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'Govt can rake in ₹3.50-lakh cr if it reduces stake in PSEs to 51%'

Our Bureau
Mumbai

The potential kitty from disinvestment receipts, if the government decides to bring down the stake in all public sector enterprises (PSEs), public sector banks (PSBs), other financial institutions (FIs) to 51 per cent, would be at about ₹3.5-lakh crore, according to an assessment by Bank of Baroda's economic research department.

Of this, ₹1.7-lakh crore can come from PSEs and ₹1.8-lakh crore from financial institutions, per a note by Sonal Badhan, Economist, BoB.

However, as the government's stake comes down, there would also be lower dividend inflows from these enterprises, she said. Currently, dividend earned from all PSEs (bank and non-bank) stands at ₹50,000 crore.

MARKET CAPITALISATION

"At the present level of the Sensex, total market capitalisation of government holdings in these enterprises (PSEs and FIs) is around ₹17-lakh crore. "Bringing down the stake to 51 per cent across the



board would be releasing around ₹3.5-lakh crore. This implies that the dividend yield stands at around 3 per cent," Badhan said.

For the hypothetical exercise to determine the potential size of disinvestment receipts if the government were to divest its stake in all PSEs, PSBs and insurance companies up to 49 per cent (thus retaining control with 51 per cent shareholding), the market capitalisation along with the current shareholding of the government has been based on the closing price on March 8, 2023, as specified on the Department of Investment and Public Asset Management (DIPAM) website. The BoB economist observed that among the 53 PSEs under the

the Central government which are listed, maximum dilution (above 35 per cent) is possible in 10 companies — KIOC, Scooters India, HMT, ITI, ST trading corporation, Fertilizers and chemicals Travancore, MMTC, Andrew Yule and Company, ITDC and SJVN. However, the revenue earned from these will be limited (₹24,929 crore) as their current market capitalisation is low, per the note.

On the other hand, maximum revenue potential (based on current M-cap) exists from dilution in companies such as Hindustan Aeronautics Ltd, Coal India, ONGC and Indian Railways Finance Corporation which can potentially raise around ₹75,000 crore.

So far in FYTD23, the government has collected ₹31,106 crore in disinvestment receipts with a bulk of it coming from LIC's initial public offer (IPO) (₹20,516 crore).

PM, Hasina to launch ₹377-cr cross-border oil pipeline on Mar 18

SUBHAYAN CHAKRABORTY
New Delhi, 10 March

Prime Minister Narendra Modi and his Bangladesh counterpart Sheikh Hasina will launch India's first cross-border oil pipeline with the neighbouring country — there is another one with Nepal — on March 18.

Bangladesh Foreign Minister A K Momen confirmed the development on Friday.

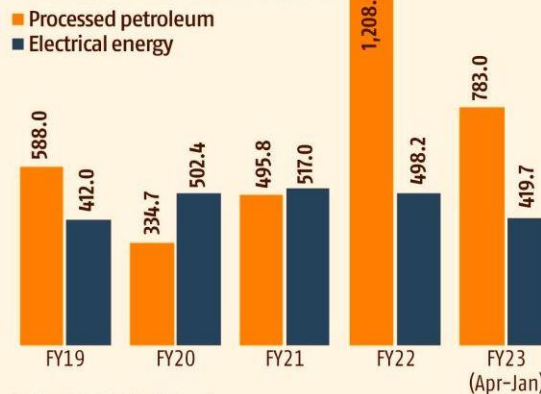
The 130-km-long Indo-Bangla Friendship Pipeline (IBFPL), constructed at a cost of ₹377.08 crore, is part of several bilateral measures to allow Bangladesh to tap larger volumes of energy to meet its growing domestic demands. It would carry high-speed diesel from Numaligarh Refinery (NRL) in Assam.

The pipeline would carry fuel from NRL's marketing terminal in Siliguri, West Bengal, to the state-run Bangladesh Petroleum Corporation's (BPC's) oil depot in Parbatipur city in Dinajpur district. The custody transfer point would be at the Banglabandha international border point in the suburbs of Siliguri. BPC would have sole marketing rights within Bangladesh.

The ground-breaking ceremony for the IBFPL was held in September 2018 and the project had been closely monitored by the Prime Minister's Offices of both nations since.

The bilateral project has been financed by a grant in aid of ₹285.24 crore by India and ₹91.84 crore by NRL. Only 5 km of the pipeline would run within Indian territory. The pipeline can potentially trans-

ENERGY EXPORTS (\$ mn)



Source : Commerce Department

port 1 million metric tonnes per annum (MMTPA).

Like all other countries in the subcontinent, refined petroleum accounts for the largest chunk of Bangladesh's import bill.

As of 2020, Bangladesh was the world's 42nd largest importer of refined petroleum, importing \$2.64 billion of the product, according to the Observatory of Economic Complexity, an international data visualisation site for international trade data created by the Macro Connections group at the MIT Media Lab.

In 2019, the 69-km-long oil pipeline to transport fuel from Barauni in Bihar to Amlekhgunj in Nepal was opened. It was constructed by Indian Oil Corporation (IOC) with an investment of over ₹324 crore, in collaboration with Nepal Oil Corporation. India is Nepal's sole oil supplier and the pipeline was built to take the pressure off road-based oil tankers.

Other projects soon

The successful launch of the project is likely to give a fillip to similar bilateral endeavours. India has also been providing grant assistance to Bangladesh for various infrastructure projects, including construction of Akhaura-Agartala rail link and dredging of inland waterways in Bangladesh.

NRL and BPC had, in April 2017, inked a long-term agreement for selling high-speed diesel from India to Bangladesh through the IBFPL. In October that year, NRL signed another 15-year pact with BPC for export of gas oil (diesel) to the neighbouring nation.

IOC is in talks with the Roads and Highways Department of Bangladesh to facilitate the shipment of petroleum, oil, and lubricants from Assam and Meghalaya to Tripura via Bangladesh. Talks picked up pace last year after floods devastated the communication links in the northeastern region.

DIESEL TRADE

MODI, HASINA TO INAUGURATE CROSS-BORDER OIL PIPELINE

LAYEKUZZAMAN
DHAKA

Bangladesh Foreign Minister AK Abdul Momen said Bangladeshi Prime Minister Sheikh Hasina and Indian Prime Minister Narendra Modi would jointly open the first cross-border oil pipeline on 18 March for diesel transportation to Bangladesh. The Foreign Ministry told this story Thursday afternoon at a briefing at the Foreign Ministry. He added: "The two leaders will inaugurate the pipeline on 18 March (through video conferencing)". The Bangladesh foreign minister's announcement came a week after he held talks with India's External affairs minister, S. Jaishankar, in New Delhi on the sidelines of the G20 Foreign Ministers' Meeting last week.

According to Bangladesh Petroleum Corporation (BPC) officials, India would

export diesel through the 130-km India-Bangladesh Friendship Pipeline (IBFPL), built at a cost of around 3.46 billion Indian rupees drawn from the Indian line of credit (LoC). The pipeline stretches 125 km inside Bangladeshi territory and 5 km inside India. The two leaders joined the ground-breaking ceremony for the IBFPL in September 2018 through video conferencing. Bangladesh has so far imported diesel from India through railway carriages. Momen said, "I told them (the Indian side) to keep their promise (to ensure zero border killing)," Momen said, adding that New Delhi also reiterated that it did not want to see any killing along the frontier as in Bangladesh. Momen said India gave high respect to the Bangladesh delegation throughout the G20 Foreign Ministers' Meeting, reflecting the excellent Dha-ka-Delhi bilateral relations.

PM Modi, PM Hasina to inaugurate first Indo-Bangla cross-border oil pipeline on March 18

DHAKA: Bangladesh Prime Minister Sheikh Hasina and her Indian counterpart Narendra Modi will jointly inaugurate the maiden cross-border oil pipeline between the two countries on March 18 for diesel transportation to this country, Bangladesh's foreign minister has said.

Speaking at a Ministry of Foreign Affairs press conference here on Thursday, Foreign Minister Dr AK Abdul Momen said, "The two premiers will inaugurate the pipeline on March 18 (through video conferencing)," the country's official news agency BSS reported on Thursday.

Delhi would use the 130 km India-Bangladesh Friendship Pipeline (IBFP), built from approximately Rs 3.46 billion, drawn from the Indian Line of Credit (LoC), to export diesel to Dhaka, Bangladesh Petro-



leum Corporation officials were quoted as saying in the report.

"Good news is India will send us diesel. The pipeline has been completed," Momen said.

A long-term agreement was signed in 2017 to import diesel from India to Bangladesh through the pipeline, which stretches from West Bengal's Siliguri to a Meghna petroleum

depot in Dinajpur's Parbatipur, the BDNews news portal reported.

The bilateral project launched in March 2020 had an initial deadline of June 2022 that was pushed back another year due to complications from the COVID-19 pandemic, the report added.

The pipeline stretches 125 km inside Bangladesh's terri-

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Previously Bangladesh used railway carriages to import diesel from India.

The two premiers also joined the ground-breaking ceremony for the IBFP in September 2018 through video conferencing, the report said.

India also withdrew its objection to Dhaka building any establishment inside 150 yards of Bangladesh territory along the zero lines, Momen said. "Now we can start our projects (along the frontier)," the foreign minister was quoted as saying in the report. PFI

Proposal for Indian Oil's mega dual feed cracker plant gets Odisha govt nod

EXPRESS NEWS SERVICE

@ Bhubaneswar

THE state cabinet has approved the incentive proposal of Indian Oil Corporation Limited (IOCL) for setting up a mega dual feed cracker unit at Paradip at an investment of ₹58,042 crore.

The decisions taken at the cabinet meeting presided over by Chief Minister Naveen Patnaik on Thursday was tabled in the Assembly by Parliamentary Affairs minister Niranjana Pujari on Friday.

The dual feed cracker unit will produce ethylene, polypropylene, poly vinyl chloride (PVC), phenol, iso-propyl alcohol (IPA) for total capacity of 2,822 tonne per annum (KTA).

A high-level committee set up by the state government had recommended the incentive



package basing on the proposal of the IOCL taking into account the benefits to the state. The unit will enable significant industrial development in various downstream industries like plastic, pharma, agro chemical, personal care products (FMCG), speciality chemicals, paints and packaging materials.

The IOCL and its downstream industries in the MSME sector will generate 25,000 employment opportunities both directly and indirectly. The

state will also gain through the equity investment towards land to be allotted in favour of the company, the statement tabled by the minister added.

The cabinet also approved a proposal to enact a new Apartment Ownership Act to do away with certain deficiencies in the existing law. The objective is to make the laws governing housing projects comply with the Real Estate (Regulation and Development) Act, 2016. Besides, the cabinet approved the proposal to give one-year extension to the license given to 13,428 fair price shop (FPS) dealers in the state till March 31, 2024.

The cabinet also approved creation of one post of principal secretary for engagement of Manoj Kumar Mishra on contractual basis after his resignation from Indian Railway Traffic Service (IRTS).

प्रधानमंत्री 18 को तेल पाइपलाइन का करेंगे उद्घाटन

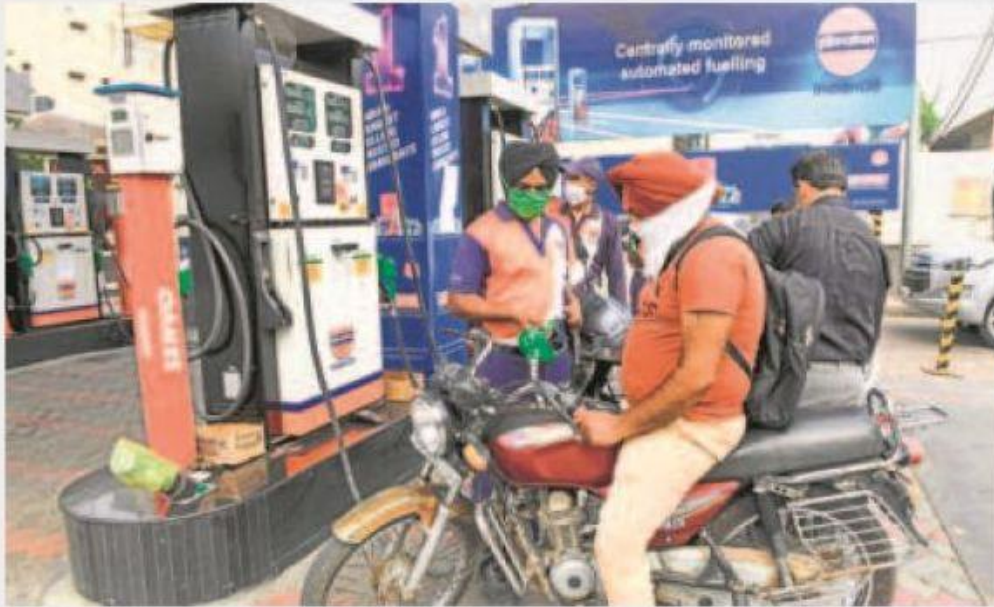
ढाका। प्रधानमंत्री नरेंद्र मोदी और बांग्लादेश की प्रधानमंत्री शेख हसीना 18 मार्च को दोनों देशों के बीच तेल पाइपलाइन परियोजना का उद्घाटन करेंगे। बांग्लादेश के विदेश मंत्री डॉ. एके अब्दुल मेमन ने बताया, दोनों नेता



नरेंद्र मोदी

वर्चुअली शामिल होंगे। 3.46 अरब रुपये से बनी यह पाइपलाइन भारत से बांग्लादेश के लिए डीजल आपूर्ति के लिए इस्तेमाल की जाएगी। एजेसी

India's February fuel demand hits at least 24-year high



India's fuel demand hit its highest level in at least 24 years in February, data showed on Thursday, with industrial activity in Asia's third biggest economy boosted by cheap Russian oil. Consumption of fuel, a proxy for oil demand, rose by more than 5% to 4.82 million barrels per day in February, its 15th consecutive y-o-y rise, data showed. **REUTERS**

NATIONAL INTEREST

India's *jalebi* of friend & foe

Modi govt finds itself in a contradiction of its own making. It has encouraged pro-Russian, Westophobic public sentiment while setting strategic policy that's exactly the opposite.

SHEKHAR GUPTA writes

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India's jalebi of friend & foe

Modi govt finds itself in a contradiction of its own making. It has encouraged pro-Russian, Westophobic public sentiment while setting strategic policy that's exactly the opposite

Who are India's allies, friends or enemies/adversaries in the world today? That Pakistan and China are adversaries is simple enough. But it becomes tougher when it comes to allies or friends. Then we get into the truly cluttered business of friends of adversaries and adversaries of friends. And also, where an adversary is the closest friend of a friend who's the sworn enemy of an ally and also, at the same time, the most critical ally of an enemy. I know, I know it is messy. Let me try to declutter.

Think China-Russia-America-China-Pakistan to begin with. There's plenty of evidence in the public domain that Russia cannot last more than a few weeks in its war with the West (via Ukraine) without China's help. The latest trade data available from the Chinese customs department shows that business between the two has boomed in a year when China's economy has slowed down and overall trade declined.

Much of the growth is contributed by Russian exports. There's a popular view — particularly in self-congratulatory India — that it is our purchase of Russian oil that's driving their economy and war effort. The Chinese contribution to the Russian economy is several times greater. No surprise.

Plus, the prospect of at least the supply of softer military merchandise is always a near-term possibility.

India's oldest ally, therefore, is truly dependent economically, politically and — ultimately — militarily only on one country and our most formidable long-term adversary, with nearly 60,000 troops sitting battle-ready threatening us. That takes care of the first part of our jumbled equation: Your adversary being the closest friend of a friend.

Let's cut to the next bit. This adversary (China) is best friends with the worst enemy (Russia) of a country you now call an essential strategic ally. We pick that description from the many joint statements issued between Indian prime ministers and American presidents. Further on, the same adversary is also the patron, friend and master, lender of first resort and security guarantor of your most irritating immediate irritant, Pakistan.

If it is challenging to simplify this, it also underlines the complexities of the world we inhabit. Our military dependence on Russia is deep, and will likely remain so for at least five more years. Nobody can replace 95 per cent of the tanks, 70 per cent of the combat aircraft, the flagship and a

majority of the flying assets of the Navy overnight.

Where would you expect Russia to be positioned if, as the military people like to say, the balloon goes up on the LAC? It would be a small mercy in that case if the Russians at least remain as neutral and disinterested as they seemed in 1962. At least in 1962, the Soviet Union was a much bigger power, an ideological elder brother to China. Now, the equation has reversed. Putin's wartime Russia is a courtier of China.

That's why it was fascinating to see Russian Foreign Minister Sergey Lavrov grandstand at the just-concluded Raisina Dialogue in New Delhi, wowing a hall filled with admiring policy wonks by rubbing it in on his Indian hosts. A bit like Patrick Bergi's Martin Burney in *Sleeping with the Enemy* telling Julia Roberts's character Laura Burney: We all forget things. That's what reminding is for.

India and Russia, he reminded his mostly fawning audience, have a treaty that says they have a "special and privileged strategic partnership". "Which other country do you have such a treaty with?" he taunted his audience.

I am sure others are smarter, but at least I had to research what treaty he was talking about.

Most likely, it seems, it was what P V Narasimha Rao signed with Boris

Yeltsin in 1993, as the successor of the 1971 Indo-Soviet Treaty of Peace, Friendship and Cooperation.

Since the Cold War had ended and the Soviet Union vanished, India felt pressured to maintain a special relationship with its successor state. The critical Article 9 of the original treaty, which implied mutual security guarantees, was obviously dropped.

Of course, nobody was going to be rude enough in a New Delhi strategic gathering to remind Mr Lavrov of that. Or of the many joint statements and agreements with the US, the only world power India has publicly described as an essential strategic ally in the past 25 years.

It was in the same era (the 1990s) that Mr Lavrov's then predecessor Yevgeny Primakov talked India into the three-nation Russia-India-China partnership. That, Mr Lavrov reminded us, is now a useful forum where India and China can meet to resolve their differences without the hesitations or pres-

ures of a bilateral. Russia being the honest, if silent, broker. That was some reminding.

Mr Lavrov got away with many interesting claims, some of which are also routinely made in the Indian strategic debate. The issue of the so-called Global South, for example. Once again, a simple fact check would've provided some clarity. Like on the voting record of the so-called Global South, which many Indian leaders and commentators have also been talking about lately.

At the last UN vote, only seven nations voted against the resolution asking Russia to stop its aggression and vacate Ukraine. These were the usual suspects: Syria, Belarus, Nicaragua, North Korea, Eritrea, and Mali. The seventh, no surprises, was Russia. Thirty-two, including India, abstained. And 141 voted for the resolution. That is a lot of the so-called Global South.

Which brings us back to our jumbled, "jalebi" formulation of India's strategic universe: Russia, an inalienable friend dependent on China, and Pakistan, a permanent adversary that has no other source of strength — or money. And the US an essential strategic ally.

Pakistan's desperation is of a different order. The Gulf Arabs are wary of it and it is alienated from the West, though the British are working hard behind the scenes for some sort of rehabilitation in Washington.

If Pakistan is selling critical tank and rocket ammunition to Ukraine, it isn't a purely autonomous act, whatever its need for dollars or wheat in barter. This is an application for forgiveness to the US for past crimes.

It is this complex strategic world that India is navigating. Behind the talk of the Global South, equidistance, and strategic autonomy, however, the business end of the strategic stuff is going on fine. A Nato team met its Indian counterparts to explore more cooperation in the Indo-Pacific even as conflicted interests reigned at the G20.

The latest Quad statement had a paragraph on Ukraine categorically asking Russia (without naming it) to vacate its aggression with respect for Ukraine's sovereignty, territorial integrity and rules-based international order. It also said the "threat of use of nuclear weapons is inadmissible".

Meanwhile, the US Secretary of Commerce Gina Raimondo arrived in Delhi, and not only to play Holli at Defence Minister Rajnath Singh's home. On the agenda is a partnership on semiconductors. This follows the progress made earlier on high-tech areas during National Security Advisor Ajit Doval's Washington visit.

The Narendra Modi government now finds itself in this deepest of contradictions of its own making. It has let, even encouraged, the building of a public opinion that's Westophobic and pro-Russia even as the course it has set on strategic policy is exactly the opposite.

It is uncharacteristic for Mr Modi who usually believes in aligning both, his policies and public opinion. At some point soon, a course-correction might be needed on one or the other. In my view, more likely on public opinion. Today's contradictions are unsustainable.

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NATIONAL INTEREST

SHEKHAR GUPTA

It is a complex strategic world that India is navigating. Behind the talk of the Global South, equidistance, and strategic autonomy, however, the business end of the strategic stuff is going on fine

Iran, Saudi Arabia to resume ties, reopen embassies

Iran and Saudi Arabia agreed on Friday to re-establish relations after seven years of hostility, which had threatened stability and security in the Gulf and helped fuel conflicts in the West Asia from Yemen to Syria. The deal was announced after four days of previously undisclosed talks in Beijing between top security officials from the two rival West Asia powers. Tehran and Riyadh agreed "to resume diplomatic relations between them and re-open their embassies and missions within a period not exceeding two months", a statement said. **REUTERS**

NTPC asks govt to revamp coal allocation to prevent hiccups

NTPC, India's largest power producer, has asked the government to take a relook at the coal allocation matrix in the country to prevent any sharp depletion in fuel stocks at generating stations, especially during high-demand months. . .

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Coal stocks critical at rail-fed stations, NTPC seeks rejig

Subhash Narayan
subhash.narayan@livemint.com
NEW DELHI

India's largest power producer NTPC wants the government to take a relook at the coal allocation matrix in the country to prevent any sharp depletion in fuel stocks at generating stations, especially during high-demand months.

The coal allocation matrix is fixed by the Centre under which Coal India Ltd agrees to supply required fuel to NTPC for the life of the plants. The long-term fuel supply agreement has clauses for annual revision of fuel prices depending on variations in the market.

According to officials privy to the development, while coal supplies to pit-head power plants have largely been met, non-pithead or rail-head plants have just 43% of the mandated 27-day coal stocks, and these could deplete fast when demand is high.

As per official data, while NTPC's coal generation increased by 12.81% in the current fiscal, the coal supplies from CIL and SCCL to NTPC stations were reduced by 0.3%. Further, if there is no coal offtake through RCR (rail cum road) mode by NTPC, the actual receipts are lower by 6.5 million tonnes (MT) or 3.4% as compared to the previous year.

Data from the Central Electricity Authority (CEA) as of 8 March shows that 42 power plants have critical coal stocks—less than 25% of normative coal stocks or just enough to run power plant at 85% of its capacity for less than a few weeks. Almost all of these



Coal demand will peak in the upcoming summer.

power plants are non-pit head plants. "Slower supplies have led to the continuous depletion of coal stock, especially at NTPC's rail-fed stations. Further, the materialization in Q4 from CIL and SCCL is only 80% and 79% respectively leading to continuous stock depletion. Due to the alarming situation, a request has been made to change the coal allocation matrix, especially for power plants with priority loading

given to units which put in additional effort to maintain generation," said one of the officials quoted above.

Questions sent to NTPC remained unanswered till press

time. Though the current spike in power demand has created problems, there has been a continuous shortfall in coal supplies to power plants, especially at NTPC stations since September 2022. The official quoted above said that while the coal stock at rail-fed stations in the country is 43% of the normative stock, the coal stock at NTPC rail-fed stations is only 39% and supplies to company's plant are continuously deteriorating.

Nearly 42 power plants are having critical coal stocks, and have less than 25% of normative coal stocks

Saudi Arabia, Iran restore relations in deal brokered by China

Stephen Kalin

feedback@livemint.com

Iran and Saudi Arabia agreed to re-establish diplomatic relations Friday in a deal brokered by China, ending seven years of estrangement and jolting the geopolitical alignment of the Middle East.

The deal, which comes after other unsuccessful attempts by Iraq and others to mend fences, marks a diplomatic victory for Beijing in a region where the U.S. has long dominated geopolitics.

Iran and Saudi Arabia are major suppliers of oil to China and have sought closer economic ties, but the agreement is the first time Beijing has weighed in so heavily on the

region's rivalries.

The agreement was hammered out in secret in Beijing between top Saudi and Iranian officials over several days, Iranian state-aligned media reported. It comes three months after Chinese leader Xi Jinping met with Saudi Crown Prince Mohammed bin Salman in December in Riyadh, and follows Iranian President Ebrahim Raisi's trip to Beijing last month.

Under the agreement released by all three countries, Iran and Saudi Arabia will reopen their embassies and missions on each other's soil within two months, and both affirmed noninterference in the internal affairs of other states. The two countries

agreed that their foreign ministers will hold a summit soon to hammer out the details.

Ties between the two countries were cut in 2016 after the Saudi Embassy in Tehran was overrun amid protests over the execution of a prominent Shi'ite cleric by the Saudi government.

Since then, the Iran-Saudi rift has represented the often violent schism between Shi'ite and Sunni Muslims that has dominated the Middle East for decades.

The Saudis and Iranians have backed opposite sides in conflicts ranging from Syria to Yemen over the past seven years. In 2019, they were on

the brink of war when Iran was blamed for missile and drone attacks on a Saudi oil field.

The rapprochement follows a host of signs that the embers from sectarian conflicts were cooling. A United Nations-supported truce between Saudi-

and Iran-backed sides in the Yemen war has held for nearly a

year. The civil war in Syria has largely been won by President Bashar al-Assad's government, with help from Iran and Russia.

Another Persian Gulf rival of Iran, the United Arab Emirates, reopened its embassy in Iran last year and has been pursuing trade and open lines

of communication with Tehran.

The re-establishment of diplomatic ties doesn't make Iran and Saudi Arabia allies—they continue to have different visions for the Middle East. The agreement didn't address concerns that the Saudis share with the U.S. and Israel about Iran's proxy militias in Lebanon, Syria, Yemen and elsewhere, or its ballistic-missile program.

It also leaves unaddressed Iran's nuclear program, which has been a source of friction between Tehran and much of the world, including China, for two decades. U.S. sanctions on Iran have left its economy in ruins, with a currency crisis in recent weeks roiling the coun-

try.

But the China-brokered deal represents a significant reduction in tensions that once seemed irresolvable.

China's role in the talks marks a watershed moment for Beijing's ambitions in the region, and another blow to the U.S. in a part of the world where it has waged war and spent hundreds of billions of dollars in providing security for allies. Along with Russia's intervention in the Syrian civil war, China's secret diplomacy is another sign of the U.S.'s struggle to maintain influence in the Middle East.

A National Security Council spokesperson said the U.S.

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Saudi Arabia, Iran restore relations in deal brokered by Beijing

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welcomed efforts to de-escalate tensions in the Middle East and had supported previous efforts in Iraq to cool off Iran-Saudi tensions. "We have long encouraged direct dialogue and diplomacy to help reduce tensions and reduce risks of conflict," the spokesperson said.

China has stepped up its relations with Saudi Arabia and Iran in recent years as it became a major buyer of Middle East oil, but its ambitions had long appeared mercantile, with little interest in involving itself in the region's messy disputes.

Beijing has provided a lifeline to sanctions-hit Iran, becoming its main remaining crude buyer since the U.S. pulled out of a nuclear deal in 2018. But it has also sought closer ties with Saudi Arabia, Iran's regional rival, for which

it is the biggest trade partner and a top oil buyer. Riyadh has also started importing sensitive missile technology from the Chinese military.

Tehran had been increasingly worried Beijing's growing ties with Saudi Arabia could leave it further isolated. Mr. Xi's visit to Saudi Arabia in December triggered a backlash in Iran after Beijing joined an Arab statement calling on Tehran to cooperate with the International Atomic Energy Agency over its nuclear program.

The Gulf-China summit in Riyadh in December was key in getting Beijing more interested in de-escalating tensions between Riyadh and Tehran, said Ayham Kamel, head of Middle East and North Africa at political-risk advisory firm Eurasia Group, calling it a "quick win that showcases a new framework" of cooperation between China and the Middle East.



Saudi national security adviser Musa'ed bin Mohammed Al-Aiban with Iranian rear admiral Ali Shamkhani, the secretary of the Supreme National Security Council, and China's director of the office of the central foreign affairs commission Wang Yi, in Beijing.

"Prince Mohammad bin Salman's view that China can accommodate some of Riyadh's security interests has been partially vindicated," said Mr. Kamel.

China's ability to broker a

deal between two Middle East heavyweights "opens the first chapter of Beijing emerging as a key diplomatic power in the region," he added.

Aaron David Miller, a veteran U.S. negotiator in the

Middle East, said the deal reflects smaller powers readjusting to Washington's de-prioritization of the region.

"The Saudis see a multi-polar future with China and Russia as important partners—fellow autocrats who don't ask questions about human rights," said Mr. Miller, now a senior fellow at the Carnegie Endowment for International Peace.

"But it's also a real slap in the face to Biden. At a time when U.S.-China relations are getting colder, MBS is getting cozier with Beijing," he said, using Prince Mohammed's initials.

President Biden tried to revive U.S.-Saudi relations last July with a visit to Riyadh, where a photograph of him fist-bumping Prince Mohammed went viral. But the visit

ended with few takeaways, and with Mr. Biden criticizing the crown prince over the 2018 killing of Saudi journalist Jamal Khashoggi.

The American intelligence community assessed that Prince Mohammed ordered the operation that led to Mr.

The deal marks diplomatic victory for Beijing in a region where US has long dominated geopolitics

Khashoggi's killing. The Saudi government initially denied involvement in Mr. Khashoggi's death but later acknowledged that government officials carried out the killing

and said the crown prince wasn't personally involved.

Iran and Saudi Arabia are restoring relations at a time when the U.S. is trying to broker a peace deal between the Saudis and Israel, which would add to the growing ties between Israel and an Arab world that was once full of

enemies. Iran is a rival of Israel, opposing the normalization deals and waging a covert war against it.

It couldn't be immediately determined Friday how renewed Saudi-Iran ties would affect attempts to also build bridges to Israel. Arab countries have embraced ties with Israel in part for intelligence sharing on Iran, and there have long been hopes in Washington for a so-called Arab NATO that would counter Iran.

In Israel, the announcement of restored Saudi-Iran ties was met with dismay.

"The Saudi-Iran deal is a total failure of the Israeli government's foreign policy," said Yair Lapid, the opposition leader. "It's the collapse of a regional defense wall we started building against Iran." *Dion Nissenbaum contributed to this article.*

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