
How the Iran Deal will re-shape the balance of power in the Middle East: a look at Saudi Arabia and Iran



12th August, 2015

Daniel Heffron, Junior Researcher, North American Programme

daniel.heffron@cgsrs.org

Centre for Geopolitics & Security in Realism Studies

20-22 Wenlock Road, London N1 7GU, United Kingdom

www.cgsrs.com / info@cgsrs.org

EXECUTIVE SUMMARY

The deal struck between Iran and the five permanent members of the United Nations (U.N.) Security Council and Germany (P5+1), was an historic moment. Iran had agreed to curtail its nuclear program in exchange for the lifting of international oil and financial sanctions which had crippled its economy, and eventually the lifting of an arms embargo. The Iran Deal will boost the country's trade and GDP, integrate it into global markets, and open avenues for cooperation with other states in the international system. However, Iran likely will use its new economic strength and access to arms to support its proxies in a bid to extend its regional influence. Without efforts by the U.S. and the international community to decrease tensions between Saudi Arabia and Iran, the Iran Deal will reinvigorate the power struggle between Riyadh and Tehran. Both states will continue to export their influence throughout the region by supporting opposing proxies in Syria, Iraq and Yemen, as each strives for dominance in the Middle East.

ANALYSIS

Introduction

The deal struck between Iran and the five permanent members of the United Nations (U.N.) Security Council and Germany (P5+1), was an historic moment. Iran had agreed to curtail its nuclear program in exchange for the lifting of international oil and financial sanctions which had crippled its economy, and eventually the lifting of an arms embargo. The deal will allow Iran to come out from the cold and reap the benefits of foreign direct investment and a chance to participate in the global economy, as well as eventually trading arms again. United States (U.S.) President Barack Obama described the Iran Deal as having the potential to initiate peace and stability in the Middle East (Freidman, 2015). The simple fact that now Iran will be unable to break out with a nuclear weapon for the next 10 years is a good outcome for America, Israel and the Arab states in the region.

In order to assess the Iran Deal's effect on the balance of power in the Middle East, the response of Saudi Arabia, Iran's longstanding rival in the region, will be analysed. It will be argued that whilst the threat of Iran possessing a nuclear weapon has been checked, Saudi Arabia will feel increasingly threatened by an Iran that, now relieved of international sanctions, will likely use its new economic strength and legitimacy to try and extend its influence across the region, as it struggles to become a regional hegemon (*The Economist*, 2015, p.9). In order to limit this threat Saudi Arabia likely will balance against Iran's rising power in the region. Ultimately, the Iran Deal has prevented a nuclear arms race, but has reinvigorated the power struggle between Riyadh and Tehran as both strive for dominance in the region.

What is the Deal?

The Iran Deal, agreed by Iran, the U.S. and its partners, is the culmination of 20 months of negotiations and 18 days of continuous talks in Vienna. The Deal signifies an important moment for Iran, the Middle East, and international security. As Obama put it quitesimply: "no agreement and an unbridled nuclear arms race in the Middle East" (Gordon and Sanger, 2015). The basis of the Deal is that in exchange for the lifting of first international sanctions and eventually the extant arms embargo, which were crippling the Iranian economy, Iran will curb its uranium enrichment efforts and curtail its potential to build a nuclear weapon. The limits on the uranium enrichment program will mean that the breakout time for Iran to produce enough weapons-grade material for a singular nuclear weapon will be expanded from three months to one year for a period of 10 years (Heinonen, 2015).

Nuclear sites in Iran



Source: *Forbes* (2015)

In order for the international community to implement the deal successfully, Iran has agreed to allow the International Atomic Energy Agency (IAEA) greater access to its nuclear

sites, research reactors, and uranium mines. It has also consented to redesign its Arak nuclear site so that it will be unable to produce weapons-grade plutonium.

How will the Deal transform Iran's position in the Middle East?

The deal, once ratified, will terminate years of U.S., European Union (E.U.) and U.N. sanctions and diplomatic isolation against Iran, and reintroduce Tehran into the global economy. Despite the crippling effects of sanctions Iran is still currently the 18th largest economy in the world (*The Economist*, 2015). Iran has the world's fourth-largest proved oil reserves and the world's second-largest gas reserves; it is the biggest car producer in the Middle East, and the majority of its 80 million citizens are "well-educated" (*Energy Information Agency (EIA)*, 2015; *World Bank*, 2015; *The Economist*, 2015). These factors make Tehran attractive for foreign direct investment. In light of the deal, Iranian leaders want to double the country's crude oil exports to 2.3 million barrels a day, a strategy which would rival their Arab neighbor Saudi Arabia as the regional exporter of oil (Faucon and Said, 2015). There are also plans for Iran to buy "90 planes per year from Boeing and Airbus" (*Reuters*, 2015) after sanctions are lifted, as it looks to revamp its old fleet and boost tourism and GDP. All of this suggests that the lifting of sanctions likely will result in economic growth for Iran.

"The scramble for Persia"

Iranian leaders are not the only ones planning to reap the rewards of an Iran that is trading with the rest of the world. Regional powerhouse Turkey is expected to be the first country to expand its trade with a post-deal Iran. Keen to transform Turkey into a regional energy hub, Prime Minister Recep Tayyip Erdogan will see potential in importing gas

from the South Pars fields in Iran (Unver, 2015). Once the Iranian sanctions are lifted, talks most likely will resume regarding the Iran-Turkey-Europe (ITE) gas pipeline. This pipeline will transport gas from Iran via Turkey into Europe, and in the process help in "easing Europe's dependency on Russian gas" (*Economist*, 2015). This has become a growing concern since the onset of conflict in Ukraine. The ITE pipeline could make Iran a key exporter of gas to the European continent, and subsequently a country of strategic importance for the E.U. The export of gas to Turkey and Europe would provide a huge boost to the Iranian economy (Iran's leaders have even set a standard of 8% annual GDP growth). Iran will reveal its new oil and gas projects this December at a conference in London. It is expected to announce "new contracts with foreign companies [that] will be signed in the IPC (Integrated Petroleum Contract) framework" (*Natural Gas Europe*, 2015). These oil and gas projects, which are worth \$185 billion, will include deals with Anglo-Dutch Royal Dutch Shell, France's Total, the United Kingdom's (U.K.) BP, and Italy's Eni.

Furthermore, better trading agreements and improved overall relations with the world could transform Iran from a pariah state akin to North Korea, into a regional economic hegemon. Such strong economic outlooks have even led some Western diplomats and financiers to predict that "within a decade, Iran's GDP might surpass that of Saudi Arabia and Turkey" (*Economist*, 2015).

In the weeks after the historic July agreement numerous diplomats and business representatives from European nations have traveled to Tehran "in an effort to get in early" (Tisdall, 2015) and secure diplomatic, trade, and business deals. Last month, French foreign official Laurent Fabius made the first trip to Iran by any French minister in 12 years to "cash in on business opportunities, especially oil and cars" (Tisdall, 2015). A delegation of over 100 French business leaders is due to visit Tehran

in September. German vice-chancellor and economy minister, Sigmar Gabriel, also made the trip to Tehran last month and met with President Rouhani to discuss ways of normalising relations between the two countries and building closer economic ties (*Reuters*, 2015). This was followed by a delegation of German business representatives, including top leaders of the industrial gases group, Linde. Top officials from Italy, Spain, Austria, Serbia, and Switzerland also have recently made trips to Tehran, with Iran's President Rouhani even accepting an invitation to visit Rome in the coming weeks (*Reuters*, 2015).

These visits by European diplomats and business leaders signify the forging of European-Iranian economic and political ties in light of the Iran Deal. The Iranian ambassador to the U.N. has revealed that within the past few weeks Iran has “approved more than \$2bn of projects... by European countries” (Tisdall, 2015). It appears that even before the official removal of the sanctions regime, the “scramble for Persia” (*Guardian*, 2015) has already begun.

As economic relations between Iran and the rest of the world normalise, there could be an opportunity for Iran's internal politics to transform. Many inside the country's factional politics might begin to argue that Iran is “better served by decent relations with foreigners than by bad ones” (*Economist*, 2015). The more the country benefits from its new economic position, the louder these internal voices likely will become. The potential for Iran to better its relations with the rest of the world could in turn lead to peace talks between Tehran and Riyadh, whose rivalry with and support for combatting proxies across the region has armed insurgents in Syria, Iraq, and Yemen.

Islamic State (I.S.) as a mutual threat to Iran and Saudi Arabia

Despite the immediate economic benefit from Iran's deal with the UN P5+1, the accord also will give Iran more political leverage to engage with regional threats. The present is the closest ties have been between America and Iran since the 1979 revolution. Thomas Friedman (2015) argues the deal has come at an opportune time to transform ties between Iran and Saudi Arabia, and potentially bring the two countries closer together to focus on eliminating the regional threat of the Islamic State (I.S.).

Capitalising on the large scale violence in Syria, I.S. has captured large swaths of territory between Damascus and Baghdad. The possibility that I.S. could solidify its territory in Syria and Iraq, attract more extremist fighters to its cause, and become a training ground for terrorists, makes it a direct threat to the region and to the U.S. (Gottlieb, 2014). The current coalition of states led by the U.S. (which includes Saudi Arabia) that are fighting against I.S., could officially invite Iran to assist in their military activities. By getting Riyadh and Tehran to engage in eliminating a mutual threat, the U.S. could lower tensions between the two states. Without efforts to lower tensions between the two regional powerhouses, Friedman (2015) warns, any empowerment of Iran is more likely to create an even greater rift and further disjoint the balance of power in the region.

Iran is already reaping the economic benefits of the deal, as seen by European diplomats' and business leaders' engagement with Tehran. These will increase as sanctions are removed. However, despite Iran's potential to improve relations with the West, Tehran likely will use its newfound economic strength to support proxies and extend its regional influence. Without knowing Saudi Arabia's intentions, Iran will pursue a more aggressive foreign policy to secure its position as a regional hegemon.

The Iran Deal highlights Saudi Arabia's vulnerability

A New Friendship the Middle East?

The Deal brokered in Vienna bringing Iran out of the cold and enabling it to boost its economy and trade ultimately will highlight Saudi Arabia's vulnerabilities in the region. The shaking of hands between U.S. Secretary of State John Kerry and Iranian Foreign Minister Mohammed-Javad Zarif is a symbol of how far the two nations have come. This will worry King Salman of Saudi Arabia. A nuclear free, economically strong Iran could be a strategic ally for the U.S. in a region that is heavily compromised by sectarian violence. Furthermore, the potential for Iran to create deeper economic ties with the rest of the region and the West will leave Saudi Arabia needing reassurances from its oldest ally, America, that it will not "abandon the kingdom and appoint Iran as its new regional policeman" (*Economist*, 2015). An example of this vulnerability is Saudi foreign minister Adel al-Jubeir's trip to Washington ("upon the request of Saudi Arabia's King Salman") (Siddiqui, 2015) just a week after the deal was concluded. During the meeting, al-Jubeir spoke with President Obama about the details of the Iran agreement and outlined ways of deepening U.S.-Saudi relations. These types of reassurances will be needed by Saudi Arabia not only as Iran's geopolitical position changes, but as the region's energy markets shift.

Energy matters

The energy competition that Iran poses to Saudi Arabia as the region's main oil exporter also will raise concerns for the Sunni Kingdom, especially if U.S.-Iranian relations were to grow. Iran's Minister of Petroleum Bijan Zanganeh has stated that the country could double its oil production by over 500,000 barrels per day within the first week after sanctions are lifted, and by over 1 million barrels per day within the

first month (Kalantari & Motevalli, 2015). Considering that the deal first must be approved by legislative authorities in Washington and Tehran, sanctions on Iran could be lifted by the end of the year. This would allow Iran to return to high levels of oil production and exports by early 2016.

With Iran poised to reassert itself in the region as a key oil exporter, coupled with the fact that the U.S. is on course to overtake Saudi Arabia as the world's top oil producer by 2020, the regional environment is set to witness a strategic shift (Mousavian, 2015). One of the key blocks to a U.S.-Saudi relationship is the latter's status as the world largest oil exporter, and its ability to produce and sell oil to America. Energy has been an important part of Washington's foreign policy towards Saudi Arabia. The U.S. has had to face off with Iran numerous times in order to keep the shipping lanes in the Strait of Hormuz open for oil exports (Gladstone, 2015). However, the U.S. is now "taking strides towards energy independence" (Blas, 2013), and China has become the largest importer of Persian Gulf crude oil. Furthermore, whilst oil trade has been an important part of the U.S.-Saudi relationship, Saudi Arabia's funding for and promotion of Wahhabi terrorism in the region has often been overlooked (Choksy & Choksy, 2015). As the U.S. relies less on foreign oil, the unchecked power of extremist Wahhabi sects within Saudi Arabian society, domestically and abroad, could cause a rift in U.S.-Saudi ties.

Now China, a country with the largest population in the world and a fast-growing economy, has become the "largest energy consumer and producer" (*Energy Information Administration*, 2015). In 2013, China imported 19% of its 5.6 million barrels of oil per day from Saudi Arabia (*Energy Information Administration*, 2014). Together with Angola, Saudi Arabia remained one of China's largest sources of oil imports in 2014, with both states' exports amounting to 29% of China's total oil imports (*Energy Information Administration*, 2015).

As a result of this shift in energy imports, Beijing will pursue a more assertive foreign policy in the Persian Gulf and play a more important role in “patrolling the world’s key shipping lanes” (Blas, 2013). The U.S. will not become disinterested in the Mid-East oil trade, however. The price of oil on the global market will still depend on whether oil is flowing from the Persian Gulf. Any disruption in the oil trade in the Gulf will raise the global price of oil for every state (Herberg in Gleiten, 2012).

Ultimately, China is becoming more involved in the region’s energy markets, whilst the U.S. is taking steps towards greater energy independence. Although Saudi Arabia will benefit from business with China, it will feel vulnerable, especially after the Iran Deal, for two reasons. First, the deal could strengthen Iran’s economy, help increase GDP, boost oil exports, and thus bolster Tehran’s geopolitical importance in the region. The accord will also eventually lift the arms embargo currently imposed on Iran, which will allow it to better equip and “fund proxy wars and its regional influence” (Morris & Naylor, 2015). Second, Riyadh will worry that Iran’s potential to become stronger in the region comes at a time when American regional influence is declining. If Iran was to fund more proxy wars and pursue a more aggressive foreign policy in the region, Saudi Arabia, and not its ally America, would “become the first line of defence” (*Aljazeera*, 2015).

In fact, Saudi Arabia recently has requested to purchase 600 patriot missiles from the U.S. This can be decoded as a signal that Riyadh is feeling increasingly vulnerable after the Iran Deal. Thomas Karako, a missile defence expert at the Center for Strategic and International Studies (CSIS) has described Saudi Arabia’s request for the missiles as a “consequence of leaving the Iran missile program intact and in fact signaling sanctions will go down on it” (Karako in Weisgerber, 2015). Thus, whilst the Iran Deal curtailed

Iran’s nuclear program and potentially avoided a nuclear arms race in the Middle East, it may spur a non-nuclear arms race between Saudi Arabia and Iran.

Saudi Arabia and Iran’s Proxy Wars: more money to flood regional battlegrounds?

Iran has been subjected to soft-power sanctions from the West and the United Nations since 1979, including more gripping sanctions since 1995. However, as a result of Iran’s recent continued pursuit of its nuclear program, the sanctions were tightened to target Iran’s oil exports and to limit its imports. With oil exports amounting to 85% of the country’s export revenue, these redoubled sanctions placed a significant strain on the Iranian economy and dramatically increased the cost of living for the average citizen (Jones, 2015). Although Iran has suffered high inflation during recent decades, inflation levels soared to 40% in 2013.

The new sanctions have effectively brought Iran to the negotiating table. With a deal struck in July 2015, how Iran responds to improved relations with the rest of the world remains to be seen. There is a strong possibility that Iran will use its stronger economic presence to pump more funds into the proxy wars it is supporting in the region, thus creating an even greater face-off with rivals Israel and Saudi Arabia. Saudi Arabian leaders believe that Iran will render even greater support to its proxies after sanctions are lifted, and evidence suggests that Riyadh is preparing for the coming storm. The Arab Winter may be facing a dangerous blizzard in the coming years.

The Saudi-Iran rivalry

The Iran Deal may spur the Middle East into further conflict due to key rivalries in the region. Saudi Arabia encompasses the majority

land of the Arabian Peninsula, whilst Iran sits at the easternmost edge of the Middle East, dividing the region from the Caucasus and Central and South Asia. The two regional powerhouses are geographically separated only by the narrow width of the Persian Gulf. Tensions between the two dominant states always have been high. Saudi Arabia has historically relied on the U.S. military to keep the Strait of Hormuz, the gateway to the Persian Gulf, open in order to export the majority of its oil (*New York Times*, 2015). Iran sees the Strait of Hormuz as part of its territory. This perception has been the cause of many stand offs with the U.S. and its Arab allies. Furthermore, due to Iran's continued support of al-Assad's regime during the outbreak of the Syrian civil war, and its support for the al-Houthi movement fighting for power against the Saudi-backed government in Yemen, the rivalry between the Sunni majority Saudi Arabia and the Shi'ite Persian Iran recently has increased.

Saudi Arabia and Iran's Proxy Battlegrounds



Source: *Stratfor* (2014)

Iran and Saudi Arabia are bidding for regional control through the support of proxies in Syria, Iraq, Yemen and, as will be discussed below, now Gaza. Even with a hard-pressed economy

in recent years, Iran has devoted much of its precious resources to propping up al-Assad's regime in Syria, supporting the Shi'ite Iraqi government battling foes in the north of the country, sponsoring Hizbullah in Lebanon and Hamas in Gaza, and funding revolts in Bahrain and Yemen.

Iran after the deal will harness greater potential to increase trade and boost its economy, and eventually will be able to import arms once again. Iran likely will use these changes to expand its regional influence, as it attempts to become the regional hegemon from the Persian Gulf, to the end of the Levant and the Mediterranean, and through the Arab Peninsula. Russia already has stated its intent to supply arms to Iran in order to "help Tehran contribute to the fight against terrorism" (Reuters, 2015). An intelligence report by Stratfor (2015) predicts that Iran first will focus on gaining control of Baghdad, being the closest battleground to its borders. If Iran were to lose Baghdad to a Saudi-backed government, it would represent a blow to its pursuit of expanding its regional influence. A Saudi-allied government in Iraq could pose a security threat to Iran. Furthermore, losing the Iraqi capital to I.S. would constitute an immediate and direct threat to Tehran's sovereignty. An expansionist state along its Western border would be deeply concerning for Iran.

The situation in Syria is much more complex, but Iran's support for al-Assad is as "solid as ever" (Reuters, 2015), and will continue to grow as the Syrian regime attempts to win back swaths of territory from Syrian opposition groups and I.S.

The Saudi-Iranian conflict in Yemen

Away from the region's main battlefield in Syria and Iraq, Yemen has become a key frontline for the Saudi and Iranian dominance contest. The Iranian-backed al-Houthi group has risen to power and now controls territory in the north of Yemen bordering with Saudi Arabia, as well

as the Yemeni capital of Sanaa. Whilst the group cannot run the country without foreign political and economic support, Iran is attempting “to fill that support gap” (Stratfor, 2015). This constitutes a great geopolitical concern for Saudi Arabia.

Whilst the Strait of Hormuz is a key shipping lane for the export of Saudi Arabian oil, the al-Houthi’s recent expansion into the south western parts of Yemen poses another strategic threat to the Saudis. The al-Houthis are currently in control of the Yemen coast around the “maritime corridor that controls access to the Red Sea” (Salisbury, 2014), the Bab al-Mandab strait. With 4% of global oil, “much of it from Saudi Arabia” (Salisbury, 2014), passing through the strait of Bab al-Mandab, the ports along the strait are of strategic importance to the Saudis. Whilst not as important as the Strait of Hormuz, the Bab al-Mandab strait is vital for Saudi Arabia’s ability to reach global energy markets.

Bab al-Mandab Strait in Yemen



Source: *Financial Times* (2014)

The instability in Yemen has prompted a Saudi-backed coalition of Arab states to intervene in the country to reinstall the allied President Abdrabbuh Mansour Hadi into power. As a

result, Yemen has become the host of another proxy war between the Arab and Persian rivaling states. Although Saudi-backed forces recently have taken back the southern city of Amen, a key port city near the Bab al-Mandab strait, after a four month long battle with al-Houthi forces, conflict is ongoing in much of the country. Furthermore, this expansion of Iranian influence now “extends from Lebanon to Syria to Iraq, through Iran and all the way to Yemen in a great arc that encompasses Saudi Arabia on three sides” (Husain, 2015). Saudi Arabia will feel particularly threatened by a stronger Iran which eventually will be able to import arms again. Paraphrasing realist commentator John Mearsheimer (2012), for Riyadh the combination of not knowing Tehran’s intentions, and knowing that the Persian Shiite state could have a stronger economic position as well as eventually the capability to buy arms, will lead Saudi Arabia to boost its defensive strategies and to assert itself in the region.

Saudi Arabia could retaliate in turn by creating a Sunni-Arab alliance to thwart Iran’s regional influence. It will continue with military attacks against Iran-allied forces in Syria, Iraq, and Yemen. In fact, on the very same day the Iran Deal was being signed in Vienna, Saudi-backed forces were “dealing their biggest blow yet in [the] campaign to contain what they see as an Iranian-sponsored insurgency in Yemen” (*Economist*, 2015). It seems the nuclear deal will only up the antes in the region. As a commentator from *The Economist* (2015) asserts, the news of an Iranian Deal with the West will move Saudi Arabia to continue to push back against Iran’s forces in the region, and “push back hard”. This does not bode well for a speedy resolution to the region’s many conflicts.

How does the Iran Deal affect Saudi Arabia’s regional goals?

Ultimately Saudi Arabia aims to become a regional hegemon whilst pushing back pockets of Iranian power. This involves exerting its power from the Arabian Peninsula into the Levant and forcing back Iran's sphere of influence from the east. Saudi King Salman does not want to engage in direct military combat with Iran, as this could leave Riyadh open to invasion from the Persian Gulf, home to the majority of its oil and gas reserves.

In light of the Iran Deal, which will empower the Persian state to engage with the region, Saudi Arabia could aim to build a Sunni-Arab coalition to counter Iran's growing influence. Despite reassurances from U.S. Secretary of State John Kerry that America will help "push back" (Reuters, 2015) against Iran's growing regional influence as a result of the nuclear deal, Saudi Arabia will work to find new allies in the Arab world to check Iran's power, and continue to support its proxies which are combatting Iran-allied groups and governments.

Earlier this year, the Arab League announced plans to establish a "unified Arab force" (Reuters, 2015) to respond to security threats and crises in the region. The force, if it is created, would include soldiers from all 22 Arab states that are a part of the Arab League, including Saudi Arabia and Egypt. The creation of an Arab army, which would be "twice the size of NATO's Response Force at 40,000 men" (Mustafa, 2015), would align perfectly with Saudi Arabia's regional ambitions to prevent Iran's influence and proxies in the region. The force, which is being described as a collective means to address regional security challenges, could have "negative repercussions for sectarian relations in the greater Middle East" (Bröning, 2015). However, Saudi Arabia will continue pressing for greater integration of a joint Arab military as it looks to prevent Iran's proxies in neighbouring Yemen and throughout the region.

Furthermore, Saudi Arabia's recent meeting with the Iranian-allied Hamas is

illustrative of its new approach to the power shift caused by the Iran Deal. Despite Hamas' power being limited to the Gaza strip, Saudi Arabia sees potential to bring itself back into the array of Israel-Palestinian politics and become a more dominant factor regarding issues north of the Arab Peninsula.

The Friend of my Enemy: Saudi Arabia's meeting with Hamas explained

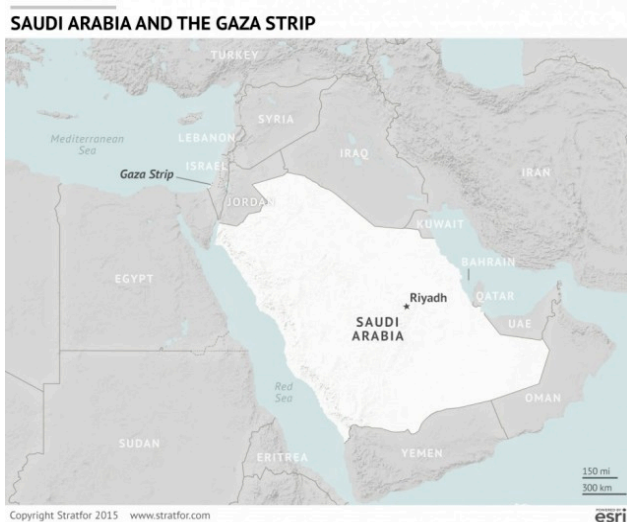
In recent months, whilst negotiations had been culminating towards the Iran Deal, Saudi Arabia has been realigning itself with the Iranian funded Hamas group. In fact Hamas' leader Khaled Meshaal met with Saudi King Salman the same week Iran was agreeing to the deal in Vienna. Although Saudi foreign minister al-Jubeir described Meshaal's trip to the Arab kingdom as solely religious and in no ways political, the meeting between the two parties may have been a key step towards rapprochement (Reuters, 2015).

A closer relationship between Saudi Arabia and Hamas would signal a change in the Arab kingdom's foreign policy because of the Palestinian group's close ties to Iran. Relations between the Saudis and Hamas waned after U.S. pressure on Riyadh to stop funding the terrorist group in the wake of 9/11. Hamas' 2007 takeover of the Gaza strip, effectively ended the Saudi-brokered alliance between the two Palestinian groups, Hamas and Fatah. At this point Iran began to fill the gap in support that Hamas desperately needed.

Iran's funding of Hamas was part of a strategy to expand Iran's regional influence all the way to the Mediterranean coast. Tehran's support of both Hizbullah and Hamas has helped it secure allies on the doorstep of its enemy Israel. Although Iran's funding for Hamas is ongoing, the group did diverge from Iran over its decision not to support al-Assad's regime when Damascus began its violent

crackdown against Syrian civilians during the Arab Spring. These recent strains in Iran-Hamas relations have meant that a warming of ties with Saudi Arabia would be beneficial for Hamas. As one Stratfor (2015) analyst simply put it, “Hamas needs a financial backer and Saudi Arabia has the funds to help”.

Saudi Arabia and the Gaza Strip



Source: Stratfor (2015)

How does a better relationship with Hamas further Saudi Arabia’s overall regional goal to counter balance Iran’s sphere of influence? Firstly, warming ties with and potentially becoming the principal funder of the Palestinian group in Gaza, will allow Saudi Arabia to “force its way directly into Levantine regional dynamics” (Stratfor, 2015). Such a position would make Riyadh a key broker in future disputes and negotiations between Israel, Egypt, and Hamas. Secondly, with Saudi Arabia and Israel both sharing the mutual threat of a stronger Iran after the nuclear deal, having a bargaining chip in the form of the ability to constrain Hamas will be important for the Saudis when engaging with Israel. Furthermore, Saudi Arabia’s ability to exert more influence in the region inevitably will secure its allegiance with the U.S. and make Washington side with the Arab kingdom’s regional interests.

The period since the Arab Spring is a critical point in the region’s power dynamics. Iran is coming out of the cold and could potentially pursue an aggressive foreign policy as it aims to extend its regional influence. Siding with Hamas would further Riyadh’s aim to be seen as a key regional power fighting against I.S. There is a threat of I.S. emerging in Gaza, and working with Hamas to rid the strip of the group’s presence will coincide with Saudi Arabia’s interests. Being the key regional fighter against I.S. naturally will align more with the regional interests of the United States, which is currently leading a coalition of states, including Saudi Arabia, to combat the growing terror threat in the Levant.

Finally, by carrying out a foreign policy of rapprochement with Hamas, Saudi Arabia will be weaning the group off its dependency of Iranian funding. As ties between Saudi King Salman and Hamas leader Meshaal intensify, one Stratfor (2015) analyst argues, “Iran’s ability to exert influence over the Palestinian group” will diminish. Put simply, Hamas will be one more proxy for Saudi Arabia and one less proxy for Iran.

CONCLUSIONS FOR POLICY

The Iran Deal is ultimately an historic moment for the Middle East, for multiple reasons. It is historic for the fact that it will prevent Iran from breaking out with a nuclear weapon in the next 10 years; for serving as a bridge for further engagement between long rivals the United States and Iran; and for the new boost and platform it will provide for the Iranian economy, and Iran's relations with the world. Yet, it will also prove to be historic for shifting the power dynamics of the Middle East, and for fueling the region's sectarian conflicts.

Forecasts on Iran's position in the post-Iran Deal era

With economic and arms sanctions soon to be lifted, Iran will utilise its oil and gas reserves to attract foreign direct investment and help boost its economic standing. Iran most likely will buy arms from Russia and China, although this is not a foregone conclusion, as it looks to augment support for its proxies in the region and increase its own military strength (Economist, 2015).

This in turn will put the country on a quick path to becoming the economic powerhouse of the Middle East, with improved military capabilities. Some analysts have predicted that moderating voices within Iran's political structure will force the Shi'ite government to maintain good foreign relations with its neighbours in order to develop the country further. However, whilst Tehran will improve ties with other states based on energy and investment agreements, Iran will use its new strength to step up its proxy wars across the region. The recent news of plans to create an Arab League force, Saudi Arabia's request to purchase 600 patriot missiles, and Riyadh's warming of ties with Hamas, likely will make Iran pursue an aggressive foreign policy and further fund its proxies.

To become a regional hegemon, Iran will aim to export its influence throughout Mesopotamia and the Levant as far as the Mediterranean Sea. It will look first to support Baghdad in the fight against the Islamic State, whilst increasing backing for al-Assad's regime in Syria. It will augment funding for proxies in Lebanon and Yemen as it seeks to stretch its influence from the Mediterranean Sea, arcing through Iraq and Iran, all the way to the Gulf of Aden. Although relations with Hamas have been troubled in recent years, Iran will attempt to reestablish close ties with them and to thwart Saudi Arabia's warming to the Palestinian group.

Forecasts on Saudi Arabia's position in the post-Iran Deal era

Saudi Arabia will move quickly to assert itself in the region as it looks to counter Iran's growing sphere of influence from the east. The Iran Deal has given Tehran the potential to increase economic growth, expand relations with states in the region and globally, and potentially to resume purchasing arms from Russia and China. Riyadh will be extremely wary of this. Saudi King Salman will attempt to create a Sunni-Arab alliance to counter Iran, which may materialise in the form of a NATO-like Arab League force. This force would include contributions from other regional players such as Egypt, Sudan, and Morocco

However, Saudi Arabia will not want to engage in direct military confrontation with Iran as this could be extremely costly. Instead, Riyadh will use the proxy wars in Yemen, Syria and Iraq to counter Iran's influence in the region. It will increase engagement with Hamas, potentially becoming the Palestinian group's funder once again to eliminate another proxy allied with Iran in the Mediterranean. By taking

over the benefactor role with Hamas, Saudi Arabia will assert its influence further in the region. The more influence Saudi Arabia is able to exert on the region, the more likely it will be able to push back Iran's expansion from the east.

Furthermore, the Saudis will continue to align themselves with the regional interests of the United States. Despite a decreased reliance on Persian Gulf oil, the U.S. still has a strong interest in seeing this oil reach global markets unhindered. Washington's support for Israel remains firm, and America will be cautiously analysing how Iran uses its economic boost and eventually its ability to trade arms, in the region's sectarian battles.

Policy Recommendations

Despite the fact that Saudi Arabia and Iran will clash over exporting influences in the region, both share a mutual threat – the Islamic State. In fact, both states are actively involved in supporting military efforts to eliminate the extremist group. The United States should use its close ties with Riyadh, and its potential to engage in further diplomacy with Tehran after the Iran Deal, to bring the states closer together with the aim of eliminating the common threat. This may ease their intense support for proxies across the region. It would also reduce the risk of a direct military confrontation between Tehran and Riyadh. If both governments are seen to be working together to eliminate I.S., it could help diplomatic relations and offer avenues for peace talks.

Without efforts to decrease tensions between Iran and Saudi Arabia, however, both will continue supporting their proxy partners throughout the region. The support of proxies in different countries and battlegrounds is the only way for Riyadh and Tehran to exert their influence in the region because any direct military confrontation is too costly. Iran will support its Shi'ite neighbours in Iraq, whilst the

Saudis will attempt to counter Shi'ite influence by empowering Iraqi Sunnis. The conflict in Syria will continue. Iran will increase its support for al-Assad's regime, and Saudi Arabia will back the Syrian opposition groups. In Yemen the Saudi-backed forces have gained ground in recent weeks, and will continue to do so in the dying days of the summer and in the autumn. The al-Houthi movement's ability to remain in control of the capital Sanaa will depend on outside support from Iran. Finally, Saudi Arabia will continue its rapprochement with Hamas as it aims to weaken Iran's influence in the Gaza strip and to consolidate its own position in the Mediterranean.

Ultimately, the Iran Deal will reinvigorate the power struggle between Riyadh and Tehran. Whilst the accord may have prevented a nuclear arms race in the region, Saudi Arabia and Iran will continue to support opposing proxies and seek to undermine each other in the race to become regional hegemon.

REFERENCES

- Aljazeera., 2015. Why Saudi Arabia and Israel oppose Iran nuclear deal. *Aljazeera*, [online] 14th April. Available at: <http://www.aljazeera.com/news/2015/04/saudi-arabia-israel-oppose-iran-nuclear-deal-150401061906177.html> [Accessed on 3rd August 2015].
- Berliner, U., 2013. Crippled by Sanctions, Iran's Economy Key in Nuclear Deal. NPR, [online] 25th November. Available at: <http://www.npr.org/2013/11/25/247077050/crippled-by-sanctions-irans-economy-key-in-nuclear-deal> [Accessed on 3rd August 2015].
- Bröning, M., 2015. *The All-Arab Army? Foreign Affairs*, [online] 7th April. Available at: <https://www.foreignaffairs.com/articles/persian-gulf/2015-04-07/all-arab-army> [Accessed on 4th August 2015].
- Conca, J., 2015. We Need To Get This Iranian Deal Done. *Forbes*, [online] 26th March. Available at: <http://www.forbes.com/sites/jamesconca/2015/03/26/we-need-to-get-this-iranian-nuclear-deal-passed/> [Accessed on 29th July 2015].
- Choksy, C. and Choksy, J., 2015. The Saudi connection: Wahhabism and Global Jihad. *World Affairs*, [online] May/June. Available at: <http://www.worldaffairsjournal.org/article/saudi-connection-wahhabism-and-global-jihad> [Accessed on 6th August 2015].
- Blas, J., 2013. China becomes world's top oil importer. *Financial Times*, [online] 4th March. Available at: <http://www.ft.com/cms/s/0/d33b5104-84a1-11e2-aaf1-00144feabdc0.html#axzz3hsIo3GRC> [Accessed on 4th August 2015].
- Energy Information Administration., 2015. China: International Energy and Data Analysis. *Energy Information Administration (EIA)*, [online] 14th May. Available at: <http://www.eia.gov/beta/international/analysis.cfm?iso=CHN> [Accessed on 4th August 2015].
- Energy Information Administration., 2014. China is now the world's largest net importer of petroleum and other liquid fuels. *Energy Information Administration (EIA)*, [online] 24th March. Available at: <http://www.eia.gov/todayinenergy/detail.cfm?id=15531> [Accessed on 4th August 2015].
- Energy Information Administration., 2015. Iran: International Energy and Data Analysis. *Energy Information Administration (EIA)*, [online] 19th June. Available at: <http://www.eia.gov/beta/international/analysis.cfm?iso=IRN> [Accessed on 3rd August 2015].
- Faucon, B., Said, S. 2015. Iran Wants To Double Exports After Sanctions Lifted. *Wall Street Journal*, [online] 5th July 2015. Available at: <http://www.wsj.com/articles/iran-projects-oil-exports-to-almost-double-after-sanctions-lifted-official-1436098424> [Accessed on 26th July 2015].

- Gladstone, R., 2015. Strait of Hormuz Once Again at Center of U.S.-Iran Strife. *New York Times*, [online] 1st May. Available at: <http://www.nytimes.com/2015/05/02/world/middleeast/strait-of-hormuz-once-again-at-center-of-us-iran-strife.html> [Accessed on 6th August 2015].
- Glelten, T., 2012, U.S. Rethinks Security As Mideast Oil Imports Drop. *NPR*, [online] 14th November. Available at: <http://www.npr.org/2012/11/14/165052133/u-s-rethinks-security-as-mideast-oil-imports-drop> [Accessed on 28th July 2015].
- Gottlieb, S., 2014. Four Reasons ISIS is a threat to the American Homeland. *National Interest*, [online] 20th September. Available at: <http://nationalinterest.org/feature/four-reasons-isis-threat-the-american-homeland-11317> [Accessed on 3rd August 2015].
- Gordon, M., Sanger, D., 2015. Deal Reached on Iran Nuclear Program; Limits on Fuel Would Lessen With Time. *New York Times*, [online] 14th July. Available at: <http://www.nytimes.com/2015/07/15/world/middleeast/iran-nuclear-deal-is-reached-after-long-negotiations.html> [Accessed on 24th July 2015].
- Heinonen, O., 2015. Iran's Nuclear Breakout Time: A Fact Sheet. *The Washington Institute*, [online] 28th March. Available at: <http://www.washingtoninstitute.org/policy-analysis/view/irans-nuclear-breakout-time-a-fact-sheet> [Accessed on 3rd August 2015].
- Husain, I., 2015. View from abroad: Saudi fears over Iran nuclear deal. *Dawn*, [online] 18th May. Available at: <http://www.dawn.com/news/1182552>
- Jones, S., 2015. A History of U.S. Sanctions Against Iran. *About News*, [online]. Available at: <http://usforeignpolicy.about.com/od/backgroundhistory/fl/The-Ukraine-Crisis.htm> [Accessed on 3rd August 2015].
- Kalantari, H., Motevalli, G., 2015. Iran Oil Minister Says Output to Rise a Week After Sanctions. *Bloomberg Business*, [online] 2nd August. Available at: <http://www.bloomberg.com/news/articles/2015-08-02/iran-s-oil-minister-says-output-to-rise-one-week-after-sanctions> [Accessed on 4th August 2015].
- Mearsheimer, J., 2012. Realism and the Rise of China. *YouTube* [video]. 10th October. Available at: <http://www.youtube.com/watch?v=D2e4OyNV8L8> [Accessed on 28th July 2015].
- Morris, L., Naylor, H., 2015. Arab states fear nuclear deal will give Iran a bigger regional role. *Washington Post*, [online] 14th July. Available at: https://www.washingtonpost.com/world/middle_east/arab-states-fear-dangerous-iranian-nuclear-deal-will-shake-up-region/2015/07/14/96d68ff3-7fce-4bf5-9170-6bcc9dfe46aa_story.html [Accessed on 3rd August 2015].
- Mousavian, H., 2015. Together, Iran and the United States can shape the Middle East's future. *The Telegraph*, [online] 14th July. Available at:

<http://www.telegraph.co.uk/news/worldnews/middleeast/iran/11739024/Together-Iran-and-the-United-States-can-shape-the-Middle-East-future.html> [Accessed on 28th July 2015].

Mustafa, A., 2015. Arab League Sets New Defense Force at 40,000. *Defense News*, [online] 1st April. Available at: <http://www.defensenews.com/story/defense/policy-budget/warfare/2015/04/01/united-arab-emirates-defense-force-league/70786878/> [Accessed on 4th August 2015].

Natural Gas Europe., 2015. Iran to unveil contracts by year-end. *Natural Gas Europe*, [online] 7th August. Available at: <http://www.naturalgaseurope.com/iran-to-unveil-contracts-by-year-end-24960> [Accessed on 10th August 2015].

New York Times., 2015. Strait of Hormuz. New York Times, [online]. Available at: <http://topics.nytimes.com/top/news/international/countriesandterritories/strait-of-hormuz/index.html> [Accessed on 4th August 2015].

Reuters., 2015. Arab summit agrees unified military force for crises. *Reuters*, [online] 29th March. Available at: <http://www.reuters.com/article/2015/03/29/us-mideast-arabs-communicate-idUSKBN0MP06120150329> [Accessed on 3rd August 2015].

Reuters., 2015. Iran plans to buy 80-90 Boeing, Airbus planes per year, post sanctions. *Reuters*, [online] 2nd August. Available at: <http://www.reuters.com/article/2015/08/02/us-iran-planes-idUSKCN0Q705W20150802?feedType=RSS&feedName=businessNews> [Accessed on 3rd August 2015].

Reuters., 2015. Iran's President Rouhani to visit Rome: Italy ministry. *Reuters*, [online] 5th August. Available at: <http://www.reuters.com/article/2015/08/05/us-iran-italy-invitation-idUSKCN0QA00A20150805> [Accessed on 5th August 2015].

Reuters., 2015. Jewish leader condemns German vice chancellor's Iran trip. *Reuters*, [online] 22nd July. Available at: <http://www.reuters.com/article/2015/07/22/us-iran-nuclear-germany-criticism-idUSKCN0PW11020150722> [Accessed on 5th August 2015].

Reuters., 2015. Kerry to visit Gulf Arab states, vows to 'push back' against Iran. *Reuters*, [online] 22nd July. Available at: <http://www.reuters.com/article/2015/07/22/us-iran-nuclear-kerry-idUSKCN0PW0CZ20150722> [Accessed on 28th July 2015].

Reuters., 2014. Russia wants Iran arms embargo ended as soon as possible. *Reuters*, [online] 9th July. Available at: <http://www.reuters.com/article/2015/07/09/us-iran-nuclear-russia-arms-idUSKCN0PJ0SC20150709> [Accessed on 4th August 2015].

Reuters., 2015. Saudi Arabia says relations with Hamas have not changed after meeting. *Reuters*, [online] 23rd July. Available at: <http://www.reuters.com/article/2015/07/23/us-saudi-palestinians-idUSKCN0PX1H520150723> [Accessed on 28th July 2015].

- Reuters., 2015. With help from his allies, Syria's Assad looks set to stay. *Reuters*, [online] 10th March. Available at: <http://www.reuters.com/article/2015/03/10/us-mideast-crisis-syria-outlook-idUSKBN0M616X20150310> [Accessed on 6th August 2015].
- Salisbury, P., 2014. Houthi expansion threatens Yemen's strategic Bab al-Mandab strait. *Financial Times*, [online] 23rd October. Available at: <http://www.ft.com/cms/s/0/444765c0-59dc-11e4-9787-00144feab7de.html#axzz3hsIo3GRC> [Accessed on 4th August 2015].
- Siddiqui, S., 2015. White House says Saudi foreign minister welcomed landmark deal with Iran. *Guardian*, [online] 17th July. Available at: <http://www.theguardian.com/world/2015/jul/17/obama-saudi-arabia-minister-iran> [Accessed on 24th July 2015].
- Stratfor., 2015. After the Nuclear Deal, a Region Recalibrates. *Stratfor*, [online] 28th July. Available at: <https://www.stratfor.com/analysis/after-nuclear-deal-region-recalibrates> [Accessed on 28th July 2015].
- Stratfor., 2015. Saudi Arabia and Hamas: A Pragmatic Partnership. *Stratfor*, [online] 27th July. Available at: <https://www.stratfor.com/analysis/saudi-arabia-and-hamas-pragmatic-partnership> [Accessed on 28th July 2015].
- Stratfor., 2014. Saudi Arabia and Iran Compete Over a Destabilized Middle East. *Stratfor*, [online] 28th October. Available at: <https://www.stratfor.com/image/saudi-arabia-and-iran-compete-over-destabilized-middle-east> [Accessed on 29th July 2015].
- The Economist., 2015. After the nuclear deal. *The Economist*, [online] 16th May. Available at: <http://www.economist.com/news/middle-east-and-africa/21651279-should-russia-and-china-expect-arms-bonanza-iran-after-nuclear-deal> [Accessed on 4th August 2015].
- The Economist., (2015) Fading Hope. *The Economist*, [online] 7th March. Available at <http://www.economist.com/news/middle-east-and-africa/21645738-foreign-businesses-are-looking-beyond-falling-oil-prices-and-limping> [Accessed on 3rd August 2015].
- The Economist. (2015) Hiyatollah! *The Economist*. 18th July, p.9.
- The Economist., 2015. Iran's nuclear deal. *The Economist*, [online] 24th July. Available at: <http://www.economist.com/blogs/graphicdetail/2015/07/daily-chart-iran-graphics> [Accessed on 26th July 2015].
- The Economist., 2015. Proxies and paranoia. *The Economist*, [online] 25th July. Available at: <http://www.economist.com/news/middle-east-and-africa/21659759-kingdom-fears-resurgent-iran-sanctions-come-proxies-and-paranoia> [Accessed on 27th July 2015].
- The Economist. (2015). The special Ramadan feast. *The Economist*. 18th July. pp.21-23.

- Tisdall, S., 2015. Sanctions against Iran crumble as America wrangles over nuclear deal. *Guardian*, [online] 5th August. Available at: <http://www.theguardian.com/world/2015/aug/05/nuclear-deal-with-iran-europeans-scramble-for-persia> [Accessed on 5th August 2015].
- Unver, A., 2015. Iran deal and Turkey: time for a soft-power reset. *Aljazeera* [online] 19th July. Available at: <http://www.aljazeera.com/indepth/opinion/2015/07/iran-deal-turkey-time-soft-power-reset-150716094947608.html> [Accessed on 28th July 2015].
- World Bank., (2015). Iran: Overview. *World Bank*, [online] 1st March. Available at: <http://www.worldbank.org/en/country/iran/overview> [Accessed on 3rd August 2015].