

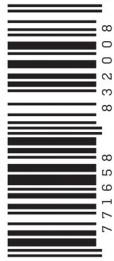
MONTHLY REPORT

# Iran Case File

February - March 2023

*Your window on Iran from inside and abroad*

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February - March 2023

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## EXECUTIVE SUMMARY

Iran experienced accelerating developments at the political, economic, military, ideological and social levels in February and March 2023. As regards to Iran's relations with the Arab world and the international community, there were a lot of events and intermingling interactions which are expected to overshadow the overall internal and external issues in Iran in the coming period.

Internally, at the political level, thousands of students in various Iranian cities were the victims of systematic and mysterious poisonings as a result of inhaling toxic gas. Amid these unresolved cases, several narratives about the perpetrators involved in the poisonings emerged. Some accused the regime and its security apparatuses of being behind the poisonings. The regime, meanwhile, accused opponents of being the perpetrators of the school poisonings with the aim of stirring up turmoil at home to ensure the continuation of anti-regime protests. A third narrative emerged, accusing radical religious elements of being involved in the poisonings.

In an important and remarkable development, Saudi Arabia and Iran reached a China-brokered agreement on resuming diplomatic ties. The agreement drew strong and positive reactions from various Iranian officials.

Economically, the exchange rate in Iran saw sharp fluctuations. The Iranian currency witnessed a steep devaluation in February 2023, exceeding 60,000

tomans per dollar. However, the Iranian currency's value rose in March following the Saudi-Iran rapprochement agreement. This situation prompted an analysis and discussion of the multiple reasons behind the exchange rate fluctuations as well as the potential positive impact of the Saudi-Iran détente on bilateral trade as well as on the Iranian economy in general.

Military collaboration between Iran and Russia is intensifying by the day with Tehran supplying Moscow with drones, ammunition and missiles (which will be used in Ukraine). In exchange, Russia handed over the fourth-generation S400- air defense system to Iran. This is merely a prelude to the signing of a long-term strategic cooperation agreement by the two parties after agreeing on its legal provisions. If this occurs, it will take the -20year cooperation agreement signed by President Mohammad Khatami in 2001 to a new level. Meanwhile, Iran is engaged in a direct conflict with US forces in northeastern Syria after Iran-backed proxy actors targeted positions where US forces are deployed near Hasaka. In response, US forces conducted airstrikes in eastern Syria against sites used by groups connected to the IRGC.

In the Ideological File, the hawza community in Iran welcomed the Saudi-Iran agreement, considering it a heavy blow to the United States and Israel. The Sunnis, meanwhile, criticized the Iranian authorities which have adopted a carrot-and-stick approach when

dealing with them. They also blasted the hawza for its silence over the events that have rocked Iran over the past months. In regard to the Social File, Iranians endured tough conditions in the second half of the Shamsi year due to the continued economic deterioration and the suppression of protests that followed the killing of Mahsa Amini. Despite the tough living conditions, this did not prevent the Iranian people from coming out and celebrating the new year, looking forward to a better tomorrow, particularly after their government reached a deal with Saudi Arabia that ended seven years of diplomatic freeze. Nowruz marked an occasion for the Iranian people to engage with the government. Several Iranians showed defiance to the restrictions placed by the regime and organized celebrations where males and females mixed, danced and did not observe the hijab code. This drew the ire of the “hardliners,” who called on the competent Iranian entities to enforce the law. In response, they shut down shops and tourist bazaars.

The months of February and March were awash with events in the context of Iran's foreign relations with the Arab sphere and the international community. At the Arab level, particularly in the context of Iran-Gulf interactions, Chinese mediation between Saudi Arabia and Iran led to the signing of a bilateral agreement to restore diplomatic ties that had been severed since 2016. The Gulf states welcomed the agreement in the hope of contributing to ushering in a new era marked by cooperation, security, stability and respect for national sovereignty. As a result of this agreement, the Gulf states started monitoring the extent of Iran's seriousness and sincerity in terms

of complying with the conditions of the agreement to ensure a shift in its relationship with regional countries. Within the context of Gulf efforts to bring closer the viewpoints of Iran and the major world powers on the resumption of the nuclear talks, Oman renewed its readiness to act as mediator to resume the talks. Some media outlets spoke of an imminent visit by Omani Sultan Haitham bin Tariq to Tehran.

The Iraqi arena is one of the most important spheres that will feel the positive impact of the Saudi-Iran agreement. It is possible that Iran will change its behavior, shifting from focusing on ideological (foreign policy) dimensions to pragmatic ones. This will benefit Iraq, turning it from merely an arena for settling accounts into a safer and more stable arena. In addition, other benefits include the diminishing of sectarian and political disputes, curbing the authority of armed militias over state decision-making and boosting the chances of rebuilding a strong Iraqi state. The aforementioned explains why the Iraqi government enthusiastically welcomed the agreement. With regard to the militias which now have extensive interests and clout in Iraq, they remained silent since the agreement does not serve their interests. It appears also that Iran seeks to redirect its focus in Iraq toward more pragmatic dimensions, using new tools that will become clear in the coming days. To improve relations with the Gulf states, Iran will rely more on its patriotic neutral figures.

In Syria, the earthquake that struck the country as well as the Saudi-Iran agreement were two important developments at the political and diplomatic levels. It seems that these

two developments heralded some sort of openness and rapport between Syria and the Arab countries, particularly following the visits by a number of Arab Parliament speakers to Damascus as well as Syrian President Bashar al-Assad's visit to the UAE. However, such moves and attempts to open Syria up to the Arab world face several hurdles that might impede their progress.

The Saudi-Iran rapprochement agreement positively impacted the rhetoric of Iran's media outlets and the remarks of Iranian officials in the context of the Yemeni crisis. The regime changed its tone, speaking of the necessity of reaching a political solution in Yemen and forming an inclusive national government, a departure from its previous stance in which it adopted the line of the separatist Houthi militia. This could be an indication of a possible shift in foreign policy, with Iran opting for a political settlement in Yemen. As for the Houthi position, it was unclear and confused. Some Houthi parties welcomed the agreement while others criticized it, downplaying its impact on the Yemeni crisis.

On the global stage, US-Iran relations were marked by continued tensions. This was caused by three variables. The first was the International Atomic Energy Agency's (IAEA) suspicions about the existence of traces of enriched uranium up to 84 percent, a rate close to weapons-grade level. The second variable was the heightening tensions between Iran and the United States in Syria after drones struck a US base in northern Syria, which prompted a US attack on the positions of Iran-linked militias. The last variable was the China-brokered Saudi-Iran deal, which Washington feared would change the

structure of the anti-Iran regional alliance.

With regard to Iran-Europe interactions, relations between the two sides in February and March hit the lowest point as a result of Iran violating the permitted limit of enriched uranium. This is in addition to failing to make any progress on the nuclear talks, which prompted the European countries to dissolve the INSTEX mechanism which was designed to bolster trade with Iran.

The visit of the IAEA director general to Iran produced no tangible results in terms of the UN watchdog's monitoring and inspection missions. Yet, it allowed Tehran to purchase extra time to clean up some sites after months of failing to meet its obligations to the IAEA. The agreed-upon technical meeting did not take place. In terms of the upcoming IAEA Board of Governors meeting, the European troika — France, the UK and Germany plus the United States — are likely to seek a resolution condemning Iran for its persistent violations of the Treaty on the Non-Proliferation of Nuclear Weapons.



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# INTERNAL AFFAIRS



**F**or February and March, Iran's internal affairs center on five main files. The Political File sheds light on the systematic poisoning of schoolgirls across Iran, the narratives regarding the parties involved and the conflicting official positions about arresting the perpetrators. The file also sheds light on Iranian reactions to the Saudi-Iran agreement on restoring ties between the two countries. The Economic File highlights the unprecedented fluctuations in the value of the Iranian currency, the reasons behind the currency's continued decline, particularly the internal and external factors as well as the value of the dollar exchange rate against the toman over the past 44 years — since 1979. The file also casts light on the economic repercussions on the exchange rate and the impact of the Saudi-Iran rapprochement agreement on it. The Military File spotlights the policy of mutual escalation between Iran and the United States in Syria, the placing of Iranian entities on the US blacklist and finally the military cooperation between Iran and Russia. The Ideological File discusses the hawza's neutrality, the intimidation of Sunni scholars and the clergy's position toward the Saudi-Iran agreement. The Social File casts light on Iranian society's position toward the Saudi-Iran agreement, the Nowruz celebrations and the dispute over the public sphere in Iran.

## The Political File

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The Iranian arena has witnessed important developments over the past two months. More than 7,000 schoolgirls have suffered systematic poisonings in various Iranian cities as a result of inhaling poisonous gas. The Iranian authorities have not revealed the source of these poisonings. The crisis started more than four months ago, with the first poisoning case reported at a school in the shrine city of Qom. The poisoning incidents increased to include 300 Iranian schools. The phenomenon even includes a number of Iranian universities. In March, the China-brokered Saudi-Iran rapprochement agreement marked the start of a new chapter, ending a seven-year diplomatic crisis between the two countries. News of this agreement resounded across Iran, particularly among the “hardliners” who had played a major role in the tensions between the two sides and adopted hostile positions to Saudi Arabia until just before the agreement was signed.

### **Ambiguity Surrounds the Schoolgirls’ Poisonings in Iran**

More than 7,000 schoolgirls have been systematically poisoned across various Iranian cities as a result of toxic gas exposure with the source of these poisonings unknown. The crisis broke out more than four months ago, with the first poisoning case reported at a school in Qom. Poisoning incidents increased to include 300 schools in 29 Iranian provinces. A number of Iranian universities have also been affected.

### **Narratives About Who Is to Blame:**

In light of the uncertainty surrounding the poisonings of Iranian schoolgirls

and the ongoing debate on the issue, numerous narratives have evolved regarding the purpose of the phenomenon’s spread and the perpetrators.

The first narrative accuses pro-regime security and intelligence services of being involved in the poisonings to retaliate against schoolgirls, intimidate them and discourage them from participating in future protests. This comes after the major role played by Iranian women in general and schoolgirls in particular in the protests that broke out in September 2022 after the death of Kurdish woman Mahsa Amini. Iranian regime’s officials, meanwhile, have floated conspiracy theories. Some of them, such as President Ebrahim Raisi, have blamed Iran’s foes. He described the poisonings as a conspiracy to foment chaos in the country — with the enemies seeking to instill fear and insecurity among schoolchildren’s parents.<sup>(1)</sup> Other officials have accused dissenter groups of carrying out the poisonings in schools to incite a new wave of anti-regime protests. Aside from the aforementioned narratives, a third accused a radical religious group opposed to girls’ education — following in the footsteps of the Taliban in Afghanistan — of involvement in the widespread poisonings of schoolgirls in several Iranian cities, given that the poisonings began in the shrine city of Qom. In this regard, hawza schoolteacher Fazel Maybodi stated, “A religious group called Hazara Kara is behind the poisonings. This group believes that girls should not be educated beyond the third grade.”<sup>(2)</sup>

If the poisonings were confined to the shrine city of Qom, this story could

be worth believing. Yet, the spread of the poisonings to 29 provinces raises doubts about the veracity of such a narrative, particularly given the strong security deployment to apprehend the offenders and clear the regime of the accusations leveled against it in this regard. This is in addition to the vast number of schoolchildren, schools and provinces targeted — a task that necessitates a large number of perpetrators as well as a massive organizational capability to continue targeting schoolchildren while concealing their identities.

### ***The Conflicting Official Position on Arresting the Perpetrators***

Iranian Supreme Leader's Ali Khamenei's silence on the issue continued for three months. He only spoke of the crisis when criticisms, accusations and popular outrage against the regime increased. He described the poisoning of the schoolgirls within the span of few months as an unforgivable crime, demanding the harshest penalties to be inflicted on the perpetrators.<sup>(3)</sup> A few days after Khamenei's remarks, the Iranian authorities announced the detainment of more than 100 people as part of the investigations into the poisonings that targeted thousands of schoolboys and schoolgirls. The authorities added that among the detained are people who carried out the poisonings to spread terror and fear among students and citizens as well as to shut down schools. The Iranian authorities also did not rule out the possibility of the perpetrators being linked to some organizations hostile to the Iranian regime. However, a member of the fact-finding committee stated that the true culprits of the poisonings have yet to be arrested, and that 60 percent of pupils have

stopped attending school due to fear of being poisoned.<sup>(4)</sup> This means that the talk about detaining hundreds of people serves solely to placate the public and prevent the protests from spreading further. Yet, the regime may be attempting to conceal the true culprits of the poisonings if they are from within it.

### **Iranian Reactions to the Saudi-Iran Rapprochement Agreement**

Various Iranian state institutions welcomed the agreement between Tehran and Riyadh on restoring diplomatic ties between the two countries. The regime also considers the agreement with Saudi Arabia a very important victory and breakthrough.

The Raisi government, which is facing multiple challenges at home, welcomed the agreement, hailing it as another step within the framework of the balanced foreign policy approach that the country is pursuing, particularly with regard to improving ties with neighbors, which was one of Raisi's flagship pledges after he won the presidential election in 2021. Given that the Raisi government has adopted an East-leaning foreign policy agenda, steering much of it toward alignment with China and Russia in particular, the Chinese mediation was an opportunity for Iran to promote the importance of its new-found orientations and reiterate that its policy has borne fruit.

The Iranian "hardliners" have entangled their dispute with the US into the agreement with Saudi Arabia. They have promoted the notion that the biggest loser as a result of Iran and Saudi Arabia restoring ties is the United States. Further, they argue that the step has even rendered the current Israeli scheme to isolate Iran unsuccessful. As

a result, the United States will emerge as the number one enemy of the region's countries rather than Israel. The "hardliners" have fueled the belief that the Chinese mediation is a sign of a shift in the world order, and that the era of a prominent US involvement in the Gulf region is waning.

As a result of the harsh economic circumstances through which Iran has been going since the US withdrew from the nuclear deal in 2018 and reimposed sanctions on the country, the Iranians view the agreement as a leverage and good opportunity for economic cooperation and trade exchange with Saudi Arabia and the rest of the region's countries. This could lead Iran to overcome some economic crises and hardships.

Days after signing the agreement with Saudi Arabia, Iran worked to capitalize on the positive environment produced by the agreement, attempting to reach understandings with the remaining countries in the region. This was apparent when the Iranian Supreme National Security Council Secretary Ali Shamkhani visited the UAE and Iraq. Iran also entered into talks with Bahrain on resuming diplomatic relations with the country.

The "reformists" and "moderates" who had been seeking during former President Hassan Rouhani's tenure to end the diplomatic breakup with Saudi Arabia have also welcomed the agreement. However, they have blasted the "hardliners" for prolonging the crisis between the two countries. Media outlets close to Rouhani aired a previous speech in which he said, "May God not forgive those who didn't allow the relations between Iran and some neigh-

bors to proceed positively. Those fools have done childish and stupid things and attacked diplomatic headquarters. If they hadn't committed such reckless acts, we would have been in a better position today."<sup>(5)</sup> Rouhani was referring to the obstacles put in place by the "hardliners" to prevent an agreement with Saudi Arabia from being reached during his term. The "reformists'" positions were not limited to condemning the "hardliners'" for thwarting previous efforts to reconcile with Saudi Arabia. They urged that negotiations with the United States must continue and that the nuclear crisis must be resolved.<sup>(6)</sup>

Overall, whether the Iranian regime or another entity is to blame for the poisonings that have engulfed the country, these poisonings have done tremendous damage to the regime's image. They also exposed the weakness of the Iranian security services, especially when we consider the enormous security breaches Iran has suffered in recent years in which a number of major sites as well as personalities linked primarily with Iran's military and nuclear activities were targeted.

The Iran-Saudi rapprochement agreement has had a positive impact on the entire region, reaching the point of potentially resolving the many differences on security and political issues between Riyadh and Tehran. However, enforcing the agreement requires more active steps, particularly with regard to the confidence-building measures and taking practical measures that would lead to a major and swift breakthrough between the two nations. These are crucial if Iran aspires to make political and economic gains from the agreement.

## The Economic File

Throughout February and March 2023, Iran was influenced by internal and external factors, resulting in severe fluctuations in the exchange rate in February, followed by a relative stabilization after the signing of the Saudi-Iran rapprochement agreement in March. The file will discuss the developments related to the exchange rate in Iran, the reasons behind recent fluctuations, a historical timeline of the exchange rate since 1979 and the consequences of the decline in the toman's value. The file will also touch on the impacts of the Saudi-Iran agreement on the exchange rate and the Iranian economy in general.

### Unprecedented Fluctuations in Currency Value

In late February 2023, exchange rates of foreign currencies, primarily the US dollar, against the Iranian toman climbed 34 percent compared to January. In late February, the US dollar surpassed the 60,000 toman mark, up from 44,000 toman the previous month (see Figure 1). On March 12, 2023, two days after the Saudi-Iran deal was signed, the toman exchange rate fell to 44,000 toman per dollar. The agreement had a good impact, resulting in the stabilization and cessation of exchange rate fluctuations. This stabilization, however, was short-lived, as the dollar surged again against the toman, exceeding 50,000 toman per dollar in late March, as shown in Figure 1. Other reasons and deeper factors play a role in the currency rate fluctuation as well as the general lack of Iranian macroeconomic stability — all of which will be explained later.

**Figure 1:** US Dollar Exchange Rate Against the Iranian Toman (March 2022-March 2023)



It is ironic that the Iranian government devised a new mechanism before the huge surge in exchange rates in February, with the goal of virtually containing increases in the exchange rates of foreign currencies. The Currency Exchange Center came into operation on February 21, 2023. Its goal is to reduce the use of parallel markets to exchange foreign currencies and to limit exchange rate increases. The government presents the currencies earned from exports in the Currency Exchange Center for importers, traders or those desiring to buy foreign currencies and the prices of these currencies are not fixed but variable. During the center's first week of operation, it set the dollar exchange rate at 41,000 toman. Its exchange rate was lower than the free market rate on the assumption that the free market rate would fall to the level of the set rate. However, the exact opposite happened. On the free market, the toman exchange rate rose to 60,000 toman per dollar. In response, the center raised the toman exchange rate against the dollar to 43,000 to-

mans per dollar.<sup>(8)</sup> Thus, the exchange rates set by the new center are struggling to catch up with the exchange rates on the free market — a purpose contrary to what the government had initially planned.

Thus, Iran has three exchange rates:

ties and medicine, the exchange rate set by the Currency Exchange Center set at 43,000 tomans per dollar and the exchange rate on the free market exceeding 50,000 tomans per dollar (changing) until March 25 as illustrated in Table 1:

**Table 1:** Varying Exchange Rates of the US Dollar in Iran in 2023

The official exchange rate	The Currency Exchange Center	The free market exchange rate
28,500	43,000	50,700 (March 25, changing)

the official exchange rate standing at 28,500 tomans per dollar used for importing some strategic commodi-

There are several reasons behind the recent and ongoing devaluations in Iran’s local currency ranging from internal and external factors as well as historical ones, the primary ones are as follows:

- The surge in demand for foreign currency as well as economic stability and people opting for stockpiling hard currency and gold to protect the value of their money from chronic inflation that has been continuing over the past two years.
- The recent trade balance deficit due to Iran’s increasing trade deficit as well as smuggling money outside Iran and purchasing real estate overseas.
- The Currency Exchange Center’s setting of the new exchange rate below the market’s. A report released by the Iranian Parliament’s Research Center blamed the Raisi government<sup>(9)</sup> as well as the increased demand for the dollar and its smuggling abroad.
- The impact of the recent US pressure on Iraq which led to a decline in the inflow of dollar remittances to Iran from

**Reasons Behind the Continual Decline in the Iranian Currency: Internal and External Factors**

- Iraqi banks.
- The rise in the exchange rate of the UAE dirham with which Iran has a big trade balance.
- Accusations leveled at the Iranian government of deliberately contributing to the foreign currency exchange rates to bolster its oil exports revenues to cover its budget deficit. The government denies these accusations.
- Over the course of history, we notice that the post-revolution generations question the country’s political and economic situation and they prefer to purchase assets such as hard currencies, gold and real estate. This is due to the back-to-back internal and external political and economic crises that Iran has experienced such as the Iraq-Iran War in the 1980s, the students’ protest movement in the late 1990s, the Green

Movement protests in 2009, the European-UN sanctions in 2012, the US withdrawal from the nuclear deal in 2018 and, finally, the protests against the killing of Mahsa Amini in 2022. All these factors have led to a decline in the Iranian currency's value and a surge in the value of foreign currencies over the past 44 years. This will be further explained in the file's second part.

### **The Evolution of the Dollar's Exchange Rate Against the Iranian Toman Over the Past 44 Years Since the Revolution**

In 1979, the official dollar exchange rate was equivalent to 7 toman only. The government attempted to maintain this exchange rate threshold for years, but it increased on the free market to 142 toman per dollar — particularly during the years of the Iraq-Iran War. The dollar exchange rate had been 7 toman until 1992. Afterwards, the dollar's value continued to rise, and the gap continued to widen between the official and free market exchange rate — but not as staggering as the current levels.

The official toman exchange rate rose to 175 toman per dollar during the second term of Hashemi Rafsanjani (1993-1997) as he pursued a policy of openness to the outside world. The Iranian currency's exchange rate on the free market stood at 478 toman per dollar. President Mohammad Khatami succeeded Rafsanjani, during whose tenure there was no change in the exchange rate until the late 1990s. The exchange rate crept up to 800 toman per dollar in the early 2000s while the toman exchange rate on the free market against the dollar reached 1,378 toman.

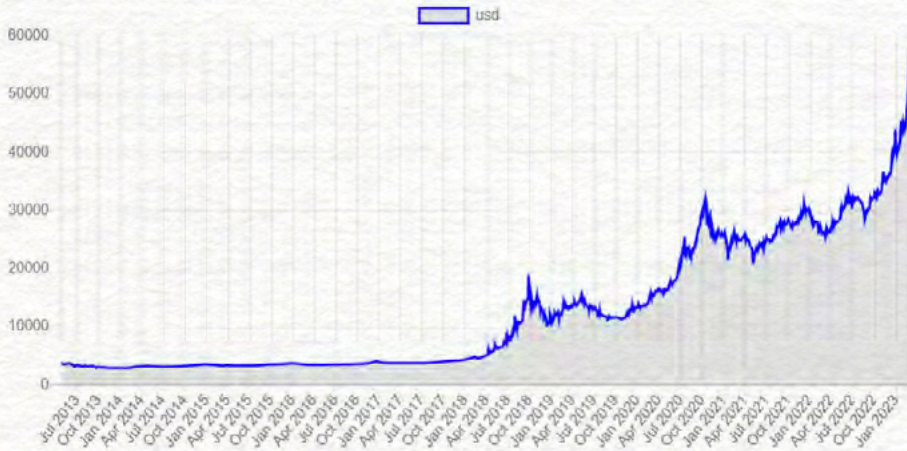
When Ahmadinejad took power (2005-2013), the official dollar exchange rate stood at 900 toman. The dollar's value even increased to 2,000 toman whereas the exchange rate on the free market stood at 4,000 toman. This means that the local currency suffered a significant decline under Ahmadinejad when Western sanctions were imposed on Iran in 2012 as well as the imposition of an embargo on Iranian trade with the UAE. As a result, the dollar exchange rate under Ahmadinejad doubled, with the gap between the official and free market exchange rate further expanding.<sup>(10)</sup>

Former Iranian President Hassan Rouhani (2013-2021) increased the official exchange rate twice. The dollar first rose to 3,300 toman and subsequently to 4,200 toman. For several years, the dollar exchange rate remained at the 4,200-toman level. The gap between the official and free market exchange rate was insignificant; the gap was nearly 300 toman as one dollar in the free market posted 4,500 toman. Thus, the exchange rate was stable and controllable from 2013 to 2017 until the US pullout from the nuclear deal in 2018. Thereafter, the dollar exchange rate on the free market saw several significant increases which continue to this day (see Figure 2).

When Ebrahim Raisi took power in August 2021, the official exchange rate stood at 4,200 toman per dollar. Given the expanding economic crisis and the increase in the budget deficit, it has recently been increased to 28,500 in the 2023/2024 budget —increasing six-fold within two years only. The free market exchange rate under Rouhani did not exceed 25,000 toman per dollar — increasing more than twice in less than two years (see Figure 1).



**Figure 2:** The Dollar Exchange Rate Against the Toman on the Free Market (2013-2023)



Source: Bonbast. <sup>(11)</sup>

### The Economic Implications of Exchange Rate Fluctuations and the Impact of the Saudi-Iran Agreement

No doubt, the currency exchange rate fluctuations will negatively impact inflation as well as the purchasing power of Iranians in the coming months. It is likely that inflation rates will further worsen compared to the current rates (53.4 percent in February). Food prices swiftly respond to foreign exchange fluctuations in Iran.

More inflation will lead to a further erosion of the toman's value. Fixed-salary employees and wage earners will be hit hard. Although they receive salary increases but they are far below the inflation rate. Iranians are well aware of this and therefore savers are turning to gold and the US dollar. If one looks back into history, it becomes clear that the erosion of the currency's value as well as consumer's purchasing power are issues which the Iranian people are well aware of. Since the start of the

1970s until 2012, foreign currencies increased 3,500 times while the minimum wage increased 1,400 times from the 1980s until 2021.

The decline in the currency's value and the surge in foreign exchange rates could temporarily help in easing the budget deficit. But this approach is not the best way to address the deficit. It is just a stopgap solution since inflation will cause the deficit to reemerge in the government's future expenditures.

The Saudi-Iran agreement signed in March proved the immediate impact of the stability of Iran's foreign relations on the country's economic indicators such as on the exchange rate. There is a possibility of increasing bilateral trade and economic cooperation in the future. This comes despite the limited trade between the two countries and the existence of other factors that influence the economic performance in Iran at present. However, any breakthrough in the contentious issues between Iran and the outside world will have an immediate positive impact on the economic situation at home. Thus,

فروش		خرید		نوع ارز	
45300	45100			دلار آمریکا	دلار
48700	48400			یورو	یورو
58500	57000			پوند	پوند
36000	35100			دلار کانادا	دلار کانادا
33400	32600			دلار استرالیا	دلار استرالیا
5000	4550			کرون فنلاند	کرون فنلاند
4850	4500			کرون سوئد	کرون سوئد
2800	2550			لیر ترکیه	لیر ترکیه
29400	29000			سکه امام	سکه امام
15500	15100			سکه نیم	سکه نیم
1040	1000			سکه ربع	سکه ربع

it is expected that Iran's continued openness to the outside world will have a direct positive impact on the Iranian economy, perhaps the most important of which is reviving the nuclear talks or easing or even entirely lifting the sanctions. In case this happens, there could be a massive economic boom that will include a significant increase in economic growth after the lifting of the embargo on the oil sector and the return of foreign investments as well as the unfreezing of assets worth billions of dollars and the balance of payments showing a surplus. The results of such a boom will swiftly appear on the home front in the form of a swift reduction of inflation, unemployment, budget deficit, poverty and immigration rates as well as a diminishing of the social problems stemming from economic crises that the country is

currently facing.

To conclude, the sharp decline in the toman's value against the US dollar was the highest in its history in February, with the dollar posting 60,000 tomans. This is part of a series of devaluations ongoing since 1979. These local currency setbacks continue as a result of the consecutive economic crises and the tensions created by Iran's foreign policy with the outside world as well as with its neighbors. As a result, the Saudi-Iran agreement in March had a positive impact in terms of stabilizing the exchange rate inside Iran this month. In case this rapprochement continues, it will have positive impacts on trade relations between the two countries as well as on the Iranian economy in general. This rapprochement could also help ease tensions between Iran and the outside world.

## The Military File

Northeastern Syria has recently witnessed renewed military escalation between the United States and Iran. Iran launched a drone attack targeting US sites in Syria, killing one contractor and injuring a number of US military personnel. In response, the United States targeted sites operated by the IRGC. Before this escalation, the United States imposed new sanctions on Iranian individuals and entities for their involvement in purchasing engines to be used for Iran's UAV and weapons programs. However, Iran meanwhile attempts to exploit its strong cooperation with Russia in the latter's war on Ukraine to deepen its defense partnership and to conclude deals for military equipment worth billions of dollars.

### **Iran and the United States Engage in Calculated Tit-for-tat in Syria**

On March 23, a US contractor was killed and six others, including five military personnel, were injured after an Iranian unmanned aerial vehicle (UAV) crashed into a maintenance facility of a coalition base near Hasakah in northeastern Syria.

"At the direction of President Biden, I authorized US Central Command forces to conduct precision airstrikes tonight in eastern Syria against facilities used by groups affiliated with Iran's Islamic Revolutionary Guards Corps (IRGC)," said Secretary of Defense Lloyd J. Austin III. "The airstrikes were conducted in response to today's attack as well as a series of recent attacks against Coalition forces in Syria by groups affiliated with the IRGC."<sup>(12)</sup>

Iran's Foreign Ministry again termed

the US troops' presence in Syria as "illegal" and a "violation of international law and the national sovereignty." It reiterated that the Iranian forces were invited by the Assad government.<sup>(13)</sup> In light of these developments, tensions in Syria's northeast are on an upward and probably unpredictable trajectory.

### **More Iranian Entities Blacklisted**

On March 21, Washington designated four entities and three individuals in Iran and Turkey for their involvement in the procurement of equipment, including European-origin engines for Iran's UAV and weapons programs. The US Department of the Treasury said that the banned network is linked to Iran's Ministry of Defense and Armed Forces Logistics.<sup>(14)</sup>

The ring was found to be involved in the procurement of items with UAV applications, including inertial measurement units and attitude and heading reference systems, besides attempts to procure tens of thousands of dollars' worth of European-origin turbine engines applicable for UAVs and Iranian surface-to-air missiles. As a result of this action, all property and interests of the individuals and entities that are in the United States or in the possession or control of US persons must be blocked and reported to the Office of Foreign Assets Control (OFAC).

Between 2012 and 2013, defendants Amanallah Paidar from Iran and Murat Bukey from Turkey conspired to procure and export US technology for Iran through their companies Farazan Industrial Engineering in Iran and Ozon Spor Ve Hobbi Urunleri in Turkey. They exported from the United

States and transshipped through Turkey a device that can test the efficacy and power of fuel cells and attempted to obtain a bio-detection system that has application in WMD research and use.

### **Iran-Russia Military Collaboration**

The United States sees more to the Russo-Iran cooperation than just the sale of Su-35s. "Russia has been offering a lot of unprecedented defense cooperation, including on missiles, electronics and air defense," National Security Council Spokesperson John Kirby said.<sup>(15)</sup> Without going into the details of the arms sales package that Iran and Russia have agreed to, the US official stated that Tehran is looking at weapons worth billions of dollars. Tehran has officially confirmed the purchase of Su-35s, with their deliv-

ery slated for the end of March.<sup>(16)</sup> In 2015, the two sides started exchanging information for a likely deal. In 2016, a possible deal for Su-30SMs had become public knowledge. US pressure worked and Russia was compelled to comply with UNSC Resolution 2231. Due to the Kremlin's unforeseen dependency on Tehran, it has agreed to sell Su-35s.

Since defensive weapons systems were exempted from UNSC Resolution 2231, Moscow delivered at least two batteries of the S-300PMU-2 Favorite long-range surface-to-air missile (SAM) to Tehran. In 2016, Iran was reportedly interested in acquiring Russian military hardware worth \$10 billion. "The package of contracts that have been discussed by now and Iran's demands are estimated at about \$10 billion. It is



not an amount to be provided over one year. It will take far more time,” the Chairman of the Russian Federation Council’s Defense and Security Committee Viktor Ozerov was quoted as saying.<sup>(17)</sup> After signing the Joint Comprehensive Plan of Action (JCPOA) in July 2015, Tehran had placed the order for deliveries coinciding with the lifting of the UN arms embargo in October 2020.

Uralvagonzavod, a Russian building-machine, had offered to license produce Russia’s third-generation T-90S main battle tanks in Iran.<sup>(18)</sup> The Soviet-era T-72 form the backbone of Iran’s armored muscle, with some improvisations and optimization using smuggled parts. However, largely the core capacity is not notably enhanced. The T-90s remains one of Russia’s most advanced main battle tank in service, which itself is based on the T-72 tank design. A year after the outbreak of the Russia-Ukraine war, Iran’s interest in Russian tanks and the latter’s capability to produce units for export have lessened.

Iran might be revisiting its old shopping list that includes Russian warships, used as well as new, to strengthen its naval fleet beyond the IRGC navy’s speedboats. Since Moscow’s naval asset and dockyard are not stressed by the conflict in the Black Sea, it may offer Tehran upgraded versions of the existing Grigorovich-class warship with a delivery date of 2026 or later. Iran’s navy will integrate its improvised as well as indigenously developed systems on the new combat ship to assert its presence in the Gulf, the Arabian Sea and beyond. Owing to the shortage of vital chips, advanced instruments, and the prolongation of the

Russia-Ukraine war, the prospect of boosting Tehran’s naval muscle could be spoiled. Despite repeated exchange visits, China seems far from convinced to transfer its weapons and technology to Iran.<sup>(19)</sup> President Raisi’s February visit did have a segment on cooperation for peace and security though it was largely aimed to resume diplomatic ties with its Arab Gulf neighbors.<sup>(20)</sup>

**In a nutshell**, amid international tensions, Iran has been working to break its isolation and support its military arsenal with more weapons. Tehran’s military support to Moscow in its war on Ukraine may lead Moscow to conclude further weapons deals in the future. This will exacerbate tensions in the region over Iran’s military ambitions in the upcoming period, given the fact that some observers are concerned that Iran may not halt its ambitions and interventions in the region though it expresses its willingness to improve relations with its neighbors. As for the US-Iran escalation in Syria, Iran has been for years demanding to expel US troops from the region. Thus, its latest attack on US sites in Syria might be a card to pressure the United States to take a decision by providing more ammunition to the Republicans, so they can move forward in their draft bill to withdraw US troops from the Middle East.

## The Ideological File

Clerics play a pivotal role in Iranian society; thus, the Iranian regime strives to mobilize them, knowing that their support is critical to enhancing its legitimacy. The regime is aware of the massive consequences of the clerics' opposition to the ruling elite in terms of undermining its legitimacy. Thus, the regime has always been keen to keep religion under its exclusive domination and control. In this file, this topic will be discussed in the context of two issues: the regime's intimidation of critical or oppositional clerics and its desire for a religious discourse that confers legitimacy on the Saudi-Iran rapprochement agreement.

### The Hawza's Neutrality and Intimidation of Sunni Scholars

Some have criticized the hawza in Qom following its silence on the government's response to the nationwide protests that broke out across Iran in general and in Sunni regions in particular. People there have been staging protests since the death of Mahsa Amini in September 2022. However, there are voices within the hawza that are critical of the regime's heavy crackdown as there is a fear that things could get out of control, thereby leading the seminary to lose its legitimacy among Shiites as well as its central role and position within the Iranian system of government. Ayatollah Mo aqqiq Dāmād has criticized lawmakers' efforts to introduce a law that stipulates a five to 10-year jail sentence for whoever criticizes the regime. He said, "I don't know if there's a similar law in North Korea." He then attempted to defend jurisprudence. He responded

to the allegation that jurisprudence has destroyed the state, arguing that jurisprudence is not applied in many areas. According to him, the government's nonobservance of what is lawful and unlawful in the economic field — for example, when the government has committed many open violations of Sharia on the issue of national wealth — has caused the country to suffer such economic deterioration.<sup>(21)</sup> A sociologist at Tehran University has made similar remarks, arguing that the political system is the reason behind hawzas' and universities' passiveness and inaction. According



to him, neither hawzas nor universities engage in deep intellectual issues since the regime believes that it needs to curb both institutions. Thus, the political system's structure in Iran has become an anathema to knowledge.<sup>(22)</sup>

On the other side, the Iranian regime still fears that Sunnis and Kurds in their provinces could stage protests. It has pursued two parallel courses of action: a carrot and stick approach. First, the regime has attempted to calm the situation and negotiate with Sunni clerics. Second, the regime has arrested several clerics supportive of the protests that broke out in Sunni regions and defamed dissenting Sunni leaders. Ayatollah Mahmoud Rajabi, the chairman of Imam Khomeini Education and Research Institute, lashed out at the Sunni cleric Molavi Abdulhamid, accusing him of intellectual distraction and straying from the correct version of Islam. He even attempted to pit the Sunnis against Abdulhamid, saying, "Abdulhamid's contradictions stem from following his own whims, intellectual confusion, or adoration of those who dictate orders to him. We call on Sunni scholars to intervene and prevent Abdulhamid from further defaming Sunnis and their scholars."<sup>(23)</sup>

In the same context, Sunni scholars continued to exert pressure on the regime and its security policy. Moulavi Abdulhamid criticized the regime's policy of coercing prisoners into confessions. He said, "A prisoner has dignity and putting pressure on him is unlawful. Coerced confessions constitute a breach of the prisoner's rights, and it is unlawful to beat and insult them."<sup>(24)</sup> Hassan Amini, the director of Religious Sciences School of Imam Bukhari in Sanandaj and leader of the

Kurdistan Jurisprudence Assembly, criticized the extensive arrests targeting Sunni scholars. He also criticized Shiite clerics for their silence on the repression of protesters over the past few months. "More than 20 clerics have been arrested in various Kurdish regions in recent weeks because of them standing by the people and supporting the protesters' demands. Others have been summoned for interrogation." He also criticized the government's refusal to meet the people's demands and its attempts to suppress the protests using all means possible. "The people, both Sunni and Shiite, have been speaking out about their demands on the streets over the past four months. But Shiite clerics have never supported them while Sunni scholars have supported the people's demands."<sup>(25)</sup> It is as if he is creating popular incubators and a base of support for the Sunni and Shiite protest movement in the face of the regime, while at the same time reproaching and blaming the Shiite hawza.

### **The Clerics' Position on the Saudi-Iran Rapprochement Agreement**

There appears to be a shift in Iranian religious discourse in favor of Saudi Arabia. It is a given that the "hardliners'" rhetoric toward Saudi Arabia has always been harsh. However, since the two sides signed the rapprochement deal, there have been significant adjustments to this rhetoric, with the agreement being promoted as seeking unity among Muslim nations and good neighborliness. This shift in rhetoric comes at a time when the "hardliners" are controlling all levers of power in Iran, including the legislative, executive and judicial branches of power. The Friday sermon embodies this shift since it is usually sent from the

regime to preachers across the country. Thus, it reflects the regime's policy and choices.<sup>(26)</sup> Friday prayer leaders in districts within the capital Tehran welcomed the Saudi-Iran agreement. In this respect, Hojatoleslam Hassan Luzumi welcomed the Saudi-Iran agreement, arguing that the United States and Israel were the biggest beneficiaries from the Saudi-Iran feud. He accused the former government of President Hassan Rouhani of spoiling ties with neighboring countries. However, the revolutionary government of Ebrahim Raisi moved ahead with a policy based on good neighborliness. Hojatoleslam Nour Pur, the Friday prayer leader of Golestan, said that the Saudi-Iran agreement is proof of Iran's regional strength and a sign that the opposition overseas has been defeated. He reiterated that the agreement is in the interest of Iran, Saudi Arabia, the region and the entire Islamic world. Hojatoleslam Hassan Turabi asserted in a Friday sermon in Robat Karim that the agreement between Iran and Saudi Arabia is a severe blow to the United States and Israel. Hojatoleslam Ismail Kazemi, a Friday prayer leader in the city of Shahr-e Jadid-e Parand, reiterated this, adding that the agreement is also a blow to saboteurs inside and outside the country.<sup>(27)</sup> Other preachers noted that if the agreement is implemented properly, it will lay the foundations for the unity of the Islamic world.<sup>(28)</sup>

Thus, the position of hardline clerics was in tune with the regime's policy. They considered that the agreement is one of the revolutionary government's accomplishments and that previous governments had sabotaged ties with neighbors. As such, hardline clerics will likely remain supportive of the

agreement as long as the ruling religious elite supports it and views it as a solution to Iran's political, economic and social problems. It is likely that the "hardliners" will retract their support if the Iranian regime decides not to move forward with it. Each phase has its own justifications, aimed primarily to enhance the regime's legitimacy and cement its taqlid incubators. To conclude, it could be said that the Iranian regime has sought during the recent protests to silence the protesters. In addition, it has detained several Sunni figures and clerics while totally ignoring the people's demands. At the same time, there are voices within the hawza criticizing the regime's repressive security policies and are attempting to contain the regime's excesses for fear that these policies could impact the hawza's position within the political system and harm its image within the Shiite community.

Meanwhile, the "hardliners" welcomed the Saudi-Iran agreement, considering it a severe blow to the United States and Israel. They went on to argue that the agreement could lay the foundations for establishing unity in the Islamic world. Therefore, the agreement could benefit the region and the Islamic world collectively.



## The Social File

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The Iranians began their celebrations of the new Hijri Shamsi year with reaching a rapprochement agreement with Saudi Arabia, a deal which ends seven years of diplomatic freeze. The internal reactions to the agreement were no less important than the debates about it overseas. The Iranians' questions and their desire that the agreement ushers in a new era were met at the same time in parallel with internal debates on many issues, some of which have become a tradition such as those related to the issue of freedom and managing the public sphere. The Nowruz celebrations have historically been an appropriate occasion for raising these issues, which is reflective of how far internal and external developments in Iran are intermingled.

### **Iranian Society and the Agreement Between Saudi Arabia and Iran**

Iranian society's positions and reactions to the Saudi-Iran agreement have been as much varied as the relationship between its factions with the regime. The most salient positions were adopted by Iranian society in general (the general public) or what could be called the silent majority. This segment is the biggest and most significant, and they determined their positions based on the agreement's potential economic benefits. They approve of any developments that help ease the burdens of the harsh living conditions from which Iran has been suffering for years in light of the crises the Iranian economy is facing and their repercussions on Iranian society. In this context, Iranians welcomed the agreement, particularly after noticing its swift impact on the national

currency which has seen some stability compared to the runaway collapse — which began after the outbreak of the September 2022 protest movement — just before the agreement was reached. The problems Iran is facing are much bigger than the agreement's ability to fix them. However, according to the Iranian people, the agreement marks the start of a new trajectory in Iranian foreign policy which could lead to agreements with various other countries and the conclusion of another nuclear agreement, leading to the lifting of the international sanctions on Iran. The Saudi-Iran agreement coincided with the Iranian celebration of Nowruz, which marks the ending of the past year and the beginning of the new year. With the onset of the new year, there is hope and optimism among Iranians in light of the significant breakthrough: the signing of the agreement with Saudi Arabia. The development model offered by Saudi Arabia and the accomplishments it is making in accordance with Saudi Vision 2030 has shaped the Iranian position toward the agreement. The Iranians hope that their country outlines a similar model that focuses on development to improve living conditions rather than continue to be involved in regional and global wars and disputes for which they only pay a high price.

The agreement was also welcomed by the Iranian public as it will allow them to resume their Umrah (minor pilgrimage) and other visits to Saudi Arabia. Iran's Minister of Culture and Islamic Guidance Mohammad Mahdi Ismaili announced on Friday, March 17, that his country had started negotiations



– before signing the recent agreement with Riyadh – about dispatching Iranian pilgrims to Saudi Arabia. After announcing the final agreement between Saudi Arabia and Iran and the reopening of embassies, the obstacles hindering the performance of Umrah will be removed. He added, “Umrah has been ceased over the past seven years so far. There are 5.8 million Iranians waiting their role to perform Umrah. I hope Umrah for Iranian visitors is launched as fast as possible.”<sup>(29)</sup>

On the opposing side of the agreement stand the other factions opposed to the Iranian regime with their various ethnic and religious affiliations and ideological orientations. All these factions are opposed to any development that benefits the Iranian regime that they seek to change. Their reactions ranged from downplaying the agreement’s significance given that the problems Iran is facing are tremendous and that the regime’s reliance on the agreement with Saudi Arabia and the foreign policy shift to restore legitimacy at home is impossible unless the regime

makes radical reforms. For example, the Iranian Teachers’ House described the agreement in a statement as an attempt by the Iranian republic to maintain its survival. It called on the regime’s officials to shoulder responsibility toward the people when signing the terms of the agreement between Iran and Saudi Arabia.<sup>(30)</sup> They also called into question the Iranian regime’s intentions and believe that it is insincere and it will soon revert back to its decades-long policies. They insist on continuing protests, exposing the government’s failures, and confronting it through further protests whether involving the entire Iranian society or certain factions.

### **Nowruz and the Dispute over the Public Sphere in Iran**

Nowruz this year marked a new occasion for engagement between Iranians and the Iranian regime on outlining new rules for managing society. After more than four decades of Islamization, it seems that the government has submitted to the wishes of the people

after the latter rejected the government's anti-celebration rhetoric.

Iranians celebrate Nowruz in different ways with the main celebrations held on the so-called Red Wednesday, causing thousands of injuries. Iran's emergency organization stated that the number of deaths and injuries on the last Red Wednesday of the Iranian year totaled 4,095 cases. The number of amputated bodies reached 222 while eye injuries reached 1,357 and burns reached 867 cases. According to the head of the emergency organization, the number of injuries on this year's Red Wednesday rose 14 percent compared to last year.<sup>(31)</sup> Despite the large number of injuries caused during this celebration, Iranians do not care about the wounds they sustain, which reflects how far Nowruz is rooted in their culture.

The celebrations being held represent an opportunity for Iranians to break from the restrictions imposed by the political system on them in the public sphere. Several ceremonies that involved male and female students dancing together were held at some universities, which raised the ire of the "conservatives" who blasted their behavior. They called on higher education officials to enforce the law.<sup>(32)</sup> In an attempt to exercise authority, Iranian officials shut down a center for purchasing gold and jewelry in Tehran and a traditional hotel in Kashan in Isfahan Province for not observing the hijab code.<sup>(33)</sup> The biggest environmental desert camp in Iran was sealed because its visitors did not observe the country's standard hijab code.<sup>(34)</sup> The head of Tourist Guides Associations in Iran Mohsen Haji blasted the closure, considering it the cause of a critical cri-

sis in the tourism industry. He hinted that there is a problem facing officials when addressing this issue. Tourists will travel to have a good time anyway, he added, noting that the more the restrictions increase in Iran, the more people decide to spend their money elsewhere. As such, imposing restrictions on celebrations will not help in implementing the principles desired by some decision-makers in the country. Rather, the situation will worsen. He also called for issuing a decision to prevent police personnel from entering tourist complexes.<sup>(35)</sup>

The aforementioned discussion unveils the dilemma that the Iranian government faces when implementing laws on the ground. Iranians circumvent the laws regarding the hijab and non-mixing via various means. Yet the government's attempt to push Iranian institutions to cooperate with it in order to implement the hijab code has caused them to sustain economic damage. This will prompt these institutions to protest since they will pay the price of the laws which the state itself has failed to impose on the Iranian people.

Overall, the evolution of the relationship between the state and society in Iran reflects the enormous schism between the two sides. In light of the tug-of-war between the people and the government, and the mutual influence of domestic and international policy on the other, one can argue that based on ensuring the success of the deal, Iran should show some flexibility when dealing with the Iranian people in the short and medium run.

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# Recap of Rasanah's Prominent Events

**Rasanah hosted a lecture on “The Role of Iran in the Region,” in cooperation with the Embassy of the Netherlands. The lecture was attended by Rasanah’s research team and a delegation from the Netherlands diplomatic mission.**



**Rasanah receives a delegation headed by Professor Daisaku Higashi. The meeting is attended by Member of Rasanah’s Board of Trustees Dr. Ali Asseri and senior representatives from the Embassy of Japan in Riyadh**



Rasanah signed a memorandum of understanding (MoU) with Uzbekistan’s Institute of Advanced International Studies (IAIS).

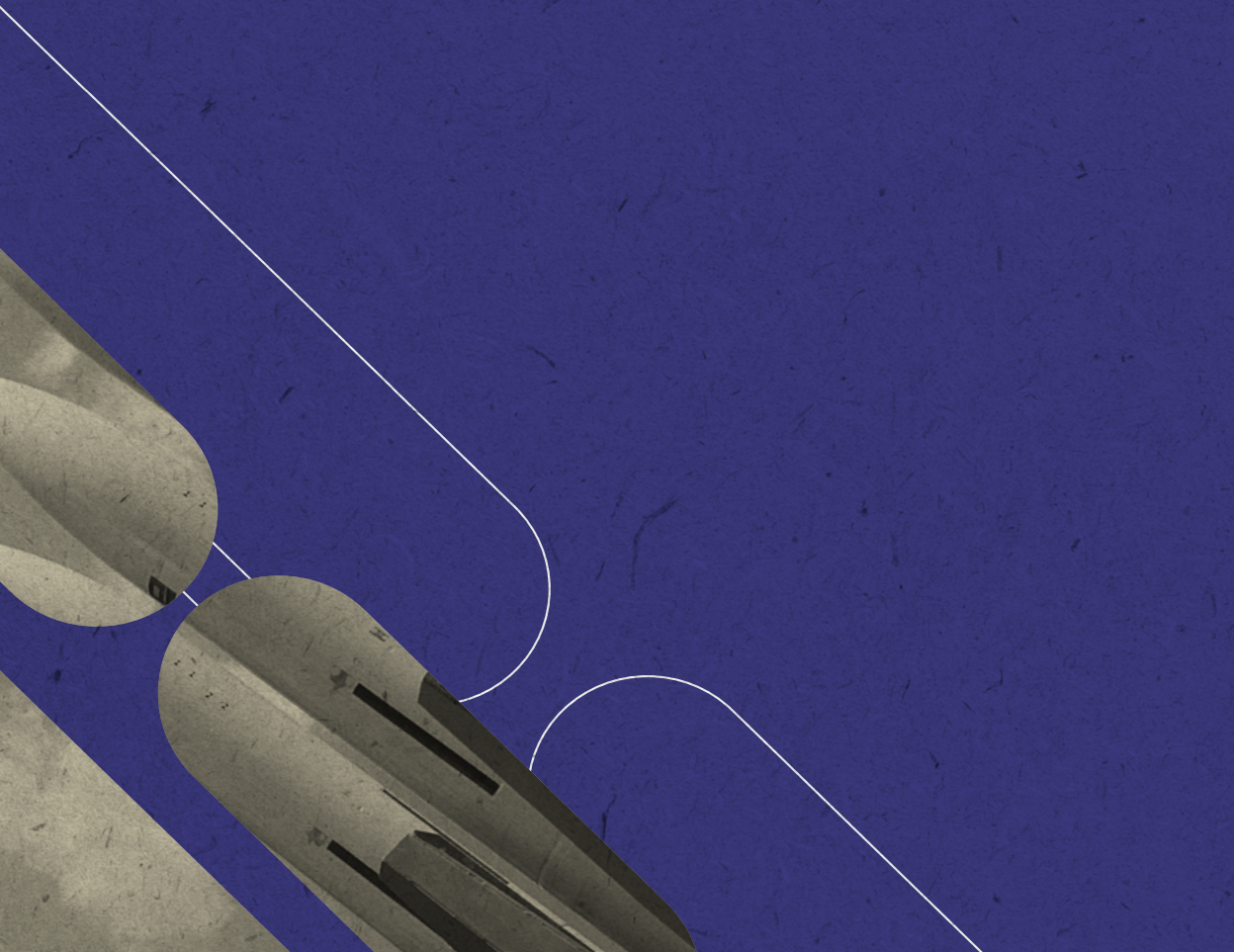


Founder and President of Rasanah Dr. Mohammed Alsulami received a French military delegation led by the Head of Bilateral Cooperation for the French Armed Forces General Eric Peltier. The meeting was attended by Rasanah’s leadership and advisory board.



Rasanah concluded an MoU with Tashkent State University of Oriental Studies (TSUOS).

# EXTERNAL AFFAIRS



With regard to Iranian external affairs, Iran's relations and interactions with the Arab and international spheres are examined in detail. At the Arab level, the Gulf states and Iran have come under the spotlight in recent times, especially in light of China brokering a deal between Tehran and Riyadh. Additionally, developments have taken place in the context of Gulf mediation over the Iranian nuclear issue. With regard to Iraq, the file touches on the implications of the Saudi-Iran agreement on Iraq and the significations of the Iranian foreign minister's visit to Iraq. As for Syria, the file highlights the increased Arab diplomatic overtures to Syria and the implications of the Saudi-Iran agreement on the Syrian issue. In relation to Yemen, the file spotlights the Iranian regime's position toward the Yemeni crisis after the Saudi-Iran rapprochement agreement as well as the Yemeni government's and the Houthi militia's position on the deal.

Internationally, the file casts light on the mediation between the United States and Iran for swapping prisoners between the two countries and the resumption of the US maximum pressure campaign against Iran. In terms of Iran-Europe relations, the file discusses the straining of ties between the two sides due to Iran's human rights abuses and its support for Russia in the war on Ukraine. This is in addition to the European troika's growing differences with Iran over the latter's nuclear program.



## The Arab and Regional File

### Iran and the Gulf States

The month of February 2023 saw a flurry of developments in Iran-Gulf ties beginning with Qatari and Omani mediation to maintain dialogue between Iran and Europe to bridge the gap (of divergent viewpoints) in the nuclear talks. This is in addition to the Iranians' optimism about the Iraqi government's progress in resuming talks between Saudi Arabia and Iran. The significant event of March was Chinese mediation between Iran and Saudi Arabia which led to the signing of an agreement to restore diplomatic relations between the two regional powerhouses. This success underscores the Gulf states' efforts to find solutions to issues that have long been a headache to the region's countries, as well as their centrality and position at a time when global issues are becoming more complicated and disputes are intensifying, paralyzing the global order's efficacy.

### China Brings Together Riyadh and Tehran

Many observers were taken by surprise at the unexpected progress in the rapprochement between Riyadh and Saudi Arabia. However, the signs of Chinese mediation had been surfacing since the period that followed the Chinese president's visit to Saudi Arabia. Iranian Foreign Minister Hossein-Amir-Abdollahian revealed on March 3 that China expressed readiness to play a constructive and mediating role in restoring ties between Riyadh and Tehran and that it presented its proposal to the Saudis and Iranians during Iranian President Ebrahim Raisi's visit to China.<sup>(1)</sup> The trilateral announcement on March 10, 2023 on restoring diplomatic ties between the two sides<sup>(2)</sup> represented an important

diplomatic breakthrough in the regional and global arenas, ushering in a new beginning in relations between Iran and Saudi Arabia based on the principles of respecting each country's sovereignty and noninterference in each other's internal affairs.

Regardless of whether this agreement will have enormous regional and global repercussions and impact the Gulf states, there have been intentions to restore ties with Iran in a way that lays the groundwork for cooperation rather than confrontation. This has appeared in the steps toward rapprochement between Bahrain and Iran. Bahraini Parliament Speaker Ahmed al-Muslim met with an Iranian parliamentary delegation on the sidelines of the Inter-Parliamentary Union. During the meeting, the two sides expressed their desire to restore ties between the two countries.<sup>(3)</sup>

In addition, the UAE received Iran's Supreme National Security Council Secretary Ali Shamkhani in an official visit in which he held talks with his Emirati counterpart Sheikh Tahnoon bin Zayed Al Nahyan that aimed to bolster cooperation, according to the announcement. It is worth noting that the UAE is of huge economic significance for Iran. It is Iran's second-biggest trading partner after China.<sup>(4)</sup>

The Chinese mediation walked a tightrope in the talks between Riyadh and Tehran. In addition, Beijing stood at an equal distance between the two sides and attempted to bridge the gap between them; it cannot afford to lose either side. This posture came despite the unequivocal Chinese positions declared during the Arab-Chinese summit in which Beijing rejected Iran's missile program, its support for its allied proxy actors in Yemen, Syria, Lebanon and Iraq and its other activ-

ities that undermine security and stability in the region. China also called for reaching a peaceful and negotiated resolution to the issue of the disputed three Emirati islands occupied by Iran.<sup>(5)</sup>

On the other hand, Iranian political and media circles saw this agreement as evidence of a collective government orientation aimed at re-establishing a balanced and multifaceted foreign policy. This was evident in recent pronouncements by Iranian officials about Iran's readiness to render successful the mediation efforts launched in Iraq.<sup>(6)</sup>

Despite the bitter past experiences, the Gulf states hope for dialogue and understanding to prevail. In addition, they hope that the mentioned Iranian pronouncements translate into reality, reflective of the much needed mutual understanding to manage the Gulf, a vital part of the world. The Gulf states are serious, and this posture was backed up by the swift initiative of the Custodian of the Two Holy Mosques King Salman to invite Iranian President Ebrahim Raisi to visit Saudi Arabia. This is in addition to the initiative of the Saudi foreign minister to reach out to his Iranian counterpart to agree on ways to bring the agreement into force.

### **Updates on the Gulf States' Mediation in the Context of the Nuclear File**

Some Iranian media outlets indicated that Oman's Sultan Haitham bin Tariq will pay a visit soon to Tehran. The visit will come within the framework of Omani efforts to continue dialogue regarding the nuclear talks. A member of the Iranian Parliament's Foreign Policy and National Security Committee said that a committee meeting was held in the presence of the Iranian foreign minister. He said, "In the meeting, the foreign minister has reviewed the most urgent issues, including that the Omani authorities have recently ex-

pressed readiness to mediate between Iran and the United States to continue nuclear talks." In this respect, the Omani sultan said that his country seeks to convey the back-and-forth messages between Iranian and American officials. He added that he would head to Tehran in the near future carrying good news.<sup>(7)</sup> The Omani efforts are part of the sultanate's attempts to play a coordinating role in reviving the landmark nuclear agreement signed in 2015 between Iran and the major world powers, from which the United States withdrew in 2018.

In this respect, Iran's foreign minister held a telephone conversation with his Omani counterpart in which they exchanged views on the latest developments related to the talks aimed at lifting the sanctions.<sup>(8)</sup> Perhaps the results of the Omani mediation include the agreement between Iran and the IAEA to discuss the possibility of resuming the latter's inspection of Iran's nuclear sites and activities. IAEA Director-General Rafael Grossi recently visited Iran to discuss these issues. The move came after Iran previously barred the UN watchdog from accessing and verifying nuclear sites.<sup>(9)</sup> Yet, there is evidence that Iran may have been able to increase its uranium enrichment rate to 84 percent, which is a frightening indicator of a big Iranian accomplishment in the quest to develop a nuclear weapon. By contrast, others believe that the Iranian regime may be pretending to adopt a positive position on this file to send a message that it is keen on taking the necessary steps to de-escalate but it needs more time to reach a solution to the issue of nuclear excesses. Perhaps Iranian President Ebrahim Raisi receiving the IAEA director general in Tehran occurred in order to prevent it from taking any measures against the country.

In conclusion, Chinese mediation efforts between Iran and Saudi Arabia and the Omani efforts to facilitate the resumption of nuclear talks between

Iran and the major world powers point to the Gulf states' longstanding conviction — whether on the nuclear issue or the restoration of ties between Iran and Saudi Arabia — that the region needs a moment of calm. Perhaps the Gulf states will open up new opportunities for considering innovative solutions to overcome seemingly intractable crises. Saudi Arabia and the Gulf states will proceed with testing if Iran has a true and genuine intention to continue down the path of burying the hatchet and moving toward a future marked by cooperation and good neighborliness which prioritizes diplomacy when addressing contentious issues.

### Iran and Iraq

The Saudi-Iran agreement signed in March 2023 put a spotlight on Iraq as it is one of the outstanding issues between Riyadh and Tehran. Iran continues to expand its influence in Iraq, dragging the country into deeper crises despite its plethora of economic resources. Iraq's reception of the Saudi and Iranian foreign ministers in February 2023 was reflective of the Iraqi government led by Muhammad Shia al-Sudani continuing to embrace a balanced foreign policy to address the country's domestic issues and enable its work during its one-year term.

#### **The Impact of the Saudi-Iran Agreement on Iraq**

Iraq welcomed the agreement and Prime Minister Sudani expressed his happiness during a phone conversation with Iranian Supreme National Security Council Secretary Ali Shamkhani. The latter thanked the Iraqi government for bringing the views of the two sides closer during the series of talks held in Baghdad.<sup>(10)</sup> While some Iraqi religious figures and po-

litical currents welcomed the agreement, like the Wisdom Movement led by Ammar al-Hakim and the National Coalition led by Ayad Allawi, pro-Iran militias have been rather muted on the matter.

It is hoped that the agreement will help transfer Iraq from an arena of settling scores to one of stability. It may help in creating a new political atmosphere that ends the political polarization between Iraq's political currents and leads to the desired outcome of a balanced foreign policy approach.

The silence of pro-Iran militias raises an important question over their intent. These militias have been establishing spheres of influence in Iraq such as Asa'ib Ahl al-Haq and Ashab al-Kahf. The question raised here is: will these militias dare to trigger any clashes by attacking Iraqi or foreign targets and undermine Iran's intent to establish stability to ensure the success of the agreement and to forge rapprochement with Iraq's national leadership? It can be noted that Iran invited former Iraqi Prime Minister Mustafa al-Kadhimi to visit Tehran who came on February 21, 2023. This may indicate that Iran has started to give up on its traditional allies while attempting to draw close to the Gulf states and the West in order to improve ties. Iran is now aware of the need to shift from an ideological to a more pragmatic approach, especially against the backdrop of Western sanctions and pressures.

#### **The Impact of the Visit of the Saudi and Iranian Foreign Ministers to Iraq**

On the invitation of Iraq, Saudi Foreign Minister Prince Faisal bin Farhan visited Baghdad on February 1, 2023. Near-

ly 20 days later, his Iranian counterpart Hossein Amir-Abdollahian also visited Baghdad on February 21, 2023. Iraq is central to the strategy of both countries owing to their geographical, political, security and economic considerations. Iraq's two neighbors reiterated the importance of the country's balanced approach in foreign affairs.

The visit of the Saudi foreign minister led to coordination on the possibility of opening additional ports to the Arar port such as al-Jumaimah and implementing a railway project linking 10 Saudi cities to Iraq by constructing a railway linking Hafar al-Batin to Basra. It would then be linked to a railway connecting Hafar al-Batin to Qassim and Riyadh that would run through Yanbu, King Abdullah port, Jeddah, Dammam, Jubail and Ras al-Khair. This railway project would be implemented if commercial relations between the two countries improve.<sup>(11)</sup>

According to some observers, the goal of Abdollahian's visit to Baghdad was to evaluate the Iraqi position on the recent Iraqi-US negotiations on the smuggling of US dollars from an Iraqi bank to Iran and the devaluation of the local currency against the dollar. At the beginning of 2023, the value of the Iraqi currency plummeted to approximately 1,680 dinars against the US dollar in the parallel market and 1,460 dinars against the US dollar in the official market.<sup>(12)</sup>

The Iraqi invitation to the Saudi foreign minister reflects an Iraqi realization that the kingdom plays a key role in achieving a balanced foreign policy and restoring Iraq to its Arab sphere by virtue of its capabilities, potential and active and influential role in Arab and international affairs. It also indicates

that Iraq urgently needs to enhance rapprochement with the kingdom to alleviate the outstanding crises and their ramifications on government performance. In line with the requirements of cooperation in international relations, Iraq may proceed with the policy of enhancing its sovereignty and independence in internal affairs. It may work faster to embrace a balanced foreign policy approach and create an attractive investment and security environment for more Gulf and Saudi investments. This can be aided through the Iraqi state controlling arms flows and fighting corruption and terrorism.

On the other hand, Abdollahian's visit to Baghdad reflects Iran's concern over Iraq which is its most significant gateway for bringing in hard currency to alleviate the impact of sanctions on the Iranian home front. The visit aimed to thwart US goals and find alternative solutions to ensure the flow of dollars to Iran. It may also reflect Iran's desire to ascertain how far Sudani will go to pursue a policy independent of Iran? Tehran has closely monitored Sudani's visits, approaches and remarks that are reflective of his desire to embrace an independent foreign policy. For example, in his last speech at the Munich Security Conference, he made strong statements which were reflective of his awareness of the value of Iraqi independence since it is the cornerstone of a stable regional system based on peaceful coexistence and partnership. Iraq maintains balanced relations with all countries, including the United States and Iran, according to mutual interests. However, Iran rejects Iraq's balanced foreign policy approach, rather it wants Baghdad to continue to be central in its expansionist strategy.

Finally, the aforementioned discussion reveals that Iraq has been experiencing internal and external developments which will affect the country's security, economy, politics and stability. These developments could end Iraq's subordination to Iran and impose new challenges on the Iraqi government. Iraq is urged to proceed with a balanced foreign policy and Iran to change its interactions with its traditional allies by adopting a more positive and pragmatic view in order to improve Iran-Gulf ties in general and relations with Saudi Arabia in particular. Iran also has to choose a more pragmatic policy toward the Iraqi file as it is one of the determinants in ensuring the success of the Saudi-Iran agreement.

### Iran and Syria

Among the significant developments that took place in Syria during February and March 2023, one of the most prominent was the resumption of Arab-Syrian ties against the backdrop of humanitarian considerations in the context of the destructive earthquake that struck both Syria and Turkey in February. The other development was the Saudi-Iran announcement of the resumption of their diplomatic ties in March.

#### Arab Diplomatic Momentum Toward Syria

In February, Arab official delegations visited Syria in the wake of the devastating earthquake in northern Syria which led to a further deterioration in the region's difficult living conditions. In this context, the Syrian capital was visited by four Arab foreign ministers, most recently Egyptian Foreign Minister Sameh Shoukry, preceded by the foreign ministers of the UAE, Lebanon and Jordan. These visits were also pre-

ceded by a series of pre-diplomatic moves: Egyptian President Abdel Fattah el-Sisi's call with Syrian President Bashar al-Assad; the visits of Arab legislative delegations to Damascus and Bashar al-Assad's visit to Oman and the UAE.<sup>(13)</sup>

The diplomatic momentum toward Damascus was not only reflected in the direct diplomatic visits, but also in the statements of Arab countries which previously had adopted an anti-rapprochement approach with Damascus. Saudi Arabia's Foreign Minister Prince Faisal bin Farhan Al Saud stated during the Munich Security Conference that without a path toward "maximalist goals," dialogue with Damascus is needed and that another approach was "being formulated" to address the issues of Syria in the Arab world, especially the humanitarian situation.<sup>(14)</sup> This statement raised many questions about the new Saudi position, and whether the Saudi foreign minister had presented a change in the kingdom's policy toward the Syrian government.

Arab openness to the Syrian government is perceived differently by observers, with humanitarian and political considerations taken into account. Some believe that this Arab openness is humanitarian in nature after the earthquake that struck both Syria and Turkey, and it was reflected through Arab leaders and officials calling Syrian President Bashar Al-Assad to express their solidarity and sending Arab humanitarian aid to Syria. However, others think that the current Arab effort toward Syria is part of the new regional approach that is taking shape. This approach is based on forging relationships and interests, creat-

ing new balances and accommodating other actors as countries seek to enhance their position and protect their interests amid the transformations in the regional and international arenas. These transformations cast a shadow over the Syrian file and further complicate the geopolitical reality in the region. The Arab countries are not only reevaluating their relations with Syria, but also with Turkey, an important player in the region and in Syria in particular. Ankara is considering the resumption of its relations with Syria. It has strategic interests in Syria, necessitated by its circumstances, forcing it to reengage with the Syrian regime.

These Arab efforts come amid the plethora of dilemmas facing the main actors in Syria: Iran, Russia and Turkey. Tehran and Moscow are facing pressing crises internally and externally, imposing great challenges on their quest to maintain their regional roles, especially in Syria. In addition, the earthquake placed further pressures that will increase the burden of Syria imposed on Turkey's foreign policy, pushing Ankara to face severe crises like Moscow and Tehran.

The Saudi hint toward dialogue with Damascus is not deemed to be a radical shift in the kingdom's approach to the Syrian government. Saudi Arabia still rejects a formalistic and unilateral reconciliation with Damascus until the latter realizes the needed political steps to resolve the major thorny issues. Saudi Arabia has not adopted a completely new position, rather it has recrafted its position on Syria in light of the current political changes in the regional and international arenas that starkly reveal that reaching a political

settlement is an inevitable option to resolve the Syrian crisis. Therefore, the Saudi future steps toward Damascus will be limited to security coordination on smuggling and drug issues which are affecting the region and coordination on relief efforts.

### **The Impact of the Saudi-Iran Agreement on Syria**

The Saudi-Iran agreement signed on March 10, 2023 in Beijing raised several questions about whether or not it will cast a shadow over regional files, including Syria. The announcement of the agreement was followed by Saudi Foreign Minister Prince Faisal bin Farhan's statement in which he pointed out that the status quo in Syria is unsustainable and any new approach would necessitate dialogue with the Damascus government. He emphasized that the obstacles hindering the resolution of the humanitarian and refugee crisis in Syria must be overcome. Prince Faisal's statements were preceded by his expression of support in the aftermath of the devastating earthquake in Syria and Turkey which coincided with Arab efforts to restore diplomatic ties and reintegrate Damascus back into the Arab League. The Saudi-Iran agreement was followed by signs of Syria and Saudi Arabia nearing an agreement and restoring relations after the negotiations brokered by Russia.<sup>(15)</sup> It is possible that consular services will restart without relations being fully restored between Riyadh and Damascus.

Regarding the Syrian position on the announced Saudi-Iran agreement, the Syrian government welcomed it and deemed it to be one of the most important factors for enhancing stability in the region. In light of the Syrian

government's positive response to the agreement, one cannot rule out the fact that the Saudi-Iran reconciliation will be an opportunity for Damascus to rearrange its internal affairs and reestablish new regional ties. As for Saudi Arabia, the resumption of ties with Syria cannot be achieved without halting Iran's intervention in the country and curbing its ramifications on regional security. The main obstacle that has hindered the resumption of Arab relations with the Syrian government is Iran's intervention.

In the near future, the Saudi-Iran agreement, though deemed as a great achievement in the region, still cannot overcome the Syrian crisis, given the overlapping and interwoven interests between the actors in Syria. This is in addition to the ongoing US-Iranian tensions which may undermine the regional stability engendered as a result of the Saudi-Iran reconciliation. Finally, as for the priorities of the Saudi-Iran rapprochement, the Syrian crisis is considered secondary compared to the Yemeni crisis, which is viewed as the primary concern.

### **Iran and Yemen**

Just as the Saudi-Iran agreement was announced, all eyes turned to the Yemen arena as the Yemeni crisis is the top contentious issue between the two countries. The remarks of Iranian officials and media outlets have changed significantly, with calls for the need to resolve the Yemeni crisis after previously ignoring all regional calls and initiatives to end the crisis.

#### **Iran's Position on the Agreement**

For the first time since the beginning of the Yemeni crisis, Iran touched on "an inclusive national government in Yemen" that includes all the Yemeni components. This is a departure from

the past when Iran solely worked to cement the Houthi militia's power in the northern regions of Yemen. Iran adopted the militia's political and media orientations, and propagated the misconception that it was the sole party representing the Yemeni people and fighting for Yemen. Iran dismissed the sectarian dimension and turned a blind eye to the internationally recognized legitimate government that represents all the people of Yemen through the Presidential Leadership Council (PLC).

The statement of the permanent representative of Iran to the UN on the Saudi-Iran agreement and its implications on the Yemeni crisis are seen as a shift in Tehran's discourse toward the Yemeni conflict and a new starting point in finding a political solution to the crisis in Yemen. Iran's role in Yemen will significantly help in ensuring the success of the agreement. According to the statement of the permanent representative of Iran to the UN, "the resumption of Saudi-Iranian diplomatic ties will accelerate efforts to conclude a cease-fire deal in Yemen, help start a national dialogue, and form an inclusive national government in Yemen."<sup>(16)</sup>

During a press conference on March 19, 2023, Iranian Foreign Minister Hossein Amir-Abdollahian touched on the Yemeni file when he said, "Yemen is an internal matter, but we stress on the security and stability in the region [...] we are working to stabilize the region in cooperation with Saudi Arabia." He added, "We will not accept any threat to our security from neighboring countries."<sup>(17)</sup>

Many observers hope that the Saudi-Iran agreement will positively impact the Yemeni landscape and help in finding common ground for all Yemeni components to end the divisions and offer an opportunity for the Iranian regime to prove its good intentions, especially since the Yemeni file

is under the international spotlight. The positive role of the Iranian regime in this file will open the door for wider prospects at the regional and international levels. Following the agreement, the UN Special Envoy to Yemen Hans Grundberg took the initiative to visit Tehran where he met with Abdollahian and his senior advisor Ali Asghar Khaji and other Iranian officials. Grundberg discussed the recent developments in Yemen and he stressed on the need for regional support to start an inclusive Yemeni-led political process under the auspices of the UN.<sup>(18)</sup>

### **The Position of the Yemeni Government and the Houthi Militia on the Saudi-Iran Agreement**

After the agreement, the Yemeni government stated through the PLC that its position would depend on actions not on mere words. In addition, it claimed that it would proceed cautiously until observing a true change in the Iranian regime's behavior and subversive policies in Yemen and the region. The Yemeni government added that it hoped that the agreement would lead to new phase in relations based on the non-interference of the Iranian regime in Yemeni affairs and that it was not transitional for the sake of easing regional and international pressures on Tehran.

In contrast, the Houthi militia's position was somewhat hazy and wavering. Some Houthi elements welcomed the agreement such as the militia's spokesman Muhammad Abdul Salam. He said, "The region needs the resumption of normal ties between its countries for the Islamic nation to reclaim its lost security as a result of foreign interference."

On the other hand, some Houthi elements criticized the agreement such as the member of the Political Bureau of the militia Abdul-Malik al-Ajri. He said, "The agreement only includes the resumption of [bilateral] rela-

tions between the two countries." The leader Mohammed Abdulsalam has implicitly criticized the agreement, underestimating its impact on the Yemeni people. "[The agreement] will not meet the aspirations and wishes of the Yemeni people," Abdulsalam said.<sup>(19)</sup>

Many observers believe that the Houthi militia will continue its media escalation and may order limited military escalation on some fronts so as not to lose its followers amid this regional transformation (the Saudi-Iran agreement). This scenario was strengthened in light of the remarks of the militia's leader Abdul-Malik al-Houthi. On Saturday March 25, 2023, he said, "The Yemenis are coming in the ninth year equipped with arsenal of lethal long-range precision missiles capable of inflicting mass destruction on the facilities that the enemies depend on." He called on his followers to participate in the rally of the so-called "national memorial day."<sup>(20)</sup>

Finally, the agreement may lead to a breakthrough in the Yemeni crisis, but this depends on a sincere will and desire, especially from Iran, which has supported the Houthi militia over the past years. Iran needs to convince the militia so that it makes concessions and enters into serious negotiations with the legitimate government to put an end to the hostilities and the suffering of the Yemeni people.



## The International File

### Iran and the United States

After diplomacy and dialogue were the headlines of the Biden administration's orientations toward Iran, confrontation once again became the most prominent feature of relations between the two sides. Amid the profound differences on a number of files, each party has taken on the responsibility of pursuing a more aggressive policy. This was reflected in the US sanctions, the efforts to deter Iran and increase pressure on the Iranian government, and Iran's readoption of some features of its resistance and confrontation policy. The Saudi-Iran agreement brokered by China has added a new reading on the relations between the two sides. Saudi Arabia, which has long been counted on as one of the most important regional allies of the United States, concluded an agreement with Iran which was brokered by China. The latter rivals Washington for influence in the Middle East. The file for February and March attempts to highlight the most important interactions that reflect the dimensions

and arenas of confrontation between the United States and Iran and the implications of the Saudi-Iran agreement for their relations.

### Mediation for the Exchange of Prisoners and the Return of Pressure

The US and Iranian sides engaged in indirect talks for the release of American prisoners in Iran in exchange for the release of Iranian frozen funds held in South Korean banks. These frozen funds can only be used to procure items that are not covered by the embargo such as medicine, food and humanitarian materials. These talks are brokered by the UK and Qatar, but they have not yielded any results yet.

As the United States announced that nuclear negotiations are not among its priorities, it continued to impose sanctions on Iran. The aspects of these sanctions and their objectives are explained in Table 1.

**Table 1:** US Sanctions on Iran (February and March 2023)

Date	Measure
February	The US deputy secretary of the treasury visited the UAE, Oman and Turkey from January 30 to February 1 to reinforce the sanctions on Iran and Russia. In order to take further action against parties that evade or facilitate sanctions evasion, Washington imposed a series of sanctions on UAE-based companies over Iran-related .sanctions evasion

Date	Measure
February	The United States designated eight Iranian individuals in leadership positions at Paravar Pars, an Iranian firm that produces unmanned aerial vehicles for the IRGC Aerospace Force.
February	As part of the US pressure policy, the Iraqi banking system blocked financial transactions to Iran through e-platforms, merchants and exporters under the pretext of fighting against corruption and money laundering.
February	The United States sanctioned nine entities for their involvement in Iran's petrochemical and petroleum products trade in Iran, Singapore and Malaysia.
February	The US Commerce Department issued new export control measures on Iran, Russia and Belarus to address Russia's use of Iranian UAVs in its ongoing war against Ukraine.
February	The United States is considering new sanctions on Chinese surveillance companies over sales to Iran's security forces to detect and punish women who do not wear the veil and to crack down on the protests.
February	A bipartisan group of more than 160 members of the US House of representatives introduced a resolution expressing support to Iran's opposition abroad.
February	The FBI accused three Iranian businessmen in Canada of helping to conceal hundreds of millions of dollars on Iran's behalf to evade US sanctions.
February	Iran International, an anti-Iranian regime television channel, is moving from the UK to the United States.
February	George Washington University hosted a meeting of eight prominent Iranian opposition figures to discuss the future of the pro-democracy movement after the overthrow of the regime.

Date	Measure
March	Marking International Women's Day, the US Department of the Treasury in coordination with the European Union, the UK and Australia sanctioned two senior Iranian officials, Ali Charmahali and Dariush Bakhshi, in Iran's prison system who have been responsible for raping and torturing girls in their custody
March	The State Department sanctioned a "shadow banking" network of 39 entities which operate as front companies for Iranian organizations in order to facilitate trade and the evasion of US sanctions
March	The US sanctioned a China-based network for supporting Iran's drone procurement efforts
March	The US imposed sanctions on four entities and three individuals in Iran and Turkey for their involvement in the procurement of equipment, including European-origin drone engines in support of Iran's drone program. This procurement network operates on behalf of Iran's Ministry of Defense and Armed Forces Logistics which oversees several firms involved in UAV and ballistic missile development

Source: Unit of Regional and International Studies (Rasanah).

In parallel with these sanctions and pressures, the United States held various meetings and discussions at the regional and international levels to confront the threat of Iran and isolate it regionally. The US-Gulf Cooperation Council Working Group met on February 13, 2023. The meeting focused on three priorities: integrated air and missile defense, maritime security, Iran and counter-terrorism.

On the other hand, the United States is reinforcing the international anti-Iran consensus. In this context, the United States has provided the international community with more evidence of Iran's involvement in the Russia-Ukraine war. On the sidelines of the Munich Security Conference on February 18, 2023, the US secretary of state met with his E3 counterparts (the UK, France and Germany) to coordinate stances on Iran. The participants expressed their concerns over the nuclear escalation by Iran and the lack of cooperation with the International Atomic Energy Agency (IAEA), calling on Iran to reverse its course. They also discussed their concerns about the deepening mutual military cooperation be-

tween Iran and Russia and its implications for the security and stability of the region and beyond. The participants also reaffirmed their solidarity with the Iranian people in light of Iran's continued egregious human rights violations and agreed to continue to closely coordinate their approach regarding the Iranian regime's destabilizing activities.

### **Iranian Nuclear Ambiguity**

As negotiations have become less of a priority for the Biden administration, Iran seems unwilling to lose this diplomatic opportunity. However, Iran is strengthening its cards and pressures in the face of US pressures. The Raisi government is still pursuing the policy of nuclear ambiguity, and so far, it has not provided credible answers to the pending questions of the UN watchdog. The IAEA report in February 2023 stated that Iran has substantially modified an interconnection between two centrifuge clusters and enriched uranium to up to 60 percent at the Fordow Fuel Enrichment Plant without giving prior notice. The IAEA expressed doubt about the particles of uranium enriched up to 84 percent purity rate in Iran's enrichment facilities, which is close to weapons grade.

Although Iran denies any modifications, it claims that some particles usually end up having higher levels of purity. Although CIA Director William Burns estimates that Iran has not made the decision to resume its nuclear weapons program, Iran's actions bring it closer to crossing the nuclear threshold whenever it decides to do so, and the international environment may provide it with cover and confidence for such actions.

Iran's active regional policy against the US presence and interests returned to the fore. The United States shot down an Iranian-made drone flying over a US base in northeastern Syria. The head of the IRGC Aerospace Force Amirali Hajzadeh threatened to hit US ships saying, "The US fleet in the Indian Ocean and the Red and Mediterranean seas are within our missile range." Targeting Israeli ships in the Gulf indicates that tensions have returned between Iran and Israel. The Syrian arena also witnessed a re-escalation. Pro-Iran militias carried out a drone attack on a US base in northern Syria, and the United States responded by immediately shelling the deployments of these militias.

In the context of increasing pressure at the international level, Russia and Iran signed an agreement to link financial messaging systems, an important agreement amid the new challenges and restrictions imposed by US sanctions. The two parties look forward to removing the impact of the sanctions and expand areas of cooperation, including drone development. US officials expect that Iran will get Su-35s in exchange for assisting Russia. This is very likely as Russia and Iran, along with China, share a common goal of ending US unilateralism, the dominance of the dollar in the international market, and ending the impact of US sanctions. The visit of Raisi to China can be understood in the context of the "hardliners'" policy of moving away from the West and establishing an anti-American axis.

### **The China-brokered Saudi-Iran Agreement**

The United States did not officially object to the Saudi-Iran agreement, but US

National Security Council Spokesperson John Kirby said that Washington would see whether Iran honors its side of the deal. This US position comes in spite of the debate whether the agreement can be read as a decline in Washington's stature in the face of China, which succeeded in bringing the views of the two largest powers in the Gulf closer together, and whether it undermines its policy of pressuring and isolating Iran.

Iran views the rapprochement as a gain in the face of the United States and Israel. It also believes that the agreement undermines Israel's and the United States' concept of regional security and pulls Saudi Arabia, a strategic partner, away from the confrontation policy against it. In addition, for Iran, the agreement undermines US efforts to isolate Tehran, further strengthens its relationship with China, and will help in activating their agreements. The agreement was a surprise and major embarrassment to the United States and demonstrated the nature of the transformation in the world and the region, which may run against the interests of the United States. In addition, China made this agreement happen, taking advantage of the US withdrawal from the region and the abandonment of traditional allies. However, the United States believes that it does not have to challenge China on this issue specifically for a number of reasons; firstly, the nature of the confrontation between the international poles and its tools are changing; secondly, the confrontation is focused in specific areas while the United States cannot shoulder the cost of confrontation in areas deemed to be secondary; thirdly, in case of any emergency crisis or Saudi-Iranian disagreement, Beijing will be in a dilemma and unable to balance the relationship between the two sides. Finally, in some cases, China's efforts may unintentionally achieve US interests. For example, if the agreement settles Yemen or other regional conflicts, this will achieve a key US interest. Likewise, in spite of the challenge posed by the agreement to the interests of the United States in the region, it will unlikely hinder the agreement, especially if it is estimated that the agreement will not change its initiatives and policies toward Iran; not threaten its interests in the region, including its forces deployed in the Gulf, the security and safety of sea lanes and the flow of trade and restore calm in the region, allowing it to pursue its priorities in the international arena.

Diplomatic opportunities between Iran and the United States are fading. Yet, Iran avoids to trigger further tensions by moving forward with acquiring nuclear weapons. To avoid further escalation, Iran attempts to adopt nuclear measures, which are accepted by the IAEA — in spite of some violations and the lack of cooperation. Iran is caught between the collapse of the nuclear negotiations and any violation that could refer the file again to the Security Council, especially since the European parties are ready this time to use the snapback mechanism. Iran also attempts to use the reconciliation with Saudi Arabia to end the international isolation led by the United States and bolster its position in the face of any potential confrontation.

In spite of US military collaboration with Israel as a scenario for dealing with Iran, this choice seems to be of no priority. After the mutual strikes in Syria, Biden stressed his unwillingness to risk a military conflict with Iran, especially

since Iran has not militarized its nuclear program and the sanctions still have great impact, thus exerting further internal pressure and unifying the regional and international positions in the face of Iran.

### **Iran and Europe**

Iran's relations with Europe have been on a downward trajectory since the beginning of this year owing to Iran's human rights violations, Iran's military support for Russia in the Russia-Ukraine war and the deepening nuclear discord between Iran and the E-3 as well as with the International Atomic Agency (IAEA). The UN nuclear watchdog has expressed unprecedented alarm since the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA), speculating that Tehran has enough fissile material for a few nuclear bombs.

Iran's nuclear program continued amid reports of uranium enrichment to 83 percent. The four-year demand of the UN watchdog for unexplained nuclear particles remains unmet, resulting in the visit of the IAEA Director General Rafael Mariano Grossi to Tehran, just before the Board of Governors meeting. The two-day tour concluded with a joint declaration with Iran. While the UN watchdog insisted on resolving the outstanding issues, the Chief of the Atomic Energy Organization of Iran (AEOI) Mohammad Eslami only agreed to the bare minimum. Regarding the outstanding safeguards issues related to the three undeclared locations, "Iran expressed its readiness to continue its cooperation and provide further information and access to address the outstanding safeguards issues."<sup>(21)</sup> Iran kept a firm posture and did not budge on any demands of the UN watchdog while also refraining from agreeing on a time frame. "On a voluntary basis," Iran agreed to "allow the IAEA to implement further appropriate verification and monitoring activities." The joint statement only refers to a technical meeting to take place in Tehran to deliberate on the IAEA's monitoring but without committing to any date. It evidently is a tactic to sail through the forthcoming Board of Governors meeting without reprimand.

Grossi told journalists that Tehran had agreed to reinstall all extra monitoring equipment including surveillance cameras. "We have our ideas and this will be part of the technical discussions that are going to be undertaken as a follow-up to my visit, and to the joint statement. And a technical team will be travelling to Iran very soon to do that," he added.<sup>(22)</sup>

Reacting to the joint declaration, the E-3 (Germany, France and the UK) issued a sharp rebuke to Iran for its defiant approach toward its IAEA commitments.<sup>(23)</sup>

"It has been over four years since the Agency sought clarifications from Iran regarding possible undeclared nuclear material at a number of undeclared locations in Iran, including the detection of anthropogenic and isotopically altered nuclear particles at three of these locations." It rightly noted that despite numerous technical and high-level exchanges and several joint declarations,

the UN watchdog "has yet to receive technically credible explanations from Iran."

The E-3 expressed grave concern over the centrifuge configuration changes made by Iran at Fordow without prior notice to the IAEA. About the discovery of uranium particles enriched at 83.7 percent at the previously unde-

clared facility at Fordow,<sup>(24)</sup> the E-3 noted, “This is an unprecedented and extremely grave escalation, grossly inconsistent with the level of enrichment declared by Iran at 60%.” Further, the E-3 joint statement mentioned that “The Board has heard enough promises. Iran must immediately provide the necessary technical-ly credible information and access to locations and materials to effectively clarify and resolve outstanding issues without delay.”

The E-3 warned “If Iran fails to implement by the next Board the essential and urgent actions in the November 2022 Resolution, the Board will have to be prepared to take further action, including making a finding, if necessary, on whether the Agency is not able to verify that there has been no diversion of nuclear material,” the E-3 joint statement warned.<sup>(25)</sup> About the threats of attacks on Iran, Grossi said “any military attack on nuclear facilities is outlawed.”<sup>(26)</sup>

Israeli Prime Minister Benjamin Netanyahu responded to Grossi’s statement during his cabinet meeting, “Outside what law? Is it permissible for Iran, which openly calls for our destruction, to organize the tools of slaughter for our destruction? Are we forbidden from defending ourselves? We are obviously permitted to do this.”<sup>(27)</sup>

As Tehran’s nuclear excesses continue without any progress regarding the JCPOA revival, 10 European states dissolved the Instrument in Support of Trade Exchanges (INSTEX) devised for trade with Iran in 2019. Iranian Foreign Ministry Spokesperson Nasser Kanaani blamed the European governments’ “lack of serious determination” for the failure of INSTEX.<sup>(28)</sup> Its stakeholders included Belgium, Germany, Finland, Denmark, France, the Netherlands, Norway, Spain, Sweden and the UK.

Iran’s relations with Europe reached a new low, stemming from its persistent uranium enrichment beyond the permissible limit, resulting in the dissolution of the INSTEX mechanism. The E-3 remain highly skeptical of progress on the nuclear issue amid news of Iran’s 83.7 percent uranium enrichment level. The IAEA director-general’s visit to Tehran is seen as an attempt to avert reprimand from the Board of Governors. Grossi’s high expectations for the inspections to begin after technical level talks did not bear fruit throughout the remaining days of March. The technical level talks are yet to be held where a breakthrough on Iran’s compliance with IAEA mandated inspections and monitoring routine obligations is quite unlikely.

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