

The Worst of All Worlds: Israel Could Miss Out on Normalization With Saudi Arabia

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It is in Israel's interest to link an agreement of normalization with Saudi Arabia to the kingdom's involvement in the Palestinian arena, especially Riyadh's commitment to the rehabilitation and administration of the Gaza Strip. However, Israel's refusal to define a diplomatic horizon for resolving the Israeli–Palestinian conflict and the conditional and gradual incorporation of the Palestinian Authority in running Gaza could delay an agreement between Israel and Saudi Arabia. In the background, relations between the United States and Saudi Arabia are gradually improving and a potential scenario is emerging—albeit unlikely to happen—wherein Washington and Riyadh strengthen bilateral ties without any connection to normalization between Israel and Saudi Arabia. As a result, Israel could lose out on two strategic opportunities: (1) forging a regional alliance of power, under the leadership of the United States and Saudi Arabia, against the axis of resistance led by Iran; (2) the active involvement of peaceable countries, including Saudi Arabia, in advancing reforms within the Palestinian Authority and in rehabilitating and stabilizing the Gaza Strip.

Notwithstanding the ongoing war between Israel and Hamas, and perhaps even because of it, diplomatic contacts aimed at advancing a normalization agreement between Israel and Saudi Arabia have continued. The US administration has worked hard to move this process forward after Hamas's attack on October 7, which was intended to thwart the move, and after Iran, through its various proxies, joined the conflict. However, after six months of combat, it is possible to make the following cautious assessment: The fundamental motivation of the United States and Saudi Arabia in this context has not changed. The United States wants to forge a new regional order, which it will lead, to make it easier for itself and for Middle Eastern nations to deal with Iran—and also to indicate that it is not abandoning the region. Saudi Arabia, for its part, wants to cement its regional standing and bolster its status and security, particularly vis-à-vis Iran, by strengthening its ties with Washington.

Moreover, the war that has been raging since October 7 on several fronts has made it clear to the Saudi royal family that the Palestinian problem is not secondary, cannot be contained, and cannot be ignored. Therefore, Saudi Arabia wants to distance itself from being identified with Israel and is showing heightened solidarity with the Palestinians. Accordingly, it has increased the price that it is demanding from Israel in terms of commitment, accompanied by practical measures, to resolving the Israeli–Palestinian conflict within the framework of the two-state solution.

Prior to October 7, the United States sought to promote an agreement whereby Saudi Arabia would recognize Israel and the two nations would sign a normalization deal, which would lead to increased integration between the pro-American countries in the Middle East. Even now, the United States wants to link Israel–Saudi normalization to a region-wide agreement that focuses on strengthening ties with the Gulf states and creating a regional counterweight to Iran. Events since October 7 have demonstrated the importance of the President Biden’s doctrine for the Middle East. Biden’s doctrine contains several key elements: (1) Thwarting Iran’s detrimental activity in the region as well as that of Tehran’s proxies, while engaging in dialogue with the Islamic Republic; (2) Advancing the establishment of a demilitarized Palestinian state in the West Bank and the Gaza Strip, ensuring it poses no threat to Israel; (3) Forming an expanding security alliance with Saudi Arabia, which includes normalizing relations between the kingdom and Israel; (4) Promoting economic development and prosperity across the Middle East, including infrastructure and trade from India to Europe. The Biden administration believes that all these elements are interconnected.

One consequence of the conflict is that the “price of normalization” for Israel vis-à-vis the Palestinian arena has increased, and the Israeli government is refusing to pay it. Saudi Arabia too is being asked to pay a higher price for normalization with Israel. It is now expected to be involved in the Palestinian arena and also to support the stabilization and rehabilitation of the Gaza Strip as well as deal with the increasingly hostile public opinion toward Israel in Arab states since the outbreak of the war. More than 90 percent of its citizens object to normalization with Israel. The result is that the gaps between the policies of the regimes and the views of their people are widening. Although Saudi Arabia, like the rest of the Arab states, is not a democracy, the royal house of Saud is concerned about public discontent, which could threaten the stability of the regime.

Therefore, due to the war in Gaza and its consequences, there have been changes in the demands set by the parties for finalizing a normalization agreement:

Saudi Arabia—Riyadh is primarily concerned about the benefits it will receive from the United States. These include a defense pact to ensure the kingdom’s security against Iran; the provision of advanced American arms and ammunition, including F-35 fighter jets; and American assistance in establishing a civilian nuclear infrastructure, including operating a nuclear fuel cycle within Saudi Arabia. In addition, the Saudis have several demands of Israel. The main one is that Jerusalem agrees to advance the two-state solution and recognize the “renewed” Palestinian Authority as the responsible entity for the Palestinian arena. Previously, the Saudis had wanted Israel to express implied support for the two-state solution, while maintaining diplomatic flexibility; however, since October 7, they have been demanding practical steps from Israel, such as transferring the administration of the Gaza Strip to the Palestinian Authority, in order to stabilize the Palestinian arena. It appears that Riyadh has accepted that the

resumption of the normalization process with Israel will be linked to greater Saudi involvement in Gaza and planning for “the day after Hamas.” Of course, all of this depends on the Americans accepting the Saudis’ demands and on Israel’s agreeing to certain aspects of the demands that it may find problematic, such as allowing Saudi Arabia to acquire nuclear capability and the erosion of Israel’s relative military advantage.

United States—Washington is demanding domestic reforms from Saudi Arabia, as well as a stable oil supply and a reduction in Saudi ties with China in various areas, including technological, military, and nuclear cooperation. In return, the Biden administration is seeking Saudi agreement to normalize relations with Israel as part of a regional integration process aimed at countering Iranian influence. Additionally, the United States expects Saudi Arabia to play a role in the new regional order by assisting with the Palestinian arena, particularly in stabilizing, administering, and rebuilding the Gaza Strip, as well as helping the Palestinian Authority reform itself and become an effective governing body.

Israel—Israel expects Saudi Arabia to establish, or at least participate in establishing a pan-Arab taskforce for the Gaza Strip. This taskforce would help bring stability to the region, facilitate the delivery of humanitarian aid to Gaza, and aid in its reconstruction. Israel also hopes that Saudi Arabia will contribute to developing a moderate Palestinian leadership capable of governing Gaza. Israel finds it difficult to accept the message it is receiving from the United States, the Arab states, and the international community, which emphasizes that the Palestinian Authority is the sole legitimate representative in the Palestinian arena. The Israeli government, however, opposes recognizing the Palestinian Authority as the official governing entity, fearing that this could pressure Israel into engaging in diplomatic negotiations on the two-state solution with Ramallah. Israeli officials are attempting to downplay the significance of Saudi Arabia’s demands, and Prime Minister Benjamin Netanyahu even views his refusal to accept the two-state solution and his open clash with the Biden administration on this issue as an act of leadership that will garner increased public support for him.

Even if the Arab states’ motivation for peace with Israel remains unchanged, the cost-benefit considerations of these regimes are shifting. From their perspective, Israel has not been able to crush Hamas, whom they despise, and the scenes of death and destruction from the Gaza Strip are a threat to public order in their own countries. They also fear that the conflict could escalate into a larger regional war involving Iran and its proxies. However, Saudi Arabia—like the other peaceable countries—is hesitant to get directly involved in promoting an agreement that would end the war in Gaza and potentially require active participation, such as being part of a pan-Arab taskforce in Gaza.

The Biden administration recognizes that the Israeli government is facing challenges in making significant strategic decisions due to domestic political considerations. Therefore, they are working to advance certain actions without the agreement of the Israeli government and are willing to impose measures that Israel may find difficult to accept. In this context, they are expanding humanitarian aid to Gaza, establishing a temporary port on the Gaza coast, supporting reforms in the Palestinian Authority, working toward the establishment of a new technocratic government, and preparing for the formation of a Palestinian force to maintain public order in the Gaza Strip, with the involvement of Jordan and Egypt.

Relations between the United States and Saudi Arabia are growing closer to the extent that they may be able to strengthen their partnership while reducing the focus on Saudi–Israeli normalization. Some in Washington view Crown Prince Mohammed bin Salman as having learned from his mistakes and who demonstrates regional responsibility through his pragmatic approach to Iran, Yemen, and even Israel. Dropping the “burden” of normalization from Saudi Arabia would be the ideal scenario for Riyadh, allowing Saudi Arabia to benefit from the United States, without facing the public opinion backlash that comes with normalization with Israel. However, it does seem that Saudi Arabia is coordinating with the United States and will keep the door open to normalization, as senior members of the Saudi royal family have publicly stated. Their primary condition remains that Israel takes practical steps toward the establishment of a Palestinian state.

If Washington and Riyadh strengthen their relations without including an element of normalization, this would be the worst of all worlds for Israel’s interests. Israel would miss a possible opportunity for normalization with the Arab-Muslim world, and the potential strategic advantage that comes with it while paying a heavy price due to Saudi Arabia’s strategic benefits from the United States (some of them are very sensitive). Normalization and regional integration would be a powerful response to Hamas and Iran, both of which have attempted to undermine the process of reconciliation between Israel and the Arab world. Furthermore, it would facilitate an agreement to end the conflict with active Arab involvement in stabilizing and rebuilding the Gaza Strip, even if the renewed Palestinian Authority were involved. As a normalization agreement with Saudi Arabia would bring economic benefits, enhance Israel’s legitimacy in the eyes of the Arab and Muslim worlds, strengthen America’s position in the region, and bolster Saudi Arabia’s political and military strength as a counterweight to Iran, Israel must ensure that it seizes this golden—and possibly unique—opportunity.

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