

# MENDING FENCES: EUROPE'S STAKE IN THE SAUDI-IRAN DETENTE

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## SUMMARY

- Saudi-Iran rivalry has long deepened conflict lines in the Middle East. But growing mutual vulnerabilities prompted a quiet rapprochement, culminating in the 2023 Beijing de-escalation agreement.
- While it hasn't led to conflict resolution, this detente has helped contain regional escalation. Dialogue between Riyadh and Tehran remains frequent amid the Gaza crisis and could become even more important after the Israeli killing of Hizbullah's leader, Hassan Nasrallah.
- Europeans should actively support Saudi-Iran engagement as a vital diplomatic path to regional stability, rather than viewing it as Iran's attempt to evade US sanctions.
- If Iran's new leadership is willing to engage in negotiations on the nuclear issue and other files, Europeans should see Saudi Arabia as a channel to help facilitate necessary economic relief to Iran as part of any new deal.
- Europeans could help both countries navigate tension around America's regional involvement, ensuring Saudi-Israel normalisation does not undermine Saudi-Iran diplomacy.
- If Iran refuses to enter negotiations and relations with the West deteriorate further, Europeans should still consider Saudi Arabia as a valuable mediator between the West and Iran.

# Introduction

In the past two decades, the long-standing rivalry between Saudi Arabia and Iran has significantly amplified instability and conflict across the Middle East and North Africa, particularly since the 2011 Arab uprisings. Surprisingly, both nations are now engaged in a new rapprochement as a result of growing mutual vulnerabilities.

For the Saudis, the rapprochement stems from the realisation that they cannot militarily dislodge Iran – and that their long-time security partner, the United States, is no longer willing to bear the costs of trying. Meanwhile, Iran has recognised that mitigating the impact of Western sanctions will necessarily require opening economic channels with the Arab Gulf states. Following three years of quiet dialogue, Riyadh and Tehran signed a roadmap for de-escalation in Beijing in March 2023.

While this detente has not yet led to long-term conflict resolutions, it remains one of the few diplomatic paths for managing regional tensions, even amid the wider escalatory cycle unleashed by the Gaza crisis. Since Hamas's 7 October attacks on Israel, and the subsequent Israeli war on Gaza, Riyadh has stepped up its outreach to Tehran to contain broader hostilities. This engagement remains fragile, and is still fundamentally underlain with mutual distrust – but both sides seem to have strategically embraced it. “When it comes to Iran, it is absolutely necessary to maintain relations and we will continue to do so,” stated one senior Saudi official in June.[1] “The Gaza war has helped improve relations, not made them worse,” commented an analyst in Tehran the following month. [2]

Amid a rapidly destabilising regional environment exacerbated by the Israel-Palestine crisis, as well as challenges posed by Iranian opposition to Western interests – covering regional, nuclear, and Ukrainian-related dimensions – European states should now see this unexpected rapprochement as a welcome step rather than a means for Iran to evade Western pressure. Riyadh now has increasing influence and economic leverage in Tehran to help put the brakes on escalation, and Europeans should actively encourage this diplomacy to promote regional stability. The Saudis could press Tehran to get behind – or at least not block – a ceasefire in Gaza and prevent wider war in Lebanon amid escalating clashes between Israel and Hizbullah – whose leader Hassan Nasrallah Israel killed in a bombing in Beirut on 27 September. Saudi engagement could even help encourage negotiations on other critical issues such as Iran's nuclear programme.

This remains true even if a second Donald Trump administration renews America's maximum pressure campaign against Tehran and ties to the West deteriorate further. Riyadh is unlikely to actively lobby the US to halt tough measures against Iran, but its influence in Tehran will

give it space to engage both parties. The kingdom's new policy of strategic hedging may encourage it to pursue flexibility to engage economically with Iran, positioning itself as a valuable intermediary between the US and Iran [3] – especially if its relationship with Trump continues to be as positive as it was in the past. Europeans should explore ways to support the Saudis in this role.

The US regional position remains a critical point of divergence between Saudi Arabia and Iran, and will continue to feed ongoing tensions between the two. As noted by one former Iranian official, the perception in Tehran is that the Gulf Cooperation Council (GCC) states “won't do anything regarding Iran without buy-in from DC.” [4] This explains why Saudi-Iranian economic cooperation has stalled, with Riyadh unwilling to challenge US sanctions. Moreover, Riyadh is still seeking to pursue a normalisation deal with Israel in exchange for US security guarantees and greater access to Israeli intelligence capabilities – moves that Tehran will see in a threatening light.

Overcoming this divergence will partly depend on the US and Europeans not actively making Saudi-Israel normalisation incompatible with Saudi-Iranian diplomacy. Riyadh has already indicated that it will not embrace a new anti-Iran alliance via a normalisation deal with Israel. Europeans should encourage the US – especially under a new Trump administration – to see the stabilising value of these dual tracks.

This paper aims to unpack the evolving dynamics and opportunities of the Saudi-Iranian detente for European stakeholders. Based on interviews with officials and players in both countries and elsewhere in the Middle East, it seeks to understand the regional implications of Saudi-Iranian diplomacy and the extent to which it has translated into stabilisation. It explores what Europeans can do to support sustainable de-escalatory progress on regional issues, and how to engage Riyadh as a channel to help address Iran's wider problematic behaviour.

## Rising tensions and turmoil

The 1979 Islamic Revolution in Iran was a key turning point in Saudi-Iran ties, with effects that resonate to this day. In its aftermath, Riyadh accused Tehran of using its ideological soft power and sectarian networks to incite unrest in the Gulf. In turn, Tehran painted the kingdom as an absolute monarchy propped up by the US, fundamentally questioning its credibility as a leader of the Arab-Islamic world. Since 1979, both countries have competed for regional leadership.

The kingdom's fears about Iran's regional expansionism intensified after the fall of Saddam

Hussein in Iraq in 2003, when Tehran seized the moment to strengthen its influence with Shia allies such as the Dawa party and later the Hashd al-Shaabi (Popular Mobilisation Forces). Saudi anxiety continued to grow as Iran deepened its reach into Lebanon and Syria via Hezbollah and its alliance with the Assad regime, all while advancing its nuclear programme. By 2008, the Saudi king was asking the US government to take direct military action against Iran.

Conversely, Iran has not historically viewed Saudi Arabia as a security threat, nor was it the main driver of its regional policies. Instead, the kingdom was dismissively seen as a proxy of Iran's key adversary, the US – and one unable to stand on its own two feet, let alone pose a threat to its neighbour. Iran's growing position in Iraq, Syria, and Lebanon, as well as the deployment of its "axis of resistance" network, has primarily been about building a forward defence and deterrence front against the US and Israel, with the encirclement of Saudi Arabia a collateral benefit rather than a direct aim.

Against this backdrop, the 2011 Arab uprisings triggered a significant escalation in tensions. Riyadh accused the Islamic Revolutionary Guard Corps (IRGC) of using a radical Shia organisation, Hezbollah al-Hejaz, to turn local protests in Saudi Arabia's Eastern Province into an insurgency. Riyadh made similar accusations regarding Bahrain, which witnessed even larger anti-regime protests. Saudi Arabia believed that the IRGC was orchestrating the revolts to replicate its successes in Iraq and Lebanon – although, in reality, the protests were driven primarily by local grievances and long-standing discrimination against the Saudi and Bahraini Shi'a populations, with Tehran offering less support than Riyadh claimed.

Riyadh then saw an opening to use anti-regime protests in Syria to challenge Iran's regional influence, given Tehran's ties to Assad and the Levant's central role in Iran's regional strategy. From 2013, Saudi Arabia provided armed assistance to groups working to depose Assad, prompting Iran to bolster its support for Damascus by supplying weapons and militia fighters. Syria emerged as the main battleground in a wider regional war centred on the Saudi-Iran rivalry.

As part of this widening confrontation, Iran looked to Yemen as a key pressure point to use against Riyadh, and began providing weapons, intelligence, training, and guidance to the Houthi movement, which seized the capital Sanaa in September 2014. Following the Saudi-led military intervention in Yemen in March 2015, the Houthis started launching attacks against the kingdom. The fear of an Iranian proxy in control of Yemen – or, as Saudi policymakers put it, "the establishment of another Hezbollah at our borders" – became a Saudi obsession. [5] Conceived to be a swift military campaign, the Saudi-led intervention turned into a decade-long, costly failure, with the Houthis today controlling much of the country and dominating

Yemeni politics.

The Saudi-led intervention in Yemen was the apex of a more assertive anti-Iran policy adopted by the new Saudi leadership enthroned in 2015. King Salman, and especially his son Mohammed bin Salman, who became the crown prince in 2017, were determined to counter Iranian encroachment. That year, Saudi Arabia briefly detained Saad Hariri, Lebanon's prime minister and leader of the Saudi-aligned Future Movement. Riyadh forced him to temporarily resign in protest against Iran's assertive influence in Lebanon, exerted through Hizbullah. Riyadh then sought to make new inroads into Iraq, ending the kingdom's policy of non-engagement with Baghdad – a stance dating back to the fall of Saddam Hussein and Iraq's subsequent move into Iran's orbit of influence. It offered support to various local political factions, including Shia cleric Moqtada al-Sadr, in a bid to draw them away from Tehran.

At the global level, Riyadh vigorously lobbied the Trump administration to adopt a firmer stance against Tehran, encouraging its 2018 decision to exit the Joint Comprehensive Plan of Action (JCPOA), the international deal to contain Iran's nuclear programme, and instead embark on a maximum pressure campaign. Since its signing in 2015, Riyadh had argued that the JCPOA's core compromise – the unfreezing of Iranian financial assets in exchange for curbs on its nuclear programme – only provided the IRGC with new resources to support its regional proxies.

Tehran saw Trump's decision to ramp up military action and economic pressure against Iran as partly a product of Saudi encouragement. Seeing Riyadh as an increasingly strategic threat, Iran significantly stepped up its support to the Houthis, resulting in at least a 1,000 missile attacks launched from Yemen into the Saudi Arabia between 2018 and 2019, as well as increased IRGC attacks on shipping in the Strait of Hormuz.

This was a moment of fierce proxy conflict across the region and a collapse in bilateral ties. As tensions intensified, in 2016 Riyadh executed the prominent cleric Sheikh Nimr al-Nimr, who had led Shia protests in the kingdom in 2011. In response, Iranian protestors stormed the Saudi embassy in Tehran and the consulate in Mashhad. Accusing the Iranian government of failing to protect its diplomatic premises, Saudi Arabia formally broke diplomatic relations with Iran.

## Pivot to de-escalation

Houthi strikes on Saudi Arabia laid bare the fragility of the US security guarantees on which the kingdom had relied for decades, forcing Riyadh to temper its assertive anti-Iran approach. The attacks also posed a threat to Mohammed bin Salman's strategy to overhaul and

modernise the economic and social systems in Saudi Arabia, which fundamentally require a stable environment to succeed.

As the kingdom's de facto leader, Mohammed bin Salman's central ambition has been winning the hearts and minds of the Saudi youth, who comprise the overwhelming majority of the population and who did not feel represented by an octogenarian leadership stuck in an ultra-conservative, closed-off system. In 2016, Mohammed bin Salman launched Vision 2030, an ambitious plan for a post-oil Saudi Arabia which promised economic growth and social freedoms in exchange for political acquiescence. But bringing about such an ambitious vision would not be possible while Houthi rockets were flying overhead.

The pivotal moment arrived in September 2019, when Iran coordinated a large-scale attack on Saudi Arabia's oil facilities in Abqaiq and Khurais. This attack knocked 50 per cent of the Kingdom's oil production offline for over two weeks. It was a direct Iranian response to the Trump administration reinstating US sanctions: if Iranian oil was to be stifled, global oil flows would also be disrupted.

Significantly, the US did not retaliate, arguing that Saudi Arabia should lead the response. The collapse of the decades-old American deterrence umbrella left Riyadh extremely vulnerable. The Saudis had hoped that Trump, motivated by Saudi investments, [6] would reverse America's pullback from the region initiated under former US president, Barack Obama. Instead, they were forced to confront the reality of a continued retrenchment that was only reinforced by the Joe Biden administration.

US-Saudi relations further deteriorated after the White House declassified a CIA report indicating that Mohammed bin Salman approved the killing of Saudi journalist Jamal Khashoggi, with Biden branding the country a pariah. [7] Biden also reduced the US military footprint in the region, withdrawing armaments and personnel from strategic bases, and withholding defence supplies to the kingdom even as it faced daily Houthi attacks on cities and critical infrastructure. The US shift forced Riyadh to rethink its entire strategy. It came to view diplomacy with Tehran as necessary to preserve its security and to ensure it did not become a central theatre in the US-Iran confrontation at a moment when the US was no longer willing to provide security guarantees. [8]

For its part, Iran faced intensifying economic pressure due to the renewed sanctions imposed by Trump, and an increased risk of a direct conflict with the US after the January 2020 assassination of Qassem Suleimani, leader of the Quds Force, the foreign operations branch of the IRGC. As the need to mend fences with its immediate Gulf neighbours became clear, Iran unveiled the "Hormuz Peace Endeavor" (HOPE), a regional security framework for the

Gulf that excluded the US. The HOPE plan represented an Iranian alternative to the US-sponsored Abraham Accords, an anti-Iran regional front signed in September 2020 that initially included Israel, the United Arab Emirates, and Bahrain.

The Iranian HOPE initiative was never seen as credible in Riyadh. The kingdom was also unprepared to accept the initiative's ultimate aim of accelerating the US retrenchment from the region, which would further solidify Iran's military influence in the Gulf. At the same time, the fragility of US security guarantees, as well as the risk of an Iranian backlash, left Riyadh hesitant to fully embrace the Abraham Accords.

As they looked for a new direction, Riyadh and Tehran launched a discreet dialogue in 2019 to define a mutually acceptable de-escalatory roadmap. [9] This process was facilitated by Iraq and Oman, which hosted five rounds of direct talks between the two countries. The Saudi and Iranian foreign ministers then met face-to-face at the 2021 Baghdad Conference for Cooperation and Partnership, which was co-convened by France. This process culminated in Beijing in March 2023, with China pushing the agreement over the finishing line by assuring the Saudis that it would deploy its economic leverage to ensure Iran adhered to its commitments. The agreement was based on the core premise that, in exchange for Saudi support in easing Iranian political and economic isolation, Iran would end conventional attacks against the kingdom.

For Riyadh, the deal bought time to boost its defence apparatus and rethink its wider security architecture amid evolving global dynamics. The Saudis aimed to persuade Iran to rein in its proxies from hitting Saudi assets, territory, and critical infrastructure in exchange for the restoration of diplomatic relations. This included an immediate Iranian commitment to de-escalatory steps in Yemen, such as ending armed support for the Houthis, pressuring the group to end cross-border attacks into Saudi Arabia, and entering into negotiations over a permanent ceasefire. [10] The deal reflected a shift in the Saudi calculus, recognising that critical engagement with Tehran could be more effective than confrontation. "We need a long-term strategic approach to Tehran that gives them a clear choice of engagement, offering acceptance in exchange for progress on key issues," said one senior Saudi official. [11]

For Tehran, the deal is primarily tied to its security and economic strategy for the region. Tehran hopes re-engagement will facilitate the end of its regional diplomatic isolation. As noted by one Tehran-based analyst, "for Iran, good relations with Saudi Arabia is a gateway into wider regional politics." [12] Ultimately, Iran wants to ensure that Saudi Arabia and other neighbouring states do not serve as forward bases for an anti-Iranian front led by the US and Israel. While Iran has had to accept that Israel established intelligence and defence links with some Gulf states over recent years, it has made clear to Gulf capitals that the use of their

states' territory to launch or support attacks against Iran would be a red line. [13]

On the economic front, Tehran saw re-engagement as a means to open economic pathways that could help the country circumvent Western sanctions and facilitate oil sales. However, Saudi Arabia remains wary of delivering on this or of actively undermining the US-led sanctions regime. Unlike the UAE, which has facilitated increasing economic exchanges with Iran as part of its own re-engagement strategy, the kingdom does not have special purpose vehicles that it can use to bypass these sanctions. Direct Saudi-Iran trade remains weak, with less than \$20m in Iranian steel exports to Saudi Arabia, followed by smaller amounts of trade in saffron, carpets, cement, and dried fruit. The idea of opening a joint chamber of commerce has not yet materialised, nor have Saudi investment pledges.

Instead, the Saudis hinted at longer-term alternatives, such as investing in triangular projects involving Iranian firms in other countries such as Iraq, or using non-Western financial infrastructure, such as the BRICS' New Development Bank (NDB), to offer credit to Iran. Last year, the NDB issued \$33 billion in non-dollar denominated credit to developing nations, mostly to its own members. Saudi Arabia is considering injecting \$16 billion into the bank's capital and, as a full member, Iran could apply for NDB loans.

## Containment, not resolution

The Beijing deal was primarily about de-escalating the direct conflict between the two signatories. While the regional dimension was discussed at length during negotiations, both the Saudis and Iranians considered it something to work on gradually and at a later stage. [14] Nonetheless, more than one year after the diplomatic breakthrough, the deal has clearly made a difference to the wider environment.

The Saudi-Iran rapprochement cemented a mood of de-escalation that held up until Hamas's attack on Israel on 7 October 2023. Regular dialogue between the two countries is now playing a role in preventing existing conflicts from expanding into a devastating regional war; it offers one of the few pathways for a de-escalation strategy in the region.

## Yemen

Where detente has had the most immediate impact is in Yemen's conflict, in which the Beijing agreement was key. [15] The agreement resulted in Iran ensuring that the Houthis largely – though not absolutely – refrained from conducting missile strikes on the kingdom, while Riyadh intensified direct talks with the Houthis in pursuit of a settlement. Extricating itself from the unsuccessful war in Yemen was a central priority for Saudi Arabia, with Riyadh offering settlement terms



at the expense of the internationally recognised government it has long supported. “The Saudi-Iran relationship has helped establish a ceasefire in Yemen, with tensions much lower” was the assessment of one Iranian analyst in Tehran. [16] Before the Gaza war reshuffled the cards, this track was close to reaching a final roadmap, an outcome that Riyadh says it still wants to secure and which will only be possible in the context of a wider Saudi-Iran understanding. [17]

## Syria

In Syria, the agreement enabled Riyadh to re-engage with the Assad regime a decade after withdrawing its ambassador from Damascus, with the Saudi embassy re-opening in September 2024. “After the Beijing deal, the Saudis took the driving seat” on regional policy towards Syria, stated one well-connected Syrian observer. [18] In May 2023, Riyadh effectively imposed Syria’s return to the Arab League amid some Arab states’ reluctance, a move partly aimed at diluting Iran’s dominance in the country. Saudi Arabia’s engagement with Assad was swiftly followed by the Syrian government’s decision, in October 2023, to transfer control of the Yemeni embassy in Damascus from the Houthis to the Saudi-supported, internationally recognised Yemeni government. “The Saudis were convinced that Iran was using Yemen against them because [the Saudis] wanted regime change in Syria,” assessed the Syrian observer. “So they thought, let’s make a deal: Yemen for Syria.” [19]

## Lebanon

Riyadh reinstated its ambassador to Lebanon a month after the China deal, following his withdrawal in October 2021. “The rapprochement has reinforced the Sunni willingness to make deals with Hizbullah,” commented one prominent Lebanese analyst, adding that since mid-2023 there has been less pressure on Lebanon’s prime minister Najib Mikati to avoid cutting deals with the group compared to when he first came to power. [20] Another analyst pointed to the GCC’s decision to stop labelling Hizbullah a “terrorist” organisation, which is partly seen as “a sign of the Saudis saying they will not challenge Iran’s interests in Lebanon.” [21]

Lebanon emerged as a key regional security theatre in September 2024 amid Israel’s stepped up bombing campaign in the country, including the assassination of the organisation’s entire leadership. As the risk of a wider Israeli-Lebanese war increases, Riyadh could be well placed to use its dialogue with Tehran to try and contain the escalatory cycle. Saudi officials interpreted the immediate muted reaction from the Iranian government as a sign that Tehran is not willing to risk its own security for the sake of its ally, Hizbullah. An inward-looking

Tehran, aware of its fragility, is considered by some officials in Riyadh as a golden – and perhaps fleeting – opportunity to double down on their diplomatic efforts, encouraging Iranian regional restraint and, ideally, a more stabilising approach towards Lebanon. [22]

## Iraq

The Beijing deal also accelerated Saudi re-engagement with Iraq. In May 2023 in Jeddah, the two countries held the fifth meeting of their Saudi-Iraqi Coordination Council, the first since November 2020. A number of significant new Saudi investment pledges were made then, including the establishment of a €3 billion investment vehicle by Riyadh’s Public Investment Fund. Addressing the impact of the Saudi-Iran deal on Iraq’s internal stability, a senior Iraqi government official said that domestic factions now find it more difficult to seek support from external patrons in the destabilising fashion that has been prevalent in recent years. [23]

However, progress has not translated into sustainable conflict resolution in any of these countries, and the situation remains precarious. Tehran sees Saudi engagement as a sign that the Arab world now largely accepts its leadership role and the ground victory of its local partners, making few compromises as a result. [24] Riyadh instead hopes engagement will be more effective than confrontation in slowly diluting Iranian influence in the region.

So far, Iran and its allies have been reluctant to cooperate beyond the high-level security arrangements agreed in Beijing. The Houthis, emboldened by the success of their Red Sea operations, have repeatedly stalled on finalising a deal in Yemen, making increasingly maximalist demands. Saudi relations with Damascus remain hollow, with the Assad regime failing to address issues such as the huge volume of drugs smuggled from Syria to the Gulf. As affirmed by a Syrian government diplomat, “Iran’s dialogue with the Saudis helped them be more realistic and they changed their approach, not us.” [25] In Iraq and Lebanon, progress on Saudi re-engagement is also decidedly slow.

These dynamics reflect the mutual distrust, rooted in decades of confrontation, still persisting in Riyadh and Tehran. Dialogue between the two states occurs regularly but remains ad hoc. “There hasn’t yet been anything serious between Iran and the GCC about regional cooperation,” noted a former senior Iranian official. “Everything is minimal and the common interest is to not have escalation.” [26] Talks are still confined to specific individuals within both capitals, such as Saudi National Security Advisor Musaed al-Aiban and the former Iranian foreign minister and Arabist Hossein Amir-Abdollahian, who was the key interlocutor with Arab states until his death in May 2024. While the new Iranian president Masoud Pezeshkian has expressed a strong commitment to ongoing regional cooperation, it remains uncertain if he will be able to move the relationship forward in a more strategic and

structured fashion than his predecessor.

Moreover, the Saudi-Iran deal also highlights how local conflicts extend beyond proxy confrontations between regional great powers. While Iranian and Saudi interventions have deepened conflict lines over the past decade, they nonetheless exploited pre-existing local grievances. Without managing these issues, the potential of the Saudi-Iran rapprochement to achieve meaningful conflict resolution at the local level will remain limited. In Syria, these relate to the brutal and corrupt nature of the Assad regime; in Yemen, it involves ongoing Houthi attempts to seize total control; in Iraq, it reflects an ongoing intra-sectarian struggle for power; and in Lebanon, control of the state merges with the intensifying conflict with Israel. Durable conflict resolution will necessarily require focused local efforts that take advantage of the opening provided by Saudi-Iran rapprochement.

## Holding steady through the Gaza crisis

Whatever progress could have been made in more structural challenges following the Beijing agreement was derailed by the developments after 7 October 2023. The Beijing agreement did not tame Iran's assertive strategy, which is still primarily driven by Israeli and US actions, rather than Saudi Arabia. Iran's threat perception has dramatically intensified since 7 October, leading it to activate all of its regional proxies.

Nevertheless, the Saudi-Iran deal has undoubtedly helped to contain wider regional escalation. Despite many in Riyadh suspecting that the IRGC might have been involved in the 7 October attacks – with the aim of undermining Saudi-Israeli normalisation – Riyadh has increased outreach to Tehran in a bid to contain Iranian actions.<sup>[27]</sup> “What Iran is doing is detrimental, but this is why we are so engaged in diplomacy, because there is no other way to deal with the regional issues,” stated a senior Saudi official.<sup>[28]</sup>

On 11 October 2023, then-Iranian President Ebrahim Raisi and Mohammed bin Salman had their first telephone conversation since signing the deal in Beijing. In November, Raisi attended the joint emergency summit on Gaza convened by the Arab League and the Organisation of Islamic Cooperation (OIC) in Riyadh – the first time an Iranian president had visited the kingdom since 2012. There, Iran signed a joint statement accepting a two-state solution. Despite subsequent public push-back in Tehran, Saudi officials see it as a sign that Iran can be part of the solution to the Gaza crisis, which they view as necessary for a durable arrangement.<sup>[29]</sup> Mohammed bin Salman later accepted an invitation to visit Tehran and, following the death of Raisi, held an early phone conversation with Pezeshkian where he pledged to continue cooperation.

While Tehran has increased weapons shipments to the Houthis for use against Israel and global shipping in the Red Sea, [30] it has respected commitments made in Beijing to not target Saudi interests and territory. In turn, Riyadh has chosen a restrained approach in response to the Houthi attacks, even in the face of significant disruption to global trade and energy security – all of which directly impact the Saudi economy.

Following the beginning of the Houthis' strikes in the Red Sea, the kingdom strengthened its channels to Tehran to ensure that the Iranian-backed escalation did not expand into the kingdom. When the US and the United Kingdom launched an offensive military mission against the Houthis, Riyadh pre-emptively warned Tehran so that it could move its own naval assets away. [31] Fearing Iranian or Houthi retribution, the kingdom also refused to join US and European maritime security missions, instead obtaining assurances from both the Houthis and Tehran that it would not be targeted. [32]

Throughout this period of Red Sea escalation, Saudi Arabia has persevered in its willingness to accommodate Houthi demands, concerned about the fragility of their commitments to a ceasefire. [33] Whenever Riyadh sought to put pressure on the Houthis, such as backing a decision by the Yemeni central bank – run by the internationally recognised and Saudi-supported government in Aden – to revoke operating licences of Sanaa-based banks, subsequent Houthi threats warning the Saudis of new attacks led them to reverse course.

Saudi-Iranian engagement has also served as a de-escalation channel in the US-Israeli-Iranian triangle. When Iran launched over 300 drones and ballistic missiles against Israel in response to an Israeli strike on the Iranian consulate in Damascus in April 2024, Tehran communicated the attacks ahead of time to Israel through the Gulf states, including Saudi Arabia, to manage escalation. Although Saudi Arabia intercepted Iranian projectiles flying over its airspace towards Israel, this was driven by a desire to prevent regional escalation rather than strategically align with Israel. Riyadh and other Gulf capitals also warned the US against launching retaliatory strikes from their territory or airspace, fearing reprisals. “Without these relations, we’d be in an even more violent situation,” commented an Iranian analyst. [34]

After Israel assassinated Ismail Haniyeh, the leader of Hamas' political wing, in Tehran in August 2024, Riyadh urged Tehran to hold off a response, mostly to ensure there were no disruptions to the-then ongoing negotiations for a Gaza ceasefire. [35] At the same time, Saudi Arabia continued to press both Israel and the US to expedite the ceasefire deal, emphasising that its normalisation with Israel cannot happen without a ceasefire and a credible path towards a Palestinian state. Riyadh has likewise encouraged Tehran to deploy its leverage over Hamas – now even greater after Yahya Sinwar, a figure close to Iran, was appointed head

of Hamas's political wing – to press it for a diplomatic opening. [36]

In summary, the Saudi-Iran deal has facilitated a degree of regional calm and has been embraced by Riyadh as a means to attempt to moderate Iranian behaviour, even amid the Gaza crisis. However, progress towards durable conflict resolution has been slow, with the Gaza conflict rendering such outcomes even more unlikely. The regional balance of power continues to favour Iran over Saudi Arabia, and Tehran remains committed to maintain its forward defence architecture, particularly amid heightened threat perceptions following 7 October and the potential return of a Trump presidency.

## What's in it for Europe?

Europeans have long held that animosity between major regional states challenges their interests, including in areas such as migration, freedom of navigation, energy, economic security, and the security of key countries. France backed the Baghdad Conference for Cooperation and Partnership believing regional cooperation was crucial to help Iraq get back on its feet after almost two decades of war and the devastation brought about by the Islamic State. The inaugural conference in 2021 was the first time in over a decade that Iran and Saudi Arabia met at the foreign ministerial level, highlighting the importance of Europe supporting this rapprochement.

Europeans should continue to support the new diplomacy between Iran and Saudi Arabia as a valuable and necessary step to steering the region in a positive direction. The primary focus should be on securing a ceasefire in Gaza and preventing a regional explosion centred on Lebanon; but also in addressing conflicts in other critical regional theatres such as Yemen. This approach should not be seen as conflicting with concerns such as Western suspicions about Chinese influence in the region, which has not evolved much beyond the Beijing deal.

The detente has expanded the space for international actors to address local conflicts. This is an area where Europeans can play a valuable role, mobilising political attention and resources to confront local issues feeding conflict and instability.

In Yemen, this could mean stepping up diplomatic efforts to push for a UN-led intra-Yemeni political dialogue to accompany ongoing Saudi-Houthi talks, contingent on the end of Houthi Red Sea attacks tied to the Gaza war. It could also entail working with regional partners to lay out an economic vision for the post-conflict period. Across the board, it should involve increased support for state-building processes, as the last decade has shown that stronger institutional capabilities are crucial to prevent the state failure that invites destabilising external interventions (and which Tehran is so adept at exploiting).

State-building is particularly important in countries like Lebanon and Iraq, where institutions are being hollowed out and European capacity and technical support – particularly tied to anti-corruption measures – could make a valuable impact. It is also relevant in Syria, where Europeans could do more in both non-regime and regime-controlled areas to support local services.

However, the success or failure of these localised interventions will often remain tied to the trajectory of the new working relationship between Tehran and Riyadh. Europeans should therefore look at the means to help strengthen this relationship, even as deteriorating ties with Iran narrow possibilities for direct engagement.

If the new reformist-leaning Iranian government is willing to relaunch negotiations with the West – such as on limiting its nuclear advances and ending military support to Russia in Ukraine – Europeans should look at Saudi Arabia and other Gulf countries as partners to provide the immediate economic relief necessary for any new deal. European and Gulf states could work together to secure limited but significant US acquiescence, potentially through mechanisms such as a general licence waiver. Riyadh is unlikely to spend political capital with Washington to discourage a new maximum pressure campaign against Tehran if Trump returns to office – but it may well pursue waivers for itself, persuading Trump that the kingdom should be his preferred negotiation channel in case a weakened Iran ultimately wants a deal.[37]

Europeans should also be ready to respond to any positive signs from Iran and consider issuing sanctions waivers to support acceptable bilateral progress on non-contentious issues, while maintaining firm red lines on more strategic ones. [38] In this scenario, Europeans should support scaling up regional cooperation in less sensitive areas, such as connectivity, food and water security, climate, and green energy, where valuable confidence-building gains can be achieved. The EU should seek to complement these initiatives with an inclusive political dialogue structured in working groups on specific regional issues, potentially coordinated by the EU special representative for the Gulf region. Riyadh has indicated a

desire for more multilateral engagement to help secure progress from Iran than it cannot achieve bilaterally [39] – and Europeans should be willing to support this approach.

If Iranian policy remains unchanged and tensions with the West continue to escalate, Europeans should still value an improved Saudi relationship with Tehran. This diplomatic channel will become increasingly crucial in a more complex political climate, especially under a possible new Trump administration, as fewer diplomatic pathways will exist to prevent a devastating regional conflict that could include nuclear weapons. Amid the sharp deterioration of Western-Iranian ties, regionally-led engagement may have a better chance of progress. This could see Saudi Arabia emerging as a key interlocutor with Tehran to secure a possible off-ramp for Iran's nuclear programme. In a scenario in which Western-Iranian negotiations are off the table, it may fall on Riyadh to act as the primary facilitator to entice and press Iran to make concessions, while providing Tehran with the necessary economic openings as part of a quid pro quo. This approach may also necessitate Saudi Arabia leveraging its strong ties to Trump to contain more extreme and destabilising US measures.

Europe should actively encourage the Saudi-Iranian diplomatic channel even if it occasionally runs counter to Western pressure tactics targeting Tehran's wider behaviour. Concerns over Riyadh providing Iran with the means to mitigate Western pressure will remain limited by the overriding global impact of US sanctions and their continued deterrence impact on Arab Gulf states. Saudi Arabia will be even more careful not to alienate the US in the event of a new security deal with Washington as part of a normalisation agreement with Israel.

For now, Iranian analysts say that Tehran is “not in the mood to poke Saudi in the eye so long as Saudi does not get lured into Trump's maximum pressure vision again.” [40] But Riyadh should be given some room to navigate US sanctions and maintain diplomatic efforts with Tehran, or any prospect of securing concessions from Iran will break. It is in the Western interest for Riyadh to do this in alignment with US and European strategies, rather than through more secretive unilateral means or alternative channels that further challenge Western influence such as BRICS or the China-led Shanghai Cooperation Organisation.

Post-7 October dynamics have shown that it is Israeli-Iranian confrontation rather than Saudi-Iranian tension driving regional conflict. Accompanying efforts are urgently needed to address this fault line, and Iranian-Saudi diplomacy should play a role beyond the core need of pressing the two sides to contain escalation, particularly in Lebanon where the spectre of a wider conflict is now most acute. Central to these efforts is securing a sustainable ceasefire in Gaza, which must be a main pursuit of European policy in the region. Progress in Gaza could pave the way for other deals to lower the temperature between Israel and Iran. As one example, Hizbullah leader Hassan Nasrallah once said that the group would be open to new

border negotiations – necessarily with Israel, whether directly or indirectly – in the event of a Gaza ceasefire. Deepening conflict in Lebanon and Nasrallah’s death has now closed this possibility, but as in Yemen and elsewhere, Riyadh could provide important channels and incentives to Tehran to support this process if the idea can be resuscitated at a later date.

As part of this approach, Europeans should also press the US, and particularly a potential new Trump administration, to see that Saudi-Israel normalisation is made compatible with ongoing Saudi-Iranian diplomacy. Riyadh has already said it will not confront Iran as part of a normalisation deal with Israel, recognising that US promises to defend it against Iranian attacks are no longer iron-clad.[41] “A future security architecture that includes Israel cannot replicate the logic of the Abraham Accords, which were geared towards confronting Iran,” commented one senior Saudi official.[42] European actors should see the benefit of this approach, looking to provide Riyadh with political support in Washington when it makes a case that gives Arab Gulf States political space to maintain their engagement with Tehran. A zero-sum approach that seeks to completely lock Tehran out of the regional security architecture, as could be adopted by the Trump team, will not enjoy regional support and will ultimately be counterproductive.

Rather than supporting a track that aims to exclude Iran, Western actors need to consider how Iran, via engagement with Riyadh, can be encouraged to stop acting as a blocker and can ultimately be brought into more meaningful and constructive regional negotiations.

## Conclusion

Europeans should view Iran-Saudi detente as a valuable mechanism to help stabilise regional dynamics, more necessary than ever amid the devastating impact of the Gaza crisis. Europeans should support this process to ensure resilience against outside shocks, whether from conflict in Lebanon, the Red Sea crisis, the escalation in Israel and Palestine, or a new Trump presidency. The aim should be to move from containment of the current Gaza and overlapping crises towards a sustainable regional peace. Europeans should also recognise that the Saudi-Iranian relationship could represent a critical platform for regionally led diplomacy on wider issues of European contention with Iran – without which the West still risks direct confrontation with Tehran.

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ideas discussed in the paper. They also thank Taisa Sganzerla for her elegant and crisp editing of the paper.

[1] ECFR in-person interview with a senior Saudi diplomat, June 2024.

[2] ECFR virtual interview with an Iranian analyst in Tehran, July 2024.

[3] ECFR phone interview with a senior Saudi diplomat, July 2024.

[4] ECFR in-person interview with a former senior Iranian official, March 2024.

[5] ECFR phone interview with a senior Saudi diplomat, July 2024.

[6] ECFR in-person interview with a former senior Saudi official, June 2024.

[7] ECFR phone interview with a Saudi analyst, August 2024.

[8] ECFR roundtable with Saudi officials and experts, May 2024.

[9] ECFR in-person interview with a former senior Saudi official, June 2024.

[10] ECFR phone interview with a senior Saudi diplomat, July 2024.

[11] ECFR in-person interview with a senior Saudi diplomat, July 2024.

[12] ECFR virtual interview with an Iranian analyst in Tehran June 2024.

[13] ECFR in-person interview with an Iranian analyst, Tehran, 2019.

[14] ECFR roundtable with multiple Saudi officials and experts, May 2024.

[15] ECFR virtual interview with a Western diplomat working on Yemen file, June 2024.

[16] ECFR virtual interview with an Iranian analyst in Tehran, June 2024.

[17] ECFR phone interview with a Saudi analyst, August 2024.

[18] ECFR phone interview with a Syrian journalist, June 2024.

[19] ECFR phone interview with a Syrian journalist, June 2024.

[20] ECFR phone interview with a Lebanese analyst, June 2024.

- [21] ECFR phone interview with a Lebanese analyst, June 2024.
- [22] ECFR phone interview with a Saudi official, September 2024.
- [23] ECFR in-person interview with a senior Iraqi government official, June 2024.
- [24] ECFR in-person interview with Iranian analysts, March 2024.
- [25] ECFR virtual interview with a Syrian government diplomat, June 2024.
- [26] ECFR in-person interview with a former senior Iranian official, March 2024.
- [27] ECFR in-person interview with a former senior Saudi official, June 2024.
- [28] ECFR in-person interview with a senior Saudi diplomat, July 2024.
- [29] ECFR virtual interview with a high-ranking Saudi foreign ministry official, August 2024.
- [30] ECFR in-person interview with a European diplomat, June 2024.
- [31] ECFR in-person interview with a former senior Saudi official, June 2024.
- [32] ECFR in-person interview with a former senior Saudi official, June 2024.
- [33] ECFR phone interview with a senior Saudi diplomat, July 2024.
- [34] ECFR virtual interview with an Iranian analyst in Tehran, July 2024.
- [35] ECFR virtual interview with a senior Saudi diplomat, August 2024.
- [36] ECFR in-person interview with a former senior Saudi official, June 2024.
- [37] ECFR in-person interview with a former senior Saudi official, June 2024.
- [38] ECFR in-person interview with a former senior Saudi official, June 2024.
- [39] ECFR in-person interview with senior European diplomat, September 2024.
- [40] ECFR virtual interview with an Iranian analyst in Tehran, July 2024.
- [41] ECFR in-person interview with a senior Saudi official, March 2024.
- [42] ECFR in-person interview with a senior Saudi official, March 2024.

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