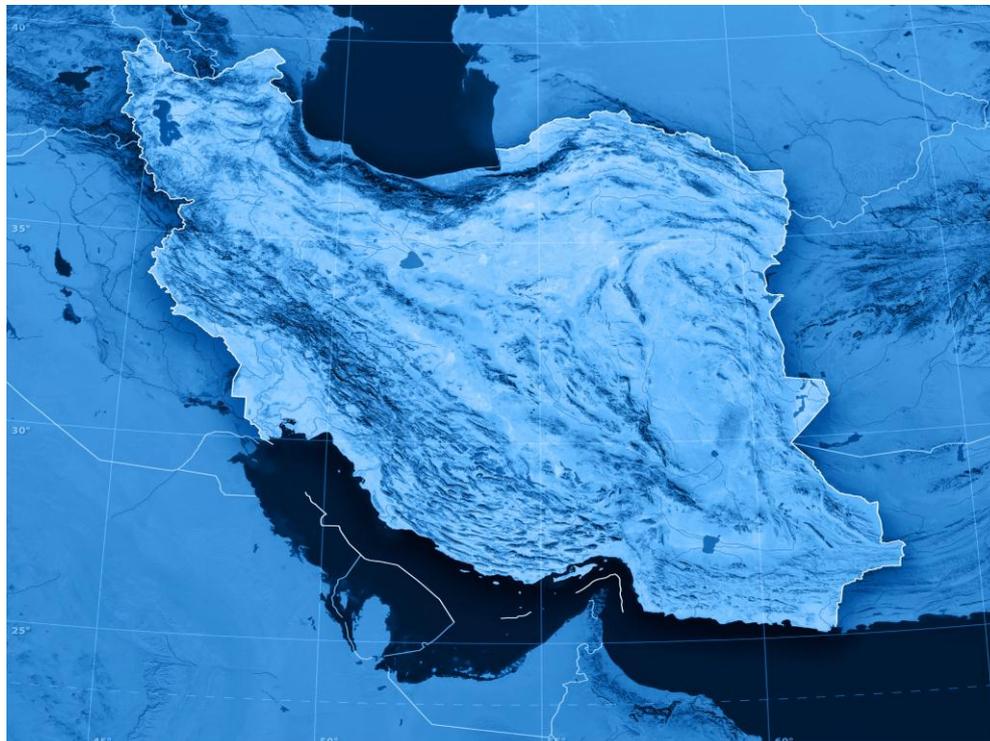


Kuwait Programme on Development, Governance and  
Globalisation in the Gulf States

# The Islamic Republic of Iran and the GCC states: Revolution to realpolitik?

Stephanie Cronin and Nur Masalha



August 2011

Number 17

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**The Islamic Republic of Iran and the GCC States:  
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**Research Paper, Kuwait Programme on Development, Governance and  
Globalisation in the Gulf States**

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Published in 2011.

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# The Islamic Republic of Iran and the GCC States: Revolution to Realpolitik?

STEPHANIE CRONIN AND NUR MASALHA

## Abstract

This paper looks at the current state of relations between Iran and the states of the Gulf Cooperation Council (GCC) and places these relations in their recent historical context, aiming to tease out their underlying dynamics and likely future evolution. In particular, the paper examines the impact of Iraq; the part played by the nuclear issue; the consequences of the developing broader regional rivalry between Iran and Saudi Arabia; the complications arising from the presence in certain of the GCC states of significant Shia communities; territorial disputes; and, finally, the role played by trade and finance in partially neutralizing these sources of conflict.

## 1. INTRODUCTION

Since 2001 the context within which Iran and the states of the Gulf Cooperation Council (GCC)<sup>1</sup> have conducted their relations has been transformed by the US invasion of Iraq and by the apparent re-emergence of revolutionary activism within the Iranian political leadership. After the attacks of 9/11 the regional environment changed dramatically. The Bush administration, impervious to the internal complexities of Iranian politics, allocated Iran under its reformist president Muhammad Khatami the role of leading adversary in the ‘global war on terror’ and identified it as part of an ‘axis of evil’. Yet, by overthrowing Saddam Hussein in 2003, the USA opened up for Iran opportunities for regional hegemony in the Persian Gulf<sup>2</sup> of which it had hitherto only been able to dream. In 2005 the election of Mahmud Ahmadinejad as president of Iran led to further shifts. The apparent exhaustion of the reformist trend represented by Khatami, and Ahmadinejad’s close links with radical and ideologically-motivated elements within the Iranian political and military elites, seemed to imply that greater emphasis might now, once again, be given to assisting Shia Islamist movements beyond Iran’s borders and rejecting the regional status quo (Ehteshami and Zweiri 2007). The growing ascendance of the Shia in Iraq, including in the Baghdad

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<sup>1</sup> The GCC, officially known in Arabic as *Majlis al-Ta’awun LiDuwal al-Khalij al-’Arabiyya*, ‘the Cooperation Council for the Arab States of the Gulf’, was created on 25 May 1981. It comprises six oil-rich, pro-Western Arab monarchical states: Saudi Arabia, Kuwait, Oman, Bahrain, Qatar and the United Arab Emirates (UAE). Republican Iraq as well as revolutionary Iran, both Gulf littoral states, were excluded from the Council.

<sup>2</sup> The body of water located between Iran and the Arabian Peninsula has historically and commonly been known as the Persian Gulf. Most Arab states, under the influence of pan-Arab nationalism, now refer to it as *the Arabian Gulf* or simply *the Gulf*.

government, generated a new discourse among pro-Western elements in the Gulf and the wider Middle East which traced the emergence of a ‘Shia crescent’,<sup>3</sup> while the election of Ahmadinejad and his rhetorical hyperbole reawakened fears of a strengthened bid for Iran hegemony allied to a renewed Shia militancy (Sadeq al-Husyani 2010).

Prior to the election of Mahmud Ahmadinejad, a consensus had emerged among observers of the region that Iran’s foreign policy, including its orientation to the GCC states, was progressing rapidly on its long march away from revolutionary politics towards realpolitik and the pragmatic pursuit of narrowly defined national interests. In this respect the foreign policy of the Islamic republic appeared to be echoing domestic changes, the revolutionary zeal of Khomeini having been replaced first by the pragmatism of Ali Akbar Rafsanjani, and then by the reformism of Khatami. From the late 1980s, an apparent and general shift in Iranian foreign policy away from ideology towards pragmatism seemed to reflect a wider routinization of the revolutionary regime. These calculations were turned upside down by the sudden propulsion to the presidency of Ahmadinejad, whose election proved a considerable shock, both inside and outside Iran. His humble background, his participation in the revolution and in the long war with Iraq,<sup>4</sup> and his base of support in the Revolutionary Guards seemed to augur a return to the early years of the Islamic regime. His denunciations of the USA and Israel, and his fervent pursuit of ties to states across the world that shared his hostility to America, appeared to confirm this reversal.

Iran’s policies have often appeared contradictory, sometimes exhibiting a political pragmatism, sometimes a version of radical Islamism, often a brand of nationalism which combines both these trends in an unstable and shifting coalition. In fact, the Iranian political system and policy-making structures are fraught with tension. The process of decision-making in Iran is opaque and the resulting policy is often a consequence of internal and hidden factional conflict. In certain respects the Iranian regime reflects a constant struggle: between different institutions, factions, interest groups and personalities. Occasionally, too, different elements within the system – the supreme leader, the president, the *pasdaran*, the intelligence service – act independently (Halliday 2001: 42–7). This creates difficulties in terms of assessing what constitutes Iranian policy at any given moment. Yet apparent

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<sup>3</sup> The phrase was coined by King Abdullah II of Jordan in 2004 when he famously remarked that a ‘Shia crescent’ was stretching from Iran through Iraq to Lebanon.

<sup>4</sup> The Iran–Iraq war, September 1980 to August 1988, was known in Iran as the ‘Imposed War’ (*Jang-i Tahmili*) or ‘Holy Defence’ (*Difa’-yi Moqaddas*) and in Iraq as *Qadisiyyat Saddam*, a name that invoked the historical Muslim victory against the Persians in Qadisiyya in southern Iraq in 636.

contradictions in policy may sometimes be deliberate, offering the regime the advantage of ambiguity and deniability.

Notwithstanding the dominant Western view of Ahmadinejad as a dangerous and unpredictable radical, a view reinforced by his own rhetoric, certain aspects of the Islamic republic's foreign policy in general, and its attitudes towards the Arab Gulf states in particular, have displayed a remarkable continuity. Since the emergence and consolidation of the modern state system in the region, Iran has considered its own hegemony to be natural and inevitable, and the Gulf a 'Persian lake' (Marschall 2003: 5). In objective terms, its population and land mass are immensely greater than those of any of the Arab Gulf states, its economy more developed and diversified, its science and technology more advanced, and its military more powerful. In terms of nationalist attitudes, Iran sees itself as the inheritor of an ancient and sophisticated civilization and as possessing a long history as an independent state, a history which it contrasts to that of the Arab Gulf states, considering the latter recent inventions of British imperialism. Iran's insistence, whether under shahs or presidents, on being recognized as a regional power has remained constant (Yaphe 2008).

Since 1979 another aspiration has been added to Iran's perception of its role and destiny, that of leader of the global Muslim *umma*. The Islamic republic has always been careful to project itself as being Muslim, rather than Shia, and as therefore constituting a model and an actual or potential leader for the entire Islamic world, including its Sunni majority. Although cultivating Shia political and military formations such as the Lebanese Hizbullah, and targeting Shia communities as receptive to its projection of 'soft power', Iran has avoided the ascription of any definitive Shia identity to its foreign policy. It is this avoidance of overt sectarian partisanship in its foreign orientation which has allowed it to support Hamas ('Islamic Resistance Movement') in Palestine, for example, and to have ties of sympathy to the Turkish Justice and Development party (AKP). This non-sectarian public positioning as leader and voice of an anti-US, anti-Israel coalition, with its implicit and sometimes explicit condemnation of the 'reactionary and pro-imperialist' stance of the Gulf rulers, also explains Iran's powerful appeal to the Arab 'street', both Shia and Sunni.

Given its secular and its religious ambitions, Iran's areas of involvement have developed organically beyond its immediate Gulf environment to encompass the wider Middle East and Central Asia. The 'Shia 'crescent' is now imagined by its enemies to encompass an arc stretching from the Mediterranean, in the shape of Hizbullah in Lebanon, through the heart of the Arab world, Syria and Iraq, across the Gulf and into Afghanistan and Tajikistan. Iran's bid for regional hegemony has, however, come up directly against a similar

but opposite US–Israeli project while its assertion of religious leadership has brought it directly into conflict with Saudi Arabia, the most powerful member of the GCC.

Notwithstanding all the factors operating in its favour, especially the removal by the USA of its two key enemies, Saddam Hussein in Iraq and the Taliban in Afghanistan, Iran continues to be haunted by memories of past isolation and attack. As we shall see below, its attitude towards post-Saddam Iraq, for example, is ultimately largely determined by security concerns, rather than an ideological-religious Shia bias, and its main fear is of encirclement by the USA itself or by old and new American satellites.

The GCC states, for their part, are fearful of those very factors which are driving Iran's ascendancy in the Gulf region. Unable or unwilling to disentangle Shia assertiveness from Iranian influence, they are wary of the dynamic unleashed by US action in Iraq. They resent the changes in the regional balance resulting from the Iraq war, particularly the challenge to the historic Sunni dominance of the Gulf, the wider Middle East and the Islamic world, and the threat to their own regimes offered by a real or potential radicalization of their own domestic Shia communities or of wider populations mobilized by Iranian propaganda (Mattair 2007: 133–40). As is argued below, they have an acute consciousness of their own vulnerability to their powerful neighbour but, unlike the USA, their concerns focus not only on the character of the Iranian regime, but also on the permanence of Iran as a Gulf power and the constancy of its security and leadership objectives. Their concerns differ from those of the USA in other respects. Their anxiety about Iranian influence centres less on the danger of any putative military attack than on the ideological appeal of Iranian rhetoric and on the challenge to their position and legitimacy posed by Iranian-backed political movements. Furthermore, rather than fearing direct Iranian aggression, they are alarmed at the possibility of the Arab Gulf states being dragged into a new military conflict in the region sparked by US or Israeli strikes. The dilemma for the GCC states arising from this possibility is acute, owing to their integration into the US security umbrella, the presence of US military bases on their territories and the political dependence of their monarchies on the West.<sup>5</sup>

Indeed, it is the GCC states' willingness to accommodate the US military presence in the Persian Gulf which has been the source of their single clearest and most fundamental disagreement with Iran, indicating the presence of profoundly different visions of what might

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<sup>5</sup> The wilder claims about Iranian activities, such as those by Iran's former consul in Dubai, Adel Al-Asadi, who defected and was given political asylum in Europe, that the Iranian Revolutionary Guards were training sleeper cells stationed in the Gulf to attack Western and Gulf targets were Iran itself to be attacked, may be dismissed as so much opportunistic 'black propaganda' intended for Western consumption. For the claims see Freeman (2010).

constitute appropriate collective security arrangements in the Persian Gulf. The GCC states' readiness to rely on Western powers to guarantee their security is not a recent predisposition. Between the early nineteenth century and 1971 Britain was the imperial power which both created and sustained the smaller Arab Gulf states, Saudi Arabia developing an early and close relationship with the USA. After Britain's withdrawal, the way was open for the USA eventually to assume the role of protector. Since then, each of the GCC states separately has become enmeshed in bilateral military and security agreements with the USA (IISS 2005). To Iran, the intrusion of this US military presence adjacent to its borders presents itself as an existential threat, and their chief objective has been and remains to persuade the GCC states to abandon their reliance on external guarantees and collaborate with Iran in the establishment of collective security arrangements in a Gulf free of foreign forces (Perthes, Takeyh and Tanaka 2008: 7; Al-Husyani 2010). Given the vulnerability of the Gulf monarchies to internal dissent and territorial fragmentation, and their fear of Iranian hegemony, the US military presence is vital to their confidence yet simultaneously heightens their sense of vulnerability vis-à-vis Iran.

## **2. IRAN'S EVOLVING STRATEGY**

The GCC states viewed the Iranian revolution as a mortal threat. Khomeini openly called for the populations of the Arab Gulf states to overthrow their monarchies, and the latter responded in kind, establishing the GCC in 1981 as a direct riposte and coordinating Arab support for Iraq in its war with the Islamic republic. However, since the end of the war with Iraq (1988) and the death of Khomeini (1989), Iran's objectives have moved away from encouraging revolution in the Gulf states towards a diplomatic and political accommodation with them.

Since the early 1990s, Iran has not had a single policy towards the GCC states other than to wean them away from dependence on the USA and into bilateral relations. Iran's long-term goal is to marginalize, rather than destroy, the GCC organization.

Iran's strategy of establishing bilateral relations with the Arab Gulf monarchies, rather than dealing with a GCC bloc, has been facilitated by the fact that its connections with each of the GCC states has its own particular character and has varied significantly over time. Another factor favouring Iran's approach has been the GCC states' inability to formulate a collective approach to Iran, or to act in concert. Occasionally, policy towards Iran has even become enmeshed in intra-GCC rivalries, as in the case of the UAE's bid for an independent

civilian nuclear programme, apparently fuelled by Iran's nuclear programme but actually part of its emerging desire for independence of Saudi leadership (Carney 2010).

In fostering bilateral relations, Iran has achieved a considerable degree of success. Over recent years, high-level visits between Iran and each of the GCC states have been continuous, and agreements covering a range of issues have been signed. This process has accelerated during Ahmadinejad's presidency and has even developed to include discussions of possible future defence cooperation. In 2008, for example, Iran and Oman discussed developing joint military programmes, and in 2009 Iran's defence minister met the Qatari chief of staff to discuss defence ties, both countries anticipating an increase in military cooperation.

Individual GCC states have cooperated with Iran in this process to varying degrees. All have, however, been motivated by a common desire to avoid further political upheaval and military conflict in the Gulf region. Sharing with Iran a perception that the USA will eventually leave the region while Iran will always remain a Gulf power, they have broadly attempted to restrain both US and Iranian hawks, reassuring Iran while avoiding the alienation of the USA.

That this remains the broad strategy remains clear despite the press reporting of the US diplomatic correspondence revealed in November–December 2010 by WikiLeaks. Although US media coverage suggested that the US documents showed Arab Gulf states lining up with Israel in urging an attack on Iran, a closer reading of the material reaffirms that most Gulf regimes, including Saudi Arabia, remain profoundly anxious about the implications for their own security of a military strike. According to the WikiLeaks material, GCC leaders have repeatedly expressed concern and urged caution, sometimes with even greater urgency in the past two years than previously.<sup>6</sup>

### **3. THE IMPACT OF THE IRAQ WAR ON IRAN–GCC RELATIONS**

For the USA and western Europe, the most contentious of the current Iranian regime's policies is its nuclear programme. The GCC states, by contrast, have a different perspective, seeing Iran's new regional influence, and particularly its role in Iraq, as the pre-eminent source of anxiety (Yaphe and Lutes 2005: 20; Kechichian 2001). It is the current and rapidly changing balance of power in the Gulf and the wider Middle East which preoccupies them far more than any putative threat from a nuclear weapons capability which Iran may or may not acquire at some indeterminate point in the future. These anxieties have been exponentially

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<sup>6</sup> For an analysis of the media reporting of the WikiLeaks material see Porter and Lobe (2010).

exacerbated by the revolutionary upheavals which broke out in the Arab world in early 2011, and which quickly spread to several of the Arab Gulf states themselves.

On the British withdrawal from the Gulf in 1971, the Arab Gulf states, and their new US patron, conceptualized security in terms of a balance of power. In the 1970s, the ‘twin pillars’ strategy deployed the shah of Iran and Saudi Arabia as the guarantors of the status quo. After the Iranian revolution of 1979 and the collapse of one of the ‘pillars’, the GCC states, backed by the USA, threw their support behind Saddam Hussein’s invasion of Iran in September 1980, seeing the secular Iraqi Ba’athist regime as the bulwark of Arab interests in the Gulf and their first line of defence against the spread of revolutionary Islam.

Throughout much of the twentieth century Iraq was described by Arab nationalists as the bastion of Arabism. During its war with Iran, pan-Arabist Ba’athist Iraq was described as the ‘defender of the eastern gate of the Arab nation’ (*Hami al-Bawwaba al-Sharqiyya*) against the ‘historic enemies’ of the Arabs – that is, the Persians. The USA supported Iraq during the eight-year war as a counterbalance to revolutionary Iran.<sup>7</sup>

Iraq’s ability, with massive GCC financial support, to deny Iran a military victory in 1988 was greeted with relief by the GCC states. Even the shock of Saddam Hussein’s subsequent invasion of Kuwait was not sufficient for them to come to a rapprochement with Tehran, despite the pragmatism of the new Iranian president, Rafsanjani. The GCC states were now reliant to a novel degree on their US protector, and saw no reason to work at improving relations with Iran, which demanded, as a *sine qua non*, the removal of their protector’s forces from the Gulf region. During the 1990s, the policy of ‘dual containment’, of Iraq and Iran, suited the GCC states well. After his eviction from Kuwait, Saddam, weakened by sanctions, no-fly zones and intermittent US–UK aerial bombardments, no longer represented any threat to any of the GCC states. Yet, in 2003, the GCC states, innately conservative and unable to oppose openly their protector’s determination to remove Saddam, resigned themselves to the 2003 US attack on Iraq, despite all the resulting uncertainty which they knew this invasion would bring to the Gulf.<sup>8</sup>

For the GCC, it was not only the US invasion which destroyed Iraq’s value as a buffer state, but also the policies adopted by the coalition authorities after the occupation, specifically the dismantling of the Iraqi army and the dissolution of the Ba’ath party (Sager 2008). Both the invasion itself and these subsequent policies prepared the way for the

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<sup>7</sup> This support included several billion US dollars in economic and military aid. See Timmerman (1991) and Friedman (1993).

<sup>8</sup> The exception was Kuwait, which enthusiastically supported the 2003 attack on Iraq.

emergence of an empowered Shia majority, many of whose leaders had close links with Tehran. In the GCC's view, Iraq was being transformed by the USA from the heartland of Sunni Arab nationalism into a 'Shia fifth column' opening the way to Persian expansionism. The formation of a Shia-dominated government in Iraq was the single most important event giving rise to the notion of the growing salience in the Middle East of a 'Shia crescent'. For Saudi Arabia, Bahrain and Kuwait, these fears were aggravated by concern at the possible impact on their own Shia communities. Within this overall nexus of anti-Iranian, anti-Shia resentments, the Nuri al-Maliki government in Baghdad, disliked for its supposed Shia character and distrusted as an Iranian pawn, gave further cause for irritation to the GCC by its revival of arguments with Kuwait over old issues of border demarcation, debt and war reparations, while underlying apprehensions were further stimulated by proposed US arms sales to Iraq.

These converging fears, of an emboldened transnational Shia activism and a hegemonic Iranian project, have led the GCC rulers and sections of their populations to sympathize with the Sunni insurgency in Iraq. The GCC attitude was summed up in September 2005 when the Saudi foreign minister, Prince Saud al-Faisal, made the famous comment that they were handing Iraq 'over to Iran without reason' (Beeston 2005). The Iraqi insurgency has been joined by significant numbers of Saudi nationals, sometimes giving the embryonic civil war in Iraq the character of an Iran–Saudi proxy war. Some 2,500 to 3,000 Saudi men fought in Iraq and at the height of the conflict Saudi newspapers carried almost daily death notices of Saudi jihadis who had been killed (Nonneman 2010: 1023).

As far as Iran was concerned, the US decision to invade Iraq initially presented a dilemma. Although Iran ardently desired the removal of Saddam Hussein, it feared any concomitant increase in the US presence in the Gulf region. Opposition to a unilateral US attack remained the official position although in reality practically all shades of Iranian opinion wished for the downfall of the Iraqi regime whatever the consequences. Iran had for decades provided a home for Iraqi Shia exiles, organized in the Supreme Council for the Islamic Revolution in Iraq, and had also established good relations with the Iraqi Kurds; it was well positioned to take advantage of the power vacuum following the US invasion.

Iran's conflicts with Iraq date back to the shah's time and ranged across a number of issues, including boundary demarcation in the Shatt al-Arab and each state's support for the other's opponents, especially the Kurdish parties. Iran's traumatic experience of the eight-year war with Iraq, and the reaction of the Arab states and the international community, which either backed Iraq or actively promoted Iran's isolation, left a deep imprint across

society. Especially affected were those who, like the future president Ahmadinejad, were mobilized as fighters. This furnishes the context within which the basic contours of Iran's position towards Iraq must be placed. Iran's attitude has remained constant as the regime moved from the reformism of Khatami to the radicalism of Ahmadinejad. In broad terms, Iran is determined to maintain a friendly government in Baghdad, to ensure that Iraq can never again present a military threat by providing itself with military, political and strategic depth. It also, however, needs to ensure the eventual removal of US forces from Iraq, and has been ready to support a low-level insurgency, harassing the American army and encouraging its final withdrawal (Bahgat 2007: 4-18).

Iran's policy towards Iraq is determined by broad considerations of security and national interest rather than any ideological rigidity, but it has had an inevitable orientation towards the Shia, with whose political representatives it had long-established links, and who were most receptive to its slogans and cultural practices. Nonetheless, Iran, in contrast to the GCC, was able to adopt a democratic posture towards Iraq, calling for free elections, confident of the numerical strength of the Shia. In the years since the invasion, Iran has acted to consolidate and extend its influence in a number of ways. It has provided money and support for a number of reconstruction and development projects, especially in the south. It has channelled resources to political factions and militias, has funded Shia candidates in elections and even has links to Sunni figures and groups. In early 2008 President Ahmadinejad made the first visit by an Iranian head of state to Iraq and reaffirmed Iran's deepening role in the country, offering Iraq development assistance, including joint projects for oil, pipeline and refinery construction, and a billion-dollar loan (Yaphe 2008).

Iran has taken full advantage of the opportunities offered by the coolness and aloofness towards Baghdad demonstrated by Arab governments, including the GCC states, and the warmth shown by al-Maliki's government towards Ahmadinejad during his visit to Iraq was a very public demonstration of friendship between the two countries. The GCC states, on the contrary, have continued to be unhappy about US policies in Iraq. In particular they see the constitution, the Federal Authority (provinces) Law and the Oil Investments Law as pandering to Shia and Kurdish autonomist ethnic and sectarian inclinations, thus further disempowering the Sunni Arab community and increasing the vulnerability of the entire country to Iranian influence (Sager 2008). They also reacted with extreme frostiness to the agreement between the USA and the Iraqi government on full troop withdrawal by the end of 2011, which they saw as paving the way for even more complete Iranian domination.

Given the trajectory of post-2003 Iraq, the GCC states held fast to their slogans of the necessity to ‘respect the sovereignty, territorial unity and independence of Iraq’, and to ‘protect its Arab and Islamic identity’ (Koch 2009: 82). Saudi Arabia also began to fear that its nationals fighting in Iraq were as much a threat to its own monarchy as to the Baghdad government. By 2008, the GCC states were realizing that their policy of a virtual boycott was leading to their own marginalization rather than to any shift in US policy or in the posture of the Baghdad and Tehran governments. This realization, coupled with intense pressure from the USA to build bridges to the Iraqi government, began to produce a shift in attitude on diplomatic representation and debt relief. Several Gulf states, led by the UAE and quickly followed by Kuwait and Bahrain, announced they would send ambassadors to Iraq, senior Gulf officials visited Baghdad, and the Gulf governments introduced a softening of tone in their public statements on al-Maliki (Hokayem and McGovern 2009: 138). The UAE also waived seven billion dollars in Iraqi debt. Saudi Arabia, by contrast, remained the most reluctant to embrace this tentative new orientation, saying only that it would ‘consider’ debt relief and citing security reasons as an excuse for stalling on the restoration of full diplomatic relations (Koch 2009: 87–8).

As Madawi Al-Rasheed (2010) has shown, the ‘keeper of the eastern gate of the Arab world’, Iraq (whether powerful or weak), was a major source of anxiety for the Saudi monarchy throughout much of the twentieth century and is likely to remain so for the foreseeable future. The current situation in Iraq, especially given the underlying problems revealed by the difficulties experienced by the Iraqi political elite in forming a viable government after the 2010 elections, remains fluid and volatile.<sup>9</sup> Iran is also experiencing difficulties following the disputed 2009 elections. Yet the basic structure of the relationship between the two countries seems stable. The GCC states have only a very limited ability to counterbalance Iranian links to key Iraqi political elements, and have been forced to fall back on rhetorical encouragement of a unitary constitutional framework, and to hope events may cause the USA to delay or abandon its commitment to withdraw troops.

#### **4. THE NUCLEAR ISSUE**

For the Bush administration, Iran’s pursuit of nuclear technology provided an opportunity to campaign against normalization of relations with the country. The Obama administration has continued with its predecessor’s determination to prevent Iran from pursuing its nuclear

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<sup>9</sup> Agreement on the formation of a new government was reached only on 11 November 2010, al-Maliki remaining as prime minister. The elections had been held in March.

programme. Yet the GCC states, for all their deepening reliance on the US military and security umbrella, have largely declined to be mobilized in this campaign. They have, rather, grasped the opportunity presented by the neutralization of international, especially US, opposition to the spread of nuclear technology in the region to launch nuclear energy programmes of their own.

Iran has always maintained that its nuclear programme is for peaceful energy purposes only. Its determination to pursue its nuclear programme has been constant and has not wavered, whether the regime was headed by the pragmatist Rafsanjani, the reformist Khatami or the radical Ahmadinejad. Support for the nuclear programme transcends political differences and has a deep resonance among the general population, for whom it is primarily an issue of national pride and sovereignty. For Ahmadinejad since 2005 the nuclear issue has provided an excellent platform for making a number of political points. He has been given the opportunity to present himself as a champion of Iranian nationalism and national interests, as courageously defying the USA and Israel, and as guaranteeing Iran's long-term energy needs. His stance on the nuclear issue has also allowed him build up his domestic political capital by having his role in advancing the nuclear programme recognized by other key players, including the supreme leader, Ayatullah Khamenei (Ehteshami 2009: 318).

Notwithstanding Iran's protestations that its nuclear programme is civil only, the failure of the International Atomic Energy Agency (IAEA) to produce credible evidence to the contrary, and the 2007 US National Intelligence Estimate on Iran which concluded that Iran had suspended its nuclear weapons programme in 2003 and had not restarted it, the international debate has been framed by the US and Israeli insistence that Iran is seeking a nuclear military capability. Iran has tried to resist the US–Israeli terms for the nuclear debate, insisting that its purposes are peaceful. A regional suspicion that the US stance was cover for a wider campaign to destabilize and delegitimize Iran was strengthened when the USA rejected out of hand a deal brokered by Turkey and Brazil to outsource Iran's uranium enrichment and instead insisted on a new round of UN sanctions.<sup>10</sup> Although the Iranian argument has been dismissed in the West, it has provided the GCC states with cover for their reluctance to be drawn into what they see as essentially a conflict between Iran and the USA.

Iran has rejected the US notion that its nuclear programme has started a regional nuclear arms race. Indeed, in Iran's view, it is already surrounded by hostile nuclear powers, Israel to

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<sup>10</sup> In June 2010 the UN Security Council adopted resolution 1929 imposing a fourth round of sanctions on Iran. Brazil and Turkey voted against, while Lebanon abstained. All three countries were non-permanent members of the Security Council.

its west and Pakistan to its east (El-Hokayem and Legrenzi 2006: 11). Although the US agreement on nuclear cooperation with the UAE and other Arab Gulf states was probably prompted by a US desire to warn Iran of the consequences of its own nuclear programme, its actual effect was rather to free the GCC states to pursue an agenda of their own, to unleash the international nuclear industry and to provide Iran with further justification for its own activities.

The generalized tension between the USA and Iran which has found expression in US opposition to Iran's nuclear programme has presented the GCC states with a dilemma which they can never resolve, but are forced constantly to recalibrate and to balance. In general, having become increasingly enmeshed in and dependent upon the US military presence in the Gulf, they are both obliged and apparently content to allow the broad contours of policy towards Iran to be delineated by the USA. In any case, their interests and those of the USA in preventing a nuclear-armed Iran are similar. They have, however, hesitated over the possibility that US rhetoric might be translated into actual military action (Yaphe and Lutes 2005: 19). They have an intense anxiety over the possible consequences of such action, fuelled by Iranian threats of military retaliation and their own consciousness of the destabilizing effects on their own domestic politics. Not only would their Shia communities be further alienated, but so too would much of the Sunni population, among whom Ahmadinejad's denunciations of Western imperialism and Zionism have struck a deep chord.

Although they fear any enhancement of Iranian hegemony in the region, the prospect of a nuclear-armed Iran is of less urgency to the GCC states than it is to the USA and Israel. Indeed, they are not afraid to stress the danger to the region which they feel to be represented by Israel's own nuclear capability (Yaphe and Lutes 2005: 19; Beeston 2006). Their ability to participate in condemnation of Iran has been significantly weakened by the universal awareness in the region of Israel's nuclear weapons and Iran's skilful exploitation of the charge of double standards and Western hypocrisy, summed up in the 'nuclear apartheid' argument. The danger represented by Iran is perceived differently by the USA and by the GCC states (El-Hokayem and Legrenzi 2006: 18). For the USA, a nuclear Iran poses a regional and even global security threat. The GCC states fear above all Iran's ideological attraction and growing political reach, and the effect this appears to be having on their own Shia communities. In any case, in military terms, the possession by Iran of a nuclear weapon would make little difference, the disparity between their own minimal military capability and Iran in conventional terms is already so overwhelming.

The GCC states are largely convinced of Iranian intransigence (El-Hokayem and Legrenzi 2006: 11). They believe that nothing, including sanctions, will deter or deflect Iran from pursuing nuclear technology, or cause it to abandon any element of its programme, including full possession of the fuel cycle. In this light, the GCC states have adopted different strategies to those of sanctions and threats. They have opted for engagement and placed their hope in the constraint on both Iran and the USA offered by international legitimacy, institutions and agreements. They have reassured Iran that they support its right to peaceful nuclear technology, and have tactfully tried to encourage Iran to be transparent in its nuclear activities, to abide by its commitments as a signatory to the Nuclear Non-Proliferation Treaty and to allow a full role to IAEA inspectors.

The GCC states have been obliged to walk a fine line between showing loyalty to US leadership and warding off further catastrophic military conflict. Iran has engaged in a similar balancing act. It has repeatedly tried to reassure the GCC states that they need not fear its nuclear programme, while at the same time promising reprisals were its nuclear facilities to be attacked. In 2008, for example, the commander of the Revolutionary Guards, Muhammad Ali Jafari, told Al Jazeera that, if the US bases in the Gulf countries were used for a US attack on Iran, Iran would respond swiftly. Although he said that precision missile strikes on the bases would not harm the local population, the warning was clear (Ehteshami 2009: 322; see also McElroy 2008a). In July the same year General Hasan Firuzabad repeated the often-heard threat that in the event of an attack, Iran would close the Strait of Hormuz and use ‘blitzkrieg’ tactics against targets in the Gulf (Koch 2009: 84).

Beyond acknowledging Iran’s right to peaceful nuclear technology and encouraging a diplomatic solution to the problem, there has been no coordinated GCC policy towards Iran’s nuclear programme. On the contrary, as the crisis has deepened and US pressure intensified, variations between individual states have become more apparent. Qatar and Oman have shown the strongest resistance to the US approach. Qatar, for example, while a member of the UN Security Council, used its position to vote against sanctions on Iran. In December 2008 Omani foreign minister Yusuf bin Alawi stated that the Iranian uranium enrichment programme was ‘no cause for concern’ (Farrar–Wellman 2010). Kuwait and the UAE have inclined a little more towards the US position, declaring that they would comply with all UN Security Council resolutions against Iran (see, for example, AFP 2010). Saudi Arabia has been the most outspoken of the GCC states, questioning the peaceful nature of Iran’s enrichment activities and issuing statements condemning Iran’s lack of cooperation with the IAEA.

The GCC states' reluctance to line up with the USA against Iran was thrown into stark relief by the diligence with which the Bush administration pursued the formation of anti-Iran coalitions, on both pan-Arab and Gulf levels. For example, in January 2008 President Bush toured the Middle East and, at high-level meetings in Manama, Kuwait, Riyadh and Abu Dhabi, tried to coordinate an anti-Iran consensus (Al Jazeera 2008a). In March 2008, US vice-president Dick Cheney visited Oman to discuss cooperation over Iran's nuclear programme. In December 2008, the five permanent members of the Security Council plus Germany held a meeting with seven Arab states, Bahrain, Egypt, Iraq, Jordan, Kuwait, Saudi Arabia and the UAE, to discuss how the UN could apply pressure on Iran to suspend its nuclear enrichment. These efforts continued unabated under the new Obama administration (AFP 2008b). In April 2009 the US 'special advisor for the Gulf and Southwest Asia', Dennis Ross,<sup>11</sup> visited Egypt, Saudi Arabia, the UAE, Oman, Bahrain and Qatar to discuss diplomatic efforts to engage Iran over its nuclear programme (Farrar-Wellman 2009b).

Both the Bush and the Obama administrations were gently and diplomatically, but unmistakably, rebuffed. In any case, their efforts had been considerably undermined in April 2008 when, in a spectacular own-goal, the Israeli foreign minister, Tzipi Livni, appeared in Doha and again reiterated President Bush's appeal for an Arab anti-Iran coalition (Ehteshami (2009: 322). Iran naturally made the most of this unexpected propaganda windfall and a chorus of Iranian voices denounced the Gulf monarchs, accusing them of being Muslims in name only and collaborators with the Zionists.

Given Iran's intransigence on the nuclear issue, and the GCC states' lack of enthusiasm for a direct confrontation with Iran, several more nuanced approaches have recently emerged. In February 2010 the US secretary of state, Hillary Clinton, arrived in the Gulf to launch a renewed campaign to win Arab backing for further sanctions against Iran following Tehran's decision to make more highly enriched uranium. Now, however, the GCC states were to play a more tangential role by using their economic resources to firm up global support for sanctions, reassuring China, for example, that its energy supply from Iran would not be affected were sanctions imposed (Borger 2010; see also Borger 2009).

Another more subtle tactic appeared when the GCC states, probably at the suggestion of the USA, began to raise fears of a risk of severe environmental damage allegedly posed by Iran's nuclear programme (El-Hokayem and Legrenzi 2006: 13). The GCC states pointed to

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<sup>11</sup> Ross was appointed to this post (with a portfolio that included Iran) by Hillary Clinton in February 2009 (US State Department 2009). He advocated a tough approach towards Iran that included persuading Europe to increase economic pressure on the government in Tehran. He is a co-founder of United Against Nuclear Iran, a programme of the American Coalition Against Nuclear Iran, Inc.

the location of the nuclear reactor at Bushehr and Iranian plans for more nuclear power plants along the northern shore of the Gulf. Heavily dependent on Gulf water, they expressed concern at the possibility of radiation contamination in the waterway, leaving Kuwait, Bahrain, Qatar and the UAE without drinking water, and of air contamination, given the proximity of Bushehr to population concentrations on the Arab side of the Gulf (Khaitous 2008). While remaining sceptical that Iran would use a nuclear weapon in the Persian Gulf region, they declared their unease at the danger of either a Chernobyl-style accident or a natural disaster, such as an earthquake at a nuclear plant built on or near a fault, and Iran's inability to cope with the consequences of a nuclear accident (Yaphe 2008; Beeston 2006). However, although this line of argument may have had some traction in the West, it was unlikely to affect the Iranians, while its impact was inevitably lessened by the obvious indifference to environmental issues evident on the Arab side of the Gulf.

Occasionally, both Iran and the GCC states have put forward proposals for cooperation in developing a nuclear industry. On Iran's side, these proposals are designed to calm fears, while for the GCC, they are intended to operate as a means of exercising some control over the Iranian programme by bringing it into a regional framework and under international supervision. In 2007, for example, Saudi Arabia proposed a regional nuclear fuel hub. The Saudi foreign minister, Saud al-Faisal, said that the GCC states were willing to establish a consortium for all users of enriched uranium in the Middle East and thus to offer enriched uranium to Iran (BBC 2007). Apparently in response to this initiative, in December 2008 the head of Iran's Atomic Energy Organization suggested the creation of 'a consortium to build and develop light-water nuclear plants ... Iran is ready to present a comprehensive proposal if the Persian Gulf countries agree in principle' (Ehteshami 2009: 323; see also Najibullah 2008).

However, an opposite dynamic has also been in evidence, as various Gulf states, and particularly Saudi Arabia, began to reconsider their own nuclear posture, raising fears of a regional arms race (El-Hokayem and Legrenzi 2006: 11). In September 2006 in Bahrain the GCC secretary-general, Abdul Rahman Al-Attiyah, used a conference on the risks of nuclear pollution and proliferation to call on the Arab world to join forces to develop nuclear power for peaceful purposes. Subsequently the GCC states, led by the UAE, began to take steps to initiate a civil nuclear industry of their own, and Western governments and nuclear industries rushed to take up the proffered opportunities. Both French and US firms were eager to bid to build nuclear power plants. In January 2008 the French president, Nicolas Sarkozy, toured the Arab Gulf states hoping to pave the way for nuclear cooperation between France and the

UAE which it was estimated would be worth up to US\$6 billion. At the same time French officials revealed that Areva, the French nuclear reactor manufacturer, had signed a US\$700 million electricity distribution and transmission deal with Qatar (Al Jazeera 2008b). The USA was eager not to be left behind. In 2008 it signed a technology cooperation agreement with Saudi Arabia that included cooperation on nuclear technology, while the USA and Bahrain signed a Memorandum of Understanding on peaceful nuclear energy cooperation (AFP 2008a). In January 2009 the outgoing secretary of state, Condoleezza Rice, signed a civilian nuclear cooperation agreement with the UAE that, once in effect, would permit US nuclear technology and fuel exports to the UAE (Wasson 2009). These deals had a number of objectives, commercial and political. As well as providing Western firms with lucrative contracts, they were advertised as a model for the Middle East which allowed the development of peaceful nuclear energy while guarding against weapons proliferation, a model which was contrasted with Iran's approach (Dawn 2009). In relation to the UAE, the USA hoped specifically to use the nuclear cooperation agreement as leverage to get a more effective export control regime capable of tightening the operation of the sanctions regime against Iran. Although the USA was partly motivated by the desire to limit trade links between the UAE, and especially Dubai, and Iran, this very trade issue and the possibility of US nuclear technology and materials being smuggled to Iran have proved a major stumbling block to progress on the ratification of the agreement by the USA (Palmer 2008). David Albright, of the Institute for Science and International Security, has described Dubai as 'a nuclear smugglers' hub' (MacAskill 2009). The UAE periodically impounds vessels containing dubious cargoes, and in September 2008 the USA itself charged sixteen companies, including five based in Dubai, with exporting dual-use materials that could be used for civilian or nuclear military weapons industries to Iran in violation of Security Council sanctions (Farrar-Wellman 2009b).

Although the GCC states' nuclear programmes were advertised as strictly for peaceful purposes, they have nonetheless been accompanied by some hawkish rhetoric. Mustafa Alani of the Dubai-based Gulf Research Centre, for example, stated that importing nuclear technology did potentially give the UAE the chance to seek nuclear weapons capability in the long term should Iran develop a nuclear bomb (Dawn 2009). In 2010, the Saudi King Abdullah warned the USA that if Iran developed nuclear weapons, 'everyone in the region would do the same, including Saudi Arabia' (WikiLeaks, cited in Black and Tisdall 2010).

At the same time, and perhaps indicating the uncertainty within GCC political circles, the idea was floated of making the Persian Gulf a 'Weapons of Mass Destruction-Free Zone'.

This notion was first circulated by the Gulf Research Centre in 2004 and was based on a premise that the centre of gravity of the Middle East had shifted from the Levant to the Gulf (Alani 2009: 194). This redefinition of security concerns had the advantage of removing Israel from any discussion of regional nuclear. In 2006, Saudi Prince Saud al-Faisal urged ‘Iran to accept the position that we have taken to make the Gulf, as part of the Middle East, nuclear free and free of weapons of mass destruction’ (Beeston 2006). However, with the decision of the GCC states to opt for nuclear programmes of their own, albeit ostensibly for civil purposes only, this notion has receded from the public discourse.

## **5. IRANIAN–SAUDI RIVALRY**

Iran’s troubled relationship with Saudi Arabia has given rise to greater concern than its relationships with any of the smaller GCC countries (Fürtig 2002; Chubin and Tripp 1996). Both states vying for leadership of the Islamic world, the Wahhabi Saudi monarchy has come into conflict with the Shia revolutionary republic at every level.<sup>12</sup> In Ramazani’s famous summary, the conservative Saudi Wahhabis clashed with the revolutionary Iranians in terms of ‘clericalism versus monarchism; populism versus elitism; regionalism versus peninsularism; Shiaism versus Sunniism; and anti-Westernism versus pro-Western non-alignmentism’ (Ramazani 1988: 92). The political and ideological conflict between the two states has expressed itself in tensions in bilateral relations between them, in rivalry at the Gulf and regional Middle East levels, and in terms of domestic politics. Since 1979 Saudi Arabia has been prone to a suspicion of its domestic Shia communities as an actual or potential fifth column while Iran has its own concerns about Saudi-sponsored threats to its security. Although a more muted issue, Iranian sensitivity to the security of its oil province of Khuzestan, adjacent to Iraq, has also heightened with the intensification of the Sunni insurgency after the US invasion. Iran resents attempts by outside elements to play on the ethnic and religious sympathies of the Arab population of Khuzestan, attempts which echo those of Saddam Hussein in the late 1970s and early 1980s. Similar security concerns relate to terrorist attacks apparently carried out after the infiltration of Wahhabi jihadis from Afghanistan into Iranian Baluchistan.

Despite periodic efforts by both sides to reach a rapprochement, relations have remained difficult. The Hajj pilgrimage is an ongoing flashpoint. In the early 1980s, as Saudi Arabia’s support for Iraq in its war with Iraq solidified, Iranian pilgrims began to stage

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<sup>12</sup> Wahhabism is the official Islamic ideology of Saudi Arabia. It is a conservative Sunni current based on the teachings of Muhammad Ibn Abdul Wahhab, an eighteenth-century Arabian preacher who advocated purging Islam of ‘innovations’ and denounced the popular cult of saints, shrines and tomb visiting.

demonstrations in Mecca and Medina during the Hajj. The demonstrations were always a cause of tension and, in 1987, as the USA began the reflagging of Kuwaiti tankers, making them US ships eligible for US Navy escorts as part of the ‘tanker war’, the demonstrations erupted into violence, resulting in around 400 Iranian pilgrims dead, and leaving a deep psychological scar on Iranian opinion, both official and popular (Marschall 2003: 52, 203; Niblock 2006: 82–3). The Saudi introduction of a quota system for pilgrims after this episode was again a source of controversy, the Iranians believing the quotas were manipulated against them, and the Saudis continued to control and prevent political demonstrations during the Hajj. Although, since the disaster of 1987, major conflicts over the Hajj have been managed and avoided, low-level tension persists. In July 2009, for example, Iran’s foreign minister, Manouchehr Mottaki, summoned the Saudi ambassador in Tehran to complain about the treatment meted out to Iranian pilgrims after the Saudi authorities fingerprinted Iranian women arriving at Jeddah airport. The row escalated and led to the head of Iran’s pilgrimage office in Saudi Arabia issuing a severe criticism of the Saudi morality police and calling on the Saudi authorities to reduce abuses of pilgrims (Farrar-Wellman 2009a).

As the US presence in the Gulf grew stronger, first after Iraq’s invasion of Kuwait and then after the US attack on Iraq in 2003, Saudi Arabia moved more unequivocally into the Western camp and its rivalry with Iran for regional leadership of the wider Middle East emerged ever more clearly. Two axes seemed to crystallize in opposition to each other. One, led by Saudi Arabia, was pro-USA and incorporated the conservative Sunni monarchy of King Abdullah II in Jordan and the regime of Hosni Mubarak in Egypt, both locked in conflict with domestic Islamist forces.<sup>13</sup> The anti-US axis was headed by Iran, and included rejectionist Syria, the Lebanese Hizbullah and Hamas. The latter network was further enhanced by the partial adhesion of a newly assertive Turkey, whose diplomatic and economic links with Iran and Syria were increasing. As a result, the friction between Saudi Arabia and Iran, which first emerged after the 1979 revolution, acquired ramifications which stretched across the entire region.

However, the sudden outbreak of the ‘Arab Spring’ and revolutionary turmoil across the Arab world in early 2011 disorganized and disrupted the anti-Iran axis. The months following the February fall of Hosni Mubarak, in particular, signalled a profound reorientation of Egyptian regional policy, of which Iran was a major beneficiary. Departing from Mubarak’s

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<sup>13</sup> In private communications with the USA, both the Egyptian and the Jordanian regimes have revealed even more strongly their fear of Iran. For example, the US ambassador in Cairo, Margaret Scobey, described Mubarak as having ‘a visceral hatred for the Islamic Republic’ (WikiLeaks, cited in Guardian 2010a).

alignment with the USA and Saudi Arabia, the post-Mubarak Egyptian authorities rapidly improved relations with Iran. This was dramatically signalled when Iranian warships passed through the Suez Canal on their way to Syrian ports, the first to pass through the waterway since the 1979 revolution. Iran's regional standing was further enhanced within the emerging regional realignment when Egypt successfully brokered a unity accord between the Palestinian Authority and Hamas, a development coordinated with and warmly supported by Iran.

The Saudis have been obliged to try to counter growing Iranian influence in a wide range of contexts. Saudi Arabia has been the most vocal of the regional states in its public expressions of concern over Iran's nuclear programme, and has openly called for a common Arab vision on how to deal with the Iranian challenge (Al-Bawaba 2009). The dangers represented by the strengthening Iranian pole of attraction have been compounded for Saudi Arabia by the fact that, for much of the Saudi population, the Iranian rhetoric has an immense appeal, contrasting starkly with what appears to be their own government's submission to US interests. This danger appears most strikingly in relation to the Israel–Palestine conflict, where Iran's vociferous support for Palestinian rejectionism has had a particular resonance for the Arab 'street', and where Saudi sponsorship of Arab peace plans has been shown to be particularly futile. The Saudi monarchy, the guardian of Islam's holy places, has routinely reiterated the Arab and Islamic world's support for the Palestinian people and their struggle against Zionism. Recently, however, in deference to US policy and in a bid to counter Iran's rejectionism, the Saudi position has shifted. The Israeli assault on Lebanon in 2006, aimed at Hizbullah, initially produced a muted response from the Saudi government, which disliked the Shia Hizbullah and their links to Iran. The Saudis announced that they found Hizbullah entirely responsible for the 2006 war and that Hizbullah's actions were 'unexpected, inappropriate and irresponsible' (Fattah 2006). The Saudi government suppressed pro-Hizbullah demonstrations by both Saudi Sunni and Shia (Human Rights Watch 2009). The Saudis were, however, quickly forced to row back and openly condemn Israel by the vehemence of public opinion, including religious opinion. In subsequent years, the Saudi suspicion of Hizbullah led it to grow closer to the pro-American Lebanese government (Laessing and Hammond 2009: 7), a closeness which had the unintended effect of weakening its own role as it lost its ability to act as an effective intermediary in negotiations with Hizbullah. Meanwhile Tehran has used its Lebanese connections, and the widespread admiration among the Arab public for Hizbullah's 2006 victory over Israel, to provide a springboard for a deeper involvement in the politics of the Levant. Similarly, in December

2008, the Saudi government was openly critical of Hamas, which it accused of provoking the Israeli assault on Gaza, while its own impotence has been further exposed by the failure of its efforts to engineer a post-Hamas government of national unity in Palestine. Saudi Arabia has been forced to tread very carefully in its rhetorical and diplomatic shifts, the unpopularity of its stance everywhere highlighted by President Ahmadinejad's unashamed and often successful bids for the approval of public opinion.

Notwithstanding the constraints on the public Saudi position imposed by domestic and regional public opinion, in private the king and other senior members of the extensive royal family have felt able to use freer language. In November 2010 the US media widely publicized King Abdullah's remark, referring to Iran, that the US should 'cut off the head of the snake' (WikiLeaks, cited in Guardian 2010b). Yet in fact, however revealing this colourful language may have been about the state of mind of Saudi royals, it did not reflect any change in official Saudi policy, the Saudi foreign minister, for example, restricting himself to calling for more severe sanctions. In general, Saudi foreign affairs bureaucrats have been more cautious in their views on Iran, a US diplomat noting that they diverge significantly from the more bellicose advice we have gotten from senior Saudi royals' (WikiLeaks, cited in Black and Tisdall 2010).

The assumption by Saudi Arabia of the leadership of an anti-Iran axis in the Middle East has also increasingly led to the deployment of an overtly sectarian discourse in international relations, Saudi Arabia and its satellites, particularly Jordan, inventing and disseminating a discourse based on the notion of a 'Shia crescent' (see, for example, AHN 2010). Whereas Khomeini attacked the legitimacy of the Saudi monarchy on political grounds, denouncing it as a puppet of America, the Saudis, including Saudi religious scholars, have tended to train their sights on the Shia as such, declaring them idolators and unbelievers. This has had serious domestic as well as international consequences.

The friction between the governments of Saudi Arabia and Iran has sometimes erupted into the open, but has also been carried on in more indirect ways. One method has been the deployment of proxies and surrogates. For example, thousands of Saudi fighters joined the insurgency in Iraq in a bid to counter rising Shia and Iranian influence. In Yemen too, a local conflict has appeared to be assuming a wider regional significance. In 2004 Shia Zaydi tribal rebels, led by a militant cleric, Husain al-Huthi, launched an insurgency in the northern Yemeni province of Sa'ada. Fighting between the al-Huthi, as the tribal insurgents became known, has erupted at intervals since. Although an outbreak in 2006 was defused by Qatari mediation, fighting was renewed in 2007 and has continued intermittently, with varying

degrees of intensity, ever since. The al-Huthi appear to be motivated by a number of concerns, including government corruption, the social and economic marginalization of the Shia communities, the growing influence of Sunni Wahhabism in the Yemen, and the country's strong links with the USA (Pradhan 2009). The Yemeni president, Ali Abdullah Saleh, has issued fierce denunciations of the al-Huthi, accusing them of different motives, of wishing to restore the monarchy, the Zaydi Imamate overthrown in 1962, and of seeking to establish a Shia state under Iranian protection in Yemen or a part of Yemen.

Almost immediately upon the outbreak of the al-Huthi rebellion in 2004, the Yemeni government accused foreign forces of supporting the al-Huthi, although at this time these comments were believed to refer to Saudi Shia (Lawless 2010: 1280). But President Saleh quickly refocused his attention on Iran. Over the previous few years Yemen and Iran had built good relations, epitomized by the warm reception given to President Khatami on his visit in 1999. Yemen declared itself keen to involve Iran in regional security arrangements, and friendly high-level diplomatic exchanges took place on ways to improve bilateral relations. In 2009 the two countries agreed to cooperate on anti-piracy measures in the Gulf of Aden, and Yemen issued statements of strong support for Iran's right to a peaceful nuclear programme.<sup>14</sup> Yet relations began to be marred by Yemeni accusations of Iranian support for the al-Huthi rebellion. In May 2007 Yemen recalled its ambassadors from Iran and Libya, accusing both countries of providing support, including weapons, for the al-Huthi (Lawless 2010: 1286). The damage was repaired but since then similar charges have been frequent and increasingly fierce.

The Yemeni army has been quite unable to impose a decisive defeat on the rebels. Perhaps in part to explain their failure, the Yemeni military have stated that the al-Huthi rebels have been using Iranian weapons, including machine guns, short-range rockets and advanced communications equipment. In August 2009 a Yemeni government spokesman reiterated the accusation that Iran was providing financial backing for the rebels. Both the al-Huthi themselves and the Iranian government denied these charges, with Iran offering to help broker a peaceful solution to the conflict. Both Iran and the al-Huthi also took the opportunity to accuse Saudi Arabia of supplying sophisticated weapons to the Yemeni army and of providing military bases to Yemen to launch attacks on the al-Huthi from Saudi territory. Saudi Arabia, in turn, denied these charges. Yet it was clear that the Saudis were becoming increasingly involved in the situation, partly due to nervousness about any extension of

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<sup>14</sup> For further examples of Iran–Yemen cooperation, see, for example, Almotamar (2009).

Iranian influence, and partly because of al-Huthi infiltration into Saudi territory and the possible effect on their own Shia population.

In the latter part of 2009 a dramatic escalation in the conflict took place, Iran and Saudi Arabia were drawn in more openly and fears were raised of a regional proxy war (Raghavan 2009). The al-Huthi attacked Saudi border security guards and crossed into Saudi territory and, in retaliation, the Saudis launched heavy military operations, including aerial bombardments in Yemeni territory, to push the al-Huthi back into Yemen and away from the border. Serious confrontations were reported from Saudi territory bordering Yemen, with several deaths on both sides. Saudi Arabia also imposed a naval blockade on the Red Sea coast of Yemen to check the alleged flow of weapons to the al-Huthi (Raghavan 2009).

These military operations were accompanied by a war of words involving Yemen, Saudi Arabia and Iran, including accusations, counter-accusations and denials. In a justification of Saudi support, Yemen's minister of religious affairs stated that the al-Huthi aim was to carve a state out of north Yemen and southern Saudi Arabia (Pradhan 2009), while the Iranian foreign minister, Manouchehr Mottaki, in a veiled threat to Saudi Arabia, warned against the consequences of any foreign intervention (Hider 2009). Yemen denied allegations that it had established a joint operations room with Saudi Arabia for running the conflict, and the al-Huthi themselves also denied that they had any hostile intentions towards Saudi Arabia or were fighting a proxy war on Iran's behalf in Yemen (Arrabyee 2009). Saudi Arabia received the backing of all the GCC states for its action against the al-Huthi, the GCC foreign ministers expressing their full approval of what they described as Saudi Arabia's defence of its territorial sovereignty. Iran, meanwhile, expressed the opinion that Yemen should seek to rehabilitate its relations with its own population, including the Shia community, and called for a political solution to the conflict (Pradhan 2009).

In early 2011 the al-Huthi changed tactics and joined the massive urban protests demanding the resignation of the president, Ali Abdullah Saleh. They were reported to have taken to the streets of the capital city of Sa'ada province in their thousands. Although their protests were peaceful, they were, as elsewhere in Yemen, met with military force, and at least two demonstrators were killed in the city (Oweis 2011).

Although severely weakened, President Saleh remained securely in office. However, Yemen's march towards the status of a failed state, the slow collapse of the Yemeni government and the intensification of centrifugal tribal and political forces looked likely to lead to the intensification of the regional dimension to what began as a domestic conflict. Saudi backing increased the Yemeni government's intransigence towards the al-Huthi and

strengthened its resolve to reject Iran's calls for a negotiated settlement involving regional powers. However, the participation of the al-Huthi in the widespread peaceful opposition opened up possibilities for a post-Saleh Yemeni government to resolve the conflict on a new basis, but at the time of writing the deadlock between the president and Yemeni society remains unresolved.

## **6. IRAN AND THE SHIA COMMUNITIES IN THE GCC STATES**

All the GCC states have Shia communities although all are ruled by Sunni monarchies. In Oman, Qatar, the UAE and even Kuwait these communities are reasonably well integrated, share in the general economic prosperity and are disinclined towards political activism. In Saudi Arabia and Bahrain, however, the Shia are both socio-economically and politically marginalized and it is in these countries that the Shia communities have been problematized by governments as a threat. In Saudi Arabia, the Shia population numbers only approximately 10 to 15 per cent of the population, around 2 million. They are, however, concentrated in the oil-rich Eastern Province of Hasa, where they constitute 40 to 60 per cent of the workforce in the oil industry. Bahrain, on the other hand, has a large Shia majority, constituting around 70 per cent of the total population. The Iranian revolution produced shocks to both Saudi and Bahraini politics, with uprisings in Saudi Arabia and an alleged coup attempt and sustained political unrest in Bahrain, while Khomeini repeatedly called on the Gulf populations, both Shia and Sunni, to overthrow their rulers (Jones 2006: 213–33). Although the 1990s saw Iran largely abandon its calls for revolution in the Arab Gulf states in favour of an accommodation with the status quo and good relations with Arab Gulf rulers, nonetheless the psychological impact of the revolutionary period remained profound.

Even before the 1979 revolution, the Saudi and Bahraini Shia had been the object of suspicion and discrimination (International Crisis Group 2005; Al-Rasheed 1998). The revolution itself produced within GCC political elites a permanent tendency to conflate internal and external challenges to their power and legitimacy (Ulrichsen 2009: 12). They now saw political and economic demands coming from domestic Shia communities not only as a threat to their own hegemony but also as the harbinger of increasing Iranian influence.

For the Bahraini monarchy, concern at possible Iranian influence over the majority Shia community is occasionally enflamed by the resurrection of Iranian claims to the island. Locked in an ongoing struggle over political liberalization with domestic opponents, both Sunni and Shia, Bahrain has resorted to repeated crackdowns (see, for example, BBC 2009; Bahrain Center for Human Rights 2009). For the Bahraini monarchy, the demands for greater

political participation from Sunni and Shia alike raise profound existential issues. Alone of the GCC states, but in common with Iraq, the Sunni Bahraini elite must negotiate a reality in which democratization would inevitably empower the Shia majority at their own expense.<sup>15</sup>

In early 2011 the fundamental contradictions at the heart of the rule of the al-Khalifa family in Bahrain erupted into perhaps the most serious crisis in the island's history and led to a war of words between the GCC and Iran. Pro-democracy protesters, largely but not exclusively economically disadvantaged and Shia, erected tents at Pearl roundabout in the capital, Manama, in an attempt to replicate the success of the Egyptian opposition encamped for weeks in Cairo's Tahrir Square. Violent crackdowns forced the demonstrators from Pearl roundabout, which was subsequently demolished, but failed to end the protests. Finally, the al-Khalifa family requested help from other GCC states, and Saudi and UAE troops arrived on the island across the causeway linking Bahrain to Saudi Arabia. Relations between Iran and the GCC states immediately plummeted. The GCC issued a statement calling on the international community and the UN Security Council to take measures against what they described as Iran's interference and provocation in Persian Gulf affairs. Iran's foreign ministry denounced the GCC accusations as baseless and the presence of foreign troops in Bahrain as unacceptable, described the demands of the protesters as legitimate and called for an end to the regime's violence.

The impact of the Iraq war, the consequent spread of Iranian influence and the elaboration of an increasingly sectarian discourse across the region has also had a serious domestic impact in Saudi Arabia. A perennial suspicion of the Shia as unbelievers and as inherently disloyal to the monarchy, and now also as cat's-paws of Iran, has deepened existing internal fissures in Saudi politics and society. A new regional Shia self-confidence has resulted in an increasingly vocal demand for an end to the marginalization and exclusion of Saudi Shia, this in turn intensifying existing prejudices within the kingdom.

The resulting tensions erupted into the open in February 2009 when a pilgrimage of Saudi Shia to Medina to observe the anniversary of the Prophet Muhammad's death led to clashes between the pilgrims and Saudi security forces, who tried to prevent what they considered to be idolatrous practices. In February and early March demonstrations in Eastern Province protesting at the arrests in Medina were suppressed with many more arrests. Following these demonstrations, existing restrictions on Shia communal life were intensified, exacerbating the existing sense of discrimination (Human Rights Watch 2009: 1–2).

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<sup>15</sup> For the internal divisions among the Shia of Bahrain and of other GCC states, see Louër (2008).

In early 2011 the revolutionary upheavals evident across the Arab world immediately reactivated Shia protests, despite a government ban on public demonstrations. Hundreds of Shia staged demonstrations in Eastern Province demanding political reforms, religious freedoms, the release of prisoners detained without trial and an end to arbitrary arrests (International Business Times 2011).

The Saudi monarchy's attitude to its Shia subjects has always been fraught with tension. To its religious dislike was added, after 1979, fear of a political radicalism. The uprising of 1979 was brutally suppressed while in 1995 a large number of Shia in Eastern Province, accused of involvement with the Bahraini opposition, were arrested. Scores more suffered the same fate after the al-Khobar bombing, in which Iranian involvement was alleged (Human Rights Watch 2009: 7). Nonetheless, the Saudi government has made some overtures to the Shia. In 1993 it came to a partially successful understanding with representatives of the émigré Shia opposition and, by the early twenty-first century, reconciliation had come firmly into vogue. In 2003, the then crown prince, Abdullah, initiated the 'National Dialogues' between Sunni and Shia (Human Rights Watch 2009: 6–7). Since 2006, however, this process has gone into reverse and tensions between Shia and Sunni Saudis have once again increased, fuelled in part by developments in Iraq and the perceived growth in Iranian influence in the region.

This increasing tension is visible both on the official level and in terms of public opinion. It clear, for example, that the Saudi government has been determined to crack down on all manifestations of political activism among the Shia, not only that directed towards improving the position of their own community. For example, in 2006, during the war between Israel and the Lebanese Hizbullah, the Saudi government arrested Shia in the Eastern Province who put pictures of Hassan Nasrallah, the Hizbullah leader, in their cars or on their mobile phones (Human Rights Watch 2009: 7). Again, in late December 2008, Saudi security forces fired rubber bullets into a demonstration by Shia protesting at the Israeli bombardment of Gaza and arrested more than a dozen people in the Eastern Province (Matthiesen 2009). Anti-Shia sentiments among sections of public opinion, especially religious opinion, have also hardened. The videotape of Saddam Hussein's execution amidst taunts from Shia observers resulted in a tendency among Saudis to hold all the Shia, including those in Saudi Arabia, responsible for the oppression of Iraqi Sunnis (Human Rights Watch 2009: 7). New electronic media have also contributed to the wider dissemination of a sectarian rhetoric. Internet discussion forums popularized by Saudi visitors are full of vitriolic denunciations of Shiis inside the kingdom and out (Jones 2005: 6). Shia

electronic groups have responded in kind, with denunciations of the supposed Wahhabi threat to Islam.

As well as fears of political radicalization and destabilization, Saudi officials have also occasionally expressed concern at a possible Shia threat to the territorial integrity of the kingdom. After the attacks of 9/11, US neocon elements apparently floated the idea of an independent Shia state in the Eastern Province. Although this idea had little appeal for the US administration of George W. Bush, it re-emerged voiced by indigenous Saudi Shia. After the clashes of early 2009, Shaykh Nimr al-Nimr, a leading Shia cleric, raised the possibility of the Shia seeking independence from Saudi Arabia in a Friday sermon (Matthieson 2009: 5–6; Human Rights Watch 2009: 19). Despite the closeness of the Saudi monarchy to the USA, resentments remain in Saudi official circles about US policy across the region, which they suspect is intended to strengthen the Shia at Sunni expense, permanently altering the balance of power between the two communities (Jones 2005: 6). Recently, even more extreme Saudi anxieties have begun to appear, of Saudi Shia linking up with Bahraini Shia to encircle the Eastern Province with Iranian support, and of Yemeni al-Huthi designs on southern Saudi territory.

## **7. IRAN AND THE UAE: ISLANDS AND TRADE**

In general, Iran has pursued good relations with the GCC states separately, fostering and expanding bilateral ties, a process which has even accelerated since Mahmud Ahmadinejad became Iranian president. Individual GCC states have been drawn into such bilateral relationships with Iran to varying degrees, and the resulting nexus has often been highly contradictory. This is perhaps best illustrated by the case of the UAE.

Iran has perhaps the worst formal relationship with the UAE, due to its continuing low-level dispute with Sharjah and Ras al-Khaimah, constituent emirates of the UAE, over the Gulf islands of Abu Musa and the Greater and Lesser Tunbs.<sup>16</sup> Yet its trading and financial links with Dubai, another UAE emirate, have continued to prosper unhindered by any strategic, political or diplomatic impediments. Despite occasional routine reiterations of a unified GCC position on the Arab sovereignty of the islands, the GCC has either failed or in practice been uninterested in devising any real policy aimed at challenging Iranian possession of the islands, a diplomatic reality of which Iran has been well aware (Stracke 2008).

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<sup>16</sup> Greater Tunb and Lesser Tunb: in Persian, *Tonb-e Bozorg* and *Tonb-e Kuchak*; in Arabic *Tunb al-Kubra* and *Tunb al-Sughra*.

The disputes over the islands began with the first stirrings of modern nationalism in the region. As early as the mid-1840s the Iranian foreign minister claimed all the waters and islands of the Gulf as Persian (Schofield 1994: 35).<sup>17</sup> Iranian claims to Abu Musa and the Tunbs were aggressively advanced by the Pahlavi shahs, while the contrary claims of the Qasimi shaykhdoms of Sharjah and Ras al-Khaimah were upheld by their British protectors. With the British withdrawal from the Gulf, Iran and the Arab shaykhdoms were brought face to face in the dispute. In 1971 the ruler of Sharjah reluctantly came to an agreement with Muhammad Reza Shah according to which both countries' sovereignty claim was recognized. The Tunbs, however, were forcibly occupied by Iran, after the shaykh of Ras al-Khaimah rejected Iran's demand that he cede sovereignty peacefully.

Iranian claims to the islands are a feature of a nationalism deeper than the policy of any particular regime and which transcends affiliations of party or religion. The Iranian case bases itself on a general assertion of national claims in the region and has been upheld with equal vigour by both monarchy and republic, and by reformists, pragmatists and revolutionaries alike. Although the territorial dispute is of long standing, the islands have, in recent decades, taken on a new significance. Abu Musa is only sparsely populated, and the Tunbs apparently uninhabited, yet their strategic value to Iran is immense. Abu Musa lies at the mouth of the Strait of Hormuz, through which passes a fifth of the world's oil supplies, and Iran's presence on Abu Musa considerably enhances its ability to control this shipping lane (Dabbs 1996: 4). This was evidenced during the Tanker War of the 1980s when Iran's military deployments on Abu Musa were important to its harrying of reflagged vessels. In the context of its aspirations towards hegemony in the Gulf, Abu Musa gives Iran a base for projecting its power southwards, and also provides additional protection for Bandar Abbas, an Iranian Gulf port with major oil industry and military installations (Dabbs 1996: 4). Iranian warnings of closure of the Strait have been a hardy perennial, and re-emerge whenever threats of US or Israeli attacks intensify. The islands have an additional importance due to the potential for oil exploration in their environs. There have, for example, been reports of large oil reserves under Abu Musa.

The capacity of the islands dispute, essentially a local matter between Iran and the emirates of Sharjah and Ras al-Khaimah, to take on a wider, pan-Arab significance was illustrated at the beginning of the Iran–Iraq war when Saddam Hussein declared their restoration to the Arab homeland as a prime territorial goal (Schofield 1994: 40). Nonetheless

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<sup>17</sup> For a recent comprehensive account of the islands dispute see Ahmadi (2008); see also Amirahmadi (1996).

the status quo resulting from the Shah's action in 1971 remained in place. In the early 1990s, in the context of another of the periodic deteriorations in Iran–GCC relations, the dispute once again broke into the open. The Iranian president, Rafsanjani, his reputation for pragmatism notwithstanding, began to assert Iran's presence on Abu Musa more forcefully. Iran claimed sovereignty over both Abu Musa and the two Tunbs and over the next few years built an airport on Abu Musa and a power station on Greater Tunb. Beyond rhetorical denunciations, neither the UAE nor the GCC was able to halt the solidification of the Iranian hold on the islands while Iran stonewalled on the question of negotiations or international arbitration. For example, in the latter part of the 1990s, Saudi Arabia together with Qatar and Oman formed a committee to facilitate direct negotiations between the UAE and Iran. Iran, however, refused to cooperate with the committee, which collapsed in 2001 (Europa Publications 2010: 1404).

Despite wider improvements in Iran–UAE relations, the dispute continues to rankle and periodically resurfaces in UAE diplomatic discourse. However, given the enormous military disparity between the two sides, and the immense advantage conferred on Iran by its actual physical presence on the islands, Iran has preferred to downgrade and sideline the issue and has taken to referring to the dispute as a 'misunderstanding' (Koch 2009: 85). The UAE has taken particular exception to this reinvention, and has rejected offers of talks to clarify this 'misunderstanding'.

The dangers for the UAE of any aggressive diplomatic posture on the issue were well illustrated in 2008. In June the UAE representative, at a meeting of the Non-Aligned Movement in Tehran, made a speech reiterating his country's call for Iran to settle the dispute peacefully either through bilateral talks or through the International Court of Justice. The delivery of such a message to an international audience in Tehran itself provoked a strong reaction from the Iranian government (Stracke 2008). Insisting that the islands were Iranian, in August 2008 Iran opened two new offices on Abu Musa in August, for maritime rescue and ship registration. The UAE submitted an official protest to the UN complaining that Iran's actions violated the 1971 Memorandum of Understanding and were a bid to change the legal status of the island (Koch 2009: 86). The GCC demanded the removal of what it described as the 'illegal installations' and its secretary-general, in a blatant attempt to attract support by locating the dispute within a pan-Arab and Arab nationalist discourse, compared Iranian action over the islands to the Israeli occupation of Palestinian land. Nonetheless, Iranian action proved much more significant than GCC rhetoric and the Iranian offices remained in place.

The readiness of both sides to relegate the islands dispute to the diplomatic margins was evident in the fact that, in the October of the same year, 2008, Mahmud Ahmadinejad paid an official state visit to the UAE and the two countries signed a memorandum of understanding that provided for the development of a joint committee for increasing bilateral cooperation.

In the current context, the UAE's options for dealing with the dispute are extremely limited. Obviously any military challenge to Iran is out of the question, given the huge disparities between the two countries and given the general GCC desire to avoid increasing tension within the region and to placate an ever-more powerful Iran. A recognition of its relative weakness has led the UAE always to eschew the language of confrontation and to emphasize the need for a diplomatic solution to this issue. Furthermore, Iran appreciates only too well that the UAE will not allow the booming business connections between the two countries to be jeopardized by friction over this issue. The UAE has so far failed to rally sufficient concern to make this issue one of central importance to the wider regional and international community or to generate sufficient diplomatic pressure to force Iran to the negotiating table (Stracke 2008). Should large oil reserves be located within the vicinity of the islands, however, the US attitude might undergo a sharp revision.

It is possible that, in the context of military strikes or an all-out military assault on Iran, the UAE might seek to establish a physical presence on Abu Musa, although, given that any Iranian regime of almost any conceivable political complexion would maintain Iranian rights to the islands, the UAE would not be able to sustain its presence. Again, any retention of the islands by the UAE might only become a theoretical option were an Iranian regime in place which was completely subservient to American interests, while abandoning territory seen as part of the national patrimony would render any such regime devoid of legitimacy in the eyes of the overwhelming majority of Iranians.

In the context of its general assertion of its sovereignty over the Persian Gulf, an Iranian claim to Bahrain occasionally resurfaces. The shah dropped Iran's claim to Bahrain in 1969, paradoxically as part of a broader strategy of replacing Britain as the leading power in the Gulf region upon Britain's withdrawal in 1971 (Alvandi 2010).<sup>18</sup> Upon Iran's abandonment of its claim, the UN determined that the majority of the population desired independence. Although an Iranian claim to Bahrain is no longer part of mainstream thinking it is occasionally revived in the Iranian media (Ulrichsen 2009: 12). For example, in July 2007, an opinion piece in the Iranian newspaper *Kayhan* by its editor, Husain Shariatmadari, declared

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<sup>18</sup> For background see Smith (2004); Louis (2003).

Bahrain to be a province of Iran and demanded its return, although the Iranian government later made it clear that this article did not reflect its policy. In February 2009 Ali Akbar Nateq-Nuri, an adviser to the supreme leader, Ayatullah Khamenei, repeated the Iranian claim (Today's Zaman 2009; Slackman and Worth 2009). While the Iranian government has officially distanced itself from these claims, they nonetheless perhaps serve the purpose of warning the GCC states of what they might lose in the event of an all-out military conflagration in the Gulf.

Paradoxically, and despite the islands dispute with Sharjah and Ras al-Khaimah, Iran's ties to Dubai, the second most important constituent emirate of the UAE after Abu Dhabi, are extremely close. These ties are not primarily political or diplomatic, but rather economic, and they have developed directly as a result of international efforts to isolate Iran. The scale of trading and financial transactions between Iran and Dubai is immense. The UAE is by far Iran's largest global trade partner. Dubai in particular is a major exporter to Iran and a re-exporter of Iranian goods. This trade route is of great political as well as economic significance as it reinforces Iran in its belief that it can successfully ride out US sanctions (Carney 2009). According to the Iranian Business Council, Dubai is home to 8,000 Iranian businesses and 1,200 trading companies. Capital flows from Iran to Dubai in search of profit, and Iranian investment in Dubai now reaches US\$14 billion each year, the IBC vice-president estimating the accumulated assets of Iranians in the UAE to be about US\$300 billion (Irish 2007; Sanati 2008). This investment is not only private but is also made by the Iranian government itself, and probably by the Islamic foundations (*bonyads*) and the Revolutionary Guards, through Dubai-based front companies. Dubai even provides an opportunity for US firms to do business with Iran without falling foul of sanctions. In December 2007 the US Government Accountability Office reported that the UAE was the biggest importer of US products in the Middle East and North Africa (Foroohar 2010). Observers calculated that, of the 80 per cent of this total which was re-exported, about a quarter went to Iran (Foroohar 2010). The convergence of US and local business interests has made Dubai 'the chief transit point' for US goods entering Iran (Stewart 2008).

The Iranian community in Dubai has expanded to service these ties. According to the Iranian consulate in Dubai, at least 400,000 of the UAE's 4.1 million residents are Iranian and three-quarters of these are in Dubai, where they account for about a quarter of the city's total population. The numbers have almost doubled since 2003 (Irish 2007). Iran is Dubai airport's top destination, with more than 300 flights per week.

As Dubai's economic and financial links with Iran have grown, so too has US concern. In 2007 US pressure on the UAE led to the UAE promising to impose export controls but, given the volume of trade and the speed at which Dubai's Jebel Ali port was expanding, these controls had little effect (McElroy 2008b). Dubai has also lent only a half-hearted cooperation to America's campaign to target Iran's financial operations. Efforts by the USA to prevent branches of foreign banks in the UAE from doing business with Iran, and to isolate Iran's main state-owned banks, Melli and Saderat, which have branches abroad, have come directly up against Dubai's own business interests (Sanati 2008; Foroohar 2010). Nonetheless, in May 2007, in the midst of the US lobbying, Mahmud Ahmadinejad became the first Iranian president since 1979 to visit the UAE, and in 2008 the visit was returned by the UAE prime minister. In 2008, despite US pressures, Iran and the UAE began top-level talks to boost economic relations.

Dubai has occasionally been made painfully aware that its business links with Iran comes at a price. The attempt by the state-owned Dubai Ports World to buy port management businesses in six major US seaports led to uproar in Congress and a panic over America's maritime security. In late 2009 the debt crisis which suddenly struck Dubai provided an opportunity to apply extra pressure. Abu Dhabi, the wealthiest member of the UAE, appeared, at US urging, to be tying a financial bail-out to an agreement from Dubai that it would limit its business connections to Iran (Carney 2009). However, although US policies have complicated Dubai-Iranian transactions, their overall impact has been negligible, with restrictions easily circumvented (Sanati 2008).

## **8. CONCLUSION**

The first decade of the twenty-first century has been one of war and upheaval in the Persian Gulf region. The conflict embroiling the region has given rise to certain new or newly apparent political realities: the removal of the bulwark of Iraq, and the ever-more obvious regional rivalry between the conservative, pro-Western, Wahhabi Saudi monarchy, and the populist, anti-American, Shia republic. Nonetheless, certain key features of the relationship between Iran and the GCC states have remained constant, although they have acquired an even greater significance. These include Iran's aspirations to the role of regional hegemon and the fear that this induces in the GCC monarchies, and the fundamental and deadlocked conflict over the presence of Western troops in the Gulf. In this context, Iran has remained committed to its policy of marginalizing the GCC organization, and attempting to foster good bilateral relations with each of the GCC states separately, including Saudi Arabia, and has

met with a substantial measure of success. This success has necessarily depended on Iran's abandonment of attempts to export the revolution and its acceptance, or at least acquiescence in, the regional status quo. Iran has, however, not entirely forgotten its own revolutionary heritage, and its real attitude to the Arab Gulf monarchies occasionally surfaces. In 2008, for example, the Iranian deputy foreign minister commented that 'soon another crisis will grip the Persian Gulf area and that is the legitimacy crisis of the monarchies and traditional systems in the region ... which considering current circumstances cannot go on living' (Koch 2009: 84). Furthermore, Iran's accommodation to the regional status quo has clashed with its other major goal, which is to establish itself as leader of the world's Muslims in their struggle against Israel and the USA. The Islamic republic of Iran was and remains an essentially different political formation to the monarchies on the Arab side of the Gulf. Nonetheless its successive leaderships, including the current radicals, have demonstrated an adeptness at operating within the constraints of a *realpolitik* defined by global as well as local rivalries. Embedded in Iran's relations with the GCC states, therefore, are ongoing sources of tension which are managed rather than resolved, and often highlighted by the rhetoric of the Ahmadinejad generation now occupying key positions of power.

The GCC states have responded to the changing geopolitical realities with uncertainty. Divided by Iran's bilateralism, unable or unwilling to resist the prospect of lucrative trade and financial links, their fears not calmed but rather exacerbated by their military and strategic links with the US, and riven by internal rivalries, they have failed to formulate a coherent collective approach. In this environment of tension and uncertainty, any new development is likely to give rise to extreme anxiety. The election of Barack Obama to the US presidency, for example, produced a frisson of real concern among the Arab Gulf governments. If only for a brief moment, these governments feared that the new president, lacking the Bush family's links to Gulf elites, might negotiate a 'grand bargain' with Iran at their own expense. More dramatically, the outbreak of revolutionary upheavals across the Arab world in early 2011 not only augured the emergence of a security environment in which Iran's status was significantly enhanced at the GCC states' own expense, but even threatened the actual survival of certain of the ruling families. Nonetheless, in 'the lonely hour of the "last instance"',<sup>19</sup> the options available to the GCC states in their dealings with Iran remain dependent on the wider issue of relations between Iran and the USA.

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<sup>19</sup> The French philosopher Louis Althusser's term for an ultimate moment of resolution which, however, in reality 'never comes' (Althusser 1969: 113).

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This research paper was written under the auspices of the Kuwait Programme on Development, Governance and Globalisation in the Gulf States at the London School of Economics and Political Science with the support of the Kuwait Foundation for the Advancement of Sciences.



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