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Ties That Don't Bind

The Politics of Saudi-Iranian Trade Relations

Majd Abuamer

The Iranian Studies Unit

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Majd Abuamer

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Majd Abuamer

Researcher and rapporteur of the Strategic Studies Unit at the Arab Center for Research and Policy Studies, and Editorial Secretary of Omran Journal. He received a Master's degree in Political Science and International Relations from the Doha Institute for Graduate Studies and a Bachelor's degree in Law from the University of Palestine. His current research interests focus on democratic transition, social movements, the Arab state, as well as Palestinian studies.

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The Arab Center for Research and Policy Studies

Al-Tarfa Street, Wadi Al Banat

Al-Dayaen, Qatar

PO Box 10277, Doha

+974 4035 4111

www.dohainstitute.org

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How are we supposed to get along with a regime convinced that it must create a fertile environment for the return of the Mahdi, that it must take control of the Islamic world?
– Mohammed bin Salman Al Saud, Crown Prince of Saudi Arabia, 2017¹

Governments like the Saudi regime, which help the U.S. and the Zionist regime, are certainly betraying the Islamic Ummah and the Muslim world.

– Ali Khamenei, Supreme Leader of Iran, 2018²

Introduction

Imagine two merchants, each of whom owns a shop in the same market. Both men depend on the same product, along with some other items, to maintain their shops and support their extended families. Historically, things have gone in favour of the first merchant, who managed to attract foreign investors and build strong ties with the market's major customers without threatening his counterparts in other markets. As the first accumulates barrels of this product, selling them cheaply to guarantee steady sales, the second merchant faces difficulties on account of a limited production capacity and major buyers refusing to do business with him (egged on by the first). To stay afloat, he decides to sell at a high price and within a brief span of time.

Of course, the market is governed by competition, but this rivalry has also taken non-economic forms. Outside the market, each man mounts a podium on which to sell the same symbolic product, in contradictory tones, as they vie for control. As tensions heighten and both men fear one another, they begin to spend on weapons rather than letting their families enjoy the income, giving leaders of the larger market the chance to exploit and profit from the feud. What if the two sellers arrived at a suitable plan to sell the barrels and another plan to exchange the other items – could this alleviate the competition over sales and leadership and enhance each merchant's profits and independence? What if the first merchant was called the Kingdom of Saudi Arabia and the second the Islamic Republic of Iran?

Does politics reflect economics or the other way around? What governs the economic and commercial relations between states? Are they defined through political relations, or do they influence politics via state interests, which contribute to strained relations, as the past two decades of “trade war” between the US and China has shown?³ Conventional wisdom tells us that with

1 “Muḥammad bin Salmān: Kayf Natafāham ma' Nizām Īrānī Yantazir al-Mahdī?” Alarabiya, May 2, 2017, <https://bit.ly/3K74eRk>.

2 “Governments Like Saudi Regime, which Help the U.S. and the Zionist Regime, are Certainly Betraying the Islamic Ummah and the World of Islam,” Twitter, January 16, 2018, <https://bit.ly/3iZAidU>.

3 See: Ha Jiming and Adam S. Posen, eds., *US-China Economic Relations: From Conflict to Solutions* (Washington, D. C.: Peterson Institute for International Economics, 2019); Joshua P. Meltzer and Neena Shenai, “The US-China Economic Relationship: A Comprehensive Approach,” *Policy Brief*, Global Economy and Development at Brookings & The American Enterprise Institute (February 2019).

increased international trade and greater interdependence in global economics, states tend to be more restrained toward engaging in international conflicts.⁴ For instance, former US President Bill Clinton (1993-2001) believed that expanding trade could improve US-China relations, and, more broadly, China's relations with the international community.⁵ While there are cases that contradict the interrelatedness of political and economic ties at the international level,⁶ such as the United Arab Emirates and Iran, a trend in the scholarship confirms a direct correlation between political ties and the volume of international trade. Just as economic factors impact political structures, political ties and security interests are crucial determinants of global economic relations,⁷ while wars, on the other hand, impede international trade.⁸

This paper explores these assumptions in relation to Saudi-Iranian economic relations by empirically assessing how political ties affect trade between the two. Over the past four decades, much scholarship has focused on Saudi-Iranian relations, first in terms of the causes and developments of the regional rivalry, which scholars have disagreed on how to address. Some argue that domestic insecurity in both countries has heightened ideological and political competition,⁹ while others use the lens of the Sunni-Shi'i conflict¹⁰ or political economy.¹¹ Others are interested in the role of external factors rather than a sectarian analysis of the conflict,¹² which some regard as a cold war for influence in the Islamic world.¹³ Finally, other scholars have made practical proposals for conflict resolution.¹⁴ A wider set of literature has concentrated on various aspects of the struggle, such as regional conflicts

4 Gregory Whitten et al., "Do Political Relations Affect International Trade? Evidence from China's Twelve Trading Partners," *Journal of Shipping and Trade*, vol. 5, no. 1 (December 2020), p. 18.

5 "Cokie Roberts Answers Your Questions About Presidents and Trade Policy," *NPR*, May 3, 2017, <http://bit.ly/3z2Ql2J>.

6 Whitten et al.

7 Robert Gilpin, "The Politics of Transnational Economic Relations," *International Organization*, vol. 25, no. 3 (Summer 1971), p. 404.

8 On the impact of war on international trade relations, see: Reuven Glick and Alan M. Taylor, "Collateral Damage: Trade Disruption and the Economic Impact of War," *The Review of Economics and Statistics*, vol. 92, no. 1 (February 2010), pp. 102 - 127.

9 Simon Mabon, *Saudi Arabia & Iran: Power and Rivalry in the Middle East*, 2nd ed. (London: I. B. Tauris, 2019).

10 Yldırım Turan and Lan Nguyen Hoang, "Beyond Sectarian Identity Politics within the Middle East: The Case of Rivalry between Iran and Saudi Arabia," *Akademik İncelemeler Dergisi*, vol. 14, no. 2 (October 2019), pp. 77 - 120.

11 Reza Rahmdel, Reza Simbar, and Ahmad Jansiz, "Iran and Saudi Arabia Conflicts from the Perspective of Political Economy," *World Politics*, vol. 6, no. 4 (January 2018), pp. 109 - 125.

12 Banafsheh Keynoush, *Saudi Arabia and Iran: Friends or Foes?* (New York: Palgrave Macmillan, 2016).

13 Dilip Hiro, *Cold War in the Islamic World: Saudi Arabia, Iran and the Struggle for Supremacy* (New York: Oxford University Press, 2019).

14 Ibrahim Fraihat, *Iran and Saudi Arabia: Taming a Chaotic Conflict* (Edinburgh: Edinburgh University Press, 2020).

in Syria,¹⁵ Bahrain,¹⁶ Yemen,¹⁷ and even Africa;¹⁸ cyber warfare;¹⁹ Saudi-Iranian competition over the oil market;²⁰ and the Hajj pilgrimage as a reflection of conflict or dialogue.²¹

Taking a fresh perspective, this paper examines economic ties. A review of existing literature reveals a gap in the study of Iran's commercial relations with Saudi Arabia and the GCC states. In 2017, the volume of Gulf-Iranian trade was USD 19.1635 billion according to GCC estimates and USD 10.6842 billion according to Iranian estimates.²² What, then, is the basis of trade between Riyadh and Tehran? What is its volume? Which sectors do they trade in? Do Saudi-Iranian economic relations reflect the conflict or, conversely, strengthen economic ties and therefore help relieve tensions between the two?

This paper carries out a political-historical analysis of commercial exchange between Saudi Arabia and Iran to interpret the rise and fall of trade volume between the two from 2000 to 2020, investigate the extent to which political disturbances impact bipartite trade relations, and explore whether economic factors can play a role in (de)escalating the conflict. Given the discrepancy between official statistics on trade volume from GCC countries and Iran, the study compares overall GCC figures monitored by the UN Economic and Social Commission for Western Asia (ESCWA). It does not rely on data from a single country due to the differences in figures provided by each state, with data from Iran as monitored by the International Monetary Fund (IMF).

The first section provides an overview of Gulf-Iranian economic relations, detailing the leading trade indicators. The second section addresses Saudi-Iranian trade exchange since 2000, meshing trade and politics to investigate how the two variables are related. The third section considers the future of Saudi-Iranian economic relations.

15 Paul Antonopoulos and Drew Cottle, *Syria: The Hegemonic Flashpoint between Iran and Saudi Arabia?* (New Delhi: Vij Books India Pvt Ltd, 2017).

16 Simon Mabon, "The Battle for Bahrain: Iranian-Saudi Rivalry," *Middle East Policy*, vol. 19, no. 2 (Summer 2012), pp. 84-97; Brandon Friedman, "Battle for Bahrain: What One Uprising Meant for the Gulf States and Iran," *World Affairs*, vol. 174, no. 6 (March 2012), pp. 74 - 84.

17 Dina Esfandiary and Ariane Tabatabai, "Yemen: An Opportunity for Iran-Saudi Dialogue?," *The Washington Quarterly*, vol. 39, no. 2 (Summer 2016), pp. 155-174; Peter Salisbury, "Yemen and the Saudi-Iranian 'Cold War'," *Research Paper*, Middle East and North Africa Programme, Chatham House (February 2015), pp. 1 - 12.

18 Riham Bahi, "Iran-Saudi Rivalry in Africa: Implications for Regional Stability," *Middle East Policy*, vol. 25, no. 4 (Winter 2018), pp. 26-40; Riham Bahi, "Iran-Saudi Rivalry in Africa: Implications for Regional Stability," *Middle East Policy*, vol. 25, no. 4 (Winter 2018), pp. 26-40; Elhussein Elallawi, "Širā' al-'Irādāt al-Sa'ūdiyya – al-'Irāniyya fī Miṭāqat al-Sāḥil wa-Gharb 'Ifriqiyyā", *Strategic Papers*, Aljazeera Centre for Studies, November 19, 2015, pp. 2 - 10.

19 Chuck Easttom and William Butler, "The Iran-Saudi Cyber Conflict," *International Journal of Cyber Warfare and Terrorism*, vol. 11, no. 2 (April-June 2021), pp. 29 - 42.

20 Hamid Elyassi, "Survival of OPEC and Saudi-Iran Relations: A Historical Overview," *Contemporary Review of the Middle East*, vol. 5, no. 2 (June 2018), pp. 137 - 155.

21 Mahjoob Zweiri, "Iran-Saudi Relations: Is Pilgrimage a Mirror of Conflict?" in *Stepping Away from the Abyss: A Gradual Approach Towards a New Security System in the Persian Gulf*, eds. Luigi Narbone and Abdolrasool Divsallar (San Domenico di Fiesole: European University Institute, 2021), pp. 132-142; Simon Mabon and Lucia Ardovini, "The Politics of Pilgrimage: Exploring the Hajj as a Site for Dialogue between Saudi Arabia and Iran," in *Stepping Away from the Abyss: A Gradual Approach Towards a New Security System in the Persian Gulf*, eds. Luigi Narbone and Abdolrasool Divsallar, pp. 152 - 159.

22 It is worth noting that most of this trade was between the UAE and Iran, with the Emirati share of the total Gulf-Iran trade volume in 2017 reaching nearly 89.6% by GCC estimates and 92.9% by Iranian estimates; see: Figures 1 and 2 and Appendices 1 and 4. Dubai's transformation into a global city since the late 1990s has strengthened its economic relevance for Tehran (as a hub for re-exports and a gateway to the world economy), which has in turn grown as sanctions have been placed on Iran; this is evidenced by Dubai's hosting over 400,000 Iranian residents and more than 3,000 Iranian-owned companies.

Gulf-Iranian Trade Relations: An Overview

Ever since the first round of US-led sanctions in November 1979, Iran has continually sought to bolster economic ties²³ with its GCC neighbours to avoid isolation in the region and create a market for its products and a pathway to resume the importation of goods.²⁴ Tehran has further taken economic advantage of the division between GCC states with regard to their stance toward Iran.²⁵ Trade with the GCC has also become indispensable to many Iranian corporations and manufacturers who have lost access to European markets and, since the latest round of US sanctions in 2018, faced additional difficulties in cooperating with their Asian partners.²⁶ In the past, the sanctions had been cause for Iranian-Asian commercial affinity, and for divergence with EU states.²⁷

Nevertheless, economic relations between the two banks of the Gulf, as well as economic and political competition, especially in the field of oil production, goes back many years. During the Cold War, and in order to fill a gap and increase its oil revenues, Iran under Mohammad Reza Shah (1941-1979) chose to oppose the Arab position in 1973, when oil producing Arab states resolved to halt exports to countries that supported Israel in the October War.²⁸ Another manifestation of the economic connection is GCC reliance on the Iranian-controlled Strait of Hormuz as a major global energy corridor. While Saudi Arabia and the UAE have sought to find a replacement for the strait, states such as Bahrain, Qatar, and Kuwait have no alternative to transport their oil supplies. And after US President Donald Trump (2017-2021) threatened to cut economic ties with Iran in 2018, President Hassan Rouhani (2013-2021) responded by threatening to close the Strait of Hormuz – an artery for GCC oil transportation – in the event that Iran's oil exports were impacted by the decision.²⁹

23 This is not to negate ongoing political crises, especially in the post Iran-Iraq War (1980-1990) context. Oil tankers between Kuwait and other Gulf states were targets for Iranian attacks during the Tanker War, and Iran was accused of the attempted assassination of Kuwaiti Emir Jaber al-Ahmad al-Sabah (1977-2006) on 25 May 1985 because of his support of Iraq in the war. Iran has also had border disputes with Bahrain and the UAE.

24 Sanctions have had negative consequences for the volume of Iranian exports to all its major trade partners. For instance, the Iranian currency lost 33% of its value on average from 2012 to 2014, resulting in losses estimated at USD 104 billion; see: Hodayoun Shirazi, Karim Azarbaieji, and Morteza Sameti, "The Effect of Economic Sanctions on Iran's Exports," *Iranian Economic Review*, vol. 20, no. 1 (January 2016), pp. 111 - 124.

25 For instance, a crisis broke out between Riyadh and Abu Dhabi when the former resolved to develop relations with Iran from 1997-2001, under the presidency of Mohammad Khatami (1997-2005). Unlike Dubai, with its sizable commercial exchange with Iran, Abu Dhabi has considered Tehran a threat to the security of the region since the Islamic Revolution, and over the past decade it has become a strategic hawk as to the Iran nuclear issue.

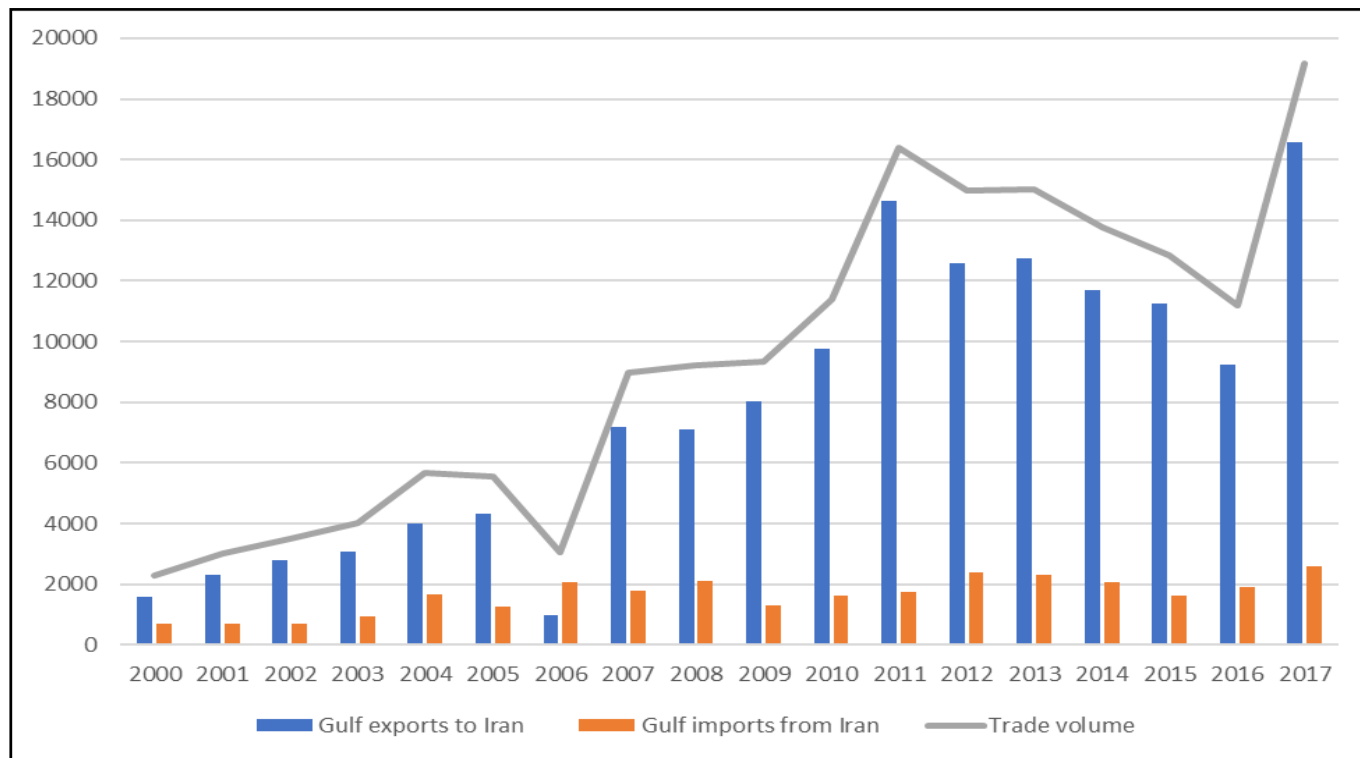
26 In May 2019, Asian imports of Iranian crude were the lowest since 2014 at least, following a decline in purchases by China and India and the cessation of imports by Japan and South Korea due to US sanctions. Florence Tan, "Asia's Iran Oil Imports Fall to Lowest in at Least Five Years in May," *Reuters*, 28/6/2019, accessed on 14/10/2022, at: <https://reut.rs/3hNzL1R>

27 Mahjoob Zweiri and Nael Abusharar, "Iran's Trade with Neighbors: Sanctions' Impact and the Alternatives," *Middle East Policy*, vol. 29, no. 4 (Winter 2022), p. 5.

28 Mahjoob Zweiri, "Īrān wal-'Arab fi Zīlāl al-Dīn wal-Siyāsa 'abr al-Tārīkh", in *al-'Arab wa Īrān: Murāja'a fi al-Tārīkh wal-Siyāsa* (Doha/Beirut: ACRPS, 2012), p. 66.

29 Mahjoob Zweiri and Yara Nassar, "Is the Strait of Hormuz Still a Vital Energy Route? Alternatives between Ambition and Reality," *Gulf Insights*, Gulf Studies Center (July 2020), pp. 2 - 5.

Figure 1
Gulf-Iranian trade exchange according to GCC estimates (USD millions)



Source: prepared by the author based on Appendix 1 and 2.

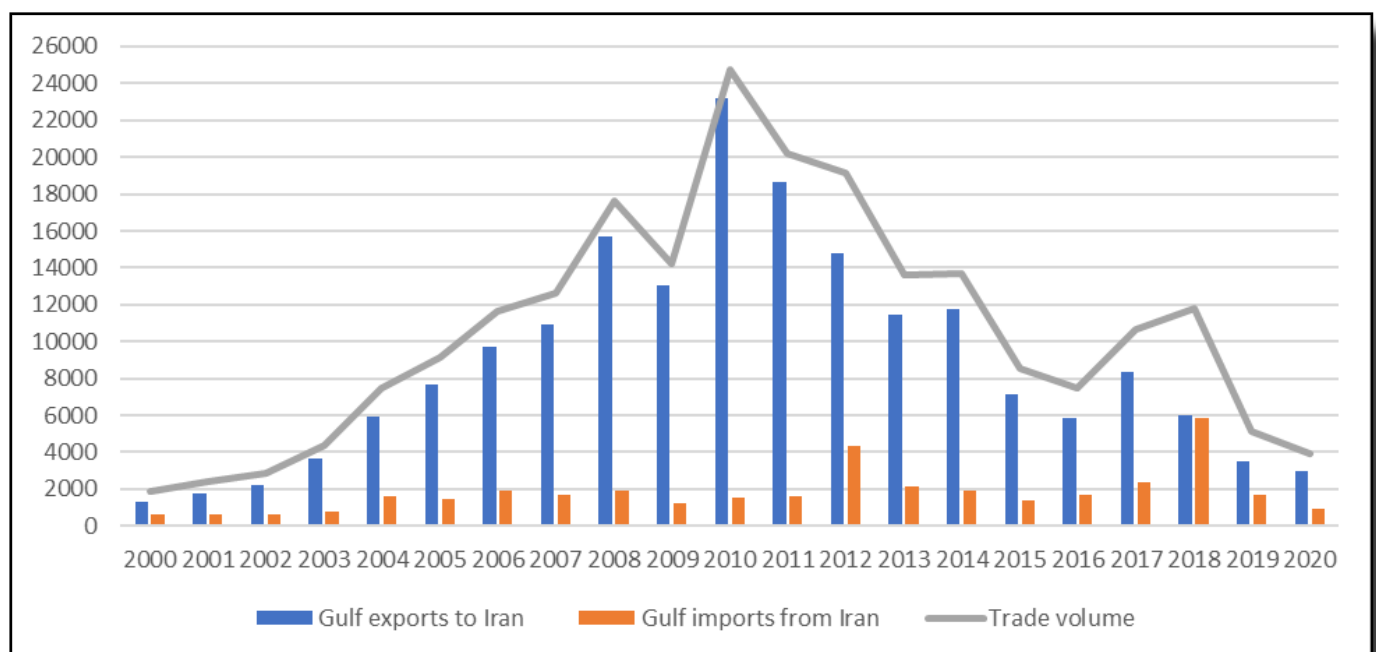
However, while Germany was Iran's main trade partner in the 1990s, China and the GCC states emerged as trade partners from 2000 forward as Iran was forced to reduce its business with EU states due to the US increasing sanctions on Iran.³⁰ According to Gulf estimates (Figure 1), trade volume between GCC states and Iran was about USD 3.033 billion in 2000, reached USD 5.566 billion in 2005, before sinking to USD 3.037 billion in 2006 after Gulf exports to Iran decreased by 78%. At the end of the same year, the third sanctions package was imposed on Iran pursuant to UN Security Council Resolution 1737. Although this can be explained by Gulf anxieties about Iran's growing influence in Iraq, trade volume began to rise again in 2007 as Gulf exports to Iran increased,³¹ reaching USD 16.375 billion in 2011. With Security Council Resolution no. 1929 of 9 June 2010 imposing a fourth round of sanctions, the outbreak of the Arab Spring revolutions, and the subsequent escalation of conflict between Iran and the GCC (especially Saudi Arabia, the UAE, and Qatar), trade volume began to gradually decline to just USD 11.173 billion in 2016. This is despite the implementation of the Joint Comprehensive Plan

30 Mohammed Nuruzzaman, "Conflicts between Iran and the Gulf Arab States: An Economic Evaluation," *Strategic Analysis*, vol. 36, no. 4 (July 2012), p. 549. In addition to trade sanctions, the US also imposed financial sanctions on Iran. These were even more destructive, limiting Iran's capacity to borrow money and fund oil development projects and forcing it to pay higher interest rates on its loans. Akbar E. Torbat, "Impacts of the US Trade and Financial Sanctions on Iran," *The World Economy*, vol. 28, no. 3 (March 2005), pp. 407 - 434.

31 Especially Emirati exports, which accounted for 92% of all Gulf exports; see: Appendix 1.

of Action (JCPOA) between Iran and the P5+1, by which economic sanctions would be gradually lifted. Trade volume saw further decline when the Saudi embassy in Tehran and consulate in Mashhad were set on fire in 2016, followed by Saudi Arabia and Bahrain cutting ties with Iran, and later the UAE, Qatar, and Kuwait downgrading diplomatic relations in solidarity with Riyadh. But by 2017 Gulf-Iranian trade volume had bounced back up to USD 19.163 billion as the volume of UAE exports to Iran increased from USD 8.818 to 15.329 billion, singlehandedly accounting for 92.6% of all Gulf exports to Iran (see Appendix 1). Further, Qatar bolstered commercial relations with Iran fivefold between 2017 and 2018 after three of its fellow Gulf states imposed a blockade against it.³²

Figure 2
Gulf-Iranian trade exchange according to Iranian estimates (USD millions)



Source: prepared by the author based on Appendix 3 and 4.

Despite the difference in figures, the main indicators based on Iranian estimates (Figure 2) do not greatly depart from their Gulf counterparts. Trade volume between Iran and the GCC states accounted for USD 2.404 billion in 2000, then increased steadily to peak at USD 24.746 billion in 2010, before gradually declining again in 2011 to reach USD 7.5 billion in 2016. However, by 2017, the volume of Gulf exports to Iran again increased to USD 8.316 billion (of which 98% was Emirati), despite the break in relations between Iran and both Saudi Arabia and Bahrain, then the outbreak of the Gulf crisis that June. 2018 saw the highest level of Gulf imports from Iran, valued at USD 5.813 billion, when Qatar’s demand for Iranian products increased to USD 400 million, compared to 77 million in 2017, as it searched for

32 Here, it should be noted that the first demand in the statement by the fourfold counterterrorism committee (Saudi Arabia, UAE, Bahrain, and Egypt) – titled “Collective Demands on Qatar” – addressed Qatari-Iranian relations, calling on Doha to downgrade diplomatic ties with Tehran, end intelligence and military cooperation, and expel members of the Iranian Revolutionary Guard from Qatar. The contradiction is that the embargo led Qatar to strengthen ties with Iran and resume full diplomatic relations, after having recalled its ambassador in solidarity with Saudi Arabia during the 2016 crisis; see: “Qā’imat al-Maṭālib al-13 li-Duwal al-Muqāṭi’a min Qaṭar: Farḍ al-Wiṣāya,” *The New Arab*, June 23, 2017, <https://bit.ly/3n6HSFw>.

substitute goods by which to support its local market.³³ The largest share of Gulf imports from Iran in 2018 was the UAE's, at USD 4.751 billion compared to USD 1.75 billion the previous year (see Appendix 4). When the COVID-19 pandemic broke out in late 2019, the GCC states began decreasing trade with Iran as the first positive cases in the peninsula were confirmed among individuals arriving from Iran to Bahrain, the UAE, Kuwait, Oman, and Saudi Arabia. This had a major impact on the price of the oil on which the Gulf's economies chiefly depend.³⁴

As indicated above and by Figures 1 and 2, the economic relationship between Iran and the GCC states clearly revolves around the former importing from the latter. Between 2000 and 2020, Iranian imports greatly exceeded exports, bearing in mind that the UAE has been Iran's most important Gulf trading partner.³⁵ Further, many Iranian businessmen have invested heavily in the UAE,³⁶ where there is a large Iranian migrant community (approximately 400,000 people) and billions of dollars in Iranian assets deposited in Emirati banks.³⁷ Political disputes between the two countries are ongoing and, unlike the rest of the GCC, relations did not improve during the tenure of President Mohammad Khatami (1997-2005). Iran has also continued to occupy three Emirati islands (Abu Musa and the Greater and Lesser Tunbs) since November 1971, while Iranian-backed Houthis have targeted Abu Dhabi and oil tankers near Fujairah. Yet conversely, the UAE is poised – according to a statement from its Foreign Minister – to record higher rates of trade exchange than ever before.³⁸

In terms of goods exchanged, Iran's main exports to the GCC states (1995-2018) have been mineral fuels, oils, and distillates; precious metals, gems, and jewellery; iron and steel, plastic products, organic chemical materials, copper products, fruit and nuts, salt, sulphur, soil, stone, gypsum products, lime, cement, livestock, and aluminium and its derivatives.³⁹ Iran's main imports from these countries have been mineral fuels, oils, and distillates; precious metals, gems, and jewellery; iron and steel, plastic products, organic chemical materials, machines, electrical appliances, aluminium products, and zinc products.⁴⁰ It should be noted that most Gulf exports to Iran are actually re-exports from the UAE due to the sanctions and Iran's inability to import many commodities from other states,

33 On Qatar's economic policy on the Gulf crisis, see: Marwan Kabalan, *Qatar's Foreign Policy: Strategy versus Geography* (Doha/Beirut: ACRPS, 2021), pp. 286 - 294.

34 Khalid Al-Terkawi, "Jā'ihat Kūrūnā wal-'Alāqāt al-Iqtisādiyya al-Khalījīyya – al-'Īrāniyya: Taṭawwurāt al-'Alāqāt al-Iqtisādiyya khilāl 'Azmat Kūrūnā wal-Sīnāriyūhāt al-Muḥtamala li-mā ba'd al-'Azma," *Research and Studies*, Idrak Centre for Studies and Consultations (April 2020), pp. 1 - 19.

35 On Emirati-Iranian political and economic ties, see: Kristian Ulrichsen, "Restoring Balance to UAE-Iran Relations", *Case Analysis*, ACRPS, December 12, 2021, pp. 1 - 7, <https://bit.ly/3yWsG3Y>.

36 Taj al-Din Jafar al-Tai, *'Istrāṭījīyyat 'Īrān Ittijāh Duwal al-Khalīj al-'Arabī* (Damascus: Dar Rislān, 2013), pp. 162 - 163.

37 "The Gulf States are an Economic Lifeline for Iran," *The Economist*, March 17, 2022, <https://econ.st/3OccuBr>.

38 "'Abd Allāh bin Zāyid: al-'Alāqāt al-'Imārāṭiyya al-'Īrāniyya Tārīkhīyya," *Albayan*, April 16, 2014, <https://bit.ly/3Do1ZX2>.

39 "What does Iran Export to Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates? (1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018)," *The Observatory of Economic Complexity (OEC)*, accessed on 19/4/2022, at: <https://bit.ly/3OPBJte>

40 "What does Iran Import from Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and United Arab Emirates? (1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018)," *The Observatory of Economic Complexity (OEC)*, accessed on 19/4/2022, at: <https://bit.ly/3nqsBzA>

especially the West.⁴¹ For this reason as well, smuggling operations under the cover of the night from Oman's Khasab Port to Bandar Abbas in Iran, 100 kilometres across the Strait of Hormuz,⁴² have been prevalent for about a decade, which would suggest an informal aspect to trade that official statistics fail to address.

Hence, it is crucial to investigate bilateral economic relations between Iran and each GCC state individually to understand the dynamics of their commercial exchange, while attending to the particularities of how trade activity impacts the balance of the political conflict in each case. To that end, this paper will now consider Saudi-Iranian economic ties.

Saudi Arabia and Iran: Politics as the Dynamo of Economics

1. From Reza Pahlavi to Ebrahim Raisi: A Chronology of Political Relations

During the Pahlavi era (1925-1979), Saudi Arabia and Iran enjoyed rather friendly relations as monarchies, despite the Pahlavi regime's efforts to become the strongest military power in the region⁴³ and its ambitions in the eastern coastline of the Gulf.⁴⁴ Until the late 1970s, they had common interests in combatting socialist and Arab nationalist influence in the Gulf region (especially after the 1967 leftist coup in South Yemen, the Baath Party's rise to power in Iraq in 1968, and the British announcement of total withdrawal from the region by 1971) and in ensuring the steady flow of oil and gas.⁴⁵ The two countries maintained close security ties during the 1970s as part of the US "Twin Pillars" strategy to protect its interests in the Gulf.⁴⁶ However, it was not long before the connection was broken when the 1979 Islamic Revolution broke out in Iran,⁴⁷ beginning a series of upheavals in bilateral relations spanning détente, total hostility, severing diplomatic ties, and launching proxy wars. The Saudi monarchy perceived two threats: Iran contesting its status in the Muslim world and leadership of the Gulf bloc, and the danger of "exporting the revolution" particularly by stoking discontent among the Shi'i minority concentrated in the oil-rich eastern Al Ahsa region. This, too, led Riyadh to support the Saddam Hussein regime during the Iran-Iraq War (1980-1988).

41 Thierry Coville, "Update on Trade Relations between UAE/Iran and Qatar/Iran," *Observatoire du Monde Arabo-Musulman et du Sahel*, Fondation Pour la Recherche Stratégique (April 2019), p. 4, accessed on 23/3/2023, at: <http://bit.ly/3z0qkRK>

42 "The Gulf States are an Economic Lifeline for Iran."

43 United Against Nuclear Iran, *Iran and the Gulf Cooperation Council* (November 2021), p. 2.

44 "Saudi-Iranian Tension: Roots and Implications of the Crisis," *Situation Assessment*, ACRPS, January 19, 2016, <https://bit.ly/2Qm2nAr>.

45 Henner Fürtig, "Conflict and Cooperation in the Persian Gulf: The Interregional Order and US Policy," *Middle East Journal*, vol. 61, no. 4 (Autumn 2007), pp. 627 - 628.

46 Andrew Rathmell, Theodore Karasik & David Gompert, "A New Persian Gulf Security System," *Issue Paper*, RAND Corporation (2003), pp. 2, 5 - 6.

47 On the social and political factors of the revolution's outbreak, see: Mehran Kamrava, *Revolution in Iran: The Roots of Turmoil* (London/ New York: Routledge, 1990).

Seeking to improve Iran's ties with Saudi Arabia, Iranian President Akbar Hashemi Rafsanjani (1989-1997) denied Tehran's intent to export the revolution (the greatest threat to Riyadh), instead affirming the sovereignty of the Gulf states and noting "the importance of Saudi Arabia because it has some potential and also created [a] new atmosphere for itself in the 1990s".⁴⁸ Yet Rafsanjani's ambitions clashed with Washington, which accused Tehran and Hezbollah of involvement in the 1996 Khobar Towers bombing in Saudi Arabia,⁴⁹ despite Riyadh making no such accusations.⁵⁰ Then, in the first visit by an Iranian president since the 1979 revolution, Khatami came to Saudi Arabia in May 1999. His term also saw the visit of King Abdullah bin Abdulaziz to Tehran in 1997 to attend the eighth Islamic Summit,⁵¹ the visit of Saudi Foreign Minister Saud Al Faisal on 12 April 1999,⁵² and the visit of Interior Minister Prince Nayef bin Abdulaziz to sign a security agreement on 17 April 2001.⁵³

Yet with the rise of the "New Right" in the 2004 parliamentary elections and the beginning of Mahmoud Ahmadinejad's presidency (2005-2013), Saudi-Iranian relations were once again fraught with tension as the ideological element re-emerged and conflict broke out over several regional issues, especially over Iraq after the 2003 American invasion. Both parties welcomed the fall of their common enemy Saddam Hussein, only for the dispute to resume the next day. As violence intensified in Iraq alongside the political vacuum, Iran found a way to control the political scene by way of the sectarian organizations and militias it supported. Saudi Arabia saw this as a threat to national and regional security in light of the risk that the Iraqi state would collapse on sectarian and ethnic grounds. The threat of Iran burgeoned when Tehran scaled up its nuclear program and the 2006 - 2007 Saudi-Iranian talks to convince Tehran to halt enrichment activity failed.⁵⁴ Ahmadinejad concluded his term as tensions mounted amid the outbreak of the Arab Spring revolutions, especially as Saudi Arabia (fearing that the uprising would reach its doorstep) accused Iran of inciting unrest in Bahrain in 2011.

It was not long after President Hassan Rouhani (2013-2021), whom King Abdullah had congratulated on his election,⁵⁵ had begun his attempts to improve ties with Saudi Arabia, that the situation in Syria and Yemen drove tensions back to the surface, especially given Iran's support for the Houthis. Then the Mina stampede during Hajj and Mecca crane collapse in 2015 each took the lives of dozens

48 Reza Ekhtiari Amiri and Ku Hasnita Ku Samsu, "Role of Political Elites in Iran-Saudi Economic Cooperation," *International Journal of Humanities and Social Science*, vol. 1, no. 12 (September 2011), pp. 108 - 109.

49 Sanam Vakil, "Iran and the GCC Hedging, Pragmatism and Opportunism," *Middle East and North Africa Programme*, Chatham House (September 2018), p. 6.

50 Amiri and Ku Samsu, p. 114.

51 Mohammad al-Amir, "'al-Riyād' Tarṣud Mushārakāt Khādīm al-Ḥaramayn al-Sharīfayn al-Islāmiyya: al-Malik 'Abd Allāh Ḥaraṣ 'alā Nuṣrat al-Muslimīn.. Wadā'an ilā Kiyān 'Islāmī Mutamāsik li-Muwājahat al-Taḥaddiyāt," *Al Riyadh*, August 9, 2005, <https://bit.ly/3WpC8Hd>.

52 "Sa'ūd al-Fayṣal Yaṣil 'ilā 'Irān fi Ziyāra Rasmiyya," *Kuwait News Agency (KONA)*, April 12, 1999, <https://bit.ly/3FLwIPq>.

53 Hasin al-Bunyan, "al-Ittifāqiyya al-'Amniyya al-Sa'ūdiyya – al-'Irāniyya Tataḍamman Mukāfaḥat al-Jarīma al-Munazzama wal-'Irhāb al-Duwalī wa-Tahrīb al-'Asliḥa wa-Ghasīl al-'Amwāl," *Asharq Al-Awsat*, April 17, 2001, <https://bit.ly/3WpoT9g>; "al-Sa'ūdiyya wa-'Irān Tuwaqqi'ān Ittifāqiyya 'Amniyya Qarīban," *Aljazeera*, April 12, 2001, <https://bit.ly/3POSdDL>.

54 Awadh Al-Badi, "Saudi-Iranian Relations: A Troubled Trajectory," in *Security and Bilateral Issues between Iran and its Arab Neighbours*, eds. Gawdat Bahgat, Anoushiravan Ehteshami, Neil Quilliam, pp. 197 - 200.

55 After Rouhani expressed his intent to improve relations during his election campaign; see: "Khādīm al-Ḥaramayn al-Sharīfayn Yuhanni' al-Rāis Ḥasan Rūḥānī bi-Fawzihi fi Intikhābāt al-Ri'āsa al-'Irāniyya," *Saudi Press Agency (SPA)*, June 16, 2013, <https://bit.ly/3FToe9h>.

of Iranians. And as noted above, the 2016 attack on the Saudi embassy in Tehran by protesters after Riyadh's execution of Ayatollah Nimr al-Nimr led Saudi Arabia, then Bahrain, to cut diplomatic ties with Iran and the UAE and Qatar to downgrade relations. Moreover, Riyadh had grown increasingly anxious about the Iranian nuclear program, considering it a threat to regional security and seeking to undermine it. The rise of the Sunni-Shi'i tensions exacerbated the hostility even further.

In early 2022, Iranian diplomats came to Saudi Arabia to represent Iran at the Organisation of Islamic Cooperation (OIC)⁵⁶ after a new round of talks between Riyadh and Tehran under Iraqi mediation came underway in Baghdad in April 2021.⁵⁷ Tehran called for embassies in Saudi Arabia and Iran to be reopened by 26 June 2022,⁵⁸ indicating the possibility that relations be restored during the presidency of Ebrahim Raisi (2021-). This reflected an Iranian desire to resume diplomatic relations and Saudi vacillation between insisting that Iran change its regional policy as a condition for normalization and its need to manage tensions in isolation from an American administration that had failed to protect the Kingdom from Iranian rockets and drone strikes.

2. Economic Realities and the Oil War

Saudi Arabia and Iran are alike in that their economies depend primarily on oil and gas, as the first- and third-largest oil producers in OPEC respectively. Oil accounts for 90% of the Saudi government budget and for 80% of government revenue and export earnings in Iran.⁵⁹ But while Riyadh has been successful in attracting foreign investment and Western corporations to contribute to industrial development and invest mainly in fertilizer and the globally competitive Saudi petrochemical sector, sanctions have deprived Tehran of foreign direct investment.⁶⁰ Yet when sanctions were eased in 2016, another aspect of the rivalry emerged – control over the petrochemical market in the Gulf – as Tehran planned to launch major projects and attract foreign investment to promote economic diversification, just as Riyadh had done.⁶¹

Unlike Iranian corporations or businessmen, who do not appear to have invested in the Saudi market as they have in other Gulf markets such as the UAE, several Saudi companies have invested in the Iranian market. Most notable is Savola Foods, which holds a 90% share in Savola Behshahr, one of the largest edible oil producers in Iran⁶² that accounts for nearly 40% of the country's total vegetable

56 Siham al-Khouli, "Awdat Diblūmāsiyyīn Ṭrāniyyīn 'ilā al-Sa'ūdiyya ba'd Qaṭī'at 6 Sanawāt," *Anadolu*, January 17, 2022, <https://bit.ly/3j35Kbg>.

57 "Bi-Wasāṭa 'Irāqīyya.. al-Kāzīmī: Mubāḥathāt Ṭrān wal-Sa'ūdiyya Waṣalat Marāḥil Mutaqaddima," *Aljazeera*, June 8, 2022, <https://bit.ly/3OGfvd3>.

58 "'Ājil.. Wazīr al-Khārijīyya al-Ṭrānī: Ṭahrān Tad'am 'l'ādat Faṭḥ al-Safārāt fi Ṭrān wal-Sa'ūdiyya," *Aljazeera*, June 26, 2022, <https://bit.ly/3u7l4ID>.

59 Gawdat Bahgat, "Iranian-Saudi Rapprochement: Prospects and Implications," *World Affairs*, vol. 162, no. 3 (Winter 2000), p. 109.

60 Nuruzzaman, pp. 549 - 550.

61 Tamer Badawi, "The Iranian-Saudi Petrochemicals Competition," *Sada*, Carnegie Endowment for International Peace, September 30, 2016, <https://carnegieendowment.org/sada/64746>.

62 "Darbāri-yi Sharikat-i Ṣan'atī Bihshahr," Savola Behshahr, accessed on 05/04/2022, at: <https://bit.ly/37bPbHr>.

oil market, and also owns the Tolou Pakhsh Aftab distribution company and Savola Behshahr Sugar.⁶³ The Saudi Aujan Group Holding owns the Aujan Industries Iranian Company (AIIC), founded in Tehran in 2005, which brings in an annual revenue of around USD 120 million and in 2009, the AIIC in turn established the Kaveh Aluminium Can Company with annual sales of USD 80 million.⁶⁴

On the other hand, Saudi Arabia possesses massive oil and financial reserves, enjoys a high production capacity along with a relatively small population (34 million), and maintains good relations with Western countries. Iran, in contrast, with a population more than double that of Saudi Arabia (83 million),⁶⁵ holds minimal oil and financial reserves,⁶⁶ its production capacity is weak, and its relations with the West are strained. For this reason, Saudi Arabia – which controls a third of total OPEC oil reserves – employs a different strategy than Iran in determining oil prices, boosting low prices to sustain its profits in the long term and maintain its share in the world market. Conversely, Iran supports high oil prices because it needs the greatest possible revenues in the short term, having depleted its national savings due to involvement in conflicts and the international sanctions.⁶⁷

Hence, the most prominent area of cooperation (and subsequently conflict) between Iran and Saudi Arabia has been joint coordination within OPEC to stabilize oil prices, regardless of the intensity of the conflict. Iran shares a common interest with its Arab neighbours in preventing any drops in oil prices and working toward a sustained rise in prices, having collaborated closely with Saudi Arabia and other GCC states to raise oil prices in the mid-1970s. During the Iran-Iraq War (1980-1988), Riyadh and Tehran continued to hold meetings despite the former's support for Iraq and growing enmity toward Iran.⁶⁸ Yet in 1986, Iran took control of Iraq's Faw Port and posed a more direct threat to Saudi Arabia, which was embroiled in a dispute at the time with OPEC and non-OPEC producers, namely the Soviet Union, to defend its market share. Two months later, at Washington's request, Riyadh started flooding the international market with cheap oil and sharply increased the supply, causing Tehran's revenues and oil production volume to plummet well below its 2.4 million barrels-per-day share in OPEC until 1988.⁶⁹

In the 1990s, the countries were able to improve their relationship when Tehran condemned the Iraqi invasion of Kuwait in August 1990, then in 1993 when Saudi Arabia decreased its

63 "Sharika Sa'ūdiyya Tuwāṣil 'Anshīṭatahā fi 'Īrān raghm al-Khilāf al-Diblūmāsī," *The New Arab*, January 6, 2016, <https://bit.ly/3KgchLG>.

64 "Darbāri-yi 'Awjān-i 'Īrāniyān," Karboom, accessed on 05/04/2022, at: <https://bit.ly/3j97FLk>.

65 This demographic difference is also considered a reason for the clear imbalance in GDP, with Saudi Arabia's reaching USD 20.1103 billion in 2020 while Iran's was less than USD 2.4225 billion. "GDP per capita (current US\$)," *The World Bank*, accessed on 25/6/2022, at: <https://bit.ly/3QNL4r>

66 In this regard, several representatives of GCC states argue that the root of the tension with Iran lies in the economic realm, as Iran believes these states unfairly control major oil resources. While Iranians own 12% of the world's proven oil reserves, GCC citizens (about half the population of Iran in total) control 50%; see: John Duke Anthony, "Iran in GCC Dynamics," *Middle East Policy*, vol. 2 (1993), pp. 113 - 116.

67 Sukru Cildir, "OPEC as a Site of De-Escalation?" in *Saudi Arabia, Iran and De-Escalation in the Persian Gulf*, ed. Simon Mabon (New York: SEPAD, [n. d.]), pp. 48 - 49.

68 *Ibid.*, pp. 50 - 52.

69 Hooshang Amirahmadi, "Iranian-Saudi Arabian Relations since the Revolution," in *Iran and The Arab World*, eds. Hooshang Amirahmadi and Nader Entessar (London: Macmillan Press LTD, 1993), pp. 143 - 144.

production to make room for Iran. Under Khatami (1997-2005), Iran also worked closely with other oil-producing Gulf states to overcome the price collapse that followed the financial crisis in Southeast Asia in 1997 and 1998, which caused a sharp decrease in demand for crude. Saudi Arabia began using its influence in OPEC to isolate Iran in 2003, decreasing the organization's capacity to improve Saudi-Iranian relations.⁷⁰ After the 2008 global financial crisis and the collapse of crude oil prices in the international market, Riyadh reduced OPEC oil production at the request of US Vice President Dick Cheney (2001-2009), to the detriment of Iranian oil revenues,⁷¹ then backed the Western oil sanctions against Iran in 2012 and indicated its willingness to increase production to compensate for the resultant decline in Iranian exports.⁷² In 2014, Riyadh took part in lowering oil prices – alongside the increase in US oil production under President Barack Obama (2009-2017) through the development of the shale oil and gas industry⁷³ – by raising production tremendously, once again harming its geopolitical rival; the price of oil fell from USD 110 in 2011 to USD 45 by 2016.⁷⁴

3. Thinking With Numbers: Saudi-Iranian Trade Over 20 Years

In line with the other GCC states, trade volume between Saudi Arabia and Iran began to increase in 2000 when US sanctions cut down Iran's trade with EU countries and when Khatami's policy of "dialogue among civilizations" allowed for greater openness in relations between the countries.⁷⁵ Trade volume reached USD 133 million in 2000, then doubled as Saudi exports increased and security relations were consolidated with the signing of a cooperation agreement on counterterrorism, reaching USD 311 million by 2002 (see Figure 3).⁷⁶ Economic ties between Iran and Saudi Arabia continued to expand during the first term of President Mahmoud Ahmadinejad (2005-2009), and Saudi Arabia became the second largest Gulf importer from Iran after the UAE from 2004 to 2010 (see Appendix 2). Trade volume peaked in 2006 at a total of USD 859.7 million with the rise of Saudi imports from Iran (Figure 3).

70 Cildir, p. 52.

71 Nuruzzaman, p. 550.

72 Keith Bradsher and Clifford Krauss, "Pressed by U.S., Asian Countries Look for Ways to Reduce Purchases of Iranian Oil," *The New York Times*, January 6, 2012, <https://nyti.ms/3u1BLq3>.

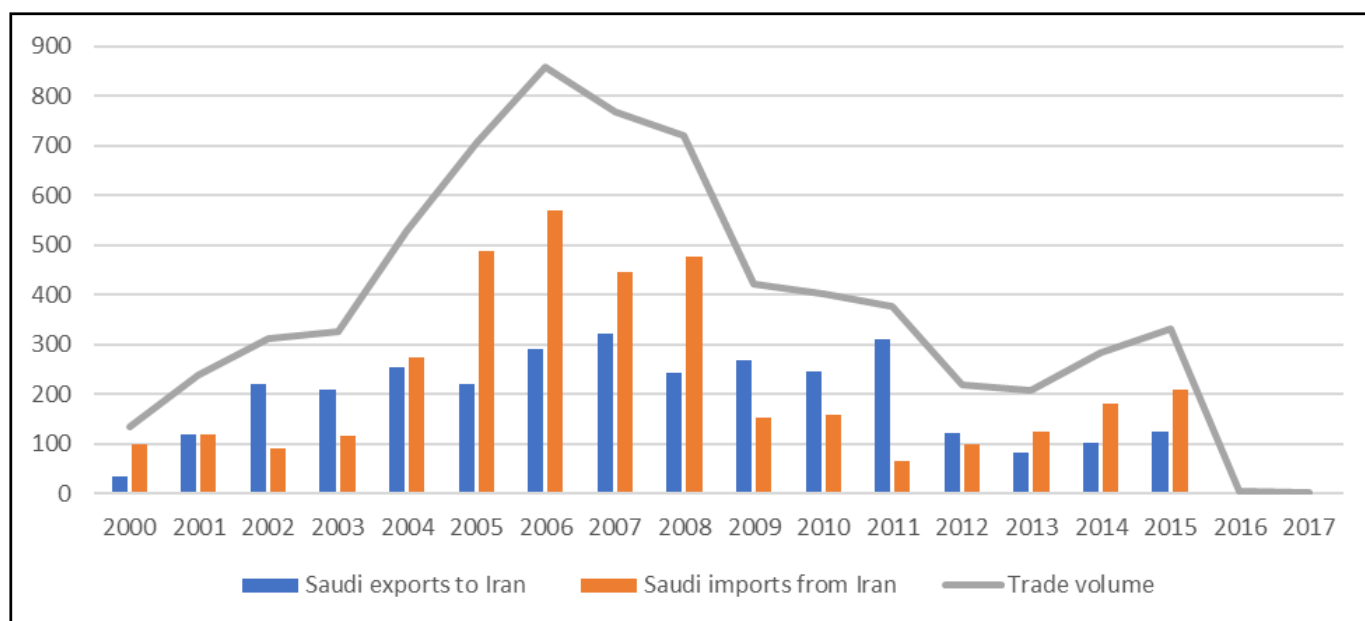
73 Chris Isidore, "Laqab Jadīd li-Bārāk 'Ūbāmā.. Şāni' 'Akbar Izdihār fi Tārīkh al-Nift al-'Amrīkī," *CNN Arabic*, January 29, 2015, <https://cnn.it/3YOffi7>

74 Saeed Mirtorabi, "Saudi Arabia's Aggressive Oil Policy against Iran (2011-2016)," *World Sociopolitical Studies*, vol. 3, no. 1 (January 2019), p. 213.

75 For more on Khatami's proposal, see the text of his address at the 53rd session of the UN General Assembly: "Statement by H.E. Mohammad Khatami, President of the Islamic Republic of Iran, before the 53rd Session of the United Nations General Assembly, New York, September 21, 1998," *Pars Times*, accessed on 26/6/2022, at: <https://bit.ly/3QHYNFT>

76 Nuruzzaman, p. 548.

Figure 3
Saudi-Iranian trade exchange according to Saudi estimates (USD millions)



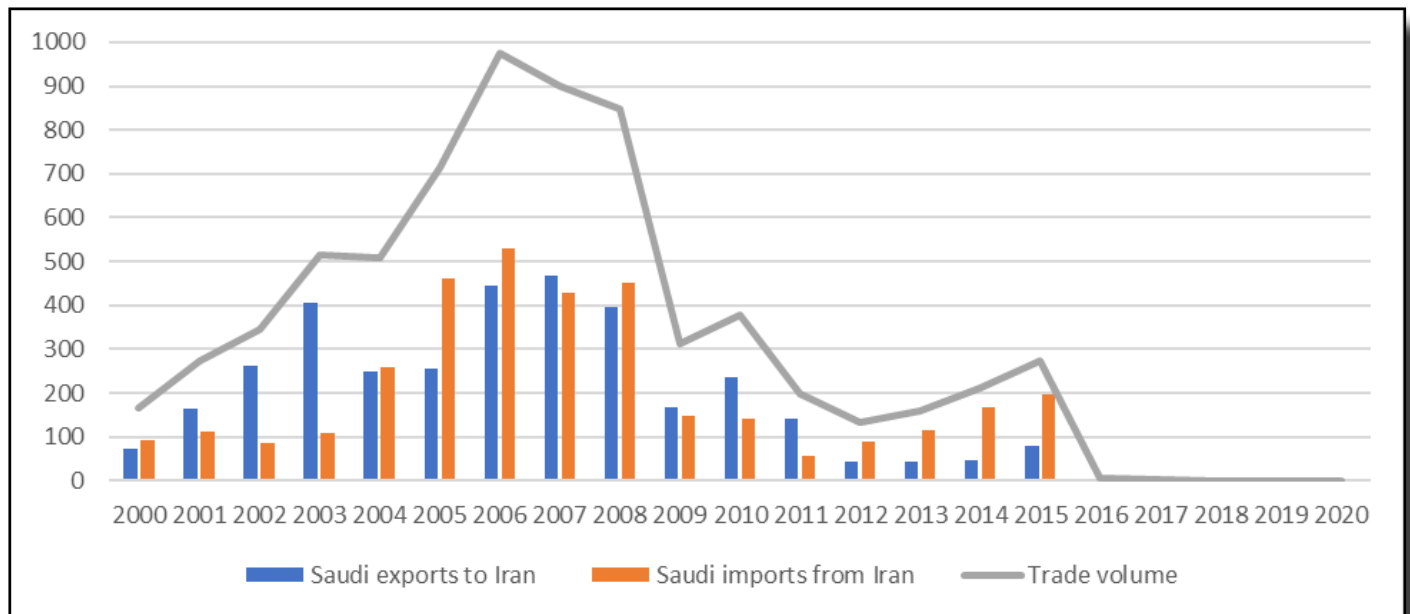
Source: prepared by the author based on Appendix 1 and 2.

Iran's Gulf neighbours usually comply with sanctions led by the US or the UN to contain Iran's influence on and threat to the region, which serves to reduce trade volume with Tehran. Yet this does not always happen voluntarily. In 2008, the US threatened to ban Gulf companies doing business with Iran from accessing US financial markets,⁷⁷ causing Gulf-Iranian trade relations to further regress. This also coincided with the collapse of oil prices from USD 147.3 to less than USD 34 per barrel in 2008 due to the global financial crisis.⁷⁸ Saudi Arabia was not impervious to these developments; the volume of Saudi imports from Iran decreased markedly from USD 476.6 million in 2008 to USD 153.5 million in 2009. From mid-2010, Saudi ties with Iran hit a low point given Ahmadinejad's more radical foreign policy, contrary to his reformist predecessor Khatami. Iran backed the uprising in Bahrain, then Bashar al-Assad in Syria against the Saudi-backed armed opposition, and the Houthis in concurrence with a new round of US sanctions imposed in 2011, which led to a two-third reduction in the Saudi export volume to Iran by 2012 and 2013 and an increase in the volume of Saudi imports from Iran from 2012 to 2015 (Figure 3). After Saudi Arabia announced the breaking of diplomatic and commercial ties with Iran in 2016, trade between the two countries sunk to an unprecedented level.

⁷⁷ Ibid., p. 549.

⁷⁸ Ali Bakeer, "al-'Azma al-Māliyya al-Ālamiyya wal-Iqtisādāt al-Khalījīyya," *Analyses*, Aljazeera Centre for Studies, September 7, 2009, <https://bit.ly/3OWGXDn>.

Figure 4
Saudi-Iranian trade exchange according to Iranian estimates (USD millions)



Source: prepared by the author based on Appendix 3 and 4.

Compared to Iranian estimates for trade volume during the same period (Figure 4), despite the difference in figures, the main indicators are the same. Trade volume began to rise in 2000, peaking in 2006 before gradually lapsing until 2012, then rose as Saudi imports of Iranian goods increased until 2015, before nearly disappearing entirely with the breaking of diplomatic ties between Saudi Arabia and Iran. The interruption would continue with the 2017 appointment of Mohammed bin Salman as Crown Prince, who made deterring Iran a key objective of his foreign policy, and the imposition of new sanctions by the US in 2018. After years of disconnection, Saudi Arabia resumed importing from Iran after several rounds of bipartite dialogue sponsored by Iraq that resulted in the resumption of diplomatic and commercial relations, yet with an export volume not exceeding USD 39,000 over six months in 2021 and without any Saudi exports to Iran.⁷⁹

⁷⁹ "Mas'ul 'Irānī Yakshif Ḥajm al-Tabādul al-Tijārī ma' Duwal al-Jiwār.. wal-Sa'ūdiyya Lam Tabī' Ṭahrān Sil'a Wāḥida," *CNN Arabic*, October 17, 2021, <https://cnn.it/3DAyGkc>.

Table 1
Most important Iranian commodities imported by Saudi Arabia, according to the Saudi General Authority for Statistics (2012-2020; US dollars)

Commodity	2012	2013	2014	2015	2016	2017	2018	2019	2020
Base metals and articles	40,955,517	15,074,153	82,596,870	121,635,758	153,866	0	0	0	0
Vegetable products	31,406,972	33,516,573	53,802,721	62,273,529	2,663,467	0	0	0	0
Vehicles and equipment	5,966,408	8,458,410	6,057,995	4,853,586	261,333	0	0	0	0
Clothing and textiles	3,102,671	2,121,069	2,468,763	2,236,247	43,200	0	0	0	0
Live animals and products	2,011,736	1,148,002	1,935,208	1,487,471	35,466	0	0	0	0
Prepared foodstuffs	1,703,202	914,935	153,398	1,701,642	58,133	0	0	0	0
Machinery and appliances	1,542,668	904,268	1,153,015	508,929	0	83,143	0	0	0
Petrochemical products	1,178,401	152,267	691,755	108,071	52,800	0	28,104	0	0
Pharmaceuticals	157,600	574,133	597,849	354,230	0	101,823	112,106	100,389	0
Electronic devices	146,133	30,933	0	145,449	0	4,000	0	4,070	0
Furniture	142,134	0	0	0	0	0	0	0	0
Oil and gas products	74,134	120,800	139,792	56,454	0	0	0	0	0

Source: prepared by the author based on “External Trade Data Platform for the Arab Region”, ESCWA, accessed on 28/06/2022, at: <https://bit.ly/3QTWwSd>

In terms of goods exchanged, Iran's key exports to Saudi Arabia (including re-exports), according to the Saudi General Authority for Statistics (Table 1), include base metals and articles, vegetable products, petrochemicals, pharmaceuticals, and vehicles and equipment. This does not differ significantly compared to Iranian estimates (Table 2), which identified main exports as organic chemicals, base metal articles, vegetable products, and construction materials.

Table 2
Most important Iranian commodities imported by Saudi Arabia, according to Iranian estimates (1995-2018)

Commodity	Trading value (USD millions)	% (of total imports)
Organic chemicals	999	26
Copper products	970	25.2
Iron and steel	623	16.2
Fruits, nuts, citrus peels, watermelon rinds	404	10.5
Salt, sulphur, soil, stone; gypsum, lime, cement products	127	3.29

Source: prepared by the author based on "What does Iran export to Saudi Arabia? (1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018)," *The Observatory of Economic Complexity (OEC)*, accessed on 4/4/2022, at: <https://bit.ly/3u8nxDH>

According to the Saudi General Authority for Statistics (Table 3), the most important Saudi exports to Iran, including re-exports, are base metal articles, vehicles and equipment, petrochemical products including plastics, electronics, clothing, and textiles. They are the same according to Iranian estimates (Table 4), with the addition of fertilizers.

Table 3
Most important Saudi commodities exported by Iran, according to the Saudi General Authority for Statistics (2012-2020; US dollars)

Commodity	2012	2013	2014	2015	2016	2017	2018	2019	2020
Petrochemical products	25,286,164	5,345,074	11,904,750	34,190,257	0	0	0	0	0
Base metals and articles	14,552,285	17,162,689	14,973,588	40,741,350	0	0	0	0	0
Raw materials and paper products	25,101,097	27,677,367	25,458,646	27,443,536	0	0	0	0	0

Commodity	2012	2013	2014	2015	2016	2017	2018	2019	2020
Machinery and appliances	8,072,278	442,667	6,345,516	2,276,793	1,151,604	0	0	0	0
Clothing and textiles	5,967,741	197,333	6,771,612	5,529,817	0	0	0	0	0
Vehicles and equipment	2,516,270	18,077,356	38,401,820	8,069,942	0	0	0	0	0
Vegetable oils	2,003,736	1,127,735	0	0	0	0	0	0	0
Prepared foodstuffs	1,619,469	0	60,832	70,434	0	0	0	0	0
Vegetable products	733,601	0	0	0	0	0	0	0	0
Electronic devices	630,401	328,800	696,905	0	0	0	0	0	0
Live animals and products	246,667	32,533	0	0	0	0	0	0	0
Pharmaceuticals	98,134	0	0	436,629	0	0	0	0	0
Oil and gas products	0	192,000	0	0	0	0	0	0	0

Source: prepared by the author based on “External Trade Data Platform for the Arab Region”, ESCWA, accessed on 28/06/2022, at: <https://bit.ly/3NpAm3h>

Table 4

Most important Saudi commodities exported to Iran, according to Iranian estimates (1995-2018)

Commodity	Trading value (USD millions)	% (of total imports)
Plastic products	873	28.3
Organic chemicals	614	19.9
Mineral fuel, mineral oils and refinement supplies, bitumen, mineral waxes	334	10.8
Fertilizers	192	6.23
Chemical materials	176	5.7

Source: prepared by the author based on “What does Iran import from Saudi Arabia? (1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018),” *The Observatory of Economic Complexity (OEC)*, accessed on 4/4/2022, at: <https://bit.ly/3NrjARq>

By Way of Conclusion: The Future of Saudi-Iranian Economic Relations

Whereas Emirati-Iranian economic relations controvert the idea of a direct relationship between political ties and international trade volume,⁸⁰ Saudi-Iranian relations confirm this assumption. Put differently, UAE-Iran ties can be understood to represent the centrality of the economic perspective in Gulf-Iranian relations, while Saudi-Iran ties more clearly demonstrate the political perspective.⁸¹ For Riyadh, not only do political relations and security interests take precedence over economic relations, but they are also a crucial determinant thereof. Indeed, political interactions have shaped the course of bipartite trade, not to mention a Saudi-Iranian consensus within OPEC.

Indicators for previous years suggest that Saudi-Iranian economic ties will continue in the same manner: limited to non-existent. Countries with strategic relationships with the US have faced diplomatic pressures to comply with US sanction policy on Iran, which will in principle slow the pace of trade,⁸² especially if the Biden administration (2021-) works to expand the range of “key allies outside of NATO” to include (apart from current allies Bahrain, Kuwait, and Qatar) Saudi Arabia, Oman, and the UAE, with the associated financial and military benefits – chiefly in terms of expedited defence procurements and joint defence research.⁸³ As Gawdat Bahgat wrote, “the rapprochement between Riyadh and Tehran cannot be understood without reference to the relations each has with Washington”.⁸⁴

However, the agreement between Saudi Arabia, Iran, and China, announced through a tripartite joint statement on 10 March 2023, that seeks “to resolve the disagreements between [Saudi Arabia and Iran] through dialogue and diplomacy, and in light of their brotherly ties” and to implement the “General Agreement for Cooperation in the Fields of Economy, Trade, Investment, Technology, Science, Culture, Sports, and Youth” signed on 27 May 1998,⁸⁵ suggests that economic cooperation between Iran and Saudi Arabia (and the GCC in general) may be revived. Political-strategic dialogue, in turn, is supposed to strengthen economic ties and foster mutual understanding on the most important issues, notably the war in Yemen and maritime security in the Gulf.⁸⁶

80 The UAE is ranked first among GCC states in commercial exchange with Iran (for both imports and exports) even though Iranian-Emirati relations did not improve under Khatami as did the rest of the Gulf, and in spite of Iran’s occupation of three Emirati islands, regional conflicts in Yemen and Syria, and Iran’s support for what the UAE considers “terrorist” groups in Yemen, Lebanon, Palestine, and Iraq.

81 Ibrahim Alhadban and Nawaf Munir Al-Mutairi, *al-‘Alāqāt al-Khalījīyya – al-‘Irāniyya mundh ‘Ām 1979m: al-Kuwayt Namūdhajan*, Silsilat al-Dirāsāt al-Istrātijīyya wal-Mustaqbaliyya (Kuwait: Center for Gulf and Arabian Peninsula Studies, 2016), p. 17.

82 Nader Habibi, “The Impact of Sanctions on Iran-GCC Economic Relations,” *Middle East Brief*, no. 45, Crown Center for Middle East Studies (November 2010), p. 10. Once again, the UAE is an exception; it has not responded to US pressures, whether in terms of Russia after invading Ukraine in February 2022, Iran, or even the Bashar al-Assad regime.

83 United Against Nuclear Iran, p. 7.

84 Bahgat, p. 113.

85 “Naṣṣ al-Bayān al-Thulāthī al-Sa’ūdī al-‘Irānī al-Šīnī,” *Alarabiya*, March 10, 2023, <https://bit.ly/40xh96I>; see also: “China Brokered Iran Saudi Agreement: Motives and Prospects”, Situation Assessment, ACRPS, March 14, 2023, <https://bit.ly/3LTdhZH>; and Banafsheh Keynoush, “Iranian-Saudi Agreement,” *Case Analysis*, ACRPS, March 23, 2023, <https://bit.ly/3ZkmjCi>.

86 For details on these issues and avenues for reconciliation between Iran and the GCC, see: Hussein Ibish, “A Sequential Framework for Iran-GCC Détente,” The Arab Gulf States Institute in Washington, April 11, 2017, <https://bit.ly/3rAHvGa>.

Further, Saudi-Iranian economic ties may continue to improve given emerging signs that Saudi Arabia is seeking to achieve balance in its relations with regional and international powers by adopting strategic hedging⁸⁷ in its foreign policy.⁸⁸ These signs include Riyadh's refusal to support US efforts to sanction Russia and Crown Prince Mohammed bin Salman conducting a telephone call with President Vladimir Putin after his invasion of Ukraine to strengthen bilateral ties.⁸⁹ After the Iran-backed attacks on Saudi oil facilities in 2019,⁹⁰ Riyadh became doubtful of US protection. The GCC states felt that Washington had abandoned them during the Obama administration, which gave priority to the Iran nuclear agreement over pressuring Tehran on its regional policies,⁹¹ and there was uncertainty about the future of US security guarantees to the Kingdom after President Trump (2017-2021) lamented the price the US has paid for its involvement in Middle East conflicts.⁹²

Moreover, Saudi-US relations have cooled under Biden, who has made an issue of human rights in Saudi Arabia and repeatedly mentioned the murder of Saudi journalist Jamal Khashoggi (1958-2018), even during his first meeting with bin Salman in July 2022 in Jeddah.⁹³ Despite the end of the US boycott of the Crown Prince, the latter appears unwilling to cooperate fully with Washington and continues to pin its hopes on the re-election of Donald Trump;⁹⁴ Biden's visit to Saudi Arabia yielded little success for energy, as Riyadh did not promise to ramp up oil production.⁹⁵

Ultimately, political elites in Riyadh and Tehran play a central part in improving political relations and, hence, strengthening economic relations. The moderate, dialogue-amenable policy of Presidents Rafsanjani and Khatami led to a reduction in tension and paved the way to cooperation and economic agreements. Thus, the Khatami era is seen as the two countries' "honeymoon" phase especially with regard to cooperation on oil within OPEC – something that would not have come to pass if not for the role of the then Crown Prince Abdullah bin Abdulaziz, who was wary of US policy in the region and favoured cooperation among Muslim countries. As a result, as long as political relations shape economic ties, trade will only flourish when political elites in both countries resolve to improve relations.

87 On strategic hedging theory, see: Alaa Mansour & Ayman El-Desouky, *Strategic Hedging in Iran's Policy on the United States* (Doha/Beirut: ACRPS, 2022), pp. 31 - 118.

88 Danielle Pletka, "The Qatarization of the Middle East," *Foreign Policy*, May 4, 2022, <https://bit.ly/3n7uJwa>.

89 "Russia's Putin, Saudi's Bin Salman Discuss Bilateral Ties and Oil," *Business Standard*, April 16, 2022, <https://bit.ly/3bb2xpg>

90 Pletka.

91 Vakil, p. 2.

92 Juan Cole, "The Cost of Trumpism in U.S. Policy toward the Middle East," *Reports*, Al Jazeera Centre for Studies, April 15, 2018, p. 3, <http://bit.ly/3lAqc8d>.

93 "Bāyidin Yaqūl 'Innahu 'Athār Qadiyyat Maqṭal Khāshuqjī ma' bin Salmān wa-Yu'akkid Taḥqīq Taqaddum fi Milaffay al-'Amn wal-Ṭāqa," *France24*, July 15, 2022, <https://bit.ly/3Wm5wOh>.

94 Julian Borger, "Saudi's Biden Snub Suggests Crown Prince Still Banking on Trump's Return," *The Guardian*, April 24, 2022, <https://bit.ly/3yfx9yU>.

95 Hesham Alghannam and Mohammad Yaghi, "Biden's Trip to Saudi Arabia: Successes and Failures," *Sada*, Carnegie Endowment for International Peace, August 11, 2022, <https://bit.ly/3jxA9Sk>.

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Appendices

Appendix 1

Volume of GCC exports to Iran according to Gulf estimates (2000-2017; USD millions)

Year	Saudi Arabia	UAE	Bahrain	Oman	Qatar	Kuwait	Total
2000	35	1,353.4	34.4	152	5.9	14.7	1,595.4
2001	119	1,680.1	47.5	454.8	5.5	21.5	2,328.4
2002	220.8	2,441.1	43.2	52	24.2	25.7	2,807
2003	209.4	2,794.1	51.2	6.7	10.5	22.9	3,094.8
2004	254.1	3,644.6	6.1	10.9	60.8	21.8	3,998.3
2005	219.4	3,999.1	53.2	8.7	41.3	-	4,321.7
2006	291	513.6	50.3	10.9	23.1	99.9	988.8
2007	322	6,630.7	35	18.9	54.5	138.5	7,199.6
2008	243.7	6,615.8	49	54.4	27.8	128.4	7,119.1
2009	269.4	7,614.7	15.8	14.5	10.9	93.3	8,018.6
2010	244.3	9,320.3	30.3	7	38.9	112.5	9,753.3
2011	309.1	14,219.2	9.5	5	19.6	82.4	14,644.8
2012	120	12,078.8	89.1	177.9	13.4	89.1	12,568.3
2013	81.1	12,238.8	5.3	323.2	15.2	73.9	12,737.5
2014	102.1	11,489.5	5.8	2.9	7.3	88.1	11,695.7
2015	123.1	10,821.7	7.1	228.4	4.2	55.4	11,239.9
2016	0.6	8,818.9	1.9	224.3	13.5	196.6	9,255.8
2017	0.6	15,329.7	2	1,120.7	15.9	84.9	16,553.8

Source: prepared by the author based on ESCWA, "External Trade Bulletin of the ESCWA Region", no. 14 (New York: United Nations, 2005); ESCWA, "External Trade Bulletin of the ESCWA Region", no. 15 (New York: United Nations, 2006); ESCWA, "External Trade Bulletin of the ESCWA Region", no. 18 (New York: United Nations, 2009); ESCWA, "External Trade Bulletin of the ESCWA Region", no. 20 (New York: United Nations, 2011); ESCWA, "External Trade Bulletin of the ESCWA Region", no. 21 (New York: United Nations, 2012); ESCWA, "External Trade Bulletin of the ESCWA Region", no. 25 (New York: United Nations, 2017); ESCWA, "External Trade Bulletin of the ESCWA Region", no. 27 (Beirut: United Nations, 2019).

Appendix 2

Volume of GCC imports from Iran according to Gulf estimates (2000-2017; USD millions)

Year	Saudi Arabia	UAE	Bahrain	Oman	Qatar	Kuwait	Total
2000	98	377.8	30.1	60.9	22.9	115.1	704.8
2001	119.1	360.2	27	46.2	25.2	127.2	704.9
2002	90.2	390.2	32.9	22.5	18.8	144.3	698.9
2003	115.4	537.7	31.8	45.7	18	189.7	938.3
2004	273.6	1,098.9	23.5	41.4	13.7	212.1	1,663.2
2005	487	616.8	35.9	52.8	52.2	-	1,244.7
2006	568.7	953.5	28.6	111.5	53.3	333.4	2,049
2007	446.4	716.8	26.2	157.4	59.3	389.9	1,796
2008	476.6	1,051.5	42.7	207.2	104.9	218.7	2,101.6
2009	153.5	832.6	16.8	116.2	64.5	122.7	1,306.3
2010	157.6	1,122.5	43.6	126.8	66.1	108.8	1,625.4
2011	66.1	1,314.1	7.9	174.1	63.8	105	1,731
2012	99.5	1,856	25.3	206.1	39.5	166.2	2,392.6
2013	125.6	1,354.6	15.6	561.2	52.1	190	2,299.1
2014	181.9	1,229.6	18.3	346.3	50.8	238.4	2,065.3
2015	207.7	765.5	19.3	297.7	104.3	229.5	1,624
2016	3.3	969.5	18.7	642.2	83.9	199.9	1,917.5
2017	0.2	1,855.1	12.5	480.4	81.2	180.3	2,609.7

Source: Ibid.

Appendix 3

Volume of GCC exports to Iran according to Iranian estimates (2000-2020; USD millions)

Year	Saudi Arabia	UAE	Bahrain	Oman	Qatar	Kuwait	Total
2000	74	1,154	24	2	4	8	1,266
2001	163	1,502	65	4	5	10	1,749
2002	261	1,848	52	2	20	11	2,194
2003	405	3,135	55	4	23	25	3,647
2004	249	5,476	42	6	66	80	5,919
2005	254	7,285	50	3	27	64	7,683
2006	444	8,980	101	22	31	107	9,685
2007	469	10,081	112	51	58	175	10,946
2008	395	14,762	119	162	51	187	15,676
2009	167	12,629	22	81	44	87	13,030

Year	Saudi Arabia	UAE	Bahrain	Oman	Qatar	Kuwait	Total
2010	236	22,446	60	316	47	113	23,218
2011	141	18,188	18	152	26	94	18,619
2012	44	14,366	18	144	28	151	14,751
2013	44	11,130	21	75	18	126	11,414
2014	46	11,208	329	72	19	62	11,736
2015	78	6,906	68	33	3	29	7,117
2016	4	5,689	3	68	11	54	5,829
2017	1	8,180	6	78	24	27	8,316
2018	0.3	5,706	1	268	9	12	5,996.3
2019	0.3	3,146	-	312	12	12	3,482.3
2020	0.3	2,771	-	203	10	5	2,989.3

Source: prepared by the author based on "Direction of Trade Statistics," *International Monetary Fund*, accessed on 04/04/2022, at: <https://bit.ly/3LKPajD>

Appendix 4

Volume of GCC imports from Iran according to Iranian estimates (2000-2020; USD millions)

Year	Saudi Arabia	UAE	Bahrain	Oman	Qatar	Kuwait	Total
2000	92	297	28	57	22	109	605
2001	112	328	28	44	23	120	655
2002	85	345	31	21	18	136	636
2003	109	359	30	43	17	179	737
2004	258	1,037	22	39	13	221	1,590
2005	460	582	39	50	49	271	1,451
2006	530	899	27	105	50	314	1,925
2007	430	676	21	148	56	368	1,699
2008	453	992	40	196	99	136	1,916
2009	147	786	14	110	61	88	1,206
2010	143	1,059	41	120	62	103	1,528
2011	57	1,240	8	164	60	86	1,615
2012	89	3,900	24	194	36	112	4,355
2013	114	1,278	15	529	49	179	2,164
2014	167	1,159	17	327	48	225	1,943
2015	196	722	18	281	99	72	1,388
2016	3	914	18	606	79	63	1,683

Year	Saudi Arabia	UAE	Bahrain	Oman	Qatar	Kuwait	Total
2017	0.2	1,750	12	473	77	56	2,368.2
2018	0.1	4,751	14	552	400	96	5,813.1
2019	0.1	1165	11	217	208	71	1,672.1
2020	-	338	9	191	143	217	898

Source: Ibid.