

US and Iranian Strategic Competition in the Gulf States and Yemen

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**Note: This draft is being circulated for comments and suggestions.
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V. COMPETITION IN SOUTHERN GULF, ARABIA, AND YEMEN

Introduction

The Gulf is the strategic center of the competition between the US and Iran. The stability of the Gulf is critical to the global economy, as roughly 40 percent of the world's oil trade is transported through the Strait of Hormuz, which at its narrowest point is just 21 miles wide. The US support for Saudi Arabia and the Gulf states in their broader competition with Iran is a fundamental relationship driving US-Iranian competition in the Gulf.

US Goals in the Gulf

The Gulf is a primary strategic economic, political, and military interest to the US, and this makes the de facto alliance between the US and the Southern Gulf states critical to the success of US competition with Iran. The US once depended on a "twin pillar" policy of allying with both the Saudis and the Iranian Shah to secure its interests in the region. The Iranian Revolution (1979) toppled the US-installed Shah, effectively ending this policy and established Iran as an adversary to the US-Saudi relationship. As a result, Saudi Arabia and the other Southern Gulf states have become critical partners in countering Iranian influence.

The US seeks to contain Iran and limit its influence over the Southern Gulf countries by strengthening its relationship with each Arab Gulf state. It works with outside allies like France and Britain, seeks to negotiate an Arab-Israeli peace, and to establish a mix of US, Iraqi, and Southern Gulf capabilities for deterrence and defense that will contain Iran. As part of this effort, the US seeks to limit Iran's ability to use its political influence, ties to other regional states, influence over Iraq, exploitation of the Arab-Israeli conflict, and capabilities for asymmetric warfare to dominate the region.

US strategy seeks to check Iranian nuclear ambitions and Iran's support for international terrorism. The US uses unilateral and UN sanctions to influence Iran's noncompliance with the IAEA. It exposes Iran's human rights abuses to the international community. Militarily, the US establishes a permanent presence in many of Iran's neighbors and builds the deterrence capacity of its rivals.

The US offers capacity-building and training programs, media access, and exchange programs to help Iranian civil society strengthen their calls for accountability, transparency, and rule of law. This includes using diplomatic tools to assist those defending fundamental rights and freedoms, engaging like-minded countries to develop shared approaches to pressure the Iranian regime, and persuading multinational energy firms to withdraw from all significant activity in Iran.¹ At the same time, the US also pursues democratic reforms and human rights, goals that sometime contradict its focus on its broader security concerns.

Iran's Goals in the Gulf

Iran's current strategy has four main priorities: preserving the Islamic regime, safeguarding Iran's sovereignty, defending its nuclear ambitions, and expanding its influence in the region and the Islamic world.² There are a number of factors that shape its actions towards its Arab Gulf neighbors. Most senior leaders in the Iranian regime still seem to believe in the justification of the Iranian Revolution and this belief colors their actions and policy regarding their Sunni neighbors.

Iran has sought to deter US military action, reduce US influence, and establish itself as the dominant power in the region. In recent years, Iran has pursued this strategy by building up its capability to pose a missile, nuclear, and asymmetric threat. Iran has exploited the Arab-Israeli conflict, discredits the US presence in the region, and expanded its influence over groups that oppose the US.

Iran is a declared chemical weapons power, may be developing biological weapons, and has an active nuclear program that seems to be advancing towards the capability to produce fission weapons. Iran has created long range missile programs that can only be effective if armed with weapons of mass destruction. Iran has also built up a massive capability for asymmetric warfare in the Gulf.

Iran's development of asymmetric warfare capabilities represents an emerging new threat to energy exports and all aspects of commerce in the Gulf. In addition to its obvious implications for the global energy sector, a potential military attack in the Gulf is particularly threatening to the Gulf states because of their vulnerabilities. The region is made up of highly urbanized environments, dependent on a single source of income, and without back up plans.

Iran has competed with Saudi Arabia by trying to exploit intra-Gulf divisions. For instance, Iran has signed security agreements with Oman, Kuwait, and Qatar. While these agreements focus on issues of common concern such as criminal and smuggling networks rather than broad military cooperation, they do reveal a certain level of cooperation between Arab states and Iran. In Iranian foreign policy calculus, these agreements could be a first step toward expanding their influence in the region. These steps will have varying responses in each country; Oman, Qatar, and the UAE have welcomed stronger ties with Iran, while Kuwait, Saudi Arabia, and Bahrain tend to be more wary of this cooperation.

The religious element in Iranian foreign policy is particularly important in analyzing Iranian policy towards Saudi Arabia, because of the Saudi regime's own strong religious underpinnings and because it is home to Islam's holiest sites. This gives the Iranian regime an opportunity to criticize Saudi involvement with the US, in a way that resonates popularly and thus weakens the Saudi monarchy's Islamic credentials and political sway.

More broadly, Iran seeks to extend its political, economic, and military influence in the Gulf while limiting the influence of foreign actors, particularly the US. Iranian leaders have used their populist influence and the "Arab Street" approach to bypass Arab regimes and speak directly to their populations to exploit issues like mistreatment of the Palestinians, US presence in the Gulf, and portray certain rulers as puppets of

Washington. This approach is made more threatening to regimes that are facing serious sectarian threats and popular uprisings at home, like Bahrain and Kuwait.

Iran seeks to prevent the emergence of a united Gulf security bloc that has US backing, by calling for a separate regional security apparatus in which Iran would play a leading role. At the 2007 GCC summit hosted by Qatar, President Ahmadinejad stated, “We are proposing the conclusion of a security agreement. We want peace and security based on justice and without foreign intervention.”³ This may be increasingly unrealistic given recent instability in the wake of the Arab uprising and tension drawn from the Saudi ambassador plot, but is a reflection of Iranian motives to gain influence in the region.

Iranian interference in Iraq represents a serious threat to both Saudi and American interests. This is not solely aimed at destabilizing the situation; like Saudi Arabia, Tehran has legitimate reasons to remain involved in Iraq and ensure its interests are secured by and in the Iraqi regime. Indeed, Iran has a deep interest in helping to develop Iraq’s economy. As neighbors of Iraq, both regimes have an interest in stability, but also in having a regime that is friendly to their own interests. However, because these interests are in direct contradiction, this makes Iraq a major sphere of competition between Saudi Arabia and Iran, which in turn impacts the other Gulf states.

Iran competes through support of non-state actors in the Gulf. While Iran has cut back on its tangible support to Shi’ite dissidents in the Gulf, it still uses its ideological and political influence to compete with its Sunni neighbors. For instance, in Bahrain, Iran continues to have influence over the radical Shi’ite group Al-Haq; in Kuwait and Saudi Arabia, Iran uses its position as leader of the Shi’ites to gain influence amongst the minority Shi’ite communities, especially in times of greater sectarian tension; and, in Yemen, Saudi Arabia has charged that Iran uses Shi’ism as an excuse to rhetorically support the Houthi rebellion and to compete with Saudi Arabia for political influence. Bahraini and Saudi officials have accused Iran of interfering in the affairs of Bahrain, and Saudi officials have accused Iran of supporting proxy warfare in Yemen. Iran has also used assassinations to advance its interests, and in October 2011, the US charged Iran with an attempt to assassinate the Saudi Ambassador in the US, Adel Al Jubeir.

The Arab uprisings have also intensified the competition between the US and Iran in ways that affect the Gulf. Iran has one steady ally in the region, Syria, which is facing increasing internal instability and international condemnation. Iraq may emerge closer to Iran than previously, but is far from an unconditional or malleable ally. The reform that has been called for across the Arab world is not an “Islamic Awakening” as Iran purposes; instead the changes that are being called for run counter to Iran’s own actions as youth across the region are suggesting a modern form of state-religion relations. However, Iran will use the unrest to strengthen its allies, especially as its hand grows weaker. How Iran will react to a GCC that draws closer together during these events is unclear.

US and Iranian Competition by Gulf State

While this Iranian and US competition for power and influence in the Gulf focuses on Saudi Arabia and Iraq, as the other major states in the Gulf region, it plays out differently in each Gulf country including Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, UAE,

Yemen, and Iraq (which is analyzed in the following chapter). This competition is summarized in **Figure V.1**:

Figure V.1: Iranian Competition with the Arab Gulf States

- *Bahrain*: Iran supports the Shi'ite majority's confrontation with the ruling Sunni elite. This is coupled with occasionally reviving claims to Bahrain. The US basing of the 5th fleet in Bahrain makes the country a key ally.
- *Kuwait*: Iran's influence is reinforced by substantial Shi'ite and ex-Iranian populations in Kuwait, as well as the countries geographic proximity. The US is a key guarantor of Kuwaiti security and has two major military bases in Kuwait. Kuwait was liberated by the US from Saddam over two decade ago, and the close relationship, especially in regards to Iraq, has remained.
- *Oman*: Oman has maintained positive relations with both the US and Iran. The US has contingency bases in Oman (Masirah & Seeb) that counter Iranian influence. Substantial numbers of Omanis are Shi'ites, but not "twelvers" as is the case in Iran.
- *Qatar*: Qatar maintains good relations with Iran to maintain the security of its offshore oil and gas fields, and to gain diplomatic leverage on Saudi Arabia. The US has a major air base and prepositioning facilities for the US Army in Qatar. There is not a significant Shi'ite population.
- *Saudi Arabia*: Iran and Saudi Arabia compete for status as the preeminent Gulf power. Saudi Arabia no longer has US combat forces based in the Kingdom, but has major advisory missions and close security ties to the US. Iran has long tried to use religion, including the pilgrimage, to embarrass the Saudi regime for its ties to the US, sometimes on the grounds that the ruling elite are not properly Islamic. The treatment of a substantial Shi'ite minority in the Eastern Province is an additional point of contention.
- *UAE*: The UAE has substantial numbers of Iranians living on its soil, particularly in Dubai, and Dubai is a key trading hub as well as a source of re-exports of arms and technology. The US, however, has growing security ties to the UAE, particularly Abu Dhabi, and UAE as a whole disputes Iran's seizure of control of Abu Musa and the Tunbs (key islands in the main shipping channels to the west of the Strait of Hormuz.)

The Gulf states pay keen attention to the US-Iranian struggle over sanctions, energy investment, and the role of the P5 +1 in seeking to limit the Iranian nuclear program. Their positions are affected by US efforts to build a strategic partnership in Iraq, US plans for a future force posture in the Gulf, Iran's nuclear developments, the course of the fighting in Afghanistan and Pakistan, the rise of China, and problems of piracy and instability in the Gulf of Aden and the Red Sea. They are aware of Iran's regional aspirations and often use the US to curb those ambitions. Competition in the Gulf cannot be separated from the broader pattern of US and Iranian strategic competition. It is often in the Gulf that the competition eventually plays out.

The US Strategic Partnership with the Southern Gulf States

The US has three main priorities in working with Saudi Arabia and the Gulf states in competing with Iran: first, to secure the stability of energy exports and trade through the Strait of Hormuz; second, to protect its allies; and third, to deal with the broader threat of extremism and terrorism in the region.

This US works with major actors like Saudi Arabia – as well as with the smaller Gulf states – where it has military bases and power projection capabilities. The US seeks to maintain a balance of power in the region that keeps Iran from playing a lead role in

regional affairs. The policy has been pursued bilaterally at the highest levels with each Southern Gulf state; through forums like the “Gulf Security Dialogue” -- which seeks to improve defense cooperation among the Gulf states and coordination between the US and the Gulf as a whole -- and by close cooperation between the US Central Command (USCENTCOM) and the Gulf Cooperation Council (GCC).

Military Competition with Iran

Iran and the US compete in the military sphere through a regional military buildup.⁴ Iran is the primary stimulus for Saudi-GCC advanced arms purchases. The US supports the regional security framework of the Gulf states through military sales, training and advising, and by limiting Iranian procurement and development.

The US provides weapons, training, and support to the GCC in order to maintain a Gulf military balance. Since the fall of the Shah, the US has made a consistent effort to ensure that the Saudi military has some of the most advanced equipment in the region. From 2005 to 2009, the US sold up to \$37 billion in arms to the Gulf states, according to the US Government Accountability Office.⁵ In addition, the US has a significant military presence throughout the Gulf. The US has the 5th Fleet headquarters in Bahrain, two major bases in Kuwait, two contingency bases in Oman, and a major air base and preposition facilities in Qatar. In addition, both Kuwait and Bahrain have been designated as major non-NATO allies; a designation which helps facilitates arms deals.

The US has supported various training exercises, missile defense sales, and programs under the International Military Education and Training (IMET) program and Security Assistance Organizations (SAOs). The Southern Gulf states have far greater modern weaponry and military technology than Iran. They are spending and importing far more -- with far better access to the most modern weapons. However, their level of coordination, interoperability, and training, as well as their real-world combat experience is limited. This makes them heavily dependent on US support.

This US security framework relies primarily on Saudi Arabia, and is part of an arms race where Saudi Arabia receives major support from the US, while Iran seeks to develop a nuclear program, asymmetric capabilities, missile programs, and military self-sufficiency.

Saudi Arabia, however, is only part of the story. The US has worked with Bahrain, Kuwait, Oman, Qatar, the UAE, and the GCC to develop counters to Iran's increasing capabilities in naval asymmetric warfare and to conduct operations against offshore and coastal targets. It conducts a wide range of exercises with the GCC states -- sometimes in cooperation with Britain and France -- and is upgrading the air defense forces of many GCC states to provide greater missile defense capabilities. It maintains major bases in Bahrain, Kuwait, and Oman, and contingency facilities in the UAE and Oman. It is building up the UAE air force with advanced F-16 fighters, as well as providing advanced arms transfer to Kuwait and Oman.

Iran attempts to improve its ability to threaten and influence its neighbors, deter naval and air operations, and provide it with improved military options against Iraq, targets in the Gulf, Gulf of Oman, and the GCC states. However, Iran lacks the capabilities for a conventional war because of obsolete equipment and dated technology. As a result, Iran develops and utilizes its asymmetric capabilities; supporting proxy militant groups, as

well as political and ideological allies, and by purchasing submarines, various air and anti-ship missiles, and more advanced air-defense missiles.

Iran has a far greater capability for asymmetric warfare than conventional warfare, but it continues to develop a wide mix of land, air, and naval capabilities that can threaten its neighbors, challenge the US, and affect other parts of the Middle East and Asia. Russia historically has been by far the largest arms dealer to Iran, followed by China. However, both Russia and China have scaled back such deals with Iran. From 2002-2005, Russian and China sold \$2 billion and \$300 million in arms to Iran, respectively. Those numbers decreased to \$400 and \$100 million from 2006-2009.⁶ In 2008, Russia dramatically reduced its arms sales to Iran, making China Iran's largest supplier with \$312 million in weapons since 2006. This has mostly comprised of short-range anti-ship cruise missiles, which pose a direct threat to Gulf commerce.⁷

Iran has tried to counter by investing heavily in its military self-sufficiency, which has recently begun to show some dividends. This is most apparent in the Iranian Navy (IRIN) – which some analysts feel is the best organized, best trained, and best equipped of Iran's conventional military branches.⁸ Iran's navy has developed and exercised in ways that show an increasing reach and ability, and both the Iranian Navy and the Iran Revolutionary Guard Corps Navy's (IRGCN) have made steadily more aggressive statements about their military capability to threaten the flow of tankers and shipping through the Gulf.

Economic and Energy Competition with Iran

The US and the Southern Gulf states have a common economic interest in limiting Iran's power and the threat it can pose, and in keeping the Gulf region stable and peaceful. All seek to curtail Iranian ability to disrupt shipping and exports in the Gulf, to use threats to win "wars of intimidation," and avoid any form of military conflict.

This has led to US cooperation with the Southern Gulf states, particularly Saudi Arabia in using economic incentives and oil pricing disputes in an attempt to alter Iranian policy. The Saudis have significant power in this regard, as it is the largest supplier of oil to two of the world's fastest-growing economies: China and India. The Saudis also favor an economic approach that would maintain moderate prices in the near-term, which also aligns with Western economic interests. Iran, as well Iraq, depends on higher prices for various purposes.

In early 2010, for example, then Defense Secretary Robert Gates suggested that the US work with Saudi Arabia to pressure China to implement new sanctions.⁹ Likewise, the US encouraged the UAE and other Gulf suppliers to increase their output to China in order to compensate for any losses as a result of intensified international sanctions against Iran.¹⁰

The political and economic aspects of this competition have played out through disputes over oil pricing and OPEC relations. Saudi Arabia seeks to build new refineries in order to enhance its political and economic relations with both Russia and China.¹¹ In doing so, Saudi Arabia seeks to weaken Iranian influence, while Iran simultaneously competes for Chinese economic attention. By strengthening its economic ties with China, the

Saudis are depriving Iran of a major regional partner while vastly improving their own economic situation.

Saudi Arabia and Iran have fundamentally different goals in their energy supply and pricing. While Saudi Arabia takes a long-term view of the oil market and has incentives to moderate prices, Iran is compelled by its smaller oil reserves and larger population to focus on high prices in the short term. This difference is a result of oil reserves and production capacity: Iran has 137 billion barrels of oil reserves, while Saudi Arabia has 259 billion barrels in its reserves.

Saudi Arabia also expects its output to climb in the coming years, while Iran's production is likely to shrink as a result of deteriorating infrastructure and growing domestic demand.¹² Iran is interested in maximizing oil profits in the near term while its position in the market is still strong; the Saudis have an incentive to moderate prices for now to mitigate the challenge from non-OPEC producers and ensure that developed nations do not begin a major push toward alternative energy. Iraq further complicates this issue because whichever state has more influence over Iraq will gain a powerful partner in OPEC deliberations.¹³ Iraq is likely to push for higher prices to expedite reconstruction and pay foreign debt.

Saudi Arabia

Saudi Arabia is the most important US ally in the Gulf. This does not mean that Saudi interests always coincide with those of the US. It does mean that the US and Saudi Arabia share common interests in limiting and containing Iran, and in ensuring the security of the Gulf and stable flow of Gulf oil exports. This relationship is reinforced by a long history of US and Saudi military cooperation.

Both the US and Saudi Arabia have common interests in dealing with the challenges of terrorism and the stability of Yemen, the Horn of Africa, and the Red Sea. While both countries are divided in their approach to resolve the Arab-Israeli conflict, they share a common interest in ending and removing it as a cause for extremist action and a political tool that Iran can exploit in dealing with Lebanon, the Palestinians, and Arab popular anger. The end result is a complex set of relations shaped largely by Saudi competition with Iran.

Key Causes of Saudi Competition with Iran

There are a wide range of competing ideological, religious, and national interests that shape the tensions between the Saudi and Iranian regimes. Religion is a key area of contention that cannot be separated from regional politics and influence. From its inception, the Saudi regime has seen itself as the spiritual, and often political, defender of Sunni Muslims in the region. Conversely, Iran is a Shi'ite state that now sees its revolution as the only legitimate expression of the universality of Islam with its Supreme Leader as the natural leader and protector of the faith.

These religious divisions not only shape the tensions between these countries but also have serious practical implications in regional conflicts in Iraq, Lebanon, Palestine, and Yemen, and in dealing with non-state actors and terrorism.

Saudi Arabia and Iran are further divided by the interaction between their ideology and the structure of their regimes. Since the Islamic Revolution, the ruling philosophy of Iran has been anti-monarchy, populist, quasi-democratic, and draws its ruling authority from the role of the Supreme Leader and the Shi'ite clerical elite. On the other hand, Saudi legitimacy rests on their custodianship of Islam's two holiest sites, dynastic privilege, and a close relationship with the conservative clerical establishment.

However, sectarianism and ideology are only two sources of tensions between Riyadh and Tehran; all of which interact with their relations with the US. At the moment, Iraq and Bahrain are additional spheres of competition. Both Saudi Arabia and Iran want an Iraq that will be an ally in proposing the other state. Bahrain is a Sunni-ruled state with a Shi'ite majority that has been a flashpoint ever since Britain announced it was leaving the Gulf in the late 1960s. The Saudis are determined to protect the minority Sunni rule, and Iran seeks to empower the majority Shi'ite nation that it sees as part of its sovereign territory.

The Forces Shaping Saudi Competition with Iran

Saudi-Iranian competition for influence in the Gulf has a long and complicated history which is summarized in the chronology in **Figure V.2**. It began long before the 1979 Islamic Revolution and was heavily affected by the Shah's ambitions to become the dominant Gulf power following the British withdrawal in 1971.¹⁴ The US and Saudi relationship with Iran reached a crisis point, however, with a sharp increase in tensions following Ayatollah Khomeini's seizure of power.

The regional power structure and US policy changed dramatically following the Iranian revolution and the fall of the Shah in 1979. Iran and Iraq became locked in competition as each sought to expand its power and influence at the expense of the other. At the same time, the US policy changed from a twin pillar approach relying on ties to both Saudi Arabia and Iran, to a policy of working with Saudi Arabia while containing both Iran and Iraq.

This competition soon acquired a military dimension. Khomeini's efforts to export the Revolution and Saddam Hussein's ambition to dominate the region led Iraq to invade Iran and start the Iran-Iraq (1980-1988). The US was initially neutral, but once Iran halted Iraq's invasion and went on the offensive in 1982, the US took Iraq off the state sponsors of terrorism list and provided military and political support to Iraq in order to stop Iran from defeating Iraq and potentially spreading the Islamic Revolution. Despite Iraq's claim to "victory" in the summer of 1988, the Iran-Iraq War had no decisive winner. However, it did have long-term implications for the region.

Both Iran and Iraq were drained militarily and economically by the scale and length of the conflict. Iraq emerged as the dominant military power but nearly bankrupt and heavily in debt to Kuwait and Saudi Arabia. This in large part led Saddam Hussein to invade neighboring Kuwait in the summer of 1990, only to be decisively defeated by a US and Saudi-led coalition in 1991.

This defeat left Iraq weakened, though still militarily stronger than Iran. However, US military containment and the UN sanctions imposed on Iraq continued to limit Iraq's ability to pose a threat. Saudi Arabia and the Gulf states continued to utilize US

assistance to protect against the threat of a defiant Saddam Hussein, which led to a major increase in the presence of US forces and pre-positioning capabilities in the region.

At the same time, Iran began to improve its relations with the Southern Gulf states. The 1990 invasion of Kuwait made Iraq a shared threat, and Iran moderated its position in dealing with Saudi Arabia and other Southern Gulf states. Combined with the changes in leadership and deteriorating economic conditions in both Iran and Saudi Arabia, this led to a period of rapprochement in Saudi-Iranian relations. Efforts by then-Crown Prince Abdullah and then-President Rafsanjani to reach public political reconciliation seemed to make real progress. By the end of 1991, the two countries restored diplomatic relations with the visit of Saudi Foreign Minister Saud al-Faysal to Tehran. Riyadh and Tehran announced that they had “reached understanding on solving all problems between them”.¹⁵ While these agreements scarcely eliminated the differences between the two countries, relations remained “correct” as long as both countries had a common enemy in Saddam Hussein and Iran did not perceive a direct threat from the US.

The US invasion of Iraq in 2003 changed this situation. The US invasion destroyed Iraq’s military forces, and Iran began to assert increased influence over what became a Shi’ite-dominated Iraq. The civil conflicts in Iraq that followed the US invasion further weakened Iraq and increased Iranian influence while it made Saudi Arabia and the Southern Gulf states more dependent on US forces and power projection capabilities.¹⁶ Moreover, the rise of Al Qaeda in the Arabian Peninsula, the domestic terrorist attacks on Saudi Arabia in 2003, and the deterioration of the situation in Yemen, created a new threat that led to new forms of US and Saudi cooperation.

By the mid-2000s, Iran’s military build-up and pursuit of both nuclear and asymmetric capabilities presented a growing threat to Saudi Arabia. So did Iran’s growing ties to Syria and Iranian support of non-state actors like Hezbollah, Hamas, and various Iraq-based militias and politicians. The Saudi perception that Iran was becoming a source of unrest in Yemen was yet another source of conflict

Saudi Arabia and Iran continued a series of diplomatic gestures in spite of these issues. Nevertheless, it became more and more of a façade once Mahmoud Ahmadinejad became Iran’s president in October 2005, and Iran’s politics became steadily more hardline.

Saudi King Abdullah’s official invitation for President Mahmoud Ahmadinejad to attend the Hajj trip to Mecca in 2007 was one of those gestures. The Iranian News Agency ISNA called the trip “a new chapter in the two countries’ relations.”¹⁷ Iranian leaders periodically commented on the strength of Saudi-Iranian relations in terms of Islamic unity. Former President Rafsanjani stated after a trip to Saudi Arabia in 2008, “We concluded that cooperation between Saudi Arabia and Iran has the ability to settle many of the problems of the Islamic world, especially in Iraq, Lebanon, Palestine, and Afghanistan.”¹⁸

The true nature of Iranian and Saudi relations after 2005 is indicated by the Wikileaks release of US diplomatic cables. In these cables, Saudi leaders expressed their growing concern over Iran’s nuclear ambitions and the threat that it poses to the region. Most strikingly, Saudi King Abdullah reportedly urged the US to “cut off the head of the snake” by launching military strikes to destroy Iran’s nuclear program at a meeting in April 2008. Other top Saudi officials are reported to have supported the use of military

force, though the foreign minister, Prince Saud al-Faisal pushed for tougher economic sanctions.¹⁹

Yet, the leaked documents also demonstrated the both sides desire to keep this fundamental competition out of public view. Following the media's release of these documents, both Iran and Saudi Arabia issued public statements in an attempt to downplay tensions as a result of the documents. Iranian President Ahmadinejad was quoted as saying, "Regional countries are all friends with each other. Such mischief will have no impact on the relations of countries." The Saudis responded to the release by saying, "These documents do not concern the Kingdom of Saudi Arabia. Nor has the Kingdom had any role in producing them."²⁰

As late as fall 2010, Iran and Saudi Arabia engaged in a series of diplomatic talks between officials and between the leaders themselves through phone calls in preparation for the *haji* season. During this period, the Saudi Ambassador to Iran, Mohammed bin Abbas al-Kilabi, said "Iran and Saudi Arabia have common viewpoints on the existing brotherly relations between the two countries and this necessitates the continuance of consultation between the two countries."²¹

The tensions between Saudi Arabia and Iran became far more open in March 2011, when Saudi Arabia and the UAE intervened in support of the Bahraini government's efforts to suppress Shiite protests. The Iranian Foreign Ministry stated, "the presence of foreign forces and interference in Bahrain's internal affairs is unacceptable and will further complicate the issue...the people have some legitimate demands and they are expressing them peacefully. It should not be responded to violently."²²

The Chief of Staff of Iran's armed forces, General Firouzabadi, went further, stating, "the Arab dictatorial regimes in the Persian Gulf are unable to contain the popular uprisings...the Persian Gulf has always, is and shall always belong to Iran."²³ The GCC Secretary General responded by describing these remarks as, "unacceptable blatant interference in the internal affairs of GCC countries, expressing complete ignorance on the region's history, its Arab identity, and the nature of (its) political regimes."²⁴

The October 2011 Iranian plot to assassinate the Saudi ambassador led to something close to an open split. Prince Turki al-Faisal, a former Saudi intelligence chief, stated, "the burden of proof is overwhelming...and clearly shows official Iranian responsibility for this. Somebody in Iran will have to pay the price." Iran responded by calling the allegations "fabricated" and an attempt by the US to "divert attention from problems it faces in the Middle East," continuing, that the US "cannot stop the wave of Islamic awakening by using such excuses."²⁵ US experts have been more divided on the extent the Iranian leadership was aware of the plot, although senior US officials have made statements that track with those of Prince Turki.

The US and Saudi Arabia introduced a resolution to the UN General Assembly in November, 2011, accusing Iran of violating a UN treaty protecting foreign diplomats and called on Iran to cooperate with the ongoing investigation. However, details of the case have exposed serious gaps in credibility and Iran has rejected the proposal. Among the reported gaps, US officials failed to record the alleged terror meetings in Mexico with Manssor Arbabsiar, and Arbabsiar's Qods Force "cousin" in Iran who initiated the

operation is not named in the case, despite another Iranian, Gholam Shakuri, being named, charged, and a warrant issued for his arrest.²⁶

Following the November 2011 IAEA release on Iran's nuclear ambitions, Prince Turki al-Faisal openly warned against attacks on Iranian nuclear facilities. He argued that a strike would rally Iranians around their government and cause Iran to become more determined to develop weapons.²⁷ Nevertheless, the report strains already growing tensions.

Shortly after the report was released, al-Faisal summarized the Saudi position on Iran, stating, "Saudi Arabia continues to insist that Iran's leaders should give up their goal of acquiring nuclear weapons...we fully support the tightening of sanctions, assertive diplomacy, and concerted action via the United Nations." Al-Faisal continues, "all over the Arab world, the current leadership in Iran consistently and covertly meddles in the affairs of other governments...As Saudi Arabia looks out at Iran and considers what is to come in the next decade, it can only hope that the people of that nation will encourage their leaders to take a wiser and safer route than the one they now seem bent upon traveling, much to the detriment of themselves and others."²⁸

Figure V.2: Chronology of Saudi Competition with Iran

- 1971- British withdrawal from the Gulf
- 1981- Gulf Cooperation Council (GCC) established
- 1984- "Tanker War" begins
- 1986- Saudi authorities find arms and explosives on Iranian pilgrims on the *hajj*
- 1987- Saudi security forces kill 400-450 Iranian pilgrims during annual *hajj*
- 1988- Iran and Saudi Arabia cut diplomatic relations over the previous year's *hajj* incident; Iran boycotts *hajj*
- 1990- Iraq invades Kuwait; beginning of Gulf War
- 1991- Operation Desert Storm and end of Gulf War; Saudi and US forces liberate Kuwait; Foreign Minister Saud Al-Faisal visits Iran for the first time since cutting of relations
- 1996- Al Khobar bombings in Saudi Arabia
- 1997- King Abdullah invites former President Rafsanjani to visit
- 1998- Saud Al-Faisal visits Iran and signs agreement covering economics, culture, trade, science, technology and sports; bilateral investments in industry, mining, transport, and petrochemicals.
- 2000- Saudi eases visa access for Iranian businessmen
- 2001- Iran and Saudi Arabia sign a security pact focusing on drug trafficking
- 2002- President Khatami visits King Abdullah to discuss forthcoming US attack on Iraq
- 2003- Riyadh compound bombing; US moves airbase from Saudi Arabia to Qatar, there is no longer a permanent US military presence in Saudi Arabia
- 2004- Massacre at Al-Khobar, thought to have been perpetrated by Al-Qaeda
- 2007- King Abdullah invites former President Rafsanjani to attend *hajj*
- 2011- Iran denounces Saudi Arabia for intervening in Bahrain
- 2011- The US uncovers an Iranian plot to assassinate the Saudi ambassador to the US

Iran and Saudi Shi'ites

Today, Iran poses internal and external threats to Saudi Arabia. Saudi Arabia has a Shi'ite minority that resides primarily in its oil-rich Eastern Province and that makes up around 10-15% of the population. It has faced serious discrimination from conservative Saudi Sunnis in the past, and lingering problems with discrimination in its treatment by the Saudi government potentially make it vulnerable to Iranian influence.

The Saudi government has made a series of efforts to reduce such problems with its Shi'ite minority since a series of serious Shi'ite protests took place in the Kingdom's East Province in the early 1980s. Nevertheless, the Shi'ite minority in Saudi Arabia still faces continuing problems in living in the middle of a conservative Sunni culture, and one where many Sunnis considers Shi'ite practices to be heretical and which Saudi Shi'ites feel they are denied full political and civil rights.

These tensions still result in social unrest in spite of the efforts of the Saudi government to ease such tensions and reduce discrimination against Saudi Shi'ites. In February 2009, there were outbreaks of sectarian tensions in both Medina and the Eastern Province, leading to calls for secession from some Shi'ite clerics and Saudi accusations of Iranian incitement. In August 2010, an individual affiliated with Asaiab Ahl Al-Haqq group (affiliated with Iran) was arrested and found with documents and maps of high-level security areas.²⁹ In March 2011, the "Day of Rage" was quickly disbanded by the Saudi leadership, who blamed Iran for the unrest and vowed to crush dissent.

This Shi'ite issue is not only a domestic issue; it affects Saudi foreign policy. Throughout the 1990s, at a time when relations between Iran and Saudi Arabia were characterized by surface amity and rapprochement, there were still annual disputes over the treatment of Shi'ites during the Hajj pilgrimage to Mecca. At least on some occasions, it seemed that Iran was deliberately provoking protests by its pilgrims and seeking to threaten Saudi Arabia's status as custodian of the Muslim holy places.

This resulted in increased tensions between Saudi Arabia and Iran as a result of quotas for Iranian pilgrims, their claims of mistreatment, and their agitation towards the Saudis. These tensions were further increased by the 1996 Al-Khobar towers incident in which US Air Force barracks were bombed, allegedly by an Iranian-trained Saudi Hezbollah cell.³⁰

There is little evidence today that Iran has been able to achieve significant influence over Saudi Shi'ites and the Saudi government has made progress in eliminating the remaining causes of Shi'ite discontent. Unlike Bahrain, there is relatively limited interaction between Saudi Shi'ites and Iranian Shi'ites, and there is no class of "new" Shi'ite immigrants from Iran. Saudi Shi'ites are virtually all Arab, and no major Saudi Shi'ite cleric has expressed support for the Iranian concept of an Islamic revolution or for the concept of an Iranian Supreme Leader. Nevertheless, the issue remains a source of concern and affects Saudi-Iranian competition.

Saudi Arabia, Iran, and the Issue of Terrorism

Saudi sources do not complain that Iran has provided arms or financial support for Saudi terrorists like Al-Qaeda in the Arabian Peninsula (AQAP), funded Shi'ite opposition movements, or encouraged violence in Saudi Arabia. There were some indicators of

Saudi Shi'ite sabotage of ARAMCO facilities in the past, but none have been reported over the last decade.

Iran must realize that it, the Southern Gulf states, and the US face a common threat from violent Sunni extremist movements like Al-Qaeda. While the Saudi monarchy is the primary target of AQAP, all Gulf regimes -- including Iran -- face a serious threat from such extremist groups. The Saudi regime is targeted for its collusion with the West, while Iran is targeted by a range of Sunni movements due to its Shi'ite agenda. Indeed, the Sunni separatist group Jundullah in Baluchistan has corroborated with Al-Qaeda in its attacks on the Iranian regime. The few security agreements that Saudi Arabia and Iran have signed focus on combating smuggling and terrorist networks in the region.

Even so, Iran has been willing to provide limited support to Sunni terrorist groups in Iraq and could provide support to AQAP in its bases in Yemen. Saudi-Iranian competition still plays out primarily in the form of Iranian support of Shi'ite extremists in Iraq, cooperation with Syria, and proxy warfare in Lebanon and Gaza.

Competition Over Iraq

The potential threats Iraq poses to Saudi Arabia's internal security are minor, however, compared to the threats posed by Iran's military buildup and the broader range of external threats it poses to Saudi Arabia's security and position as a leading Arab state. Iraq is a critical sphere of such competition for both Tehran and Riyadh. From the Saudi perspective, the threat emanating from the current situation in Iraq relates to several major issues: first, shared borders and geographic proximity; second, instability which fosters extremists who see Saudi Arabia as a major target; third, sectarian tensions that might spread beyond Iraq's borders; and fourth, an emerging Iraqi political structure that gives Iran an advantage within broader structural competition. As a result, the majority-Shi'ite Iraq represents a serious threat to Saudi stability both because it is more closely aligned with Iran and due to Saudi concerns about it inciting an uprising amongst its own disaffected Shi'ite population.

Saudi-Iraqi relations have suffered as a result. While Iraq has named an ambassador to Saudi Arabia, Saudi Arabia still has not reciprocated by appointing an ambassador to Iraq. The Saudis were reluctant to acknowledge the Maliki government and hesitant to accept Iraq into regional politics. More recently, Riyadh has sought to increase its political bargaining power in Iraq by trying to mediate negotiations for government formation by inviting all parties to Saudi Arabia in October 2010. However, Saudi Arabia has made it clear that they prefer an Iraqi government with severely limited Iranian influence, with a strong nationalistic focus, and led by Iyad Allawi rather than Maliki.

On the other hand, Iran sees the majority-Shi'ite Iraq as a potential ally and in the least seeks to ensure that Iraq will never again become a serious military or political threat to Iran. The competition between Saudi and Iranian interests in Iraq will only continue with the withdrawal of all US troops by the end of December 2011. The end result is an Iraq that now has no military power on its own capable of deterring Iranian action and pressure. Saudi Arabia and other Arab states fear that because of Iran and Iraq's geographic proximity and Shi'ite connections, Iraq will never allow significant political

power to Sunnis and Allawi. As a result, Iraq will play a critical role in Saudi and Iranian competition as it does in US competition with Iran.

Competition Involving the Other Southern Gulf States

Saudi and Iranian strategic competition also affects the other Southern Gulf states. It plays out in each state with the US and Saudi Arabia one side, and Iran on the other. The other Southern Gulf states usually cooperate with the US and Saudi Arabia. Iran's recent actions have pushed the smaller GCC countries towards support of Saudi Arabia and the US. Nevertheless, each Gulf state is sovereign, displays different levels of support for Iran, and takes individual stances which sometimes involve support of Iran:

- **Kuwait** is most similar to Saudi Arabia in its approach to US-Iranian strategic competition. It considers Iran a serious threat to its stability because of its perceived interference in Kuwait's Shi'ite population, its growing military capabilities, and its nuclear program. Kuwait is one of the US's major military allies in the region, and cooperates with the US on a number of levels, including providing essential bases for US troops. Kuwait has often quarreled with Iraq over borders and resources, and recent disputes with Iranian-linked Basrawis over Kuwaiti ports and drilling methods have further pit Kuwait against Iraq and its Iranian allies.
- **Bahrain**, with a Sunni monarch and a majority Shi'ite population, feels threatened by perceived Iranian meddling within the disaffected Shi'ite population. It tempers this threat by maintaining strong political and security relations with both the US and Saudi Arabia. It is the home to the 5th Fleet headquarters and receives major US military funding. Bahrain has been a flashpoint for competition amidst the Arab uprisings, as Shi'ite demands for greater rights and representation have been met with a violent response which included the deployment of Saudi troops to Bahrain. The US has remained relatively quiet on the issue, moving forward with arms sales and seemingly placing strategic concerns ahead of other issues.
- **UAE** practices a more nuanced approach because of the difference in perceptions of Iran in each Emirate. The dispute for control over the islands of Abu Musa and the Tunbs shapes perceptions of Iran everywhere except in Dubai. Dubai maintains positive relations with Iran because of shared financial and trade networks. The UAE is also using its wealth to purchase advanced weapons from the US, and consequently strengthen its security ties to the US.
- **Oman** has a unique role in the region. It is generally accommodating towards Iran, has tensions with Saudi Arabia, close ties to the UK, and serves as a major strategic ally for US military and diplomatic interests. As a result, it often plays the role of intermediary and has some diplomatic leverage over Iran.
- **Qatar** has exploited the strategic competition between US-Saudi and Iranian interests in order to create an independent role in the region. Within this role, it tilts more towards Iran than Saudi Arabia while also hosting major US military bases to deter Iranian pressure.
- **Yemen** is increasingly a broken state caught up in internal issues and threatens to play an increasingly significant role in the competition. However, a variety of factors make it strategically important, although often as a liability rather than an asset. Both Iran and the US accuse the other side of meddling in Yemen's internal affairs, but both desire some level of stability there. Iran has supported minority Shi'ite populations, including Houthi insurgents, while the US and Saudi Arabia have targeted al Qai'da in the Arabian Peninsula, which houses its operation in Yemen. President Saleh's probable exodus compounds Yemen's instability and uncertain future.

Competition Over the Arab Spring

The Arab uprisings that began in the spring of 2011 have added another dimension to Saudi perceptions of US-Iranian competition in the region. Saudi Arabia saw such instability as threatening, whereas Iran saw it as opportunity. Saudi Arabia sought to

maintain the stability of its GCC allies, while supporting uprisings that are costly to Iran, namely Syria. Saudi Arabia protects its allies through public statements, increased funds, and military support.

These events also strained US-Saudi relations – the Saudis believed the US was too quick to act in certain instances and under-responsive in others; while the US did not support Saudi intervention in other states. At the same time, these same events pushed the US and Saudi Arabia together: both had nowhere else to go. Longtime US-Saudi allies in Tunisia, Egypt, Bahrain, and Yemen were either deposed or under threat.

Iran treated the uprisings as an opportunity to obtain greater influence. The events are seen as fertile ground for supporting groups that share a similar ideology, or at least are willing to partner with Tehran to further their respective interests. As a result, Tehran supported groups it believes can bring an end result most favorable to Iran.

No one can now predict whether either state will be a winner or loser. It may not be to either Iran or Saudi Arabia's benefit if countries become more democratic and liberal and Islamists tend to accommodate and work within a democratic system.

If Islamic governments emerge in the Arab world, it still is unclear that this will serve either Saudi or Iranian interests. What has emerged in the initial results from Tunisia, and seems possible to emerge in Egypt, is a moderate relationship between Islam and state that more closely resembles Turkey.

If governments do come to power that are more Salafi in character, however, this would favor Saudi Arabia. The Iranian model of an Islamic state, and its characterization of the events as "Islamic Awakenings" tied to the Shiite sect and a concept of a Supreme Leader who is Persian, has no support from Arab Sunnis. Moreover, Iran's only regional ally, Syria, has undergone immense pressure and is creating a growing divide between the Alawites tied to Iran and Syria's large Sunni majority.

Saudi Arabia's Critical role in US and Iranian Military Competition

All of these sources of tension between Saudi Arabia and Iran help explain why the Saudis have aligned themselves with the US at the military level. The US and Saudi Arabia have been de facto partners in Gulf security since World War II, and the Shah's fall has steadily strengthened this relationship in spite of the various differences in US and Saudi policies. The US and Saudi Arabia cooperated closely in securing the Gulf during the Iran-Iraq War from 1979 to 1988. They fought together in exploiting Iraq from Kuwait during the Gulf War in 1990-1991.

During these periods, the US sold the Saudis systems like the E-2A AWACS surveillance aircraft, F-15 fighters, Sikorsky's UH-60 Black Hawks, Patriot and Hawk missile defense systems, and M1A2 tanks. While the US ceased to base its forces in Saudi Arabia after its invasion of Iraq in 2003, it continued to build up the other aspects of its military relations with Saudi Arabia such as joint exercises, with an especially high level of cooperation in counterterrorism efforts.

This US support has helped Saudi forces to achieve significant success in developing their capacity to deter and combat. Their air force is a powerful modernized force, the

navy is increasing its capabilities, and Saudi ground forces are considered capable to defend the Kingdom against Iranian infiltration. This Saudi progress may also continue much further in the future.

In the period from 2007-2010, the US made \$13.8 billion worth of arms transfer agreements with Saudi Arabia, as noted in **Figure V.3** below.³¹ Moreover, in 2010, the US offered Saudi Arabia arms transfers that focused on creating an integrated approach to air and missile defense, while simultaneously laying the groundwork for future purchases of advanced missile defense systems. One Saudi defense analyst explained, “The Saudi aim is to send a message to the Iranians -- that we have complete aerial superiority over them.”³²

This offer reflected transfers worth up to \$60 billion, and was designed to steadily lead to greater interdependence between the US and the Saudi regime for the next 15-20 years because of the need for ongoing support in training and using these weapons.³³

If Saudi Arabia eventually acts on all the options in the 2010 offer, it would lead to the purchase of 84 new F-15 combat aircraft, upgrading of 70 more, and major purchases of three types of helicopters – 70 Apaches, 72 Black Hawks, and 36 Little Birds. US officials describe these arms transfer options as part of a wider effort to contain Iran by protecting its Gulf allies.

This was only the largest of a series of arms transfer offers. US and Saudi officials are also discussing a \$30 billion package to upgrade Saudi Arabia's naval forces. While Saudi Arabia has to give priority to meeting the civil needs of its people, and its internal security and stability, the US is offering it options that would improve Saudi abilities to counter increased Iranian capabilities, protect against terrorism within Saudi Arabia, and fight a limited war such as that in Yemen.

Moreover, Saudi Arabia is already acting upon other, much cheaper options. In late October 2011, for example, the US Defense Security Cooperation Agency notified Congress that Saudi Arabia sought to purchase an additional \$33 million in equipment and other military resources. The list included more than 200 up-armored Humvees, supplemental armor kits, and technical and logistics support services.³⁴

The US and Saudi Arabia have also sought to develop a collective Southern Gulf capability to deter and defend against Iran with interoperable and effectively trained forces. This cooperation has been most effective at the military level through exercises, common training programs, and work within the GCC.

They have cooperated at the political level through the Gulf Security Dialogue. This Dialogue was launched in 2006. It “supports our enduring interest in the region, focusing on a wide-range of political and military issues, including shared strategic challenges in the wider region and enhancing partnerships in the area of security cooperation, counterterrorism, border security, nonproliferation, and maritime security.”³⁵ Saudi Arabia seeks to establish itself as the leader of the Gulf, often with US support.

Kuwait

Kuwait has relied on the US, Saudi Arabia, and the other Southern Gulf states for its security since Britain left the Gulf. It supported Iraq in its war against Iran, but came to

rely on the US and other Southern Gulf states after the Iraqi invasion in 1990. It did try to treat Iran as a counterweight to Saddam after 1991, but has since supported the US and Saudi Arabia in dealing with Iran.

Kuwait and Iran

Kuwait's position toward Iran has been shaped by a series of key events that have influenced its threat perception in the region:

- 1961- Kuwaiti independence from Britain
- 1980- Iraq invades Iran
- 1981- Kuwait joins GCC
- 1984- Kuwait requests US assistance in the "Tanker War"; US reflags Kuwaiti tankers
- 1990- Iraq invades Kuwait
- 1991- Kuwait is "liberated" by US and Saudi forces
- 2002- Iranian Defense Minister visits Kuwait to boost security and military cooperation
- 2003- Kuwait supports US invasion of Iraq; Saddam is overthrown
- 2004- US designates Kuwait major non-NATO ally
- 2011- Kuwait support Saudi intervention in Bahrain

Kuwait's proximity to Iraq and Iran lends it to feel threatened by its two larger neighbors. While the threat from Saddam Hussein has been removed, many Iraqis still dispute the Iraq-Kuwait border and accuse Kuwait of unfair economic policies, illegal drilling techniques, and infrastructure projects that threaten Iraq's prosperity.

Kuwait supports US efforts to contain Iran, but also knows it must maintain stable economic and political relations to keep Iranian meddling in Kuwait at a minimum. However, Iran remains a threat for several reasons. Demographically, approximately one-third of the Kuwaiti population is Shi'ite. The underrepresented Shi'ite minority became increasingly vocal in 2008, and a series of incidents in 2010 and 2011 has threatened to inflame sectarian tensions.

In May 2010, Kuwait arrested several nationals working for the Qods Force in a plot to blow up Kuwaiti energy facilities. Three people were sentenced to death and two others to life in prison, leading both countries to temporarily expel the other's diplomats. In mid-November 2011, Iran detained two Kuwaitis in southwest Iran for allegedly entering the country illegally and on suspicion of spying.

Kuwait is concerned about Iran's nuclear developments because of the potential for environmental fallout if something were to go wrong at a plant. The Bushehr reactor, which Iran began loading fuel into in October 2010, is particularly close to Kuwait, and resulted in concern amongst Kuwaiti officials of a possible leak. The Kuwaiti Foreign Ministry undersecretary released a statement: "Kuwait's concern is based on fears of any leaks due to natural causes that may have future consequences."³⁶

Iran's nuclear development is not the only energy dispute between these two countries; there has been a longstanding dispute over the Dorra gas field which has been an area of

major competition. This field, which is also shared with Saudi Arabia, has been the subject of energy negotiations that are blocking the development of the gas field. Foreign Minister, Sheikh Mohammad Al-Sabah commented, "This is, no doubt, the thorn in the side of Kuwaiti-Iranian relations and we hope to remove this thorn as soon as possible."³⁷

Kuwait and the US

The US has long provided security assistance to Kuwait to deal with potential threats from both Iran and Iraq. In 1987-88, as part of the "Tanker War," Kuwait sought international assistance for its ships passing through the Gulf. The US agreed, and set up a naval escort and tanker reflagging program for 11 Kuwaiti tankers. The US-Kuwaiti cooperation grew considerably as a result of Iraq's invasion of Kuwait and the ensuing conflict between the US and Iraq in 1991.

In September 1991, Kuwait and the US signed a ten year defense pact, including a Status of Forces Agreement. As a result, the Kuwaitis enjoy US protection in the form of US bases, military supplies, and training. In exchange for this protection, Kuwait has also provided support for military operations in the region, particularly in Iraq.

Kuwait was one of the few Arab countries to publicly support the overthrow of the Saddam Hussein regime in 2003 and also provided tangible support to US military operations. Kuwait provides basing facilities for both the US Army and Air Force, and is a key supply and staging route to Iraq. Kuwait supported military operations in Afghanistan as well. Indeed, Kuwait hosted 5,000 US troops during Operation Enduring Freedom. In Operation Iraqi Freedom, it closed off its entire northern half to secure the US-led invasion force, and allowed the US to use two air bases, its international airport and seaports, and provided \$266 million in burden sharing support to the combat. Kuwait has continued this support, contributed approximately \$210 million annually in support of OIF. As a result of this extensive support, the US designated Kuwait a major non-NATO ally, a designation which facilitates arms deals and future security cooperation.³⁸

Kuwait has since aligned with the US in order to protect against the threat from Iran and from Iran's growing influence in Iraq. Kuwait has directly experienced the results of Iraqi aggression in the past and it is intent on avoiding a similar fate at the hands of Iran in the future. The US military now provide protection in exchange for Kuwaiti basing facilities and material support for US troops. The US also helps Kuwait improve its defense through a series of arms transfers. As noted in **Figure V.3** below, Russia's supplying of arms to Kuwait is a recent trend, whereas the US has long been Kuwait's only major weapons supplier.

Like the other Southern Gulf states, Kuwait has built up its forces in recent years to deal with the Iranian threat. In 2007-2010, the US made \$2.4 billion worth of arms transfer agreements to Kuwait.³⁹ Kuwait has sought to increase its overall capabilities, especially its air forces. Most recently Kuwait has expressed interest in concluding large arms deals with the US, including the possible acquisition of the F-15SE Silent Eagle⁴⁰ and 209 Patriot "Guidance Enhanced Missile-T (GEM-T) missiles valued at \$900 million.⁴¹ The Kuwaiti military has regained its pre-Iraq invasion strength of 17,000 troops.

Kuwait will be increasingly more important to US post-withdrawal strategy and US competition with Iran as the US withdraws from Iraq. The US is now seeking to maintain

a considerable troop presence in Kuwait as a deterrent to Iran and possibly as an emergency force in case of crisis.

In late October 2011, Maj. Gen. Karl R. Horst, Central Command's chief of staff, suggested a new posture in the Gulf that goes "back to the future", with smaller but highly capable deployments and training partnerships with regional militaries: "We are kind of thinking of going back to the way it was before we had a big 'boots on the ground' presence."⁴² The US had 23,000 in Kuwait as of October 2011, and in the last two wars kept at least a combat battalion and sometimes a full combat brigade in Kuwait, along with additional supplies if a larger force were deployed to the region.⁴³

The Saudis have also acted as a protector for Kuwait, and the two regimes have gradually developed a strong political relationship. This has been particularly true since the 1991 Gulf War, and continues to be true as Kuwait faces a growing Iranian threat. This position, combined with US military support for and security cooperation with Kuwait, demonstrates that Kuwait has aligned itself with US and Saudi interests in this strategic competition. Furthermore, for the reasons described above, it is clear that Kuwait competes with Iran as well, although less directly than either Saudi Arabia or the US.

Kuwait supported the Saudi intervention in Bahrain and sent a naval unit to help protect Bahrain's maritime boundaries. This was done in spite of Iranian, US, and Kuwait's Shi'ite population. Kuwait has also spoken out against Syrian President Assad, and has supported the peaceful transition of power in Yemen and Syria.

Factional Divisions with Kuwait

Kuwait does have internal disputes that Iran may someday be able to exploit. The al-Sabah family has ruled for over 250 years, and political parties and demonstrations are largely banned in Kuwait. Power struggles among the al-Sababs have periodically defined the Kuwaiti landscape. Recent tensions linger from unpopular political maneuvers since 2006 and new allegations of corruption, renewed demands by stateless Arabs for Kuwaiti citizenship, and youth groups demanding political reform.

In mid-October 2011, Kuwait's foreign minister resigned amidst corruption allegations and opposition groups called for a protest against the prime minister. Kuwaiti officials describe the protests as "tantamount to attacks on the state's status, its sovereignty, its interests and its citizens," warning it is "unacceptable and cannot be tolerated under any circumstances, including "arbitrary usage of strikes to abstain from work."⁴⁴ In mid-November, 2011, protesters calling for the prime minister to resign forced their way into the Parliament.

These tensions are important to US-Iranian competition due to Iran's ability to leverage non-state allies. Kuwait has significant numbers of Shi'ites and the Iranian Al Qods force has operated in Kuwait previously and circumstances might incline increasing its involvement again.

Bahrain

Like Kuwait, Bahrain turns to the US and its much larger neighbor, Saudi Arabia, for protection against Iran. Also, like Kuwait, Bahrain's perception of both the American and Iranian role in the region has been influenced by major events in recent history:

- 1971- Bahrain declares independence
- 1981- Bahrain joins the GCC; coup attempt by Shi'ite fundamentalists fails, allegedly supported by Iran
- 1986- Opening of the King Fahd causeway connecting Bahrain and Saudi Arabia
- 1991- Bahrain participates in the coalition to free Kuwait in the Gulf War
- 2002- US declares Bahrain a major non-NATO ally
- 2007- Iran and Bahrain sign a preliminary agreement to provide Iranian gas to Bahrain
- 2011- Popular protests are crushed by Bahraini and GCC security forces

Bahrain hosts the headquarters of the US 5th Fleet, and provides the US with port and air basing facilities. Its forces are equipped with US arms and train with US forces. Bahrain cooperates closely with the Saudi military and security forces, and its government can turn to them in emergencies.

Bahrain is a trading partner with Iran, and has considered energy imports from Iran. In 2007, Bahrain signed a preliminary agreement to purchase 1.2 billion cubic feet per day of Iranian gas for 25 years. This deal was later suspended, however, because of Iranian statements referring to Bahrain as a province of Iran.

Bahrain's Sunni-Shiite Divisions

Bahrain does, however, have political tensions that are having a major impact on US strategic competition with Iran. Bahrain's Sunni rulers control a nation that has over a 70% Shi'ite population, and Sunni-Shiite tensions pose both the single most divisive aspect of Bahraini affairs and an opening to Iran.

Sectarian violence periodically explodes in the form of car bombs, arson, and violent suppression of popular uprisings. There is some evidence of Iranian interference in support of Shi'ite opposition groups, particularly al-Haq. Iranian subversion began as early as 1981, when Iranian-based Islamic Front for the Liberation of Bahrain (IFLB) attempted a coup. In 1996, Iranian-backed Hezbollah in Bahrain attempted another coup.

There are newer Iranian and Shi'ite immigrants who are more supportive of Iran, and some Bahraini Shi'ites are educate in Iranian schools and seminaries. The more recent Shi'ite popular uprisings are, however, far more concerned about domestic political and economic conditions than religion. Moreover, most of Bahrain's Shi'ites are long standing Arab residents who do not support Iran's concept of an Islamic revolution or its claims to have a religious Supreme Leader.

If the government makes suitable reforms, it is unlikely that Iran will be able to gain any major degree of influence over Bahraini Shi'ites. However, Iran has shown it can have some success in exploiting Bahrain's internal tensions and Iran's periodic claims to

Bahrain do nothing to alleviate the government's fears of Persian/Shi'ite expansionism in the Gulf.

During the course of 2011, Iran has repeatedly stated that Bahrain's crackdown on protestors is unjustified, that foreign interference is unacceptable, and the Bahraini government should listen to the demands of its people. Tensions were at its highest when Iran sent a flotilla of students, clerics and activists, to Bahrain to show solidarity with the protestors – it was eventually turned around. Iranian-linked Iraqi politician Ahmed Chalabi also proposed sending a flotilla and has attempted to pressure Manama.⁴⁵

Bahrain has responded by accusing Iran of attempting to penetrate the Gulf, establish an Iranian-modeled Shi'ite political vision, and calling for Arab support in confronting Tehran. Shaikh Khalid stated in November 2011, "Gulf countries should not have to stand alone facing Iran, (other) Arab countries must be responsible, and Arab public must pay attention to Iran's dangers, which come under a thousand guises. The threat is grave."⁴⁶

In the aftermath of the October 2011 Qods Force plot to assassinate the Saudi ambassador, Bahrain's foreign minister called on the US to act: "We're asking the US to stand up for its interests and draw the red lines." He went on to refer to Iran-sponsored attacks on American forces in Lebanon and Iraq by asking, "How many times have you lost lives, been subject to terrorist activities and yet we haven't seen any proper response. This is really serious. It's coming to your shores now."⁴⁷ The statements exhibit the increasingly public remarks from Bahrain following recent tensions.

In November 2011, Bahrain charged five suspects detained in Qatar with planning attacks on critical Bahraini infrastructure, including the King Fahad Causeway, Ministry of Interior offices, and the Saudi Embassy. The accused Bahrainis allegedly entered Qatar through Saudi Arabia and were in possession of information on likely targets, air tickets to Syria, and significant amounts of US and Iranian money.⁴⁸ Bahrain did not immediately link the suspects to Iran.

These tensions have greatly affected Bahrain's relations with Iran. Bahrain is the smallest country in the Gulf and its only island-state. As a result of its small size and lack of economic resources, Bahrain tends to avoid confrontation with Iran while relying on the US to ensure its security.

Bahrain's Alignment with the US and Saudi Arabia

Bahrain depends on both the US and Saudi Arabia for security support. The Saudi regime has a strong commitment to protect Bahrain due to the two countries proximity - linked via a narrow causeway – longstanding historical and political ties, and Saudi leadership in limiting Iranian influence in the region.

The US has strategic interests in Bahrain because of its location in the Persian Gulf. It is strategically located in relation to Iran and presents an option for a US military presence. Bahrain has actively sought to secure a guarantee for ongoing US support and protection by hosting the largest US naval base in the region.

Like Kuwait, the US has designated Bahrain as a major non-NATO US ally – a designation that facilitates arms deal and military cooperation. The US is Bahrain's only

major arms supplier, as seen in **Figure V.3** below. In the period from 2007-2010, the US made \$600 million worth of arms transfer agreements with Bahrain.⁴⁹ In November 2010, Bahrain notified the Defense Security Cooperation Agency of a request for 30 Army Tactical Missile Systems and technical support in a package valued at approximately \$70 million. While these systems are considered a classic defense system, these missiles can reach up to 186 miles, putting coastal Iranian targets well within range.⁵⁰

In October 2011, the Congress was considering a \$53 million arms deal to Bahrain. The deal garnered considerable opposition in the US based on perceived Bahraini human rights violations in light of recent protests. The agreement would include 44 Armored Humvees, several variants of over 300 TOW missiles, TOW night sights, personnel training, technical and logistics support services.⁵¹

The US also gives Bahrain military assistance through grants of “excess defense articles” which included the no-cost lease of tanks and the provision of military equipment. The main focus in these arms deliveries and support is to increase the interoperability with US forces, to improve coastal surveillance capabilities, and to build up its special operations forces. The Defense Department estimates that, as of FY 2008, about 45% of Bahraini forces are capable of fully integrating into a US-led coalition.⁵²

UAE

The UAE practices a nuanced approach towards Iran because of different perceptions of Iran and the US in each Emirate. The UAE is composed of seven emirates. The two major emirates – Abu Dhabi and Dubai, do not always share the same priorities. Abu Dhabi sees Iran as more of a threat, and focuses on Iran’s occupation of the three islands, Abu Musa and the Tunbs, while Dubai sees Iran as a major trading partner.

These perceptions have been shaped by several influential events:

- 1971- The UAE declares independence from Britain; Iran occupies the three disputed islands of Abu Musa and the Greater and Lesser Tunbs
- 1981- The UAE joins the GCC
- 1992- Iran asserts complete control over of Abu Musa
- 1994- The US and the UAE sign a bilateral defense pact
- 2007- New anti-smuggling legislation passed
- 2008- Iran establishes facilities on the disputed island of Abu Musa; UAE appoints ambassador to Iraq
- 2009- The US and the UAE sign a civilian nuclear agreement
- 2011- The UAE appoints an ambassador to NATO
- 2011- The UAE supports Saudi intervention in Bahrain; speaks out against Iran after Saudi assassination plot

The UAE’s Relations with Iran

The UAE has a mixed history of relations with Iran. It has a large Shi’ite population (16%), and is a major trading partner of Iran. Dubai’s annual exports to Iran exceed \$10 billion and Iran also holds \$3 billion in capital in the UAE.

Dubai is a key trade and financial center of the UAE, and has a sizable and powerful Iranian expatriate community, numbering around 400,000. This community has significant influence although the ruling family of Dubai and has joined with the other Emirates on most key security issues. The cultural and economic ties between many of the rest of the UAE's Shi'ites and Iran have been strong, with high levels of trade fostering financial interdependence.

These connections, coupled with loose trade controls, have made Dubai a major smuggling center both regionally and globally. The ease with which companies involved in nuclear proliferation have operated from Dubai has caused concerns in the US about leakage of key dual-use technology. Despite the introduction of legislation banning various cargoes in 2007, the US believes improvised explosive device components are being smuggled to Iran through the Jebel Ali Free Trade Zone. In December 2007 a vessel bound for Iran was seized in Dubai allegedly containing equipment for Iran's nuclear program, and in March 2008 the trial began of a man accused of exporting dual-use metal, likely to Iran.⁵³

This, however, is only part of the story. Abu Dhabi, Sharjah, and the other Emirates have far less warm relations with Iran. One key cause is a series of ongoing disputes over the three islands of Greater Tunb, Lesser Tunb, and Abu Musa. These disputes have occurred since Britain left the Gulf and the Shah seized the islands. The Khomeini regime seized full control of the islands in 1992. Tensions over the islands further escalated in 2008 when Iran established facilities on Abu Musa, but have since subsided.

All of the leaders of the Emirates, including those of Dubai, have supported a collective effort to use diplomacy and the UN to restore a 1971 agreement that gave a form of joint control over the islands. While they have maintained correct relations with Iran, the leaders of the UAE have also repeatedly made it clear that they see Iran as an emerging threat.

The UAE's Relations with the US

The UAE has cooperated extensively with the US, both in building up capabilities to deter and defend against Iran and in counterterrorism. The basis of this relationship is a bilateral defense pact signed in 1994, which also included a status of forces agreement. Under the pact, during the US containment of Iraq (1991-2003), the UAE allowed US equipment prepositioning and US warship visits at its large Jebel Ali port – capable of handling aircraft carriers – and permitted the upgrading of airfields in the UAE that were used for US combat support flights during Operation Enduring Freedom (OEF) and Operation Iraqi Freedom (OIF).

The UAE pledged \$215 million for Iraqi reconstruction, wrote off \$7 million in Iraqi debt, and was the first Arab country to appoint an ambassador to Baghdad.⁵⁴ The US also has a contingency bases and, as of October 2011, about 1,800 US forces, mostly Air Force, were stationed in the UAE.⁵⁵

The importance of this cooperation was highlighted in October 2010 when UAE authorities coordinated with US, UK, and Saudi intelligence to discover IEDs aboard cargo planes and spoiled an AQAP bomb plot. More recently, the Emirates have taken part in deals for major defense systems, indicating that they are also seeking to deter Iran.

The UAE is modernizing its forces with support from a number of countries, and during the period from 2007 to 2010, the US made \$10.4 billion worth in arms transfer agreements to the UAE⁵⁶. In 2009 alone, the UAE bought about \$18 billion worth of US military equipment.⁵⁷ The UAE air force is also purchasing a major force of extremely advanced versions of the US-made F-16C/Ds.

The UAE is also examining the purchase of major missile defenses. In September 2010, under the US-led “Gulf Security Dialogue,” which aids the Gulf states in countering Iran, the Pentagon proposed the sale of a Theater High Altitude Defense Systems (THAAD) to the UAE. This and other recent deals include Patriot PAC-3 missiles, Joint Direct Attack Munitions (JDAM), AMRAM missiles, and vehicle mounted “Stinger” anti-aircraft systems. These purchases greatly increase the UAE’s defense capabilities against Iranian threats. The sale of the sophisticated THAAD system is the first sale of that system, and is designed to intercept incoming ballistic missiles at high altitude and provide coverage over a wide area.⁵⁸ In its entirety, the UAE market represents the largest for US exports in the Arab world.⁵⁹

The US commitment to UAE security will only strengthen as a result of these ongoing deals. Furthermore, the US and the UAE signed a civilian nuclear cooperation agreement intended to enable the UAE to possess a peaceful nuclear energy capacity while at the same time preventing weapons proliferation. By signing such a deal, combined with the major arms transfers, the US is taking on long-term responsibility for UAE security.

Other Factors Influencing US and Iranian Competition in the UAE

Arab unrest has affected the UAE to a lesser extent than elsewhere in the Arab world. The Emirates wealth and small native Arab population remove many of the pressures present in other Arab states. It tightly controls foreign labor, but its social openness, and relative tolerance have stemmed widespread outcry. Formal political parties are not permitted and UAE leaders argued that elections would inevitably aggravate long dormant schisms. The government also was implementing gradual reform well prior to regional uprisings. This included a limited election process for half of the Federal National Council seats while gradually expanding its size and broadening its powers. However, the March 2011 elections saw only a limited, about 25%, turnout, and the potential for greater unrest is still possible given the persistent authoritarian rule, partiality to the ruling family and its allies, and inequality among the poorer northern Emirates.

The UAE has sometimes acted as a competitor with Saudi Arabia, but it has recently taken the same approach to regional developments – seeking to quell unrest in the GCC, while supporting opposition elsewhere. In addition to its involvement in Bahrain early in 2011, the UAE has developed a more assertive foreign policy that has increasingly diverged from Iranian policies. In 2011, the UAE hosted meetings of Libyan opposition groups, took part in GCC efforts to broker a solution to the unrest in Yemen, and appointed an ambassador to NATO.⁶⁰ However, the UAE has been slow to take a hard stance on Syria.

The UAE also has a powerful economic lever it can utilize against Iran. The US and other Western powers seek to obstruct Iran’s nuclear program and the UAE could do much

more to obstruct one of Iran's primary supply lines for illicit material. A major crackdown on trade would have a tangible effect upon Iran's ability to evade sanctions, while perhaps also further weakening Iran's struggling domestic economy.

The UAE has already taken some action in this area. Following the June 2010 round of international sanctions, the UAE announced its increasing inspection of Iranian ships suspected of violating sanctions, prompting a diplomatic spat between the UAE and Iran. However, it remains to be seen whether this was a mere gesture to placate the US, or a more substantial change in UAE policy towards Iran with lasting benefits for the US in its strategic competition with Iran.

Oman

Oman plays an important role in US-Iranian strategic competition. This role is characterized by its appeal to both sides and has been shaped by its unique history:

- 1833- Oman and the US sign a treaty of friendship
- 1962- Dhofar rebellion begins
- 1970- Palace coup, Sultan Qaboos bin Said overthrows his father with British support
- 1975- Omani security forces, with British assistance, puts an end to the Dhofar rebellion
- 1979- Oman formalizes defense relationship with the US and allows the US access to Omani military facilities
- 1980- US uses Masirah island base to launch failed rescue attempt of the American embassy hostages in Iran
- 2004- Oman and the US sign a free trade agreement
- 2010- Oman and Iran sign a mutual security pact
- 2011- Iran and Oman conduct joint war games in the Sea of Oman

While Oman is not considered a major Gulf power, it has great strategic importance: every day 40% of the world's oil supplies runs through the Strait of Hormuz, and the main deep water channels and shipping lanes are in Omani waters.⁶¹ Furthermore, its vast coastline makes it a key trading hub in both the northern Persian Gulf and the Indian Ocean regions.

Oman seeks to carve out its own role in international relations through the development of bilateral relations with both the US and Iran. Oman also has historical, demographic, and political considerations that are unique from other Southern Gulf countries, including that it was never a British-governed state, it practices a different sect of Islam, and it is not a member of OPEC. In practice, this means Oman is able to conduct normal diplomatic and trade relations with Iran, develop trade and security relations with the US, and pursue stronger military integration within the GCC.

Oman and Iran

Like Dubai, Oman has historical and economic ties with Iran. Iran and Oman are important trading partners. Oman's government is also said to turn a blind eye to the smuggling of a wide variety of goods to Iran from Oman's Musandam Peninsula territory. The trade is illegal in Iran because the smugglers avoid paying taxes, but

Oman's local government collects taxes on the goods shipped.⁶² Smuggling is a major source of livelihood for the population along a stretch of the coast that does not offer many other economic opportunities. Like Dubai, Omani smuggling routes are thought to be a major source of illegal materials for Iran.

Iran has also provided the Omanis with a degree of protection from Saudi Arabia, which is still viewed with mistrust in Oman because of past Saudi claims on western Oman and the Buraimi Oasis dispute.

As a result, Oman has sought to maintain stable and positive bilateral relations with Iran, even though it sees Iran as a potential threat. Oman has signed several mutual agreements and security pacts with Iran. In August 2010, the two countries signed a mutual security pact that committed them to hold joint military exercises, the first of which occurred early in 2011. Iran and Oman are also in negotiations over potential investments to develop Iran's offshore natural gas fields that are geologically contiguous with Oman's West Bukha field.

Oman's approach to regional foreign policy is affected by Oman's unique religious ideology, Ibadism (75% of Omanis), which is neither Sunni nor Shi'ite, although both Sunnis and Shi'ites also reside in Oman. The Ibadite faith is considered heretical by some Sunnis, and Ibadism is closer ideologically to Shi'ism than Sunni doctrine. As a result, Omanis do not feel inclined to follow their Sunni neighbors' lead on the basis of religion. Indeed, Omanis are more concerned about potential Sunni radicalization creating a domestic terrorism threat than they are of Iranian interference amongst its minority Shi'ite population.

Yet, Oman is not a Shi'ite state, and Omani-Iranian relations are scarcely based on mutual trust and confidence. Like the other Gulf states, Oman feels threatened by Iran. It simply practices a more accommodating approach as a defense mechanism. Oman is all too conscious of Iran's buildup of naval asymmetric capabilities and expanding military presence centered on the Gulf of Oman.

Oman and the US

The US and Oman have a long history of healthy, positive bilateral relations, extending back to 1833 when they signed a treaty of friendship. These relations have continued to improve, on the basis of Oman's historically strong partnership with the British. Unlike the Trucial States, Oman was never formally colonized. However, it was essentially a British protectorate for many years.

The two countries have since maintained close relations both militarily and politically. Moreover, the US and Britain have worked closely with Oman ever since a 1970 palace coup, when the current Sultan Qaboos bin Said, backed by British military advisers, overthrew his father and took control of the country. Since that time, Sultan Qaboos has sought to modernize the country and extend Oman's role in the international community. In doing so, it depends heavily on both US and British assistance, and cooperates with both countries extensively in return.

Oman was the first country to formalize defense relations with the US after the 1979 Iranian revolution, and it allowed the US access to Omani military facilities the following year. Three days after their agreement the US used Oman's Masirah Island to launch a

failed rescue attempt to save the American embassy hostages in Iran. Oman has allowed the US access to its military facilities for nearly every US military operation in and around the Gulf since 1980, including ongoing operations in both Afghanistan and Iraq. In return for the use of Omani military facilities, the US helps develop Omani military capabilities.

In spite of Oman's limited economic resources, it has the third largest army in the region and is considered to be the best trained, but not as well equipped as some of its richer neighbors. However, in recent years, Oman has made efforts to expand and modernize its forces in cooperation with the US. In October 2001, Oman purchased 12 US made F-16 C/D aircraft, along with associated weapons, a podded reconnaissance system, and training programs, together valued at \$825 million. In 2006, Oman purchased JAVELIN anti-tank systems at a cost of \$48 million.

As part of a \$20 billion sales package to Gulf states under the Gulf Security Dialogue, the Department of Defense notified Congress of a potential sale to Oman of 18 additional F-16s and associated equipment and support in August 2010.⁶³ The manufacturer hopes to have a contract in place with Oman by early 2012.⁶⁴ The US has only 35 US military personnel in Oman, down from a high of 4,300 during OEF.⁶⁵

Omani-US cooperation and US Foreign Military Financing focuses primarily on counter-terrorism, anti-narcotics and anti-smuggling assistance. This financing has been used to help Oman buy patrol boats, night-vision goggles, upgrades to coastal surveillance systems, aircraft munitions, communications equipment, and de-mining equipment.⁶⁶

In addition, the US uses its International Military and Education Training program (IMET) to train Omani soldiers and increase interoperability with US forces. Oman receives grants of US excess defense articles, mostly for gear to support Oman's border and coast monitoring operations.

The US State Department report on global terrorism credits Oman with helping to combat terrorism in the region, including its arrest of an Omani businessman who was accused of planning terrorist attacks and supporting terrorist groups, particularly Lashkar-e Tayba in Pakistan. Oman has also increased its cooperation with neighboring countries in monitoring its borders, and has stepped up its efforts to combat financial crimes, terrorist financing, money laundering, and illicit trafficking of dual-use items, nuclear, or other materials.

Unlike some other countries in the region, Oman consistently supports US efforts to achieve peace in the Arab-Israeli conflict and has played host to some Israeli leaders. As a result of this cooperation the US signed a free trade agreement with Oman in 2004. The US is Oman's fourth largest trading partner and the two conducted \$2 billion worth of bilateral trade in 2009. Oman also plays the important role of mediator in US-Iranian relations. This was true during the Iran-Iraq war when it negotiated the release of Iranians captured in clashes with US naval forces. In September 2010, and again in September 2011, Oman played an important role in negotiations the release of captured American hikers from Iran.

Oman has remained comparatively calm throughout the Arab uprisings although it is relatively poor by Gulf standards and has had some protests and demonstrations. Sultan

Qaboos is generally popular and even among the protests that took place, few, if any, have called for him to step down. The Sultan has gradually opened Oman to reform prior to popular demand, beginning in the 1980s, although some question the pace and scope of that change. In early 2011, protests affected several cities, including the historically rebellious Dhobar region; however, measures taken to broaden the powers of the Oman Council, reshuffle the cabinet, meet with protesters, and economically, have quieted most public protest.

In short, Oman plays an important role in the strategic competition between the US and Iran. It has a long history of positive relations with the US and Britain and has largely supported both countries' policies in the region. It is also a major recipient of military aid from both of these countries. As seen in **Figure V.3**, the Major West European powers, namely Britain, supply the large majority of Oman's arms, followed by the US. Oman also hosts US contingency bases. On the other hand, Iran also maintains positive economic, diplomatic and economic relations with Iran. Because of its positive relationship with Iran, it can serve as a mediator between the US and Iran and has helped the US and Iran negotiate diplomatic crises in the past. Furthermore, its location at the entrance to the Straits of Hormuz provides it with even greater strategic importance.

Qatar

Qatar exploits the conflict between Iranian and US-Saudi interests in the region, and seeks to develop an independent role in regional affairs. Like both Oman and the UAE, Qatar has legitimate reasons to cooperate with Iran as well as reason to fear it. Its foreign policy strategy in this regard has been shaped by several key events:

- 1971- Qatar achieves independence from Britain
- 1973- The US opens its embassy in Doha
- 1991- Qatar provides support in the Gulf War, especially in the Battle of Khafji
- 1992- Qatar and US sign a defense cooperation agreement
- 1995- Emir Hamad bin Khalifa al Thani overthrows his father to become ruler in a bloodless coup
- 2003- US Combat Air Operations Center moves from Saudi Arabia to Al Udeid airbase, south of Doha; Qatar serves as a major launching station for the US invasion of Iraq
- 2005- Suicide bombing outside of a theater in Doha
- 2010- Iran and Qatar sign a defense cooperation agreement

Qatar is a host of major US facilities for command, basing, and equipment pre-positioning, and practices strong security cooperation with the US. Furthermore, Qatar rather cleverly balances its relations with Iran, Saudi Arabia, and other neighbors, and carves out a unique mediator role in regional politics, rather than submitting to any one country's policy completely.

A key issue in Qatar's bilateral relations with Iran is that the two countries share the world's largest natural gas field; in Iran, this is the South Pars field, and in Qatar it is the North Dome field. As a result, Qatar and Iran have developed good formal bilateral relations, and Qatar is often considered to be the most accommodating of the Southern Gulf states towards Iran. On the other hand, Qatar and Saudi Arabia cooperate on many aspects of GCC policy, though have several areas of dispute, including their borders and

tribal loyalties, and often spar over border and trade issues. Another source of tension is the Qatar-based Al-Jazeera's treatment of Saudi Arabia in its reporting.

The need to deter both Iran and Saudi Arabia helps explain why Qatar and the US have steadily expanded their security cooperation. During Operation Desert Storm in 1991, Qatari armored forces helped to repel an attack on the Saudi Arabian town of Khafji. A year later, Qatar and the US signed a defense cooperation agreement, which has expanded to include cooperative defense exercises, equipment pre-positioning, and base access agreements. Qatar is also an important ally in US counterterrorism efforts. In April 2003, the US Combat Air Operations Center moved from Saudi Arabia to Al Udeid airbase, south of Doha. This base is a key logistics hub for operations in Afghanistan, and also a command basing center for operations in Iraq. Qatar also hosts the As Sayliyah base, which is the largest pre-positioning facility of US military equipment in the world.⁶⁷

This military cooperation compensates for Qatar's military vulnerabilities. With roughly 11,800 troops, its numbers are lowest only to Bahrain in the Middle East. However, Qatar does not own significant weapons systems, nor has it made significant efforts to modernize. While other states, most prominently the UAE and Saudi Arabia, are using their funds to purchase advanced weaponry, Qatar depends entirely on US protection. It hosts and contributes funds to major US military facilities in exchange.

As a result of this unique foreign policy strategy, Qatar is often caught in the middle of a delicate balancing act. If the US and Iran were to go to war, Qatar would literally be caught in the middle, and with few defenses of its own. Furthermore, Iran has the power to quickly cut off Qatar's access to money if it were to seize the gas field shared between the two countries. This threat is highly unlikely because of US protection and military presence in Qatar, but even small harassments in this area would have a destabilizing effect on the Qatari economy and is something the Qatari regime would much rather avoid than provoke. Up to this point, both Qatar and Iran have been careful to avoid disturbances and disputes in the gas field, both acting politely in order to ensure economic stability for both sides. Thus, in the near future, Qatar will likely continue to practice an accommodating diplomatic, political, and economic policy towards Iran, as well as close cooperation with the US in the military and security spheres. So far, Qatar has successfully managed these relations without jeopardizing its relationship with either the US or Iran. In the strategic competition between Iran and the US, Qatar plays a major role because of its dependence on US security protection and because of its good economic relationship with Iran.

Qatar's domestic affairs have been relatively calm within the broader context of the Arab uprisings. Utilization of Qatar's hydrocarbon wealth has enabled the country to avoid widespread demand for reform. Only 225,000 of Qatar's 1.7 million people are citizens – the rest are foreign residents and laborers.

Qatar has increasingly asserted itself in regional affairs, as mediators and interlocutors in a number of regional issues. During 2011, Qatar has supported change in Tunisia, Egypt, Libya, Syria, and Yemen, while supporting other Gulf monarchs in Bahrain, UAE, and Saudi Arabia. Qatar committed fighter jets and transport planes in support of NATO operations in Libya and committed troops, along with the UAE, Saudi Arabia, and

Kuwait (naval support), to diffuse protests in Bahrain. Qatari funding for Al Jazeera, which was established by the Qatari government in 1996, has been controversial given the agencies coverage of regional events. Qatari financing has also wound up in the hands of strict Islamist groups, though this may be a result of a more nuanced and pragmatic approach to the region, as opposed to any narrower strategy.

Yemen

Yemen has historically been the least stable of the Southern Gulf states. Its history has been fraught with conflict, and its role in the US-Iranian strategic competition has been shaped by a number of influential events:

- 1946- US establishes diplomatic relations with the Imamate of Yemen
- 1962- US recognizes the Yemen Arab Republic (North Yemen)
- 1979- US gives military and development aid to North Yemen in its battle against Soviet-supported South Yemen
- 1990- US drastically reduces its presence and support in Yemen in response to its support for Saddam Hussein
- 1991- North and South Yemen unite to form the Republic of Yemen
- 1994- Civil War begins
- 1999- President Ali Abdullah Saleh becomes the first elected president of unified Yemen
- 2000- USS Cole is bombed, killing 17 US sailors off the coast of Yemen; US again boosts cooperation with Yemeni intelligence and security forces
- 2004- Houthi rebellion begins in North Yemen
- 2009- Saudis intervene in Houthi rebellion along their shared border
- 2011- US backs the peaceful transfer of power following Saleh's violent response to protests

In the US-Iranian strategic competition, Yemen is too caught up in internal issues to be a major player regionally. Yemen is largely a broken state, and the security situation there has been steadily deteriorating. The lack of development and economic growth has contributed to a number of rebellions, not least the Houthi rebellion in the North, and instability throughout the country has created a safe haven for Al-Qaeda and like-minded Sunni extremists. The continued uprisings, military defections, US counterterrorism measures, and cracks in US support for President Saleh, contribute to Yemen's volatility.

Both the US and Iran have been accused of intervening in Yemen's internal affairs, but both countries are keen to avoid all-out chaos. As a result, Yemen has not been a central sphere of US-Iranian strategic competition, nor a major player in this competition. Instead, the Yemeni President is focused on his own livelihood. Most outside players are intent on avoiding crises and maintaining stability, especially because of Yemen's strategic location at the Bab Al-Mandab and the presence of AQAP.

Yemen's Arab Gulf neighbors have begun to devote more attention to its aid and development. However, Yemen has perpetually lagged in development, is not a member of the GCC, and, like Oman, it does not follow either Twelver Shi'ism or the

conservative Sunni ideology of its neighbors. Yemen is split between Zaydis, which are considered to be a Shi'ite sect, and Shafi'ites, which is a sect of Sunni Islam. However, Zaydism is far removed from Twelver Shi'ites both in practical and ideological terms, and many Shi'ites do not consider Zaydis Shi'ite at all.

Historically, Yemen has not been a dependable political partner for the US or anyone else because of the chronic uncertainty and instability. However, the US has played a role in Yemen for many years. The US has been involved in Yemen to some extent since 1946, when it established diplomatic relations with the Imamate. The US was also one of the first countries to recognize the Yemen Arab Republic (YAR), or North Yemen, in 1962. The US gave military and development aid to North Yemen in order to help it defeat Soviet-supported South Yemen. During a 1979 border conflict between North and South Yemen, the US cooperated with Saudi Arabia to expand security assistance with the YAR, including the provision of F-5 aircraft, tanks, vehicles, and training. Following Yemen's unification, however, relations became strained. In 1990, as a result of Yemen's support for Saddam Hussein following Iraq's invasion of Kuwait, the US drastically reduced its presence in Yemen, including canceling all military cooperation, non-humanitarian assistance, and the Peace Corps program.⁶⁸

Relations improved in the years that followed, as the US realized Yemen's stability is essential to its strategic interests in the region. As the security situation in Yemen deteriorated, the US increased its aid efforts, its intelligence sharing, and other forms of security cooperation. For FY 2010, the Obama administration requested \$52.5 million of economic and military assistance, compared to \$20-25 million annually in previous fiscal years.⁶⁹ Since the 2000 USS Cole bombing, the US sought to increase cooperation with the Yemeni intelligence services. In doing so, the US helped to develop Yemen's Anti-Terrorism Unit of the Yemeni Central Security Forces and other Yemeni Interior Ministry Departments. This included helping to create a coast guard to monitor the Bab Al-Mandab area.⁷⁰ The main goal of these efforts was to avoid another attack on the US or its allies by rebels, extremists, or pirates based in Yemen, and to preserve some sort of stability within the country.

However, US policy has since had to adapt to President Saleh's use of excessive force against protestors in line with greater regional unrest. Various groups have opposed Saleh's reign, but have not united, nor supported a single opposition leader. At the same time, Islamist militants, particularly Ansar al Shariah, have seized areas in southern Yemen, particularly in the Abyan provincial capital Zinjibar, where different tribes and the Yemeni military have persisted in fighting these groups. The US has continued its counterterrorism strikes through the political unrest. The threat of Islamist take over has been part of Saleh's justification for continued rule.

Saudi Arabia has stated Saleh must transition from power, though like the US has relied on his leadership to maintain a certain level of stability. The US and Saudi Arabia share an interest in seeing Yemen avoid crisis, but deeper problems and historic volatility make the situation difficult to approach. The GCC has sponsored US-backed transition deals, but President Saleh has refused to accept them thus far, stating he would not agree to any deals while his rival, opposition leader, and Army defector, Ali Mohsen, stood to benefit from his removal. Saleh's son, Ahmed Saleh, commands the Republican Guard and protected his father's place while he was hospitalized in Saudi Arabia.

In late September, Saleh surprisingly returned to Yemen from Saudi Arabia after being injured in an assassination attempt in June. His return added yet another level of uncertainty to the situation. Shortly after, the US urged Saleh to transfer power to the vice president and proceed in accordance with the GCC initiative, allowing for a democratic Yemen to proceed.⁷¹ Protests and periodic conflict continued in Sana'a, Ta'izz, Zinjibar, and other southern and coastal cities. In mid-November, Yemen's vice president stated a deal to ease Saleh out of power was close to being finalized, though skepticism was high and post-Saleh Yemen is likely to be tumultuous. Anti-regime protesters also called for freezing Yemen's membership to the Arab League following Syria's suspension as a means to pressure Saleh.

Uncertainty and risk are high in Yemen. It is by far the least developed country in the Gulf, and it also has not developed strong relations with its neighbors or with the US. It does not traditionally have strong military, political, economic, or trade ties with the US. If clashes among the government, protestors, and defected soldiers escalate, the resulting environment may lead to prolonged civil-war.

The fate of Islamists and radical groups is unclear. The US has continued its use of drones against AQAP targets despite the widening rift with President Saleh. Senior Yemeni officials have accused the US of not helping government forces fight extremists; however, the US has stated its efforts are limited to a minority within al-Qaeda and it is not interested in being drawn into a Yemeni insurgency. In fact, the US has withdrawn military trainers and other consultants since Yemeni forces have turned against protestors.⁷²

For its part, Iran has been accused of supporting the Houthi rebellion in northern Yemen, which began in 2004. As seen in 1990, the results are always uncertain and the stakes may be higher now if Iran is able to successfully gain a foothold amongst Houthi rebels. There is no definitive evidence of Iranian involvement, and the Yemeni government has been accused of drumming up the Iranian threat in order to gain foreign assistance from other Gulf countries and the US. While the Yemeni government claims that Iran has been militarily, economically, and politically supporting the Houthi rebels, there is only evidence of Iranian political support. Such support is largely rhetorical and falls in line with Iran's larger program of undermining Arab regimes through populist appeals to the "Arab street."

As noted above, however, the results of efforts by either the US or Iran are unknown and untested. It is unclear how long the Saleh regime will last, if the country will deteriorate into failed state status, or once gain split into two separate countries. In either of the latter scenarios, strategic competition for influence in Yemen could turn from theoretical and rhetorical to actual. It remains unclear what Iran's capabilities are in Yemen, but if Yemeni government's previous claims are correct that the Houthi rebels have been receiving tangible support from Iran, then Yemen could be the next center of ongoing US-Iranian competition.

Looking Toward the Future

The US is already seeking to strengthen its military partnership with Saudi Arabia and other Gulf allies in an effort to decrease the threat of terrorist activity and to combat Iranian influence. It must be ready to deal with the fact that the strategic competition with

Iran will continue to intensify. It must be ready to work with Saudi Arabia and the other Gulf states to deal with factors like the uncertain character of the future Iraqi government, the effect of international sanctions on Iran's policy calculus, Saudi succession, developments in the Arab-Israeli conflict, global economic stability, and what emerges in several key states in the aftermath of regional Arab unrest.

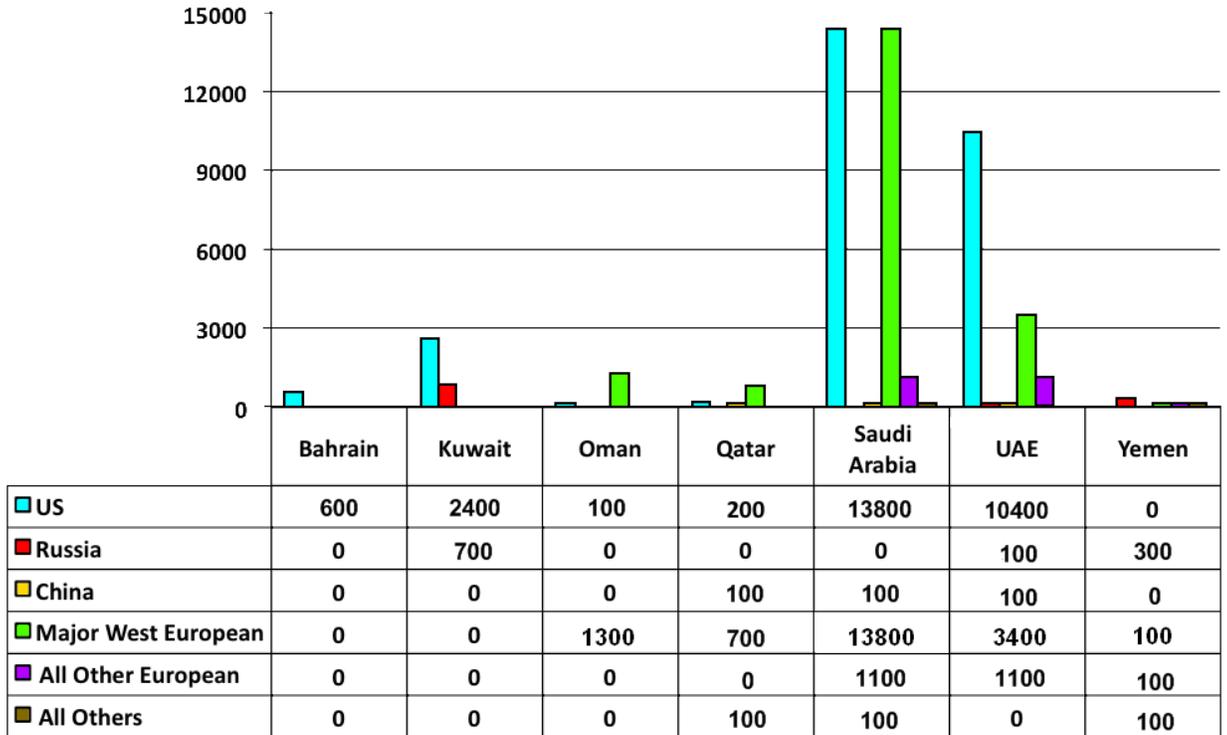
In spite of these uncertainties, it seems likely that the competition will play out in much the same way as it has in recent years. Bilateral relations between Iran and Saudi Arabia will be characterized by public accommodation, with periodic moments of heightened tension, and underscored by fundamental distrust and competition in the economic, political, and military realms. Iran will continue to exploit divisions between the other Southern Gulf states in order to gain influence and undermine the US policy of military and security cooperation in the Gulf.

The US will continue to strengthen its military partnership with Saudi Arabia and the other Southern Gulf states based on a mutual interest in deterring the Iranian threat. In order to achieve this, the US will continue to supply the Saudis and other GCC states with counters to Iran's growing naval asymmetric and missile capabilities. This means new arms transfers including missile defense systems and ongoing cooperation with all Gulf states.

The most important new dimension in US and Southern Gulf competition with Iran will be competition for influence in Iraq, both economically and militarily. This competition will evolve rapidly after US military withdrawal at the end of 2011. Other areas that will need close attention include Turkey's growing regional influence and political upheaval in Syria. Barring massive regime change in Iran, there is little prospect that any aspect of US and Iranian competition in the Gulf will ease in the foreseeable future.

Figure V.3: Arms Transfer Agreements in Gulf by Supplier, 2007-2010

In millions of US dollars



Source: Adapted from Richard F. Grimmett, *Conventional Arms Transfers To Developing Nations*, Congressional Research Service, September 22, 2011.

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