Geography can be deceptive. On a map, Saudi Arabia rivals Iran and Iraq in size and dwarfs its Gulf Arab neighbors. Figures for oil reserves can also be misleading. According to the 2019 edition of the BP Statistical Review of World Energy (compiled by British Petroleum Corp.), the three countries are almost in a different league from the rest of the Gulf littoral countries, with Saudi Arabia way out front of the other two.

The reality is that it has often been more appropriate to consider the kingdom as just another self-effacing Gulf monarchy with a relatively small citizen population, propped up economically by a large expatriate workforce, with oil and/or natural gas being the magic ingredient that keeps the whole edifice afloat.

Unlike Iran and Iraq, the kingdom, along with the other Gulf Arab states – Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman (to list them from west to east) – is a unique political and economic system. The member states of the Gulf Cooperation Council (GCC) are hereditary and tribal rather than republics. And they are the quintessential rentier states, meaning that they depend on oil income, rather than developing their own non-oil economies or, heaven forbid, taxing their own citizens (though that may be starting).

### Breaking the Old Model

Even before the coronavirus pandemic, the political and economic fabric of the Gulf was under stress, a consequence of future forecasts of oil prices trending downward. But a countervailing force has emerged in the last few years. It is the vision for his country of Saudi Arabia’s new de facto leader, Crown Prince Mohammed bin Salman, often known simply as MbS. He wants to break the old model for Gulf statehood and make Saudi Arabia into a technological powerhouse. And he also wants Saudi Arabia to be perceived as the most important country in the Middle East, not only by the regional states but also the international community. This is a huge challenge but is arguably the most important template for a discussion on the region’s post-pandemic future.

Although the ability to export oil and/or natural gas at a good price is the largest and key variable for predicting the future of the Gulf states, forecasting that price, at least in the short-term, is a fool’s game. It is sufficient to say that the longer-term demand for hydrocarbons appears to be on a downward slope. And it is no consolation that the most likely scenario for higher prices is political tension, particularly in the Gulf area itself!

Nevertheless, even if, for the purposes of this analysis, the oil price and associated factors are put to one side, they cannot be discarded completely. As part of MbS’s project, Saudi Arabia is due to host the G-20 economic summit later this year. Its membership is a consequence of its oil wealth, not the fact that it claims leadership of the Arab and Islamic worlds.

The summit may turn out to be (yet another) virtual event but MbS will try to put on a good show. Coping with the coronavirus will be a reflection of the quality of modern healthcare in the kingdom. The flight of expatriate workers will be an opportunity for Saudi citizens to fill the gaps. Weak incoming revenue flows will be shrugged off as less important now that his Vision 2030 project is moving in the right direction. The fact that the Vision may now be better dated as 2040 or even 2045 will conveniently go unmentioned. No one will protest. The fate of dissident journalist Jamal Khashoggi is remembered even if it is not discussed.

The other Gulf states may struggle more. MbS has changed the social contract in his kingdom but most of the other sheikdoms and emirates – Kuwait, the UAE, Qatar and Oman – are less hierarchical. The action though probably will be in the ruler’s majlis (salon) rather than on the streets. Only Bahrain, majority Shia but Sunni-ruled, could be really challenged. Riyadh, along with Kuwait, Qatar and the UAE, have the financial reserves to see them through. Bahrain and Oman
will be looking for handouts, as will the sheikhdoms of the seven-member UAE other than oil-rich Abu Dhabi and the commercial hub of Dubai.

Arguably the most interesting and immediate factors at play, unimpeded by the coronavirus particularly for Saudi Arabia, are how to cope with the unfolding threat of Iran, and relations with Israel, with the associated attitudes toward the Palestinian cause. These are issues which will not be left for a post-pandemic era. Their immediacy is further emphasized by the November elections in the United States and the possibility that the Republican administration of Donald Trump will be replaced by a Democratic one led by Joe Biden.

**The Iran Factor**

The main political uncertainty within the Gulf is the behavior of Iran, where the coronavirus has also hit hard, although meaningful analysis of comparatively how hard is awkward because of the absence of good quality numbers and other data. Worryingly, Iran’s capacity for destabilizing activities appears undiminished either by the virus or by increased U.S. sanctions on its nuclear program, oil exports, and financial transactions.

Worse still, Iran’s capacity for asymmetric warfare is not only undiminished but may be accelerating. Last September’s drone attacks on Saudi Arabia’s main oil processing facility at Abqaiq and another installation shocked military types across the world. The technology was comparatively low-tech and cheap, undermining the notion that countries like the United States have an in-built military advantage because of their superior technology and financial resources. The United States won the Cold War by outspending the Soviet Union. This seems unlikely to work with Iran.

Iran’s nuclear ambitions are a separate issue. Sanctions may well be delaying what is generally recognized as a nuclear weapons project, hidden behind a civil nuclear program. But even here, there is justifiable anxiety. Using much the same technology, both to obtain highly enriched uranium and a missile capable of delivering a nuclear warhead, neighboring Pakistan became a nuclear weapon state in 1998, 22 years ago. And Pakistan’s nuclear device had been ready for testing for at least the previous 10 or so years.

Washington’s diplomatic tensions with its European allies – Britain, Germany, and France – over how to deal with Iran remains a weakness only too obvious to Tehran, which already counts Russia and China as being effectively supportive. The challenge facing Washington is how to deal with Iran in a manner which is perceived – by Iran, by regional allies, as well as by the wider world community – as being effective and therefore a deterrent, rather than moves by a fading superpower.

**How Iran Sees Itself**

It is too simplistic to merely label Iran as a troublemaker. Rather it is important to try to understand Iran’s behavior, which is part historical and part a factor of the Islamic regime that took power at the 1979 revolution that overthrew the Shah. A key aspect is that Iran sees itself as the natural main power in the region, of which the name of the Gulf, the Persian Gulf, is a key piece of evidence.
Persian Gulf, recognizing that Iran’s coastline is the dominant one.) Additionally, the Islamic republic is Shia Muslim, the minority sect in Islam, and wants to rebalance the subordinate relationship of Shias with majority Sunnis. In particular, Shia Iran thinks it has a role in supporting Shia communities across the Middle East that have been historically disadvantaged. This principle goes a long way to explain Iranian interests in Iraq, Syria, and Lebanon, as well as Bahrain and the oil-rich Eastern Province of Saudi Arabia and will probably be strengthened by the pandemic.

The flip side of this is an in-built religious and historical rivalry with Saudi Arabia, the leader of the Sunni Islamic world as well as Islam’s physical center by virtue of Saudi control of Mecca and Medina, the two holy places of Islam. (The King of Saudi Arabia also carries the title of Custodian of the Two Holy Places. In the years following the Iranian revolution, there was tension in Mecca and Medina when Iranian Shia pilgrims travelled there.)

A particular aspect of the Islamic republic’s view of the Persian Gulf region is that Tehran regards the security of the region to be the joint responsibility of the countries of the region, a formulation which does not include the United States, nor other foreign countries like the former quasi-colonial power, Britain. This is in direct contradiction with Washington’s principal raison d’etre for being in the Gulf, which is to safeguard the flow of oil from the area to the rest of the world.

Domestically, the trends are confusing. Broadly, the general population’s support for the government is under strain because of the economic conditions, administrative incompetence, and the Islamic leadership’s determination not to allow more than a limited range of political sentiment. But this is balanced by what appears to be a determination to deepen the roots of the Islamic regime and a further tilt towards the hardliners of the Islamic Revolutionary Guard Corps (IRGC) in terms of political attitudes.

Israel is increasingly seen as a natural trading partner with an overlapping vision of cooperation on technological options for the future. Despite the internal and external strains and stresses, Iran does not appear to be on the verge of political change, either deep rooted or in terms of policy. The view appears correct that Supreme Leader Ayatollah Ali Khamenei is sitting out what he judges to be the final months of the Trump administration, expecting if not hoping for a Democratic administration. Washington’s focus on the pandemic and the racial tension prompted by the killing of George Floyd in Minnesota could well mean Tehran’s judgement is right. But don’t expect Iran to be well-behaved, the temptation to take advantage of perhaps temporary weakness in its adversaries will be too great.

The Israel Factor

The major change that has emerged in the Middle East in recent years has been Gulf attitudes toward Israel. Ties are no longer completely predicated on the resolution of Palestinian demands, which have been chiefly Israeli withdrawal to the 1967 lines as well as those Arabs claiming to be refugees being allowed to return to Israel itself.

Furthermore, the shift, which has been led by Saudi Arabia and the UAE, cannot be simply attributed to concern about Iran and the attractiveness of collaborating with another country which shares that perception. Instead, Israel is increasingly seen as a natural trading partner with an overlapping vision of cooperation on technological options for the future. When MbS was visiting the United States in 2018, at least one person at a closed-door gathering of Jewish leadership fell off his chair when the Saudi crown prince shared this dream.

MbS’s other winning card in terms of perceptions, along with that of his UAE counterpart, Crown Prince Mohammed bin Zayed of Abu Dhabi, known as MbZ, has been to advocate moderate Islam and move against the hardline Islam which seemed to define the kingdom for so long. Live entertainment and women driving have been signature developments in Saudi Arabia. The head of the Mecca-based Muslim World League, Mohammed al-Isa, has also worked tirelessly on interfaith issues, including visiting the Auschwitz death camp in January, along with American Jewish leaders.

Opinions vary on the substance and meaning of this reaching out to Israel and Jews in the rest of the world. Whatever is reality, the stance is about to face two tests: Israeli annexation of parts of the West Bank and the possibility that President Trump will not win a second term.

One particular concern, or should be a concern, to Saudi Arabia and other Gulf countries, is the extent to which Gulf public opinion supports its leadership’s changing attitudes toward Israel. Attitudes, to the extent they can be measured, appear to be less than enthusiastic. The changed economic circumstances brought on initially by low oil prices and then by the coronavirus have already strained the local social contracts. Ever opportunistic, Iran may find itself presented with a new weakness to exploit.

SIMON HENDERSON is the Baker fellow at The Washington Institute and director of the Institute’s Bernstein Program on Gulf and Energy Policy.