

Geopolitics

Karim Sadjadpour on the Middle East in 2025

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Global Institute Dialogues: Karim Sadjadpour on the Middle East in 2025

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In this edition of Global Institute Dialogues, Karim Sadjadpour discusses the Middle East and where it may be going in 2025 with Wilson Shirley, Vice President, Goldman Sachs Global Institute.

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Wilson Shirley: The Middle East has changed dramatically since Hamas's attack against Israel on October 7, 2023. Where does this moment fit in the Middle East's history, and what are the most important trends that have emerged during this war?

Karim Sadjadpour: I don't think we're yet on the cusp of a new order in the Middle East. I don't believe we will see a lasting transformation of the region until Iran has a government whose organizing principle is the economic and national interests of its people, rather than the revolutionary ideology of 1979. But we're in an interregnum period—the old order is dying, but a new order has not yet emerged.

Iran was the ascendant power in the Middle East over the last two decades. The 2003 US invasion of Iraq and the 2011 Arab uprisings created power vacuums that Tehran was effective at filling with its regional militias. It is not a coincidence that Iran's "Axis of Resistance" thrived in five failing states: Syria, Lebanon, Iraq, Yemen, and Gaza. Arab disorder enabled Iranian influence, and Iranian influence worsened Arab disorder.

Iran was the lone nation that praised Hamas's October 7 attack on Israel, which backfired dramatically. Israel's decimation of Hamas, and then Lebanese Hezbollah, helped lead to the collapse of the Assad regime in Syria. Today Iraq's Shia militias and Yemen's Houthis are also on thin ice. Despite Trump's reluctance to engage militarily in Middle East conflicts, he has launched military strikes against the Houthis, who are simultaneously fighting the U.S., Israel, and Saudi Arabia, while attacking global trade.

The question is what kind of order comes next? President Trump wants to downsize America's military presence in the Middle East, but America's footprint will continue to be larger than that of Moscow or Beijing for the foreseeable future. Israel is powerful militarily, but is

politically unpopular throughout the region. Many Arabs—including in places like Gaza, Syria, and Lebanon—are looking to Saudi Arabia for leadership and financial support, but Riyadh doesn't have the capacity to mobilize militias like Tehran. Shia radicals—from Pakistan to Lebanon—are willing to fight for the Islamic Republic of Iran, but Sunni radicals like ISIS and al-Qaeda aspire to overthrow the government of Saudi Arabia.

Nor should we expect Iran will accept its current fate. The regime and its proxies will likely do everything possible—including political assassinations—to sabotage Syria and Lebanon's efforts to transition into a stable post-Iran order. We will likely also continue to see Iranian efforts to destabilize the Kingdom of Jordan. Tehran has lost enormous capacity, but it hasn't yet lost its resolve.

History has also taught us to be careful about predicting paradigm shifts.

Over the last half-century, no region of the world has experienced more black swan events than the Middle East. Iran's 1979 revolution, Iraq's 1990 invasion of Kuwait, the September 11 terrorist attacks in the United States, the Arab Spring, the rise of the Islamic State in Iraq and Syria, the October 7 attacks in Israel, and the collapse of the Assad regime were all largely unanticipated events with global impact. Given the Middle East's overreliance on powerful leaders—what's known as "key man risk"—as well as the volatile mix of oil, religion, and great power politics, there will continue to be black swans on the horizon.

Wilson Shirley: How would you characterize the second Trump administration's approach to the Middle East so far, and how do you think it differs from the first Trump administration?

Karim Sadjadpour: So far we've seen continuity with the first Trump administration's Middle East policy. President Trump's main priorities will be to build on the Abraham Accords and broker a Saudi-Israel normalization agreement, as well as to pursue a maximum pressure campaign against Iran in the hopes of reaching a deal that diminishes its nuclear program.

Another Trump objective which hasn't yet been widely discussed, but which entails significant risks, is his desire to withdraw US forces from Syria and Iraq. This entails great risks. These US forces are not large in number—

around 2,000 in Syria and 2,500 in Iraq—but their presence helps prevent, among other threats, the reemergence of ISIS. In northeastern Syria alone an estimated 30,000 ISIS detainees, including fighters and their families, are held in a prison administered by America's Kurdish allies, who would be left vulnerable in our absence.

I suspect Trump advisors will make the case to him that an abrupt withdrawal of US troops could result in the same kind of backlash that Biden experienced after the withdrawal of US forces in Afghanistan and the return of the Taliban.

Wilson Shirley: What would be the significance of diplomatic normalization between Saudi Arabia and Israel, and what factors will be most important in determining if it happens in the next four years?

Karim Sadjadpour: Given Saudi Arabia's importance in the Muslim world—as the birthplace of Islam and the custodian of the two holy mosques, Mecca and Medina—a Saudi-Israel normalization could compel not only other countries in the Middle East to follow suit, but also prominent Muslim nations outside the region, like Pakistan and Indonesia. This recognition would be an enormous diplomatic victory for Israel and would further isolate Iran and its “Axis of Resistance.”

Senior Biden administration and Saudi officials believe the deal was very close to being finalized prior to October 7. Indeed, Hamas's attack on Israel was carried out in part to sabotage a Saudi-Israel normalization, and they succeeded in delaying and complicating such an agreement.

Saudi public opinion has been deeply impacted by the videos of Palestinian suffering since October 7. [Polling](#) suggests only a few percent of Saudi citizens currently support normalization with Israel. Crown Prince Mohammed bin Salman cannot afford to do it, for internal reasons, if it does not include a concrete path toward Palestinian statehood.

Israeli public opinion has also hardened after October 7. Even though the upside of normalization for Israel is

significant, Prime Minister Netanyahu's government could unravel if it is seen as “rewarding terrorism” and makes any territorial concessions to the Palestinians.

Then there is the politics of Washington. Saudi Arabia's primary motivation is not normalization with Israel but a formal defense treaty with the United States, for which normalization with Israel is a precondition. Such a treaty would require a two-thirds majority vote in the US Senate. In the highly polarized atmosphere of Washington DC, it appears unlikely that a critical mass of Democrats would support a defense treaty with Saudi Arabia, although the chances of Democratic support would likely be greater if it were to include meaningful concessions for the Palestinians.

The Trump administration's challenge will be to persuade Prime Minister Netanyahu to offer more for the Palestinians, induce Crown Prince Mohammed bin Salman to accept less for the Palestinians, and encourage members of Congress to back a deal by arguing it is both sound policy and smart politics.

These challenges are not insurmountable. But realistically for all these stars to align it may require new Palestinian and Israeli leadership.

Wilson Shirley: You've written that the most important Middle East conflict, the one that could reshape the global order, is between Saudi Arabia and Iran. You've called this clash of strategic visions Saudi Arabia's Vision 2030 vs. Iran's Vision 1979. What are these visions, and how do they inform Riyadh and Tehran's strategies?

Karim Sadjadpour: Saudi Arabia and Iran are led by two men of different generations with profoundly different aspirations for their own nations, the Middle East, and

the world order. Given they collectively control nearly a third of the world's oil reserves and a fifth of its natural gas, the outcome of their ideological clash is very

relevant to the rest of the world.

Saudi Crown Prince Mohammed bin Salman, age 39, is trying to rapidly modernize a society that for centuries has been steeped in Islamic orthodoxy. In contrast Iranian Supreme Leader Iranian Ayatollah Khamenei, age 85, is committed to preserving Islamic government and suppressing Iranian society's modernist inclinations. Saudi Arabia's Vision 2030 appeals to popular aspirations; Iran's Vision 1979 exploits popular grievances. Vision 2030 is driven by social liberalization; Vision 1979 is anchored in social repression.

They also have very different visions and interests in the Middle East. Vision 2030 seeks partnership with the US and potentially Israel; Vision 1979 is committed to resisting both. Regional power vacuums, conflict, and instability have been a boon to Vision 1979, but pose a threat to Vision 2030.

The greatest challenge to each vision will likely be internal, not external. The Islamic Republic resembles a late-stage Soviet Union, economically and ideologically bankrupt and reliant on repression for its survival. The regime's dilemma is that if it does not reform it will eventually collapse, but attempting to reform could

hasten its collapse. The future of the Islamic Republic and Vision 1979 remains uncertain beyond the lifespan of the 85-year-old Khamenei.

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The biggest challenge to Vision 2030 will be managing lofty public expectations and co-opting Saudi conservatives unsettled by the rapid pace of change.

Should the Crown Prince's giga-projects become white elephants—costly, unproductive endeavors—or should oil prices experience a prolonged decline, public dissatisfaction may force him to prioritize regime stability over transformational reforms.

■ Wilson Shirley: What is the state of Iran's nuclear program, and how are Israel, the United States, and the Arab countries currently approaching this challenge?

Karim Sadjadpour: The short answer is that Iran is potentially within months of being able to produce a nuclear weapon, but doing so would be an incredibly risky choice for them.

For many years the question has been whether Iran aspires to be like Japan, a threshold nuclear state, or North Korea, a country that crossed the threshold and developed nuclear weapons. Although US intelligence has long assessed that Iran has the technical ability to build nuclear weapons but has not made the political decision to do so, there are growing signals that Tehran is contemplating weaponization.

Tehran is stockpiling highly enriched uranium that makes sense for a nuclear weapons program, not a civilian nuclear energy program. And while Iranian officials had previously insisted their nuclear intentions were purely peaceful, many now openly boast about their capacity to build a bomb.

Yet crossing the nuclear threshold would pose enormous external and internal risks for Ayatollah Khamenei. Iran's nuclear facilities have been widely penetrated by Israeli

intelligence, and there is a high risk that any overt or covert attempts to weaponize would be detected and trigger either Israeli or US military action. In pursuing nuclear weapons, Khamenei also risks shifting power from himself to the Islamic Revolutionary Guards Corps, which would likely oversee the nuclear arsenal and launch codes.

The United States, Israel, and Iran's Arab neighbors all want to avert a nuclear-armed Iran. But their policies and perspectives differ. Israel views a nuclear-armed Iran as an existential threat and is prepared to take military action to reverse Iran's progress. Iran's Gulf neighbors prefer the issue to be resolved diplomatically, given their fears that Tehran could retaliate against them in the event of a military attack.

The Trump administration's priority is also to use coercive diplomacy to force Tehran into a compromise. But I suspect if it appeared that Tehran was attempting to weaponize the administration would give Israel the green light to take action. This scenario could draw the United States into another Middle East conflict at a time when Trump wants to withdraw troops from the region.

I think the current state of play is that Israel is worried that its window of opportunity to attack Iran's nuclear facilities is closing, Iran's Gulf neighbors are worried that

Iran will retaliate against them, and the Trump administration is still trying to work out its precise Iran strategy and end game.

Wilson Shirley: Tehran faces many challenges, both internally and externally. How do you assess the regime's current risk calculus, and what are the most important vulnerabilities facing the Iranian government?

Karim Sadjadpour: The Islamic Republic has existed in a near-constant state of insecurity since its inception. That is especially true today as it is simultaneously fighting three different kinds of wars: against the United States, Israel, and much of its own population.

Internally, the regime's biggest vulnerabilities are its economy, namely the four horsemen of corruption, mismanagement, sanctions, and brain drain, as well as the uncertain question of who will succeed 85-year-old Supreme Leader Ayatollah Khamenei. If Khamenei is succeeded by his 55-year-old son Mojtaba, the regime's threadbare legitimacy will be further undermined given they came to power in 1979 denouncing hereditary rule as "un-Islamic". Any successor will face the key question

of whether they can maintain the cohesion of Iran's security forces.

Externally, the regime is usually a keen judge of US and Israeli resolve. When the threat level is high, as it is now, they tend to avoid threats and provocations. They become more aggressive when the threat level dissipates. Khamenei's longtime goal has been to avoid both normalization and kinetic confrontation with the United States. He needs the US as an adversary for his own internal legitimacy, but he didn't become one of the longest serving autocrats in the world by being a reckless gambler, and a large-scale war with the U.S. would be incredibly risky for him.

Wilson Shirley: It's still not clear what the "day after" in Gaza will look like. What factors will shape that outcome, and what scenarios do you think are most realistic for the Palestinians?

Karim Sadjadpour: October 7 was an enormous strategic error for Hamas. In addition to the calamity it brought upon residents of Gaza, it led to their own destruction, the destruction of Hezbollah and the subsequent fall of Assad. Rather than advance the cause of Palestinian statehood, it opened a new policy debate about mass population transfers from Gaza to Egypt and Jordan, and even President Trump talking about a US takeover and transformation of Gaza.

Neither of these options sounds realistic, but they triggered Arab governments to offer counterproposals. I think in the near term the focus will be on getting all the hostages released and reaching a sustainable ceasefire.

One factor that could heavily impact the future of Gaza is who will succeed 89-year-old Mahmoud Abbas as leader of the Palestinian Authority, and whether there are any leaders capable of unifying the Palestinian polities in Gaza and the West Bank.

The most important external factor in potentially reviving the question of Palestinian statehood is the prospect of the Saudi-Israeli normalization. There will be pressure on Crown Prince Mohammed bin Salman from the Trump Administration and Israel to drop his demands for Palestinian statehood, while there will be internal Saudi and Arab pressure on him to do the opposite.

Wilson Shirley: How do the current dynamics in the Middle East fit into the broader global strategic competition, including with Russia, China, and the United States?

Karim Sadjadpour: Apart from Iran, which actively aligns itself with Russia and China against the United States, most other nations in the region, including longtime US partners, do not want to have to choose between America, China, or Russia. They want to maintain relations with all three, and potentially flirt with China and Russia when they're feeling neglected or abandoned by the United States.

Although China and Russia are commonly lumped together, I think they have different interests in the Middle East. China wants to see regional stability and the free flow of oil from the region, whereas I think Russia has benefitted from regional instability and disruptions which increase the risk premium of oil and gas. I think China and the US have more common interests in the Middle East than China and Russia.

Despite America's failures in the region over the past two

decades, Syria is a good example of how America is still, for now, the region's indispensable power. Gulf Cooperation Council countries like Saudi Arabia, the United Arab Emirates, and Qatar want defense treaties with America, not China or Russia. They host American military bases, not those of China or Russia. Syria's new

leaders also know that if they want to rebuild their nation it will require a removal of US sanctions to commence foreign aid for reconstruction.

Wilson Shirley: What are the most important dynamics in the Middle East that companies and investors should consider when engaging with the region?

Karim Sadjadpour: From the vantage point of investors, there are three Middle Easts: The Gulf, Israel, and everyone else.

Dubai and Abu Dhabi are global financial hubs, and Doha and Riyadh are rapidly striving to follow suit. Over the past two decades, few places in the world have experienced such a rapid economic transformation.

The human capital in the Gulf has improved significantly over the last decades, but no country in the Middle East has Israel's innovation and entrepreneurial ecosystem. Many people are surprised to hear that after the United States and China, Israel has the third-largest number of publicly traded companies on the NASDAQ.

Elsewhere in the Middle East you have a combination of

failing states, fragile states, and economically stagnant autocracies. Many of these countries have huge potential in terms of both their human capital and/or natural resources, but they've been sabotaged by decades of mismanagement, stagnation, and poor leadership. Egypt—the traditional leader of the Arab world with a population of over 115 million people—is one example among many.

One lesson I learned from my time living in Beirut years ago is that it takes decades to build, but only days to destroy. This is why Gulf countries are keen to deconflict with Iran. Just as you could not have a transformed Europe while its most powerful state, Germany, was under fascist rule during the WWII era, there will be no lasting peace and stability in the broader Middle East until Iran has a government that prioritizes the welfare of its people over the revolutionary ideology of its rulers.



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