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# Iran - GCC Relations





## Key Domestic Developments

Iran continues to undergo a series of domestic developments that reflect a nation grappling with political transition and economic distress. These developments have collectively underscored a high degree of fragility and complexity within Iran's internal environment at a time of heightened regional and global uncertainty.

The year began with the unexpected death of President Ebrahim Raisi in a helicopter crash, an event that shook Iran's political establishment. Raisi's death opened the door for the rise of President Masoud Pezeshkian, a former health minister and a moderate figure with reformist affinities. His ascent to power marks a potential shift in tone and policy, though entrenched conservative elements in the judiciary, security apparatus, and the Supreme Leader's office continue to exert strong influence. Pezeshkian's administration has expressed intentions to reduce internal repression, improve economic management, and open limited channels of dialogue with the West, particularly over sanctions relief.

In March, Iran's reformist camp suffered a setback when former foreign minister Mohammad Javad Zarif, who was serving as Vice President for Strategic Affairs, resigned due to political pressure. His resignation highlighted the limited space that exists within Iran's divided political system to enact a wide-ranging reform program.

In addition, Iran's economy in 2025 continues to face numerous challenges. International sanctions, especially on oil exports and banking, are still holding back growth. Inflation has jumped to over 50%, and the value of the rial keeps falling, sharply reducing people's purchasing power. Prices for everyday items like rice, cooking oil, and bread are at record highs, causing growing frustration among the public.

The government's 2025–2026 budget showed a large deficit, made worse by falling oil revenues and rising public sector wages. To keep the government running, officials approved more

withdrawals from the National Development Fund, even using some of it for military spending. This decision worried many economists, who fear the country's financial resources are being stretched too thin. To try to revive the economy, the government announced 26 "growth packages" aimed at boosting key sectors like farming, small businesses, tech, and manufacturing. These are meant to create jobs, especially for young people, as youth unemployment is still over 25%, and to attract some foreign investment, especially in free trade zones.

In April, a major explosion at the Port of Shahid Rajaei in Bandar Abbas, the country's largest shipping terminal, killed 57 people and injured more than 1,000. The blast disrupted a large portion of Iran's trade. Investigators blamed poor maintenance and unsafe handling of dangerous materials, revealing deeper problems in how the country manages its ports.

Despite all this, Iran continues to build up its military. In February, it launched the Shahid Bagheri, its first warship capable of carrying and launching drones. In May, it tested the Qassem Basir, a new long-range ballistic missile said to have better accuracy and a range of more than 2,000 kilometers. These moves show that even during economic hardship, Iran is focused on strengthening its defense and regional influence.





### Key Economic and Social Data

- **GDP (Nominal):** \$417.98 billion (projected, 2025)
- **GDP per Capita (Nominal):** \$5,855 (forecasted, 2025)
- **Annual GDP Growth Rate:** 0.3% (Revised projection by the IMF, down from an earlier forecast of 3.1%, reflecting the impact of intensified sanctions and declining oil revenues)
- **Inflation Rate:** 33.2% (as reported by the Statistical Center of Iran for April 2025, indicating a persistently high inflation environment)
- **Unemployment Rate:** 7.6%
- **Credit Rating:** B2 (Positive Outlook)

### Iran's Foreign Policy

As of mid-2025, Iran's foreign policy reflects a calculated dual-track strategy shaped by both pragmatism and hard-power realism. On one hand, President Pezeshkian's government is pursuing diplomatic engagement aimed at reducing economic isolation, lowering tensions with the West, unlocking economic opportunities, and stabilizing domestic discontent. On the other hand, Iran continues to maintain a robust deterrent posture and strengthen strategic alliances to project power and preserve regime stability. This approach is driven by internal pressures, such as economic hardship and popular dissatisfaction, as well as external dynamics, including shifting regional alignments, renewed U.S. engagement, and the evolving multipolar global order. While the civilian leadership focuses on economic reintegration, the security establishment ensures Iran's strategic red lines, particularly on nuclear capabilities and regional influence, remain firmly defended. At its core, Iran's foreign policy remains rooted in regime survival, regional relevance, and long-term strategic autonomy amid a volatile geopolitical landscape.

Under the administration of President Masoud Pezeshkian, who assumed office after the death of Ebrahim Raisi, Tehran has adopted a more moderate and pragmatic diplomatic tone. A key pillar of this foreign policy reset is the renewed willingness to re-engage with the United States and European parties to the Joint Comprehensive Plan of Action (JCPOA). While formal negotiations have yet to yield a comprehensive breakthrough, technical and expert-level talks resumed in Oman and Vienna throughout the first half of 2025, with Iran signaling its readiness to continue dialogue on nuclear transparency and regional de-escalation.

At the regional level, Iran has intensified diplomatic outreach to Gulf Arab states, particularly Oman, Qatar, and the UAE, as a means to lessen its diplomatic isolation. In February 2025, Iranian Foreign Minister Abbas Araghchi met with the GCC Secretary General on the sidelines of the 8th Indian Ocean Conference in Muscat to discuss regional cooperation. Iran also hosted a senior Qatari delegation in Tehran in April 2025 to explore joint energy investments and coordinate positions on regional crises.

Tehran has also reached out to European capitals, urging them not to reinstate suspended sanctions under the JCPOA's snapback mechanism. Iranian officials have presented themselves as advocates for de-escalation in Gaza and Yemen, arguing that Iran's inclusion in regional security discussions is vital for long-term stability.

Despite such efforts, Iran continues to double down on its "Look East" foreign policy doctrine, seeking deeper strategic partnerships with non-Western powers. In January 2025, Iran and Russia signed a landmark *Comprehensive Strategic Partnership Treaty*, formalizing bilateral cooperation across defense, intelligence sharing, cybersecurity, infrastructure, and energy. The agreement includes plans for joint naval exercises in the Caspian Sea and the Gulf of Oman, increased arms transfers, and co-development of defense technologies. Tehran's ties with China also continue to deepen under the 25-Year

Comprehensive Cooperation Agreement signed in 2021. China remains a key buyer of Iranian oil, often through indirect or under-the-radar channels, and a growing investor in Iran's transport and energy infrastructure. Iran's integration into the BRICS+ framework and expanded participation in the Shanghai Cooperation Organization (SCO) further underscore its eastward geopolitical orientation, intended to dilute Western leverage and foster alternative diplomatic, economic, and technological partnerships.

### Iran Trade in Goods with GCC Countries (US Dollars) (2023 - approximately)

Country	Exports	Imports	Balance of Trade
Bahrain	19.9 billion	32.4 billion	52.3 billion
Kuwait	95.5 billion	63.4 billion	158.9 billion
Oman	59 billion	38 billion	97 billion
Qatar	93.5 billion	35.2 billion	128.7 billion
Saudi Arabia	322.2 billion	211 billion	533.2 billion
United Arab Emirates	425.2 billion	347.5 billion	772.7 billion

### Key Research Centers and Think Tanks

- [Institute for Political and International Studies \(IPIS\)](#)
- [Institute for Iran-Eurasia Studies \(IRAS\)](#)

### Selected Key Regional Experts

- *Adnan Tabatabai, Co-Founder and CEO, CARPO*
- *Dr. Kayhan Barzegar, Institute for Middle East Strategic Studies (CMESS)*
- *Dr. Nasser Hadian, University of Tehran*
- *Dr. Sanam Vakil, Chatham House*
- *Dr. Seyed Hossein Mousavian, Princeton University*
- *Dr. Saeed Khatibzadeh, Former Spokesman of the Iranian Foreign Ministry, former Director of the IPIS*

### Key Recent Literature

- [The Strategic Outlook for Gulf-Iran Relations](#)
- [Changing GCC Outlook Toward US-Iran Talks](#)
- [To Succeed, the GCC Requires Cooperation with Iran for Regional Security](#)
- [GCC-Iran Rapprochement: Challenges and Opportunities in 2025](#)
- [Running Out of Road: Iran's Strategic Predicament](#)

### Key Developments in Iran-GCC Relations

In 2025, Iran-Gulf relations continued on several levels although there were no meaningful breakthroughs or shifts in policy. While there were occasional diplomatic gestures, such as a meeting between GCC Secretary General Jassem Mohammed Albudaiwi and Iranian Foreign Minister Abbas Araghchi on February 16 in Muscat during the 8th Indian Ocean Conference, these interactions did not lead to any concrete outcomes. Engagement between Iran and the GCC states in 2025 underscored the enduring divergence in strategic priorities, which continues to hinder meaningful progress on key issues such as regional security. Nevertheless, dialogue and diplomatic contact have persisted bilaterally between Iran and each of the Gulf states.

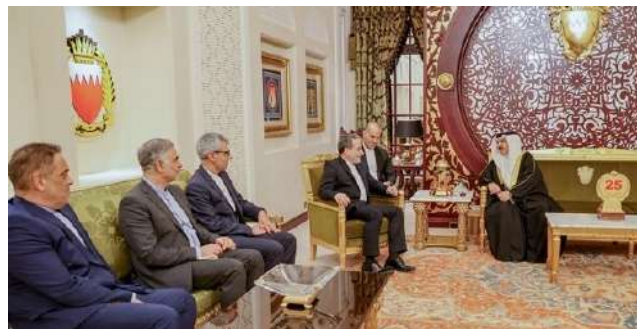






## Iran-Bahrain

- In April 2025, Bahrain confirmed ongoing efforts to re-establish diplomatic ties with Iran. Foreign Minister Al Zayani stated that preparations for official meetings were underway, emphasizing mutual willingness and a shared understanding that future relations should be based on good neighborly conduct and adherence to international law.
- In October 2024, Iranian Foreign Minister Abbas Araghchi visited Manama and met with King Hamad bin Isa Al Khalifa. This visit marked the first by an Iranian foreign minister to Bahrain since 2010 and was seen as a significant step toward reconciliation.
- In July 2024, Foreign Minister Al Zayani attended the inauguration of Iran's newly elected President Masoud Pezeshkian, further indicating Bahrain's commitment to improving bilateral relations.
- In June 2024, Bahrain and Iran agreed to initiate talks aimed at restoring diplomatic ties. This agreement followed a meeting between Bahrain's Foreign Minister Abdullatif bin Rashid Al Zayani and Iran's acting Foreign Minister Ali Bagheri Kani during the Asian Cooperation Dialogue summit in Tehran.
- In May 2024, Bahrain's King Hamad bin Isa Al Khalifa expressed a willingness to normalize relations with Iran during a meeting with Russian President Vladimir Putin in Moscow. This statement signaled Bahrain's openness to re-engaging with Tehran.



## Iran-Kuwait

- In February 2025, Iranian Foreign Minister Abbas Araghchi and Kuwaiti Foreign Minister Abdullah Al-Yahya met on the sidelines of the 58th session of the United Nations Human Rights Council and the Conference on Disarmament in Geneva. They discussed enhancing bilateral ties and addressed regional and international developments.
- In March 2025, Kuwaiti Foreign Minister Abdullah Al-Yahya received a letter from Iranian Foreign Minister Abbas Araghchi, delivered by Iranian Ambassador Mohammad Totonchi. The letter emphasized the importance of strengthening and developing bilateral relations across various fields.
- On December 16–17, 2024, the Sixth Joint Consular Commission between the Islamic Republic of Iran and the State of Kuwait convened in Tehran. The meeting, co-chaired by officials from both countries, focused on enhancing consular cooperation, addressing issues concerning nationals, and discussing matters such as judicial cooperation, policing, port and maritime affairs, and the transfer of prisoners. The session concluded with the signing of a 21-article document outlining the agreed-upon initiatives.
- On October 22, 2024, Iranian Foreign Minister Abbas Araghchi held talks with Kuwaiti Foreign Minister Abdullah Ali Al Yahya in Kuwait City. The two sides discussed regional developments and bilateral issues between the two countries.



### Iran-Oman

- On May 18, 2025, a trilateral meeting was held in Tehran between the foreign ministers of Iran, Oman, and Qatar. The discussions focused on the latest developments in the Iranian-American talks, with Oman playing a mediating role. The ministers welcomed the Qatari initiative to hold this constructive meeting, aiming to support and advance dialogue for regional and international security and stability.
- In April and May 2025, Oman hosted a series of U.S.-Iran nuclear talks in Muscat involving U.S. and Iranian negotiators including Iranian Foreign Minister Abbas Araghchi and U.S. Special Envoy Steve Witkoff. During these sessions, Iranian Foreign Minister Araghchi also met with Omani Foreign Minister Sayyid Badr Albusaidi, expressing satisfaction with the strong and long-standing relations between the two countries.
- In January 2025, Iran and Oman signed a memorandum of understanding to eliminate trade tariffs and enhance customs cooperation. This agreement aimed to expand bilateral economic relations and facilitate trade between the two nations. The Oman Chamber of Commerce and Industry (OCCI) hosted a meeting with members of the Omani-Iranian Business Council to strengthen economic and investment relations. The gathering focused on enhancing trade and exploring joint investment opportunities.



### Iran-Qatar

- On February 19, 2025, Sheikh Tamim bin Hamad Al Thani met with Iran's Supreme Leader, Ayatollah Ali Khamenei, and President Masoud Pezeshkian. Discussions focused on strengthening economic ties and addressing regional issues, including the situations in Gaza and Syria.
- On the sidelines of the 4th Tehran Dialogue Forum on May 18, 2025, a closed-door meeting was held between Oman's Foreign Minister Sayyid Badr Albusaidi, Iranian Foreign Minister Abbas Araghchi, and Qatari Prime Minister Sheikh Mohammed bin Abdulrahman Al Thani. The discussions centered on the latest developments in U.S.-Iran talks, with Qatar playing a mediating role.
- On May 6, 2025, Qatar's Prime Minister and Minister of Foreign Affairs, Sheikh Mohammed bin Abdulrahman Al Thani, met with Iran's Minister of Roads and Urban Development, Farzaneh Sadegh, to discuss infrastructure and development projects.
- On December 12, 2024, the 10th meeting of the Iran-Qatar Joint Economic Committee concluded in Doha, with both nations pledging

to enhance bilateral economic ties and increase trade to \$1.0 billion annually. Agreements included conducting regular joint inspections of ports and customs facilities.

- On October 3, 2024, an informal joint ministerial meeting between GCC foreign ministers and the Iranian Foreign Minister Abbas Araghchi was held in Doha, Qatar. The meeting aimed to discuss regional political developments and welcomed positive steps in GCC-Iran relations.
- On October 2, 2024, Iranian President Masoud Pezeshkian visited Doha, Qatar, for official talks with Emir Sheikh Tamim bin Hamad Al Thani. During the visit, both leaders discussed regional developments and signed six cooperation agreements covering economic, cultural, educational, and sports sectors.



### Iran-Saudi Arabia

- On April 17, 2025, Prince Khalid bin Salman, Saudi Arabia's Defense Minister, made a landmark visit to Tehran, marking the first by a senior Saudi royal since 1997. During his visit, he met with Iran's Supreme Leader, Ayatollah Ali Khamenei, President Masoud Pezeshkian, and Chief of Staff of the Armed Forces Major General Mohammad Bagheri. The discussions focused on deepening defense and security cooperation and delivering a message from Saudi Crown Prince Mohammed bin Salman emphasizing the importance of regional collaboration.

- On May 10, 2025, Iranian Foreign Minister Abbas Araghchi visited Jeddah and met with his Saudi counterpart, Prince Faisal bin Farhan Al Saud. The ministers discussed expanding bilateral relations and addressing regional developments, including the situation in Gaza and ongoing indirect nuclear talks between Iran and the United States. Araghchi emphasized the need for Muslim unity in confronting regional challenges.
- On November 19, 2024, the second meeting of the China-Saudi Arabia-Iran Trilateral Joint Committee was held in Riyadh. The parties reaffirmed their commitment to the Beijing Agreement and discussed ways to enhance trilateral cooperation.
- On November 10, 2024, Saudi Arabia's Chief of Staff, General Fayyad al-Ruwaili, visited Tehran and met with his Iranian counterpart, General Mohammad Bagheri. This military engagement aimed to discuss defense cooperation and regional security.
- On October 9, 2024, Iranian Foreign Minister Abbas Araqchi visited Riyadh and met with Saudi Crown Prince Mohammed bin Salman. The talks centered on regional developments and efforts to secure ceasefires in Lebanon and Gaza.
- On October 3, 2024, Iranian President Masoud Pezeshkian met with Saudi Foreign Minister Prince Faisal bin Farhan in Doha. Discussions focused on enhancing bilateral ties and addressing regional issues, including the conflicts in Gaza and Lebanon.







### Iran-UAE

- On May 12, 2025, Iranian Foreign Minister Abbas Araghchi visited Abu Dhabi, meeting with UAE Foreign Minister Sheikh Abdullah bin Zayed Al Nahyan and Vice President Sheikh Mansour bin Zayed Al Nahyan. Discussions focused on strengthening bilateral relations, regional security, and developments in Gaza.
- On May 13, 2025, Iran proposed forming a regional uranium enrichment consortium with the UAE and Saudi Arabia to enhance transparency and build trust regarding its nuclear program. The consortium would operate within Iran's existing facilities, with enrichment levels capped at 3.67%.
- On February 28, 2025, the UAE and Iran held their first political consultations in Abu Dhabi, co-chaired by UAE Assistant Minister for Political Affairs Lana Nusseibeh and Iranian Deputy Foreign Minister Majid Takht Ravanchi. The talks aimed to address mutual interests and enhance diplomatic ties.
- On December 29, 2024, the Emirati and Iranian foreign ministers held their first in-person meeting since the fall of the Assad regime in Syria. The talks aimed to maintain open communication channels amid significant regional political shifts.

- On April 30, 2024, after a decade-long hiatus, Iran and the UAE convened their Joint Economic Commission in Abu Dhabi. The meeting resulted in the signing of 22 cooperation documents covering sectors such as trade, tourism, transit, banking, technology, energy, port, and aviation relations. Both nations set an ambitious goal of increasing bilateral trade to \$30 billion.

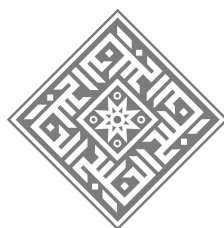






## GRC Supporting Documents

- [\*From Isolation to Engagement: U.S.-Iran Nuclear Talks Resume in Oman\*](#), Amnah Mosly
- [\*The Strategic Outlook for Gulf-Iran Relations\*](#), Layla Ali
- [\*Partners in Defiance: Russia and Iran Move Closer to Alliance\*](#), Emil Avdaliani
- [\*Japan's Perspective Towards Iran's Foreign Policy: The Gaza Crisis and Beyond\*](#), Kenta Aoki
- [\*Assessing the Impact of President Pezeshkian's Election on GCC-Iran Relations & What Should GCC States Expect\*](#), Layla Ali
- [\*Risks to Rapprochement: The Death of President Raisi, the Israel-Gaza War, and Iranian Regional Policy\*](#), Robert Mason
- [\*Iran and Russia Align to Build a New Order\*](#), Emil Avdaliani
- [\*Saudi-Iran Reapprochement: One Year On\*](#), Layla Ali
- [\*GCC-Iran Environmental Relations: Challenges and Opportunities\*](#), Dr. Mohamed Abdelraouf
- [\*Saudi Arabia's Prince Faisal bin Farhan's Visit to Tehran: What This Means for Regional Diplomacy\*](#), Dr. Abdulaziz Sager
- [\*A Win for Regional Diplomacy Saudi-Iran relations have taken an important step, although only a small and initial one\*](#), Dr. Christian Koch
- [\*Thaw in Saudi-Iran ties and the way forward\*](#), Layla Ali
- [\*Saudi-Iranian Relations: Regional Implications\*](#), Layla Ali
- [\*Prospects for EU-US-GCC Trilateral Cooperation to Counter Iranian Threats\*](#), Ghassan Shams



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