

The end of Western sanctions in the aftermath of the nuclear deal was hailed by a supposedly reformist newspaper in Iran as "one of the greatest days in the contemporary history of Iran". But a prisoner release and an order for Airbus paid for out of frozen funds do nothing for the underlying stand-off between Iran and Saudi Arabia. There's a deep and potentially unbridgeable fault line as both sides struggle for regional hegemony, accentuated by religious differences.

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On January 2nd Saudi Arabia executed 47 people for terrorism, including the prominent Shia cleric Sheikh Nimr al-Nimr. Most of those killed were said by the Interior Ministry to have been involved in a series of attacks carried out by al-Qaeda from 2003-06.

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The execution of Al-Nimr escalated the war of words between Saudi Arabia which is Sunni led, and Iran which is predominantly Shia. Each side regards itself as the leaders of the Islamic world and are fighting proxy wars in Yemen and Syria. On the 3rd Saudi Arabia severed diplomatic ties following an attack on its embassy in Tehran and consulate in Mashhad during protests, presumably organised. The foreign ministry in Riyadh gave Iranian diplomats 48 hours to leave the kingdom. Its Sunni allies in the Gulf followed suit.

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However, Iran is no position to lecture Saudi Arabia, or anyone else, about human rights and executions. According to a Guardian report this month Iran executed 830 people between January and end of October 2015. It may have executed over 1,000 people last year according to Amnesty International.

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Saudi Arabia is not happy with the nuclear accord reached between Iran and P5+1 group of world powers to limit its nuclear activities in return for the lifting of crippling sanctions. It regards the deal as a monumental historical miscalculation (as indeed does Israel). Relations between the two have been tense since 1979. Saudi Arabia became the target of Ayatollah Khomeini's antagonism when the mullahs took over the Iranian state. Khomeini's followers call themselves the "supporters of God" (Ansarullah), the "party of God" (Hezbollah), the "hand of God," and "under the command of God."

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A brief recent history :

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In the 1980s a group of Iranian pilgrims protested outside the Prophet's Mosque in the Saudi

holy city of Madina brandishing photos of Khomeini. 21 Iranian 'pilgrims' in Saudi Arabia armed with weapons and explosives were detained. Iranian demonstrators in Tehran stormed the Saudi and Kuwaiti embassies and set them on fire, attacking and detaining a Saudi diplomat. A militant group Hezbollah al-Hejaz, which is loyal to Iran, set fire to an oil installation in Ras Tanura in eastern Saudi Arabia. The same group attacked the Sadaf petrochemical plant in the industrial city of Jubail, also in eastern Saudi Arabia.

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In 1996 Hezbollah al-Hejaz blew up a residential compound in Khobar, eastern Saudi Arabia. The cell leader fled to Iran.

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In 2009 Iran's Supreme Leader Khamenei and Iranian President Mahmoud Ahmadinejad launched media attacks against Riyadh due to Saudi Arabia's confrontation of armed Houthis on its borders with Yemen.

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In 2011 Iran's supreme leader attacked Saudi Arabia after Peninsula Shield forces entered Bahrain, upon Manama's request, to deter an Iranian coup attempt under the ruse of the Arab Spring.

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In 2015 Khamenei escalated his political religious speeches against Saudi Arabia after Riyadh launched "Operation Decisive Storm" against Iranian-allied Houthis in Yemen.

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Some regional implications:

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Iraq will probably be the main victim of the stand-off between Tehran and Riyadh. According to a New York Times report last week the tension between Iran and Saudi Arabia might derail the war against Daesh in Iraq. "I normally try to play down difficulty, but this is a huge setback," said Jan Eliasson, the deputy secretary general of the UN "It's a combination of regional geopolitical consequences and the fact that the sectarian element is playing such a role. Emotions are running so high."

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Iraq, in particular, finds itself in a difficult position with a central government aligned with both the United States and Iran. Iraq's prime minister, Haider al-Abadi, must tread carefully,

cautiously condemning the execution, but not heeding calls from Shiite protesters to cut diplomatic ties with Saudi Arabia.

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For OPEC (Organization of Petroleum Exporting Countries) according to Middle East media sources the escalating diplomatic tensions between Iran and Saudi Arabia have added fresh strains on OPEC's unity as the cartel grapples with a common response to rock-bottom oil prices.

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While it produces a third of the world's oil, the group has struggled with crude values that have tumbled 60% since mid-2014, falling to \$30 a barrel. Gulf countries, led by top OPEC producer Saudi Arabia, refuse to cut production unless the oil-producing states that are not members agree to do the same. A cut would likely help prices climb. Although Saudi Arabia's budget is predicated on a much higher oil price, its costs of production are below \$30. And its willingness to sell a stake in Aramco, presumably to generate cash, has been widely overlooked. Oil at this price hurts other producers far more than Saudi Arabia (while temporarily boosting the economies of its Western allies).

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For its part, Iran, the other pillar of OPEC, has no intention of curbing its production with the lifting of Western sanctions, which allow it to resume crude oil exports, and generate a "peace dividend" beyond its frozen assets in Western banks, essential for the more moderate elements in Iran to show that their policies are benefiting the country and people.

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The Iran/Saudi stand-off is unlikely to escalate into a direct military confrontation between the two but while they continue to fight each other in Yemen and Syria through their respective proxies there is always the danger of a miscalculation sparking even greater tensions.

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Nehad Ismail is a London based journalist and commentator. This is an update version of an article published last week at [thewhatandthewhy.com](http://thewhatandthewhy.com)

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