Biannual of Iranian Review of Foreign Affairs
Center for Strategic Research
https://irfajournal.csr.ir/?lang=fa E-ISSN: 2717-3542
Vol. 15, No. 1, Issue. 39, Winter and Spring 2025 Received: 2023/11/27 Accepted: 2024/04/21
Research paper PP. 229-250

Analyzing the Drivers Behind the Declining Importance of Oil in Future Iran–Saudi Relations

Hamed Harirforoush
Department of Political Science and International Relations, Faculty of Humanities, Islamic Azad University, Shahroud Branch, Iran.
h.harirforoush@gmail.com 0009-0000-0075-6607

Ehsan Razani
Assistant Professor, Department of Political Science and International Relations, Faculty of Humanities, Islamic Azad University, Shahroud Branch, Iran (Corresponding author).
Razani@gmail.com 0000-0000-0000-0000

Amir Hooshang Mirkooshesh
Assistant Professor, Department of Political Science and International Relations, Faculty of Humanities, Islamic Azad University, Shahroud Branch, Iran.
amkooshesh@gmail.com 0000-0000-0000-0000

Abstract

Iran and Saudi Arabia have long competed as two regional powers, striving to expand their influence and safeguard their interests over the past five decades. While this rivalry has largely been non-military and indirect, it has manifested through political, ideological, informational, and economic avenues. The pivotal variable of oil has significantly shaped the competition between these nations. In recent years, a transition towards alternative energy sources has emerged, driven by factors such as dwindling oil reserves, economic inefficiencies, oil price volatility linked to global politics, potential fluctuations in demand, supply security concerns, sustainable economic practices, and environmental issues like global warming and climate change. Both Iran and Saudi Arabia have endeavored to diversify their energy portfolios, moving beyond oil dependency through initiatives like nuclear programs and exploration of other sources. Consequently, the influence of oil on their bilateral relations has evolved, losing some of its historical significance. This study aims to explore the factors that have diminished the importance of oil in shaping the dynamic between Iran and Saudi Arabia. Through the lens of the rentier state theory and scenario-writing method, the research reveals that technological advancements, the involvement of regional and extra-regional actors in West Asia, the impact of non-governmental entities, the shift towards alternative energy sources in the region, and the economic diversification efforts of both nations have collectively reduced the once-central role of oil in their relationship.

Keywords: Iran, Saudi Arabia, Oil, Rentier state, West Asia.

doi 10.22034/irfa.2025.427186.1226

Introduction

Since the discovery of oil in West Asia in 1908, this vital resource has exerted a significant and enduring influence on the foreign policies of countries in the region. In the aftermath of World War I and the division of the Ottoman Empire into newly formed states under the influence of colonial powers—particularly through the secret Sykes-Picot Agreement of 1916—oil emerged as a decisive factor in shaping regional political decisions. The rise of oil-producing states became particularly important to global powers seeking both territorial dominance and access to essential raw materials for industrialization. This led to the strategic relevance of Gulf countries such as Saudi Arabia, where British colonial interests were especially focused due to proximity to India and the broader Persian Gulf region. With Britain's withdrawal from the Persian Gulf in 1971 and the subsequent rise of American hegemony, oil transitioned into an autonomous variable in both global political and economic systems. Saudi Arabia, possessing the world’s largest proven oil reserves, gained considerable regional and international influence. The 1973 oil embargo, initiated by Arab countries including Saudi Arabia in response to Western support for Israel during the Arab-Israeli War, illustrated the geopolitical weight of oil as a political weapon. Over time, oil ceased to be a mere commodity and evolved into a central instrument in shaping global and regional power relations.

As major oil-exporting states, Iran and Saudi Arabia have historically maintained a competitive and strategic rivalry. Their interactions, shaped by political, ideological, informational, and economic dimensions, have never escalated into direct military conflict. Prior to the 1979 Islamic Revolution, both states were considered pillars of regional stability under the U.S.-backed "Twin Pillars" doctrine and maintained relatively stable relations. However, the revolution introduced ideological rifts, with Saudi Arabia growing increasingly suspicious of Iran’s revolutionary agenda. Oil has remained a core aspect of this rivalry. Notably, during periods when Iran faced stringent U.S. sanctions and was unable to export oil, Saudi Arabia increased its production to maintain global oil market stability—an action highlighting the geopolitical leverage of oil.

In recent years, however, the role of oil in Iran–Saudi relations has begun to shift. With growing global concerns over climate change, diminishing oil reserves, and the instability of oil markets, the international system has increasingly moved towards alternative energy sources. The interplay of fluctuating oil prices, energy security, and the quest for sustainable growth has led to structural changes in the global energy market (Luciani and Moerenhout, 2020). These transformations have challenged the traditional role of oil in foreign policymaking, particularly for rentier states. In response, both Iran and Saudi Arabia have adopted strategies to diversify their energy and economic portfolios. For Iran, whose oil-dependent economy is highly vulnerable to sanctions, this shift is a necessity. The structure of Iran's economy and administration remains heavily tied to oil revenues, necessitating reform and diversification. Saudi Arabia, meanwhile, has proactively advanced its Vision 2030 plan, aiming to reduce oil dependency through structural economic reforms, increased production capacities beyond hydrocarbons, and expanded investment in non-oil sectors (Saudi Vision 2030, 2016). These internal transformations have contributed to a reduced role for oil in the foreign policy agendas of both states. Consequently, the formerly dominant influence of oil in Iran–Saudi relations has diminished. This trend is further influenced by technological innovation, shifts in regional and global power configurations, the rise of non-state actors, and broader transitions toward renewable energy. Both countries now face pressures—internally and externally—to adjust to a new energy and geopolitical landscape.

Given this background, the present study investigates the changing role of oil in Iran–Saudi relations between 2010 and 2020. It seeks to answer the following central questions: Has the importance of oil diminished in shaping the bilateral relationship between Iran and Saudi Arabia? Does oil still constitute a critical strategic variable, or have alternative factors and dynamics emerged to assume its place? To address these questions, this research employs Rentier State Theory as its theoretical framework and adopts scenario-writing methodology to explore the potential trajectories of Iran–Saudi relations..

Given the evolving dynamics in Iran–Saudi relations and the declining strategic role of oil, this study adopts a futures studies approach to explore potential trajectories of bilateral interaction. Futures studies provide a structured framework for analyzing and shaping possible, probable, and preferable futures (Qadiri, 2014). Over the past five decades, the field has moved beyond linear prediction models toward constructing multidimensional and normative scenarios. Central to this method is the development of plausible narratives that help assess how different variables—such as energy diversification, geopolitical competition, and environmental pressures—may shape future outcomes (Vaezi, 2016, p. 9). Accordingly, this research constructs a range of scenarios to assess whether oil will continue to influence the trajectory of Iran–Saudi relations or whether new strategic and economic factors will take precedence. This forward-looking perspective contributes to a deeper understanding of how resource politics are transforming in West Asia and how the foundations of bilateral engagement may shift in the coming decades.

1. Theoretical Foundations and the Role of Oil in Saudi Arabia's Political Economy

In analyzing the complex dynamics of international relations, employing a robust theoretical framework is crucial for effectively understanding the evolving global landscape. Given the variety of theoretical perspectives within international relations, researchers often face challenges aligning contemporary developments with existing paradigms. Therefore, scholars must navigate multiple schools of thought to identify frameworks that best elucidate the intricacies of their research subjects. Within this context, Rentier State Theory (RST) stands out as a promising approach to explaining the behavior of oil-dependent governments. Accordingly, a concise overview of RST is warranted to establish its relevance in analyzing oil-dependent state dynamics..

The concept of “rent” in rentier states generally refers to income derived from natural resource ownership without significant productive effort, often tied to resource scarcity. Essentially, rent represents earnings exceeding what would be generated through ordinary market activities. Rentier State Theory, praised by Lisa Anderson as a major contribution from Middle Eastern studies to political science, emerged primarily in the 1980s after the oil boom of the previous decade. However, the term “rentier state” was first introduced by Iranian scholar Hossein Mahdavi in the 1970s and was further developed by economists Hazem Beblawi and Giacomo Luciani in an edited volume published in 1987 (Altunıık, 2014)4 According to Mahdavi, a rentier state is one in which the government obtains a significant portion of its revenues from external sources, such as foreign individuals or governments. Mahdavi highlights that policymakers in such states tend to adopt short-term visions and reactive policy-making styles (Mirtorabi, 2015).

RST emphasizes the impact of rent on democracy, noting how oil revenues are often used by rentier states to alleviate social pressures and thus prevent demands for greater accountability. Governments with substantial oil income can reduce or eliminate taxes on their populace, thereby weakening citizens' incentives to demand transparency and representation. Oil wealth also enables support for pro-government factions and suppression of independent groups, impeding democratic development. Consequently, external rents introduce structural distortions that hinder political and social evolution in oil-rich societies (Mirtorabi, 2005). Thomas Friedman famously observed the inverse correlation between oil prices and the pace of freedom (Malik, 2017).

In rentier states, the lack of taxation stemming from resource revenues fosters political systems where wealth derived from resource sales—rather than productive economic activity—goes largely unquestioned (Özoral, 2023). Governments reliant on rent differ fundamentally from those dependent on domestic taxation; such governments typically show weaker adherence to the rule of law and face greater challenges in controlling corruption (Ghaderi and Mirzaei, 2013). According to RST, when governments sustain themselves financially without taxing citizens, they are less accountable to society. In sum, Rentier State Theory posits that external rents distort government structures and impede the social, economic, and political development of oil-rich societies. Natural resources such as oil and gas yield significant revenues for governments heavily reliant on them. This excessive dependence produces economic, political, and social transformations that often hinder overall development. Governments directly receiving revenues from natural oil resource exploitation gain substantial rent since the selling price typically exceeds extraction costs. Thus, a rentier state is defined as a government deriving a large portion of its income from foreign rent (Ghaderi and Mirzaei, 2013)

In many oil-rich developing countries, governments distribute oil revenues domestically. As oil incomes rise, these governments accrue greater leverage in domestic politics and foreign policy. Oil revenues enable governments to cultivate political consensus, thwart opposition growth, and manipulate internal dynamics to serve their interests (Mirtorabi, 2015). The availability of such income tends to drive higher expenditures; in oil exporters, policy decisions often revolve around available funds, sometimes leading to imprudent spending simply to utilize the revenue and maintain power (Beblawi and Luciani, 1987).

Dependence on oil revenues also obstructs economic diversification, fostering mono-product economies. The influx of oil income expands government influence, increasing state involvement in economic and social spheres. Rentier states frequently impose controls that limit private sector development and free economic enterprise (Ghaderi and Mirzaei, 2013).

Scholars like Beblawi, Luciani, and Karl argue that oil rents can create superficial but prolonged stability in fragile governments. In oil-rich societies, government positions become coveted prizes among powerful interest groups, facilitating corruption. Oil wealth allows rulers to secure loyalty through patronage, such as appointing family members to influential posts. It also strengthens ruling family cohesion by heightening the allure of political power. Significant resources are dedicated to repression and control, limiting political and civil freedoms to maintain regime stability (Mirtorabi, 2005).

The direct receipt of resource revenues enables political elites to secure support by suppressing opponents and rewarding allies. Thus, the primary role of a rentier state revolves around rent distribution, which undermines productive economic incentives and impedes structural transformation within economic and political systems (Malik, 2017). Reducing rentier states' dependence on oil could increase taxation revenues and enhance governmental accountability. This shift in domestic policy might lead to foreign policy changes. Since rentier states are often authoritarian with limited public representation, moving toward democracy through economic reform could foster peace and stability, mitigating oil-related authoritarianism, conflict, and violence.

Foreign policy in rentier states typically focuses on leveraging resource wealth to enhance international standing and secure favorable economic and political relations. Such states prioritize regime stability and access to global markets, often forming strategic alliances. Due to reliance on external revenues rather than domestic taxation, these states may prioritize regime security over democratic accountability, projecting power through wealth. They engage in diplomacy to attract foreign investment, technology transfer, and military support, while mitigating external threats. However, dependence on fluctuating global commodity prices makes rentier states vulnerable to external pressures that influence foreign policy decisions. Overall, foreign policy is closely tied to economic interests, often emphasizing stability and regime preservation over broader democratic or humanitarian concerns.

Saudi Arabia, holding the world's largest oil and gas reserves, is a leading producer whose domestic and foreign policies are heavily dependent on oil. Fluctuations in oil prices significantly affect the country's behavior. However, recent changes in production, growing demand, and emerging political and economic factors in West Asia have altered Saudi Arabia's dynamics. Official data indicate Saudi Arabia must balance oil production, distribution, and export. For example, U.S. Energy Information Administration projections show energy demand rising to 2030, with oil production reaching 30 million barrels per day and demand growing by 638 terawatt-hours (TWh). Fuel consumption is expected to rise faster than production, while export capacity declines, necessitating improved oil storage and management (Center for Scientific Research and Strategic Studies of West Asia, 2018).

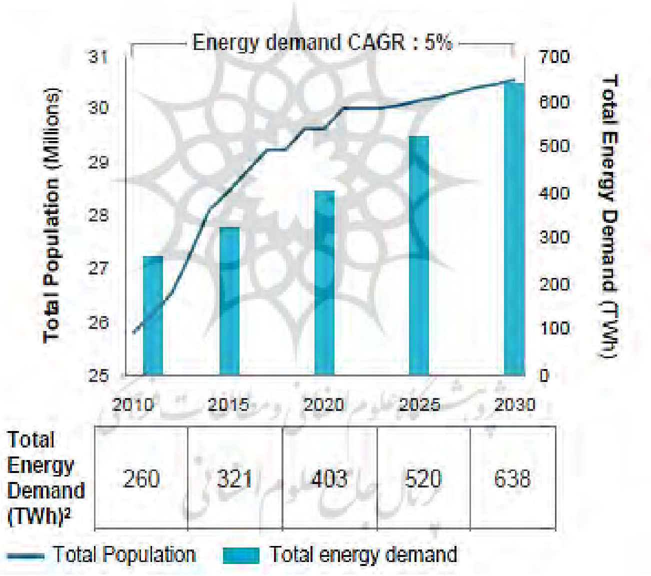
Energy consumption in Gulf Cooperation Council (GCC) countries has increased annually by about 6% since 2000, surpassing GDP and population growth rates. Electricity demand is projected to rise substantially, reaching 54 GW in Saudi Arabia by 2040, highlighting unsustainable patterns of oil production and consumption. Consequently, Saudi Arabia actively pursues economic diversification to reduce oil dependence (Mirtorabi, 2005). Saudi Vision 2030, launched in 2016 by Crown Prince Mohammed bin Salman, underscores economic diversification and reducing reliance on oil. Despite ambitious initiatives, international skepticism remains regarding Saudi success in achieving these goals (Saudi Vision 2030, 2016). Dubai exemplifies successful diversification, having used oil wealth to build globally competitive companies and commercial institutions. Oil, once dominant, now constitutes only %% of Dubai's GDP, with growth rates reaching 1%% annually. Dubai's achievements include reduced corruption and enhanced governance transparency, rivaling advanced nations in these respects (Ghaderi and Mirzaei, 2013; Mishrif and Kapetanovic, 2018).

Saudi Arabia contrasts with Dubai due to its heavy oil dependence and low political development. The government uses oil wealth to suppress democratic pressures (Mirtorabi, 2005 & IMF, 2016). Its rentier economy stifles industrialization, diversification, free markets, and socio-economic empowerment, with government monopolies hindering liberalization. Increased oil revenues reduce elites' reliance on tax income, weakening accountability (Ghaderi and Mirzaei, 2013).

Oil price declines in 2015 led to drops in Saudi foreign assets and foreign investments, reflecting economic vulnerability. Security challenges, including Yemen conflict and Aramco attacks, further hinder foreign investment despite government efforts (Ghanbarloo, 2017)..

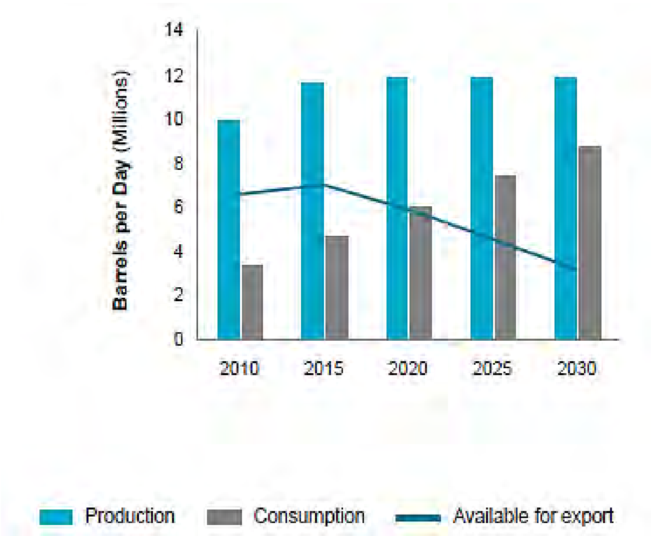
Saudi Arabia produces over 10 million barrels daily, exporting over seven million. Rising domestic consumption risks turning it into a net importer within two decades. The government's increased spending and global oil market changes motivated Vision 2030 to diversify the economy amid uncertainty about oil's future viability (Ghanbarloo, 2017).

Currently, 10-20% of Saudi government revenue derives from oil; oil accounts for about 20% of GDP, with nearly 90% generated by other government sectors. The private sector contributes 20% of production, remaining reliant on government support. Non-oil sectors are targeted to reach 66% of GDP by 2019 under the 10th Development Plan, aiming to maximize industrial growth and reduce crude oil sales while increasing infrastructure investment (Ghanbarloo, 2017; Mishrif and Kapetanovic, 2018).



Source: (U.S. Energy Information Administration, 2021)

Table (1): Total Population growth and total energy demand



Source: (U.S. Energy Information Administration, 2021)

Table (2): Domestic oil production and consumption (m barrels)

Historically, oil has shaped Saudi foreign policy, particularly its U.S. relationship. Saudi Arabia aimed to maintain balanced oil prices to deter consuming nations from shifting to alternative energies. However, the U.S. Shale Revolution disrupted this equilibrium, allowing American producers to respond swiftly to market changes and weakening Saudi influence (Javdani Moghadam and Harirforosh, 2017). Consequently, Saudi Arabia's importance in U.S. foreign policy is perceived to be declining.

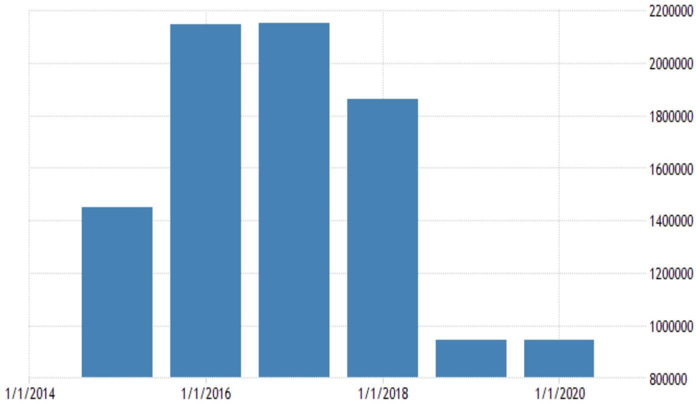
Iran's economy heavily depends on oil revenues, contributing to instability (World Bank, 2020). In 2013, Iran ranked 168th in economic freedom, reflecting government intervention (Ghaderi and Mirzaei, 2013). GDP growth slowed to 3.8% in 2017-2018 due to falling oil revenues. Iran has sought to reduce oil dependency, raising non-oil exports from 6% to 10% of GDP by 2017-2018 (World Bank, 2020).

Following U.S. withdrawal from the 2015 nuclear deal in 2018, sanctions intensified, especially restricting oil exports, severely impacting Iran's economy. Efforts to diversify revenue include boosting production and fostering trade with other countries using national currencies. However, progress remains challenging due to sanctions (Trading Economics, 2020).

The situation in Saudi Arabia contrasts significantly with other economies, as it is heavily reliant on oil. With the highest dependence on oil income, Saudi Arabia ranks lowest in terms of political development. The government utilizes its oil wealth to fund programs aimed at mitigating pressures on democracy (Mirtorabi, 2005 & International Monetary Fund, 2016)6 Iran's oil exports fell from over 2 million barrels per day in 2016 to under 1 million by early 2020, straining the economy and prompting efforts to reduce oil reliance. Tax revenues remain low compared to regional peers, hampering government accountability (Ghaderi and Mirzaei, 2013). Heavy oil revenue reliance entrenches government independence from society, limiting civil institutions vital for democracy in both Iran and Saudi Arabia (Ghaderi and Mirzaei, 2012). Environmental concerns related to oil extraction and consumption include air and water pollution, and hazardous waste from refining processes, which harm ecosystems and public health (Sadeghian and Sahba, 2012). Consequently, pressure from NGOs and international bodies drives shifts toward clean energy exploitation.

The United States' presence in West Asia primarily aims to secure fossil energy resources since World War II, maintaining support for regional regimes to ensure oil flow. However, U.S. growing energy independence threatens this status (Loren Thompson, 2012). Since 2010, U.S. shale oil production surged, reducing crude imports and boosting exports (Al-Khatteeb, 2015). The Shale Revolution rebalanced global oil prices, with U.S. production projected to reach 13.2 million barrels per day in 2020 (U.S. Energy Information Administration, 2021). Despite slowing growth rates, shale oil remains significant (Hart Energy, 2022). Production in Russia, Africa, and the Caspian has risen even as demand drops. African sweet crude commands premium prices over sour West Asian crude (Independent Persian, 2018).

The International Energy Agency forecasts the U.S. will achieve energy self-sufficiency by 2030, reducing Saudi Arabia's oil market importance due to technological advances, alternative fuels, and decreased consumption (International Energy Agency, 2023).



Source: (Trading Economics, 2020)

Table (3)

U.S. shale gas transformed it from importer to exporter. During the Obama administration, policies emphasized shale gas as critical for energy security (Blueprint for a Secure Energy Future, 2011). The Trump administration prioritized LNG exports to reduce European dependence on Russian gas (Shokri, 2018). Experts suggest U.S. shale oil has peaked but will adapt to market realities with rapid production adjustments possible if prices rise (Independent Persian, 2018).

The U.S. thus pursues energy independence and market influence, unsettling Gulf countries dependent on American support for oil exports. A future with diminished U.S. reliance on Gulf oil threatens existing political arrangements, suggesting declining oil importance in international relations and structural shifts in global politics. Current low oil prices, low interest rates, and reduced labor and commodity costs hint at possible economic growth, yet skepticism persists due to weak recoveries outside the U.S. and U.K. Oil-exporting countries face external and financial instability, with subsidy cuts and reduced investments worsening conditions, notably in Iraq due to conflict (Al-Khatteeb, 2015).

The COVID-19 pandemic, Russia-Ukraine war, and Israel-Hamas conflict have intertwined energy supply and demand, increasing price volatility and disrupting the global economy (Xing et al., 2023). West Asian oil producers, including Iran and Saudi Arabia, have not been immune to these impacts.

2. Regional Shifts and the Declining Strategic Role of Oil

West Asia has long been a region of significant importance, stemming from its historical and religious foundations, as well as its strategic geographical and geopolitical position. In recent times, the abundance of oil and gas resources in the region has heightened its global significance, drawing the attention of nations worldwide. Presently, West Asia's importance is multifaceted, with economic, political, and ideological factors playing crucial roles in its rapid evolution. Even the slightest shift in West Asia can have a profound impact on the global oil prices, thereby influencing the economies of both producing and consuming nations of this precious commodity. Oil serves as a central variable in the economic and political discourse of West Asia, with its price fluctuations triggering far-reaching political and societal ramifications in this delicate region.

The economies of oil-rich nations in West Asia are heavily reliant on oil, a dependence that has often impeded their economic and social development due to the mono-product nature of their economies. Consequently, while these countries are major oil producers, they also rank among the largest consumers of essential goods globally. This economic reliance underscores the political and social dependencies prevalent in these nations, creating a complex interplay of economic, political, and social dynamics.

Falling oil prices, escalating financial deficits, growing populations, political instability, terrorism, religious intolerance, and high youth unemployment have all contributed to creating complex economic conditions for West Asian countries. Among these challenges, the decline in oil prices is expected to have profound political, economic, and social repercussions for the oil-dependent societies in the region (Slav, 2024). One significant consequence is the impact of the rentier state model on democracy in oil-rich nations, as outlined in the theoretical framework section. The access that elites in Saudi Arabia and Kuwait have to oil revenues has significantly diminished their reliance on tax revenues from traditional businessmen, leading to a weakening of the state's extractive capacity and accountability. Consequently, amid the influx of oil revenues, the governments of Saudi Arabia and Kuwait may find themselves with reduced incentives to be responsive and accountable to their citizens (Cherif et al., 2016).

The oil-rich countries of West Asia face rising budget deficits that necessitate a shift away from the traditional rent-seeking economy and a reduction in their dependence on oil revenues. This situation poses a significant threat to the future prospects of these nations. Currently, widespread unemployment and the inability of graduates to secure jobs in both the public and private sectors represent some of the most pressing challenges confronting these countries (Al-Khatteeb, 2015).

Many commentators suggest that the window of oil opportunities in the Arab world is closing. The emergence of a combination of energy alternatives, rising competition on cost, and diminishing profit margins for oil and gas reserves signals a challenging landscape ahead. Advancements in technology are expected to further reduce energy production costs, while increasing diversification of energy reserves may significantly diminish the market share held by currently affluent Arab nations in the oil and gas sector. Consequently, many oil-producing countries have initiated economic diversification policies; however, only the United Arab Emirates has achieved notable success in this endeavor (Al-Khatteeb, 2015).

In both Iran and Saudi Arabia, oil sales account for over 42% of total government revenue. Based on this definition, the governments of Iran and Saudi Arabia can be classified as rentier states, characterized by a single-product economy that heavily depends on oil income (Ghaderi and Mirzaei, 2013).

Experts have noted that countries in the MENA[1] region should create 100 million jobs by 2020; however, the reliance on oil has led to a neglect of infrastructure improvements as these nations have prioritized using their oil reserves to bolster governments that often operate on a foundation of corruption and rent-seeking (Al-Khatteeb, 2015).

Therefore, the future stability and prosperity of West Asia hinge on the ability of its governments to address these pressing challenges while fostering a more accountable and responsive political environment. Without proactive measures to diversify and innovate, the region risks falling into deeper economic and social turmoil, jeopardizing its development and influence on the global stage. The path forward will require not only a reevaluation of the reliance on oil but also a commitment to fostering sustainable growth that can withstand the challenges of a rapidly changing world.

1. MENA, an acronym for the Middle East and North Africa, refers to the major oil-producing countries located within this region. The boundaries of MENA extend from Morocco in the northwest of the African continent to Iran, the easternmost country in West Asia. This region is home to 60% of the world's oil resources and 45% of its gas reserves. Consequently, the economies of these countries are closely linked to fluctuations in global oil prices.

3. Emerging Drivers in Iran–Saudi Relations Beyond Oil

To thoroughly analyze the future of Iran-Saudi relations, particularly as influenced by oil, it is essential to identify and examine the effective driving forces behind this dynamic. The key drivers that will be analyzed in the forthcoming scenarios include:

1- The efforts of both Iran and Saudi Arabia to diversify their economies and achieve sustainable economic productivity.
2- The impact of the rentier economies of Iran and Saudi Arabia on both domestic and foreign political landscapes.
3- Environmental concerns related to fossil fuel extraction and usage.
4- The effects of increased American oil production on the oil supply in West Asia.

Developing future scenarios for Iran-Saudi relations, as shaped by oil dynamics, necessitates an understanding of the various states of realization for each key driver. The following table outlines these driving forces.

Row	Driving Forces	Different situations of drivers influencing Iran-Saudi relations affected by fossil fuels:
1	✓ The efforts of Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	≠ Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy ≠ Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy
2	✓ The impact of dependence on the rentier economy of Iran and Saudi Arabia on domestic and foreign policy	≠ The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies ≠ The independence of Saudi domestic and foreign policy from an oil-dependent economy
3	✓ Environmental concerns related to the extraction and use of fossil fuels	≠ Increasing environmental damage caused by fossil fuels ≠ Reducing environmental damage caused by fossil fuels
4	✓ The effect of increased American oil production on the West Asian oil supply	≠ The increase in American oil production impacts West Asian oil ≠ The increase in American oil production affects West Asian oil supply

The combination of various states of the driving forces will yield a total of 16 scenarios. These scenarios are detailed in the table below, along with estimated likelihoods of occurrence for each one. Each scenario is scored on a scale from 1 to 10 to help determine the most probable outcomes. For enhanced clarity, each of the drivers within the different scenarios is weighted and assigned a score of 2.5.

Row	**The efforts of Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy**	**The impact of dependence on the rentier economy of Iran and Saudi Arabia on domestic and foreign policy**	**Environmental concerns related to the extraction and use of fossil fuels**	**The effect of increased American oil production on the West Asian oil supply**	**Probability of ccurrence**
1	Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Increasing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	7
2	Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Increasing environmental damage caused by fossil fuels	The increase in American oil production impacts West Asian oil	8
3	Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Reducing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	4/5
4	Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Reducing environmental damage caused by fossil fuels	The increase in American oil production impacts West Asian oil	3/5
5	Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The independence of Saudi domestic and foreign policy from an oil-dependent economy	Increasing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	7/5
6	Increasing efforts by Iran and Saudi Arabia toward economic	The independence of Saudi domestic and foreign policy from an oil-	Increasing environmental damage caused by	The increase in American oil production impacts West	8/5

Row	**The efforts of Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy**	**The impact of dependence on the rentier economy of Iran and Saudi Arabia on domestic and foreign policy**	**Environmental concerns related to the extraction and use of fossil fuels**	**The effect of increased American oil production on the West Asian oil supply**	**Probability of ccurrence**
	diversification and the achievement of a productive economy	dependent economy	fossil fuels	Asian oil	
7	Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The independence of Saudi domestic and foreign policy from an oil-dependent economy	Reducing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	5
8	Increasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The independence of Saudi domestic and foreign policy from an oil-dependent economy	Reducing environmental damage caused by fossil fuels	The increase in American oil production impacts West Asian oil	6
9	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Increasing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	6
10	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Increasing environmental damage caused by fossil fuels	The increase in American oil production impacts West Asian oil	6
11	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Reducing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	3/5

Row	**The efforts of Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy**	**The impact of dependence on the rentier economy of Iran and Saudi Arabia on domestic and foreign policy**	**Environmental concerns related to the extraction and use of fossil fuels**	**The effect of increased American oil production on the West Asian oil supply**	**Probability of ccurrence**
12	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The influence of the domestic and foreign policies of Iran and Saudi Arabia on their oil-dependent economies	Reducing environmental damage caused by fossil fuels	The increase in American oil production impacts West Asian oil	4/5
13	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The independence of Saudi domestic and foreign policy from an oil-dependent economy	Increasing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	6/5
14	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The independence of Saudi domestic and foreign policy from an oil-dependent economy	Increasing environmental damage caused by fossil fuels	The increase in American oil production impacts West Asian oil	7/5
15	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The independence of Saudi domestic and foreign policy from an oil-dependent economy	Reducing environmental damage caused by fossil fuels	The increase in American oil production affects West Asian oil supply	4
16	Decreasing efforts by Iran and Saudi Arabia toward economic diversification and the achievement of a productive economy	The independence of Saudi domestic and foreign policy from an oil-dependent economy	Reducing environmental damage caused by fossil fuels	The increase in American oil production impacts West Asian oil	5

Following the investigation, the likelihood of each scenario was assessed, resulting in scenario number 6 receiving the highest score of 8.5, making it the most probable scenario for this research among the 16 possibilities.

The favored scenario indicates that Iran and Saudi Arabia will intensify their efforts to decrease their economies' dependence on oil, resulting in significant political and social effects. This reduction in dependence is expected to be achieved through measures such as taxation and economic diversification, thereby expanding opportunities for public and private sector participation. Consequently, based on the previously discussed rentier state theory, it can be anticipated that the domestic and foreign policies of these two countries will become less reliant on oil rents, moving towards greater democratization.

Another critical aspect of oil extraction that has garnered significant attention in recent years within global communities and international conventions is environmental pollution caused by oil extraction. This issue has raised serious international concerns, prompting a global shift toward clean and alternative energy sources, with technological advancements expected to facilitate this transition.

The increase in American oil production is another key axis in the possible scenarios explored in this research. As previously mentioned, the rise in U.S. oil production is likely to reduce the West's dependence on Middle Eastern oil, including that from the region's oil-rich Arab countries such as Saudi Arabia. Consequently, the significance of oil in the relationships between these countries is expected to diminish over time.

According to the detailed scenario, it appears that in the coming years, oil will play a reduced role in Iran-Saudi relations, as internal and external factors increasingly dictate the dynamics between the two nations.

Conclusion

Over the past half-century, Iran and Saudi Arabia have consistently competed as two regional powers, seeking to enhance their influence and protect their interests. Although this rivalry has not manifested in military or direct confrontations, it has been evident across various political, ideological, informational, and economic domains. This competition, particularly given that both countries possess vast oil reserves and play a crucial role in supplying a significant portion of the world's oil, has been heavily influenced by oil. In fact, oil has acted as a critical and independent variable in the rivalry between the two nations.

However, in recent years, due to various economic, political, and social developments, both countries have begun to reduce their dependence on oil. This shift has implications for their internal and external policies, as well as their bilateral relations. This research aimed to explore the factors that have diminished the importance of oil in shaping the dynamic between Iran and Saudi Arabia in order to depict the future scenarios of domestic and foreign political landscapes.

In this research, the concept of the rentier state was initially discussed as a theoretical framework. It was determined that reducing the reliance of rentier governments on oil would increase income through taxation, leading to greater accountability to the populace. This implies that changes in domestic policy are likely to result in shifts in foreign policy. Often authoritarian in nature and lacking in representation and accountability, rentier governments may move towards democratization through this process. Considering the democratic peace theory and the potential for dialogue among democratic governments, there is hope that these democratized oil-rich nations will progress toward peace and stability, thus mitigating the threats posed by oil, which can lead to authoritarianism and conflicts.

Subsequently, the research addressed oil crises, the dependence of Iran and Saudi Arabia on oil, environmental concerns, and issues surrounding oil extraction in the United States. Four effective drivers influencing the reduction of oil's significance in Iran-Saudi relations were identified and analyzed. To address the research question, the scenario-writing method was employed to explore the likelihood of each scenario influenced by these drivers.

The effective drivers considered in this study include the efforts of Iran and Saudi Arabia to diversify their economies and achieve productive economic growth, the impact of their rentier economies on domestic and foreign policies, environmental concerns related to fossil fuel extraction and usage, and the effect of increasing U.S. oil production on the oil supply in West Asia. By compiling these elements and analyzing the potential scenarios using the previously mentioned scoring system, the study concludes that oil will become less important in the bilateral relations between Iran and Saudi Arabia in the coming years.

Ultimately, the research indicates that the factors contributing to the diminishing importance of oil will significantly influence relations between the two countries. In the foreseeable future, oil is unlikely to play a critical role in their interactions. As a result, other internal and external factors will increasingly shape the dynamics of their relationship. Policymakers and foreign policy decision-makers should, therefore, shift their focus to these other influential factors rather than viewing oil as a key determinant of future relations between Iran and Saudi Arabia.

References

Al-Khatteeb, L. (2015). *Gulf oil economies must wake up or face decades of decline*. Retrieved on February 20, 2023 from: https://www.brookings.edu/articles/gulf-oil-economies-must-wake-up-or-face-decades-of-decline/

Altunıık, M. B. (2014)4 Rentier State Theory and the Arab Uprisings: An Appraisal. *Uluslararası İlişkiler – International Relations*. 11(42): 75-91.

Beblawi, H. & Luciani, G. (1987). *The rentier state*. London: Routledge.

Blueprint for a Secure Energy Future (2011). Retrieved on August 25, 2024 from: https://obamawhitehouse.archives.gov/sites/default/files/blueprint_secure_energy_future.pdf

Center for Scientific Research and Strategic Studies of West Asia (2018). Retrieved on August 25, 2024 from https://www.cmess.ir.

Cherif, R.; Hasanov, F. & Zhu, M. (2016). *Breaking the Oil Spell, The Gulf Falcons' Path to Diversification*. International Monetary Fund.

Ghaderi, T. & Mirzaei, S. (2013). Investigating the Role of Oil in the Political Development, A Comparative Study of Iran, Malaysia, Turkey and Saudi Arabia. *Iranian Journal of Sociology*, 14(1), 3-38.

Ghanbarloo, A. (2017). Economic Developments and Political Stability in Saudi Arabia. *Strategic Studies Quarterly*, 20(75), 33-56.

Hart Energy (2022). Retrieved on August 25, 2024 from: https://www.hartenergy.com/companies/ihs-markit-ltd

Independent Persian (2018). Retrieved on November 2, 2022 from: https://www.independentpersian.com/node/28511

International Energy Agency (2023). Retrieved on August 25, 2024 from: https://www.iea.org/news/the-energy-world-is-set-to-change-significantly-by-2030-based-on-today-s-policy-settings-alone

International Monetary Fund (2016). Economic Diversification in Oil-Exporting Arab Countries. International Monetary Fund.

Javdani Moghadam, M. & Hamed Harirforosh, H. (2017). Analyzing the Contexts and Dimensions of Saudi Arabia's Modern Foreign Policy in the Middle East. *Iranian Political Research*, 5(15), 51-74.

Loren Thompson (2012). *What Happens When America No Longer Needs Middle East Oil?* Retrieved on June 2, 2023 from:

https://www.forbes.com/sites/lorenthompson/2012/12/03/what-happens-when-america-no-longer-needs-middle-east-oil/

Luciani, G. & Moerenhout, T. (2020). *When Can Oil Economies Be Deemed Sustainable?* Palgrave Macmillan.

Malik, A. (2017). Rethinking the Rentier Curse in G. Luciani (ed.) Combining Economic and Political Development: The Experience of MENA, International Development Policy series 7 (Geneva: Graduate Institute Publications, Boston: Brill-Nijhoff), pp. 41–57

Mirtorabi, S. (2005). The Causes of Different Trends of Political and Social Development in Oil-Rich Countries. *Encyclopedia*, 1,4(70), 111-134.

Mirtorabi, S. (2015). *Oil, Politics and Democracy*. Tehran: Ghoomes Publishing Company

Mishrif, A. & Kapetanovic, H. (2018). *Dubai's Model of Economic Diversification*. In Economic Diversification in the Gulf Region, Volume II: pp.89-111.

Özoral, B. (2023). The Examination of the Identities Defining Saudi Arabia's Foreign Policy. *Turkish Journal of Middle Eastern Studies*, 10(1), 15-43.

Qadiri, R. (2004). *Identification and Classification of Variables Related to Science and Technology Foresight*. Master's thesis in Technology Management. Faculty of Management and Accounting, Allameh Tabatabai' University.

Sadeghian, A. & Sahba, M. (2012). *Studying the Environmental Effects of Refineries.pdf*. International oil, gas, petrochemical and power plant conference.

Saudi Vision 2030 (2016). Retrieved on August 24, 2024 from *https://www.vision2030.gov.sa/media/rc0b5oy1/saudi_vision203 .pdf*

Shokri, O. (2018). *The Role of America's Shale Gas Revolution* in Sanctioning Iran's Energy Industry – Retrieved on May. 3, 2018 from BBC News Farsi: https://www.bbc.com/persian/blog-viewpoints-45926544

Slav, I. (2024). *Oil Prices Drop as War Premium Evaporates*. Retrieved on August 25, 2024 from https://oilprice.com/Energy/ Oil-Prices/Oil-Prices-Drop-as-War-Premium-Evaporates.html#:~:text=Oil%20prices%20dropped%20due%20 to,Texas%20Intermediate%20experienced%20significant%20de clines

Trading economics (2020). Retrieved on Jun. Dec., 2022 from *https://tradingeconomics.com/united-states/crude-oil-exports-*

for-iran-islamic-republic-of-fed-data.html

U.S. Energy Information Administration (2021). Retrieved on August 26, 2024 from https://www.eia.gov/totalenergy/data/annual/

Vaezi, S. K.; Qomian, M. M. & Waqfi, S. H.. (2016). Future Studies in Humanities with Knowledge Management Approach, Considerations, Achievements and Effects. *Management of Government Organizations*, 5(3), 33-47.

World Bank (2020). Retrieved on June 2, 2023 from https://www.worldbank.org/en/country/iran/overview#1

Xing, X.; Cong, Y.; Wang, Y. & Wang, X. (2023). The Impact of COVID-19 and War in Ukraine on Energy Prices of Oil and Natural Gas. *Sustainability*, 15(19), 14208.