
The Middle East Cold War: Iran-Saudi Arabia and the Way Ahead

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Summary

Saudi Arabia and the Islamic Republic of Iran are two of the Middle East's regional powers. The rivalry between these two countries has long been a determinant factor in the shaping of geopolitics in the Persian Gulf. In this complex and conflicting relation their neighboring countries have often been the battlefield of proxy wars. The Arab Spring has brought dramatic changes in the Middle East. By elevating sectarian violence to an unprecedented level, the already tense religious fragmentation of the Arab countries was further polarized. This paper will first present a review of the factors underpinning the contest between the two countries, and after that, the current developments and the ways they impact the competition for regional supremacy in the Persian Gulf.

Keywords: Geopolitics, Ideology, Balance of Power, “Mosaic of Identities”, Proxy Wars

Introduction

The rivalry between Saudi Arabia and the Islamic Republic of Iran has long been a determinant factor in the shaping of geopolitics in the Persian Gulf, with neighboring countries being the battlefield of proxy wars played out between the two regional powers. Although scholars and experts on Middle Eastern affairs and geopolitics have focused, to a certain extent, on this contest, the analysis has been inadequate and disproportionate to the dynamics of this conflict. Further analysis is necessitated by the developments in the Gulf and the ongoing regional conflicts putting the balance of power on the periphery at stake.

The recent years have seen dramatic changes, with the Arab Spring transforming the political landscape of the Middle East and elevating sectarian violence to an unprecedented level. The already tense religious fragmentation of Arab countries has been further polarized, as religious minorities started protesting against ruling elites. Predictably enough, the representatives of the two main religious branches of Islam and antagonists for the role of the regional leader in the Gulf, the Sunni Kingdom of Saudi Arabia and the Shii Islamic Republic of Iran, did not remain idle. Therefore, one of the consequences was the revival of the contest between Saudi Arabia and Iran in the traditional fields of proxy conflicts, such as Lebanon, Iraq, Yemen and Bahrain, but also adding a new theatre of competition: Syria (Salloukh, 2013: 33).

At the same time, another ongoing development seems to be emerging as a crucial factor in the rivalry between those two countries. The resumption of negotiations between Iran and the P5+1 on Iran's nuclear program, which subsequently led to a shift of the economic sanctions placed against the country, combined with the election of moderate President Hasan Rouhani in August 2013, seem to be promoting Iran from a pariah state to a legitimate global actor and a stronger regional antagonist.

Prompted by these recent developments, this paper will first present a review of the factors underpinning the contest between the two countries, in order to later proceed to the analysis of the current developments and the ways they impact competition for the role of regional leader in the Persian Gulf.

The Roots of the Rivalry

The turning point in the relations between Saudi Arabia and Iran was the Islamic Revolution in 1979. Structural differences pre-existed, but the two countries had become allied in the same orbit due to mutual interests and threats. Saudi Arabia and secular Iran had only minor bilateral problems and they had engaged in a strategic alliance to counterbalance the Ba'ath menace emerging from Iraq, but also found common cause in the threat Soviet expansionism posed on them (Nuruzzman, 2012: 543). The Revolution of 1979 exacerbated the pre-existing structural factors that constrained Iran-Saudi cooperation, and Iran emerged as a regional threat (Chubin and Tripp, 1996: 4). Among scholars it was suggested that the roots of this rivalry could be found in the ideological conflict between the Sunni and the Shia denominations of Islam, a position that has been questioned by many authors.

Anoushiravan Ehteshami (2002) suggests that the rivalry between the two powers is one of a contemporary nature, emanating from the Iranian Revolution, while Fred Halliday (2005: 6) seconds this idea, arguing that the tensions should be seen as a derivative of the state-building process and the emergence of nationalism (Mabon, 2013). Chubin and Tripp (1996), on the contrary, hold a different opinion

suggesting that there are structural factors – such as geopolitical and demographic issues, as well as sectarian problems – that block security cooperation between the two countries. Drawing on these lines of thought, we can define two distinct but highly intertwined spheres of competition between Iran and Saudi Arabia: geopolitics and ideology.

Starting our analysis from the ideological angle, we should refer to the historical-ideological tensions deriving from the Arab-Persian division. The history of this conflict dates back to the 7th century and the conquest of the Persians in Mesopotamia by Arab armies, which resulted in the spread of Islam in Persia. This is the first, yet the not most important divisional element, but definitely something that underpins the relations of Iran with its Arab neighbors (*ibid.*: 43). What is worth mentioning is that although Sunni Islam was first imposed in Persia and at the same time Shii Islam was simultaneously emerging, it was not until the 17th century that the Iranian region was converted to Shiism by the Safavid Dynasty.

The modern state of Saudi Arabia was the result of the conquest of four geographical areas that had rarely been united before (Gause, 2002: 199). Despite the unification, these areas maintained a strong sense of their regional identity. A fact that raised fears among Saudi Arabia's leaders as they served as possible points for interventionism from the regional powers inside the Kingdom (*ibid.*: 200). Those fears, combined with the lack of sufficient resources for the stabilization of the new state, urged the formation of an ideological movement and of a national identity that would consolidate the legitimacy of the ruling dynasty domestically and gain support internationally. The desired ideology was found in the revival of Wahhabism.

Drawing on the historical association between the dynasty of Al-Saud and the orthodox Islamist sect of Wahhabism allowed the state to build its national identity/doctrine on the grounds of Islam. The use of Islam as the source of legitimacy for the state expanded its sphere of influence outside the national borders (Nevo, 1998: 34). Moreover, the presence of the two holy cities of Islam, Mecca and Medina, within the Kingdom's territories enhanced the efforts of the country to brand itself as the representative of the religion internationally. However, the centrality of Islam in the foreign policy agenda of Saudi Arabia has functioned as a double-edged sword, by exposing the country to criticism whenever actions taken by the leadership do not fully comply with the religious ideals that the country represents.

The harshest criticism of Saudi Arabia has come from its nemesis: the Islamic Republic of Iran. Since its foundation, the Islamic Republic was established as the most influential Shii country in the international system, with a clear proselytizing and supremacy driven agenda. In a way the equation of identity formation and foreign policy in post-revolutionary Iran resembles that of Saudi Arabia. Iran adopted

and in some cases manufactured an altered identity that best fitted the changes that the new regime envisaged for its national foreign policy. The conceptualization of threats and opportunities towards its neighbors was drawn upon the new religious doctrine. The aftermath of the revolution experienced the emergence of a state with “an aggressive foreign policy that claimed to export the ideological beliefs of Ayatollah Ruhollah Khomeini” (Mabon, 2013: 49).

The struggle for Iranian supremacy in the region was not a new feature that came along with the Revolution, but rather a historical claim emanating from the history and geography of a country which believed it had the right to determine the future of the Gulf region. The same applies to Saudi Arabia, where the perception is that had it not been for the power of the British Empire in the coastal areas of the peninsula in the early 20th century, the Kingdom could be ruling the region (Gause, 2002: 198). In the case of Iran, that implies that the power-projection approach existed before 1979, but it was only after the regime change that this approach acquired a religious character.

The rhetorical shift soon made its appearance. As Islam was declared the basis of the new Republic, the clerical leadership of Iran started to compete with the Saudi dynasty. Tehran was publicly questioning the supremacy of Saudi Arabia and the compliance of a monarchical regime with the Islamic ideals, which were rather seen as only applicable within a republic (Furtig, 2007: 628), while Ayatollah Khomeini openly called the Arabs to overthrow the “un-Islamic” monarchies (Nuruzzamman, 2012: 543). That posed a systemic challenge to the Kingdom’s soft power potential. As Hunter best articulates: “The challenge of the rise of radical Islam was especially difficult for Saudi Arabia because its entire political system and the legitimacy of its ruling elite rested on Islam” (Hunter, 1998: 160).

Sectarian Conflict

However, the soft power rivalry was not limited to a rhetorical competition for the leadership of the Islamic world. It was expanded in spheres of influence where Saudi Arabia and Iran had been providing patronage to fellow Sunni and Shia regimes or minorities respectively. The theaters of the conflict spread across the Gulf and the Middle East, a broad region characterized by the strong presence of sectarian divisions. We will now examine these different theaters, the degree to which proxy wars have played out in them, and the cases where the Cold War between Saudi Arabia and Iran risks escalation.

One of the main characteristics determining the broader region of the Middle East is the sequential processes of state building. This has resulted in the redefinition of boundaries several times. As a consequence, a lack of coherence between the state and the nation is often seen in the contemporary states of the region, with

a “mosaic of identities” (Mabon, 2013: 107) defining the structure of domestic and foreign politics. In the case of Iran and Saudi Arabia, it has constituted one of the main causes of the countries’ rivalry, as the existence of sectarian minorities that fall under the protection either of the Sunni or the Shia patron have been used as spheres of influence for the two aspirant leaders of Islam.

The epicenter of the Saudi-Iranian competition is the Kingdom of Bahrain. The small island of Bahrain has a Shia majority population as high as 70 per cent, and is ruled by a Sunni minority. This situation has often resulted in small scale conflict between the two regional powers, as Iran supports and exerts influence on the Shia majority of Bahrain. The ruling family of Al-Khalifa holds very strong ties with Saudi Arabia, both in regards to politics and economics, especially in the oil sector. The alliance was further consolidated with the intermarriage of Bahrain King’s son and a Saudi princess (Karolak, 2013: 129).

The roots of the Iranian claims and influence over Bahrain date back to the late 1950s, when the Iranian Parliament asserted that the Bahraini Kingdom was the 14th province of Iran, citing Persia’s conquest of the islands 350 years ago (O’Sullivan, 2011). This claim was reinstated recently in 2009 by the spokesman of Iran’s Parliament at that time, resulting in a limited diplomatic crisis and the suspension of the discussions of a gas deal between Bahrain and the Islamic Republic of Iran (Lynch, 2009). The Iranian side attempted to mitigate the effect of the incident. Although Iranian officials clarified that they have no territorial aspirations over the country, the incident was extensively covered in Bahrain’s local media in an attempt to strengthen the anti-Iran axis (*ibid.*).

The event that recently inflamed the contest over Bahrain was the Arab Spring. The protests that erupted in Manama in 2011 emerged from the calls of the Shia population for equality and greater political freedom. That led to a high unrest in the country, where the Shia protesters confronted the police. Allegations that the protesters were being incited and supported by Iranian religious and political authorities soon came to the fore. This prompted Saudi Arabia to intervene in Bahrain by sending 1,200 troops in fear that if the Shia majority prevailed, Iran could expand its influence and provoke unrest in other neighboring countries (Bonner and Slacman, 2011). Given the record of the Iran-funded Islamic Front for the Liberation of Bahrain, a Shia terrorist organization based and trained in Iran which attempted a coup in 1981, Saudi Arabia’s immediate involvement was urged. The Saudi intervention generated speculation about the further escalation of the proxy war with an Iranian response. Nonetheless, the crisis soon de-escalated, although the protests in the streets of Manama were only temporarily abated.

Bahrain is an important ally both for Saudi Arabia and the United States. It is the home of the US 5th Fleet, hence a source of US projection of power and stability

in the Gulf region, while it strengthens American control over the geopolitically significant strait of Hormuz. Bahrain is also an indispensable partner for the Saudi oil industry. It is the centre for oil refinement, as the pipeline connecting the two countries allows Saudi Aramco's crude oil to flow to Bahrain and be processed in the Bapco Refinery. Yet, Saudi Arabia's main fear lying behind the Bahraini crisis is the spillover of sectarian upheaval into its own territory.

Saudi Arabia itself has a Shia minority, with the largest part living in the oil rich Eastern Province of the Kingdom. It is estimated that the minority comprises approximately 14 per cent of the total population (Beehner, 2006). The Shia population of the country has a record of past uprisings: notably in 1979, which was inspired by the Islamic Revolution in Iran (Mabon, 2013: 120). The minority has been protesting against the economic inequalities and the limitations on freedom of religious expression imposed on them by the state. Saudi Arabia managed to suppress these uprisings and to shut down the secessionist agenda of the Eastern province, but fears of revival have not disappeared. The fears are directly associated with the strategic importance of this region, which is very rich in oil reserves, but also with the suspected ties that part of the Shia minority hold with Iran. It is believed across the region that the loyalty of the Shia population is divided between Iran and Saudi Arabia (*ibid.*: 122).

The principal fear of Saudi Arabia is the creation of a Shia arc in the Gulf under the auspices of the Islamic Republic of Iran. And the fear is not posed by the military capabilities of Iran, as the country is not dependent on the use of military forces to challenge the balance of power in the region. Its covert actions in the form of support for pro-Iranian, Shia forces in the Middle East can destabilize Iran's neighboring regimes (Friedman, 2014). Iranian efforts for regional dominance have been accommodated also in Iraq, Lebanon, Yemen and Syria.

Iraq has a Shia majority, ranging from 60-65 per cent of the country, and a Sunni minority of approximately 35 per cent. Moreover, Iraq is ruled by Shia leadership. The 2003 US invasion in the country changed the geopolitical map of the region and pushed Iraq further under Iran's control. The neoconservative rhetoric which assumed that the occupation and successive democratization would serve as a role-model for the Arab countries united regional powers, including Saudi Arabia in the same orbit against the American occupation (Salloukh, 2013: 34), which led to the dominance of Iran in post-Saddam Iraq. The election of Prime Minister Nouri al Maliki only worsened the sectarian division in the country. The appointment of the pro-Iran incumbent, with the blessing of the US, prompted Saudi Arabia's reaction, which opted to destabilize Iraq (Byman, 2011: 163). In regards to that, Saudi Arabia along with other regional countries like Jordan, Turkey and Kuwait has tried to develop a network with Iraq's Sunni population. Saudi Arabia succeeded by en-

couraging the country's Sunni religious components and the insurgency by extension (Khalil, 2006: 79).

Another development deriving from the strategic alliance of Iraq and Iran, which poses a challenge for Saudi Arabia, is the announcement of the former to increase its oil production to 13 million barrels per day over the next seven years (Zaaiter, 2012). This development could potentially shake Saudi Arabia's dominance in oil production, although the latter has a well-established place and a network with the international oil companies. Nonetheless, Iranian support can help Iraq overcome this obstacle. According to Hussain al Shahristani, Deputy Prime Minister for Energy in Iraq, Baghdad has been working with Iran to attract investment ahead of the lifting of sanctions (Chritchlow, 2014).

During the course of our research the crisis in Iraq with the emergence of the so-called Islamic State of Iraq and the Levant (ISIL) and the seizure of Mosul and other key areas erupted. In June 2014 the Islamic State of Iraq and the Levant captured the city of Mosul and went on seizing control in other key areas of Iraq, while the national army was ineffective in tackling the jihadist militants. Very little information is available on whether the jihadists have received aid from Saudi Arabia. Contrary to the official renouncement of ISIL from the Kingdom, it is believed by some circles that Saudi Arabia has been involved in the stream of funding reaching the jihadists.

Before 2014, Yemen was not used as a battlefield for a proxy war between Saudi Arabia and Iran. However, the support that Tehran is allegedly providing to the Shia insurgents is of high importance to Riyadh given Yemen's geographical proximity. With a 65 per cent Sunni majority population and the rest Shia, the anarchy that has shadowed the country after the Arab Spring uprisings has been a major concern for Saudi Arabia. The Saudi Kingdom has been financing the successive governments in Sanaa in an effort to guarantee its domestic security, which is challenged by the illegal activities taking place on the borders with Yemen (including the trafficking of weapons, drugs and humans) (Fattah, 2013). And it is precisely these borders that make Yemen so important for Saudi Arabia, as an Iranian foothold in Sanaa could inflame an insurgency in the Kingdom's Eastern and Southern provinces. Over the last three years the group of Houthis, the Shia insurgents of Yemen, has risen in popularity among Yemenis and although they have denied that they are being supported by Iran, Washington, Sanaa and Riyadh seem to think differently (Salisbury, 2014).

The latest, longest and bloodiest theatre of the Saudi-Iran proxy war is without a doubt Syria, which has always been a major hotbed of Middle East geopolitics, since it is regarded as the bastion of Iranian influence in the Shia populations of the region. Syria has a Sunni majority population of 74 per cent, and is ruled by an

Alawite minority, the predominant Shia group of the country (the Shia population in total is 13 per cent). The situation in Syria, which started as an uprising within the context of the Arab Spring with people demanding economic and democratic reforms, soon escalated into an aggressive sectarian war which has accounted for a death toll estimated to be above 470,000 as of February 2016.

The strategic alliance between Iran and Syria dates back to the 1980s and the outbreak of the war between Iran and Iraq, where Syria took Iran's side due to Syria's longstanding animosity with the fellow Baath ruled country. Although ideological differences between the two states are apparent, the alliance is based on their common Shia ties. Iran's connection with Syria has allowed it to establish its power projection in the region and create a firm Shiite arc, reaching Lebanon and supplying the Shiite Hezbollah with financial support and weaponry (Mutin, 2012: 248). Furthermore, the crucial geo-strategic position that the country enjoys, places it at the centre of pipeline geopolitics. It was, besides, the refusal of Syria to sign a proposed deal with Qatar that would run a pipeline from the country's North Field through Saudi Arabia, Jordan, Syria and Turkey, with the potential to reach the European markets, and the following agreement of Damascus with Tehran in 2012 on an alternative pipeline that would run through Iraq and Syria, allowing Iran to reach out to the European markets, that further increased the energy competition within the region and inflamed the Syrian crisis (Ahmed, 2013).

The Syrian crisis provided Saudi Arabia with an opportunity to weaken Assad's regime and subsequently isolate Iran in the region. Composed by Sunni Muslims, the Free Syria Army opposition has enjoyed the support of Saudi Arabia, among other Gulf countries, and the USA. At the same time the emergence of various armed Islamist groups has further divided the opposition in Syria. A regional proxy war is being played out. For example, along with Saudi Arabia, another Sunni Gulf state, Qatar has entered the game by financing extremist rebels in an effort to assume a new role in the regional map, but also due to the national interests of Qatar in Syria.

Lebanon has also been affected by the rise of sectarian violence in the periphery as it has been experiencing the spillover of the Syrian crisis, especially in the city of Tripoli, which is only 30 km away from the Syrian borders. The active participation of Hezbollah in the Syrian war has attracted attacks on Lebanese Shiite areas from Sunni factions. At the same time, Saudi Arabia has been financially supporting the Lebanese army, by providing it a grant of three billion dollars to confront terrorism and weapon trafficking according to official sources, in an effort to halt the Shia dynamic (Ghattas, 2013).

Nuclear Threat

The feared expansion of Iranian power projection in the Middle East has not only come from the support of fifth columns in the Arab states, but also from the nuclear threat. Although the nuclear program is mainly a dispute between the USA, Iran and Israel, the neighboring Gulf countries are also under the menace of an Iran equipped with nuclear weapons. In the heart of those fears is the possible proliferation of nuclear weapons in the periphery, not only by regional actors who might engage in an arms race, but also from non-state actors who enjoy strong ties with Iran. Discussions over the development of Iran's nuclear program have led to speculation and various scenarios. Given the diverse and fragile regional environment, the fears and anxieties of the neighbors in regards to the nuclear program differ.

Scholars have broadly developed three possible approaches that could be adopted by the contiguous countries. According to this three options scheme, as documented by Mitchell Reiss, regional actors could rely on self-help, bandwagoning or balancing (Reiss, 2010).

The first scenario, which has prevailed in the academic and policy-making discussions, assumes that countries will no longer rely on either Iran's good faith or external support to counterbalance the nuclear threat. The optimal solution in this hypothesis is the enhancement of their defense and, based on their capabilities, even seeking the development of their own nuclear weapons. Bandwagoning implies that the neighbors compromise in a way, to accommodate Iranian policies. Lastly, countries could choose to balance Iran by seeking foreign help, either by the United States or under a collective security scheme.

Within the regional leadership competition, bandwagoning was never a choice for Saudi Arabia. Stepping back and accommodating Iran's decision is not applicable with the Kingdom's foreign policy towards its rival. The Kingdom has, however, applied both of the remaining strategies in preparation against the obscure Iranian nuclear program. As Reiss has elaborated, the strategy of self-help is not based on the premises that Iran is going to launch an attack against its neighbors, but rather that the comparative advantage that nuclear weapons would provide, could encourage the country to use its conventional powers against them.

From an official standpoint, Saudi Arabia, a signatory to the Nuclear Non Proliferation Treaty, did not openly oppose Iran for its nuclear program per se, but rather linked the nuclear issue with a weapons of mass destruction free zone in the Middle East, which they hope would also involve Israel (Nuruzzaman, 2012: 546). Unofficially though, King Abdullah has repeatedly exhorted the United States to launch an attack against Iran with the purpose of destroying the nuclear program, according to leaked US diplomatic cables (Black and Tisdall, 2010). At the same time, another leaked document revealed the discussions that were held in 2009 between the Rus-

sian ambassador in Riyadh at the time and Prince Turki Al Faisal, the former head of Saudi Arabia's foreign intelligence, in which the latter warned that, faced with Iranian efforts to develop weapons, the Gulf countries would be impelled to do the same, or allow the stationing of such weapons on their territories. In that respect, discussions over Saudi Arabia's considerations in acquiring a nuclear deterrent or creating an alliance with a nuclear power that could offer support have been ongoing, focusing on alleged deals of the Kingdom with Pakistan (Heinonen and Henderson, 2014). In 2011 plans for the construction of sixteen nuclear power plants in the next two years were announced, claiming the country's need for a civil nuclear program to serve the Kingdom's energy purposes. However, the country lacks any nuclear infrastructure and has insufficient uranium resources to support a nuclear program.

Wind of Change or Hidden Agenda?

In the past years something seems to be changing. The election of Hassan Rouhani to the presidency of the Islamic Republic demonstrated a turning point for many analysts. This was mostly reflected in the resumption of the political level negotiations on the Iranian nuclear program between Iran and the five permanent members of the UN Security Council, plus Germany. However, there are many reasons to believe that this change is a temporary, well-calculated strategy prompted by the sanctions imposed on Iran, which have brought the country to its knees.

To understand the latest developments and how substantial are the winds of change that Rouhani's incumbency seems to bring, but also the potential that the P5+1 negotiations hold, one should make a reference to the profile of the current President. Hassan Rouhani made clear that he intends to improve Iran's foreign relations even before he assumed office in August 2013. With a background in law and strong interest in diplomacy, Rouhani sought a different approach in Iranian foreign policy. As Secretary of the Supreme National Council, Rouhani was in charge of a team which was tasked with preparation of a comprehensive plan on the country's interactions with the International Atomic Energy Agency (IAEA), after an escalation of tensions it had with Iranian authorities (Rouhani, 2011).

From that position he had criticized the Iranian secretive approach towards the international community and counter-argued in favor of a rather transparent stance. Drawing on the new president's statements at that time, one can observe the real intentions of the resumed negotiations (Tull and Stricker, 2013). Excerpts from Rouhani's speech on the nuclear issue in 2004 follow:

While we were talking with the Europeans in Tehran, we were installing equipment in parts of the facility in Isfahan. [...] In fact, by creating a calm environment, we were able to complete the work in Isfahan. Today, we can convert yellowcake into UF4 and UF6, and this is a very important matter.

This notion of using the negotiations as a distraction for the international community, while Iran is undergoing nuclear advancements runs over other parts of the text, corroborating the belief that negotiations are a tactic to buy time.

However, the latest conditions inside the country created by the economic sanctions that the West had imposed had gravely cornered Iran and left it without much choice. The resumption of the negotiations served an economic reform plan which sought to re-open Iran to Western markets. This plan monopolized the pre-election campaign of Hassan Rouhani. Regardless of the real intentions of the new President towards the nuclear negotiations, his role is rather limited as the Supreme Leader Ali Hosseini Khamenei and the Revolutionary Guard are the ones who have the first and last word in Iran's decision-making. Albeit, the trust that Khamenei has in Rouhani convinced the first to accept the negotiations. Nonetheless, publicly he never ceased to advocate in favor of the nuclear program, stating that Iran's activities in nuclear research and development will continue.

The negotiations between Iran and the five powers (including the US) are concluded and a comprehensive agreement was signed in July 2015. In January 2016 UN and European sanctions on Iran were lifted after the IAEA certified that Iran has restricted its nuclear activities in accordance with the agreement. Up to now, the US has only partially lifted sanctions against Iran. Despite that, the agreement is a major milestone in Iran's relationship with the West, with the potential for far-reaching economic, political and cultural ramifications. The end of Iran's economic isolation could result in its rapid modernization, and also give Tehran regional primacy.

From the start Saudi Arabia has been opposed to the deal with Iran. The first reason is the fact that the deal will not dismantle Iran's technical capabilities to maintain a nuclear program. With an improved economy Iran will be able to restart its development of nuclear weapons after the current deal expires. But, the Saudis are even more concerned with the shifting geopolitical balance in the region. The normalization of relations between Iran and the West and Iran's heightened regional role is for Tehran a chance to achieve regional dominance and further encourage Shiite populations to oppose their Sunni rulers in the Gulf monarchies, including Saudi Arabia. This means that Iran's ascendance represents a long-term indirect threat to the internal stability of Saudi Arabia and other Gulf monarchies.

Saudi Fears, Change of Approach and Way Ahead

Although many in the United States and Iran have expressed mutual distrust in the relationship, the resumption of negotiations shook the political ground in Saudi Arabia. The rapprochement of the big adversary with the big ally was seen as a bad omen. The initial fears were based on, and justified by the different priorities that the two allies have in their foreign policy. For Saudi Arabia the deterrence of

Iran's influence in the periphery is the number one priority. All measures that the Kingdom has taken are a consistent effort to reduce Iran's projection of influence. In that respect, the continuation of the economic sanctions was the optimal choice: weakening primarily Iran's economic power and in the long run the political. For Washington, on the other hand, the priority is the halt of the nuclear program development; hence a lot has been invested in the interim agreement.

The negotiations and subsequently the Saudi fears started to emerge at a time when the United States seemed unwilling to comply with the Kingdom's requests for a US military strike in Syria, while the idea of an energy independent United States was growing. For Saudi Arabia such a development could have serious consequences in the security of the region, as American self-sufficiency in oil could lead to a decline of US military presence in the Gulf. The alleviation of the economic sanctions in Iran which could potentially reestablish the country as a dominant force in OPEC, combined with the possible loosening of the American dependency on Saudi oil, raised serious fears in Riyadh where the national budget is highly dependent on oil revenues.

But even more than an Iran that is no longer economically damaged and isolated, Saudi Arabia is afraid of a revival of the pre-Islamic revolution US-Iranian alliance. Such a development could shift completely the balance of power and enable Iran to emerge as the uncontested regional leader. However, the American administration has repeatedly reassured their Gulf ally of its loyalty, which was further attested with Obama's visit to Riyadh in March of 2014. Within this context US foreign policy-making is considering taking further steps by enhancing the American support towards the legitimate opposition in Syria and by putting a red line on Iran's arms trafficking in the region, to guarantee that foreign policy has not shifted in favor of Iran (Ross, 2014). However, due to the rapidly changing nature of the region, the expansion of ISIL control in Iraq is offering Iran an opportunity to challenge the balance of the negotiation table, as the United States has reached the Iranian authorities seeking cooperation on tackling the jihadist threat.

Iran's shift in foreign policy was not limited to interactions with the West. The past few years have seen a revival of rapprochement between Iran and other Gulf countries. During these years representatives of Iran met with counterparts from Kuwait, UAE, Qatar and Oman, with some of these meetings resulting in new energy deals. Oman and Kuwait announced plans to import natural gas from Iran, while for the first time after seven years high level representatives of the UAE visited Iran to carry out talks on an increase of bilateral trade (Khajepoor, 2014).

Having elaborated these developments, the recent Saudi-Iranian rapprochement does not come as a surprise. The expansion of Iranian ties not only with the West, but also with Saudi Arabia's immediate neighbors, posed a threat of isolation

to Riyadh. For some this was seen as a very optimistic sign that could potentially result in a repetition of Rafsanjani's-Kathami's era, where relationships between the two countries were restored. However, for Saudi officials and Western diplomats this change demonstrates the recognition from Saudi Arabia of current trends rather than an actual resolution of the differences between the Kingdom and its nemesis. Beside the proxy wars that are consuming the energy of the Saudi Kingdom, the country has been facing domestic challenges, as well as competition with Qatar and other challenges emerging from the Sunni world. All these indicate that the Iranian-Saudi rivalry should be eased and allow a de-escalation of the proxy conflicts for the near future. Bilateral meetings between representatives of the two parties have already taken place and, according to sources, former president Rafsanjani, after Khamenei's approval, initiated a road-map for future talks in an effort to resolve the conflicts played out in the proxy theaters.

Regardless of the willingness that Rouhani has shown since the first days of his presidency to extend ties with Iran's regional competitor, the opposition of the hardliner Iranian Revolutionary Guards Corps could be a substantial obstacle to the success of this initiative, though definitely not the only obstacle. At the same time, the crisis in Iraq, and the latest mutual exchange of accusations from the two actors about the involvement of each in the crisis in Iraq, adds another barrier in the efforts for reconciliation. This goes along with Iran's intervention in troubled Iraq in support of the friendly Shia government, which can again advance the Islamic Republic's power projection in the region. That has caused further anxiety to Saudi Arabia, in a proxy game that seems to be far from being resolved. As this paper has illustrated, the structural factors underpinning this rivalry are deep and have been ongoing for many years. They contain ideological, but mostly geopolitical divisive elements that preserve the Cold War of the Middle East.

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