

Position Papers

Power Imbalance: Iran's Gains, Saudi's Challenges

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Abstract

There is no one, sweeping reason for declining oil prices, but Iran and Russia have publicly and explicitly placed the blame on Saudi's shoulders. The reality is, however, is that the drop in oil prices is just one more point of contention between Iran and Saudi in a line of regional issues that have brought to light the reality of an Iran-Saudi showdown. Iran's growing regional expansion, the conflict over a Syrian resolution, and the Houthis' increasing control over Yemen are all more convincing factors which help explain why Saudi is adamantly refusing to reduce its oil production. This position paper analyses Saudi's challenges as it attempts to counter Iran's gains in the Arab region, particularly in light of a possible nuclear deal between Iran and the US.

Introduction

On Saturday, 17 January 2015, the Fars News Agency, closely affiliated with Iran's Revolutionary Guards, published a statement by Alaeddin Boroujerdi, Chair of the Foreign Policy and National Security Committee of the Iranian Parliament. Following a meeting with senior Defence Ministry directors, he was quoted as saying, "The oil war is Saudi Arabia's last gamble against Iran. They are certainly affected by it, but they would rather Iran's ship sink in the mud". Given these strongly-worded remarks, it is worth noting the parliament's critical influence on Iranian government policy.

Such accusations against Saudi Arabia are not new, and are only the latest episode of a recent series of similar statements by Iranian officials. Two days prior to Boroujerdi's statement, Iranian President Rouhani, who is often referred to as a moderate, made direct threats against Saudi Arabia and Kuwait during a speech at a public gathering. He accused the two members of the Gulf Cooperation Council (GCC) of waging an oil war to undermine the Iranian economy. In response, Kuwait asserted that it adopted no hostile policies against any of its neighbouring countries, and had played no role in the decline in oil prices. Meanwhile, Riyadh ignored Rouhani's speech, as well as Iran's other threats and accusations.

The wave of Iranian statements has triggered speculation about the outbreak of an oil war between Iran and its allies, on the one hand, and Saudi Arabia and its allies, on the other. But it is clear that Saudi-Iran relations, including the worsening tension between them because of the sharp decline in oil prices, are far too complex to be resolved by a war such as that launched by Iraq against Kuwait in 1990-1991, for almost similar reasons. Saudi Arabia is not Iran's neighbour, and the latter realises that a war against Saudi Arabia is a risky venture. Nevertheless, Saudi-Iran relations are far from normal, with Saudi Arabia facing an unprecedented and severe Iranian challenge in the region, which is very likely to worsen. The following is an in-depth analysis of the challenges posed by Iran's active expansionist policy regarding Saudi Arabia, and the determinants that have crystallised the Saudi response.

The oil barrels mystery

Since August 2014, oil has lost nearly half of its global market value, with Brent and Arab Light crude oil prices falling to less than fifty US dollars a barrel in January 2015. The Saudis and their allies from the Organization of the Petroleum Exporting Countries (OPEC) attribute the price drop to the steady slowdown in the global economy, the rapid rise in shale oil production, particularly in the United States, and the increasing reliance of several major consumers, such as Germany, India and China, on alternative energy sources. The Saudis also stipulate that OPEC's share of the global market does not exceed thirty per cent, and if it is necessary to adjust the price by withdrawing three to four million barrels per day from the market, major oil producers from outside OPEC, such as Russia, Mexico and Brazil, must also reduce their production significantly.

Iran and Russia counter this by accusing Saudi Arabia of being responsible for the fall in oil prices. They regard the price collapse as the result of a US-Saudi agreement to exert pressure on Moscow and Tehran in terms of Ukraine and the nuclear program talks, respectively. They say that the decline in prices occurred very quickly, not because of the current status of the global economy, but because of the large oil surplus on the market. They point out that although OPEC's entire share does not exceed one-third of global oil production, Saudi Arabia is the main stabiliser of the market, because it is the only producer that can easily produce between six and twelve million barrels a day. They accuse that it is clear that Saudi Arabia refuses to reduce its production in any way, or even to reach an understanding with other OPEC and non-OPEC producers to cut production simultaneously.

Whatever the actual reasons behind the price slump, Iran and Russia have plainly pointed to Saudi Arabia's culpability. Russian President Vladimir Putin refused to meet Saudi Foreign Minister Saud al-Faisal during his recent visit to Moscow on 21 November 2014. Moreover, during his usual end-of-year press conference, Putin explicitly accused Saudi Arabia of conspiring with the West to undermine the Russian economy. Iranian officials have also made other, myriad accusations against Saudi Arabia.

Over the past year, Russia has spent more than 100 billion US dollars of its total financial reserves to support the ruble and stop the rapid depreciation of its value against the dollar and the euro due to Western sanctions and low oil prices. As for Iran, it decided to re-draft its budget for this year on the basis of oil price projections at forty US dollars per barrel instead of the previous estimate of seventy dollars per barrel. In light of the current market conditions, there is no guarantee that prices will remain above forty dollars per barrel. Because the economy and public finance in Iran and Russia depend to a large degree on oil, the Iranian state and economy look set to face a monumental crisis in the short and medium terms.

Pre-existing regional factors

Despite its urgency and severe impact, the oil price decline is not the only issue contributing to the worsening of Saudi-Iran tensions. Indeed, a number of other regional differences that predate the collapse of oil prices may be the primary reason behind conflicting views of the real causes of low oil prices and Saudi Arabia's refusal to reduce production.

Riyadh's enthusiasm toward the Syrian Revolution is no longer the same as it was a year ago, and the level of its support to Syrian rebels has declined. However, Syrian regime change and President Assad's ouster are still the main determinants of the Saudi stance on the Syrian crisis. Tehran rejects this and insists that President Assad must be part of any solution to the crisis. It has even backed up its stance by pushing Hezbollah and Shia volunteers from all over the world, as well as Iranian military experts, to support Assad and strengthen his military capabilities.

To a large extent, the situation in Lebanon is related to events in Syria. Hezbollah and its allies have turned into a parallel force to the Lebanese state. Given the fact that Saudi Arabia is trying to consolidate its influence in official Lebanese state institutions, to the extent that it decided to pay billions of dollars to re-arm the Lebanese army, the Saudi-Iran dispute has reached a peak. In recent months it became an obstacle that has escalated to such an extent that it has prevented Lebanese politicians from reaching sufficient political consensus to elect a new president.

In Iraq, although Riyadh and a number of other Arab capitals welcomed the replacement of former Prime Minister Nouri al-Maliki by Haider al-Abadi, and Riyadh re-opened its embassy in Baghdad, Saudi doubts about the Iraqi government's tendencies have not dissipated completely. Riyadh needs to strengthen cooperation with Baghdad to counter the threat of Daesh (or the Islamic State). On the other hand, it is clear that Iran's influence in Iraq is increasing and becoming more apparent and effective in many sectors, including the military. Complicating matters is that Washington, which is leading the confrontation against the Islamic State (or Daesh), seems receptive to the role that Iran is playing in Iraq. Although Saudi Arabia encouraged Iraqi Sunni politicians to cooperate with al-Abadi in order to form a stable government, the discriminatory practices of Shia militias and official government bodies against Iraqi Sunni Arabs have not ceased, which is embarrassing for Saudi Arabia and other Arab countries that have decided to be more open with Baghdad.

Overall, Yemen seems to have become the most significant regional issue in the relationship between the two countries. The close ideological, political and logistical links between the Houthis (or Ansar Allah, as they call themselves) and Iran are clear to everyone. Nevertheless, neither Riyadh nor any of the other regional actors have

adequately estimated the real force of the Houthis. Since the outbreak of the Yemeni revolution against President Abdullah Saleh in 2011, the international community designated the GCC states, led by Saudi Arabia, to develop a vision for Yemen's transition from the rule of Saleh to a pluralistic and consensual government. In fact, Saudi Arabia has become, in the name of the GCC, the main mediation player in Yemen.

Over the past year, Saudi policies in Yemen have been reflected in a number of key trends:

- Weakening of the Yemeni Congregation for Reform, commonly known as al-Islah, the political framework of the Yemeni Muslim Brotherhood and their allies. This is part of Saudi Arabia's resolve to curb the power of all Muslim Brotherhood institutions across the Arab region.
- Maintaining President Saleh and his party, not only as a party in the transitional system, but also as a balancing force in the political arena.
- Broadening consensus on the transitional presidency in the hope that President Abd Rabbuh Mansur Hadi (1) could bring about lasting stability in the country, in harmony with Saudi politics. However, things have not proceeded as Riyadh hoped.

In light of the tense transitional period, the Houthis' strength has increased exponentially. During the first half of 2014, they managed to slowly progress beyond their area of influence in Saada, and strengthened their links with the Zaidi community, whose willingness to support the Houthi project, whether in the state's institutions or tribal circles, has added a new sectarian dimension to the political conflict in the country for the first time in its modern history. The Houthis have also built a tacit alliance with former President Saleh and his party, which provided them with tangible support from army units and security institutions that are still loyal to the former president. After a series of confrontations with forces against them, and their success in pushing thousands of their supporters to protest within the framework of popular rallies in Sanaa, the Houthis effectively dominated the Yemeni capital on 21 September 2014, and over the following weeks attempted to extend their control to the cities and governorates with a Zaidi majority.

Yemen's most recent president, Abd Rabbuh Mansur Hadi, was obliged, due to his inability to cope with their rising power, to make successive concessions to the Houthis

regarding leadership positions in state bodies, the new coalition government, and in the halls of the National Dialogue. However, the goal of the Houthis, who are backed by Iran, was to take complete control of the Yemeni state apparatus, or what is left of it, as well as completely direct the path of the National Dialogue, which President Hadi could not accept. This sparked the recent crisis in the relationship between the Houthis and the presidency on 19 January 2015.

To Saudi Arabia, Yemen is not just an Arab neighbour. Its population and border considerations make it the most significant neighbour for Riyadh. If the Houthis manage to consolidate and extend their control over the state's resources, Yemen will become the third Arab country to fall into the hands of Iran's allies in the last decade. The complex Yemeni political situation will bring more chaos and instability to the country and allow the spread of al-Qaeda and its affiliates' influence, since the Sunni majority has lost hope in al-Islah's ability to face the Houthis. In addition, because of the Houthis' success in planting the seeds of sectarian division between the Zaidis and Shafiis, it seems that Saudi Arabia and other GCC states have, for the first time in decades, lost many of their traditional links with various Zaidi tribes.

In a symbolic manifestation of its declining influence in the region, Saudi Arabia built a security barrier between it and Iraq, and has already begun building a similar barrier with Yemen. However, even if such actions succeed in deterring smugglers or small saboteur groups, Riyadh will not be able to stand against the political projects besieging it, nor will it be able to restore its political clout and influence. A number of Saudi observers and academics have already begun protesting against Riyadh's seeming confusion in facing and dealing with Iran's steady expansion in the region.

Power imbalance

It is evident that an imminent geo-political development which will influence all disputed Saudi-Iran issues, is the current state of negotiations between Iran and the US on Iran's nuclear program, with both parties being the closest they have ever been to reaching a deal. Nevertheless, what is certain is that Saudi Arabia and the GCC states will be the parties that pay the price in both cases. If an agreement on the nuclear program is reached, Washington will allow Iran greater influence in the region, which has already been made clear in Iraq. However, if the accord is not completed, Iranian regional politics will likely become more offensive in a bid to garner support and influence to use

as leverage in the next round of negotiations with the so-called "Great Satan". And because Iran's regional influence has reached an unprecedented level, it is not unlikely that it will use this to escalate sectarian tensions within the GCC countries themselves in the near future.

The point is that Iran and the Arab countries are competing to achieve contradictory goals, with each side attempting to maximise its ability to impose its agenda either through threats or direct and indirect confrontations. It seems that Iran has been successful on many fronts, and will continue to expand its influence as long as the balance of power in the region favours Iran. Arab states will be unable to address this imbalance unless they succeed in reforming their political systems so that transitions of power will not pose a threat to their countries' stability, cohesion and unity. "Giant" Arab countries, such as Saudi Arabia, must restore relations among Arab countries, and even within the Arab countries whose internal situations have worsened at the political level since the coup in Egypt, or at the level of civil groups, including tribal and non-tribal ones, in countries such as Lebanon, Iraq and Yemen. They should also put in place the conditions that will restore Egyptian effectiveness in the Arab arena. This can be achieved through working towards an internal Egyptian reconciliation and putting an end to the unstable coup situation. However, even in case of such a return, Egypt will not be ready to regain its leading role in the Arab arena for a number of years yet.

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Notes

1. The Arabic version of this position paper was published on Thursday, 22 January 2015, before President Hadi announced his resignation and before the latest Houthi advancements in Yemen.