Saudi Arabia and Iran

Review Draft – Circulated for Comment

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Introduction

This draft analysis is be circulated for comment as part of the CSIS “Saudi Arabia Enters the 21st Century Project.” It will be extensively revised before final publication.

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Saudi relations with Iran have never been easy. Tensions between the Wahhabi and Shi’ite clerical leadership of both states have existed for over two centuries. The founder of the Wahhabi movement, Muhammad abd al-Wahhab, felt that the Shi’ite Islam was an apostate version of Islam; Wahhab led raids into Shi’ite Southern Iraq, to raze the shrine of al-Hussein, one of the most important leaders in Shi’ite theology. Since then tension has existed between those who hold strongly and conservatively to the Wahhabi and Shi’ite creeds and this religious tension is unlikely to be resolved any time soon.

The two states were more rivals than friends while the Shah remained in power. Iran became actively hostile to Saudi Arabia, however, following the Iranian Revolution in 1979. Khomeini and other Iranian leaders often violently attacked the character and religious legitimacy of the Saudi regime. It attempted to fly combat aircraft into Saudi air space during the Iran-Iraq War, and threatened tanker traffic to Kuwait and Saudi Arabia in an effort to force Saudi Arabia to reduce its support for Iraq. Iran also sponsored riots and unrest during the sacred pilgrimage to Mecca, the hajj.

This situation has improved in recent years, and particularly since the election of a more pragmatic president of Iran – Ali Mohammed Khatami on August 3, 1997. Unlike the United States, Saudi Arabia has steadily improved its relations with Iran in spite of these concerns, and has not attempted to isolate Iran or severed diplomatic relations. Saudi Arabia maintained diplomatic relations with Iran even during the Iran-Iraq war and sought to find ways to reach a modus vivendi with Iran’s revolutionary regime. Saudi and Iranian relations began to improve after Khomeini’s death and Saudi Arabia reacted favorably to Iranian speeches calling for improved relations, like those of Iranian Foreign Minister Ali Akbar Velayati in March 1997. As a result, Foreign Minister Velayati visited Saudi Arabia in the spring of 1997 -- his first visit in four years.

This now spirit of cooperation helped lead Iran and Saudi Arabia to cooperate in trying to persuade the Organization of Petroleum Exporting Countries (OPEC) to cutback on oil production in June 1997. Iran Air resumed flights to Saudi Arabia in September 1997. Prince Sultan, Saudi Arabia’s Minister of Defense stated in July 1997 that, “ties between Saudi Arabia and Iran will never be severed.” King Fahd sent Minister of State Abdul-Aziz bin Abdullah Khoweiter to Tehran with messages from the King and Crown Prince Abdullah, and responded favorably to Iran’s invitation to send a senior official to the Organization of the Islamic Conference (OIC) in Tehran in December 1997.

One of the key reasons for this increased cooperation was that many senior Saudis saw Khatami’s election as President of Iran as an indication that Iran might be evolving to become a
state with which Saudi Arabia could have “correct,” and possibly “friendly” relations, and that the new Iranian regime would focus on domestic issues rather than on regional and ideological ambitions. They felt they might be able to reach an accommodation with Iran that traded Saudi support for better relations between Iran and the Arab world for Iranian non-interference in Saudi affairs and an easing of the Iranian military build-up in the lower Gulf.4

Saudi Arabia soon acted on these perceptions. It held informal talks with the Iranian government while holding public talks outside Saudi Arabia. For example, in November, Saudi Oil Minister Ali al-Naimi met with his new Iranian counterpart Bijan Zanganeh before an OPEC meeting in Jakarta. On November 26, 1997, Iran invited King Fahd to visit Iran. It did so knowing that the King was too ill but that Crown Prince Abdullah had already privately agreed to come.

As a result, Crown Prince Abdullah led a delegation to the OIC in Tehran in December 1997. In a statement before the opening session of the conference, Prince Abdullah called on the OIC to focus on resolving the problems of the Islamic community and promoting unity: “The relationship between a Muslim and another Muslim has to be founded on amity, cooperation and giving counsel on a reciprocal basis...we have to eliminate the obstacles which block the way and be aware of the pitfalls which we may come across as we make our way towards a better future.”

Prince Abdullah was careful to qualify these remarks. He attacked terrorism and extremism in the Islamic world. He also stated that, 5

``I do not think it would be difficult for the brotherly Iranian people and its leadership and for a big power like the United States to reach a solution to any disagreement between them. ...There is nothing that will make us more happy than to see this sensitive part of the world enjoy stability, security and prosperity...If the United States asks us we will not hesitate to contribute to efforts to bring stability to the region.”

Yet, Prince Abdullah also praised his Iranian hosts: “With the immortal achievements credited to the Muslim people of Iran and their invaluable contributions...it is no wonder that Tehran is hosting this important Islamic gathering. During the course of the conference, the Crown Prince also held two rounds of private talks with Iranian President Muhammad Khatami. During the second round of talks, President Khatami departed from protocol by calling on the Saudi leader in his suite for a meeting that lasted 45 minutes.

In February 1998, former Iranian president Hashemi Rafsanjani visited Saudi Arabia for ten days to improve relations between the two countries. Saudi Arabia's King Fahd and Rafsanjani met in Riyadh to discuss regional and bilateral ties and the problem of falling oil prices. The official Iranian news agency, IRNA, issued a statement that “The Saudi king told Ayatollah Rafsanjani that Iran and Saudi Arabia as two important nations of the world and also
of the region must collaborate in every issue of their mutual interest including oil, OPEC, and regional matters.” It said that King Fahd “promised that his country would have closer cooperation with Iran for maintaining oil prices at reasonable rates in the future.” At the same time, IRNA quoted Rafsanjani as saying “mutual good understanding between petroleum exporting countries would certainly prevent a downturn in oil prices,” and that Rafsanjani, “observed that the Moslem world can rely on its own indigenous resources to solve those problems without the involvement of non-Moslem alien powers.”

The official Saudi Press Agency (SPA) was more constrained. It said the two men had “discussed relations between the Kingdom of Saudi Arabia and the Islamic Republic of Iran and issues in the Islamic and international arenas,” but did not give details on the talks. Rafsanjani, who had been Iran's president for eight years before Khatami took over in August 1998, heads Iran's powerful policy-making Expediency Council that makes long-term policies and advises supreme leader Ayatollah Ali Khamenei.

Prince Saud al-Faisal was quoted as saying “The Iranians used last December’s Islamic summit in Tehran to give the world a message, not one of shadows but one of substance, that they want to improve relations.” The editor of Asharq al-Awsat, a Saudi daily, also remarked that, “the future is bright for Saudi-Iranian relations.”

Iran continued to praise the visit even though a Saudi cleric made derogatory remarks about Shi'ite Islam and Iran's 1979 Islamic revolution at Friday prayers during Rafsanjani’s minor pilgrimage to the Islamic holy city of Medina. The Ayatollah Ahmad Jannati, a senior Iranian Shi'ite Moslem cleric, said in a Friday prayer sermon following Rafsanjani’s visit that while some opposed rapprochement, Saudi Arabia and Iran should work to overcome their differences: “Rafsanjani had a good trip to Saudi Arabia except for that one incident at Friday prayers...We have had differences with Saudi Arabia in the past but these cannot remain.... Of course, there are those within Saudi Arabia who don't want us to improve relations but we should work together and join as Moslem brothers...We Moslems must wake from our slumber and join together.”

Oil was a critical issue during the meeting for both countries. The visit occurred at a time when oil prices had dropped to their lowest levels in nearly four years because of a combination of higher OPEC supplies, Asia's economic crisis, a mild winter in the northern hemisphere and the return of Iraqi exports under a UN oil-for-food deal. The drop also occurred because Saudi Arabia, with the aid of Kuwait and the United Arab Emirates, led OPEC ministers in November to increase the 11-member group’s output ceiling by 10 percent to 27.5 million barrels per day (bpd).
Rafsanjani was accompanied by Iranian Oil Minister Bijan Namdar Zanganeh and other officials who met with Saudi Oil Minister Ali Naimi. They issued a joint statement expressing willingness to work together towards correcting a sharp decline in oil prices but voiced their concern over quota violations by other member states: “The two sides (Iran and Saudi Arabia) are prepared to coordinate their efforts with other members of OPEC to bring back stability to the oil market if meaningful efforts are taken by quota-violating member countries. They reaffirmed their conviction that the responsibility for re-stabilizing oil prices falls upon all exporting countries.” This announcement illustrated a key reason for Saudi-Iranian cooperation, but it also illustrated the risk the two countries might clash in the future over relative production quotas and oil policy.

These exchanges laid the groundwork for continuing cooperation. Saudi Arabia steadily improved its contacts with Iran during 1998, 1999, and the early part of 2000. For the first time in many years, the two nations cooperated during the annual pilgrimage to Mecca. Saudi Arabia increased the quota for Iranian pilgrims in February 1998. The two governments took steps to keep any Iranian demonstrations during the pilgrimage peaceful, and when Iranian pilgrims complained of Saudi treatment during the early stages of the pilgrimage in March 1998, the Iranian Minister of the Interior, Abdollah Nouri, flew to Saudi Arabia to work things out with his Saudi counterpart, Interior Minister Prince Naif bin Abd al-Aziz.8

The resulting dialogue between Minister Nouri and Prince Naif scarcely solved every problem. The Ayatollah Mohammad Mohammadi Reyshahri, Iran's top official at the Moslem hajj pilgrimage in Saudi Arabia, accused “suspicious and backward elements” in the Saudi holy city of Medina of insulting Iranians and expelling them from shrines. He then told Iranian pilgrims that they should denounce the United States and Israel as “devils.” On a March 29, 1998, Iranian television reported that he spoke to an audience of Iranian pilgrims, called for a Saudi-banned rally, and stated that, “The disavowal of infidels is the realization of the political dimension of hajj...which makes the pilgrimage real and complete.”

Reyshahri said a ritual at the climax of hajj, in which pilgrims throw stones at pillars symbolizing Satan, was a “symbol of struggle against America and its illegitimate procreation Israel... America is today at the forefront of all devils.” At the same time, the rhetoric was relatively private, and far from the kind of crisis that occurred in 1987, when 402 people, mostly Iranians, died in clashes with Saudi security forces at an Iranian-led rally. This crisis led Iran to boycott the hajj during 1988-1991, although Iranian pilgrims have held low-key rallies inside their own tent compounds in recent years, and Saudi authorities have not intervened.9
Despite these problems, Saudi Arabia followed up in early April 1998 by inviting Iranian President Mohammad Khatami to visit Saudi Arabia for the annual pilgrimage as a further sign of improving relations between the two countries. Khatami declined the invitation to the pilgrimage, which started April 6, but said that he would come “as soon as possible.” Iran’s Supreme leader Ayatollah Ali Khamenei also stated at the end of the hajj that Iran's ties with Saudi Arabia were improving and this year's pilgrimage to Mecca was a success. Khamenei's remarks, quoted by Iran's television, gave clear backing to the more conciliatory approach to the hajj which Iranian officials adopted this year, reflecting last year’s election of moderate President Mohammad Khatami.

Khamenei did state that Iranian pilgrims should continue “as far as possible” to hold their anti-Western “Disavowal of Infidels” rally, which had caused serious friction in the past, during the hajj. Speaking to Iran's top hajj officials, Khamenei praised the pilgrimage as ``very good and successful...and performed in peace and without apprehension,” and also said that “We do not give up our basic beliefs at any price and cannot forgo the Disavowal at hajj ceremonies-- we try rather to perform it as much as possible.” He went on to say ties with Saudi Arabia were “good” and express his hope that political relations would improve “day by day within an acceptable framework.”

Both governments discussed ways to minimize the religious tensions between the Shi’ites in Saudi Arabia’s Eastern province and its vast majority of Wahhabis. While many tensions remained, this kind of dialogue had been unthinkable since the fall of the Shah until 1997 -- a period of nearly two decades.

In May 1998, Saudi Arabia and Iran signed an agreement on cooperation in the power and power-generating sectors as well as in other joint-investment projects. The agreement defined cooperation in economic, commercial, technical, scientific, cultural and sports fields and also covered cooperation in providing consular services, expansion of communications services, air and sea transport and environmental issues.

A two-day visit to Iran in April 1999 by Saudi foreign minister Prince Saud al-Faisal produced further warming of relations. In May 1999, Saudi Defense Minister Prince Sultan made a five-day visit to Iran in what was the first visit by Saudi defense minister to the country since 1979. Prince Sultan and Iranian Vice President Hassan Habibi discussed upgrading trade and cultural ties and signed an agreement to increase flights between them. Iranian president Khatami is expected to make a landmark visit to Saudi Arabia as part of a regional tour beginning on May 13, 1999.
It was reported during the meeting that the two countries might be considering a regional security plan. The two countries did agree to exchange military attaches, but Prince Sultan was quoted as saying “Military cooperation is not easy between two countries who did not have ties for years.” Other Saudi officials then made it clear that the pact was more a matter of agreeing on internal security measures and mutual non-interference in the other state’s internal affairs than security in the usual sense of the term.

The actual signing of such a pact took place in April 2001. On April 18, the Saudi Minister of the Interior, Prince Naif, and his Iranian counterpart, Abdolvahed Mousavi-Lari, signed an agreement in Tehran on internal security cooperation. The agreement covered fighting organized crime, terrorism, drug trafficking. Abdolvahed Mousavi-Lari stated during a press conference following the signing that, “This agreement promises peace and friendship and Iran has always reached out a hand of friendship to its neighbors.” Somewhat ironically, the agreement did not cover extradition, and Prince Naif was forced to deny that this omission was because of the Al Khobar bombing during the same press conference.

Cooperation also improved in developing a common Iranian policy toward oil policy and OPEC. As of late 1998, tensions still remained over many petroleum issues between the two countries, including Iran’s poor compliance rate with OPEC quotas and Saudi Arabia’s rising oil exports to South Africa, where Iran is the leading OPEC supplier. During OPEC meetings in March 1999, Saudi Arabia focused heavily on resolving the dispute over Iran’s compliance. An agreement was finally reached, delimiting the baseline for Iran’s share of OPEC cutbacks at 3.9 million barrels per day, rather than 3.6 million barrels per day as argued by other OPEC member states. Although Iran will face the same 7.3% reduction as other member states, in actuality Iran’s cuts will be smaller due to the amended baseline.

While Saudi Arabia and Iran did not agree on oil strategy at the OPEC meeting in March 2000, they also did not openly split. Saudi Arabia called for a major increase in the OPEC production quotas in part to stabilize prices and in part to take advantage of its large amounts of surplus production capacity. Iran was near full production and saw any increase as leading to a potential cut in oil prices and revenues – a critical issue for a nation almost as dependent on oil exports as Saudi Arabia and for whom a shift of a dollar in oil prices is worth nearly $800 million in oil revenues a year. As a result, Iran resisted any increase in oil production, although it eventually followed the Saudi lead. These differences, however, did not lead to name calling or political hostility. The debate within OPEC remained a debate within OPEC, and Saudi Arabia and Iran continued their dialogue on OPEC policy in 2000 and 2001.
The special consideration Saudi Arabia is showing towards Iran advances Saudi strategy in seeking to strengthen ties between the two countries. Although all OPEC states have been suffering the effects of low oil prices, Iran is one of the most vulnerable economies in the organization. Saudi policymakers have clearly concluded that the economic destabilization of an Iranian regime attempting to build more positive ties with its regional neighbors and the West would not be in the Kingdom’s interest.\(^{19}\)

Saudi policymakers have few illusions about the problems they face. They feel that Saudi Arabia will still have to compete with Iran for regional influence even if a pragmatic regime does emerge as the stable and dominant political faction in Iran and that problems will often arise over oil prices and quotas. They recognize that it will still be difficult to balance improved relations with Iran against Saudi ties to the US. Some feel that Saudi Arabia will continue to have to deal with Iranian efforts to intimidate Saudi Arabia or its neighbors, and win influence with Saudi Arabia’s Shi’ites. As a result, they feel that Saudi Arabia must continue to plan to meet military threats from Iran’s conventional forces, unconventional forces, and weapons of mass destruction until a new regime in Iran has proven its moderation over a period of years.

Saudi officials are also concerned about Iran’s attempts to build-up the capability to threaten tanker and other shipping through the Gulf. They note Iran has provoked unrest within the Saudi Shi’ite community in the past, and deliberately caused unrest among Shi’ite and other pilgrims during the hajj. Saudi security forces remember clashes with pro-Iranian demonstrators in 1987 that resulted in the death of over 400 people, mostly Iranian pilgrims and Iran and Saudi Arabia severing diplomatic relations.

Saudi Arabia also faces the problem that Iran openly opposes the presence of the US and other Western forces in the Gulf. Saudi intelligence officials privately make it clear that they believe Iran played at least an indirect role in terrorist attacks on US and Saudi facilities in Saudi Arabia, and that the attack on the US Air Force housing complex in Al Khobar may have been authorized at the highest levels of the Iranian government. In particular, they cite the attack on the US Air Force housing complex at Al-Khobar that killed 19 Americans in June 1996.\(^{20}\) They also fear that Iran may provide indirect support for Saudi Sunni Islamic extremists who attack the legitimacy of the Saudi royal family and its interpretation of Islamic law and religious practices.

These issues remain a major potential problem because any firm, public links between Iran and the Al Khobar bombings could freeze progress in Saudi-Iranian relations, severe them, or lead to a massive confrontation between the US and Iran. Saudi Arabia has denied that the Al Khobar issue has been the subject of formal discussions with Iran since Saudi Arabia asked Iran...
to provide background data on some aspects of the investigation on behalf of the US in 1999. For example, it denied that the Saudi and Iranian Foreign Minister discussed the issue when they met in May 2001. The Iranian Foreign Ministry also stated in May that, “These baseless claims are published by circles that are worried about the development of relations between the Islamic Republic of Iran and Saudi Arabia.”

This denial followed a New Yorker article that said FBI Director Louis Freeh had handed the Bush Administration a listed of suspects that included senior Iranian officials. Previous reports had mentioned Ahmad Sherrif, a senior official in the Iranian Revolutionary Guards, as having been involved in the planning of Al Khobar. This has not been confirmed, but a major London-based Saudi newspaper, al-Hayat, has claimed that the disappearance of two Saudis and one Lebanese believed to have planned the bombing were believed to have initially fled to Iran although investigation has since indicated they are not there. The testimony of two Saudis arrested for the bombing – Hani al-Sayegh and Mohammed Qassab, has not been made public. The Saudi government has never formally denied that Iran may be connected to the Al Khobar bombings, although Foreign Minister Saud al-Faisal did state that it, “is not a good thing to launch accusations here and three reporting a matter on which the investigation has not been completed,” shortly after the New Yorker article appeared.

Moreover, Iran continues to occupy Abu Musa and the Greater and Lesser Tunbs, two islands claimed by the United Arab Emirates (UAE). The Saudi government has consistently supported the UAE position on the issue at the 21st GCC summit in December of 2000. Saudi Arabia is also deeply concerned with Iran’s and build-up of forces that can threaten naval traffic passing through the Straits of Hormuz and the lower Gulf.

Nevertheless, Saudi Arabia is almost certain to continue to seek to improve its relations with Iran. It will do so to reduce the risk of military and political confrontation, allow Saudi Arabia to use Iran as a counterbalance to Iraq, ease Saudi Arabia’s internal problems with its Shi’ites, and reduce the backlash from Saudi Arabia’s military dependence on the US.

**The CSIS “Saudi Arabia Enters the 21st Century Project”**

The CSIS is undertaking a new project to examine the trends shaping the future of Saudi Arabia and its impact on the stability of the Gulf. This project is supported by the Smith Richardson Foundation and builds on the work done for the CSIS Strategic Energy Initiative, the CSIS Net Assessment of the Middle East, and the Gulf in Transition Project. It is being conducted in
conjunction with a separate -- but closely related -- study called the Middle East Energy and Security Project.

The project is being conducted by Anthony H. Cordesman, the Arleigh A. Burke Chair in Strategy. It uses a net assessment approach that looks at all of the major factors affecting Saudi Arabia’s strategic, political, economic, and military position and future implications of current trends. It is examining the internal stability and security of Saudi Arabia, social and demographic trends, and the problem of Islamic extremism. It is also examining the changes taking place in the Saudi economy and petroleum industries, the problems of Saudisation, changes in export and trade patterns, and Saudi Arabia’s new emphasis on foreign investment.

The assessment of Saudi Arabia’s strategic position includes a full-scale analysis of Saudi military forces, defense expenditures, arms imports, military modernization, readiness, and war fighting capability. It also, however, looks beyond the military dimension and a narrowly definition of political stability, and examine the implications of the shifts in the pattern of Gulf, changes in Saudi external relations such changes in Saudi policy towards Iran and Iraq. It examines the cooperation and tensions between Saudi Arabia and the other Southern Gulf states. It examines the implications of the conventional military build-up and creeping proliferation of weapons of mass destruction in the Gulf, the resulting changes in Saudi Arabia’s security position. It also examines the security and strategic implications of the steady expansion of Saudi Arabia’s oil, gas, and petrochemical exports.

This project is examining the succession in the Royal Family, the immediate political probabilities, and the generational changes that are occurring in the royal family and Saudi Arabia’s technocrats. At the same time, it examines the future political, economic, and social trends in Saudi Arabia, and possible strategic futures for Saudi Arabia through the year 2010.

This examination of the strategic future of Saudi Arabia includes Saudi Arabia’s possible evolution in the face of different internal and external factors -- including changes in foreign and trade policies towards Saudi Arabia by the West, Japan, and the Gulf states. Key issues affecting Saudi Arabia’s future, including its economic development, relations with other states in the region, energy production and policies, and security relations with other states will be examined as well.

A central focus of this project is to examine the implications of change within Saudi Arabia, their probable mid and long-term impacts, and the most likely changes in the nature or behavior of Saudi Arabia’s current ruling elite, and to project the possible implications for both Gulf stability and the US position in the Gulf.

Work on the project will focus on the steady development of working documents that will be revised steadily during the coming months on the basis on outside comment. As a result, all of the material provided in this section of the CSIS web page should be regarded as working material that will change according to the comments received from policymakers and outside experts. To comment, provide suggestions, or provide corrections, please contact Anthony H. Cordesman at the CSIS at the address shown on each report, or e-mail him at Acordesman@aol.com.

Related material can be found in the “Gulf and Transition” and “Middle East Energy and Security” sections of the CSIS Web Page at CSIS.ORG.

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