

# Moving from Rapprochement to Economic Cooperation?

## Prospects for Trade Ties between Saudi Arabia and Iran

by *Desirée Custers and Mirjam Schmidt*

### Introduction

Since 2019, there have been ongoing rapprochement efforts from both Saudi Arabia and Iran. At least five rounds of talks, held primarily in Iraq, between security officials from both countries paved the way for an eventual agreement to resume diplomatic ties.<sup>1</sup>

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<sup>1</sup> Haghiriyan, Mehran (23.12.2023): *Regional Economic Integration Comes into Focus at Second Baghdad Conference*. Bourse and Bozaar Foundation. Available at <https://www.bourseandbazaar.com/articles/2022/12/23/regional-economic-integration-comes-into-focus-at-second-baghdad-conference> (15.07.2024).

### Executive Summary

Both Iran and Saudi Arabia, albeit for different reasons, are looking for ways to foster the growth of their domestic economies. Saudi Arabia finds itself in a period of fundamental transformation and seeks to preserve socio-economic stability and social resilience by diversifying its oil-reliant economy, while Iran's economy is currently dwindling, and its social cohesion is on the brink. The agreement to resume diplomatic ties, signed by both parties in March 2023, offers an opportunity for economic cooperation that could mutually benefit the two countries' domestic economies. While there is great potential for cooperation, among the challenges that need to be considered are the overall instable security situation in the region, the international sanctions against Iran and a lack of a bilateral political framework that can secure the risks of monetary investment. During the Iran-Saudi Dialogue Initiative (ISDI) workshop held in September 2023, obstacles and avenues for bilateral and regional economic cooperation between Saudi Arabia and Iran were discussed by a group of Iranian and Saudi experts.

The official agreement, brokered by China, was signed as a trilateral document in Beijing on 10 March 2023.<sup>2</sup> Following the agreement, the year 2023 saw three ministerial meetings in Beijing, Tehran and Riyadh – and diplomatic missions then reopened in Iran and Saudi Arabia. Until March 2023, it was only in multilateral formats that Iran and Saudi Arabia had open politically relevant contact – be it through their memberships in OPEC, the Organization of Islamic Cooperation (OIC), or the Islamic Development Bank.

Since the Iranian Revolution in 1979, competition and tensions over territory, resources, and influence in West Asia, parts of North Africa, and in the Levante were major barriers in Iran-Saudi relations.<sup>3</sup> Contact was mostly reduced to the field of religious tourism – such as Iranians travelling to their Hajj and Umrah pilgrimage in Mecca and Medina, and Saudi Shiites visiting the Imam Reza shrine in Mashhad. Few other economic relations or investments could be seen between the two countries. A major exception, and a potential future model, is the Saudi food company Savola, which has been the biggest cooking oil supplier in Iran since 2004.

Considering current reconciliation efforts alongside the nevertheless still existing tensions between Iran and Saudi Arabia, distinguished experts such as entrepreneurs, academics, and members of national and multinational economic institutions from both countries explored the prospects for economic

relations in the Iran-Saudi Dialogue Initiative (ISDI) workshop, which took place in September 2023. Among other topics, they discussed cooperation in traditional sectors such as oil and gas, petrochemicals, and the automotive industry, as well as considered new emerging sectors, such as entrepreneurship and start-ups. During the workshop, the experts examined what initial steps have already been taken to pave the way for closer economic cooperation, and what steps are necessary in the future. Additionally, as environmental stress and climate change remain central challenges for both countries in the coming years, they discussed what potentials the field of sustainable and green entrepreneurship could offer for economic exchange.

A disclaimer should be added here: The workshop took place before the escalation of regional tensions following the events of 7 October 2023. Yet despite this shifting of security concerns, the main points summarized in this Brief are still applicable to Iran-Saudi economic relations.

## Economic Relations between Iran and Saudi Arabia and the International Context

In recent years, Iran and Saudi Arabia's economic policies have been impacted by several external events that have also fostered rapprochement efforts. Three main trends can be observed:

<sup>2</sup> Hafezi, Parisa, Nayera Abdallah and Aziz El Yaakoubi (10.03.2023): 'Iran and Saudi Arabia agree to resume ties in talks brokered by China', in: *Reuters*. Available at <https://www.reuters.com/world/middle-east/iran-saudi-arabia-agree-resume-ties-re-open-embassies-iranian-state-media-2023-03-10/> (14.05.2024).

<sup>3</sup> Khajehpour, Bijan (13.10.2023): 'Deep Dive: Time for GCC, Iran to discuss free trade', in: *Amwaj*. Available at <https://amwaj.media/article/deep-dive-time-for-gcc-iran-to-discuss-free-trade> (14.05.2024).

- 1) The two countries' relationships with the US have cooled down. In the case of Saudi Arabia, a perceived American withdrawal from the Middle East was highlighted by the lack of US response to the 2019 attack of two key Saudi oil installations, Abqaiq and Khurais.<sup>4</sup> Contrary to the expectations of the Saudi government, based on its close relationship with then US President Trump and his cabinet, the US reacted neither against the aggressor, the Houthis, nor against Iran as the leader of the so-called 'Axis of Resistance'. This inaction led Saudi Arabia to reevaluate their relationship with the US, diversify their external partnerships, and seek regional forms of cooperation. While America remains an important strategic and security partner to Saudi Arabia, the Kingdom seeks new partnership models and agreements with regional neighbors in light of growing frustration with the US-Middle East engagement. In the case of Iran, US withdrawal from the Joint Comprehensive Plan of Action (JCPOA), US-imposed sanctions, and the US reaction to the internal protests in Iran following the death of Zhina Mahsa Amini in 2022 have led to a new nadir in relations.
- 2) Both Iran and Saudi Arabia have invested in a foreign policy that explores diversifying their cooperation, particularly with Russia, Asian partners, and neighboring countries. In the case of Saudi Arabia, diversity is part of a multi-alignment policy strategy which does not turn away from the US completely but hedges its foreign relations to better position itself in economic and security negotiations with external partners. In the case of Iran, sanctions and a tense relationship with the West have left few options for external partnerships other than looking towards Asia and Russia, alongside exploring the potential to enter into regional partnerships.
- 3) The developing relationship between both countries and China can be seen as a third important element characterizing the international context in which Iran and Saudi Arabia operate. In the case of Saudi Arabia, as some participants noted, China will, for the foreseeable future, not replace the US as a security provider for the Kingdom: currently Saudi exchange with China is mostly focused on trade and the oil economy. When it comes to Iran, in addition to trade in oil and other sectors, China has pushed forward financial investments, such as infrastructure projects. China has, to different degrees, offered the Saudi as well as the Iranian government important financial and economic trade relations in recent years and is currently one of the most important trade partners for both countries. The total value of Chinese trade with Iran in 2022 was exports of USD 9.47 billion and imports of USD 6.36 billion.<sup>5</sup> In the same year China exported USD 36.5 billion to Saudi Arabia and imported USD 68 billion from the Kingdom.<sup>6</sup>

4 Al Jazeera (13.09.2019): 'Houthi drone attacks on 2 Saudi Aramco oil facilities spark fires', in: *Al Jazeera*. Available at <https://www.aljazeera.com/economy/2019/9/14/houthi-drone-attacks-on-2-saudi-aramco-oil-facilities-spark-fires> (14.05.2024).

5 Bourse & Bozaar Foundation (07.02.2022): *China-Iran Trade Report December 2022*, Report Bourse & Bozaar Foundation. Available at <https://www.bourseandbozaar.com/china-iran-trade-reports/december-2022> (15.07.2024).

6 OEC (14.05.2023): 'China/Saudi Arabia'. Available at <https://oec.world/en/profile/bilateral-country/chn/partner/sau> (15.07.2024).

## Iran and Saudi Arabia's Economic Outlook

Despite remaining divergences and rivalries in their respective geostrategic approaches, both Iran and Saudi Arabia have a high degree of interest in expanding their economic relations, although for different reasons. It is notable that since the resumption of diplomatic ties in March 2023 and even after the escalation of regional tensions following 7 October 2023 and the ongoing Gaza war, Iran and Saudi Arabia have continued to stay in contact, indicating that both are committed to keeping communication channels open. This augurs well for further cooperation between the two states, especially in the economic domain.

Following the announcement of 'Vision 2030' in Saudi Arabia in 2016, the Kingdom has focused much on its national and external strategy in implementing the goals set in this approach. This vision, which aims for economic diversification and a prosperous social and cultural Saudi society, includes strategies on the cultural level, such as a turn towards an emphasis on Saudi nationalism, as well as economic goals that need economic growth and regional stability to succeed.<sup>7</sup> This includes diversifying the Saudi economy away from oil by investing in non-oil sectors such as tourism, entertainment, logistics and sports. Such diversification aims to tackle, among others, unemployment. Workshop participants noted that for successful implementation of Vision

2030, the Saudi government needs to work towards a secure regional neighborhood and enable much-needed economic integration in the region. As noted by participants, this integration must also include Iran, as the Islamic Republic is the state with the largest population in the Middle East, is one of the most important security actors, and offers a vast market for trade and investment. However, as one Saudi expert emphasized, Iran is considered as one player among others in a region of potential economic integration in light of Saudi Arabia's diversification efforts.

While Saudi Arabia has in the past supported some states and projects with financial assistance or humanitarian aid, the Kingdom is now shifting towards investment in the region. Here, the Public Investment Fund (PIF) is an important pillar of this Saudi economic strategy, with total estimated assets of USD 925 billion.<sup>8</sup> In light of growing investments of the PIF in the region and beyond, Iran could also become a market to attract Saudi investments. Such potential remains limited, however, as the uncertainty around the Iranian regime's international sanctions limits capital investment. If sanctions remain in place, PIF investment as well as the opening of a PIF branch in Iran seem unlikely.

On the other hand, Iran has managed to become a status-quo power in the Middle East despite the ending of the JCPOA, when President Trump pulled the US out of the Iranian nuclear program agreement made between Iran, the P5+1, and the European Union in

<sup>7</sup> Farouk, Yasmine and Nathan Brown (02.07.2021): *Saudi Arabia's Religious Reforms Are Touching Nothing but Changing Everything*. Carnegie Endowment for International Peace. Available at <https://carnegieendowment.org/2021/06/07/saudi-arabia-s-religious-reforms-are-touching-nothing-but-changing-everything-pub-84650> (15.07.2024).

<sup>8</sup> SWFI (no date): 'Public investment fund of Saudi Arabia (PIF)'. Available at <https://www.swfinstitute.org/profile/598cdaa60124e9fd2d05bc3b> (15.07.2024).

2015. Subsequent imposition of sanctions against Iran followed.<sup>9</sup> Due to its dwindling economy and the lack of adequate state response to the manifold demands of Iranian citizens, Iran has up to date seen relapsing internal turmoil and protests, which became particularly intense in September 2022 and the following months.

Such internal crises also have serious implications on the Iranian economy: the Iranian Gross Domestic Product (GDP) has fallen by around 4% since its height in 2016,<sup>10</sup> a trend which is projected to continue. Part of the problem is that a long-term perspective for Iran's economic development is missing from the political side. The short-term focus of the government to overcome or circumvent sanctions has not been very successful to date. Additionally, the government has neglected to address the growing poverty in Iran created by the devaluation of the national currency (more than 30% since the beginning of 2024) and high inflation (above 40% through 2023), which has led to a rapid rise of living costs, including energy and fuel costs.<sup>11</sup> This state approach has also left the private sector without any long-term perspectives and governmental support. Nevertheless, a significant amount of small to medium-sized private companies have been established within Iran and have filled the gaps of sanctioned goods for the domestic markets.

Simultaneously, it has become increasingly difficult for larger private sector companies inside Iran to work independent of the public sector. The Islamic Revolutionary Guard Corps (IRGC) has become a key economic actor in Iran, though estimates of the size of their share of the total Iranian economy vary significantly.<sup>12</sup> Since their economic investment is not accessible to all parts of the Iranian society, the IRGC's growing economic importance has also had negative impacts on Iranian society, especially affecting talented young Iranians who often leave Iran, resulting in considerable economic loss and brain drain.

As participants noted, economic stability is needed now more than ever to counter these internal upheavals, and overcoming the sanctions regime is thus one of the major goals of the Iranian government. One participant concluded that the rapprochement with Saudi Arabia offers an important step forward, as it reduces Iran's isolation in the region and opens new communication channels for future economic cooperation. However, it was additionally acknowledged during the workshop that Iranian foreign policy is not unanimous: For some within the Iranian regime the reinstalment of the JCPOA remains an interesting option. Normalization with Saudi Arabia might also help with such efforts, since the Kingdom has a better, while also not uncontested, relationship with the US. Overall,

<sup>9</sup> Yazdanshenas, Zakiyeh and Alam Saleh (09.05.2024): *Iran's New Nuclear Policy Between Deterrence and Pragmatism*. Analysis, Middle East Institute. Available at <https://www.mei.edu/publications/irans-new-nuclear-policy-between-deterrence-and-pragmatism> (15.07.2024).

<sup>10</sup> World Bank (2022): 'GDP growth (annual %) – Iran, Islamic Rep'. Available at <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?end=2022&locations=IR&start=2012> (14.05.2024).

<sup>11</sup> Khajehpour, Bijan (23.02.2024): 'Deep Data: The Iranian economy in 2024', in: *Amwaj*. Available at <https://amwaj.media/article/deep-data-the-iranian-economy-in-2024> (14.05.2024).

<sup>12</sup> CFR (17.04.2024): *Iran's Revolutionary Guards*. Backgrounder, Council on Foreign Relations. Available at <https://www.cfr.org/backgrounder/irans-revolutionary-guards> (17.04.2024).

Iran is preparing within many sectors for the time that sanctions might be lifted, and it can thus attract investment capital, including from regional investors such as Saudi Arabia.

## Iran and Saudi Arabia: Common Economic Challenges

While Saudi Arabia and Iran are currently in completely different economic positions, they are facing common challenges. One of the shared issues is the growing scarcity of water resources. Iran has been suffering from increased droughts, the drying of groundwater reservoirs, and the effects of climate change. It is currently ranked as the thirteenth most water-stressed country in 2040, according to the World Resources Institute,<sup>13</sup> with water insufficiency only expected to worsen as climate change and population growth increase. Saudi Arabia, which ranks in ninth place and is already acutely challenged by water deficits, installed the world's largest water-desalination plan, Ras al-Kheir, in 2014.<sup>14</sup> To note, however, desalination plants are energy intensive and costly.

As both Iran and Saudi Arabia are facing similar climate change-related challenges, cooperation on these issues could only be mutually beneficial. An interesting area of cooperation could be hydrogen: Saudi Arabia is investing heavily in the production, storage,

and transport of green and blue hydrogen, with plans to open the Helios Green Hydrogen and Ammonia Project in 2025.<sup>15</sup> Comparatively, Iran holds the second largest natural gas reserves globally<sup>16</sup> and thus enjoys tremendous potential to build hydrogen systems – although Iran's technological capacity in this sector is currently underdeveloped.

Another shared challenge is the high rate of youth unemployment. According to the World Bank, youth (15-24 years of age) unemployment amounted to 15.6% in Saudi Arabia and 22.6% in Iran in 2023. Hence, job creation remains a top priority in both countries. As outlined by some participants, the rapprochement process could offer a chance for start-ups and other companies to enter new cooperation models and invest in the other country, creating much needed new jobs for both countries. The participants discussed that in the initial stage, small-scale investments with limited financial risks could be used to promote cooperation between small and medium enterprises and start-ups.

However, partial regulation and frequent financial involvement by state institutions can hinder cooperation between private initiatives. In Saudi Arabia, these concerns are evident in the start-up sector. Many technology-focused companies in Saudi Arabia have close links to and rely on the state, and thus might not have the agility

<sup>13</sup> Maddocks, Andrew, Robert Samuel Young, and Paul Reig (26.07.2015): *Ranking the World's Most Water-Stressed Countries in 2040*. Commentary, World Resources Institute. Available at <https://www.wri.org/insights/ranking-worlds-most-water-stressed-countries-2040> (15.07.2024).

<sup>14</sup> Water Technology (no date): 'Ras Al Khair desalination plant'. Available at <https://www.water-technology.net/projects/ras-al-khair-desalination-plant/> (15.07.2024).

<sup>15</sup> German-Saudi Arabian Liaison Office for Economic Affairs (no date): 'Hydrogen – central to Saudi Arabia's energy sector'. Available at <https://saudi-arabien.ahk.de/en/market-information/energy-sector-in-saudi-arabia-bahrain/hydrogen-central-role-saudi-arabia> (15.07.2024).

<sup>16</sup> World Population Review (2024): 'Natural gas by country 2024'. Available at <https://worldpopulationreview.com/country-rankings/natural-gas-by-country> (15.07.2024).

needed for cooperation with Iran. The involvement of the IRGC in many sectors poses a similar problem in Iran. Furthermore, there is a lack of business platforms and safe spaces where businesspeople and entrepreneurs from Iran and Saudi Arabia can meet and discuss potential collaboration. Participants described international platforms, including conferences, trade shows and fairs, as offering rare spaces where Iranian and Saudi nationals can come in direct contact with each other.

Furthermore, it seems unrealistic that any business linked to the public sector on either side will be able to cooperate with or invest in the other country anytime soon. There is still too little trust between the two countries to open the market to such possibilities. In addition, as long as Iran is affected by international sanctions, Saudi companies are not willing to invest in Iran. The degree to which the state is involved in economic activities thus makes economic exchange between actors on both sides more difficult and hinders open market exchange on both ends, as well as the needed building of trust.

Moreover, cooperation on or investment in any sector linked to topics evaluated as high risk by the Iranian or Saudi government were estimated by the participants as unrealistic in the coming years. This includes, for instance, the exchange of large quantities of data, due to the current high level of distrust towards the other entity and the high level of securitization in both states in terms of

surveillance and intelligence engagement. The same holds true for substantial monetary investments. In order to improve trust, some participants argued for the need for signs of good-will by both political entities. As no further steps have been taken by either Iran or Saudi Arabia following the reopening of the embassies in June and August 2023,<sup>17</sup> smaller projects or investments would be welcomed tokens of good-will.

As already mentioned above, sanctions pose both a trust and practical issue for economic exchange and cooperation. As one participant highlighted, foreign trade with Iran is very difficult because the Iranian banking system is not connected to the international SWIFT system. The global sanctions that have been imposed on Iran since the end of the JCPOA deal in 2018 make economic cooperation in all sanctioned sectors difficult to impossible, and Saudi Arabia is not likely to pursue economic relations with Iran that circumvent the sanctions. Nevertheless, a small but also valuable set of non-sanctioned sectors do exist in which exchange is possible, for example religious tourism. Both countries have an interest in the tourism sector, especially religious tourism (such as the Hajj). This sector offers potential for economic cooperation, although it is hindered by travel restrictions, a fact which highlights again the need for political will to realize any shared projects. Other interesting sectors for cooperation might be non-sanctioned trade goods such as in the medical and fisheries sectors, and health and pharmaceutical products.

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<sup>17</sup> France 24 (09.08.2023): 'Saudi embassy resumes operations in Iran after seven years, state media reports', in: *France 24*. Available at <https://www.france24.com/en/asia-pacific/20230809-saudi-embassy-resumes-operations-in-iran-after-seven-years-state-media-reports> (14.05.2024).

## Moving Forward with Economic Cooperation

To move forward with bilateral economic cooperation, business owners need to see signs of a 'green light' from the political level, as well as the prospect of a rapprochement strategy between the two countries. Memorandums of Understanding and technical visits between business owners are possible without a political timeframe for normalization, but larger investments will need more clarity regarding projected phases of normalization.

Therefore, a multiphase process of political and economic rapprochement should be developed by the two countries, offering clear steps on lifting trade barriers and the opening of visa restrictions. While the rapprochement process has been an important political step for both countries, it has so far not overcome the long-lasting deadlock in relations in the economic sector. Some participants thus warned against being overly optimistic regarding swift developments. Rather, an informed optimism is needed that looks at the internal interests and developments in both countries, within the regional and global shifts.

Furthermore, platforms for businesses from both sides to meet are needed. Spaces for actors from the private sector to come together could be created by using already existing multilateral forums, such as OPEC, BRICS+ or UNIDO, where both Iran and Saudi Arabia are represented. Empowering and encouraging the chambers of commerce in each country could further intensify day-to-day business between Saudi Arabia and Iran. Chambers of commerce can offer crucial knowledge about

the economic setup within their country and can support both domestic and foreign companies in finding appropriate counterparts. It could be feasible to attach such meetings to international conferences, or use the World Bank, the Islamic Development Bank, the Silk Road Investment Fund, or the New Development Bank as potential business facilitators. These organizations would be able to install some safety measures for investment and stabilize the financial exchange between Saudi and Iranian businesses.

Historically, a positive example of the function of such forums is OPEC. Despite political tensions between Saudi Arabia and Iran, both countries have remained in contact within the OPEC-framework. This dialogue has also included knowledge exchange. As both countries acknowledge that a transition away from oil must take place in the coming years, similar cooperation could be envisioned for green energy. Examples include the sectors of carbon capture storage or hydrogen power. To foster knowledge exchange in these fields, non-economic actors should be included. For instance, universities could offer exchange programs and enter new cooperation models with economic actors from both countries.

While direct economic investment between Saudi Arabia and Iran currently appear to still pose high risks for investors, collaboration in third countries can offer an alternative route. Shared projects in countries of the region, such as Iraq, would benefit both Iran and Saudi Arabia as well as provide an avenue for building trust in each other's businesses. One prominent example is the idea to install an energy grid extension in Iraq.



## Conclusion

Both Iran and Saudi Arabia are interested in regional security to foster economic growth. On the one hand, Saudi Arabia finds itself in a period of fundamental transformation and must preserve socio-economic stability and social resilience by diversifying its oil-reliant economy and seeking new opportunities in regional cooperation. Here, Iran was mentioned by the participants as an attractive potential partner, despite ongoing challenges and frictions.

On the other hand, Iran's economy finds itself in a complex and difficult situation as its financial resources are dwindling and its social cohesion is on the brink. While security guarantees are not a predefined condition of the rapprochement agreement, they do serve as an incentive to open channels and to not actively work against each other. It will be interesting to see how this further plays out in countries like Yemen, Iraq, and Syria, where both Saudi Arabia and Iran have been involved or are still present, often in direct or indirect conflict by supporting actors on opposing sides.

To make this rapprochement work, a win-win situation needs to be created for both Iran and Saudi Arabia, especially in economic issues. Interesting fields for future economic cooperation could include hydrogen usage, overall green technology and innovation, as well as cooperation in other sectors in neighboring countries, such as an expansion of the regional energy grid. It should be noted that such cooperation does not need to be solely focused on Iran and Saudi Arabia, but could also include third countries, such as Iraq. To foster economic cooperation between Iran

and Saudi Arabia and create regional stability and security, the following policy recommendations are offered:

## Recommendations

### *For the Governments in Saudi Arabia and Iran*

- **Create a timeframe.** To offer the security and stability needed for businesses to cooperate and invest, both governments should envision an action plan and timeframe for their bilateral relations to go forward. This can serve as a reference point for entrepreneurs and the private sector more generally.
- **Calibrate state involvement.** At the current level of relations, neither country will allow foreign firms with linkages to the other country's public sector to interact with their domestic economy due to a prevailing lack of trust at the political level. Therefore, governments in Iran and Saudi Arabia could readjust their direct involvement in sectors that have potential for exchange between Iran and Saudi Arabia.
- **Ease travel regulations.** To enable economic exchange, visa access and travel permissions are highly important. Thus, both governments should lower travel barriers to promote travel between their countries.
- **Strengthen business chambers of commerce.** Business chambers offer important information centers for businesses who wish to cooperate. Both the Saudi and the Iranian governments should therefore support their chambers of commerce to enter a closer dialogue with their respective counterparts.

- **Support knowledge exchange (especially in sectors focused on green development).** Exchange and cooperation on shared issues such as climate change are in the interest of both governments. This should also include the support by governments for knowledge exchange between universities and the exchange of knowledge on the economies of both countries to provide a clearer picture of where cooperation is possible.
- **Address and alleviate security concerns.** While it is important to de-politicize and de-securitize economic relations, the business sectors of both countries would react positively to regional conflict-resolution measures adopted simultaneously by both Riyadh and Tehran.
- **Start with sectors that need minimal (sensitive) data transfer.** The transfer of large amounts of data is seen as problematic and a security risk by both governments. Therefore, starting cooperation in sectors that do not involve large amounts of data exchange is a more feasible option.
- **Look at third countries for cooperation.** Neighboring countries and other countries in the region might also be a good place for cooperation and shared investment of Iranian and Saudi businesses. One example could be the energy grid extension in Iraq. Cooperation would then take place on neutral ground and help to overcome distrust, as well as support the overall economic stability in the region.
- **Cooperate in the field of green development.** Climate change is and will be one of the major issues in the region in the coming years. Solutions might be developed together with avenues for knowledge exchange, as ecological destruction will affect the entire region and destabilize economic growth for all actors.

#### *For the International Community*

- **Create forums for business exchange.** The international community should foster spaces for Saudi and Iranian businesses from non-sanctioned sectors to meet and exchange ideas, in order to foster regional economic integration and peaceful cooperation.

#### *For Economic Actors in Iran and Saudi Arabia*

- **Start with small investments.** Due to the vulnerability of the current process, companies and investors should start with small projects or investments to avoid high levels of risk for all actors involved and generate positive precedents and initial success stories. Possible sectors for such an exchange could be the (religious) tourism sector, the medical sector, fisheries, and health and pharmaceutical products.

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## About CARPO

CARPO is a Germany-based think tank with a focus on the Orient that works at the nexus of research, consultancy and exchange. Our work is based on the principles of partnership, inclusivity and sustainability. We believe that a prosperous and peaceful future for the region can best be achieved by engaging the creative and resourceful potential of all relevant stakeholders. Therefore, CARPO opens enduring channels for trustful dialogue and interactive knowledge transfer.

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## About the Project

The Iran-Saudi Dialogue Initiative (ISDI) was launched in 2015. Since then, CARPO has been regularly convening influential stakeholders from Iran and Saudi Arabia for constructive and trust-building dialogue workshops in the framework of this project. The stakeholders involved are former diplomats, academics, private entrepreneurs, young change-makers and professionals of various sectors. The thematic entry-points for the dialogue workshops address relevant areas of shared interests and persistent concerns of both countries in the fields of geopolitics, economics, environmental challenges and cultural affairs. The confidential setup of the ISDI workshops provides a 'safe space' for candid and constructive knowledge exchange and confidence-building. This initiative was funded by the German Federal Foreign Office through the Institut für Auslandsbeziehungen (IfA) between 2015 and 2018, and has since then been supported by the Federal Department of Foreign Affairs of Switzerland and the Ministry of Foreign Affairs of the Netherlands.

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