talks and the consistency of Saudi demands that showed seriousness; 2) Saudi Arabia went to Beijing with a draft agreement; 3) the Iranians came [to Beijing] with instructions to get a deal; and 4) China played an important role, because they helped pressure the Iranians to compromise on a few difficult issues.²³

A senior Iranian negotiator offered an alternative view:

The timing of the deal was up to the Saudi side. By mid-2022, we had already negotiated most of its elements with our Saudi counterparts, but they weren't ready to finalise it then. We wanted this deal even when [President Hassan] Rouhani was still in power. The Saudis probably changed their calculus post-U.S. midterm elections, which signalled that Democrats might remain in power after the 2024 [presidential] elections, but also because of the dynamics of the conflict in Yemen and the Saudi crown prince's need for stability to fulfil his 2030 economic development vision.²⁴

Either way, China's role in bringing the deal over the finish line was critical. A Saudi official referred to "limits with the Iraq-facilitated talks", hinting that China had the necessary sway to give them the final push.²⁵ It is likely that Beijing agreed to step in as part of its intent to bolster China's standing as a "great power", including by offering an alternative to Western-led mediation in conflicts.²⁶ Brokering a deal between two longstanding rivals in the Middle East presented it with an opportunity to showcase its expanding global influence, as well as to leverage its strong economic and political ties to states across the region, including both Iran and Saudi Arabia.

China's ability to perform its role as the deal's guarantor remains unclear, however. Riyadh sought out Chinese involvement because it believed that Beijing had clout with Tehran as an important political and trade partner, making it uniquely positioned to hold both states to their commitments.²⁷ The view in Tehran differs. A senior Iranian official alluded to possible problems down the line if the deal fails to yield benefits, saying, "This is a gentleman's agreement. No one is policing it".²⁸

The U.S. cautiously welcomed the deal but seemed wary of what it signified for U.S.-China strategic competition. News of the agreement surprised U.S. officials, many of whom expressed scepticism about whether China could be an effective guarantor. Some viewed Beijing's first major foray into Middle East peacemaking as a sign that it was looking to shift its power projection in the region, which traditionally has focused on economics, to greater involvement in political and security matters. In the months following the deal, U.S. officials voiced more concerns about increasing

²³ Crisis Group interview, Brussels, 1 August 2023.

²⁴ Crisis Group interview, Tehran, 15 April 2023.

²⁵ Crisis Group interview, Saudi official, Riyadh, 15 March 2023.

²⁶ Amanda Hsiao and Ivy Kwek, "The Foreign Policy Implications of China's Twentieth Party Congress", Crisis Group Commentary, 21 October 2022. See also David Pierson, "China's role in Iran-Saudi Arabia deal shows Xi's global goals", *The New York Times*, 11 March 2023.

²⁷ Crisis Group interview, Saudi official, Riyadh, 15 March 2023.

²⁸ Crisis Group interview, Tehran, 15 April 2023.

Chinese influence in the Middle East, where many countries have long been under a U.S. security umbrella.²⁹ Nevertheless, U.S. National Security Advisor Jake Sullivan affirmed the agreement's importance: "The deal that China brokered ... between Iran and Saudi Arabia partially reduced tensions between those two countries, a development that the United States also wants to see. Washington could not have tried to broker that deal, given the lack of U.S. diplomatic relations with Iran, and it should not try to undermine it".³⁰

III. A Year On: The Good, the Insufficient and the Obstacles to Better

A. Stalling Progress

Since March 2023, Iran and Saudi Arabia have moved ahead with restoring at least the trappings of diplomacy. With a minor delay past the two-month timeline, and after Oman convened several meetings between the sides to discuss various concerns, Iran reopened its embassy in Riyadh that June, with the Saudi embassy in Tehran resuming operations two months later.³¹ Since then, senior officials from the two countries have repeatedly met or communicated by telephone.³² Saudi Arabia also allowed Iranian pilgrims into the kingdom for the annual *hajj*, as well as for *umra* (the "lesser" pilgrimage, which, unlike *hajj*, can be performed at any time of year), at Islam's holiest sites.³³

Yet, more than a year after the deal, these efforts appear to have lost momentum, with many points of contention remaining unaddressed, including disputes over maritime boundaries. One such dispute, which flared up in 2023, revolves around the right to exploit and sell gas from the Durra/Arash field, located on the eastern maritime border of Kuwait. That August, Saudi Arabia and Kuwait published a joint statement underlining their "exclusive rights" to the field, in which Iran claims a 40 per cent stake.³⁴ The next March, the Ministerial Council of the Gulf Cooperation Coun-

²⁹ Crisis Group interviews, U.S. officials, Gulf Arab capitals, March–September 2023.

³⁰ Jake Sullivan, "The Sources of American Power", *Foreign Affairs*, November/December 2023.

³¹ Crisis Group interview, senior Omani official, Muscat, 29 April 2024. See also "Saudi and Iran exchange ambassadors after rapprochement", Al Jazeera, 5 September 2023; and Giorgio Cafiero, "Oman Keeps Trying to Dial Down Tensions in the Middle East", Stimson Center, 2 February 2024.

³² The Saudi foreign minister visited Iran in July 2023. Iranian President Ebrahim Raisi then went to Riyadh to attend the Organisation of Islamic Cooperation summit the following November, meeting Saudi Crown Prince Mohammed bin Salman (known as MBS) on the sidelines. Saudi Defence Minister (and MBS's brother) Khaled bin Salman spoke on the telephone with the head of the Iranian armed forces not long afterward. See "Saudi, Iranian defense officials meet in Moscow", Al Arabiya, 16 August 2023.

³³ In February, Tehran cancelled a plan for the first 30,000 Iranians to perform *umra* due to "technical disagreements" over flight permits. The parties had resolved the issues by April. Mohammed Benmansour, "Saudi-Iran thaw improves haj services for Iranian pilgrims", Reuters, 23 June 2023; "Iranian umrah in 1402 is officially cancelled", Radio Farda, 16 February 2024; and "First Iran group in nine years heads to Saudi Arabia for umrah pilgrimage", Reuters, 22 April 2024.

³⁴ "Saudi Arabia, Kuwait reaffirm rights to natural resources in Durra gas field, Saudi ministry says", Reuters, 2 August 2022.

cil (GCC) announced its support for the Saudi-Kuwaiti position.³⁵ Other quarrels also hindered efforts at dialogue. In September 2023, UN Secretary-General António Guterres tried to organise a discussion among the coastal Gulf countries – the six GCC member states, Iran and Iraq – about a new regional security architecture. The attempt failed, reportedly in part because of a separate dispute between Kuwait and Iraq over navigation in the shared Khor Abdullah waterway.³⁶

The standoff over Iran's nuclear program also casts a shadow over progress in the Iranian-Saudi rapprochement. Efforts by the Biden administration to resurrect the 2015 JCPOA abandoned by Trump came to naught, due to disagreements between Tehran and Washington about the scope and sustainability of sanctions relief.³⁷ Subsequent negotiations to halt the most proliferation-sensitive elements of Iran's nuclear activity also hit a dead end, as the war in Gaza beginning in October 2023 derailed tentative informal understandings between the U.S. and Iran.³⁸ As a result, Iran's nuclear program is steadily advancing, with only limited international oversight, leading many to worry that Tehran is close to acquiring what it would need to build a nuclear weapon (though it persistently denies any such intent). Saudi officials have warned that Riyadh may pursue its own nuclear program, which could trigger a nuclear arms race in the Middle East.³⁹

Nor do Riyadh and Tehran appear to have made a serious attempt to follow through with other pledges under the March 2023 deal. Two previous bilateral accords – the 1998 General Agreement for Cooperation and the 2001 Security Cooperation Agreement – sit unfulfilled.⁴⁰ Even basic trade in non-sanctioned goods has grown only slowly.⁴¹ When China hosted Saudi Arabia and Iran in Beijing in December 2023 to push them to accelerate cooperation in economic matters, security and people-to-

³⁵ "Statement issued by the Ministerial Council of the Gulf Cooperation Council (GCC) in its 159th session", Secretariat General of the Gulf Cooperation Council, 3 March 2024.

³⁶ Crisis Group interviews, UN officials, New York, September 2023. A Saudi official said, "It's premature for the UN to get involved. We first need a consensus within the GCC about our approach before we engage with Iran and Iraq". Crisis Group interview, Brussels, 1 August 2023. See also "Scoop: Plans for historic GCC-Iran-Iraq dinner in New York collapse", *Amwaj*, 22 September 2023; and "Iraq wants to overcome dispute with Kuwait over maritime waterway, PM says", Reuters, 26 September 2023. The GCC is composed of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE.

³⁷ For more details, see Crisis Group Middle East Briefing N°87, *Is Restoring the Iran Nuclear Deal Still Possible?*, 12 September 2022.

³⁸ Farnaz Fassihi and Michael D. Shear, "U.S. reaches deal with Iran to free Americans for jailed Iranians and funds", *The New York Times*, 10 August 2023.

³⁹ Crisis Group interviews, Saudi officials, Riyadh, 16 October 2022; Brussels, 1 August 2023. MBS has vowed to acquire a nuclear weapon if Iran does so. "Bret Baier interviews Saudi Prince: Israel peace, 9/11 ties, Iran nuke fears: 'Cannot see another Hiroshima'", Fox News, 20 September 2023.

⁴⁰ Crisis Group interviews, Saudi officials and experts, Riyadh, February-March 2024. Saudi Arabia and Iran both ratified the two agreements, but the joint committees tasked with implementing them convened only a handful of times in the early 2000s with no concrete result. There is no report of the joint committees having met since the March 2023 deal. See also Faris Almaari, "Clarifying the Status of Previous Iran-Saudi Agreements", Washington Institute for Near East Policy, 16 March 2023.

⁴¹ "Iran and Saudi Arabia edge towards closer economic ties", Economist Intelligence Unit, 13 December 2023.

people exchanges, the two states merely reiterated their commitment to respect the March 2023 agreement, without taking a major step forward.⁴²

B. *The View from Tehran*

For Tehran, restoring diplomatic relations with Saudi Arabia checked several boxes. The late President Ebrahim Raisi's government, which had chastised Rouhani's for putting all its eggs in the West's basket by seeking sanctions relief through nuclear diplomacy, came to office in August 2021 promising to improve ties with Iran's neighbours and diversify the country's foreign relations as a counter to the West.⁴³ It doubled down on this approach following the widespread unrest that broke out after the death in custody of Mahsa (Jhina) Amini by the "morality police" in September 2022. Reeling from months of anti-regime protests, and stinging from outside criticism of the brutal force it was using to quell them, the government sought to quieten as many external fronts as possible.⁴⁴

Détente with Saudi Arabia after seven years of acrimony constituted that strategy's crowning achievement, and it is likely to remain high on the agenda of Raisi's successor. This breakthrough, along with accession to the Shanghai Cooperation Organisation and BRICS – the grouping led by Brazil, Russia, India, China and South Africa – in 2023, helped Tehran ease its international isolation after the failure to restore the 2015 nuclear agreement, compensating significantly for its increasingly fraught relations with the U.S. and Europe over its human rights violations and arms shipments to Russia.⁴⁵

Iran also hoped that restoring relations would strengthen its ties with Gulf Arab states. One of its motivations was strategic – to subvert renewed Israeli efforts, in particular, to mobilise a coalition against Iran by deepening military and diplomatic relations among U.S. Middle East allies and isolating the Islamic Republic.⁴⁶ Iran had also accused Saudi Arabia of financially backing Iranian opposition and separatist groups, as well as media outlets critical of the Islamic Republic.⁴⁷

The second was economic, as Tehran expected Saudi investment in an economy dragged down by U.S. sanctions, internal mismanagement and corruption. A senior Iranian official said, "We need investment and the Saudis need leverage over us. This

⁴² "1st meeting of China-Saudi Arabia-Iran trilateral joint committee concludes; MidEast should 'no longer be geopolitical arena' for great powers", *The Global Times*, 16 December 2023.

⁴³ For a description of the Raisi administration's "neighbours first" strategy, see Mohammad Jamshidi and Yaser Nooralivand, "Neighborhood and Integration: The Foreign Policy Doctrine of the Raisi Administration", *Strategic Studies Quarterly*, vol. 26, no. 4 (2024).

⁴⁴ Crisis Group interviews, Iranian officials, Tehran, March-May 2023.

⁴⁵ Crisis Group interviews, Iranian experts, Tehran and Brussels, March-August 2023. See also Sudhi Ranjan Sen, "Iran joins SCO, the China-founded regional security grouping", Bloomberg, 4 July 2023; and "Iran and Saudi Arabia are among 6 nations set to join China and Russia in the BRICS economic bloc", Associated Press, 4 August 2023.

⁴⁶ Anna Jacobs and Laure Foucher, "The Myth of an Emerging 'Mideast NATO'", Crisis Group Commentary, 3 October 2022.

⁴⁷ Arash Karami, "Saudi prince's endorsement of MEK angers Iranian officials", *Al-Monitor*, 11 July 2016; "IRGC warns Saudi Arabia it must 'control' media 'provoking our youth'", *Amwaj*, 18 October 2022; and Crisis Group Middle East Report N°241, *Iran's Khuzestan: Thirst and Turmoil*, 21 August 2023.

means that both sides will win".⁴⁸ Prime economic indicators for Iran appear flattering – GDP grew by 5 per cent in 2023 and is projected to expand by 3.2 per cent in 2024, oil exports have risen, and key sectors such as services and manufacturing have been performing reasonably well. Yet inflation remains high, the currency continues to hit record lows, foreign investment is below expectations and non-oil trade is running a sizeable deficit.⁴⁹ In conversations with their Saudi counterparts, Iranian officials pushed Riyadh to open a new chapter in bilateral trade and investment.⁵⁰

The Saudis appeared reluctant, however, invoking the spectre of the U.S. accusing Riyadh of violating Iran sanctions as justification for their inaction.⁵¹ Their reticence puzzled the Iranian side. “How is it that the Emiratis can be our second largest trade partner while we’re under U.S. sanctions, but the Saudis can’t even take a small step?”, asked a senior Iranian official.⁵²

Tehran is also dissatisfied with what it views as Riyadh’s wariness of exploring common ground on how to settle various crises in the region. Events in Gaza are a case in point. While the two sides agree on the need to avert a broader conflagration, Riyadh has pursued its own agenda vis-à-vis the Gaza war in cooperation with other Arab states, mainly Egypt, the UAE, Qatar and Jordan.⁵³ Raisi visited Riyadh for a combined summit of the Arab League and the Organisation of Islamic Cooperation, championing a diplomatic and economic boycott of Israel, but then surprisingly signed on to a joint declaration in support of a two-state solution to the Israeli-Palestinian conflict – a position Iran promptly shed upon the president’s return to Tehran, noting reservations regarding “several provisions ... especially including the two-state solution, the 1967 borders and the Arab peace plan”.⁵⁴

A tricky moment in the relationship arose when Iran attacked Israel on 13-14 April, in response to a lethal Israeli strike on Iran’s consulate in Damascus on 1 April. Iran reportedly gave Saudi Arabia a heads-up in advance of its missile and drone barrage, which the latter in turn conveyed to Washington, helping the U.S. and Israel prepare to intercept the projectiles; in the immediate aftermath, senior Saudi diplomats were in touch with both their Iranian and U.S. counterparts.⁵⁵ In warning Riyadh of the im-

⁴⁸ Crisis Group interview, Tehran, April 2023.

⁴⁹ “Macro Poverty Outlook for Iran”, The World Bank, April 2024.

⁵⁰ The Iranian Chamber of Commerce put together a cooperation and investment wish list stretching from renewable energy to pharmaceuticals and even military industries. “A Roadmap for Advancing Economic Ties between Iran and Saudi Arabia”, Iran’s Chamber of Commerce, Industries, Mines and Agriculture, May 2023 [Persian].

⁵¹ Crisis Group interviews, Saudi officials, August 2023 and January 2024.

⁵² Crisis Group interview, Tehran, November 2023. The answer is at least in part that the UAE (Dubai, in particular) has developed channels and institutions facilitating business and trade with Iran over decades. Saudi Arabia has not.

⁵³ Crisis Group interviews, Iranian officials and experts, Tehran, February 2024.

⁵⁴ A senior Iranian official explained Iran’s seemingly contradictory moves as follows: “We will not isolate ourselves in the OIC by opposing a two-state solution. But we see a return to the 1967 borders as the first step toward a Palestinian state [in all of Israel-Palestine]”. Crisis Group interview, Tehran, November 2023. See also Nasser Kanaani, spokesman of the Iranian foreign ministry, quoted in “Kanaani: Most of Iran’s proposals incorporated into OIC summit resolution in Riyadh”, Iranian Foreign Ministry, 13 November 2023.

⁵⁵ Iran reportedly shared details of its impending operation with several countries, including Saudi Arabia, while Riyadh and Abu Dhabi also cooperated with Washington to help prepare defences to ward off Iran’s barrage of drones, cruise missiles and ballistic missiles. David Cloud, Dov Lieber,

pending attack, Iran likely wanted to avoid all-out regional escalation on account of what it viewed as a limited but (for purposes of its own credibility) imperative riposte to the Israeli strike. From its side, Riyadh took care not to be seen as allying itself with Israel against Iran, even as it helped mitigate the risks of Tehran's reprisal.⁵⁶

There has also been little tangible progress in boosting political, social and cultural ties, including people-to-people and cultural exchanges – an area in which Iran had expected some advances.⁵⁷ Other than the abovementioned agreement on *hajj*, Iran waived visa requirements for citizens of 33 countries, including Saudi Arabia, on 5 February, but Riyadh has yet to reciprocate.⁵⁸ The preceding December, the two countries began discussions about establishing direct flights, but Iran Air announced in January that it would postpone the first flight to Riyadh indefinitely because of a "technical" disagreement with Saudi Arabia.⁵⁹

These disappointments have created a sense in Tehran that the original deal offers more to Saudi Arabia than it does to Iran. As a senior Iranian official put it:

The kingdom doesn't need Iran's help for its economic development. It needs Iran not to undermine it. Conversely, there is not much harm that the Saudis can inflict on Iran, but they can help with our development plans. So far, the Saudis have obtained what they wanted. They are shielded from the region's tensions.

But the same cannot be said for what Iran has obtained.⁶⁰

Some in Iran express concern that Saudi Arabia aims to use the deal to keep Iran in check and minimise the risk it poses to Saudi interests. "The Saudis want to keep us in the box that the U.S. has put Iran into", said a former Iranian official.⁶¹ Adherents of this view believe that any development, positive or negative, that might upset the present balance, in which Saudi Arabia is rapidly diversifying its economy and becoming stronger while Iran remains shackled by Washington's sanctions and containment strategy, is unattractive to Riyadh. They see the way out of Iran's predicament not as passing through Riyadh but in ending Tehran's quarrels with Washington or in escalating that standoff as a means of pressing the U.S. to call it off.⁶²

Stephen Kalin and Summer Said, "How the U.S. forged a fragile Middle Eastern alliance to repel Iran's Israel attack", *The Wall Street Journal*, 15 April 2024. "Saudi, Qatari foreign ministers discuss regional escalation with Iranian counterpart", Reuters, 14 April 2024; and "Secretary Blinken's Call with Saudi Foreign Minister Prince Faisal bin Farhan Al Saud", U.S. Department of State, 14 April 2024.

⁵⁶ "Saudi Arabia not involved in intercepting Iran missiles, drones at Israel: Sources", Al Arabiya, 15 April 2024.

⁵⁷ Crisis Group interviews, Iranian officials and experts, Tehran, November 2023–February 2024.

⁵⁸ "Iran lifts visa rule for 33 countries including Gulf states – ISNA", Reuters, 14 December 2023.

⁵⁹ "Iran suspends Saudi Arabia-bound flights due to 'technical disagreement' in normalisation setback", *The New Arab*, 5 January 2024.

⁶⁰ Crisis Group interview, Iranian official, Tehran, November 2023.

⁶¹ Crisis Group interview, March 2024.

⁶² Crisis Group interviews, Iranian officials and experts, Tehran, October 2023–March 2024.

C. *The View from Riyadh*

Saudi Arabia pursued the 2023 deal to cool Gulf tensions through dialogue, an objective that sits beside the Saudi leadership's domestic goals, enshrined in Saudi Vision 2030, which require a stable regional environment that encourages foreign investment, tourism and economic integration.⁶³ From Riyadh's perspective, the deal with Tehran was about shifting from a strategy of U.S.-orchestrated "maximum pressure" on Iran to one of "containing and engaging".⁶⁴

Saudi Arabia has long said Iranian support for non-state actors in Iraq, Syria, Lebanon and especially Yemen threatens its own and the region's security. To assuage its concerns, the 2023 deal reportedly included Iranian promises to try dissuading the Houthis from launching further attacks on Saudi Arabia and halt weapons shipments to the group, as well as a provision on moving toward an intra-Yemeni peace process.⁶⁵ To date, however, most of Riyadh's complaints about Tehran, including what it regards as Iran's destabilising activities in the region, remain unaddressed.⁶⁶ Even if the two countries can overcome these obstacles to draw closer together, U.S. sanctions on Iran would continue to pose a significant barrier to greater economic cooperation.

Two schools of thought have emerged in Saudi policy circles about the 2023 deal. One continues to distrust Iran, believing it is behind all the region's ills; the other views Iran as a security problem that can be contained by improving bilateral ties.⁶⁷ These divisions manifest themselves in the stop-start way the Saudi leadership thinks about the relationship and whether to expand it. Nevertheless, Riyadh has little appetite for confrontation with any regional actor, especially Tehran, because it would threaten the regional stability needed for Saudi Arabia's economy to thrive. For now, Riyadh welcomes the newly established direct channels with Tehran, which span its diplomatic, security and intelligence arms, giving the two countries several entry points for communication in times of crisis. But it wants to forge the necessary institutional links before going much further.⁶⁸

Riyadh prefers a step-by-step process. First, in its view, comes de-escalation and establishment of political ties, followed by more substantive discussions that address the core tensions between the two countries and help build confidence in their respective good faith. After that, the parties can move on to greater cooperation in the various sectors outlined in the deal, including trade, security and people-to-people exchanges.⁶⁹ For now, Riyadh believes that the relationship is still in phase one because de-escalation remains incomplete, while efforts to establish political relations

⁶³ Jacobs, "Understanding Saudi Arabia's Recalibrated Foreign Policy", op. cit.

⁶⁴ Crisis Group interview, Saudi official, Riyadh, 15 March 2023. "The priority is to change from confrontation to engagement" in the region, explained another senior Saudi official. "We don't see how non-engagement works. Isolating Iran [and Syria] doesn't work". Crisis Group interview, Riyadh, 29 February 2024.

⁶⁵ Crisis Group interview, senior Saudi official, Riyadh, 29 February 2024.

⁶⁶ Crisis Group interview, Saudi official, Riyadh, 20 May 2024.

⁶⁷ Crisis Group interview, Saudi official, 2 March 2024.

⁶⁸ Crisis Group interview, senior Saudi official, Riyadh, 29 February 2024. This official also said, "When we have concerns about anything, we are able to talk directly".

⁶⁹ Crisis Group interviews, Saudi expert close to the government, Riyadh, 27 February 2024; senior Saudi official, Riyadh, 29 February 2024.

have yet to follow the expected protocol. It viewed Iran as dithering about organising a formal state visit to Riyadh by the late President Raisi, seen as necessary to lay the groundwork for Crown Prince Mohammed bin Salman's subsequent trip to Tehran. It sees both visits – but in that order, which it says Iranian leaders have agreed to – as critical steps in expanding relations.⁷⁰ A senior Iranian official countered that diplomatic niceties should not put off the practical work of advancing bilateral ties.⁷¹

Saudi officials blame Iran for the delays that are preventing progress to phase two. “Iran is saying all the right things in terms of improving relations with Saudi Arabia, but a real commitment is lacking”, one charged, listing enduring sources of tension.⁷² Saudi leaders are particularly impatient with Iran for its failure to rein in its regional non-state allies. To the contrary, they see Iran as having unleashed its “axis of resistance” – primarily Hezbollah in Lebanon, paramilitary groups in Iraq and the Houthis in Yemen – in response to the Gaza war, pushing Saudi Arabia further into the U.S. camp despite Riyadh’s own anger about Israel’s actions.⁷³ A Saudi official said, “The deal and this moment in time both offer an opportunity for Iran to redefine its relations with the [rest of the] Gulf”; doing so would “make it difficult for Saudi Arabia to give in to U.S. and Israeli pressure to band together against Iran”.⁷⁴

Instead, Saudi officials see Iran using the Gaza war as an opportunity to destabilise the Middle East and push back against any plan Saudi Arabia might have to normalise relations with Israel. Because Iran does not support a two-state solution, Riyadh believes there is a limit to what Tehran can contribute to diplomatic efforts to ending the conflict. As a result, senior Saudi officials say, they do not seriously discuss Gaza with Iran.⁷⁵

Saudi officials say Iran also has not delivered on its pledges regarding Yemen.⁷⁶ While Houthi cross-border strikes have mostly stopped, an attack in September 2023 killed four Bahraini soldiers patrolling the Saudi Arabian side of the Saudi Arabia-Yemen frontier.⁷⁷ Riyadh also says Iran has continued arming the Houthis while the group fires upon commercial shipping in the Red Sea and Gulf of Aden, in what it says is a response to Israel’s offensive in Gaza. Iran, for its part, insists it has no control of the Houthis, whether in those attacks or in past strikes on Saudi Arabia. Yet the evidence suggests a degree of support that goes beyond rhetoric: in January, U.S. forces seized two Iranian weapons shipments allegedly bound for Yemen.⁷⁸ Even if Iran may not have intended the Houthis to use these weapons against Saudi Arabia, Riyadh views the transfers as continuing Iran’s harmful effort to project power in the

⁷⁰ Crisis Group interview, Saudi official, 2 March 2024.

⁷¹ Crisis Group interview, Tehran, November 2023.

⁷² Crisis Group interview, Saudi official, 2 March 2024.

⁷³ Tensions involving Iran-backed groups have soared since the Gaza war broke out in October 2023. But other than the Houthis’ campaign targeting ships in the Red Sea and Gulf of Aden, and U.S. and allied strikes on Yemen in retaliation, the Gulf region has largely been spared spillover.

⁷⁴ Crisis Group interview, Saudi official, 2 March 2024.

⁷⁵ Crisis Group interview, senior Saudi official, Riyadh, 29 February 2024.

⁷⁶ Ibid.

⁷⁷ “Fourth Bahraini serviceman dies after Houthi drone attack close to Saudi border”, Reuters, 29 September 2023.

⁷⁸ See “USCENTCOM seizes Iranian advanced conventional weapons bound for Houthis”, press release, U.S. Central Command, 16 January 2024; and “CENTCOM intercepts Iranian weapons shipments intended for Houthis”, U.S. Navy, 15 February 2024.

region. Alleged Iranian arms shipments to the Sudanese army amid its war with the paramilitary Rapid Support Forces strengthen this perception, especially as Riyadh is trying to mediate an end to that conflict.⁷⁹

A final Saudi grievance is that Iran has not kept its promise to tone down antagonistic rhetoric in its media outlets, as both countries undertook to do. As a result, Riyadh says, Saudi Arabia reverted to its own prior stance: “They may have made some small efforts, but they didn’t stop criticising us completely, so we also released the hold on our media to criticise them if they wanted to”, said a Saudi official.⁸⁰ Iranian officials maintain that there was never any discernible shift in the tenor of Saudi-sponsored coverage.⁸¹

For these reasons, closer Iranian-Saudi economic cooperation is lagging. Less than a week after the two countries signed the deal, the Saudi finance minister said Saudi investments in Iran could happen “very quickly”.⁸² Yet there has been no tangible progress in the past year.

IV. From Détente to Cooperation?

Previous episodes of détente between Iran and Saudi Arabia invariably ended in a return to antagonism. While de-escalation and dialogue between the two Middle East powerhouses are welcome, both appear sceptical about how long the improvement in their relations will last.⁸³ The two sides’ allies are at daggers drawn in the region, and U.S. policy after the November presidential election is deeply uncertain, complicating an already fraught picture. Against this backdrop, another failed experiment is all too possible. A resurgence of rancour would have adverse repercussions for a region that has suffered from years of proxy conflict, rendering future attempts at establishing a sustainable modus vivendi harder.

A. Managing Expectations

Iranian-Saudi reconciliation can still proceed on the right path, but both sides will need to learn to compartmentalise and show flexibility. First, Riyadh will need to find a way to make progress on the assumption that the Islamic Republic will not dismantle the network of regional partners and proxies it considers critical to its national security and a powerful deterrent – something it will almost surely refuse to do as long as it has no viable strategic alternative.⁸⁴ If Iran were to back away from

⁷⁹ Crisis Group interviews, Saudi officials and political/security experts, Riyadh, February-March 2024. See also “Iranian drones become latest proxy tool in Sudan’s civil war”, Bloomberg, 24 January 2024.

⁸⁰ Crisis Group interview, Saudi official, 2 March 2024.

⁸¹ Crisis Group interviews, Tehran, March 2024.

⁸² “Saudi Arabia could invest in Iran ‘very quickly’ after agreement, minister”, Reuters, 15 March 2023.

⁸³ Crisis Group interviews, GCC and Saudi officials, Riyadh, February-March 2024; Iranian officials, Tehran, March 2024.

⁸⁴ For more background on Iran’s regional policies, see Crisis Group Report, *Iran’s Priorities in a Turbulent Middle East*, op. cit.

its regional power projection, it would need security-related concessions from its Gulf Arab neighbours. Tehran can certainly play a less antagonistic role in the region, and encourage its regional partners to do so as well, especially the Houthis, over whom it has significant influence (though not control).⁸⁵ Even that could fail to generate satisfying results for Riyadh, however, given that each of these groups has its own priorities and grievances. None will necessarily take orders from Iran.

Secondly, durable de-escalation between Iran and Saudi Arabia is unlikely as long as Tehran sees it as a way station toward its professed goal of ejecting external powers – ie, the U.S. – from the region. If it wants significantly improved relations with Saudi Arabia, Iran will have to make room for Riyadh’s (and other Gulf Arab capitals’) vision for regional security, which involves having a powerful external guarantor. Saudi Arabia cannot afford to lessen its dependence on U.S. military backing while Iran’s non-state allies are undermining states in the region. Iran may also have to live with Saudi Arabia normalising relations with Israel in the future – albeit a future that the war in Gaza has delayed – and the significantly larger Israeli economic, political and security footprint in the Arabian Peninsula that would entail. Likewise, Iran must recognise that Saudi Arabia can go only so far in providing it with the fruits of détente while the Iran-backed Houthi attacks on shipping continue and Tehran remains on an escalatory trajectory with the U.S. and Israel.

Thirdly, Saudi Arabia and its allies have tended to keep Iran at arm’s length in discussions of Gulf and Middle East security concerns, but they will need to change their stance – starting with Riyadh’s contention that Iran should not involve itself in Arab affairs to begin with.⁸⁶ This position is untenable: the region consists of more than just the Arab world. Iran is a regional player; hoping to sideline it in Middle Eastern affairs is wishful thinking. From its side, Tehran should realise that Riyadh is treading gingerly, aiming to build lasting institutional links that span government bodies before seeking to expand economic and security ties. Decades of suspicion cannot be overcome overnight. What may look like procrastination on Riyadh’s part could instead be seen as an intent to move forward, if methodically and deliberately.

B. An Unlikely Grand Bargain

The Saudi leadership might, however, consider another approach. Its agreement with Iran has given it the opportunity to help move the needle on the unresolved question of Iran’s nuclear program. During the negotiations between Iran and the P5+1 (the five permanent members of the UN Security Council and Germany) that led to the 2015 nuclear deal, Riyadh complained that the West was putting nuclear non-proliferation over Iran’s regional power projection, which threatened its interests more tangibly through Iran’s ballistic missiles and support for violent non-state actors.⁸⁷

⁸⁵ See Crisis Group Middle East Report N°233, *Truce Test: The Houthis and Yemen’s War of Narratives*, 29 April 2022; and Ahmed Nagi, “The Conflict in Yemen is More Than a Proxy War”, *Foreign Affairs*, 21 July 2023.

⁸⁶ Crisis Group interviews, Emirati and Saudi officials, Abu Dhabi and Riyadh, October 2022–February 2024. See also Crisis Group Middle East Reports N°226, *A Time for Talks: Toward Dialogue between the Gulf Arab States and Iran*, 24 August 2021; and *Saudi Arabia: Back to Baghdad*, op. cit.

⁸⁷ Crisis Group interviews, Saudi officials and experts, Riyadh, 2023–2024.

Today, since it is unlikely that the deal can be revived in its original form, Saudi Arabia could use ties with both Iran and the U.S. to urge them to start talks about a broader agreement that would seek to contain Iran's regional power projection along with the nuclear program in exchange for the economic support that Tehran desperately needs. For instance, Iran could cap or roll back some of its nuclear activities in return for the U.S. allowing Saudi investment in specific segments of the Iranian economy.

The prospects for such an arrangement remain very modest, at least until January 2025, when a new administration takes office in Washington. Even then, such ideas could be dismissed in favour of a more aggressive approach that precludes economic incentives. A trilateral deal among the U.S., Saudi Arabia and Israel, should they conclude one, would further complicate Iranian-Saudi relations and the possibility of a new bargain.⁸⁸

Still, the possibility is worth exploring as circumstances allow, if nothing else because of the stakes. Resolution of the standoff over Iran's nuclear program would boost regional peace and security; remove a major source of geopolitical friction for Tehran; and bring strategic and economic benefits for Riyadh and others in the Middle East.⁸⁹ The reverse is true as well. Were Tehran to move toward nuclear weaponisation, the consequences for Riyadh – Iran using the leverage of possessing a nuclear weapon or enduring U.S. and/or Israeli bombardment in its attempt to acquire one – range from bad to disastrous. In the former scenario, Saudi Arabia would likely feel impelled to either consider matching Iran's nuclear capabilities, which would strain its own ties with the West, or acquiesce to a nuclear-armed Iran (perhaps counting on the U.S. nuclear umbrella), recognising that Tehran would face fewer constraints in supporting proxies in the kingdom's backyard.⁹⁰ In the latter case, Saudi Arabia might again be in the crossfire of a U.S.-Iranian confrontation, as happened with the 2019 attacks on Abqaiq and Khurais.⁹¹

For now, Riyadh appears reluctant to be proactive in restarting or participating in talks about Iran's role on either the nuclear or conventional fronts. A Saudi official said, "The West didn't listen to us when they were negotiating with Iran, and now

⁸⁸ Such a deal reportedly would at least include normalisation of Saudi-Israeli relations, a U.S.-Saudi defence agreement and U.S. provision of civilian nuclear technology to Saudi Arabia. Samia Nakhoul, James Mackenzie, Matt Spetalnick and Aziz El Yaakoubi, "Exclusive: US-Saudi defence pact tied to Israel deal, Palestinian demands put aside", Reuters, 29 September 2023. The defence agreement would provide deterrence for Riyadh, making Iran think twice about any attack on Saudi Arabia. But, at the same time, it could raise tensions with Iran by giving both the U.S. and Israel a stronger hand in the Gulf. It could also increase the threat of nuclear proliferation in the region by giving the Saudis the means to enrich uranium. Kelsey Davenport, "Saudi push for enrichment raises concerns", Arms Control Association, November 2023.

⁸⁹ Iranian officials have also raised the possibility of bilateral cooperation on nuclear technology. "AEOI chief meets Saudi envoy, elaborates on Iran's peaceful nuclear program", Islamic Republic News Agency, 6 May 2024.

⁹⁰ If Iran were to build a nuclear weapon, MBS said in a 2023 interview, "we would have to get one", too. Quoted in Julian Borger, "Crown prince confirms Saudi Arabia will see nuclear arsenal if Iran develops one", *The Guardian*, 21 September 2023.

⁹¹ Crisis Group Middle East Report N°205, *Averting the Middle East's 1914 Moment*, 1 August 2019.

that talks have hit a wall, they want us to step in and solve the issue for them? That's not logical".⁹²

C. *Short-term Wins*

While talks about a grand bargain that would resolve all issues at once do not appear on the cards in the near future, the two sides could pursue concrete short-term agreements that would salvage the process set in motion by the Beijing-brokered deal.

As a pragmatic first step, the two countries should consider establishing a joint Saudi-Iranian coordination council, similar to the body that Saudi Arabia and Qatar established in 2021 to bridge their rift of the preceding five years.⁹³ The council could elaborate a plan for expanding political, economic, cultural and other ties, overseeing subcommittees focused on various areas of cooperation.

Potential avenues of progress include: technical meetings of public health experts to discuss responses to the COVID-19 and future pandemics; a series of expert gatherings to explore best practices for protecting the region's land and marine environment from the adverse effects of droughts and sandstorms; and a student exchange program similar to the Erasmus Programme (European Community Action Scheme for the Mobility of University Students) or the Franco-German Youth Office, which has promoted bilateral cultural exchanges for decades.⁹⁴ Moving forward with such a council also could facilitate the progress of reported plans for resuming commercial flights, establishing a joint chamber of commerce and expanding non-sanctioned trade.

On the economic front, while a serious effort at building strong ties may be premature, the two countries could at least launch technical discussions about plans to forge them under broad headings such as investment, trade, digital technology and tourism. These discussions could be held under the umbrella of the coordination council. Tehran and Riyadh reportedly agreed to develop a roadmap for economic cooperation, but they have yet to complete it.⁹⁵ They could now establish a standing joint committee at a technical level to finish the roadmap and work to address legal or political obstacles to its success. Moving forward in this more limited way would not only assuage Iranian scepticism of Saudi intentions, but it would also allow Riyadh to present Washington with a concrete plan for ensuring that economic dealings with Iran do not violate U.S. sanctions.

Aware of Iranian expectations on the economic front, a Chinese delegation reportedly visited Saudi Arabia in February to push Riyadh "to invest in Iran and do a flagship project to send a positive message to Tehran".⁹⁶ A Saudi official claimed that

⁹² Crisis Group interview, Saudi official, 2 March 2024.

⁹³ For background, see Anna Jacobs, "Gulf Arab Reconciliation Hides Simmering Tensions", Crisis Group Commentary, 12 July 2023.

⁹⁴ The EU established the Erasmus Programme to promote student mobility within Europe. For more information, see its website. The Franco-German Youth Office promotes bilateral exchanges and cooperation between young people from the two countries. For more information, see its website.

⁹⁵ Post by Ehsan Khandoozi on X, @Khandoosi_se, Iranian minister of economic affairs and finance, 11:16am, 29 April 2024.

⁹⁶ Crisis Group interview, Saudi expert close to the government, Riyadh, 27 February 2024.

the government had devoted time and resources to exploring avenues for economic cooperation and was preparing memoranda of understanding that would form the basis of future deals. But the official could give no indication as to what the next step might be.⁹⁷ What matters is that Riyadh is comfortable with the project selected and that Tehran can point to it as proof of tangible progress in bilateral relations.

V. Conclusion

Given the historical rivalry between Saudi Arabia and Iran, and the long list of issues on which their views differ, an agreement to restore diplomatic ties is unlikely to blossom quickly into full cooperation. But past cycles of tentative engagement and bitter competition underscore the importance of seizing the opportunity afforded by the détente brokered by Beijing. Through efforts to manage expectations of each other and patient diplomacy, the two countries can start building a pattern of constructive, institutionalised interaction that has the potential to set the floor, and perhaps also raise the ceiling, for their unfolding peaceful engagement.

Tehran/Riyadh/Washington/Brussels, 13 June 2024

⁹⁷ Crisis Group interview, Saudi official, March 2024. It was unclear what China had in mind at that point, but within two months of the Chinese delegation's visit, a member of the presiding board of Iran's Chamber of Commerce, Industries, Mines and Agriculture announced plans for a joint Iranian-Saudi chamber of commerce. "Iran, Saudi Arabia to open joint chamber of commerce: Iranian business leader", CGTN, 3 April 2024. Iran's deputy foreign minister for economic diplomacy and economy subsequently held meetings with Saudi officials on the sidelines of a World Economic Forum special meeting in Riyadh on 28-29 April to discuss furthering bilateral economic ties. "Iran's deputy FM attends World Economic Forum in Riyadh", Iran Press Agency, 28 April 2024.

Appendix A: About the International Crisis Group

The International Crisis Group (Crisis Group) is an independent, non-profit, non-governmental organisation, with some 120 staff members on five continents, working through field-based analysis and high-level advocacy to prevent and resolve deadly conflict.

Crisis Group's approach is grounded in field research. Teams of political analysts are located within or close by countries or regions at risk of outbreak, escalation or recurrence of violent conflict. Based on information and assessments from the field, it produces analytical reports containing practical recommendations targeted at key international, regional and national decision-takers. Crisis Group also publishes *CrisisWatch*, a monthly early-warning bulletin, providing a succinct regular update on the state of play in up to 80 situations of conflict or potential conflict around the world.

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Comfort Ero was appointed Crisis Group's President & CEO in December 2021. She first joined Crisis Group as West Africa Project Director in 2001 and later rose to become Africa Program Director in 2011 and then Interim Vice President. In between her two tenures at Crisis Group, she worked for the International Centre for Transitional Justice and the Special Representative of the UN Secretary-General in Liberia.

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