Security And Economic Interest Of Saudi Arabia And Iran In The Middle East: An Analysis

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Abstract

The conflicting security and economic interest between the Kingdom of Saudi Arabia and the Islamic Republic of Iran brought the region of the Middle East towards unrest and antagonism. The region has immense strategic importance in global politics and always remains at the top of major powers' foreign policy. The competition of both states is not new but the Arab Spring proved oil on the flam in their competition. The study aimed to identify the particular issues, policies, and their contribution to the security and economic interest of both Riyadh and Tehran in the region of the Middle East. Secondary sources of data are used to analyze the security and economic interest. The results also indicate the major causes of security and economic interest as Iran’s nuclear ambition and its desire to gain dominancy in the international oil market while Riyadh wants to prolong its monarchy with the cooperation of GCC, balance power with Iran and wants to enhance its hegemony in the Middle East in economic and security means.

Keywords: alliance, economy, national interest, national interest, trade routes
Introduction

The conflicting interest in security and the economy brings sustainable competition in global affairs. The geographical location of the region plays a key role in determining the intensity and importance of competition in global politics. Though the region of the Middle East has lack technological advancement and the majority of the land is desert but its geographic location and natural resources massively contributed to determining the importance of the region. Since the exploration of petroleum from the region it became the apple of the eyes of not only major powers but the third world too. In the contemporary era, the eyes of the whole world are focusing on two states in the Middle East; Saudi Arabia and Iran. Both the regional power with distinct spheres of influence. The security and economic competition between the two states dates back to KSA’s independence and oil exploration.

Both states were the part of ‘Twin Pillar’ strategy of the USA but the post-revolution era is noticing antagonism and competition in all fields of life. Human nature is socio-economic and the international system is anarchic that’s why both KSA and Iran are trying to secure and obtain their national interest by using different tactics. In the anarchic world state's survival is primary and both are trying to enhance their security by internal balancing as well as external balancing methods. KSA immediately introduced GCC to protect the region to encircle Iran’s sphere of influence while Tehran initiated its cooperation with non-state actors to fulfill its objectives. The dawn of the 21st century brings several issues and challenges for the whole world but in the Middle East, it reshaped regional politics with the US invasion of Iraq and later the Arab Spring. Though the Arab Spring has not directly affected Saudi Arabia and Iran since the Arab Spring, both are engaged in proxy wars and economic competition. Both regional powers are trying to protect their security and economic interest by using different methods like ideology, regionalism, and proxies.

Security Interest

The military interest or the security interest is one of the most important competing objectives between Saudi Arabia and Iran in the Middle East. The region of the Middle East has vital importance owing to its geographic location which plays a major role in security. The region has the world’s largest oil and gas reservoirs, five Seas, a chokepoint of three Sea routes, and connects three continents. The major concern of Saudi Arabia in the security domain is currently the nuclear program of Iran and its claim for peaceful use of nuclear technology. According to Gul, Abbasi, and Haider, the nuclear ambition of Tehran is destabilizing Riyadh’s security concerns (Gul, Abbasi, & Haider, 2021). Riyadh's concern about Tehran’s military enhancement and its ambition for a nuclear weapon is directly affecting Saudi’s security concern that’s led the KSA towards arms deals with the USA and other states.

Both Riyadh and Tehran are trying to secure their security interest in the Middle East through different tactics. Saudi Arabia is supporting and cooperating with states, particularly by introducing Gulf Shield Force (GCC) with the collaboration of GCC states to gain its security interest. For the fulfillment of security interests, Riyadh is trying to counter Tehran’s influence in
Iraq, Yemen, Bahrain, and Syria. While Tehran is trying to increase its sphere of influence to achieve security interests by supporting non-state actors like Hezbollah, Hamas, and Houthis (Pasha, 2016). Both states are also trying to gain control of the choke points of Sea routes as well as the Gulf of Aden and Strait of Hormuz. The Gulf of Aden and Bab al Mandeb are the two most important strategic locations through which they can control and monitor the whole region. Riyadh is not only curious about the military interest in the region but she also felt internal security problems since the Arab Spring. The mistrust and rivalry between the two states further maximized the security concerns and now it is said as a security dilemma (Rich & Moore-Gilbert, 2019).

Saudi Arabia and Iran’s rivalry in Iraq can be traced to the Iran-Iraq war. Saudi Arabia supported Iraq during its war with Iran and the major reason was her security interest in Iraq. Later the ouster of Saddam Hussain from Iraq provides an opportunity for Iran to enhance its influence to protect its interest. Tehran shared its longest border with Bagdad and she needs a pro-Tehran government in Bagdad to protect her interest. Iraq provides a route for Iran to reach Syria and Lebanon. After the US invasion, Iran gained more opportunities in Iraq and the Saudi prince accused the USA with a statement that Iran got Iraq in Silver plate. In 2006, Prince Nayef bin Abdul Aziz showed his concerns about Iraq and called for the US not to leave Iraq owing to the growing influence of Iran. During the crisis of ISIS, Saudi supported the uprising while Iran’s sponsored group and Iraqi forces jointly suppressed it successfully. Irani revolutionary guards fully participated in operations against ISIS in Iraq to protect its security interest (Mabon, 2019). According to Ardemagni (2021), Saudi Arabia’s major concern increased in Iraq after the Missile attack on the Aramco oil field because the enemy can target Saudi’s strategic location with more accuracy from either Iraq or Yemen.

Iran is supporting the Asaad regime in Syria to protect its economic, military, and political interests. Syria is the long-lasting friend of Iran since her Islamic revolution, Tehran and Damascus enjoyed good relations that’s why Tehran is supporting the Asaad regime with the interest of Syria to provide safe passage to Hizbollah and Hamas from Iran. Besides good relations, Tehran has a military interest in Syria. It is the Asaad regime of Syria that provides easy access to Hezbollah and Hamas. Since the Islamic revolution, Tehran is trying to expand its ideology under Khomenism, particularly in the Middle East. Tehran also supports different nonstate actors to fulfill its interest in the region. Syria provides a safe route for logistical support to Hezbollah and Hamas (Bianco, 2020).

Bahrain is the nearest country to Saudi Arabia and the King Fahad causeway connects the two states. KSA and Bahrain are enjoying a good relationship since their inception. The political and security interest of KSA in Bahrain increased its importance for both Riyadh and Tehran. Saudi Arabia is trying to balance its power against Iran with the cooperation of the USA and GCC. Bahrain is a member of GCC as well as the host of US Fifth Fleets in the region. Since the US withdrawal of her military personnel from KSA in 2003 the importance of Manama increased for Riyadh as the US Naval base in Manama. While Tehran wants regime change in Manama by supporting the opponents and wants to oust the US naval base from Bahrain as well as she wants
to reduce the US influence in the region (Gause III, 2019). According to Frederic M Wehrey, the Saudi intervention in Bahrain was owing to its security interest because Riyadh feared an uprising that later may easily spread into the Eastern province of Saudi Arabia which is the heartline of the KSA oil industry (Wehrey, 2014).

Yemen is the neighbor of Saudi Arabia and they shared a 1307 Km longest border. Riyadh has two main security concerns in Yemen; firstly, it shares the longest border with Yemen and she cannot afford any anti-Saudi government in Yemen. Secondly, Saudi Arabia has a keen interest in the Gulf of Aden and Bab al Mandab owing to their importance in the security and economic domain. While on the other hand, Tehran considered Yemen as a strategic location to watchdog KSA and other GCC states, so Tehran wants to deter KSA by enhancing its influence in neighboring states of Saudi Arabia. Tehran is also interested to gain control of Bab al Mandab and the Gulf of Aden as well as she also wants to encircle Saudi Arabia (Clausen, 2019). Furthermore, Yemen can provide access to Iran and its revolutionary guard coups to the Saudis in Qatif and Dammam of KSA to destabilize the Al Saud regime.

**Economic Interest of Saudi Arabia and Iran in the Middle East**

The competition of economic interest between Saudi Arabia and Iran in the Middle East dates back to the independence of KSA. Oil is the only major source of their economy so, from day one both states are trying to counter each other to secure their economic interest by maximizing the oil export in the international market. Saudi Arabia became successful to strengthen its economy by maximizing its oil export after the Islamic revolution of Iran in 1979. While the Iran-Iraq war and economic sanctions due to nuclear programs squeeze the economy of Iran. Though there are asymmetric relations between Riyadh and Tehran’s economy so, both are fighting each other to gain their economic interest in the region. The geographical location and the natural resources played a significant role in defining the importance of the Middle East in global politics. The region holds reserves of 52.5 percent crude oil and 46 percent natural gas of the world. The region connects three continents; Asia, Africa, and Europe as well as it provides the trade route to the whole world. The Middle East is the land of five Seas; the Arabian Sea, the Black Sea, the Caspian Sea, the Red Sea, and the Eastern Mediterranean Sea. The region is the chokepoint of three routes; Suez-Canal (Red and the Mediterranean Sea), Bab-al-Mandab (the Red Sea and the Gulf of Aden), and the Strait of Hormuz (the Persian Gulf to the Gulf of Oman) (Paraschos, 2017).

The Kingdom of Saudi Arabia and the Islamic Republic of Iran are opposing each other in the Middle East to secure their economic interest. The economy of both countries is based on hydrocarbons. The rivalry between both states in the economic domain dates back to pre-revolution and day by day the antagonism increased. One of the most contradicting points between Iran and Saudi Arabia is the quota of oil export and their role in the Organization of Petroleum Exporting Countries (OPEC). OPEC was founded on September 14, 1960, and the basic objective of the organization was to coordinate and unify the petroleum policies of the member states as well as to ensure stabilization in the international oil market (Elyassi, 2018). The Iranian revolution of
1979 and the Iran-Iraq war badly affected OPEC. Both Riyadh and Tehran openly criticized each other for destabilizing the international oil market.

Since the ouster of Saddam Hussain, Tehran is expanding its influence in Iraq to fulfill its core objectives. The ousted of the Baathist regime and the emergence of ISIS in Iraq as well as the economic sanctions on Iran enhanced the economic interdependency between Bagdad and Tehran. Bilateral trade between the two countries rapidly increased after the US withdrawal to $2.8 billion in 2007, $4 billion in 2009, and $12 billion in 2015 (Arif, 2019), but the US withdrawal from the Joint Comprehensive Plan of Action (JCOPA) under Trump administration and Covid-19 badly affected the bilateral trade. Despite both countries claiming to boost bilateral trade by more than $20 billion in fiscal years 2020-2021 they failed to achieve their targets. According to the economics statistics of 2021, the total trading volume has not reached the level of $20 billion. Now the Tehran Times report shows that the annual export of Tehran increased up to 20% in the first three months ("Annual exports from Iran to Iraq rises 20%," 2022).

The major contributor to their trade is electricity and natural gas to Iraq since 2013. In recent years Tehran is heavily investing in the construction sector of Iraq, particularly in the areas that gained from the control of ISIS (Urquhart, 2021). While on the other hand, Riyadh's relationship with Bagdad was tense since the first Gulf war but after the US invasion, Riyadh reestablished its relationship and formally reopened its embassy in 2015 after 25 years. According to an Aljazeera report, Saudi Arabia provides $1 billion in economic aid to Iraq to counter Iran’s growing influence in Iraq ("Saudi Arabia reopens consulate in Iraq, pledges $1bn in aid," 2019). Another major concern of KSA is Iraq’s increasing oil exports in the international market. Saudi also helped the anti-government forces like ISIS in Iraq to counter Iran’s influence but still failed to counter it properly. From 2018 onward Saudi Arabia is investing massively in Iraq to strengthen the bilateral relations and Riyadh also wants to increase the trade volume with Iraq. According to the OEC report, Riyadh-Bagdad trade volume is less than fifty percent of Tehran-Bagdad trade. In March 2021, during Iraq’s Prime Minister Mustafa Khadimi's visit to Riyadh, both Saudi and Iraq agreed to enhance bilateral trade and investment, as well as Riyadh, showed its interest to open a new border crossing with Iraq’s province Najaf (Ardemagni, 2021).

The Strait of Hurmuz is another key point on which both Saudi Arabia and Iran want to get control owing to its security and economic significance. The Strait Hurmuz is the world’s most important oil chokepoint. It is approximately a 30-miles wide strait between the Persian Gulf and the Gulf of Oman. According to US Energy Information Administration (EIA) estimates, the daily follow of oil through Hurmuz was 21-million-barrel oil per day and EIA also said that there is limited option to bypass the Hurmuz. If any type of war and crisis erupted and the flow of oil and natural gases through the Strait of Hurmuz was blocked then 80% of the flow of petroleum and one-quarter of the world’s tards in Liquefied Natural Gas (LNG) would stop flowing to the international economy ("The Strait of Hormuz is the world's most important oil transit chokepoint," 2019). Moreover, in the case of the block, the GCC states may also face a shortage of daily food items and other necessities (Cordesman, 2019).
Saudi Arabia is more inquisitive owing to Iran’s military might and its growing influence not only through proxy war but also in its effort to gain control of geoeconomics and geostrategies of the Middle East. Though Tehran has no control over the Strait of Hormuz and other chokepoints of the Middle East in case of any skirmishes lead to the blockage of Hormuz then it will directly affect the economy of Saudi Arabia and other GCC states as well as the global economy, particularly Asian market (Sayin & Kilic, 2020). In 2007 and 2008 during the Iran-US naval forces confrontation, Tehran announced that it would close the strait to all the world traffic. About 88% of all oil exported from the Persian Gulf passes through the Strait.

Saudi Arabia is the world's largest oil exporter and more than 50% of its Gross Domestic Products (GDP) is based on oil and gas as well as other natural resources like gold, iron ore, and copper. According to the US, EIA reports, oil contributes more than 70% of Saudi export. As the bellow table shows the exports of Saudi Arabia from 2014 to 2020, in billion USD (O’Neill, 2021).

**Details of Saudi oil export from 2014-2020**

<table>
<thead>
<tr>
<th>Years</th>
<th>Export in Billion USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>342.43</td>
</tr>
<tr>
<td>2015</td>
<td>203.55</td>
</tr>
<tr>
<td>2016</td>
<td>183.67</td>
</tr>
<tr>
<td>2017</td>
<td>211.83</td>
</tr>
<tr>
<td>2018</td>
<td>294.37</td>
</tr>
<tr>
<td>2019</td>
<td>261.6</td>
</tr>
<tr>
<td>2020</td>
<td>173.49</td>
</tr>
</tbody>
</table>
Bab al Mandeb Strait is the second most important chokepoint in the Middle East region. Bab al Mandeb is also called the “Gate of Tears” in Arabic. It connects the Red Sea with the Gulf of Aden and the Indian ocean. The strait is 32 Km wide and divided into two channels. The Strait has immense economic importance that’s why not only regional powers but also superpowers are interested in the region (Calabrese, 2020).


Bab al Mandeb Strait is the third-largest maritime oil chokepoint and has significant importance for Saudi Arabia owing to its dependency on crude oil export through this strait. The per-day traffic flow of crude oil through this strait is approximately 6.2 million barrels of oil per day and more than eighty percent of this oil is exported by KSA (Lott, 2021). The Yanbu port of Saudi Arabia has immense economic importance owing to its heavy oil export and Yanbu is dependent on the Strait to export its crude oil to Europe and Africa. Saudi Also used this strait for internal movement of its crude oil about 400,000 barrels per day. The strait of Bab al Mandeb is the trade route between the Mediterranean and Asia. Besides oil from the Middle East, the Strait also provides a trade route for the shipment of goods from Asia to Europe. It also plays an important role in the shipment of food and other goods same as oil transportation. The Strait has significant importance owing to global food security (Alexandre, 2021).

Suez Canal is another most important strategic point on which both Iran and Saudi Arabia are trying to increase their influence. The Suez Canal was established in 1869 for trade between the Eastern and Western parts of the world. The canal connects the Mediterranean and the Red Sea. It also separates the African continent from Asia and provides the shortest maritime routes between Europe and the land around the Indian and western Pacific oceans (Asia). The canal is
the 193 Km long first man-made waterway. The canal provides the shortest maritime route for energy, commodities, and consumer goods from Asia and the Middle East to Europe. It is the most important trade route for petroleum to connect production sources and consumption markets (Kenawy, 2016). Every year about 12% of the World trade passes through this canal. The Canal provides the shortest route for Middle Eastern states to export their oil to Europe and Eastern America. Without the Suez Canal, a ship has to travel extra 6000 miles which maybe add $ 300,000 in fuel cost.

Source: https://kids.britannica.com/kids/article/Suez-Canal/353819

According to the Suez Canal Authority statistics since 1869, the usage of the Suez Canal gradually increased and reached its peak in the 1970s. The Coronavirus pandemic badly affected the traffic of the Suez Canal which directly affected the economy of Egypt. The total flow of vessels through the canal is shown below table;

**Details of vessels flowing through the Suez Canal**

<table>
<thead>
<tr>
<th>Years</th>
<th>No (Vessel)</th>
<th>Average per day</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011</td>
<td>17800</td>
<td>48.76</td>
</tr>
<tr>
<td>2012</td>
<td>17224</td>
<td>47.189</td>
</tr>
<tr>
<td>2013</td>
<td>16596</td>
<td>45.46</td>
</tr>
<tr>
<td>2014</td>
<td>17148</td>
<td>46.98</td>
</tr>
<tr>
<td>2015</td>
<td>17483</td>
<td>47.89</td>
</tr>
<tr>
<td>2016</td>
<td>16833</td>
<td>46.15</td>
</tr>
</tbody>
</table>
Seventy percent of Saudi Arabia's export and import cargo is dependent on this canal that’s why Riyadh is more curious to gain a monopoly on the canal (Ardemagni, 2018). According to the statistics of the Suez Canal Authority (SCA), in the fiscal year 2019, about 1.03 billion tons of cargo were passed through the canal. The above table shows the per-day flow of vessels through the canal from 2011 to 2019.

### Details of the cargo and vessels that passed through the Suez Canal

<table>
<thead>
<tr>
<th>Year</th>
<th>No of Vessels</th>
<th>Net cargo (million tons)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>18,880</td>
<td>1207.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Oil products</td>
</tr>
<tr>
<td></td>
<td></td>
<td>23.14%</td>
</tr>
<tr>
<td></td>
<td>Name of product</td>
<td>million</td>
</tr>
<tr>
<td></td>
<td>Crude oil</td>
<td>107</td>
</tr>
<tr>
<td></td>
<td>LPG</td>
<td>5</td>
</tr>
<tr>
<td></td>
<td>Gas oil + diesel oil</td>
<td>34</td>
</tr>
<tr>
<td></td>
<td>Fuel oil</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Others</td>
<td>76.86%</td>
</tr>
</tbody>
</table>

Source: https://www.suezcanal.gov.eg/English/Navigation/Pages/NavigationStatistics.aspx

According to the SCA website in 2019, the total number of vessels that passed through the canal was 18,880 and the net cargo was 1207.1 million tons in those cargoes 23.14% were oil products, and 76.86% of the cargo was other goods. In oil products, 107 million was crude oil, 5 million LPG, 34 million gas oil and diesel oil, and 31 million fuel oil. Though Iran’s export through the Suez Canal is limited due to sanctions but Tehran is also curious about the canal. Tehran is also trying to use a new route to reach Europe through India and Russia. Russia, India, and Iran signed a joint agreement in 2000 to start a new trade route to boost their economy and cooperation. According to Hanafi, the main concern of Tehran is Saudi Arabia’s growing influence in the Middle East and its good relations with Egypt that’s may create trouble for Tehran. Tehran is curious about the new route but the route may be expensive as compared to the Suze canal (Hanafi, 2020).
Conclusion

The Kingdom of Saudi Arabia and the Islamic Republic of Iran are the two major powers in the Middle East. They have an influential role in regional and international politics. The Middle Eastern region has immense strategic importance due to its natural resources. The region provides a trade route to the whole World and fulfills more than half of the energy demands of the world. Though both are Muslim states, the contradiction in their national interest dragged both nations towards competition. The tug of war between two regional powers to secure strategic interest leads the region towards bloc politics and a cold war mentality. Both states are using different tactics to secure their economic and security interest in the region and they are using ideology as a tool to strengthen and legitimate their competition.

The root of their competition dates back to the Shah regime however both were part of the US ‘Twin Pillar’ strategy. Initially, the conflict was between oil export and the Foreign Direct Investment (FDI) particularly in hydrocarbons. Their competition dramatically increased after the revolution of Iran in 1979. Before Iran’s revolutionary leader Ayatollah Khomeini’s criticism of the Gulf monarch, KSA welcomed the revolution and send their officials to strengthen bilateral relations. Later, Riyadh changed its policies when it came to know that Khomeini and his doctrine were against monarchy as well as he was in favor of expanding his style of revolution in the whole region. Then Riyadh and other Gulf monarchs were united to encircle the Khomenism and established GCC. Several events and issues further enhance their competition like seized of Grand Mosque, the movement in Shiite majority areas, the Haj incidents, the Iran-Iraq war, and many more issues that played a major role in their rivalry. The involvement of super and major power in regional politics of the Middle East to secure their national interest further cemented the antagonism and mistrust.

The geographical location of the Middle East is playing a key role in the security domain. Both Riyadh and Tehran are curious to gain access to those places in the region which have a significant place in defense and security. They are competing for regional influence and always trying to balance power parity. Riyadh is using an external balancing method by cooperating with the USA and other major powers, while, Tehran is relying on internal balancing by advancing its military might, missile technology, and Russian bloc. They are trying to maximize their sphere of influence on strategic locations like the Strait of Hurmuz, Bab-e-al Mandeb strait, Suez Canal, and other key places. From the beginning of their antagonism economy, security and politics were the core objectives and now they are engaged in proxies with the same objectives but ideology is used as a tool to get the core objectives.

Economically, Riyadh has a more stable and developed economy than Tehran and the main source of her economy is hydrocarbons and its products. Despite limited military personnel and population as compared to Iran, Saudi Arabia continuously adopts counter-strategies to protect its interest on the regional and international levels. As a result of economic sanctions under the shadow of the nuclear program Iran’s economy is constantly grounding but it is more curious to
expand its export in all forms including gas and oil. It is most difficult for Iran to compete with Saudi Arabia with a grounded economy but supporting different proxies is the cheapest way to engage and weaken Saudi Arabia’s sphere of influence in the region. The Saudi-Iran rivalry is only due to political, economic, and security objectives rather than ideological. Both states are making alliances and cooperation with states and other pressure groups to enhance their sphere of influence in the region to protect their national interest. Indeed, the involvement of major powers in this tug of war further amplified the intensity of strategic competition between the two regional powers.

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