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## THE AGREEMENT TO NORMALIZE SAUDI-IRANIAN DIPLOMATIC RELATIONS WAS SIGNED IN BEIJING: MIXED PERSPECTIVES

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### ABSTRACT

On March 10, 2023, Saudi Arabia and Iran announced that they had signed an agreement to resume their diplomatic relations. This agreement was concluded under the aegis of China – a resounding event that is bound to trigger a variety of political and economic upheavals in a strategic region that holds 40% of the world's fossil fuel reserves. It also points to a transformation of the international system, with regional players increasing their autonomy and China playing a growing role on the international political stage. What assessments can be made about this new rapprochement between the region's "two best enemies"? What does this situation say about Beijing's evolving regional and international expectations? The present study shows that this tripartite agreement is of major importance to a variety of players in the region. Thus, it has been well received on an international level. This agreement is also the manifestation of the three protagonists' shared economic interests. It points to a significant change in the political and strategic regional order.

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## INTRODUCTION

The tripartite announcement regarding the normalization of Saudi-Iranian relations, issued in Beijing on March 10, 2023, has had a resounding impact. In fact, it is already affecting the geopolitical balance: the two superpowers – i.e. the USA and China – are pitted against each other over a tense region, one in which the stalemate over the Iranian nuclear issue persists. Beijing’s maneuver has already been crowned with success, with the official re-establishment of diplomatic relations between the region’s greatest enemies, which was announced in the Chinese capital on April 6. It was bolstered by the announcement of a peace agreement, which was proposed in Sanaa during talks between a Saudi-Omani delegation and its Houthi counterpart on April 10.<sup>1</sup>

While many specialists in the Gulf region expected the re-establishment of Saudi-Iranian diplomatic relations, Beijing’s mediation came as a surprise, given China’s previous reluctance to take on a proactive role in political and security issues in the region.

The Gulf’s Arab regimes were left disappointed by the United States’ strategic retrenchment from the Middle East, as well as by Washington’s inability to stabilize the region by renegotiating a lasting agreement on the Iranian nuclear issue. Meanwhile, China, which maintains close relations with Tehran, became the leading trade and economic partner of the Gulf Cooperation Council (GCC) states in 2015 – and particularly of its two regional leaders, Saudi Arabia and the United Arab Emirates (UAE). By striving to help strike an agreement between Iran and Saudi Arabia, the region’s biggest rivals, Beijing has succeeded in bringing Riyadh and Tehran together through the normalization of Saudi-Iranian relations, thereby creating a peaceful climate that is conducive to managing existing tensions.

This re-establishment of Saudi-Iranian relations is founded upon earlier agreements: the security agreement of April 2001<sup>2</sup> and the trade agreement of May 1998, as cited in a joint statement by the three countries.<sup>3</sup> Building upon these unimplemented agreements – with China’s support – helps bring credibility to Iran and Saudi Arabia’s commitment to abide by them.

This step may well be the prelude to a new chapter in the Gulf’s regional security, between local players aspiring to a new form of regional integration on the one hand, and Beijing as a geo-economic fulcrum to complement the USA’s military presence on the other.

Are the effects of this diplomatic maneuver likely to evolve over time, thereby upsetting the established geo-economic and political balances in a strategic region that holds 40% of the world’s fossil fuel reserves? How should we interpret China’s involvement in this agreement to normalize diplomatic relations between Saudi Arabia and Iran, and, from a broader perspective, what should we make of China’s diplomatic strategy of global

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1. Saeed Al-Batati, “[Yémen : la délégation omano-saoudienne très ‘proche’ d’un accord de paix avec les Houthis](#)” [Yemen: Omani-Saudi delegation “very close” to peace agreement with Houthis], *Arab News*, April 10, 2023.

2. On April 18, 2001, the Saudi and Iranian Ministers of the Interior signed a security agreement in Teheran to cooperate on issues ranging from counter-terrorism to anti-drug trafficking.

3. PRC, “[Joint Trilateral Statement by the People’s Republic of China, the Kingdom of Saudi Arabia, and the Islamic Republic of Iran](#)”, March 10, 2023.

influence? What does this latest development say about the transformation of the international system, with the growing empowerment of regional players who are more concerned with defending their national interests? Lastly, what are the region's long-term prospects in light of Beijing's political leap forward?

Indeed, this agreement constitutes a major step for players in the region. For Riyadh, Tehran and Beijing, it is seen as crucial for the pursuit of both economic and strategic interests.

## A MAJOR AGREEMENT FOR THE MIDDLE EAST

The rekindling of diplomatic relations between Riyadh and Tehran – under the aegis of Beijing – is the result of a political drive involving the highest ruling bodies of both Saudi Arabia and Iran. The two states eagerly accepted China's mediation in the context of the agreement – an agreement that was almost unanimously welcomed.

### An agreement negotiated at the highest level

Over the four days leading up to the signing of the agreement in Beijing, the Saudi and Iranian delegations were led by their respective countries' two most senior national security officials. Musaad Al Aiban represented Saudi Arabia as its National Security Advisor, while Ali Shamkhani led the Iranian delegation as the Secretary of the Supreme National Security Council (SNSC) of the Islamic Republic of Iran and as the Supreme Leader's representative. Shamkhani has since been replaced by Ali Akbar Ahmadian by presidential decree (May 22, 2023). As the CCP's Director of the Central Office of Foreign Affairs and as China's former Minister of Foreign Affairs (March 2013 – December 2022), Wang Yi was tasked with overseeing the talks that would lead to the agreement being signed. Both Al Aiban and Shamkhani are highly influential figures in their respective state apparatuses. The former is a close associate of King Salman and exerts considerable influence over the Crown Prince, particularly since the tragic Khashoggi affair.<sup>4</sup> His name comes up in all of the region's conflictive dossiers (Yemen, Iran, Iraq, Lebanon and Syria).<sup>5</sup> The latter is a founding member of the Islamic Revolutionary Guard Corps (*Sepāh-e Pāsdārān-e Enqelāb-e Eslāmi*, aka the "Sepah") and a former naval commander for the Sepah and the Artesh.<sup>6</sup> Ali

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4. On October 2, 2018, a Saudi journalist – who had gone into exile in Washington, where he worked as a columnist for the Washington Post – was murdered at the Saudi consulate in Istanbul. This led to a deep crisis between the US administration and the Saudi state, whose Crown Prince was accused of commissioning the crime by Turkish and US intelligence. After Democratic U.S. presidential candidate Joe Biden called Saudi Arabia a pariah during his 2020 election campaign, relations between the Kingdom of Saudi Arabia and the United States have sharply deteriorated. See Fatiha Dazi-Héni, *L'Arabie saoudite en 100 questions* [100 questions on Saudi Arabia], Paris, Tallandier, coll. "Texto", 2020, 3<sup>rd</sup> edition.

5. Fatiha Dazi-Héni, "The New Saudi Leadership and its Impacts on Regional Policy", *The International Spectator*, 56 (4), 2021, p. 33-48.

6. Stéphane A. Dudoignon, *Les gardiens de la révolution islamique d'Iran* [Iran's Guardians of the Islamic Revolution], Paris, CNRS éditions, 2022, p. 103.

Shamkhani speaks Arabic and was described as being the right man for the job by Iranian and Saudi media, particularly in light of his Arab connections and his active role in Iranian-Saudi bilateral relations.<sup>7</sup> In December 1997, he helped bring Prince Abdullah to Tehran for the Organization of the Islamic Conference. At the time, the latter was described as the most important diplomatic event in the region since 1979.<sup>8</sup> On the Iranian political scene, the Saudi dossier certainly enabled Ali Shamkhani to retain a position of power amid the wave of media destabilization that occurred during the winter of 2022-2023<sup>9</sup>: during that period, his resignation was regularly announced on social media.

Thus, this rapprochement was negotiated amongst the highest Saudi and Iranian authorities. It took place under the supervision of China, which has become a major player in the region in recent decades.

## The Middle East welcomes the agreement and China's mediation

The announcement regarding the normalization of Riyadh and Tehran's relations came as less of a surprise in the Middle East than in the West. In fact, between April 2021 and October 2022, an official dialogue had been held over five sessions in Baghdad – under Iraqi mediation – between senior Saudi and Iranian security officials. Thanks to former Iraqi Prime Minister Mustafa Kadhimi's close ties with Arab leaders and the trust placed in him by Ali Shamkhani, numerous regional issues were discussed (a ceasefire in Yemen, security cooperation between Jordan and Syria and the Iranian-Egyptian rapprochement). Iraq was therefore particularly delighted when the agreement was announced – and took part of the credit for its success.<sup>10</sup> At the same time, Oman stepped up its efforts to facilitate de-escalation between the two regional rivals surrounding the issue of Iranian support for the Houthis in Yemen. This shift occurred as soon as the new Sultan Haytham took over from Qaboos in January 2020, due to the latter having fostered poor relations with his Saudi and Emirati neighbors.

China's mediation of the normalization agreement came across as reassuring to all countries in the region. These include the seven states of the Arabian Peninsula – i.e. the six GCC countries plus Yemen, Iran and Iraq – as well as several Near-Eastern states and Egypt, with whom Beijing maintains excellent relations. Israel is also a partner of choice for China, yet Tel Aviv saw this agreement as a slap in the face following its attempts to create a united Israeli-Gulf front to oppose Iranian interventionism in the region.

On the day the agreement was announced, the Turkish Foreign Ministry stated the following: "We congratulate Iran and Saudi Arabia on this significant step taken in conformity with the rapprochement and normalization processes that have prevailed in the

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7. Author not documented, "[Why Ali Shamkhani?](#)", *Donya-ye eqtesad*, n.d.; "[About Ali Shamkhani](#)", *Fararu*, n.d.; author not documented, "[Ali Shamkhani](#)", *Al-Morasel*, April 3, 2023.

8. Fouad Alaa, "The OIC Summit in Tehran: herald of a New Beginning?", *Insight Turkey*, 12, 1998, p. 121.

9. Author not documented, "[The position of Secretary of the Supreme National Security Council is under attack](#)", *Etemad online*, January 18, 2023.

10. National archives, "[L'Irak se réjouit de l'accord bilatéral saoudo-iranien](#)" [Iraq delighted by Saudi-Iranian bilateral agreement], *Shafaq news*, March 10, 2023.

Middle East for a while and believe that this progress in the relations of the two countries would make important contributions to the security, stability and prosperity of our region.”<sup>11</sup> Turkey has grown much closer to Saudi Arabia following two different crises: firstly, the Khashoggi affair, and secondly, the diplomatic crisis that pitted Qatar (Turkey’s ally) against Saudi Arabia, the UAE, Bahrain and Egypt between 2017 and 2021. Since then, Turkey has fully benefited from Riyadh’s de-escalation efforts in the region. This tripartite agreement proves helpful to Turkey, as the latter has been weakened by the post-pandemic financial crisis and high inflation rates, and even more so since the wave of deadly earthquakes in February 2023. In parallel with the policy of détente initiated in the Gulf by Abu Dhabi and, above all, by Riyadh, who put an end to the crisis between the Arab Quartet and Qatar in January 2021, Ankara has drawn closer to the Gulf States and has since benefited from significant financial support from its Arab creditors.

China’s diplomatic approach has been welcomed by almost all Middle Eastern states, as the region has been subjected to continuous waves of interventionism by the great powers for its various resources since the 19<sup>th</sup> century.

Middle Eastern states appreciate China’s position of non-interference in their internal affairs. They see China as a reliable partner, likely to help forge confidence-building measures, particularly between the two regional rivals that are Saudi Arabia and Iran – who also happen to be China’s partners in the area.<sup>12</sup> They appreciate that China does not openly oppose the United States in the region and does not, for instance, demand that states distance themselves from Washington – as China has done in Europe and, above all, in Asia. China knows that its partners in the Middle East have no desire to be caught in the vice of a cold war, forcing them to choose between Beijing and Washington. Certain Chinese researchers and think tanks are more in favor of these states cooperating more closely with both China and the United States to resolve crises and conflicts in the Middle East. On the Iranian side, there has been a shift from its original doctrine of non-alignment, via the revolutionary slogan “neither East nor West”,<sup>13</sup> to a frantic search for new partners in the post-Cold War era, against a backdrop of heated debate between political factions. Most of all, Middle Eastern states have rejected the idea of aligning themselves with a major power – as was the case under the monarchical regime of Mohammad-Reza Pahlavi, which had aligned with the West.

On the other hand, the Gulf States – including the UAE, even more so than Saudi Arabia – do not enjoy the pressure exerted by Washington to reduce their partnerships with China: Sino-Gulf cooperation in various high-tech sectors (arms and artificial intelligence) and Huawei 5G constitute the heart of this controversy. As with the Ukrainian conflict, Riyadh and Abu Dhabi have made clear that they refuse to choose one side against the other<sup>14</sup> and

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11. [Press release](#), Official website of the Turkish Ministry of Foreign Affairs, March 10, 2023.

12. Wu Bingbing *et al.*, “[Strangers to strategic partners: thirty years of Sino-Saudi relations](#)”, The Atlantic Council, Virtual Event, August 25, 2020.

13. “Neither East nor West, Islamic Republic” was one of the slogans chanted during the revolutionary events of 1978-1979.

14. Fatiha Dazi-Héni, “[Comment interpréter le refus émirati et saoudien de se ranger dans le ‘camp de l’Occident’ sur la guerre en Ukraine ?](#)” [How are we to interpret the Emirati and Saudi refusal to side with the “West” on the war in Ukraine?], Strategic brief, 36, IRSEM, March 29, 2022.

will continue to strengthen their relations with Beijing and New Delhi. India, which counts 8 million workers throughout the six GCC states, has considerably increased its trade with the UAE – one of its main trading partners – and, more recently, with Saudi Arabia.

Gulf-based monarchies truly began to turn towards Asia in the mid-2000s, a tendency that is now reaching its climax.<sup>15</sup> President Xi Jinping's three-day state visit to Riyadh (December 8-10, 2022)<sup>16</sup> attests to this fact, as illustrated by the three summits held in his honor: the bilateral Saudi-Chinese summit, the regional GCC-China meeting, and finally, the Sino-Arab summit, which brought all heads of state together. This landmark visit was followed by the Iranian President's trip to Beijing (February 15-17, 2023). The intensification of Chinese diplomatic activity during this period is thought to have accelerated the formalization of the tripartite agreement.

While the agreement between Tehran and Riyadh – under the aegis of Beijing – seems to have been welcomed by the international community, Washington met its terms more bitterly.

### **Between satisfaction and disappointment: disparate global reactions**

As a major player in the Middle East, Russia has praised Beijing's work on the Saudi-Iranian rapprochement. The good relations maintained – for some years now – between Presidents Putin and Xi have fostered mutual trust. The two partners share a number of interests in the region. It seems likely that Moscow and Beijing are keen to return to a more peaceful situation in the Middle East for both political and economic reasons.<sup>17</sup> Peace could only reassure Moscow, which is already engaged in the war in Ukraine on its Western front.

The vast majority of Asian states – with the notable exception of India, which was content to welcome any contribution towards de-escalation, without commenting on the agreement – welcomed the rapprochement between two major protagonists in a region with which they maintain close economic and political ties. These states include Pakistan, Indonesia, Malaysia and South Korea. However, China's neighbors (South Korea, Japan and ASEAN member states) remain skeptical about the role Beijing could play as an intermediary in Asian conflicts, and wary of a possible American “counter-offensive” towards the Middle East.

Washington expressed skepticism regarding Beijing's ability to meet Riyadh's expectations, ones that consist in convincing Tehran to fulfill its obligations. White House spokesperson John Kerby went as far as to question the agreement's compatibility with future Saudi-Israeli normalization, which Washington will continue to support.<sup>18</sup> Most American

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15. The Gulf States were traditionally connected to the Horn of Africa and to the sea route to India through trade, before becoming late partners of the Western states.

16. National archives, “[Summits in Riyadh reflect Kingdom's desire to enhance relations with China: Saudi foreign minister](#)”, *Arab News*, April 14, 2023.

17. Jonathan Fulton and Li-Chan Sin, *Great Power Projection in the Middle East: the China-Russia Relationship as a Force Multiplier?*, Washington DC, The Atlantic Council, March 2022, p. 9.

18. National archives, “[Saudis kept U.S. informed on talks with Iran – White House](#)”, Reuters, March 10, 2023.

think tanks echo this skepticism. However, China's diplomatic success has prompted an American reaction that is far from insignificant, despite the latter having gone relatively unnoticed. On March 14, just a few days after the publication of the Saudi-Iranian-Chinese statement, the US Senate finally confirmed the appointment of its ambassador to Riyadh, Michael Ratney (an Arabist and expert in the Gulf and the Levant regions). Ratney had been appointed a year earlier, in April 2022. The ambassadorship had remained vacant since January 2021.

Both the European Union – represented by Enrique Mora (Deputy Secretary-General for Political Affairs of the European External Action Service, EU) – and the United Nations – represented by Secretary-General Antonio Guterres – welcomed the agreement. France and the UK reacted very positively, affirming their support for an agreement that contributes to de-escalating tension in the region. The EU and the UK may even be prepared to re-launch negotiations on the agreement regarding Iran's nuclear program. On March 3 and 4, 2023, Dr. Rafael Grossi, Director of the International Atomic Energy Agency (IAEA) visited Tehran, which led IAEA inspectors to be allowed to return to all of the country's nuclear facilities. On March 21, 2023, a meeting took place in Oslo between Ali Baqeri-Kani, Iran's Chief Nuclear Negotiator, and the political directors of the foreign ministries of France, Germany and the UK, accompanied by Enrique Mora.<sup>19</sup> This event also seemed to point towards a shared will for de-escalation. However, the absence of US special envoy for Iran Robert Malley confirms Washington's concerned stance.

The resumption of diplomatic relations between two of the region's major states – under China's patronage – constitutes a crucial step towards stability in the Middle East. Overall, it has been warmly welcomed by the international community. This agreement was all the more necessary for the three protagonists, as it constituted a prerequisite for them to pursue their economic interests.

## PACIFICATION AS A PREREQUISITE TO PURSUE SHARED ECONOMIC INTERESTS

The convergence of these three states was motivated by economic interests, which constitute a prerequisite for pacification in the region. While this points to major, rather obvious expectations for Beijing and its Belt and Road Initiative, Riyadh, on the other hand, is betting on investment projects in Iran to secure – via Beijing – a form of long-term normalization with Tehran. On the Iranian side, the economic contribution implied by this agreement is – more than ever – perceived as a lifeline in view of the country's socio-economic situation.

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19. National archives, "[Iranian, European diplomats meet in Norway for 'brainstorming'](#)", *Amwaj.media*, March 22, 2023.

## China: major economic interests in the region

China's economic relations with the Middle East have grown considerably since 2015, buoyed by Xi Jinping's flagship Belt and Road Initiative. Middle-Eastern countries – Saudi Arabia and Iran in particular – count among its main energy suppliers (oil and gas). Since 2015, China has officially become the biggest importer of oil, ahead of the United States, as well as the biggest importer of natural gas ahead of Japan since 2018.<sup>20</sup> Most of this energy comes from the Middle East. China is the leading trading partner of both Iran and Saudi Arabia. According to IMF statistics, trade between China and Saudi Arabia will reach US\$59,118 billion in 2021, and trade between China and Iran is set to reach US\$12,389.78 billion.<sup>21</sup> Beijing has become the major trading partner and foreign investor of several states in the region. These countries represent major markets for the export of Chinese goods and services. China's construction projects and new technologies enjoy major outlets in the Middle East, as do the weapons it manufactures. For example, since 2014, Beijing has supplied the Saudi kingdom with unmanned aerial vehicles (UAVs). In 2017, the two partners signed an agreement to build a "Rainbow" (Cai Hong-4, or CH-4) UAV factory in Saudi Arabia.<sup>22</sup> During President Xi Jinping's visit in December 2022, the Saudi government and Huawei signed a memorandum for the supply of cloud computing services and the construction of high-tech complexes in Saudi cities.<sup>23</sup>

Conversely, Saudi Arabia has become a major investor in China, particularly in the construction of energy infrastructure. In China's Fujian province, Saudi company Aramco owns 25% of Refining and Petrochemical Company Ltd., which is controlled by the state-owned SINOPEC Corp. Its refineries reach a capacity of 280,000 bpd and 1.1 million tons of ethylene per year.<sup>24</sup> In March 2023, Aramco announced the acquisition of a 10% stake in China's Rongsheng Petrochemical Co. – an investment that amounts to US\$3.6 billion.<sup>25</sup> Despite Beijing's volume of trade with Tehran being less significant than with Riyadh, Iran has nonetheless entered into a 25-year strategic partnership with China, its main economic partner.

China's economic involvement with these two players facilitates its role as an intermediary between Riyadh and Tehran. In fact, Riyadh is putting Beijing's position to good use in the context of its rapprochement with Iran.

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20. US Energy Information Administration, "[Country Analysis Executive Summary: China](#)", September 30, 2022; International Energy Agency, *An energy sector roadmap to carbon neutrality in China*, Report, 2021, p. 24.

21. Jonathan Fulton and Li-Chan Sin, *Great Power Projection in the Middle East: The China-Russia Relationship as a Force Multiplier?*, Atlantic Power, March 2022, p. 9.

22. Ibrahim Elveren (Maj.), *China's Investments in Security Cooperation in the Middle East*, NEAR-Center for Strategic Studies, October 13, 2022, p. 5.

23. Reuters, "[Saudi-China energy, trade and investment ties](#)", December 9, 2022.

24. *Ibid.*

25. *Ibid.*



## Riyadh looks to Beijing to create economic ties and to normalize relations with Tehran

Saudi Minister of Finance Mohammed Al-Jadaan stated that Riyadh is ready to invest and develop trade ties with Iran. This reflects the shift in Riyadh's diplomatic approach towards the normalization of its relations with Tehran. While Crown Prince Mohamed Ben Salman (MBS) has been able to emerge from his post-Khashoggi isolation, Riyadh now carries out its diplomatic actions within the framework of a growingly multipolar world. Riyadh intends to emerge as a middle power and radiate beyond its identity as a mere Islamic power. By promising Saudi investments in Iran, Riyadh is betting on the fact that commercial relations will help foster a bond with Tehran, thereby making economic dynamics the key to a lasting form of normalization. Thus, following in the footsteps of the UAE, which was the first to create multiple mini-lateral economic partnerships, Saudi Arabia has embarked on a major campaign to diversify its economic, technological and strategic partnerships, beyond China, with a number of medium-sized and emerging powers: India, South Africa, Indonesia and South-American countries.

In order to take a new diplomatic direction, the Prince is therefore placing all of his hopes in Saudi Arabia's economic ties.<sup>26</sup> He intends to build towards greater regional integration, by investing in infrastructure, logistics, food security, the energy transition, as well as all in facets of cooperation and financing to fight the effects of global warming in the Middle East (the Saudi Green Initiative<sup>27</sup> aims to fight desertification, natural disasters and improve access to water). These sectors – in which Saudi Arabia and Iran face common challenges – could use funding from the Gulf countries to set up cooperation projects linked to human security. However, sanctions against the Iranian regime constitute the most serious impediment to investments from the Gulf. For the time being, only the sectors spared by these sanctions (i.e. food and pharmaceuticals) remain accessible. Collaboration in more ambitious industrial sectors would require waivers from Washington in order to be pursued.

After having seemingly learned the lessons from his disastrous interventionist experience in Yemen in 2015, as well as from the crisis that pitted him against Qatar from 2017 onwards, MBS is pursuing the dream – shared by his Emirati neighbor – of making his country the economic, technological and touristic heart of the Middle East. This was also the case of the Prince's former mentor, UAE Federation President Mohammed Bin Zayed (MBZ), who has since become his rival.<sup>28</sup> With his "Vision 2030" initiative and the slogan "Saudi First", the Crown Prince intends to make his country – located at the heart of the Arabian Peninsula – the technological and logistical hub of Western Asia. This could be attained with support from China and its Belt and Road Initiative. Above all, achieving these objectives means ending the war in Yemen and avoiding any military confrontation between Israel and Iran.

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26. Abdulaziz Alghashian *et al.*, "[Saudi foreign policy expert Dr. Abdulaziz Alghashian talks Saudi-Iran deal, implications for Israel](#)", *The 966 Podcast*, March 24, 2023.

27. AEON Collective X Community Jameel, *The State of Climate and Health Research in GCC*, March 2022.

28. Collective of *OrientXXI* journalists, "[Violences à Gaza et impasse palestinienne](#)" [Violence in Gaza and the Palestinian stalemate], *OrientXXI*, Series of articles, July 8, 2015.

Riyadh has economic goals, as does Tehran. The latter is on the lookout for opportunities to save its economy and rebalance its financial situation.

## Tehran hopes to reap economic benefits from the agreement

Since America's unilateral withdrawal from the Joint Comprehensive Plan of Action (JCPOA), the Iranians have lost hope of being freed from multilateral sanctions (namely, the UN sanctions voted during the Ahmadinejad administration) and unilateral sanctions (EU and USA). Iran is still under an oil embargo and has remained disconnected from the SWIFT global financial system since 2012, making it an endangered rentier state, one that survives thanks to China clandestinely purchasing its crude oil. Iran's isolation, endemic elite corruption, and mismanagement have plunged the country into a state of continuous upheaval since 2017. In his Nowruz (spring equinox celebration) speech held in the holy city of Mashhad on March 21, 2023, Iran's Supreme Leader, Ali Khamenei, made indirect accusations against Raisi for his poor economic results.<sup>29</sup>

According to Saudi media outlet *Iran International*, Shamkhani wrote a letter to Raisi warning him of a shortage of basic foodstuffs following transport strikes.<sup>30</sup> It is worth recalling that Ukraine has boycotted grain exports to Iran in response to the sale of Iranian drones to Russia for use in the war effort. While the existence of the aforementioned letter has been denied by Nour news, an SNSC-affiliated media outlet,<sup>31</sup> it is clear that the country's socio-economic and financial situation has only worsened. The percentage of Iranians living below the poverty line rose from 20% to 35% between 2018 and 2022. The Iranian currency continues to lose value: the Iranian Rial went from 100,000 to 450,000 to the US dollar between January 2019 and January 2023 (open market).<sup>32</sup> In view of this deep-set crisis, many of Iran's diplomatic initiatives towards the East have been aimed at finding economic, commercial and financial perspectives. This applies to the aforementioned Cooperation Agreement with China, as well as to Iran's joining of the Shanghai Cooperation Organization on September 17, 2021.

The resumption of diplomatic relations between Iran and Saudi Arabia under the Chinese auspices is a prerequisite for the pursuit by the three protagonists of their often converging economic interests. It also reflects the ongoing reset of political and strategic order in the region.

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29. Author not documented, "[Focusing on economy, Iran's leader dismisses calls for constitutional reform](#)", *Amwaj media*, March 23, 2023.

30. Author not documented, "[Investigation: Shamkhani's secret warning letter to Raisi on the extremely critical situation regarding livestock inputs](#)", *Iran International*, February 21, 2023.

31. Author not documented, "'Top secret' letter from Shamkhani to Raisi?", *Hamshahr online*, February 21, 2023.

32. Author not documented, "[Focusing on economy, Iran's leader dismisses calls for constitutional reform](#)".

# AN AGREEMENT THAT REFLECTS RIYADH, TEHRAN AND BEIJING'S CONVERGING STRATEGIC AND POLITICAL INTERESTS

The primary aim of the tripartite agreement is undeniably to ease tensions. This objective has been made clear on the ground through tangible signs of conflict reduction, such as the announcement of peace between Riyadh and Sanaa. Syria returned to the League of Arab States on May 19 in Riyadh.<sup>33</sup> The objective was to prevent Damascus from illegally exporting Captagon, a drug that is flooding the markets in Saudi Arabia and its Gulf neighbors. Just as China helped normalize relations between the Gulf States and Iran, Russia is said to have facilitated the rapprochement between Damascus and Riyadh.<sup>34</sup> The resumption of diplomatic relations between Iran and Saudi Arabia constituted a window of opportunity that the three protagonists have effectively seized, enabling each state to position its pawns on the regional and global geostrategic chessboard.

## A window of opportunity for regional pacification

According to Beijing, Tehran and Riyadh are “Pivot states” in the region: their political, military and economic importance makes them indispensable partners.<sup>35</sup> Therefore, a more peaceful relationship between the two adversary states has become a key factor to the realisation of China's particular interests.

Furthermore, Beijing must prove to all other “Global South” states – as well as to the United States and its allies – that it is capable of being the peacemaker it claims to be. Far from being a “master of ceremonies” in the rapprochement between the two players, Beijing has succeeded – thanks to its influence in the region – in establishing itself as a peacemaker. This atmosphere contrasts with the hectic security situation in the Middle East, which has only been exacerbated by a lack of American diplomacy. As pointed out by Amos Harel in Israeli newspaper *Haaretz*,<sup>36</sup> America's pullout is pushing Israel into a corner on several fronts (occupied territories, southern Lebanon and Syria). Tensions between Palestinians and settlers are reaching unparalleled levels, further spurred by the radicalization of the Israeli government dominated by a far-right coalition. In the wake of Iranian attacks carried out from within Syria, fears of an open conflict with Israel have been revived even further.

Since the Covid-19 pandemic (which marked a significant increase in health cooperation with China), Riyadh – as well as Abu Dhabi – has been pushing Beijing to be more

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33. Benoît Faucon and Summer Said, “[Saudi Push to Bring Syria Back to Arab Fold Faces Resistance](#)”, *The Wall Street Journal*, April 12, 2023.

34. Giorgio Cafiero, “[Saudi-Syria Rapprochement a New Sign of Saudi Hedging & a Win for Russian Diplomacy](#)”, *Stimson, Commentary*, March 30, 2023.

35. Tim Sweijts, Willem T. Oosterveld, Emily Knowles and Menno Schellekens, “Why are Pivot states so pivotal? The role of Pivot states in regional and global security”, Report, The Hague, The Hague Centre for Strategic Studies, 2014, p. 8.

36. Amos Harel, “[Washington's Mideast Pullout Sets Israel and Iran on a Collision Course](#)”, *Haaretz*, April 11, 2023.

assertive in the region and to rise even higher than its current status as the Gulf's leading commercial and economic partner. Normalizing relations with Iran, which was made possible by Beijing's commitment toward ensuring that all parties would respect the principles of sovereignty and non-interference in internal affairs, has effectively made up for the loss of America's political influence upon Gulf leaders. It also makes up for the inability of local countries – i.e. the facilitators of the Saudi-Iranian dialogue – to bring such an agreement to fruition. In this respect, China proved to be the ideal actor to ensure that Tehran was seriously considering peace. Indeed, the agreement's Chinese sponsorship could open up a new chapter in international relations between the two shores of the Gulf. According to Dr. Abdul-Aziz al-Sager, Head of the Gulf Research Center (Jeddah), the platform that Beijing has provided to sponsor "this normalization agreement is a new opportunity that Riyadh can seize, given that all of Washington's efforts to stabilize the region over the last 45 years have failed."<sup>37</sup>

Since the early 2000s, Tehran has traditionally seen Russia as its strategic partner, i.e. as a major power likely to support Iran at the Security Council or during negotiations over its nuclear program. China, however, had been relegated to the status of trading partner, as it was perceived as too cautious and unwilling to risk incurring the wrath of the Americans.<sup>38</sup> Let us remember that during the 1990s, China had been sanctioned by the United States for its trade relations with Iran and, under American pressure, had abandoned a number of nuclear cooperation projects, such as the construction of the Darkhovin power plant in Iran. Since February 2022, Russia is no longer in a position to play the role of guarantor of the non-proliferation regime, a role it had played from the start of the nuclear crisis in 2002 up until the invasion of Ukraine. As America's new leading competitor, China is now more inclined to take risks on the Iranian issue. For example, China secretly continued to buy Iranian oil despite the embargo and extraterritorial US laws.

However, it should be noted that, while successive Iranian administrations have frantically turned eastward for cooperation since 2018, certain political elites – particularly on the left of the Iranian political spectrum – fear that this will create too strong of a dependence on China, thereby putting the country in a vulnerable state. Bearing this in mind, the critics of the 25-year Iran-China Joint Cooperation Plan – which came into effect on January 14, 2022 (signed under the Rohani administration on March 27, 2021) – have likened it to the humiliating Treaty of Turkmanchai.<sup>39</sup> Moreover, the Iran-China Joint Cooperation Plan was kept confidential by executive authorities in order to neutralize criticism.<sup>40</sup>

Saudi Arabia's new diplomatic orientation, in which the defense of its national interests now takes precedence over its privileged relationship with the United States, may have

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37. Extract from a videoconference interview from March 15, 2023. Dr. Abdul-Aziz Al-Sager has been one of our key contacts on Saudi foreign policy issues for many years now. For more details, see his talk on Saudi-Iranian normalization: Dr. Abdul-Aziz Al-Sager, "[Abdulaziz Sager on Saudi-Iranian diplomatic deal](#)", *International Crisis Group*, March 22, 2023 [our translation].

38. *Ibid.*, pp. 35, 38.

39. The Treaty of Turkmenchai is a treaty through which the Persian Empire lost part of its northern territories (mainly populated by Armenians and Azeris) to the Russian Empire, following its defeat in 1828.

40. National archives, "[Amir Abdollahian prépare sa mission de collaboration Iran-Russie](#)" [Amir Abdollahian prepares his Iran-Russia collaboration mission], *DW*, January 20, 2022.

convinced Tehran to be more amenable towards Riyadh. This attitude effectively protects Chinese interests and shows a shared desire to achieve balance in the region – a region from which Riyadh had never wished to see the United States depart. After failing to obtain optimal security guarantees from Washington, Riyadh, like Abu Dhabi, has finally resigned itself to negotiating with its Iranian neighbor, rather than facing the threat of Iran’s local allies, or risking too close a connection to Israel, as the latter is eager to engage in military confrontation with Iran. In order to prevent a conflict from breaking out in the region, it therefore became imperative to avoid direct military confrontation between Tel Aviv and Tehran.

From that perspective, Riyadh expects Tehran to facilitate internal reconciliations in Yemen and to use all of its influence to convince the Houthis to conclude lasting peace on the kingdom’s border. Riyadh also hopes that this normalization of relations will help soothe tensions linked to the Shiite militias in Iraq and to the interventionism of Lebanon’s Hezbollah in Yemen and Syria.

In this context, Beijing has become a key player in soothing tensions and ensuring the normalization of relations between Riyadh and Tehran. China was all the more willing to intervene, as its own economic, financial and human interests in the region would be directly affected by an open conflict.

### **Beijing: protecting its overseas interests and asserting itself as a “peacemaker”**

China’s expansion comes hand in hand with a growing material and human presence abroad and, consequently, with exposure to greater risks. Beijing boasts a growing number of nationals based in the Middle East, as well as in other parts of the world. There are an estimated 300,000 Chinese nationals based in the region, including 4,000 entrepreneurs, mainly located in the United Arab Emirates. For two decades now, Chinese authorities have been considering ways of securing the country’s presence abroad. Protecting “overseas” interests has become a pillar of Chinese foreign policy. This drive first emerged in the early 2000s under Jiang Zemin’s presidency (1993-2003). However, it was during Hu Jintao’s presidency (2003-2013) that the first explicit references were made to non-traditional security threats, i.e. threats that go beyond the military sector alone, including overseas. In parallel, China developed a broad vision of national security, including the protection of its people and their property “overseas”. In 2004, for the first time, the Chinese Defense White Paper mentioned the need to include the process of expanding Chinese interests abroad as part of its security interests.<sup>41</sup> This translated as a strengthening of Chinese consular capabilities; a move that was necessary and efficient, but that would still prove insufficient if an open conflict threatening Chinese populations were to break out. The operation to rescue 35,000 Chinese nationals from Libya in March 2011, followed by the rescue of Chinese nationals in Yemen in 2015, marked a turning point in China’s vision and actions regarding the protection of its own interests abroad. Thus, China formulated – in more explicit terms

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41. Andrea Ghiselli, *Protecting China’s Interests Overseas. Securitization and Foreign Policy*, Oxford University Press, 2021.

- a need to consider deploying its military forces abroad. What's more, these events led Chinese leaders to reflect on a more proactive role in maintaining and/or resolving conflicts, yet without abandoning its principle of non-interference.

Under Xi Jinping (i.e. since 2012), the concept of security was doubly broadened: its scope went from national to explicitly international, and from the realm of traditional security to non-traditional security.<sup>42</sup> China's actions abroad are portrayed as being founded upon a necessary form of "creative involvement": "In a word, "creative involvement" refers to a new optimistic attitude, i.e., in the second decade of the 21<sup>st</sup> century, China will be more actively involved in international affairs and play a better role. And it requires that departments related to diplomacy and the public in China should strengthen their enterprise and fight for favorable situations, participate in regional and global affairs more actively, come up with more programs and provide more public products and assistance [...]."<sup>43</sup>

Beijing undoubtedly intends to use conflict mediation as a means to achieve this end. Beyond its material and human interests, China's involvement in this agreement - one that has allowed diplomatic relations between Iran and Saudi Arabia to resume - constitutes an opportunity: it enables China to provide tangible proof of its foreign policy and diplomacy principles being successfully implemented, particularly those put in place during Xi Jinping's presidency.

Firstly, as recalled in the framework of the Global Security Initiative (2023), Beijing declared that it is working towards "[...] peacefully resolving differences and disputes between countries through dialogue and consultation [...]."<sup>44</sup> The Iran-Saudi agreement, signed under the aegis of China, provides proof of the latter's diplomatic efforts in favor of peace. This achievement is all the more agreeable to the Chinese diplomatic world in that it took place in a region where the United States has tended to fail in recent decades, with the latter's interventions leaving chaos in their wake.

Without wishing to supplant the American hegemon in the region, China is showing that it can intervene in order to restore and maintain balance. Beijing has gradually and undeniably gained the trust of a number of states, despite (or because of) its lack of military involvement in conflicts. Beijing has tried - and so far succeeded - to avoid provoking or getting directly involved in open armed conflicts other than border disputes (with Vietnam/India). This state of affairs lends legitimacy to its proposal to act as a mediator during conflicts.

Moreover, as some specialists in the region have pointed out, Beijing's approach towards conflicts is one of management rather than effective resolution.<sup>45</sup> In the latter case, the aim would be to resolve any incompatibilities - be they in terms of interest or behavior - at the root of the conflict by focusing on the underlying issue. In contrast, a conflict management approach is more restrictive, particularly regarding the types of action that may exacerbate

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42. Ministry of Foreign Affairs of the PRC, "[The Global Security Initiative Paper](#)", February 21, 2023.

43. Yizhou Wang, *Creative Involvement. A New Direction in China's Diplomacy*, Routledge, coll. "China perspectives", 2017, pp. 6-7.

44. Ministry of Foreign Affairs of the PRC, "[The Global Security Initiative Paper](#)", *op. cit.*, paragraph 6.

45. Irem Askar Karalir, "China's Conflict Management in the Middle East: Involvement without Impact?", *Contemporary Review of the Middle East*, 9 (2), February 2022, pp. 240-257.

disputes, and acts by managing their intensity through negotiation. The latter constitutes a slower approach, yet advocates peaceful solutions (by halting the deployment of armed forces). Beijing also asserts that the solution to security-related tensions lies in the economic and social development of the states at hand.

Beijing reiterates that it does not judge, does not lecture on the management of state affairs and does not impose internal solutions upon states. It claims to be non-intrusive and respectful of state independence. This means that the solution – if one exists – must come from the protagonists first and foremost. China offers support, but does not take sides and does not impose obligations. Thus, “[b]y successfully bringing two of the Middle East’s bitterest rivals to the negotiation table, China aims to build credibility as a capable partner in a region that has at times protested American security disengagement and bemoaned Washington’s strategic neglect.”<sup>46</sup>

In view of this window of opportunity and of China’s admitted desire to become politically involved, Saudi Arabia sees this rapprochement as a means of asserting itself as the leader of a diplomatically and strategically more autonomous region.

## **Riyadh: promoting diplomatic balance between Washington and the rest of the world**

In August 2019, Abu Dhabi – followed by Riyadh from January 2021 onward – initiated a policy of openness and détente with key non-Arab players in the region, including Turkey and Israel (Abraham agreements and the rapprochement between Riyadh and Tel Aviv). What’s more, discussions were initiated with Iran, alongside a drive to find a way out of the war in Yemen. These events opened up a new chapter in foreign policy, one that Riyadh and Abu Dhabi are now independently each sketching out and that is less aligned with Washington. This change of tone in Gulf State diplomacy is more directly linked to a form of resentment towards the United States than to a pro-Russian or pro-Chinese sentiment. Riyadh and Abu Dhabi are now focusing on their own national and security interests, in full awareness that – apart from the formalization of commercial and arms deals – America’s guarantee of security in the region is no longer viewed as reliable. America’s protection has been lacking under the last three US presidents, including during Trump’s presidency, despite the latter being very close to the Emirati and Saudi rulers. In 2019, in the wake of attacks on oil infrastructure in Arabia (September) and tankers in the waters of Fujairah (May), President Trump served notice to Gulf leaders when they demanded an American response to the missile attacks claimed by Yemen’s Houthi rebels – which were in fact fomented by Iran.

The year 2019 marked a decisive turning point in Saudi Arabia and the UAE’s political orientation, one that aimed to achieve a virtuous rebalancing of power in the Middle East. Far from wanting to distance itself from Washington, Riyadh maintains close strategic,

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46. Amr Hamzawy, “[The Potential Inroads and Pitfalls of China’s Foray into Middle East Diplomacy](#)”, Carnegie Center, March 20, 2023.

security and economic cooperation with the United States, despite its fragile political relationship with the Democratic Party. This was already the case under President Obama and the situation has worsened under President Biden.<sup>47</sup> At the same time, both Riyadh and Abu Dhabi continue to develop their ambitious partnerships with China. Their aim is to make the Visions 2030 (Saudi Arabia),<sup>48</sup> 2040 (Oman) and the Projects of the 50' (UAE) initiatives interdependent with the Digital Silk Roads project.

In doing so, Saudi Arabia does not intend to take a stand against the United States. The kingdom is pursuing its economic relations with major American companies with equal amounts of zeal, as illustrated by the US\$37 billion contract signed with Boeing on March 14, in addition to the numerous arms contracts signed with Washington following President Biden's visit to the kingdom (July 15-16, 2022). Since the signing of the agreement, Riyadh's official statements have all been aimed at reassuring its American partner, underlining its desire to strike a fair balance between the two superpowers, with which it shares different – but not incompatible – interests.

The neutral stance adopted by the monarchies of the Arabian Peninsula regarding the war in Ukraine came as a confirmation – more than a revelation – of a new, more multipolar diplomatic reality. The latter came into being as early as 2015, before it picked up the pace in 2019. The GCC states' refusal to choose sides in the Ukrainian conflict did not, however, prevent them from condemning the Russian invasion, voting against the aggression on March 2, 2022, followed by a vote, on October 12, against Moscow's annexation of the four Ukrainian provinces. This conflict in Europe is seen as far removed from their own security issues. What's more, these states feel that they have nothing to gain from taking sides. They consider that Western states have not sufficiently assessed the regional threats to their countries, hence Riyadh's normalization or rapprochement efforts towards Israel in the context of the 2020 Abraham Accords (signed between Israel, the UAE and Bahrain).

Dr. Abdul-Aziz Alghashian is a Saudi essayist, observer of the Saudi-Israeli rapprochement and attendee at the Jeddah summit in July 2022. President Biden and all GCC heads of state plus Jordan, Iraq and Egypt also attended the event. Dr. Abdul-Aziz Alghashian believes that during the summit, Riyadh realized that normalizing relations with Iran was a prerequisite for future normalization with Israel, however gradual it may prove to be. In view of the stalemate over the nuclear issue, the Biden administration has endeavored to convince Riyadh to join the Abraham Accords and thereby follow suit with its Gulf neighbors (Abu Dhabi and Bahrain). The diplomatic stalemate over the Palestinian issue dissuaded Riyadh from going beyond an informal rapprochement, one that would have been exploited by Tehran to further destabilize Riyadh. Tel Aviv did not share this vision; instead, it intended to normalize its relations with Riyadh and form an Arab-Israeli front to take on Iran.

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47. Patrick Theros, "The old Saudi-US relationship is no more. What next?", *Gulf International Forum*, April 6, 2021.

48. Stephen Grand and Katherine Wolff, *Assessing Saudi Vision 2030: a 2020 Review*, Washington DC, The Atlantic Council, Rafik Hariri Center for the Middle East, June 2020.



As Yasmin Farouk – a nonresident scholar at the Carnegie Endowment for International Peace – has pointed out<sup>49</sup>: for Arabian states, the Chinese-sponsored agreement goes much further than merely counterbalancing America’s presence. It reflects a preference for Beijing’s approach, which favors the principle of negotiating modalities in order to resolve conflicts between two states, rather than proposing an alternative global security framework. Beijing is thought to have convinced Riyadh to renew ties with Tehran, without requiring Iran to abandon its support for the Houthis.

In this respect, the statements made by Iranian Foreign Ministry spokesperson Nasser Kanani (March 30) regarding his country’s willingness to do everything in its power to achieve true peace in Yemen certainly came across as unusual. Moreover, Lebanon’s Hezbollah – Iran’s historically – and its Secretary General Hassan Nasrallah welcomed the agreement, announcing that it would have immediate effects in Lebanon and Yemen. This poses the following question: is Iran capable of forcing its allies to respect the tripartite agreement? The latter also have their own agenda, as illustrated by the negative reactions from certain Iraqi militias that are close to Iran.

This situation also constitutes an opportunity for the Iranian regime, as it remains isolated on the international stage and is currently being challenged internally. Riyadh and Beijing could provide it with an opportunity to reassert itself as a major player that can no longer be ignored.

## Tehran: a drive to regain its regional and global foothold

On the Iranian side, promoting closer ties with the Gulf States, and with Saudi Arabia in particular, has become a priority for the country’s various administrations from the 1990s onwards. The somewhat radical “Exportation of the Revolution” (*sodur-e enqelab*) doctrine that prevailed between 1979 and 1984 was abandoned in favor of another; the “*Umm al-Qura*” doctrine theorized in the late 1980s. The latter embraces the status quo, i.e. the structuring of international relations through the prism of nation-states (previously contested by Ruhollah Khomeyni), yet still envisions Iran as an influential hub in the region.<sup>50</sup> During its first decade, revolutionary Iran found itself isolated on the regional scene following the creation of the GCC, prompting it to build an alliance with Syria, which has since been its only regional state ally. The political drive to promote closer ties with its Arab neighbors was addressed by one of Iran’s leading think tanks, the centrist CSR (Center for Strategic Research), which was headed by Hassan Rohani until 2013. Its aim was to develop various transnational exchanges between neighboring states in order to build a new security order in the Middle East, far from America’s hegemonic presence.<sup>51</sup>

Since September 2022, Tehran has faced a wave of popular protests, initially sparked by the “women’s uprising”, followed by more general popular upheavals in the peripheral Kurdish and Baluchi regions. The latter are mostly Sunni, a faction that Riyadh is accused

49. Yasmine Farouk, “[Riyadh’s Motivations Behind the Saudi-Iran Deal](#)”, *Carnegie Commentary*, March 30, 2023.

50. Author not documented, “[About Mohammad Javad Larijani](#)”, IRNA, January 1, 2020.

51. Mahmud Va’ezi, “Iran’s security approach to its immediate environment”, *Diplomatic Hamshahri*, 23, 2008.

of supporting. Tehran expects the kingdom not to interfere in its internal affairs, while an Iranian opposition media based in London appears to have received Saudi financial support.<sup>52</sup> These different elements can be leveraged by Riyadh – at a time when the Islamic Republic’s legitimacy has never been weaker – and appear to have been decisive in convincing the Iranian regime, weakened both internally and externally, to negotiate with the Saudi kingdom.

The tripartite agreement also enables Iran to normalize its image on the international stage. Since 2019, the country has once again positioned itself as a transgressor of non-proliferation principles. As a reminder, indirect negotiations between Iran and the United States – aimed at restoring the Joint Comprehensive Plan of Action on the Iranian nuclear issue, from which the United States exited on May 8, 2018 – were suspended in the summer of 2022. Since then, relations between Iran and the IAEA have become particularly tense. Faced with seemingly endless sanctions, Iran gradually backed out of its commitments from the Joint Comprehensive Plan of Action (JCPOA).<sup>53</sup>

The IAEA can no longer guarantee the peaceful nature of Iran’s nuclear program. On February 19, 2023, the Bloomberg news agency reported that, during their surprise visit to the Fordow enrichment site on January 23, 2023, IAEA inspectors found 84% enriched uranium and accused Iran of enriching its uranium to a quasi-military level (i.e. 90%).<sup>54</sup> The Iranian Atomic Energy Organization contested this information. Yet, tensions in the region have effectively been exacerbated, particularly between Iran and Israel, whose conflict is taking on an increasingly direct form. In addition to cyber-attacks on Iranian nuclear sites and clashes via proxies, including Syria and Lebanon, there has been an raise in targeted assassinations of scientists and Sepah members by Israel since 2020, as well as drone attacks on military and nuclear sites on Iranian territory. The Iranians have also carried out assassination attempts on Israeli nationals abroad, while increasing the number of tankers being attacked and boarded in the Persian Gulf.

Amid this acute crisis, Iran’s right wing is showing growing support for the resumption of negotiations with the United States. However, this objective is opposed by the far-right Front for Stability (which enjoys the majority in parliament, the 11<sup>th</sup> Majles). Although President Raisi resumed the seventh round of negotiations for restoring the JCPOA on November 29, 2021, President Raisi had opposed the conclusion of the deal under Rohani administration, along with Ali Baqeri Kani, his current political advisor at the Ministry of Foreign Affairs, who is also Chief Negotiator on Iran’s nuclear issue. The latter and Ali Shamkhani, who are both in favor of negotiations with the United States, reaffirmed their desire to return to a JCPOA-type agreement.<sup>55</sup> Such negotiations would involve the United States, either directly or indirectly, and would therefore require the approval of US Congress, which is currently reluctant to negotiate with Iran. In the meantime, the Chinese-mediated

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52. Clara Hage, [“Iran International, bras médiatique de l’Arabie saoudite qui couvre les manifestations en Iran”](#) [Iran International: Saudi Arabia’s media branch covering the protests in Iran], *L’Orient-Le Jour*, October 31, 2022.

53. AIEA, Director General, [“Verification and monitoring in the Islamic Republic of Iran in light of United Nations Security Council resolution 2231 \(2015\)”](#), [Report, 11 November 2022], p. 11.

54. Author not documented, [“Iran’s Uranium Enrichment Hits a New High, Testing Diplomacy”](#), Bloomberg, February 19, 2023.

55. Author not documented, [“Iran’s nuclear negotiator”](#), *BBC News*, February 4, 2023.

normalization agreement could give rise to the right conditions for regional de-escalation, the latter being necessary for the potential resumption of multilateral or bilateral negotiations.

## CONCLUSION

### TOWARDS A NEW ECONOMIC, FINANCIAL AND POLITICAL PERSPECTIVE

These peacemaking efforts give Beijing greater credibility when it comes to proposing itself as a mediator in other conflicts. China had already been involved in other disputes, including in Afghanistan and Myanmar, but had not achieved this level of success. In a document published on February 24, 2023, the Chinese Foreign Ministry presented its proposal for a “political resolution of the Ukrainian crisis”, which was received with a great deal of cool by Russia, yet, was met with great mistrust on behalf of Ukraine. Nevertheless, Beijing continues its mediation efforts, as illustrated by Xi Jinping’s talks with Ukrainian President Volodymyr Zelensky, held on April 26. What’s more, China has appointed a Special Envoy for Eurasian affairs, Li Hui, to conduct talks between the war’s various protagonists. The tripartite agreement may also prove to be an additional argument to grant Beijing’s wish to enter the Moscow-led Astana process, aimed at finding a solution to the conflict in Syria. Beijing could once again benefit from its presence in a conflict mediation process.

The political confidence that Beijing has gained is already having a positive impact on the economic and financial ties it wishes to develop with various actors in the region. For example, China plans to hold a summit with the GCC states in Beijing at the end of 2023 in order to make progress on the free-trade agreement negotiations begun in 2004, which could well be concluded in 2024.<sup>56</sup> This would also enable China to pursue its efforts to further internationalize its currency, the Chinese Yuan, or Renminbi (RMB).

It seems that regional players are placing increasing trust in the Yuan as a trading currency. At the Davos Forum in January 2023, Mohammed Al-Jadaan explained that Saudi Arabia was open to the use of currencies other than the US dollar to improve trade. This echoed his earlier comments on the possibility of accepting the Yuan from China for oil purchases. In February, Iraq announced that it would use the Chinese currency for trade. Finally, at the end of March, the UAE signed its first agreement to sell oil and liquefied gas to China in Yuan.<sup>57</sup> In February 2023, the Iranian Minister of Economic Affairs and Finance, Ehsan Khandouzi, declared that, since the start of the current year on the Iranian calendar, a portion of Sino-Iranian trade had already been settled in Yuan (March 21, 2022). He added that the Central Bank of Iran (CBI) was holding discussions with Chinese authorities to increase the currency’s use in trade between the two countries. This would mean greater financial leeway for Tehran in the face of Western economic sanctions, which effectively

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56. Aarti Nagraj and Sarmad Khan, “[Why a China-GCC free trade agreement might be a game changer](#)”, *N Business*, February 3, 2023.

57. Salim A. Essaid, “[China settles first LNG trade in Yuan with UAE deal](#)”, *Al-Monitor*, March 30, 2023.

limit its supply of US\$.<sup>58</sup> This constitutes a major demonstration of confidence towards China: economist Michel Aglietta wrote that “to have confidence in a currency is to have confidence in the institution that legitimizes it, in its sovereign and in its social order.”<sup>59</sup>

The economic prospects for Riyadh are also significant. The rise in oil prices since the war in Ukraine has considerably strengthened the economies and foreign currency reserves of the wealthy Gulf monarchies. This situation, which led the Saudi kingdom to become the fastest-growing G20 country with over 8% growth in 2022, gives it the confidence and leeway to act more autonomously in the region and thereby allows it to defend its own interests.

The China-GCC free-trade agreement is set to bring financial giants with similar state economies and free-trade zones together. When summed up, the latter and their Sovereign Wealth Funds total 4.5 trillion US\$ (3 for the GCC and 1.5 for China).<sup>60</sup> The investment projects for China’s Belt and Road Initiative and the Gulf States’ vast “Visions” projects – as well as economic cooperation with Iran – all underline the potential of this tripartite agreement, despite Washington’s skepticism. Saudi Arabia seems to have already seized the opportunity, brought about by its internal and regional economic strengthening, to redirect the course of its diplomacy. The process of reintegrating Bashar al-Assad’s Syria into the League of Arab State – after 12 years of exclusion – during the Jeddah summit on May 19, 2023, as well as Riyadh’s mediation in Sudan alongside Washington, bear witness to this new dynamic. Riyadh intends to become a regional player that implements constructive actions in order to shine as a powerful hub in Western Asia. This explains Riyadh’s decision to join the Shanghai Cooperation Organization (SCO) with Beijing and Moscow as a “dialogue partner” on March 29, as well as its interest in joining the BRICS (Brazil, Russia, India, China and South Africa) alongside Egypt, Indonesia, the UAE, Senegal and Algeria, a wish that the kingdom expressed in May 2022.

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58. National archives, “[Iran Increasing Use Of China’s RMB Yuan In International Trade](#)”, *Silk Road Briefing*, February 22, 2023.

59. Michel Aglietta, “[La confiance dans la monnaie est l’alpha et l’oméga de la société](#)” [Confidence in currency is the alpha and the omega of society], *Deloitte-le blog Business*, February 17, 2016.

60. Sun Degang *et al.*, “[China-GCC FTA Negotiations and Prospects for Broader Economic Collaboration](#)”, The Arab Gulf States Institute, April 5, 2023.

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