

**CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE**

**Moderator: Clara Hogan  
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Operator: This is Conference #: 21506811

Male: Good morning everyone. Or afternoon. My name's Tom Carver, vice president here at Carnegie Endowment and this is a media call on the Saudi-Iran situation. I'm pleased to have with me here Fred Wehrey who's a senior associate who handles the Gulf for us basically in Washington DC, and Karim Sadjadpour, who is senior associate for – specialist in Iran, is momentarily going to be joining us in about a minute today.

So we'll get started anyway. It's going to be 30 minutes long, it's on the record. Please announce yourself when you have a question and mute your phones during the call so that people – other people who are listening because we've got people from all over the world, are not disturbed.

OK so maybe Fred, do you want to just start with your general thoughts? And then I'll take it from there?

Frederic Wehrey: Sure. Yes, well I mean I think we are all aware of this rather seismic eruption in Saudi-Iranian relations. I've been focusing a lot on the domestic side of Saudi politics and especially Shia (dissent) in the eastern provinces so we can certainly talk about the ramifications of this for the domestic scene in Saudi Arabia. Together with my colleague, Karim Sadjadpour, we've written a lot in the past about the turbulence of Saudi-Iranian relations with an eye to the long view.

And I think that's what I want to emphasize here is that if you look at the historic scope of the relations we've seen this sort of spat before. Karim and I both have said in our respective interviews that these are not inherently historical antagonistic sectarian rivals but rather strategic competitors.

I think the nature of the regional breakdown, the way the regional system is breaking down has inflamed the Shia-Sunni split, the Arab-Persian split, but that shouldn't lead us to conclude that these two states are locked in an immutable rivalry.

So my conclusion is that this spat will eventually if not settle down, reach some sort of equilibrium. If you look at the entire span of Saudi-Iranian relations there's always been a degree of coordination and perhaps back-channel dialogue even when they've been at each other's throats on a number of regional issues. We can go into the basics about what's really fueling the rivalry, and also the implications of this heated escalation for U.S. interests in Syria, Iraq and on the nuclear issue and on that note Karim Sadjadpour has just joined me, so – Karim are you ready to fit in?

Karim Sadjadpour: Yes, no I always agree with agree with Fred on this, I always say there's three parts to the Iran-Saudi rivalry. It's sectarian, ethnic and geopolitical but it's really the geopolitical which fuels the sectarian and ethnic rivalry. During times when the region is not in a state of crisis Iran and Saudi Arabia have kind of a cold modus vivendi between them. We saw that in the 1990s, in the 1970s, so they're destined to be rivals but not necessarily destined to be adversaries.

That – in the last week, since these incidents took place there seems to be an effort on both sides to try to de-escalate. Today Iran's Friday prayer leader gave a speech condemning the ransacking of the Saudi embassy. The Friday prayer leader's message is always carefully coordinated with the Supreme Leader, so although the Leader himself hasn't yet spoken about this, when you have the top commanders of the Revolutionary Guards and top clerics condemning this action it's clear that the Iranians recognize that they overstepped.

Likewise probably many of you saw the interview the Economist did with Mohammed bin Salman, Saudi crown prince, and his focus was really on economic reform in Saudi Arabia, and when he was asked about the conflict with Iran he certainly said this is something that they're not interested in having.

I think it's probably best if I just stop there. I'm happy to go into any Q&A.

Tom Carver: Maybe Fred you could just expand a bit on what's going on internally as far as you can assess inside the Saudi power structures. Karim mentioned that the crown prince has been driven by a particular group of characters and what's the relationship with the conservative clerics.

Frederic Wehrey: I think this is a new king who sees a certain utility in revamping or revitalizing the (outsole)'s relationship with the conservative clerics, so we've seen a loosening of some of the strictures on the conservative clerics, and obviously a speeding up of the judicial process which explains this spate of executions we've seen.

The (outsole)s have always played this balancing game between different factions in the Kingdom, whether it's the liberal technocrats, the conservative clerics, the Shia, and this king appears to be tilting more towards those conservative clerics, but at the same time he faces this threat from militant Sunni jihadists, and that explains why these Shia were executed. To sort of placate the Sunni constituency, especially among the clerics.

As far as Saudi foreign policy I think this is well known to most of us that this assertive adventurism in Saudi foreign policy is partly driven by domestic politics and the entire Yemen operation can be read as an attempt by the new defense minister, Mohammed bin Salman, to burnish his domestic credentials. Although going back to that Economist interview he seems to be walking back a bit as failure is always an orphan. He says "you know we're a country of institutions, I wasn't the architect of this."

So we may see some backpedaling on this. Because this operation is not going as planned.

Tom Carver: What about the Shias? Obviously they are critical in this – what do you think is going to happen in these provinces?

Frederic Wehrey: I made two trips out to the eastern province, and this cleric Nimr al-Nimr was always somewhat of a marginal figure and this came out in the Wikileaks cables. And I spoke to Nimr's family – you know his incarceration really elevated his status. He represents a sort of grassroots populist trend within the Shia opposition landscape.

What is his death going to do? I think it could put the accommodationist, the Shia clerics and activists who are willing to work within the system, it could put those figures under pressure from the street.

So we're going to see more protests. I think we may see a bit more militancy and violence. That also combined with the Islamic State attacks on the Shia, which is a strategy by the Islamic State, to attack the Shia, could really change the Shia's thinking, so that they're thinking "well, we can't really trust this regime anymore, to protect us. And we're facing this threat from the Islamic State so we need to protect ourselves," and there could be more militancy.

When I was speaking to the Shia, under King Abdullah's reign, they always thought of him as someone whose heart was in the right place, but he was geared toward reform, and he was facing pressure from the hard right wing conservatives. That's all gone away and the ability of the Kingdom to enact reforms toward the Shia has really been diminished under this new regime.

Tom Carver: OK. Karim?

Karim Sadjadpour: Domestic politics here? The ransacking of the Saudi embassy and just kind of overall more securitized atmosphere is not to the benefit of President Rouhani and his more pragmatic agenda of wanting to open Iran up to foreign investment, attract businesses. Actually one of the stories that really hasn't been written about is the amount of Saudi businesses that have been investing in Iran over the last decade.

This is something not commonly known but there's actually quite a bit of Saudi private investment within Iran. Rouhani is someone who was a protégé

of the former president Rafsanjani, who has long favored good ties with Saudi Arabia. So this – when you're trying to send a message to the world that Iran has changed, come do business, it's a peaceful place, and people see images of embassies being ransacked – that's not in his interests.

There are elections coming up in Iran, which I'm happy to talk about, end of February for the Parliament and the Assembly of Experts, the big question here is who will be permitted to run by the Guardian Council which vets all candidates.

There's a wide swath of candidates that are permitted to run, which is a huge "if." I would predict that those sympathetic to Rouhani's moderate pragmatic agenda will do extremely well, but that's a huge "if" and my sense is that they're going to be vetting a lot of these more moderate candidates and preventing them from running.

Tom Carver: Great. Well let's open it up to questions.

Operator: If you would like to ask a question press star, then the number one on your telephone keypad. We'll pause for just a moment to compile the Q&A roster.

Tom Carver: While we're pausing Karim, presumably the sacking wasn't done without some sort of approval at least, or tacit approval by the authorities.

Karim Sadjadpour: Yes.

Tom Carver: To be clear.

Karim Sadjadpour: So protests of that size in Iran, if they're not sanctioned by the government, by the security forces are quickly crushed. If you wanted to rally 50 people to rally for human rights or labor rights in Iran they would be crushed in a matter of minutes. This was a process that persisted for over an hour.

Web sites that are supposed to belong to the Basij and Revolutionary Guards actually telling people to come out, and the diplomatic police force which guards these embassies, they were told to basically back off.

So absolutely. I think that Iran recognized that it overstepped when the Saudis severed relations and then several other countries followed suit. And then the final point that I make on this is that – and Fred may have alluded to this earlier, I think that you could argue a sectarian strategy – a sectarian regional strategy makes sense for Saudi Arabia because they have numbers.

You know the 80, 85% of the region's Muslims are Sunni. A sectarian strategy doesn't make sense for Iran. If you are trying to be the dominant power in the region by waving a Shiite flag, you're not going to get a lot of people – it's like Hillary Clinton running on an Hispanic agenda for the presidency. There's 15% of the country is Hispanic.

And so Iran has always tried to downplay the sectarian elements of this conflict.

Tom Carver: OK. Questions?

Operator: We have a question from the person whose information was unable to be gathered, caller please state your first and last name. Your line is open.

Tom Carver: Hello? Hello?

Operator: Caller please state your first and last name, your line is open.

Tom Carver: OK. Ready to move on?

Operator: Your next question comes from a person whose information was unable to be gathered, caller please state your first and last name. Your line is open.

Tom Carver: Hello?

James Reinl: Hi there, can you hear me?

Tom Carver: yes. Fine. Who is this?

James Reinl: Hi, great, hi there. Yes thanks so much for the briefing this morning guys. My name is James Reinl, I'm a journalist with Al Jazeera.

Tom Carver: OK.

James Reinl: I'm – OK great, I've got a question for you. It's about this issue but I want to view it from the perspective of Obama, a president who's just starting his final year in office. How much emphasis do you think the President will give to the Middle East issues – the Syria conflict, defeating ISIS, the Iran deal – in the context of this Iran-Saudi split? during his final State of the Union address on Tuesday, and he didn't really have any goals in that region while he's been in the White House?

Karim Sadjadpour: I'd say a couple of things. What distinguishes President Obama from past presidents since 1979 is that in this rift between Iran and Saudi Arabia the U.S. is trying to play more of a – there's not a clear U.S. siding with Saudi Arabia, whereas in the past the U.S. was always in lockstep with Saudi Arabia against Iran, and that's certainly something which has angered Saudi Arabia and certainly there's a perception in the Gulf that Obama has this affinity for Persians and Persian civilization and he doesn't have that same affinity for Gulf countries.

The second things I'd say is this. In my opinion what's paramount for Obama is to protect the Iran deal. Let's – you could argue not only that the top of his agenda for the Middle East, but arguably one of his – what his Administration believes to be the crowning foreign policy achievement.

So if that's at the top of your agenda, that means that the Administration's perspective is going to try to do everything they can to de-escalate tension with Iran to downplay Iran's provocations and to try to do everything they can to refrain from penalizing Iran and sanctioning Iran and doing things that could potentially trigger an Iranian response which could lead to the unraveling of the nuclear deal.

Tom Carver: Well presumably that gives some leverage to the Saudis, right? If that's what the priority is?

Frederic Wehrey: I think it does absolutely and I think the Saudis – they know that, and there were these private warnings to the Saudis not to do this execution but they

went through with it and now – one of Obama's visions for this region, at least in the Gulf, is equilibrium. He uses that phrase a lot.

If these two powers on each side of the Gulf were to if not reach some détente or rapprochement at least to be balanced and to sort of get along, that would facilitate the withdrawal of U.S. forces toward Asia, I think, which he has announced.

Of course that ambition of equilibrium has been shattered. I think Obama will try to salvage this. I think he's going to probably have some sort of meeting with the Gulf states in the near future where he will emphasize the theme of reassurance but qualified reassurance. In Obama's last year I think you may see more of an emphasis on domestic reform, pushing for democratization – you know he's come under a lot of fire for that in the last year. He may calculate he doesn't have much to lose on this.

This is a president that came out very forcefully and to the shock of the Gulf kingdoms and said "look. Don't worry so much about Iran. All of your threats don't come from Iran, you need to focus on your own house, cleaning up your own domestic reforms." And that's – the challenge may come from within. And he may deliver that message again to the Gulf states.

Again, walking that balance between strategic reassurance and also some very forceful messages about domestic reform.

I'll just say also I'm not – if you have one year left in your presidency, I would imagine you think it's way too heavy a lift to think you can really make some meaningful reconciliation between Saudi Arabia and Iran or Sunnis and Shia. And I think looking at it in a domestic U.S. context, probably makes much more sense to focus on ISIS. And the U.S. strategy for countering ISIS, that's something which can appeal to – it's kind of something all Americans are thinking about whereas a Sunni-Shia conflict is just very confusing for people.

Tom Carver: Fred is there any suggestion that the Americans are going to reduce the amount of defense aid that they are going to give to the Saudis? As a way to force them into some domestic reform?



Frederic Wehrey: That debate has happened for quite some time but it's mostly been at the academic level. You know defense officials have privately asked us to think about that. But I don't see any sign of that happening.

The domestic economic consideration, the arms industry, there's Congress – I don't see that happening and the idea that you perhaps can control them better, or moderate them if you have those arms deals and those relationships, that probably explains why the U.S. is in with the Yemen operation.

I think there's – what I hear from this emphasis on partner capacity – let's build up the Gulf so that they're more capable, they're talking to each other, they're more able to launch operations so that we can phase out our own forces. Unfortunately the double-edged sword is when they do conduct these operations as they're doing in Yemen, it's not always in a way that advances our interests or stability, so I think there's going to be a very long learning curve here.

Tom Carver: OK. Other questions?

Please press star one if you have a question.

Operator: Caller, if you've queued up for a question please state your first and last name. Your line is open.

Tom Carver: Hello?

Female: Can you hear me?

Tom Carver: We can hear you.

Female: I'm sorry I'm not sure if it was me that was mentioned but I'll just go ahead and ask my question. I – and this may sound like a vague question, but I'm wondering how much paranoia there is on each side about the other. When I talk with people they say the Saudis seem completely obsessed with Iran, that they consider them much more threatening than ISIS or any other group. But I just want to know, do Iranians feel the same way about Saudis?

I've never gotten that sense that they think that the Saudis are their number one threat. I'm just wondering if you guys see that changing, or compare the two sides' views of each other.

Tom Carver: Great, yes.

Karim Sadjadpour: I do think it's accurate to say that there is this mutual chauvinism which the two countries have for one another. Saudi Arabia Sunni chauvinism towards Shia and in Iran certainly there is a Persian chauvinism toward Gulf Arabs in particular.

You could argue that it's a benign chauvinism, it's not – people don't want to – they're not interested in war, but they don't hold – they think that they're an old civilization and the Gulf Arabs are not, to the extent – to your point I don't think that the Iranians obsess about the Saudis the way the Saudis obsess about the Iranians, but ISIS is a very good example in which the two countries have a common adversary in ISIS.

But they've not managed to have any cooperation in fighting ISIS because they fundamentally disagree about the cause of ISIS.

To the Saudis ISIS's rise is attributable to the brutality of Assad's regime in Syria and the Malachi government in Iraq, both of whom are Iranian clients. And the Iranians would argue that ISIS's rise is attributable to Wahhabi ideology and Gulf slash Saudi financing. So they really blame each other for – I'm not seeing much ability on either side to acknowledge their own faults in these regional conflicts.

And one last point is that I know a lot of folks have made attempts to bring Saudis and Iranians together for Track Two discussions or back channel discussions and I think what you commonly see is that Iranians, even those hard-line forces and those within the Revolutionary Guards are very amenable to the idea of sitting down privately and talking to the Saudis and Foreign Minister Zarif has openly stated he's made those attempts, and it's the Saudis who are reluctant at the moment because they believe that they're down, their stock is down in the region and most of these regional conflicts they're being

outmatched by Iran and they feel the Iranians only want to talk to them to consolidate their gains.

So they're trying to build some leverage in the region before they sit down with Iran.

Frederic Wehrey: This paranoia in Saudi Arabia and Iran is deeply felt at the popular level but it's also been used instrumentally by the regime – I think they've inflated this Iran threat. Certainly they see Iran as a strategic competitor that has the upper hand in the regional balance of power.

If you go back to when this competition really started after 2003 and especially 2005 with the rise of Ahmadinejad, if you would have a score card and go down the checklist of all the different regional theaters, the balance would be to Iran. So the Saudis knew that they were losing in all of these fronts. The question is also one of the Saudis knowing that they are the junior partner in this relationship.

And I think this fundamental fear, this sort of strategic jealousy that the U.S. may be tilting back towards some sort of equilibrium with Iran, and this harkens back to the status of Saudi Arabia under the Shah, with the Twin Pillars doctrine under Nixon, the Saudis were the junior partner.

By every measure of power they know that they would be subsumed by Iran in the Gulf and that's why they've always demanded some sort of external power, external guarantor for their security to balance Iran.

The notion of Iran meddling inside Saudi Arabia or the Gulf, has been vastly overstated and that's a product of regime propaganda I think, regime inflation of Iran's influence among local Shia, what Iran is doing inside the Gulf and part of that is a classic nationalist tactic.

What better way to rally your population, to rally the Gulf around the Saudis, to distract your population from internal problems of governance than to create this external threat that's at your borders.

Tom Carver: OK, we've got a few minutes more. Any other questions?

Operator: Yes, you have a question from (Steve Clark), your line is open.

Tom Carver: Hello?

(Steve Clark): Hi, sorry if this is (Steve Clark), I did register earlier but actually my colleagues have asked the question I had in mind. So if anyone wants to shout a last one then that's fine by me.

Tom Carver: Thanks. Any others?

Operator: Your next question comes from the line of Howard LaFranci. Your line is open.

Howard LaFranci: Hello? Can you hear me guys?

Tom Carver: Yes. We can hear you Howard.

Howard LaFranci: OK I've been going in and out. But (inaudible) ask Karim – if what – the sacking of the Saudi embassy – if that was a – we have even the Supreme Leader expressing condemnation of that, was that a miscalculation by some more extreme group, was it the (IRGC), and what does it come from, does that say anything about potential eruptions against implementation of the nuclear deal, or if there's some groups that are going beyond even what the Supreme Leader would like to see. I'm just trying to understand that.

Karim Sadjadpour: That's a very good question. If you look, since 1979 there's been about half dozen embassies in Iran which have been ransacked or seized starting with the U.S. in 1979 and then in fact the Saudi and Kuwaiti embassies in the '80s, the Danish embassy after that Mohammed cartoon incident, the British embassy in 2011 and now this one. In all of these instances it seems that it's young men.

In '79 the Basij didn't exist, but since then it's been – the Basij militia are like the junior varsity to the varsity of the Revolutionary Guards, the Revolutionary Guards oversee the Basij, so they often take their own initiative and oftentimes they're backed by senior officials in this instance they weren't but I think your question is a good one.

It shows the tremendous potential frailties of opposing the nuclear agreement if there are these rogue forces in Iran's security forces which – their actions may not necessarily be in the nuclear context because that's a tightly controlled environment.

If you have the Revolutionary Guard Navy provoking the U.S. Navy in the Persian Gulf or there's an incident like we've seen in the past of a group of Israeli tourists being blown up in Bulgaria, which is attributable to Hezbollah in Iran, and the U.S. Congress sanctions Iran for that and Iran responds by saying "that's an abrogation of the nuclear deal" this is going to be extremely fraught.

And certainly there are elements in Iran which are pretty powerful which are fearful of the potential economic and political reintegration that could come with the nuclear deal so I think the first 12, 24 months of this deal are going to be absolutely critical.

If you can get beyond that period the likelihood of lasting duration is much higher.

Tom Carver: OK, we're at 9:30, any closing thoughts, Fred? Anything you want to, Karim?

OK then thank you very much. I know everyone's time is tight. I'm sure we will continue to do these as the situation unfolds but for the moment that's it. There will be a transcript available from Clara which we will send out to you sometime in the next 24, 48 hours.

Of course you're welcome to get in touch with Fred and Karim directly just e-mail Clara. OK. Thank you very much.

Operator: This concludes today's conference call. You may now disconnect.

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