Oil and Saudi-Iranian Tensions (2001-2019)

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Abstract

Iran and Saudi Arabia are going through one of their worst periods of their relations. They have long been serious competitors for each other in the Middle East, and the rivalry seems to have intensified in the last ten years and has had far-reaching consequences for both countries. These two regional powers both are major oil exporting countries and naturally in any main issues, oil could be account as an important tool to pursue goals in foreign policy. Iran and Saudi Arabia have a long history of differences about oil policies but one of the most severe differences appeared in 2011-2019, along with escalating tensions between the two countries in the region, which heavily shaped oil market trends in this period. So the main question of the article centered about how has the escalating tension between Iran and Saudi Arabia in 2010-2019 affected the oil sector of the two countries? The answer given to this question as a hypothesis is that the escalating tensions between Iran and Saudi Arabia has led the officials of the two countries to resort to aggressive use of oil against the rival which have caused serious damages to the oil sector of both countries.

Keywords: *Iran-Saudi Arabia-oil sector-regional rivalry-Middle East*

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Introduction

The Islamic Republic of Iran and the Kingdom of Saudi Arabia are considered as serious competitors in the region and their complicated relationship has been the subject of many academic debates. In examining the relations between the two countries, different theoretical lenses have been used, in which we can point to a variety of realistic approaches and views based on identity and historical elements and complex foreign policy analysis (Chubin and Tripp 1996; Altoraifi 2012; Mabon 2016). There is no doubt that Iran, as revolutionary Shia Republic, and Riyadh, a conservative Sunni monarchy, are today the main actors competing in the Persian Gulf region.

These two countries have provided varying degrees of support to opposing sides in Middle East conflicts, including the civil wars in Syria, Yemen, Lebanon and Iraq. The intensity of this rivalry has varied over the years, but it has consistently been one of the driving forces behind the politics of the Middle East, specifically around the Persian Gulf. Some scholars have described this tension as a cold war (Pollack, 2016; Gauss III, 2015).

These tensions are not limited to the foreign and regional policy of the two countries, but also affect one of the most sensitive economic sectors of both countries, namely the oil sector. Evidence suggests that both countries' oil sectors have been severely damaged by tensions in bilateral relations. Iran, for example, is currently experiencing the toughest sanctions against its oil sales. Sanctions against Iran's oil sector have intensified since the Trump administration pulled out of the nuclear deal, and Saudi Arabia has played a key role in persuading Washington to do so. As a result of these sanctions, Iran has been deprived of billions of dollars of much-needed oil revenues.

On the other hand, Saudi Arabia experienced a sharp drop in oil revenues due to its resort to the price war in 2014 (at least in part aimed at hitting Iran.) Iranian-backed Houthi attacks on Saudi oil facilities is another manifestation of the damage caused by the use of oil weapons in the region during the period in question. Along with these developments, bitter differences emerged between these two major oil rich countries over oil policies in the OPEC which heavily affected on OPEC and oil prices in the market. In this way, Iran and Saudi Arabia entered to a period of bitter conflict in oil policy which engaged the two countries in price war, difference over output policy in OPEC and other hostile oil policies like stealing rival market share and customers in the market.

This article studies Iran and Saudi Arabia rivalry in 2011-2019 period form an economic point of view and especially using oil as a weapon by these two countries against each other. The article examines the relationship between this hostile oil policy and tensions in the political relations between the two countries, and in particular, shows the negative effects of these tensions and competition on the oil sector of both countries. In this regard, the main question of the article is that how has the escalating tension between Iran and Saudi Arabia in 2010-2019 affected the oil sector of the two countries? The answer as a hypothesis is that the escalating tensions between Iran and Saudi Arabia has led the officials of the two countries to resort to aggressive use of oil against the rival which have caused serious damages to the oil sector of both countries.

The article applies a realist approach to investigate the confrontational relationship between Iran and Saudi Arabia especially in connection with oil. This approach is based on the analysis of relations between two rival oil exporting countries in an unstable region similar to the Middle East. After preparing the theoretical background of the discussion, the hypothesis of the article is examined based on it.

I. Oil as Foreign Policy Tool

Natural resources are generally considered to be the main sources of power in the international arena at least in a realistic approach. In the Middle East, a number of countries have enormous reserves of energy and, given the importance of these reserves, in countries such as Iran and Saudi Arabia, oil reserves are among the main sources of their power and influence in the regional and even global arenas.

The fundamental ideas shared between different realist perspectives are: “(1) the state is the primary actor in international relations; (2) the state is a unitary actor; (3) the state is a rational actor seeking to maximize its own interests or national objectives in foreign policy; and (4) national security issues are paramount” (Viotti and Kauppi, 1999: 10).

According to first assumption of this realist perspective, we can say states are the main actors defining energy relations globally. Historically, States have not been willing to give control over their energy resources to the international energy companies or free market mechanisms. Schouten notes that, state owned energy companies nowadays, control about 85 percent of the world oil reserves and 70 – 80 percent of the world natural gas reserves (Schouten, 2009: 3).

Perhaps one of the most important theoretical issues of international politics is how one state can influence another. Historically, economic tools have been used by different states in order to alter calculations and behaviors of other states. Luft and Korin have shown that large oil exporting countries increasingly using energy as a tool to advance their foreign policy agenda (Luft and Korin, 2009: 335).

Of course, a state’s rationality in international system is not necessarily connected to economic rationality. Here we can say, Long term objectives in the international system may not necessarily match with the economic objective of increased financial gain. States perhaps sacrifice their obvious short term economic benefits in order to increase their political and geopolitical power. Historically, Some oil exporting countries have supplied oil at a much lower price for certain states than market prices, in an attempt to pursue certain foreign policy or national security aims, like Russia and Saudi Arabia.

According to third core assumption of realism, States have fixed goals. Kenneth Waltz defines states as “unitary actors who, at minimum, seek their own preservation and, at a maximum, drive for universal domination” (Waltz, 2010: 118).

This suggests that states at all times struggle for survival or domination in the international system. This logic could be used for analyzing states behaviors, especially more powerful states like Iran and Saudi Arabia in a region according to balance of power calculations. In this system of balancing power between two regional rival, competition for survival or domination is based on competition for material elements. According to Legro and Moravcsik “Interstate politics is thus a perpetual interstate bargaining game over the distribution and redistribution over a scarce resources.” (Legro and Moravcsik, 1999: 14).

This bargaining game in a regional system based on balancing power between two major states like Iran and Saudi Arabia, can vary from cooperative agreements to threats, sanctions or war. Here, Energy resources have a unique place among the economic factors that are used as a foreign policy tool. Oil and gas resources have strategic significance and are found only in a limited number of countries in the world. As a result, countries that have rich hydrocarbon resources are able to transform these resources into a foreign policy tool.

The fourth assumption in realist approach deals with national security issues. According to this assumption, a security or strategic perspective usually better explains oil diplomacy of major oil exporting countries especially in an unstable region like Middle East. As a result, countries that have rich hydrocarbon resources in this region, are able to transform these resources into a foreign policy tool.

Using oil as a tool in foreign policy in not confined to oil embargo. Oil exporting countries have usually used petro dollars in pursuit of their goals in neighboring region, as stated by Sonmez and Cobanoglu (2016: 81) ”Sometimes oil rich countries attempt to shape foreign policies of neighboring nonoil-rich countries through the method of foreign assistance. And sometimes they punish these countries whose foreign policies they disturbing by activating such tools as embargo and boycott. Thus, it becomes possible for energy exporting countries to have an impact on other dependent states through certain use of energy or what has called as petrodollars in foreign policy”.

Summarizing the theoretical discussion on the realistic approach to resorting to oil as a foreign policy tool in a competitive environment based on a regional balance of power system, the following assumptions can be mentioned:

1. In the relationship between two rival oil exporting countries, the officials of both countries may use oil as a tool in foreign policy based on a rational calculation.

2. The purpose of this competition is survival or to prevent the competitor from advancing in the competition or repelling it in the areas in which it has progressed. The pursuit of these goals is based on the calculation of the cost and benefit of the policy.

3. The use of oil weapon in such an environment can take many forms, including resort to price wars, the use of petro dollars to counter the adversary in regional politics such as building coalition against the rival and push to limit rival oil production and exports.

4. Because the oil sector in major oil-exporting countries plays a vital role in the country's political and economic power, maintaining this sector is also a very important priority in realistic calculations based on competition for power. Therefore, in any kind of competitive policy, the preservation and survival of this sector can take precedence over other foreign and regional policy priorities.

1. Resort to Price War:

Iran and Saudi Arabia have a long history of differences about oil prices but one of most severe differences appeared in 2011 OPEC meeting .Iran, which held the revolving OPEC presidency that year, blocked Saudi efforts at the group’s meeting in Vienna to raise official production quotas. Some commenters signaled this as a symbolic slap at Saudi Arabia in the OPEC (Krauss, 2011). Saudi Arabia after the meeting announced it will increase its oil production. Saudi al-Hayat newspaper reported that oil officials have taken the decision to increase production to 10 million barrels in July, up 9.3 million barrels, with the largest increase in output going to China and other Asian economies (Krauss, 2011). In this way, Saudis showed they can take even unilateral action in pursuit of their oil policy in prohibiting further increases in oil prices.

By this time, tensions were running high between Saudi Arabia and Iran as they compete to influence political tides convulsing the region, particularly in Bahrain, where more than 1,000 Saudi troops deployed to Bahrain in an attempt to bolstering a Sunni monarchy against mostly Shiite protesters supported at least verbally by Iran. But this Saudi attempt for downing oil prices in the market was not fruitful until 2014 because of escalating Libya crisis in 2012 and rather shortage of oil in an environment of rising demand in the market.

There are many facts that show Saudis angers against Iranian mounting power in the region and their willingness to resort to oil weapon for containment of Islamic Republic of Iran through downing oil prices. Saudi Prince Turki Al-Faisal, in a meeting with American and British official forces, he claimed that Riyadh does not want Tehran to acquire nuclear weapons, and as a result the Saudis are willing to increase their oil output to bankrupt Iran. He claimed that the Saudis can almost immediately replace all Iranian oil production (Shimkus, Energy Digital, Jun 28, 2011). Saudi Arabia led OPEC in November 2014 to defend market share, in an environment of downing oil prices in the market, notably against U.S. shale oil producers. A month after the change in policy, Saudi oil minister Ali al-Naimi said the rivals will sooner or later face financial problems. He said the kingdom had the "ability to hold out" for a long time (Blas, 2016).

It is important to note that in this time, Riyadh could have played the role of a 'swing producer', as with past experiences, and by significantly reducing its oil production, it would prevent a sharp decline in oil prices in the market. But Saudis do the opposite and increased their production and this accelerated oil downturn in the market. Blew table shows that Saudi Arabia has increased its oil production in 2014 and 2015 in an environment of downing oil prices.

Table 1. Saudi Arabia Oil Output and Oil Prices

Saudi oil production	Year (Thousand barrels daily)	Oil price (Brent $/bbl)
2011	11144	111.26
2012	11635	111.67
2013	11393	108.66
2014	11505	98.95
2015	12014	52.39

Source: BP Statistical Review of World Energy, June 2016

It seems Saudis helped falling prices because it could hurt its geopolitical rival Iran, and Bashar al-Assad’s great power ally Russia, much more than hurt Riyadh. In 2014, the rise of North American tight oil production and the slowing growth rate of Chinese oil consumption helped downturn oil prices in the markets of course, but we can’t deny Saudis attempt to create glut in the market by increasing the production in this situation. There is no doubt that Saudis would like to see the power of Iran and Russia curtailed by decreasing oil prices. This policy of course had huge cost for themselves, but Riyadh, "with over $700 billion foreign reserves, was much better able to ride out a period of low oil prices than was Moscow or Tehran" (Gause, III, 2015: 5). This low price environment had another result for Saudis. High cost oil producers especially shale oil producers in the US in this depressed market situation would experience reduce in investment, and thus another rival must give up.

Iran's and Russia leaders in this time condemned Saudi Arabia oil market glut policy which could be count as their perceptions as hostile Saudis actions in the oil market. The speaker of Iran's parliament, Ali Larijani, as an implicit warning to Saudi Arabia said in December 2014 that Iran "will not forget which countries schemed to lower the price of oil" (Dettmer, Voice of America, 6 January 2015). Even Iranian President Hassan Rouhani, in the same month called the fall in oil prices a "political conspiracy by certain countries against the interests of the region"(Balali, Reuters, 11 December 2014). Similar charges echoed in Russia against Saudi Arabia (The New York Times, 15 October 2014).

At least for some part, as a result of this Saudis oil glut policy, oil prices spiraled lower to just $45 a barrel in 2016 from about $110 in 2011.

II. Use of Petrodollars Against the Rival

As it mentioned above, Using oil as a tool in foreign policy in not confined in oil embargo or oil price wars against enemies. Oil exporting countries usually have used petro dollars in pursuit of their goals in neighboring region. In a situation of mounting threat, from the perspective of the neoclassical realism approach, Riyadh leaders decided to confront this threat by creating a set of regional alliances. Naturally, in such circumstances, Riyadh leaders should provide enough incentive to join other countries in these coalitions. Using petro dollars naturally helps to achieve this goal. Here the use of this tool in shaping alliances to address the influence of Iran in Syria and Yemen is being explored.

According to New York Times, "Saudi Arabia has financed a large purchase of infantry weapons, such as Yugoslav-made recoilless guns and the M79 Osa, an anti-tank weapon, from Croatia via shipments shuttled through Jordan." (New York Times, 26 February 2013). These weapons began reaching rebels in December 2012 which allowed them small tactical gains against the Syrian army (New York Times, 26 February 2013).

The Financial Times reported in May 2013 that Saudi Arabia was becoming a larger provider of arms to the Syria rebels (Khalaf and Smith, 16 May 2013). Then Bashar al-Assad, Syria president, pointed at Saudi Arabia as the major supporter of terrorists and "leading the most extensive operation of direct sabotage against all the Arab world" He added, “Saudi Arabia and other countries are strong backers of terrorism. They have dispatched tens of thousands of *takfiris* to the country, and Saudi Arabia is paying up to $2,000 as a monthly salary to all those who take up arms on their side” (Al-Akhbar Management, 06 Mar 2015).

In early 2016, the Saudis announced the formation of a military alliance between Muslim countries to combat international terrorism. It is reported that around 30 Muslim countries (all of them Sunni majority countries) to join the alliance. Of course, this coalition is seen by Russia and Iran, with the aim of strengthening Saudi leadership and countering their efforts in the region (euro news,/2015/12/15).

Saudi Arabia military intervention in Yemen was launched in 2015, leading a coalition of nine African and Middle Eastern countries, to influence the outcome of the Yemeni Civil War in favour of the government of President Abdrabbuh Mansur Hadi. The intervention initially consisted of a bombing campaign on Houthi Rebels and later progressed to a naval blockade and the deployment of ground forces into Yemen.

Air and ground forces from Egypt, Morocco, Jordan, Sudan, the United Arab Emirates, Kuwait, Qatar, Bahrain, and an American private military called Academi took part in the operation. Djibouti, Eritrea, and Somalia made their airspace, territorial waters, and military bases available to the coalition(wikipedia, 2018). As mentioned above, at least a significant part of this Saudi Arabia coalition led has joined Riyadh due to the attractiveness of Saudi petro dollars. for example Dawn newspaper reprted that “Senegal's support for the ongoing Saudi war on Yemen is only for hard petrodollars”(Dawn, May 15, 2015).

The Saudis war in Yemen cost $ 5.3 billion alone in the 2015 defense budget (Times of Israel, April 24, 2015). Stockholm International Peace Research Institute (SIPRI) as an independent resource on global security in its 2016 report reveald that from 2011-2015, Saudi arms imports increased at 275% as compared to 2006-2010 (SIPRI repot, Feb 22, 2016). “Saudi defense budget had been rising by 19 % since the Arab up springs of 2011. Beyond budget deficit, Yemen war also have unprecedented impacts on Saudi foreign reserves and during 2015 Saudi foreign reserves depleted from $732 billion to $623 billion in less than 12 months” (Al-Khatteeb, Dec 30, 2015).

As for as war costs increased in Yemen, Saudis started to sale their assets in European markets. Reuters has estimated that "Saudi Arabia is spending $175 million per month for bombings in Yemen and additional $500 million for ground incursions. These unexpected expenditures forced Riyadh to sell off $1.2 billion of its $9.2 billion holdings in European equities" (Al Naseer, 2015, October 13).

Saudi Arabia cut diplomatic relations with Iran in January 2016 as a sharp escalation of tensions between the two regional foes following the execution of the Saudi Shia cleric Sheikh Nimr al-Nimr. The move came after two days of outrage among Shia communities across the Middle East and in south Asia at the death of Nimr and following the execution, protesters stormed the Saudi Embassy in Tehran. Afetr Saudi some other countries like Bahrain,Somalia and Sudan, do the same and cut diplomatic ties with Iran but then it revealed that finacial motive had been behind of this going along with Saudis against Iran for poor countries like Somalia and Sudan.

Reuters referred to a document from the Saudi embassy in Nairobi to the Somali embassy in the Kenyan capital that shows “Saudi pledging $20 million in budget support and another $30 million for investment in Somalia, a nation trying to rebuild after two decades of war” (Reuters, January 17, 2016). The Guardian reported Sudan support of Saudi cut off diplomatic ties with Iran has been due to Billions in investment of the kingdom in Sudan. According to this report, “with Khartoum hungry for Saudi investment, the move has been characterized by Sudanese analysts as motivated by the promise of financial reward” (The Guardian, 12 January 2016). According to the Guardian, In August 2016, Sudan received a $1bn deposit in its central bank from Saudi Arabia, due to Khartum firmer commitment to Riyadh and its Persian Gulf allies in March 2016 when it joined the coalition in Yemen against Shia Huthi rebels (The Guardian, 12 January 2016).

III. Support of West's Oil Sanctions Policy

From the viewpoint of Western countries, the success of any policy of oil sanctions against Iran is dependent to the serious cooperation of Saudi Arabia with this policy. Cooperation from this country could greatly decrease possible cost of international sanctions against Iranian crude exports. Implicit announcements of Saudi authorities showed kingdom willingness to exerting more pressure on Iran. Riyadh officially announced that the country does not intend to replace Iran's oil in global markets, but at the same time declared that the kingdom is totally ready to supply market needs after sanctions against Iran's oil sector enter into force.

Saudi oil minister Ali Naimi in March 2012 confirmed that his country "will use spare production capacity to supply the oil market with any additional required volumes" (The Financial Times, March 28, 2012). One possible scenario that western countries considered for decreasing possible cost of sanctions against Iran was that the ability of Saudi Arabia to steal Iran's market share by offering Tehran's customers Saudi crude. Reuters reported in February 2012 that Saudi Arabia has increased oil shipment to china to replace loss of Iran oil shipment due to sanctions. China was the top buyer of Iranian oil, taking around 20 percent of its total exports, but since January 2012, it cut purchases by around 285,000 barrels per day (bpd), or just over half of the total daily amount it imported in 2011. A source familiar with the matter, who declined to be identified by name, told Reuters “the kingdom had been supplying about an extra 200,000 bpd to China since November” (Reuters, February 7, 2012).

A published report about this matter calculated that a mere 10 percent shift in market share is equivalent to a revenue loss for Iran of about a billion dollars a month. This report therefore concludes that the Saudis' strategy to eliminate Iran's market share could probably be more successful in changing Iran's position than US and European financial sanctions (Stratfor worldview, May 30, 2012). "On the other hand, some analysts believe that Saudi Arabia’s positive approach to anti-Iran sanctions was the main factor which prompted certain customers of the Iranian crude oil, including Japan and South Korea to announce that they will reduce oil imports from Iran" (Karami, 2012) . South Korea and Japan in an attempt to accommodate Washington’s demands about Anti-Iranian sanctions announced in January 2012 that would reduce oil purchase from Iran. In this time, China, Japan, India and South Korea together imported more than 60 percent of Iranian oil exports. Saudi Arabia, Once again said it would increase production if needed to make up for any decline in exports from Iran. Sadad Ibrahim Al-Husseini, former head of exploration and production at Saudi Aramco, announced “There is enough supply from other OPEC countries” to compensate for losses of Iranian supplies (The New York Times, January 6, 2012).

The above facts illustrate Saudi Arabia's role in supporting anti-Iran sanctions. "Of course, Saudi officials repeatedly alleged that the increase in their country’s oil output is only meant to make up for the shortage of oil in the market and is by no means related to any policy for confrontation with Iran" (Karami, 2012).

But Saudis in the event of west oil sanction against Iran frequently announced that in case Iran's oil exports fall, they will supply the market with enough oil. “Saudi Arabia is, thus, missioned to assure countries which import oil from Iran that when international ban on buying Iranian oil enters into force, Riyadh will supply them with enough oil. The main factor which can guarantee the success of Saudi Arabia’s policy of supporting West’s anti-Iranian sanctions is cooperation from such countries as India and China as well as other states which are major customers of the Iranian crude oil” (Karami, 2012).

After nuclear deal with world powers in 2015, Iran tried to resume crude exports to Europe and other destinations but Saudis took several steps to prevent or slowdown these efforts. At the end of December 2015, Saudi Oil Minister Ali al-Naimi said "we no longer limit production. If there is demand, we will respond. We have the capacity to respond to demand" (The Wall Street Journal, Dcember 30, 2015). Oil market analysts said that means clearly, Saudi Arabia is not going to let Iran increase its oil exports on its own after the nuclear deal. This action could be seen as a designed policy to sabotage Iran's oil comeback. Saudis, in this line, cut the price of their oil exports for February delivery to European customers, and of some exports to the United States and the Middle East. Saudi Aramco announced in February 2015 that the price of Arab Light crude for the north-west European market was cut by $0.60 a barrel from January to $4.85 a barrel below the benchmark price. Europe was a traditional market for Iranian oil before international sanctions were slapped on the Iran in 2012 over its nuclear program (Reuters, February 6, 2015).

Beside this price war against Iran, Saudi Arabia raised its oil shipments to main Iran oil customers in an attempt to prevent Iran from retrieval of its oil customers. In this line, “Saudi shipments of oil into China jumped by 36% in February 2015 to the highest level in at least three years, according to Clipper Data, a firm that tracks global crude shipments. The shipments accounted for a 75% increase in Chinese imports of Saudi crude from January”

(Egan, 2016). The timing of this shift is very important because Iran and the world powers were on the verge of the nuclear deal which announced on 14 July 2015.

But despite all measures taken by Riyadh to prevent Iran's comeback to the oil market after nuclear deal, "Iran reached a record high in oil sales by deploying 2.442 million barrels of oil per day to global markets, marking an unprecedented figure in the past two decades. Moreover, Iran managed to find a place in emerging markets like Poland, Hungary as well as some states in the Eastern Bloc of Europe" (Durden, November 27, 2016).

IV. Support for Trump Decision on Squeezing Iranian oil Exports

The United States withdrew from the Iran nuclear deal in May 2018. In November, it reimposed a series of economic sanctions squeezing Iranian oil exports and curtailing the Tehran's access to the international financial system. Then the administration of U.S. kicked off what is it called a "maximum pressure" campaign against Iran.

Observers believe Saudi Arabia has been instrumental in changing the new US administration position on Iran. In fact, "Saudi lobbyists had been working behind the scenes in the U.S. for years to ensure that the Kingdom's concerns were incorporated into any deal Washington would agree to with Iran—if there was to be a deal at all." The Christian Science Monitor reported that "Saudi Arabia spent $11 million dollars on Foreign Agents Registration Act (FARA)-registered firms in 2015, and much of this spending relates to Iran" (The Christian Science Monitor, February 8, 2016).

The Trump administration initially had shown its willingness about helping the Saudis in their fight against so-called Iranian proxies like in Yemen. The US administration lifted the hold on the precision-guided weapons systems and promised a tougher stand against Iran. US

Defense Secretary James Mattis During a visit to Saudi

Arabia in the spring of 2017, stated “Everywhere you look, if there is trouble in the region, you find Iran” (Haaretz, April 19, 2017).

In fact, the Trump administration from the very beginning was closer to Saudi policy in the region and emphasized the need to contain the Iranian power. That is why Trump described the nuclear deal with Iran as the worst. Trump’s views on Iran seem to conform to those of Saudi Arabia, the United Arab Emirates, and Bahrain. The foreign minister of Bahrain told the press in April 2017 that Trump understood the threats to the U.S. Persian Gulf allies better than his predecessor (Alaraby, April 5, 2017).

That's why Saudi leaders publicly applauded the Trump Administration’s May 2018 exit from the JCPOA and supported U.S. efforts to deter Iranian actions in the Persian Gulf. These efforts increased after a serial attacks on commercial tankers in mid-2019 which Iran accused had been behind them (New York Times, October 4, 2019).

Prince Mohammed Bin Salman said in 2017 “We are a primary target for the Iranian regime,” “We won’t wait for the battle to be in Saudi Arabia. Instead, we’ll work so that the battle is for them in Iran” (New York Times, April 10, 2019). In this time, Saudis also criticized Iran for backing militias in Iraq, Syria, Lebanon and Yemen, where the kingdom has been mired in a disastrous war against the Houthis for four years. In this regard, Saudi Arabia opposed Iran's nuclear deal with the world's major powers.

A New York Times analysis identified what is probably the primary reason For the Saudis to oppose the deal — a fear that a reduced US-Iran disputes would damage Saudi Arabia's power in the region in general and its campaign against Iran in particular. “Exiting the deal, with or without a plan, is fine with the Saudis,” the Times wrote. “They see the accord as a dangerous distraction from the real problem of confronting Iran around the region”(New York Times, May 8, 2018).

On the other hand, Iran has repeatedly condemned Saudi attacks on Yemen. Iran also called for the Saudis to abstain from

US policies in the region and the massive purchase of weapons that cannot guarantee their security. Iran's president, Rouhani, At the General Assembly, in September 2019 aimed part of his speech directly at Arab countries in the Persian Gulf and said: "It's the Islamic Republic of Iran who is your neighbor," he said. "At the day of an event, you and us will be alone. We are each other's neighbors, not America." (New York Times, Oct. 4, 2019).

V. Attacks on Saudi oil facilities

On 14 September 2019, Saudi Aramco facilities at Abqaiq and Khurais were attacked using UAVs and cruise missiles. The attacks damaged numerous storage tanks and a processing train in Abqaiq (New York Times, September 16, 2019). While the attack was initially claimed by the Houthis, Saudi Arabia and the US were quick to blame Iran. These attacks led to the temporary suspension of 5.7 million barrels per day (bpd) of Saudi oil production. This equates to well over half of Saudi Arabia's actual crude oil production capacity. It resulted in the sharp rise in world oil prices by the largest percentage in a single day ever (Watkins, 2019).

The attacks represented a major escalation and stunning strategic surprise. The first surprise was the actually conduct such a unprecedented attack in Persian gulf. The second was the capability that it showed (CNN, September 17, 2019).

This trend of escalating crisis in the Persian Gulf region can be evaluated in favor of Iran. This was meant to send a message to the Persian Gulf states especially Saudi Arabia that if they continue to encourage the United States to cut off Iran's oil sector, this would harm their ability to export oil. The message to the United States was that the "maximum pressure" campaign is not without costs, and this may have a negative impact on the global economy.

Perhaps another striking aspect of these attacks at least for Saudis was that they did not receive any meaningful support from the US that they expected in these difficult times. It could create even further distance in the long-standing 'deal' between the U.S. and Saudi Arabia over power for oil. This deal dates back to a meeting on 14 February 1945 between the then-U.S. President Franklin D. Roosevelt and the Saudi King at the time, Abdulaziz. It was agreed that Saudi Arabia would supply as much oil as the United States needed and that Washington would guarantee Saudi Arabia's security.

The attacks and the frustration of the Saudis' strong support for the United States encouraged them to reduce their differences with Iran. This could serve as an important signal from Riyadh to reconsider its oil as weapon policy against its regional rival Iran. Saudi calculations changed after a cruise-missile and drone strike temporarily disabled a large portion of the country’s crude production in September 2019. Washington didn’t hit back at Iran after the attack, but only it sent troops to strengthen Saudi defenses (Wall Street Journal, Dec. 12, 2019).

Philip Gordon, a former White House coordinator for the Middle East said in this regard “The worst outcome for the Saudis is to move to a confrontation with Iran expecting the U.S. to support them and find out they won’t.” He added, “This administration has shown it’s not really ready to take on Iran.”(New York Times, Oct. 4, 2019).

On the other hand, Iran welcomed Saudi Arabia's compromise approach. Mohammad Javad Zarif, Iran’s Foreign Minister said that his country would “definitely greet Saudi Arabia with open arms” — but only if it prioritized friendly relations with neighbors over purchasing weapons from the United States (New York Times, Oct. 4, 2019).

Conclusion

Rising tensions between Iran and Saudi Arabia between 2011 and 2019 have led the two sides to use oil in various ways to confront their regional rivals. Of course, as the data in the article show, Riyadh officials used this weapon much more than Iran, which seems natural given Saudi Arabia's much higher capability in the oil sector. This story tells us about opportunities and of course limits of the use of oil as a tool to pursue goals in foreign policy.

Given the widespread consequences of 14 September 2019 attacks on the Saudi oil infrastructures and economy and its position in in oil world market, one can expect Riyadh to take a more cautious stance in dealing with parties that may take action against its oil sector. In particular, Saudi Arabia's frustration with meaningful US support in this difficult time, will push Riyadh's rulers on the path to a less aggressive oil policy.

In realist perspective, based on based on the analysis of the behavior of two regional rivals who are concerned about the imbalance of power in the region and at the same time have the possibility of using oil weapons against each other, we can say Saudis considered the use of oil weapon against Iran in a circumstance of mounting threat in neighboring region. Apparently, the Saudis thought that the international pressures and sanctions against Iran at this time could help the effectiveness of this policy against their regional rival. In this line, Riyadh obviously supported international sanctions and then Trump’s maximum pressure policy against Iran and tried to increase the pressures of sanctions against its rival in areas like the oil market.

The article showed that resorting to oil as weapon in foreign policy has had devastating consequences for both Iran and Saudi Arabia. There is no doubt that without Saudi Arabia's cooperation, it would be impossible for US to exert strong pressure on Iranian oil exports. This has deprived Iran of billions of dollars of oil revenues and put its economy in a downward spiral. On the other hand, the aggressive policy of using oil as weapon for Saudi Arabia has been a distorted international image, especially because of the military intervention in Yemen. It has also been found to be accompanied by rising financial costs, which can be seen in the continuing Riadh’s budget deficits and sharp decline in the country's foreign exchange reserves. More importantly, it turned out that this aggressive policy against regional foes could seriously threaten the entire Saudi oil industry. Riyadh can therefore be expected to revise this policy as the cost of using oil as a weapon in the Persian Gulf has increased dramatically.

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