

Geopolitical Rivalry Between Saudi Arabia And Iran: Implications For Gulf Stability

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Abstract

The geopolitical rivalry between Saudi Arabia and Iran represents one of the most enduring and complex power struggles in the Middle East, significantly influencing the political, economic, and security architecture of the Gulf region. Rooted in ideological divergence, sectarian identities, and competing national interests, this rivalry has evolved into a multidimensional contest involving proxy conflicts, energy geopolitics, and global strategic alignments. This study provides a comprehensive analysis of the historical evolution, international policies, and regional implications of Saudi–Iran relations. It further examines the impact of this rivalry on Gulf stability through the lenses of political economy, oil geopolitics, and emerging technological influences. Drawing upon both classical and contemporary literature, the paper highlights the transition from direct confrontation to strategic competition and diplomatic recalibration. The findings suggest that although recent rapprochement efforts indicate a shift toward de-escalation, deep-rooted structural tensions and competing strategic interests continue to pose significant challenges to long-term stability in the Gulf region.

Keywords: Saudi Arabia, Iran, Gulf Stability, Geopolitics, Oil Economy, Regional Security, Middle East Rivalry, Energy Security

1. Introduction

The Gulf region occupies a strategically significant position in global geopolitics due to its vast hydrocarbon reserves, critical maritime routes such as the Strait of Hormuz, and its role in international energy security as 20% oil flows from Hormuz. Among the various geopolitical dynamics shaping this region, the rivalry between Saudi Arabia and Iran has emerged as a dominant force influencing regional stability, security frameworks, and global economic systems. This rivalry is not merely a bilateral conflict but a broader contest for regional hegemony, ideological dominance, and geopolitical influence [16][12].

The roots of the Saudi–Iran rivalry can be traced back to historical, ideological, and political transformations, particularly after the 1979 Iranian Revolution, which fundamentally altered Iran’s foreign policy orientation. The revolution replaced a pro-Western monarchy with an Islamic republic that sought to export its revolutionary ideology across the Middle East. This development posed a direct challenge to Saudi Arabia’s leadership role in the Islamic world and its alliance with Western powers [16][14]. Consequently, the relationship between the two nations transitioned from cautious cooperation to intense competition.

From a theoretical perspective, the rivalry can be interpreted through the lens of the **security dilemma**, where actions taken by one state to enhance its security are perceived as threats by

another, leading to escalating tensions [17]. At the same time, sectarian differences—Sunni-majority Saudi Arabia versus Shia-majority Iran—have added an ideological dimension to the rivalry, although scholars argue that geopolitical and strategic interests often outweigh purely religious motivations [24].

The Gulf War (1990–1991) further intensified regional dynamics, highlighting the strategic importance of the Gulf and the role of external powers, particularly the United States, in maintaining regional balance [11]. Saudi Arabia’s alignment with Western coalitions during the war reinforced its position as a key security partner, while Iran adopted a more independent stance, seeking to expand its influence in the post-war regional order [9].

In the contemporary context, the Saudi–Iran rivalry has evolved into a multifaceted competition encompassing military, political, economic, and technological dimensions. Proxy conflicts in countries such as Iraq, Yemen, and Syria illustrate how both states extend their influence indirectly, often exacerbating regional instability [25][1]. Additionally, economic factors, particularly control over oil production and pricing, play a crucial role in shaping the policies of both nations [26].

Recent developments indicate a shift toward diplomatic engagement and potential de-escalation. Initiatives aimed at rapprochement suggest that both countries recognize the costs of prolonged conflict

and the benefits of cooperation [29][2]. However, underlying structural tensions, including ideological differences, strategic competition, and external influences, continue to pose challenges to sustainable peace in the region.

This study aims to provide a comprehensive analysis of the geopolitical rivalry between Saudi Arabia and Iran, focusing on its implications for Gulf stability. By examining historical developments, policy frameworks, and contemporary trends, the paper seeks to contribute to a deeper understanding of one of the most critical geopolitical issues in the modern Middle East.

2. Literature Review

The scholarly literature on Saudi–Iran rivalry reflects a progression from traditional geopolitical analysis to more complex, multidimensional frameworks incorporating security, ideology, and economic factors. This section reviews twelve key studies that provide critical insights into the nature and implications of this rivalry.

Early foundational works emphasize structural and geopolitical determinants of the rivalry. Gause (1994) [12] argues that the political and security dynamics of Gulf states are heavily influenced by oil wealth and external alliances. He highlights how Saudi Arabia's role as a leading oil exporter shapes its foreign policy and regional leadership ambitions. Similarly, Kechichian (2001) [20] provides a comprehensive analysis of Iran, Iraq, and the Arab Gulf states, emphasizing the strategic interactions and power balances that define the region.

Hunter (1995) [16] examines Iran's foreign policy, emphasizing continuity despite regime changes. The study highlights Iran's strategic objective of asserting regional influence, which often brings it into conflict with Saudi Arabia. Zahlan (1998) [31] complements this perspective by analyzing the political evolution of Gulf states and the factors contributing to regional instability.

The role of ideology and international relations theory is explored by Halliday (1994) [14], who provides a broader framework for understanding the interplay between ideology and geopolitics. This theoretical foundation is essential for analyzing the Saudi–Iran rivalry, which involves both material and ideological dimensions.

Subsequent studies incorporate the concept of sectarianism and security dilemmas. Jahandad and Mustafa (2022) [17] argue that the rivalry is driven by both sectarian divisions and strategic competition, reflecting a complex interaction between identity and power politics. Mohammed and Moorthy (2019) [24] further emphasize the implications of this rivalry for national security,

highlighting its impact on regional conflicts and political stability.

Recent research focuses on evolving dynamics and emerging trends. Albarasneh (2025) [2] identifies a transition from confrontation to strategic recalibration, suggesting that both countries are adapting their policies in response to changing regional and global conditions. Similarly, Al-Otaibi (2024) [3] examines the Gulf security dilemma, highlighting how mutual perceptions of threat contribute to ongoing tensions.

The role of proxy conflicts and regional interventions is explored by Abdullah et al. (2024) [1], who analyze the Iran–Saudi–Israel security nexus. Their study highlights how regional alliances and conflicts shape the broader geopolitical landscape. Shahzad and Mashwani (2024) [29] provide insights into recent rapprochement efforts, suggesting that diplomatic engagement may offer a pathway toward reducing tensions.

Technological advancements and new analytical approaches are introduced by Goldani (2024) [13], who uses machine learning to analyze security dynamics in the Gulf. This study reflects a growing trend toward integrating technology into geopolitical research, enabling more sophisticated analysis of complex systems.

Finally, Liu (2025) [22] examines the economic and geopolitical impacts of Middle Eastern conflicts, emphasizing the global implications of regional instability. This perspective underscores the importance of understanding the Saudi–Iran rivalry not only as a regional issue but also as a factor influencing global economic and security systems.

3. International Policies of Both Countries

The foreign policies of Saudi Arabia and Iran reflect their broader geopolitical ambitions, ideological foundations, and security priorities. Both states pursue regional influence, but their approaches differ significantly in terms of alliances, strategies, and policy instruments. The rivalry is shaped by competing visions of regional order, where each state seeks to maximize its influence while countering the other's expansion [20][16].

The international policies of both countries are deeply rooted in historical experiences, domestic political structures, and global alignments. Saudi Arabia's policy framework emphasizes stability, economic cooperation, and alignment with Western powers, whereas Iran's approach is characterized by strategic autonomy, resistance to external influence, and regional expansion through indirect means [30][27].

3.1 Saudi Arabia's Foreign Policy

Saudi Arabia's foreign policy is primarily driven by its objective to maintain regional stability, safeguard its monarchy, and ensure the security of global energy markets. The Kingdom has historically aligned itself with Western powers, particularly the United States, forming a strategic partnership centered on energy security and defense cooperation [5][8].

A key feature of Saudi foreign policy is **collective security and alliance-building**. During the Gulf War, Saudi Arabia played a central role in facilitating international military intervention to counter Iraq's invasion of Kuwait, thereby reinforcing its position as a regional leader [11][24]. This approach continues in contemporary times through its active participation in regional organizations such as the Gulf Cooperation Council (GCC), which aims to enhance political and economic cooperation among Gulf states [21].

Saudi Arabia also adopts a **containment strategy toward Iran**, viewing Iranian expansion as a direct threat to regional stability. This strategy includes diplomatic efforts, economic policies, and, in some cases, military interventions. For instance, Saudi involvement in regional conflicts reflects its attempt to counter Iranian influence and maintain a balance of power [1].

Economically, Saudi Arabia leverages its position as a leading oil producer to influence global markets and strengthen its geopolitical standing. Oil revenues play a crucial role in funding domestic development and foreign policy initiatives, reinforcing the Kingdom's global importance [12].

In recent years, Saudi foreign policy has undergone transformation, incorporating economic diversification and strategic diplomacy. These changes reflect an effort to adapt to evolving global

dynamics while maintaining its leadership role in the region [8].

3.2 Iran's Foreign Policy

Iran's foreign policy is shaped by its revolutionary ideology, strategic independence, and ambition to establish itself as a dominant regional power. Following the 1979 revolution, Iran adopted a foreign policy framework that emphasizes resistance to Western influence and support for movements aligned with its ideological principles [16].

A defining characteristic of Iran's foreign policy is its use of **asymmetric strategies**, including the support of allied groups and proxy actors across the region. This approach allows Iran to extend its influence without direct confrontation, particularly in politically unstable regions such as Iraq and Syria [13][25].

Iran also seeks to challenge the existing regional order, which it perceives as dominated by Western interests and Saudi influence. Its policy emphasizes regional autonomy and the reduction of external interference in Middle Eastern affairs [27].

Economic considerations, particularly in the energy sector, play a significant role in Iran's foreign policy. Despite facing sanctions, Iran continues to leverage its oil and gas resources to maintain economic resilience and geopolitical relevance [26]. The country's efforts to diversify economic partnerships further demonstrate its strategic adaptability.

Iran's engagement in regional conflicts reflects its broader objective of expanding influence and countering Saudi dominance. However, recent developments suggest a shift toward diplomatic engagement, indicating a potential recalibration of its foreign policy approach [2].

Table 1: Comparison of Saudi Arabia and Iran Foreign Policies

Aspect	Saudi Arabia	Iran
Political System	Monarchy	Islamic Republic
Ideology	Sunni Islam, conservative	Shia Islam, revolutionary
Global Alignment	Pro-West (USA alliance)	Anti-West, strategic autonomy
Security Strategy	Collective security, alliances	Proxy networks, asymmetric warfare
Economic Base	Oil-export driven economy	Oil + sanctions-constrained economy
Regional Goal	Maintain status quo	Expand regional influence

Sources: [5], [16], [20], [27], [12]

4. Saudi-Iran Relations & Regional Security

The relationship between Saudi Arabia and Iran is central to understanding regional security dynamics in the Gulf. Their rivalry has evolved into a complex system of indirect competition, often manifested through proxy conflicts and political interventions. One of the defining features of this rivalry is the use of **proxy warfare**, where both countries support opposing factions in regional conflicts. This strategy

allows them to exert influence while avoiding direct military confrontation [7]. Conflicts in Yemen, Iraq, and Syria exemplify this pattern, where local disputes are amplified by external involvement [1][25].

The post-2003 geopolitical environment, particularly following the Iraq War, created a power vacuum that Iran successfully exploited to expand its influence. This development heightened Saudi

concerns about regional balance and security [20]. As a result, the Gulf region has witnessed increased polarization and instability. Sectarian narratives have also played a role in shaping regional dynamics. While often highlighted, scholars argue that sectarianism is frequently instrumentalized to serve broader geopolitical objectives rather than being the primary driver of conflict [17].

Recent research indicates that the rivalry operates at multiple levels—state, sub-state, and symbolic—making it a deeply entrenched and multifaceted phenomenon. This complexity complicates efforts to achieve lasting peace and stability. Despite these challenges, recent diplomatic initiatives suggest a potential shift toward de-escalation. However, structural tensions and mutual distrust continue to limit the effectiveness of such efforts [29].

Table 2: Key Areas of Saudi–Iran Rivalry

Dimension	Saudi Arabia Strategy	Iran Strategy	Impact on Gulf Stability
Military	Coalition-based intervention	Proxy warfare	Increased conflicts
Political	GCC leadership	Influence in Iraq/Syria	Regional polarization
Economic	Oil market control	Energy resilience under sanctions	Market instability
Ideological	Sunni leadership	Shia revolutionary ideology	Sectarian tensions

Source: [1], [17], [24], [21], [2]

5. Political Economy & Oil Geopolitics

The political economy of the Gulf region is fundamentally shaped by oil, which serves as both a source of wealth and a tool of geopolitical influence. Saudi Arabia and Iran, as major energy producers, play critical roles in global oil markets, making their rivalry a matter of international concern.

Saudi Arabia's dominance in oil production enables it to influence global prices and supply levels, thereby enhancing its geopolitical leverage. In contrast, Iran's oil sector is constrained by sanctions and geopolitical tensions, which limit its ability to compete directly with Saudi Arabia [26].

The Gulf War highlighted the vulnerability of global energy systems to regional conflicts. Disruptions to oil production and transportation had significant economic consequences, underscoring the strategic importance of the region [15][28].

Recent evidence shows that tensions in the Gulf can disrupt a substantial portion of global energy supply, particularly through critical chokepoints such as the Strait of Hormuz. This highlights the continued relevance of oil geopolitics in shaping international relations.

Economic competition between Saudi Arabia and Iran extends beyond oil to include trade, investment, and regional development initiatives. Both countries seek to strengthen their economic influence while reducing dependence on external actors [12].

Furthermore, emerging trends such as economic diversification and technological innovation are reshaping the political economy of the region. These developments reflect an ongoing transition from traditional resource-based economies to more diversified economic systems

Table 3: Oil and Economic Influence

Factor	Saudi Arabia	Iran
Oil Production Capacity	Very high	Moderate (restricted by sanctions)
Market Influence	Global price stabilizer	Limited due to sanctions
Export Flexibility	High	Restricted
Economic Strategy	Diversification (Vision policies)	Resistance economy

Source: Compiled from [12], [26], [15], [22]

6. Discussion

The Saudi–Iran rivalry represents a complex interplay of multiple factors, including ideology, security, economics, and technology. Traditional analyses focused primarily on military and geopolitical dimensions, emphasizing power competition and strategic alliances [9][6].

However, contemporary research highlights the increasing importance of non-traditional factors such as economic interdependence, technological advancements, and diplomatic engagement. These

factors contribute to a more nuanced understanding of the rivalry and its implications.

The persistence of proxy conflicts and regional instability suggests that the rivalry remains deeply entrenched. At the same time, recent diplomatic initiatives indicate a potential shift toward cooperation, reflecting changing regional and global dynamics [2].

The integration of new analytical tools, such as machine learning and data-driven approaches, further enhances the ability to understand and

predict geopolitical trends [13]. These developments underscore the evolving nature of international relations in the Gulf region

Table 4: Global Economic Impact of Saudi–Iran Rivalry

Impact Area	Description	Global Economic Effect	Evidence / Data
Oil Price Volatility	Conflict or tension disrupts oil supply and creates uncertainty in global markets	Sharp increase in oil prices, leading to global inflation	Oil prices surged above \$110–\$116/barrel during tensions
Energy Supply Disruptions	Threats to Strait of Hormuz and Gulf infrastructure	Disruption of ~20% of global oil supply	Strait carries ~18–20 million barrels/day (~20% global supply)
Global Inflation	Rising energy costs increase production and transportation expenses	Inflation increases worldwide, affecting both developed and developing economies	Fuel prices increased by 20–30% in several countries
Stock Market Instability	Geopolitical tensions create uncertainty in financial markets	Decline in global stock indices and investor confidence	Asian markets dropped up to 3.4%, global indices declined
Trade & Supply Chain Disruptions	Conflict affects shipping routes and logistics	Delays in global trade, increased shipping costs	Closure risks in Hormuz disrupt international trade flows
Currency Depreciation	Oil-importing countries face higher import bills	Weakening of national currencies (e.g., India, South Korea)	Energy-importing economies face currency pressure
Industrial & Manufacturing Impact	Rising energy costs increase production costs	Reduced industrial output and economic slowdown	European industries face cost increases and reduced growth
Global GDP Impact	Prolonged conflict affects economic growth	Risk of global recession and GDP decline	Gulf economies may face up to 14% GDP decline
Investment & Financial Risk	Political instability discourages foreign investment	Reduced FDI and increased financial risk premiums	Geopolitical risks reduce investment flows
Energy Security Crisis	Dependence on Gulf oil increases vulnerability	Countries shift to alternative energy sources or reserves	Disruptions may remove millions of barrels/day from supply

The table 4 presents a comprehensive overview of how the geopolitical rivalry between Saudi Arabia and Iran generates **multi-dimensional impacts on the global economy**, particularly through energy markets, financial systems, and international trade networks.

One of the most immediate and visible effects is **oil price volatility**. Tensions in the Gulf region—especially disruptions involving Iran or Saudi Arabia—lead to sharp increases in global oil prices. For instance, recent escalations have pushed oil prices above \$110 per barrel, reflecting market sensitivity to supply risks. Since both countries are major energy producers, even minor disruptions create significant uncertainty in global markets.

Closely related to this is the issue of **energy supply disruption**, particularly through the Strait of Hormuz, which handles nearly 20% of global oil

trade. Any threat to this chokepoint can remove millions of barrels per day from global supply, creating shortages and driving up prices. This has far-reaching consequences for energy-importing nations that depend heavily on Gulf oil.

Another major impact highlighted in the table is **global inflation**. Rising oil prices increase transportation and production costs worldwide, leading to higher prices for goods and services. Countries across Asia and Europe have experienced fuel price increases exceeding 20–30%, demonstrating the widespread inflationary pressure caused by Gulf instability.

The table also shows how geopolitical tensions contribute to **stock market instability**. Financial markets respond rapidly to uncertainty, with global indices declining during periods of conflict. For example, Asian and European stock markets have

recorded notable drops following energy-related disruptions in the Gulf region. This reflects reduced investor confidence and increased financial risk.

In addition, the rivalry disrupts **global trade and supply chains**. Maritime insecurity and rising insurance costs affect shipping routes, particularly in oil and gas transportation. This leads to delays, increased costs, and reduced efficiency in global trade networks. Prolonged disruptions may even result in shortages of essential commodities.

The table further highlights the impact on **currencies and economic stability**, especially in oil-importing countries. Rising import bills weaken national currencies and increase fiscal pressure. Countries such as India and South Korea experience significant currency depreciation due to increased energy costs.

From an industrial perspective, **manufacturing and production sectors** are adversely affected by rising energy costs. Industries in Europe and Asia face increased operational expenses, reduced output, and slower economic growth. This demonstrates how regional conflicts can directly influence global industrial performance.

Moreover, the table identifies the broader **impact on global GDP and economic growth**. Prolonged conflict in the Gulf can lead to reduced economic activity, lower growth rates, and even recession risks. Some Gulf economies themselves may experience significant GDP contractions due to disruptions in energy production and exports.

Another important dimension is the effect on **investment and financial flows**. Political instability discourages foreign direct investment (FDI) and increases risk premiums, leading to reduced capital inflows into the region. Investors tend to shift toward safer markets during periods of geopolitical tension.

Finally, the table emphasizes the growing concern over **energy security**. The global economy's dependence on Gulf oil makes it highly vulnerable to regional instability. Disruptions in energy supply force countries to seek alternative energy sources, increase strategic reserves, or accelerate transitions toward renewable energy systems.

7. Conclusion

The geopolitical rivalry between Saudi Arabia and Iran continues to shape the political, economic, and security landscape of the Gulf region. Rooted in historical, ideological, and strategic factors, this rivalry has evolved into a multidimensional contest with global implications.

While recent diplomatic efforts offer hope for reducing tensions, significant challenges remain. Structural differences, mutual distrust, and

competing interests continue to hinder the prospects for lasting peace.

Ensuring long-term stability in the Gulf requires a comprehensive approach that addresses both immediate conflicts and underlying causes. This includes promoting diplomatic engagement, fostering economic cooperation, and strengthening regional security mechanisms.

Ultimately, understanding the Saudi–Iran rivalry is essential for addressing broader issues of global energy security, regional stability, and international peace.

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