

# Escalation in the Red Sea as a Balancing Act for Saudi Arabia: Testing the Waters for Comprehensive Conflict Resolution.

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REVITALISING **MULTILATERAL** PERSPECTIVE AND POLICY SERIES

POLICY BRIEF

*By Dr. Sebastian Sons – BIC Middle East Expert and Senior Researcher at CARPO  
Fernando Aguiar – Senior Advisor on Conflict & EU Foreign Affairs*

## GAZA AND THE RED SEA: CLOSE INTERCONNECTEDNESS OF BOTH CONFLICTS

The more the situation in the Red Sea escalates in light of [attacks by the Yemeni Houthis on international vessels](#) and retaliation strikes by the US-UK military alliance, the more regional and international players need to seek a diplomatic approach. In particular, Saudi Arabia must find a way to preserve its national interests and promote regional de-escalation – a delicate balancing act. The rising tensions in the Red Sea embody a complex combination of multiple layers of different conflicts and are directly interlinked with the conflict escalation in Gaza, the fragile domestic situation in Yemen and the volatility of Houthi-Saudi talks, as well as the powerplay between Iran and the US. As the Red Sea has already emerged as a [theatre of regional and global competition](#), the Houthi strikes show again the vulnerability of international maritime security and the need for comprehensive conflict resolution rather than just conflict management

These multi-dimensional crises overshadow the instability of the Red Sea region, leading to a [weaponisation of an interdependent global economy](#) which shows [devastating implications](#) on global maritime trade and energy supply. Illustratively, due to the ongoing attacks, several maritime companies and freight firms such as [MSC and Maersk](#) have been ordered to reroute their vessels around the Cape of Good Hope in South Africa to avoid the Suez Canal. As a consequence, transit of goods is taking [ten days longer](#) from Asia to Europe.

To put this into perspective: [15% of world shipping traffic](#) and [30% of global container trade](#) transits via the Suez Canal, which includes 20% of all container shipping, nearly 10% of seaborne oil, and 8% of LNG. In addition, [40% of Europe's trade with Asia and the Middle East](#) passes through the Red Sea. However, the recent tensions caused a decline in ships passing the Red Sea by more than [40%](#). Furthermore, insurance and [consumer costs](#) are increasing, with disruptions to [supply chains](#) and port transport availability. Shipping also contributes to nearly [3% of global greenhouse gas emissions](#), which is likely to increase the longer vessels have to take the route around the Cape of Good Hope. Ultimately, it is estimated that the Red Sea trade disruption could increase goods inflation by up to [2%](#).

After the beginning of the Israel-Gaza war in October 2023, the Houthis launched more than [30 attacks in January 2024 alone](#) on international vessels from [at least 50 countries](#). The Houthis described their [targeting](#) of Israeli ships as a legitimate act rooted in their responsibility toward Palestinians in the Gaza Strip. The attacks are a further indicator of the Houthis' strong alliance with Hamas and Lebanese Hezbollah, as part of the so-called "[Axis of Resistance](#)" supported by Iran. As the anti-Israeli and anti-Western sentiments have grown widely in parts of the Yemeni population, the Houthis are portraying themselves as strong opponents to Israel and the West (led by the United States), which generates [more domestic and regional popularity](#) and is thus a strong driver in their [power consolidation efforts](#).

As a reaction, the United States government launched its [Operation Prosperity Guardian \(OPG\)](#) in December 2023 together with Australia, Bahrain, Belgium, Canada, Denmark, Greece, Italy, Japan, the Netherlands, Singapore, New Zealand and the United Kingdom, and [started to attack Houthi targets](#) in cooperation with the UK in Yemen on January 12, 2024. The same month, the US designated the Houthis as a "[Specially Designated Global Terrorist](#)" (SDGT) organisation. So far, neither the US-UK counterstrikes nor sanctions have had any deterrence effect on

the Houthis: instead of transacting through the global banking system, the Houthis operate through [tacit and illicit financial networks](#) and are therefore not directly impacted by the SDGT sanctions. As such, the Houthis [continue their attacks](#) unimpeded.

## CHARTING A CAUTIOUS COURSE: THE EU'S ASPIDES MISSION IN THE RED SEA

Since 2008, the EU has been active in maritime security through [Operation Atalanta](#)<sup>1</sup>, but in light of the escalation in the Red Sea, the EU is preparing its [new Aspides Mission](#), which was launched yesterday 19 February by the EU Foreign Affairs Council. This mission is defined as “purely defensive” and will not conduct “any kind of attack,” as [stated](#) by High Representative of the EU for Foreign Affairs and Security Policy, Joseph Borrell.

Under the scope of its defensive mandate, the operation is tasked with enhancing maritime situational awareness, a crucial aspect of which involves the constant monitoring and evaluation of maritime activities and threats. This surveillance will be instrumental in identifying potential risks and preemptive threat mitigation.

Beyond the current crisis, the mission is positioned to reinforce the European Union's long-term maritime strategy, which notably prioritizes the Northwest Indian Ocean region. This focus is part of a broader effort to enhance the EU's maritime capabilities and presence in key global waters.

The EU's strategy for maritime security in the Red Sea – a vital corridor for global trade and energy transport – is a key component of its wider security and foreign policy agenda. The EU's engagement in this region is driven by the dual objectives of protecting crucial maritime routes and ensuring regional stability, which are integral to the global economic and security framework. Central to this security strategy is a commitment to international cooperation and multilateralism. Collaborating with international partners, regional organisations and other stakeholders, the EU aims to deliver a coordinated response to maritime security threats. This partnership extends to tackling piracy, illegal fishing, human trafficking, environmental issues and maritime territorial disputes.

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<sup>1</sup> Operation Atalanta is a counter-piracy military operation at sea off the Horn of Africa and in the Western Indian Ocean, conducted by the European Union Naval Force (EU NAVFOR).

Operations such as Atalanta and the proposed Aspides mission demonstrate the EU's dedication to maritime security. Yet, these operations are often constrained by the EU's cautious approach and the need for member-state consensus. Illustratively, the decision-making process regarding the Aspides mission has been slow, and the initial proposal for Operation Atalanta to cooperate with Prosperity Guardian faltered due to Spain's opposition. Subsequently, in January 2024, the EU considered creating a new operation with at least three ships.

Moreover, the necessity of aligning diverse security agendas and managing the geopolitical implications of external partnerships, particularly with powers like China or the US, adds to the challenges faced by the EU in ensuring a holistic security approach. Balancing defensive aims with effective operational capabilities thus presents a significant challenge.

### THE ESCALATION IN THE RED SEA: A THORN IN SAUDI ARABIA'S SIDE

In response to the ongoing escalation, regional US partners such as Saudi Arabia have harshly condemned the anti-Houthi military action, as they would further undermine regional stability and harm Saudi strategic objectives. [Saudi Foreign Minister Faisal bin Farhan](#) said in January that Saudi Arabia is "very worried" about the US/UK strikes as "we are in a very difficult and dangerous time in the region, and that's why we are calling for de-escalation." As a consequence, such attacks further serve the Houthis' interest to exert more pressure on the government of Saudi Arabia, which finds itself in a sensitive situation:

- **First, Saudi Arabia has prioritised regional de-escalation and conflict management in order to preserve its economic interests.** As indicated in Saudi Arabia's ambitious development agenda "Vision 2030", the kingdom aims to position itself as a new regional hub for trade, investment and innovation, and thus invests into its energy diversification, infrastructure, entertainment, and tourism, transforms and liberalises its society, and attracts foreign direct investors. In this regard, the Red Sea coast is of utmost geostrategic interest for Saudi Arabia's successful economic transformation. The opening of a new "[Red Sea front](#)" thus [risks Saudi Arabia's ambitious economic diversification](#) plans that also focus on the Red Sea, as indicated by the giga-project [NEOM](#) and the [Red Sea Development Project](#), which aims to promote Saudi Arabia's tourism sector.

- **Second, Saudi Arabia has entered [backchannel negotiations](#) with the Houthis in an attempt to broker a modus operandi.** Since 2019, the Saudi leadership under Crown Prince Muhammad bin Salman shifted its strategy towards the Houthis from military confrontation to diplomatic reconciliation as a defeat of the Houthis by force did not materialise.

With Oman's facilitation, Saudi Arabia considers a direct agreement with the Houthis as the most likely option to find a face-saving exit strategy from the Yemen conflict and preserve national security. In this regard, it entered a [two-year truce](#) with the Houthis to mitigate border tensions. In recent years, however, the Houthis attacked Saudi targets regularly, undermining economic objectives and social resilience. Therefore, Saudi Arabia has to walk the tightrope in light of the current Houthi attacks at the Red Sea: on the one hand, it is seriously committed to less confrontation and more regional stability and is thus [not interested in more tensions with the Houthis](#) in order to permanently protect itself from cross-border attacks.

Here, the US/UK strikes are increasing the potential threat that the Houthis could start to attack Saudi Arabia again as the kingdom is still considered a close US ally. As a consequence, [Saudi Arabia did not join the US-led OPG](#), which aims to deter Houthi attacks in the Red Sea. Instead, the Saudi Ministry of Foreign Affairs [expressed](#) its "great concern" towards the US/UK military strikes and called for "avoiding escalation". The kingdom does not want to be caught in the middle of regional and international conflicts, preferring to abstain from provoking the Houthis in favour of [seeking a deal with them](#) that preserves national security.

On the other hand, the Houthis are not considered to be a reliable partner in Riyadh. Instead, their confrontational efforts to undermine regional stability put the Saudi-Houthi talks on the brink. So far, no [substantial peace agreement](#) has been signed, including all warring parties such as the kingdom and the Houthis, but also the legitimate Yemeni government and other inner-Yemeni factions. The Houthis aim to exploit their attacks to increase their [leverage](#) on Saudi Arabia, which they consider as weak in order to preserve their domestic power position.

- **Third, the Saudi government wants to maintain its reconciliation with Iran, but seeks increased Iranian influence on the Houthis to curtail their attacks.** Despite the lack of mutual trust between the Iranian and Saudi sides, both players are not interested in further regional escalation and have established regular communication channels to monitor the ongoing crises.

Since the start of the Houthi attacks, both foreign ministers talked with each other more than seven times. For instance, Saudi Foreign Minister Faisal bin Farhan was [contacted](#) by his Iranian counterpart, Hossein Amir-Abdollahian, one day prior to the US/UK strikes on Yemen. In doing so, Saudi Arabia continues its pragmatic approach with Iran, which is mainly driven by risk mitigation and tactical rapprochement on a diplomatic level. In doing so, both Saudi Arabia and Iran seem to show their [commitment to their reconciliation](#) – despite the escalating crises in Gaza and the Red Sea.

- **Finally, Saudi Arabia's talks with Israel on bilateral normalisation in coordination with the US have been put on hold after October 7<sup>th</sup>, 2023, but are not completely off the table.** However, every new Saudi step to find a diplomatic agreement with Israel could heighten the risk of [retaliation strikes](#) by the Houthis. Already in late October, [four Saudi soldiers were killed](#) by Houthi attacks along the Saudi-Yemeni border – an incident that shows the fragility of the situation and the potential security threat for the kingdom.

## SAUDI ARABIA'S REGIONAL RECONCILIATION EFFORTS: THE RED SEA CRISIS AS A REALITY CHECK

In a nutshell, the Saudi calculation to focus more on regional conflict management in recent years indicates a significant strategic turnaround in Saudi foreign policy in contrast to Crown Prince Muhammad bin Salman's first years in power. Today, Saudi Arabia is committed to regional reconciliation and a more autonomous position towards the US.

The Houthi attacks also resulted in an ["I told you so" attitude](#) on the Saudi side towards the US and the "West", as the kingdom felt neglected by their international allies during the conflict with the Houthis in Yemen that started almost ten years ago. However, this approach has its limits, as indicated by the Saudi inability to find a cohesive and comprehensive way to address the Red Sea crisis. To achieve an agreement with the Houthis and stabilise the Red Sea, Saudi Arabia should engage more with regional players and follow a double strategy based on diplomacy and deterrence. In concrete terms, the Saudi leadership should promote regional dialogue and inclusion via more rigorous coordination with other states of the Gulf Cooperation Council (GCC) such as Oman, Iran, Red Sea littoral states, and China:

- **First**, Saudi Arabia and other countries of the Gulf Cooperation Council (GCC) are currently conceptualising a comprehensive vision for regional stability to

develop a [more assertive unified Arab Gulf position](#). As the military actions in the Red Sea and the continuous escalation of the Israel-Gaza war hamper their respective interests, all GCC countries show interest in de-escalation and stabilisation. Taking into account the growing anti-US sentiments and a trend towards strategic autonomy, the GCC could define key pillars of regional security from a Gulf perspective that may provide a blueprint for coordinated measures and send a unified message to the US. Despite diverging perspectives and standpoints on regional events, the GCC still provides a relevant platform to discuss the ongoing escalation in the Red Sea and identify joint positions and concrete actions.

- **Second**, [Oman](#) has taken a traditional mediating role in regional conflicts and has also engaged in negotiations with the Houthis in recent years. Against this backdrop, together with Oman, Saudi Arabia could aim to enter a new phase of talks with the Houthis that also takes the current Red Sea escalation into consideration.
- **Third**, the Saudi-Iranian reconciliation – despite existing fault lines and a lack of mutual trust – provides a fragile but existent channel of communication to mitigate ongoing tensions and prevent further escalation.
- **Fourth**, Saudi Arabia could intensify its efforts to revive the actions of the [Red Sea Council](#), founded in January 2020. The multilateral forum consists of Saudi Arabia, Egypt, Jordan, Eritrea, Yemen, Sudan, Djibouti and Somalia, and was inaugurated to tackle piracy, smuggling and other threats in the Red Sea region. So far, however, the Council has not achieved [any substantial results](#) and has failed to secure the participation of all Red Sea coastal states, which hampers an inclusive approach to mediate in the recent conflict.
- **Fifth**, Saudi Arabia could aim to engage more with China to join diplomatic forces in the Red Sea. Since China has emerged as the largest trading partner for Saudi Arabia and played a significant role in facilitating the reconciliation with Iran, political relations have grown stronger between Riyadh and Beijing. [China's economy](#) is also indirectly affected by the Houthi attacks, although they are yet to target Chinese vessels. Nevertheless, the disruption of maritime supply chains also impacts Chinese commercial interests, as the free flow of goods to Europe is part and parcel of China's successful business model. Indeed, after the Houthi attacks started, the cost to ship a standard 40-foot container from China to northern Europe increased from [USD 1,500 to USD 4,000](#). As a consequence, the [China Ocean](#)

[Shipping Company \(COSCO\)](#) has abandoned shipping goods through the Red Sea due to the security risks. In addition, Chinese Foreign Ministry Spokesman Wang Wenbin said in late January that Beijing is [“deeply concerned over the recent rapid escalation of tensions in the Red Sea.”](#) China has [access to a naval base near Djibouti](#) and has deployed at least three surface combatants to the Red Sea, but Beijing appears primarily concerned with protecting and escorting Chinese commercial ships. Therefore, China shows interest in stabilising the situation in the Red Sea, but is lacking leverage on the Houthis. Nevertheless, closer coordination with Saudi Arabia could provide a window of opportunity to use Chinese leverage on Iran, which holds close ties to the Houthis. As with Saudi Arabia, China is also the largest trade partner for Iran, accounting for 25% of total Iranian trade and being its main oil customer.

- Finally, Saudi Arabia’s “Vision 2030” provides a flexible instrument to frame the Saudi development program as a gateway for regional integration and cross-border economic cooperation. As of today, “Vision 2030” is a main driver in Saudi Arabia’s nation branding in neo-liberal, nationalistic, and socio-economic [“Saudi first”](#) terms, but it could also be used as a driver for [historical Saudi solidarity with the Palestinian people](#) to showcase the kingdom’s traditional responsibility toward people in need and its Islamic identity. In doing so, Saudi Arabia could establish a counter-argument to the pro-Palestinian Houthi narrative, which could undermine their credibility in the Arab world.

## **DEVELOPING CLOSER COORDINATION DESPITE REMAINING OBSTACLES: SAUDI ARABIA AND THE EU**

In light of the current escalation in Gaza and the Red Sea, Saudi Arabia and the European Union (EU) should enter into more comprehensive discussions about regional de-escalation. So far, the EU-Saudi relationship is driven mainly by economic and energy interests, whereas coordinated efforts to enhance security cooperation and promote regional dialogue are minimal.

Despite its military efforts, the EU only plays a minimal security role in the Middle East region, and holds little leverage over the warring parties. Hence, it should engage more in diplomatic efforts rather than purely focusing on military solutions. While military deterrence towards the Houthis is unlikely to play out in successful de-escalation, it could further push for regional destabilisation, conflict escalation, and ideological polarisation. Therefore, the EU should engage more

comprehensively with Gulf partners such as Saudi Arabia to find a unified position on the situation in the region, and identify chances for closer cooperation to mitigate the crisis and focus on political de-escalation, maritime security, and economic stability, which are in the interest of almost all regional players and beyond. However, military action does not address the root causes in the region – neither in Gaza, nor regarding the Houthis or the endemic instability in the Horn of Africa. The current crisis should thus be addressed from [a multi-dimensional perspective](#), including deterrence and dialogue, military action and diplomacy, and closer cooperation with regional players such as Saudi Arabia. This holistic approach could enhance the EU's role as a stabilising force in a region critical to global trade and security.

## About the BIC

The BIC is an independent, non-profit, think-and-do tank based in the capital of Europe that is committed to developing solutions to address the cyclical drivers of insecurity, economic fragility, and conflict the Middle East and North Africa. Our goal is to bring added value to the highest levels of political discourse by bringing systemic issues to the forefront of the conversation.

## Revitalising Multilateral Perspective and Policy Series

This project assesses multilateral measures being implemented by institutions such as the United Nations and the European Union and aims to find more effective policy to end conflict and foster sustainable political solutions.

## Author

**Dr. Sebastian Sons** | BIC Middle East Expert and Senior Researcher at CARPO

**Fernando Aguiar** | Senior Advisor on Conflict & EU Foreign Affairs

**BRUSSELS  
INTERNATIONAL  
CENTER**



@BICBrussels



@bicrhr



BIC



www.bic-rhr.com



info@bic-rhr.com



Avenue Louise, 89 1050, Brussels, Belgium



Tel: +32 027258466