

## **Saudi Arabia and the Palestinian State: A need and a role to play**

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### **A. Introduction**

The Saudi official stance has always called for a Palestinian state that will live in peace with Israel on the 1967 borders with East Jerusalem as its capital. While the Saudi ruling elite have consistently supported the two-state solution, they have shown pragmatism about how to get there. This flexibility in the Saudi position has been misunderstood in Israel and interpreted as a sort of Saudi disregard for the Palestinian issue. Rather, historical Saudi pragmatism towards a Palestinian state was intended to create more space for negotiations, enabling both Palestinian and Israeli parties to reach a settlement. Efforts to assert that the Saudis will simply forgo the Palestinian issue are not just wishful thinking but also a waste of time. Saudi Arabia has not only expressed its stance, but also acted upon it, most notably by presenting the Saudi Initiative - later the Arab Peace Initiative - which the Saudi ruling elite have still not forgone. This paper explains why a Palestinian State is a necessity for Saudi Arabia and examines Saudi Arabia's current and potential role in advancing the implementation of the two-state solution.

### **B. A Palestinian State is a Saudi National and Regional Strategic Interest Saudi Nationalism and the Palestinian State**

The Saudi ruling elite need a Palestinian state for the sake of their own credibility. The effort that has been exerted to communicate this position must result in tangible political outcomes on the Palestinian issue, otherwise the Saudis risk appearing incapable in front of their audiences – an outcome the Saudi ruling elite want to avoid.

After the October 7th war, and the death and devastation that ensued, the Palestinian-Israeli conflict became front and center of Saudi priorities. The Saudi population sees the plight of the Palestinians and the horrors of this conflict (including the innocent Israeli people who lost their lives on October 7th) and cannot escape its impact. Equally visible are the Saudi efforts to push for a Palestinian state. These efforts have done two things: boost the Saudi ruling elite's popularity and further entrench the Palestinian issue in Saudi identity.

The normative angle of Saudi demands for a Palestinian state has often referred to Saudi Arabia's role as a leading Arab and Islamic power, and therefore, increasing the expectation that Saudi Arabia cannot forgo the Palestinian issue nor ignore the political rights of the Palestinians.

Since the Arab Spring, Saudi nationalism has been on the ascent. "Saudi First" was a slogan used frequently during the Arab spring. In its early days, "Saudi First" called for a loud and robust Saudi presence in the region. The war against the Houthis, diplomatic confrontation against Iran, and even an inter-Gulf dispute with Qatar fueled Saudi nationalism further. Interestingly, the 'Saudi First' notion was not necessarily conducive to addressing the Palestinian-Israeli issue, as it was viewed as a distraction from the national effort to reform Saudi Arabia by reconstructing the Saudi economy. With that said, Saudi nationalism has also emphasized the notion of Saudi leadership of Arab and Muslim causes. As a result, the quest of Palestinian statehood is now viewed by many Saudis as a Saudi nationalistic issue. When the Saudi nationalistic lens is taken more fully into account, observers should have a better understanding of why Saudi Arabia needs a Palestinian state – or at the very least, a significant Palestinian component close to a statehood. This can be seen in many social media posts where the Saudi crown prince is likened to the late king Faisal. The latter is not just lionized within Saudi Arabia for his pro-Palestinian stance, but many in the Arab and Islamic world romanticize this pro-Palestinian stance.

In addition, the Israeli government's behavior also contributes to the entrenchment of Palestinian statehood in the Saudi identity. Due to the current Israeli government's opposition to any form of Palestinian statehood, the Saudi quest for it has been further propelled. Statements made by members of the Israeli cabinet have pushed the notion of Palestinian statehood deeper into Saudi identity, and equally, further distanced the notion of Saudi-Israeli normalization. Statements made by the current prime minister in February 2025 suggesting that the Saudis host a Palestinian state within Saudi Arabia, or praising maps of "Greater Israel" have killed the prospects of Saudi-Israeli normalization in the near term.

## ***Palestinian Statehood and Regional Security***

October 7th was a traumatic juncture in history. For Israelis and Palestinians, October 7th brought about a level of devastation that both peoples have not seen in a generation. From a regional point of view, particularly for the youth in the region and in Saudi Arabia, a devastating Arab-Israeli war is playing out with explicit details before their very eyes. October 7th was a terrible reminder that this conflict cannot be swept aside nor ignored.

For the Saudi ruling elite, October 7th war was a transformational moment where the Palestinian-Israeli conflict became an undisputedly regional security dilemma. Before October 7th, the Saudi ruling elite had called for the need to resolve the Palestinian-Israeli conflict for the sake of the region and its security. What October 7th caused is a transition of the Palestinian-Israeli conflict from a theoretical regional security concern, to an actual and immediate regional security concern.

Following October 7th, the Saudis need a credible pathway towards a viable Palestinian state, not only for domestic reasons, but also to achieve a stable region that can support the implementation of the Saudi vision. A clear and viable Palestinian state would enable Saudi Arabia and others to cut off political oxygen from regional opportunists and confront spoilers more effectively and robustly by preventing them from instrumentalizing the Palestinian issue.

This opportunistic use of the Palestinian issue reflects a form of political industrialization of the Palestinian cause. The aim of this industrialization is to gain political legitimacy by exploiting the conflict. What is concerning is that both state and nonstate actors are politically industrializing the Palestinian issue. This means that the nature of the Palestinian-Israeli conflict politically spills over into other conflicts. The added legitimacy this adds to regional spoilers hinders the Saudi vision for the region. Saudi Arabia is undergoing significant national reform, and is reconstructing its economy to one that is more diversified and attractive for foreign direct investment, and the success of the Saudi national vision necessitates a stable region.

For example, much of Saudi investments is concentrated along the Red Sea. In fact, NEOM - the crown jewel of Saudi 2030 vision and the brainchild of the Saudi crown prince - is in the northwest of Saudi Arabia, bordering Jordan. Spillover effects of the Israeli-Palestinian conflict in the West Bank can easily spill into northern Saudi Arabia through Jordan. There is no need to theoretically imagine such spillovers. The Houthis' instrumentalization of the war in Gaza and the direct confrontation with Israel, provide the Saudis with concrete example of how an unresolved and an unmanaged Palestinian-Israeli conflict can have regional ramifications, which in turn, affects Saudi national economic security.

Over the last two years, Israeli military operations have reached deep into Lebanon, Yemen and Syria. Israel conducted a 12-day war with Iran and even attacked in Doha, Qatar. Against the backdrop of this ongoing Israeli regional aggressiveness, the ongoing catastrophe in Gaza and Israel's refusal to seriously progress the two-state solution, Israeli attempt to delink Saudi-Israeli normalization from the Palestinian issue is even more farfetched.

### **C. Saudi Activities and Potential Role in Promoting the Two-State Solution**

#### ***The need to elevate the New York Declaration***

The joint Saudi-French Initiative, which evolved into the New York declaration, is a milestone in Saudi diplomacy towards the Palestinian-Israeli conflict. It was formulated during the war in Gaza and was, in part, motivated to remove the veto that Israel had over Palestinian statehood. This of course is much easier said than done.

The New York declaration has 42 clauses that stipulate the road to a two-state solution starting with a Gaza ceasefire. While the declaration mentions the Arab Peace Initiative, it is a more comprehensive peace framework and has more details highlighting the cruciality of the Palestinian state to regional security and integration. Following the New York declaration announcement, over ten more states recognized the State of Palestine.

But symbolism alone is not enough, and if the aim of the New York declaration were to be a purely symbolic gesture towards a Palestinian State, then that would have been wasted effort and time. However, symbolism can be the beginning of a longer process. While the Palestinian state is far from being materialized, the New York declaration is developing a diplomatic reality that can spillover into new realities on the ground.

Developing a diplomatic reality speaks to an 'out-in' approach to a two-state solution. Building the diplomatic identity of a Palestinian State helps define the nature of its external relations. This process, as theoretical as it may be, creates specific initiatives that form the building blocks of a Palestinian State: its economy, its education sector, its security apparatus, its governance etc. The New York declaration, within its working groups, have an opportunity to flesh out the foreign relations of a Palestinian state, side-by-side Israel. These initiatives and projects can then be leveraged to highlight specific areas of the occupation that obstruct Palestinian institution building. In other words, the out-in approach that the New York declaration embraced is a process of gradual de-occupation of Palestine. While the New York declaration and the prospect of Palestinian statehood may seem largely symbolic to many, it highlights how symbolism can gradually turn into tangible realities, including initiatives and projects that channel Palestinian institution-building through greater regional integration of the Palestinian state.

There is another reason why the New York declaration is crucial. What the Trump plan lacks, the New York declaration has. In other words, the New York declaration called for a ceasefire, but it did not have enough of American political buy-in to impose one. On the other hand, as successful as the Trump plan may be in imposing a ceasefire (as precarious as it may be), it does not give much confidence that clauses 19 and 20 pertaining to Palestinian statehood will be reached, due to the immense caveats and conditionalities enshrined in the previous clauses. This lack of confidence in a political pathway dissuades regional actors, not least Saudi Arabia, from committing to a reconstruction process that Gaza is in dire need of. By creating a stronger link between

the New York declaration and the Trump plan (which does refer to the New York declaration), Saudi Arabia would have more confidence and would be more engaged in bringing about a credible Palestinian-Israeli peace process.

### ***Practical Saudi leverage in advancing a credible path toward a Palestinian State***

The Saudi ruling elite have historically always been careful of injecting themselves into Palestinian politics. While they did not want to be too involved, they knew there was a need for Palestinian political cohesion and a unified front to strengthen the Arab position. This was the logic behind the Makkah agreement where the Saudi king Abdullah had mediated between Fatah and Hamas, only for the Makkah agreement to capitulate months after. From then onwards, there was a clear Saudi distance from inter-Palestinian politics.

Nowadays, the Saudi approach toward the Palestinian Authority has undergone a significant shift. The Saudi ruling elite are articulating clear and public expectations of the Palestinian Authority and positioning the concept of reform as a key to political progress. At the New York Conference (28 July 2025), Foreign Minister Faisal bin Farhan stated that the required reforms are “in the fields of development, revitalizing the Palestinian economy, and protecting the Palestinian Authority from collapse.” Saudi Arabia and the Palestinian Authority have also signed three memoranda of understanding. The first focuses on economic development and the training of the Palestinian workforce. The second addresses the design of curricula that incorporate the Saudi educational model. The third concerns digitalization and the upgrading of the Authority’s information systems in cooperation with the Saudi Ministry of Communications. Saudi Arabia and Palestine have also established a joint Saudi-Palestinian business council. Such agreements may seem to be symbolic at first glance but can be strategic in charting a path forward.

The current Palestinian-Israeli crisis is taking place against a backdrop of bailout diplomacy, where Saudi Arabia and other states that have traditionally funded recipients of Gulf funds, are now changing their support from no-strings

attached funding to investment-based models. The days of funding projects with no return are over, as the Saudi ruling elite have deemed this approach to be unsustainable. One way to address this funding shift is to leverage the Saudi private sector to support states like Egypt and Syria in a post-Assad era. Given that the Saudi private sector is becoming more geopolitically strategic, it can also be leveraged to support Palestinian-state building and sustain better governance and a better exchange of regional know-how into the broad process of the two-state solution. This is why there needs to be more focus on the economic and business opportunities that can lead to tangible changes on the ground. These opportunities should not only focus on state-building but also highlight to the international community and the Trump Administration the acute obstacles the Israeli occupation presents to enabling regional support for Palestinian state-building and reconstruction. In sum, the Saudi-Palestinian business council should be elevated and fleshed out further and methodically leveraged.

All of this demonstrates a genuine level of seriousness by the Saudis and their commitment to advancing the Palestinian State. The Saudis are directly advising the Palestinian Authority on how to develop the economy, employment, and education sectors within the Palestinian arena. This move is also intended to strengthen the Kingdom's standing as the leader of the international initiative that resulted in the New York Declaration.

Israel must recognize Saudi Arabia's new direction vis-à-vis the Palestinian arena and toward Israel itself. Saudi Arabia is beginning to influence the functioning of the Palestinian Authority, shape the international agenda, and position itself as a key actor linking the interests of the international community with Palestinian preparations for the "day after."

### ***Saudi role in adding the regional component to the Israeli-Palestinian framework***

There are several reasons that call for connecting the Palestinian-Israeli issue with the region. One, is the Israeli public support for such a move. While there is significant public opposition to, and deep concern about, the establishment of an independent Palestinian state alongside Israel, a majority nonetheless supports resolving the Palestinian issue within the framework of a regional arrangement headed by Saudi Arabia.

Another reason is the devastation caused by the war. Regional support and involvement are essential for the reconstruction of the region in the aftermath of the war—most notably the rehabilitation of Gaza, which will take many years, the rebuilding of the Lebanese and Syrian states, and the stabilization of the situation in the West Bank. Beyond public support and the essential need for regional involvement in the reconstruction effort, the implementation of the two-state solution would enable Israel to integrate meaningfully into the



region and to reap the dividends of peace through substantial partnerships in regional projects.

Moreover, for the diplomatic and political process focused on the Palestinian-Israeli issue to succeed, it requires significant regional involvement. A political process focused on both the immediate term—transitioning from a ceasefire to an interim phase—as well as on a subsequent process addressing a permanent-status agreement, necessitates substantial regional engagement. The region has the capacity to assist in resolving core issues, such as security, borders, and even Jerusalem / Al-Quds and refugees, and to provide alternative dividends within the framework of mutual compromises that the parties will be required to make.

Thus, linking the regional dimension with the Palestinian issue is critical in multiple respects, and without Saudi Arabia there is effectively no regional framework that would address the fundamentals of the Palestinian-Israeli conflict. To galvanise as much regional support as possible, it would be far more impactful if more Saudis can be more explicit in defining the roles of all actors (be it states, institutions, private sector and civil or research institutions) towards a two-state solution. One way of doing this is by changing the discussion from “how can the region support the Palestinian state”, to “how can the Palestinian state serve the region?”

### ***Saudi role in preventing Annexation and preserving the feasibility of the Two-State Solution***

Not only are the prospects of Palestinian-Israeli peace currently bleak, but the clock is also working backwards. The threat of both official and unofficial annexation still looms. The Israeli government seems to use this threat as a transactional bargaining tool, exchanging normalization for stopping it (as it did with the Abraham Accords). Moreover, there is a real desire, especially among the extremist messianic factions of the Israeli government, and concrete steps are being taken to annex Palestinian lands to Israel. Either way, this is a trajectory towards more conflict and an endless war.

The Saudi ruling elite have warned that any annexation, particularly of E1, would hinder the prospects of a Palestinian State and therefore remove the option of future normalization and integration in the region off the table. While this is a necessary signal, such preventative measures can be developed further to deter any more annexation.

To deter the current Israeli government, an interplay between sticks and carrots must be developed. So far, the Saudi and Arab leverage has mostly been based on incentives (the carrot). While it may seem simple for Saudi and others in the region to impose a punitive measure on Israeli actions, they know that this will provoke complications with the U.S. – this is perhaps the leverage dilemma.

One way for the Saudis and others to use more punitive measures against the Israeli government is by creating boycott regimes targeting Israeli individuals who call and act for annexation. This may look like a symbolic act, but it can also bear fruit if it is implemented and gradually built within a global coalition. This boycott regime approach fits naturally with the coalition of the two-state-solution, as such measures will be framed as a necessity for the prospects of the two-state solution.

Such measures need to be meticulous as to not provoke a Trump administration response. Pushing too hard or too wide too quickly may be counterproductive. In addition, such a global coalition can expand more upon the measures that have already been taken by the EU. Once such boycotting measures are set, a communication strategy should be incorporated to negate any dis-framing of these measures as targeting a race or a people. Instead, a communication strategy should focus on the necessity of such measures for the sake of the security of Palestinians, Israelis and the region. Moreover, the strategy should focus explicitly on individuals and against specific policies rather than the State of Israel as a whole.

The last point leads to the notion of incentives. There ought to be a process where the Saudis and the region should recognize the voices within Israeli who oppose annexation and call for a two-state-solution. Such recognition must be meticulous as well, as recognizing such anti-annexation efforts from Israelis will be interpreted as a “recognition of Israel” by members of the current Israeli government. This raises the questions who and how to recognize these Israeli voices? Non-official actors can be utilized in this context by platforming such voices. Additional approaches on regional networks can be offered to highlight Israeli voices opposing annexation and any ethnic cleansing messages advanced by the current Israeli government. As difficult as it may be, this should boost an implicit form of regional legitimacy to those voices. This is where the notion of the Middle-Level can be put to use: an Arab-Israeli community of experts who can practice a public bridge-building process and help guide the discussion. This is one way of rethinking the interplay of carrot and sticks approach to prevent any more annexation.

#### ***D. Summary***

Palestinian Statehood is crucial for the Saudi state. Saudi domestic legitimacy and credibility lie in seeking to address this issue. Not only is it crucial for matters of legitimacy, but Palestinian statehood is also a component of regional security. The spillover effects illustrated over the last two years are a stark reminder of how the Palestinian-Israeli conflict causes regional instability



– the very instability that Saudi Arabia is desperately seeking to avoid for the sake of its national projects and economic security. Thus, Israel and Israelis should forgo the assertion that any normal relations with Saudi Arabia are possible without a genuine and meaningful path towards solving the Palestinian issue.

The New York declaration has proven to be an important strategic move, as it fleshes out what the Trump Plan lacks, which is, a credible pathway to a two-state solution. It keeps Saudi and regional actors engaged – if connected more with the Trump plan. There are practical steps that the Saudi ruling elite can take, such as further developing the Saudi-Palestinian business council established in early 2025. This can be a point of departure where the Saudi (and other) private sectors can be leveraged, as the Saudi private sector is increasingly emerging as a geopolitical player. Lastly, in order to move forward, there needs to be a new approach of meticulously balancing between targeted punitive measures on Israeli officials and their policies, and recognizing Israeli officials and non-officials for their promotion of a two-state solution.

