



# ASIA MAIOR

Vol. XXXIV / 2023

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## Asia in 2023: Navigating the US-China rivalry

Edited by  
**Michelguglielmo Torri**  
**Filippo Boni**  
**Diego Maiorano**

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CENTRO STUDI PER I POPOLI EXTRA-EUROPEI “CESARE BONACOSSA” - UNIVERSITÀ DI PAVIA

# ASIA MAIOR

The Journal of the Italian think tank on Asia founded by Giorgio Borsa in 1989

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IRAN 2023: INTENSIFIED FOCUS ON THE EASTWARD STRATEGY  
AND ONGOING FRACTURES IN STATE-SOCIETY RELATIONS

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*The Islamic Republic of Iran persists in its ambition to counterbalance the adverse effects of Western sanctions by strengthening ties with «the East» and participating in regional organizations with influential Asian countries as guiding members. A significant shift in Iran's regional policy occurred with the agreement to normalize relations with Saudi Arabia, marking the end of years of diplomatic and military animosity. This normalization process with Riyadh aims not only to de-escalate tensions in the region but also to curb Saudi interest in joining the Abraham Accords architecture and normalizing relations with Israel. Meanwhile, the Iranian economy is grappling with challenges, hindering its revival. In this situation, low-income households, youth and workers suffer because of delayed salaries and are unable to cope with the prevailing very high costs of living.*

KEYWORDS – Iran-Saudi normalization; workers protests; women's rights; Axis of Resistance; Look to the East Policy.

### *1. Introduction*

Throughout 2023, the domestic and foreign outlook of the Islamic Republic of Iran did not display significant changes. On the domestic front, social discontent persisted and found expression through protests and strikes. The persistent high levels of inflation and the soaring cost of living, encompassing housing and asset prices, have not been alleviated through government measures. In the face of violent suppression that resulted in a decline in both the duration and scale of women-led protests, female resistance and instances of civil disobedience against government directives on women's dress code persisted. Furthermore, sporadic demonstrations, led by workers, nurses, and teachers, continued as a response to economic apprehensions, delayed wage payments, and precarious working environments.

From a political perspective, the Raisi government witnessed internal tensions. This phenomenon is not new but represents an ongoing clash between the centres of power and multiple ambitions coexisting within the *nezām*, the Iranian political system. The upcoming parliamentary election scheduled for February 2024 will serve as a key indicator of two crucial aspects. First, it will reveal the level of popular participation, providing essential data to assess whether the state maintains a certain degree of popular le-

gitimacy. Second, the election will determine whether there will be a change in the composition of the parliament.

Iran's foreign policy during the year has been characterized by three major developments. In March, Iran and Saudi Arabia made a historic announcement regarding the normalization of their diplomatic relations, facilitated by China's mediation. This milestone not only represents a significant achievement for regional stability but also greatly reduces the risk of military escalations between the two nations. Although certain issues have not been explicitly defined and remain somewhat vague, the ambition to normalize bilateral ties marks a notable improvement in Iran's efforts toward de-securitization.

In the second part of the year, the Hamas military raid known as «Al-Aqsa flood» on Israeli territory triggered a substantial military response from Tel Aviv, leading to massive bombing and prolonged raids on Gaza, which caused a significant humanitarian crisis. Iran opted not to directly engage, signalling a willingness to avoid a broader regional conflict. However, given Hamas's association with the so-called «Axis of Resistance», Tehran could leverage the conflict to advance its regional strategy and potentially hinder the normalization process between Arab states and Israel. Lastly, a third event that influenced Iran's foreign policy in 2023, aligning with President Raisi's «Look to the East» agenda, was the process to become a member of BRICS, scheduled for January 2024. In addition to strengthening bilateral relations with China and Russia, Iran's participation in regional organizations reflected its effort to signal a realignment with «the East», not just as a geographical space, but as a «geopolitical sphere». This strategic move is aimed at fortifying military, diplomatic, and commercial ties with various countries in the region, bolstering Iran's resilience against Western sanctions.

## 2. Domestic Policy

Although the international community's attention to Iran's internal affairs declined throughout the year under analysis, popular protests persisted. The intensity and frequency of these demonstrations were noticeably lower than the ones that erupted in September 2022 and that were articulated behind the slogan «women, life, freedom» (*Zan, zendeghi, azadi*). This decrease was partially attributed to the government's severe crackdown, but it was also influenced by the movement's lack of clear leadership. Consequently, Iran experienced a reduced flow of protests. Nonetheless, diverse segments of the population, encompassing workers, youth, and ethnic minorities, persisted in demonstrating for various reasons, underscoring the enduring dissatisfaction with the government's economic and political measures. In the midst of these developments, the parliament enacted new regulations



aimed at curbing individual liberties and imposing stricter punishments for violations of the Islamic code. This indicates that the female-led protests that commenced in September 2022 have not softened the system, inducing it to meet popular demands. Instead, these protests have resulted in intensified political control over public spaces and individual freedom. This development is considered a significant element in understanding the state-society relation.

### 2.1. *Protests and Social issues*

Widespread protests against compulsory hijab persisted across the country. In certain parts of Tehran, women, in an act of civil disobedience, defied mandated hijab regulations, boldly walking without veils to challenge security forces. Instead of tempering the unrest, the government responded by intensifying control and imposing stricter restrictions on women opting not to wear the Islamic veil. This issue became a matter of political debate within the parliament, where some advocated extreme measures against non-compliant women. The Supreme Leader, Ali Khamenei, stated that «removing the hijab is forbidden in Sharia and politics» [Supreme Leader 2023], hereby highlighting the dual significance of the prohibition in both the realms of politics and religion. This underscores why the matter of the Islamic dress code holds immense significance for the political elite, serving as a symbolic cornerstone of political legitimacy for the Islamic Republic [Shirazi-Mahajan 1993].

In September, the parliament approved a new «hijab and chastity» regulation aimed at introducing new punishment for people violating Islamic dress code [Al Jazeera 2023b, 20 September]. Authorities sought to exert additional pressure on women not wearing headscarves in public spaces, employing security cameras and online monitoring. Both public and online spheres fell under the watchful gaze of the authorities, intensifying the scrutiny on women who defied the mandatory head covering [Reuters 2023, 3 May]. Acts of civil disobedience over hijab regulations continued throughout the 2023, with women removing their headscarf while walking on the street or in public places. Within the same framework of social contestation, teachers marched and gathered in many Iranian cities in protest of the poisonings of female students. The protests were organized by the Coordination Council of Teachers' Unions of Iran. According to Amnesty International since November 2022, thousands of schoolgirls have been poisoned and hospitalized [Iran: Millions' 2023]. It was never revealed who was behind these multiple attacks to teenagers in schools.

Beside protests for women's rights, teachers across various cities staged protests against delayed payments of their salaries and asked for better working conditions. In response to these demonstrations, Education Minister Yousef Nouri resigned, and Reza Moradsahraei was appointed by President Raisi to succeed him. Meanwhile, authorities continued to crack

down on demonstrators by arresting, detaining and jailing protesters and activists. Despite these measures, not only teachers took to the streets demanding their salary in early 2023, but also workers. In February, twenty Iranian trade unions jointly issued a call for a social, modern, and humane revolution aimed at combating oppression, discrimination, exploitation, tyranny, and dictatorship. These twenty independent trade unions and civil organizations in Iran collaborated to compile and release a «charter of minimum demands» [Charter of Minimum 2023] drawing inspiration from the ongoing protests of the Iranian people. This was not a novel phenomenon, as workers in Iran have a rich history of activism and protest. However, it signalled profound dissatisfaction within the working class and underscored the government's persistent failure to offer effective solutions. Labour protests intensified since 2018 due to inflation, drop in standard of living, delayed payments and widespread poverty [Kozhanov 2022].

According to Workers Rights Watch, from January to June 2023, 70 cities across Iran have witnessed more than 406 labour protests [‘Workers Rights Watch’ 2023]. Insufficient wages in the face of escalating prices for essential goods, delayed payment of wages, unsafe working conditions, especially for specific job categories, and job insecurity arising from temporary contracts all contribute to a complex set of challenges in the labour landscape. The prevalence of temporary contracts can be attributed to crony capitalism and the transfer of ownership from state-owned enterprises to ostensibly «private» entities. In practice, many of these private corporations have strong ties to the Islamic Revolutionary Guards or political groups, rendering the process of liberalization indistinguishable from a strategy that primarily benefits government loyalists [Dadvar 2007]. Given the substantial financial investment required for acquisition, many of these industries resort to employing temporary contracts for workers, thereby diminishing their access to social protection.

At Haft Tappe factory, labourers have carried on their enduring tradition of recurrent strikes, persistently demanding fair wage equality. Also, in March strikes occurred at Esfahan Steel Industry, where security forces were deployed, arresting dozens of demonstrators [Strike in Isfahan 2023]. Strikes also encompassed workers across multiple sectors within crucial industries for the republic, including but not limited to oil, gas, petrochemicals, refineries, power plants, and steel industries. Owing to the rise in prices caused by inflation, workers contested their inadequate wages and subsequently walked out of their workplaces. Anti-government demonstrations on social media were encapsulated under the banner of the «nation-wide strike» (*E'tesabat Sarasari*) [Iran's Numerous Industrial 2023].

The response of the Iranian government to popular demonstrations have been tough. Activists and protesters have been arrested, as well as several journalists covering the protests. Amongst them, Niloufar Hamedani and Elahe Mohammadi have been jailed, as they had reported the death

of Mahsa Amini in September 2022 and covered her funeral in Saqqez. They were sentenced to six years in prison on charges of acting against national security. Simultaneously, Iranian women advocating for individual freedom and the respect of human rights continued to attract international attention. A case in point is that of activist Narges Mohammadi, who has a substantial history of championing human rights, actively opposing the death penalty and corruption. For these reasons she has been detained in Evin prison, facing charges of anti-regime propaganda and crimes against national security. And, for the same reasons, she was awarded the Nobel peace prize for 2023 [*Al Jazeera* 2023, 6 October].

Another pressing social concern is the ongoing water scarcity and pollution, which continues to provoke protests in various provinces. The provinces consistently impacted by the phenomena of drought and reduced water flow – notably in Khuzestan, Sistan Baluchistan, and the central provinces like Esfahan – witnessed periodic protests demanding the right to access water. The water crisis is not solely caused by ongoing climate change but also by the mismanagement of resources and the construction of infrastructures, such as dams and canals, redirecting the flow of rivers [Madani 2014]. Protesters assert that authorities make use of politicize water resources to the detriment of minority ethnic communities.

The impact of the water crisis extends to the agricultural sector, giving rise to migration flows and displacements, significantly affecting impoverished households and those dependent on fishing and agriculture for their livelihoods. In Sistan Baluchistan, residents rallied, calling for compensation for the agricultural sector, seeking tax forgiveness, and accusing the government of a weak water policy ['Protests In Southeastern' 2023]. These demonstrations unfolded in an already tumultuous province, where ethnic minorities have been grappling with the central government for decades, primarily due to ethnic discrimination. In the city of Zahedan, security forces violently cracked down on peaceful Baluchi protests, arresting hundreds of protesters, as reported by Amnesty International ['Iran: New Wave' 2023]. Protests related to water scarcity frequently intersected with challenges of economic stagnation, financial deprivation, and ethnic discrimination. A similar scenario unfolded in the oil-rich province of Khuzestan, where, since 2018, people have consistently gathered in the streets of Ahwaz, Abadan, Dezful, and Masjed Soleiman to protest working conditions, water scarcity, water pollution, and environmental degradation ['Iran's Khuzestan' 2023].

## 2.2. *Elections and intra-factions disputes*

Domestic tensions signified a profound erosion of the social contract. The relationship between state and society has been weakening, as made evident not only by the prolonged series of popular protests occurring at a frequent pace since 2017 but also by the low turnout during electoral rounds. The electoral process holds significant importance in the Iranian Republic.

Through elections, the Supreme Leader aims to showcase the system's legitimacy, while society often responds in large numbers, signalling its stance on political matters. This was notably observed in the substantial turnouts during the 1997 and 2013 elections. In both cases, the election resulted in the defeat of conservative and hardline candidates; and this is why reformists and pragmatists also encourage people to vote. Nonetheless, the electoral process lacks complete freedom, given that candidates must navigate through the veto power wielded by the Guardian Council, an unelected body with the authority to arbitrarily approve or reject candidates.

In February 2024, when the formation of the new parliament is scheduled, it will be crucial to examine popular participation in the election as an index of the situation of state-society relations. The previous election, held in 2020, saw the lowest turnout since the 1979 revolution, standing at only 42.6 %. The political result of the elections will be essential to assess how and if the national assembly will shift its political centre and which faction will hold the majority of seats. This will have a profound impact on domestic and foreign policies. Hardly less important will be the assessment of the turnout, which, if below that of the 2020 election, will be an indication as clear as any of the widening gap between state and society and the increasing delegitimization of the former. The low turnout also signals the population's apolitical inclination, indicating a lack of interest and hope in political change.

At the end of 2023, the Guardian Council has already started the vetting process on the thousands of candidates, mainly pro-reformists, as well as members of the parliament willing to run again.

Although conservatives hold sway over all three branches of power, signs of internal frictions and polarization persist. There have been notable changes in key ministries, including the Minister of Education, the head of the Planning and Budget Organization, and the Minister of Agriculture, indicating the existence of internal animosities and disagreements. Indeed, this indicates that domestic factionalism affects even the same faction, leading to rivalries also within what is often referred to as the conservative group.

### *3. Economy and the financial situation*

Iran persisted in grappling with economic challenges. Economic growth was significantly impacted not only by sanctions but also by domestic mismanagement and a lack of transparency. The Raisi administration made minimal efforts to alleviate the consequences of inadequate government management, fluctuations in oil prices, and currency depreciation. As delved into in the preceding paragraph, economic problems contributed to social discontent and socio-political instability. Despite economic relief being the focal point of Raisi's presidential campaign in 2021, the administration has

been unable to address internal malfunctions and mitigate the adverse effects of sanctions.

### 3.1. *Economic issues: domestic and external factors*

By the start of 2023, indications of a challenging economic situation were already apparent. Inflation had surged to 50%, marking the highest level in decades, escalating further to 63.9% by March 2023, when it reached the highest point in 50 years [Inflation Reached The 2023]. The rising inflation rate contributed to currency devaluation, since early 2018 [Amway 2023, 8 February]. This decline worsened when President Trump unilaterally withdrew from the Joint Comprehensive Plan of Action (JCPOA). Owing to economic sanctions, financial isolation, lack of transparency, poor government management, and domestic anti-government demonstrations, the Iranian Rial was persistently losing its value in the open market.

According to the Central Bank of Iran, in October 2023 the cost of food in Iran rose by 36.10 % compared to the same month in the previous year [‘Iran Food Inflation’ 2023]. The surge in prices primarily affects red meat, eggs, bread, dairy products, and cooking oil. In addition to food, inflation significantly surged in the case of housing prices. The escalation in rent or purchase housing prices was attributed by government agencies to mismanagement in construction processes, worsened by a decline in construction activities [Rising Housing Cost 2023] and a reduction in demand in the essential commodities market. The increased housing costs forced Iranian households to cut back on many of their daily necessities to allocate funds to other sectors.

These data highlight some significant issues. First, the government’s lack of accurate record-keeping on economic data leads to information that may differ and possibly be more severe than reported. The second aspect is that vendors frequently alter prices throughout the year, contributing to their fluctuation, and the government has limited control over this dynamic [Ziabari 2023]. A third aspect is that salaries are not adjusted to the rising costs of living, leading to frequent protests and widespread social mistrust in the government’s performance. In late October, the Statistical Center of Iran disclosed that house prices in Tehran had risen by 75 % in September of the current year compared to the same month the previous year [Stone 2023]. Restricted economic growth and pervasive inflation contributed to an escalation in the poverty level. According to domestic sources, the Majlis Research Center stated in a report that the poverty rate in Iran surged from 19 % to over 30 % within a decade [What Is The 2023]. Approximately 10 million people currently find themselves living below the poverty line [Donnan 2023].

The poverty level in the country has the potential to influence state-society relations and fuel social unrest. Equally, it could be wielded by certain segments of the elite to externalize faults and shirk responsi-

bility. The stagnant economy is frequently framed as a consequence of the perceived actions of «arrogant» powers against the Islamic Republic. This narrative may be leveraged in populist campaigns, shaping public perceptions of economic challenges and attributing them to external influences rather than domestic factors [‘Khamenei: Iran’ 2023]. Moreover, the youth unemployment rate saw a decline in the initial half of the year, dropping from 24.2% to 20.1%. However, this figure aligns with the annual average of the preceding two years, indicating that youth unemployment remains a significant concern in the domestic economy [‘Iran Youth Unemployment Rate’ 2023].

Regarding annual economic growth, this article can only rely on estimations. There was a decrease in GDP growth observed between 2021 and 2022. As of early 2023, the annual GDP growth is approximately 2.7% [World Bank 2022]. This data gains significance when contrasted with other countries in the region. In the corresponding period of 2022, the United Arab Emirates exhibited an annual GDP growth of 7.4% [‘United Arab Emirates’ 2022], while Saudi Arabia emerged as the fastest-growing G20 economy in 2022, with a notable annual GDP growth rate of 8.7% [International Monetary Fund 2023].

To elucidate the disparity in economic growth between Iran and its regional neighbours, it is crucial to recognize a combination of external pressures on the Iranian economy and internal malfunctions. Externally, Iran has faced various economic challenges since 2018, including international sanctions that have placed significant constraints on its trade and financial transactions. In 2023, Iran achieved record-high levels of crude oil production and exports, defying the challenges posed by U.S. sanctions. Despite them, Iran managed to significantly increase its crude oil output. Notably, China stands out as the primary destination for Iranian oil, having purchased an average of 1.05 million barrels per day (bpd) in the first 10 months of the year [Xu 2023, 10 November]. A key strategy employed by Iran to boost its oil exports involved selling oil at discounted price [Reuters 2023, 16 November].

One factor contributing to Iran’s limited economic growth was the absence of sufficient foreign investments. The Islamic Republic faced challenges in terms of resources, attractiveness, and a transparent banking system that would appeal to foreign investors. Additionally, the impact of US sanctions further constrained Iran’s ability to attract international investments. In an effort to overcome these limitations, Iran has pursued strategic measures, including entering into long-term cooperation agreements with China and Russia.

Russia, in particular, has become a significant investor in various sectors of the Iranian economy, spanning energy, mining, industrial and transport sectors. By the conclusion of the financial year in 2022, Russia accounted for a substantial portion, comprising two-thirds of the total foreign direct

investment, which amounted to approximately US\$ 4.2 billion [England & Bozorgmehr 2023]. It is expected that this pattern might continue through 2023, indicating the significance of Russian investment in bolstering Iran's economy despite prevailing challenges. A primary catalyst for economic cooperation between Iran and Russia lies in the development and utilization of the International North–South Transport Corridor (INSTC). The INSTC is a project initiated in 2002 with the objective of establishing an extensive network of infrastructures, including roads, railways, and sea connections. The overarching goal is to foster integrated commercial ties among India, Russia, Iran, and potentially Central Asian countries. The corridor aims to streamline and enhance transportation links, facilitating the movement of goods and promoting economic cooperation across the participating nations.

On 17 May 2023, a significant milestone in the development of the INSTC was achieved as President Putin of Russia and President Raisi of Iran signed an agreement to finance the Rasht-Astara railway ['Moscow, Tehran' 2023]. This crucial railway, spanning 100 miles, serves as a previously missing key link in the corridor, facilitating the connection between Iran and Azerbaijan. The agreement highlighted the shared commitment of the two countries, both under international sanctions, to fortify regional infrastructure and promote advanced economic cooperation within the framework of the INSTC. On this occasion, Russia declared its commitment to invest 1.6 billion euros in this railway infrastructure project ['Iran, Russia' 2023].

#### 4. *Foreign Policy*

Two significant events influenced Iranian foreign policy in 2023. First, the year commenced with a diplomatic rapprochement between Iran and Saudi Arabia, aimed at reducing regional tension and fostering collaboration. The second major development was the Israel-Hamas conflict, where Hamas, a member of the Iran-led «Axis of Resistance» was involved. Although the Islamic Republic did not directly participate in the conflict, this war provided Iran with a necessity to reassess and reshape its regional positioning.

##### 4.1. *Iran-Saudi Arabia diplomatic rapprochement*

On March 10, the Islamic Republic and Saudi Arabia chose to mend diplomatic ties, reopening embassies after six years. The objective of this agreement was to acknowledge mutual sovereignty and commit to non-interference in internal affairs [Hafezi *et al.* 2023]. Diplomatic relations between the two nations had ceased in 2016 due to a series of events, including the death of an Iranian citizen during the annual pilgrimage to Mecca, the execution of the Shia cleric Nimr al-Nimr, and the public unrest against the Saudi embassy in Iran. Subsequently, mutual animosity escalated amid

deteriorating stability and security in the whole region. This agreement was signed following two years of closed-door talks between Iran's and Saudi Arabia's delegations in Iraq and Oman, and thanks to China's active mediation. This encapsulates significant implications and projects across various scenarios.

For years, Iran and Saudi Arabia engaged in clashes for regional influence, making use of armed proxies in areas of crisis such as Yemen, Syria, and Iraq [Hiro, 2019]. The escalating regional tensions became detrimental to both Saudi and Iranian national security as well as economic growth. Considering this aspect, it is crucial to emphasize the role of China in mediating the Saudi-Iran rapprochement, as its intervention played a pivotal role in addressing the longstanding geopolitical rivalry between the two countries. China is not inclined to assume the role that the United States played in the region, through decades of military interventions. Indeed, there is a strong likelihood that China will intervene using diplomatic channels to safeguard its economic interests and enhance its diplomatic influence in the region [Jash 2023, 23 June].

After March, the two countries exchanged official visits, although the terms of the agreement remained ambiguous [*Al Jazeera* 2023, 17 August]. While there was a shared commitment to regional cooperation, tension reduction, and de-securitization, the agreement did not specify the terms and conditions of mutual actions. Resuming diplomatic relations was undoubtedly a positive beginning, but it did not establish a clear timeline or juridical conditions to ensure maritime security in the Gulf or to address the Iranian indirect involvement in the Yemeni conflict – in particular the prevention of Houthi incursions into Saudi territory – or avoid mutual security threats.

This agreement does not outline specific fixed objectives; instead, it serves as an assessment on how to address hostility and move towards normalizing bilateral relations. Therefore, it should not be perceived as a re-definition of respective regional policies and military strategies. Instead, it should play a crucial role in mitigating risks, fostering mutual understanding, and preventing miscalculations that could potentially lead to military conflicts [Divsallar 2023]. Therefore, it can be a significant step in building mutual trust and promoting information exchanges related to the two countries' respective actions in sensitive location, like the Persian Gulf. However, several crucial security issues still remain unresolved. Primary among these concerns is nuclear development. Saudi Arabia perceives the advancement of Iranian uranium enrichment as a security risk. In September, Saudi Crown Prince Mohammed bin Salman stated that if Iran obtains a nuclear weapon, «we have to acquire one» [Fazeli & Serrich 2023]. Both nations are signatories to the Non-Proliferation Treaty, allowing them to legally pursue nuclear programmes for civilian purposes. However, the major hurdle lies in the distrust of Iran's intentions, related to its employment of dual use nuclear technology, that is, a technology that can be simultaneously used



for power generation and nuclear device construction. The impact of the nuclear issue on the normalization process between Iran and Saudi Arabia remains unclear [Davenport 2023].

The significance of the Saudi-Iran agreement not only lay in the effort for normalization, potentially paving the way for commercial exchange and economic cooperation, but also in the improvement of the security environment of the region. By mitigating tensions between the two nations, there was an expectation that the Middle East would be less susceptible to military or security escalation. On March 15, Iran's Supreme National Security Council Secretary Ali Shamkhani, visited the United Arab Emirates, signalling the effort to reconcile Iran with other Gulf states. This visit was envisioned as a starting point for discussions on bilateral, regional, and international issues [Reuters 2023, 15 March].

The regional power that viewed the Iran-Saudi rapprochement with suspicion was Israel. The Abraham Accords, signed in 2020, not only aimed to normalize relations between Israel and Arab states, namely the UAE, Morocco and Bahrain [US Department of State 2020], but also to establish an anti-Iran axis, aimed at diminishing Iranian regional influence [‘The Impact Of’ 2023]. While this agreement could potentially pave the way for a shifting in the regional equilibrium, and start a de-securitization process, there are regional players who regard it with suspicion.

#### 4.2. *Iran's Perspective in Israel-Hamas Conflict*

On 7 October, there were reports of a military incursion by armed members of Hamas into Israeli territory. The operation, known as «Al-Aqsa Flood» was launched in the early morning, taking Israeli security and intelligence forces by surprise. During the operation, members of Hamas targeted civilians killing approximately 1,200 people, and reportedly took more than 200 as hostages. This marks the first instance of Hamas carrying out such an extended military incursion within Israeli territory. Of course, the task of this article is not that of analyzing the 7 October attack, but this does not dispense us from highlighting its significance in various aspects of Iran's regional policy.

First, given that Hamas is part of the so-called «Axis of Resistance» – an Iran-led network involving state and non-state actors such as Syria, the Yemeni Houthis, Lebanese Hezbollah, and Iraqi Shia militias [Wastnidge 2017] – questions arose shortly after the attack about Iran's role in the military operation. Despite Iran's longstanding provision of military training and financial support to Hamas, and regular meetings between the group's leaders and Iranian Revolutionary Guards officers, both Israeli intelligence and Iranian official sources concurred on the fact that Iran was not directly involved in the October attack. Supreme Leader Ali Khamenei, while praising the attack as an action of resistance, declared that «Hamas gave us no warning of your Oct. 7 attack on Israel and we will not enter the war on

your behalf» [*Iran International* 2023, 12 November]. However, the Islamic Republic could potentially benefit from the current situation.

A summit took place in Riyadh on 11 November, hosting the Arab League and the Organisation of Islamic Cooperation, a 57-member bloc that includes Iran. The primary focus of the summit was to discuss a cease-fire in the Israeli-Hamas war. This marked President Raisi's inaugural visit to Saudi Arabia. During this occasion, Raisi urged all countries to «cut off political and trade ties with Israel» and boycott relations; also to designate its military apparatus as a terrorist organization [Mehdi 2023, 11 November]. This positioning revealed Iran's ambition to not only isolate Israel but, more importantly, to impede the normalization process between Israel and Arab states.

Following the Abraham Accords, Riyadh outlined prerequisites for establishing normalization with Israel, encompassing security assurances from Washington and assistance in developing a civilian nuclear program [*Al Jazeera* 2023a, 20 September]. This marked a pivotal moment in the Middle East's balance of power, affecting not only the normalization between Israel and key Arab states but also the anti-Iran axis. The potential advancement of a nuclear program in Saudi Arabia might indeed prompt an escalation of enrichment activities in Iran as a deterrent measure. However, this could lead to heightened tension and increased instability in the region.

In response to Israel's military escalation in Gaza, Saudi Arabia promptly announced a suspension of discussions on potential normalization. This development might already be perceived as a triumph for the Islamic Republic, as it has the potential to curtail the normalization process between Israel and Arab states. Moreover, Saudi's standing provides an opportunity for the Islamic Republic to reinvigorate diplomatic exchanges with Arab countries, starting from addressing the Palestinian issue.

A second significant achievement for Iran, arising from the first two months of the Israel-Hamas conflict, pertains to Iran's military strategy. While revolutionary Iran used the Palestinian issue and the anti-Israel narrative as a component of its regional and foreign politics, it refrains from risking a direct military confrontation with Tel Aviv. Throughout the first months of the war, Iran assumed the role of passive observer and did not intervene in the war theatre. This was in line with Iran's long-standing policy to keep Israel occupied in military efforts while leveraging Hezbollah as a major element of deterrence.

A third Iranian achievement was the demonstration of the power wielded by Iran's proxies in the region. Despite their autonomous and localized agendas, the existence and actions of these proxies contribute to Iran's to strengthen its regional role as they continue to provide Iran strategic depth.

Predicting the consequences of the war on the broader Middle East equilibrium is beyond the scope of this article. Nevertheless, as the conflict

started, it is safe to point out that Iran appeared to be gaining at the political level from it.

#### 4.3. *Eastward Strategy: multilateral and bilateral relations*

Building on Ebrahim Raisi's foreign policy approach, Iran sustained its eastward strategy throughout the year 2023. As argued in this and in a previous article [Perletta 2022], Iran is pursuing the strengthening of ties with Russia, China, Central Asian nations, and neighbouring countries. The two-decade long «Look to the East» policy is driven by pragmatic needs such as enhancing investment and trade, as well as aligning with an anti-Western axis. Also in order to react to the practical demise of the Joint Comprehensive Plan Of Action (JCPOA), Iran has actively been cultivating relationships with Eastern partners. Following its inclusion as a permanent member in the Shanghai Cooperation Organization (SCO), a security framework led by China, Iran is set to join BRICS in January 2024. The expansion of BRICS memberships carries a distinct significance in terms of augmenting China and Russia's diplomatic and commercial influence, particularly in juxtaposition with the West.

Joining this regional organizations marks a notable achievement for the Islamic Republic and its eastward strategy, particularly in terms of enhancing bilateral relations with fellow members. Some BRICS members are contemplating the establishment of a dollar-alternative exchange among its member states. As an alternative, Iran can potentially utilize the Chinese yuan, local currencies, and barter arrangements, even if this solution may require time. This strategic move aims at enhancing both its oil and non-oil exports to fellow BRICS members, potentially alleviating pressure arising from US sanctions [Shahidsaless 2023, 31 August]. Nevertheless, while this plan may be welcomed by Russia and China, other BRICS member, such as India and South Africa, will not risk alienating their good relations with the United States. Moreover, the stabilization and relief of the Iranian economy remain contingent on the removal of secondary sanctions, and improvement of national management.

Beyond these multilateral relations, Iran continued to improve bilateral relations with Russia, China, countries of Latin America and Asia. The conflict in Ukraine has strengthened the alliance between Iran and Russia, particularly in terms of military collaboration. Iran is supplying Russia with drones, and there could be additional forms of military exchange. On 9 May 2023, the United States disclosed that Iran was assisting Russian endeavours to establish a drone manufacturing facility, located hundreds of miles east of Moscow [Barnes and Koettl 2023]. The factory is expected to commence drone production in 2024.

As observed in the previous section of this article, China is Iran's main commercial partner; its relations with Tehran, however, extend beyond mere commercial exchange. In October, the Chinese government expressed its

willingness to bolster communication and coordination with Iran within the United Nations, the SCO, BRICS, and other multilateral mechanisms [Xinhua 2023, 27 October]. Also, China has been a key player in the Iran-Saudi normalization process.

Since August 2022, formal discussions regarding the revival of the JCPOA have come to a standstill. In 2023, the United Nations' nuclear watchdog reported that Iran has decelerated its enrichment process [*Associated Press*, 2023, 4 September]. The proliferation risk persists due to the unresolved issue of AIEA officials' limited access to Iranian nuclear facilities and their inability to access surveillance camera footage. Meanwhile, Oman and Qatar have facilitated indirect negotiations between Iran and the US, resulting in the arrangement of a planned prisoner swap and the release of assets. The prisoners swap involved the exchange of five Iranians for five US citizens, accompanied by the unfreezing of US\$ 6 billion in Iranian assets in South Korea. Nonetheless, by the end of December 2023, given the war in Ukraine, the uncertain developments in the Israel-Hamas conflict, and the approaching US presidential elections in 2024, it is unlikely that any significant improvements on how to relaunch the JCPOA will be finalized in the medium term.

## 5. Conclusion

During 2023, Iran did not exhibit major changes in its domestic and foreign policy. President Raisi continued to pursue an eastward strategy to alleviate the adverse effects of sanctions and enhanced both multilateral and bilateral relations with Eastern countries. Gaining entry into the SCO and BRICS marked a significant achievement in the pursuit of the «Look to the East» policy. Nevertheless, domestically, significant challenges persisted in the economic sector and state-society relations. The economic challenges continued, causing strain on both daily life for consumers and salaries. This sparked workers-led protests and demonstrations throughout 2023, with a determination to go on with them, unless solutions are found to alleviate the high costs of living, inflation, and unemployment.

Despite the conservatives' control over the three branches of power (executive, legislative and judicial), tensions escalated between members of the parliament and the cabinet. The removal of several ministers and the emergence of animosity between the legislative and executive branches were particularly notable, especially concerning the new dress code regulation. Some adopted more hardline positions and criticized others for their perceived «soft» approach. This demonstrates the ongoing struggle within the so-called «second generation» of conservatives, including technocrats, Islamists, heads of religious foundations, and military figures. President Raisi, along with the conservative-led parliament, has intensified control over

individual life and public spaces. While protests are more limited to ethnic minorities and working categories, and reduced in volume in comparison to 2022, indeed, they signify a nation grappling with the need for renewal, a process that is often compromised by the power struggle at the elite level.

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