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MOTIVATIONS AND LIMITATIONS IN IRAN-CHINA RELATIONS

by

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MOTIVATIONS AND LIMITATIONS IN IRAN-CHINA RELATIONS

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ABSTRACT

In March 2021 the Islamic Republic of Iran and the People's Republic of China signed a 25-year cooperation agreement detailing their Comprehensive Strategic Partnership (CSP), critical to U.S. objectives deterring Iran and addressing strategic competition with China. To better understand this relationship and implications of the CSP, this thesis uses a historical analysis of Iran-China relations since 1979 to explain what motivations and limitations led to and shaped the CSP. The analysis concludes that the utility of the enduring relationship has resulted in a mutually beneficial partnership, despite U.S.-led international pressure against Iran. Relationship drivers—China's utility to Iran providing economic and diplomatic support to counteract its isolation, and Iran's utility to China for resources and as a hedge against the United States—led to the CSP. Conversely, relationship limitations—Iran's fear of overdependence on China and China's need to balance support for Iran with other priority interests—have resulted in the CSP being largely non-specific and cooperation being less than Iran's strategic location and large natural and human resources dictate. Ultimately, Iran's policies have led to its isolation and sanctions, which have caused it to turn to China for support; however, Iran's policies have also caused China to moderate its support so as not to jeopardize China's more important interests and relationships, including Saudi Arabia and the United Arab Emirates.

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LIST OF ACRONYMS AND ABBREVIATIONS

BPD	barrels per day
BRI	Belt and Road Initiative
CCP	Chinese Communist Party
CNPC	Chinese National Petroleum Corporation
CSP	Comprehensive Strategic Partnership
GCC	Gulf Cooperation Council
IRI	Islamic Republic of Iran
JCPOA	Joint Comprehensive Plan of Action
MOU	memorandum of understanding
NIOC	National Iranian Oil Company
NPT	Nuclear Non-Proliferation Treaty
OPEC	Organization of the Petroleum Exporting Countries
PRC	People's Republic of China
SAM	surface-to-air-missile
SCO	Shanghai Cooperation Organization
UNSC	United Nations Security Council

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I. MOTIVATIONS AND LIMITATIONS IN IRAN-CHINA RELATIONS

On 27 March 2021 the Islamic Republic of Iran (hereafter IRI or Iran) and People's Republic of China (hereafter PRC or China) agreed to a 25-year Comprehensive Cooperation Agreement, highlighted by a (reported) 400-billion-dollar trade deal.¹ This agreement further detailed the 2016 Comprehensive Strategic Partnership (CSP), which elevated Iran to China's highest tier of diplomatic relations.² Key areas of cooperation outlined in the 2021 agreement (hereafter referred to as the CSP) include: energy; Belt and Road Initiative (BRI) integration (such as transportation and infrastructure); Makran Coast development; telecommunications; increasing financial and economic cooperation (highlighting banking and special economic zones); defense and security cooperation (bilaterally through exchanges, research, and drills); and political, cultural, and scientific cooperation.³ While not a formal security alliance, the CSP gives Iran-China relations the same formal status as China has with other key Persian Gulf states including the United Arab Emirates and Saudi Arabia.⁴ This relationship is rooted in the two nations' Silk Road trade history, and is based on possibilities for Iran's increased participation in the BRI as a result of its geostrategic location and energy resources.⁵ The future of this Iran-China partnership is central to Iran's long term anti-U.S. strategy and China's BRI

¹ Farnaz Fassihi and Steven Lee Myers, "China, With \$400 Billion Iran Deal, Could Deepen Influence in Mideast," *New York Times*, March 27, 2021, sec. World, <https://www.nytimes.com/2021/03/27/world/middleeast/chiyna-iran-deal.html>.

² Fassihi and Myers; Will Green and Taylore Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership" (U.S.-China Economic and Security Review Commission, June 28, 2021), 6, https://www.uscc.gov/sites/default/files/2021-06/China-Iran_Relations.pdf.

³ Lucille Greer and Esfandiyar Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context," *Wilson Center*, no. 38 (September 2020): 24–37.

⁴ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 5; Lucille Greer and Esfandiyar Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds," *Washington Post*, April 1, 2021, <https://www.washingtonpost.com/politics/2021/04/01/china-iran-announced-new-economic-security-partnership-thats-not-alarming-it-sounds/>.

⁵ Greer and Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context."

implementation and influence in the Middle East.⁶ The future of the Iran-China relationship thus also has critical implications for U.S. interests, particularly given U.S.-China strategic competition.

A. MAJOR RESEARCH QUESTION

This thesis will examine the question: what motivations and limitations in Iran-China relations have led to and shaped the CSP? To answer this question, this thesis will examine the history of the Iran-China relationship since 1979 to identify what has fueled and constrained the relationship from both an Iranian and Chinese perspective given domestic factors and shifting U.S. policy. The thesis will analyze key developments in the relationship, from Chinese arms sales to Iran in the 1980s to nuclear sanctions and diplomacy leading to the development of the Joint Comprehensive Plan of Action (JCPOA) in 2015, specifically focusing on economic and strategic-military factors of the relationship.

It is widely accepted that, in contrast to the U.S. decreasing influence in the Middle East, China is increasing its influence, potentially, according to Gangzheng She, making “the Middle East a ‘new battleground’ for the two great powers.”⁷ First, both the United States and China have a number of similar strategic goals in the region of ensuring freedom of navigation and the free flow of energy to global markets, combating extremism, preventing nuclear proliferation, and resolving humanitarian crises.⁸ However, there are also areas of competition, including access to strategically important areas, security and military sales, trade and investment, advanced technology partners (such as 5G, artificial intelligence, clean energy, quantum computing, and more), and in soft-power arenas (such

⁶ Belal, Kulsoom, “China-Iran Relations: Prospects and Complexities,” *Policy Perspectives* 17, no. 2 (January 1, 2020): 59, <https://doi.org/10.13169/polipers.17.2.0047>.

⁷ Gangzheng She, “Asymmetric Competition on a New Battleground? Middle Eastern Perspectives on Sino-US Rivalry,” *The Chinese Journal of International Politics* 14, no. 2 (June 2, 2021): 289, <https://doi.org/10.1093/cjip/poab003>.

⁸ She, 302.

as culture, education, tourism, and public health).⁹ Central to strategic interests and competition in the region, for both the United States and China, is Iran.

B. SIGNIFICANCE OF THE RESEARCH QUESTION

Iran is critical to U.S. interests in the Persian Gulf, and China may confound or support U.S. interests vis-à-vis Iran. Strategic policies of the Islamic Republic destabilize the Middle East, threaten U.S. interests, and complicate U.S. efforts to shift focus to the Indo-Pacific.¹⁰ Iran threatens U.S. interests through its malign regional activities supporting pro-Iranian governments (such as Syria), supporting militant client organizations (including Hezbollah, the Houthi's, and Shia militias in Iraq), supporting terrorism, pursuing a nuclear capability, developing ballistic missiles, and developing cyber capabilities, among others.¹¹ These actions destabilize the region, have worked to derail any resolution to the Israel-Palestinian issue, have resulted in the loss of life of U.S. and coalition forces in Iraq and Afghanistan, threaten U.S. allies, and violate human rights.¹² The United States has sought to discourage these IRI activities through sanctions and engagement, both which require international cooperation. However, PRC toleration of (and sometimes support for) these actions and continuing to build the relationship has increased tensions in an already difficult PRC-U.S. relationship, and led some to argue that the PRC is complicit in these IRI actions.¹³ Critically, IRI actions have the potential to increase the costs for China of growing its ties with Iran, which cause China to balance the risks and opportunities of the relationship.¹⁴

⁹ She, 306–13.

¹⁰ Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 3.

¹¹ Kenneth Katzman, *Iran: Internal Politics and U.S. Policy and Options*, CRS Report No. RL32048 (Washington, D.C.: Congressional Research Service, 2021), <https://sgp.fas.org/crs/mideast/RL32048.pdf>.

¹² Scott W. Harold and Alireza Nader, “China and Iran: Economic, Political, and Military Relations,” *RAND*, May 2, 2012, 1, https://www.rand.org/pubs/occasional_papers/OP351.html; Joris Teer and Suolao Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” *Asian Journal of Middle Eastern and Islamic Studies* 12, no. 2 (April 3, 2018): 171, <https://doi.org/10.1080/25765949.2018.1475607>.

¹³ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 171.

¹⁴ Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 3.

IRI policies threaten U.S. interests, and PRC cooperation is critical to any effort to influence these IRI policy—particularly nuclear and foreign policy—choices.¹⁵ Despite Iran’s desire for independence, it has become very dependent on China, and thus China can confound or support U.S. interests in the region.¹⁶ China has thus far, however, not fully supported sanctions against Iran because of the deep relationship built over 30 years in energy, economics, defense, and balancing the United States.¹⁷ PRC policies thus have sometimes opposed U.S.-led efforts to shape IRI nuclear and foreign policy decisions, and growing IRI-PRC cooperation may further diminish U.S. attempts to pressure Iran.¹⁸

Of particular concern is Iran’s nuclear program. According to Harold and Nader, “a nuclear weapons capability could allow Iran to significantly affect the balance of power in the Persian Gulf by potentially neutralizing the U.S. conventional military superiority, dissuading the Gulf Cooperation Council (GCC) from hosting U.S. forces, and potentially establishing Iran as the ‘hegemon’ of the Persian Gulf.”¹⁹ Further, China has provided support for Iran’s nuclear program (both material and diplomatic) because some Chinese policymakers view it in Chinese interests to strengthen Iran as a partner.²⁰

Critically, the future of the Iran-China relationship could materialize in different ways. The relationship could grow as Iran emerges as China’s key partner in the region against the United States, persist as a convenient partnership characterized by ambiguity and caution, or, less likely, become more adversarial (characterized by lack of trust and disputes concerning interests in Central Asia, regarding China’s Muslim population, or over trade practices).²¹ These varying possibilities arise because as China is deepening its ties and influence in the Middle East, it has balanced both the opportunities and costs of its

¹⁵ Harold and Nader, “China and Iran,” 1.

¹⁶ Harold and Nader, 1.

¹⁷ Harold and Nader, 1.

¹⁸ Harold and Nader, 2.

¹⁹ Harold and Nader, 8.

²⁰ Harold and Nader, 8.

²¹ Shirzad Azad, *Iran and China: A New Approach to Their Bilateral Relations* (New York: Lexington Books, 2017), 87–88.

growing ties with the Islamic Republic.²² As a result of these possibilities, the IRI-PRC relationship (and its influence on U.S.-IRI relations, and U.S.-PRC relations), is not only key to Middle East regional security, it is central to U.S.-China competition globally.

More specifically, understanding the Iran-China relationship is key for three important reasons. First, China desires stability in the Middle East in order to pursue its economic interests, but as its economic interests grow China may face increased pressure to take a more active role in regional security, which it thus far has avoided.²³ Iran provides an important case-study in the question of whether China can continue to build influence, but still not become involved in the region's complex security and political disputes (most importantly between Iran and Saudi Arabia). Second, with United Nations Security Council sanctions against arms sales to Iran lifted in March 2020, any PRC arms sales to Iran could change the regional military balance.²⁴ This would not be unprecedented as—according to Greer and Batmanghelidj—in the 1980s China sold Iran \$3.3 billion in arms, and, “since 2000, Iran has imported 930 anti-ship missiles, 1,750 portable surface-to-air missiles, six surface-to-air missile systems, three air search radars, 150 armored personnel carriers, and nine catamaran missile boats from China.”²⁵ While these arms sales are significant, they critically have not included advanced systems such as aircraft or UAVs (like it has sold to Saudi Arabia, the United Arab Emirates, Iraq, and Pakistan).²⁶ Third, China's growing soft power may have strategic and military consequences through technology and information

²² Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 3.

²³ Henelito A. Sevilla, “The Turbulent Middle East: Analyzing Security Issues Facing China's Belt and Road Initiative towards the Region,” *Asian Journal of Middle Eastern and Islamic Studies* 13, no. 2 (April 3, 2019): 208, <https://doi.org/10.1080/25765949.2019.1605567>; Embassy of the People's Republic of China in the State of Israel, “State Councilor and Foreign Minister Wang Yi Launches Initiative on Achieving Security and Stability in the Middle East,” Embassy of the People's Republic of China in the State of Israel, March 6, 2021, <http://il.china-embassy.org/eng/gdxw/t1864266.htm?s=09>; Jon B. Alterman, “Chinese and Russian Influence in the Middle East,” *Middle East Policy* 26, no. 2 (May 9, 2019): 129–36, <https://doi.org/10.1111/mepo.12427>.

²⁴ John W. Garver, *China & Iran: Ancient Partners in a Post-Imperial World* (Seattle: University of Washington Press, 2006), 166–67.

²⁵ Greer and Batmanghelidj, “Last Among Equals: The China-Iran Partnership in a Regional Context,” 18.

²⁶ Greer and Batmanghelidj, 18–20.

sharing, defense cooperation, and more.²⁷ Further, the Middle East (and Iran specifically) is significant to the PRC as a central venue of competition to increase its influence (with the U.S. specifically), as a source of imported energy needed to fuel its growth, and as part of China's extended neighborhood as a vital geostrategic crossroads.²⁸

C. LITERATURE REVIEW

The literature review will highlight different views of the CSP and emerging IRI-PRC ties, present opportunities and constraints in the relationship, and finally present views on United States influence in Iran-China relations.

1. Nature of the Relationship Following the 2016 and 2021 CSP

Following the January 2016 State visit of Xi Jinping to Tehran and resulting Joint Statement on the CSP, scholars have sought to answer whether the agreement fundamentally changes the nature of the IRI-PRC relationship, and what it means for U.S. interests in the region. Attention to the issue increased with the July 2020 leaked draft of the full CSP, and the March 2021 signing of the 25-year cooperation agreement.²⁹ In analyzing the partnership, a first group of literature emphasizes the breadth of the agreement and highlights its potential to greatly increase China's influence in Iran, contrary to U.S. interests.³⁰ Some analysts in this camp conclude that economic advantages offer opportunities for strategic advantages on par with military bases, that the deal reduces U.S.

²⁷ Anthony H. Cordesman, "China and Iran: A Major Chinese Gain in 'White Area Warfare' in the Gulf" (Center for Strategic and International Studies, March 29, 2021), <https://www.csis.org/analysis/china-and-iran-major-chinese-gain-white-area-warfare-gulf>.

²⁸ Anu Sharma, "An Analysis of 'Belt and Road' Initiative and the Middle East," *Asian Journal of Middle Eastern and Islamic Studies* 13, no. 1 (January 2, 2019): 35–49, <https://doi.org/10.1080/25765949.2019.1586179>.

²⁹ "Full Text of Joint Statement on Comprehensive Strategic Partnership between I.R. Iran, P.R. China," January 23, 2016, <http://www.president.ir/EN/91435>; Greer and Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context," 23–37.

³⁰ Farnaz Fassihi and Steven Lee Myers, "Defying U.S., China and Iran Near Trade and Military Partnership," *New York Times*, July 11, 2020, sec. World, <https://www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html>; Jeremy Bowen, "China Sets Sights on Middle East with Iran Co-Operation Deal," *BBC News*, March 31, 2021, sec. Middle East, <https://www.bbc.com/news/world-middle-east-56574336>; Thomas Erdbrink, "China Deepens Its Footprint in Iran After Lifting of Sanctions," *The New York Times*, January 25, 2016, sec. World, <https://www.nytimes.com/2016/01/25/world/middleeast/china-deepens-its-footprint-in-iran-after-lifting-of-sanctions.html>; Cordesman, "China and Iran."

leverage vis-à-vis Iran, and, most importantly, that the partnership creates additional potential military opportunities.³¹ Thus, as Cordesman argues, even if the deal remains primarily economic, it still has “changed the strategic chess board on a global level.”³² Vatanka contends that, for Iran, at a minimum, the agreement undermines Washington’s leverage and narrative of Iranian isolation, and at best, provides insurance against western sanctions.³³ A second, middle perspective, advanced by analysts such as by Yadlin and Heistein, argues that the partnership “could represent a major acceleration” of the relationship with respect to China’s growing investment in the region, and the development of “an authoritarian anti-American bloc of countries.”³⁴ However, this view also highlights that the agreement does not eliminate or fundamentally alter existing constraints to IRI-PRC cooperation, which will thus endure and make completing CSP projects difficult.³⁵ This perspective emphasizes that the agreement is an important longer-term roadmap, but will likely remain limited because of more important interests Beijing has to balance in the region.³⁶ A final view of the agreement states that the CSP is “business as usual” or “much ado about nothing” and holds that it does not represent a shift in the relationship.³⁷ This camp contends that the partnership remains largely transactional. For example, Dina Esfandiary argues the agreement is only a re-packaging of current bilateral relations, writing “[it is] based on mutual interests and necessities in a compartmentalized manner and with no strings attached-the same way they’ve dealt with each other over the past 50

³¹ Cordesman, “China and Iran.”

³² Cordesman.

³³ Alex Vatanka, “Making Sense of the Iran-China Strategic Agreement,” Middle East Institute, April 26, 2021, <https://www.mei.edu/publications/making-sense-iran-china-strategic-agreement>.

³⁴ Amos Yadlin and Ari Heistein, “The Prospects of a China-Iran Axis,” War on the Rocks, August 10, 2020, <https://warontherocks.com/2020/08/the-prospects-of-a-china-iran-axis/>.

³⁵ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, ix–x.

³⁶ Mercy Kuo, “China-Iran Strategic Cooperation: Symbolism Vs. Substance,” *The Diplomat*, May 4, 2021, <https://thediplomat.com/2021/05/china-iran-strategic-cooperation-symbolism-vs-substance/>; Yadlin and Heistein, “The Prospects of a China-Iran Axis.”

³⁷ Dina Esfandiary, “Iran’s ‘New’ Partnership With China Is Just Business as Usual,” *World Politics Review*, April 22, 2021, <https://www.worldpoliticsreview.com/articles/29593/the-iran-china-deal-isn-t-all-that>; Camille Lons and Meia Nouwens, “China–Iran Deal: Much Ado about Nothing?,” *International Institute for Strategic Studies* (blog), April 7, 2021, <https://www.iiss.org/blogs/analysis/2021/04/china-iran-deal>; Greer and Batmanghelidj, “China and Iran Announced a New Economic and Security Partnership. That’s Not as Alarming as It Sounds.”

years.”³⁸ To Esfandiary, the agreement falls far short of a strategic alliance, is ambiguous, and is in line with China’s other bilateral relations in the region.³⁹

Shirzad Azad advances a different perspective. He argues that the IRI-PRC relationship is typically portrayed as either a “limited partnership” and “fair-weather friendship,” or as “perfect partners” and “close companions,” but suggests neither viewpoint adequately explains both the stability and longevity, or ambiguity and tensions in the relationship.⁴⁰ Azad traces the relationship through five phases since the 1979 revolution and identifies issues and events that defined their partnership: the Iran-Iraq war; a reconstruction era following the Iran-Iraq war under President Rafsanjani and Jiang Zemin; a reforms era under President Khatami with China’s “Going-Out” era; a “looking East” era under President Ahmadinejad; and finally the era of President Rouhani who negotiated the JCPOA, the 2016 Xi state visit, and signing of the CSP.⁴¹ Azad concludes that “it is highly unlikely this Sino-Iranian partnership will move toward either extreme position in the foreseeable future” and favors a “middle perspective.”⁴²

Another important theme in the literature is the power asymmetry in the IRI-PRC partnership, outlined in three studies. First, a study by She traces asymmetric competition in the region between the United States and China, comparing differing views among Middle East scholars between two camps: those who see China and the United States as two “homogeneous extra-regional powers competing in international politics,” and those who emphasize “heterogeneity” and that the competition is a clash of two models.⁴³

Second, a study by Teer and Wang studies IRI-PRC asymmetric interdependence throughout three stages: pre-sanctions from 2004–2010, during sanctions from 2010–2015,

³⁸ Esfandiary, “Iran’s ‘New’ Partnership With China Is Just Business as Usual”; Lons and Nouwens, “China–Iran Deal.”

³⁹ Esfandiary, “Iran’s ‘New’ Partnership With China Is Just Business as Usual”; Lons and Nouwens, “China–Iran Deal.”

⁴⁰ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, ix–x.

⁴¹ Azad, xiii–xiv.

⁴² Azad, ix–xi.

⁴³ She, “Asymmetric Competition on a New Battleground?,” 217.

and after the JCPOA starting January 2016.⁴⁴ Using Keohane and Nye’s definition of asymmetrical interdependence, and selecting three areas of ties—commercial ties, technological cooperation, and strategic value—the authors demonstrate that during the sanctions period Iran was more dependent on China than in the pre-sanctions period, but after the signing of the JCPOA and sanctions relief Iran was less dependent on China.⁴⁵

Third, Conduit and Akbarzadeh examine Iran-China relations in the context of great power-middle power dynamics—defined by power asymmetry, a middle power fear of abandonment, and a great power fear of entrapment—to assess if this dynamic can change in light of the extraordinary economic opportunity of the BRI.⁴⁶ The authors contend China is a great power, and that Iran is a middle power with “restricted influence on deciding the distribution of power in a given regional system, but is capable of deploying a variety of sources of power to change the position of great powers and to defend its own position.”⁴⁷ In great power-middle power relationships, great powers look to use middle powers to augment their security and balance power, and in this case Iran is attractive to China because of its ability to balance against U.S. influence.⁴⁸ Middle powers seek to benefit from the military, diplomatic, and economic backing of great powers, in this case Iran seeking China as a trade partner and ally in the UN security council.⁴⁹ The authors show how this dynamic and asymmetry is foundational in the relationship. For China, Iran is both a useful partner and potential liability.⁵⁰ For Iran, China is an important backer, but a partner who could potentially abandon it.⁵¹

⁴⁴ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 167–68.

⁴⁵ Teer and Wang, 191.

⁴⁶ Dara Conduit and Shahram Akbarzadeh, “Great Power-Middle Power Dynamics: The Case of China and Iran,” *Journal of Contemporary China* 28, no. 117 (May 4, 2019): 469–71, <https://doi.org/10.1080/10670564.2018.1542225>.

⁴⁷ Conduit and Akbarzadeh, 469–70.

⁴⁸ Conduit and Akbarzadeh, 470.

⁴⁹ Conduit and Akbarzadeh, 470.

⁵⁰ Conduit and Akbarzadeh, 469.

⁵¹ Conduit and Akbarzadeh, 470–71.

The authors conclude that the immense BRI incentives have not overridden security concerns, and the Iran-China partnership remains defined and limited by these power asymmetries inherent in great power-middle power dynamics.⁵² There are three additional critical aspects of this dynamic. First, even though they have less power, “middle powers retain some autonomy in asymmetric alliances, particularly if they represent significant value to the great power,” which Iran does.⁵³ Second, great powers are not always able to reign in the behavior of their middle power partner, as Iran remains fiercely averse to any foreign influence.⁵⁴ Third, because of Iran’s value to China vis-à-vis the United States—but also its risks of instigating conflict with the United States—the authors conclude that IRI-PRC relations have more often been shaped by relations with the United States than the partnership’s inherent value.⁵⁵

2. How Iran Views China: Opportunities and Constraints

Most literature generally adopts a version of the middle perspective, highlighted by Azad, that acknowledges both key opportunities and constraints in the relationship. The literature highlights a perspective in Iran that views its partnership with China as an opportunity, even as necessary, to counter U.S. hegemony in order to secure more political autonomy, and to stabilize its economy given sanctions and tensions with the west.⁵⁶ First, strategically, Iran seeks a multipolar world and shift from what it views as an unjust U.S.-led international order, and China is seen as a key supporter and integral counterweight against the U.S. in achieving this goal.⁵⁷ As Harold and Nadar point out, China can help Iran overcome its isolation, and is an attractive partner due to a shared viewpoint “opposed to a U.S.-led international order,” and due to similar views on sovereignty, agreeing that

⁵² Conduit and Akbarzadeh, 480.

⁵³ Conduit and Akbarzadeh, 471.

⁵⁴ Conduit and Akbarzadeh, 471.

⁵⁵ Conduit and Akbarzadeh, 471.

⁵⁶ Mohsen Shariatinia and Hamidreza Azizi, “Iran and the Belt and Road Initiative: Amid Hope and Fear,” *Journal of Contemporary China* 28, no. 120 (November 2, 2019): 991, <https://doi.org/10.1080/10670564.2019.1594108>.

⁵⁷ Harold and Nader, “China and Iran,” 5; Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 7–8; Shariatinia and Azizi, “Iran and the Belt and Road Initiative,” 987.

governments should define their own models.⁵⁸ Additionally, China can help reduce poverty in Pakistan and Afghanistan, which Iran welcomes to increase stability in the region.⁵⁹ Second, Iran sees China as able to provide the trade, technology, and investment it needs to develop and modernize its economy.⁶⁰ Scholars with this view highlight that Iran-China trade continued during Western sanctions, and cite China's economic support to Iran (particularly in energy and infrastructure) as largest trading partner, largest importer, and likely best prospective for future economic opportunities.⁶¹ Third, Iran views China as a key diplomatic supporter (or at least not an adversary) who can help advance Iranian interests by supporting it in the UN for example.⁶² Finally, Iran views China as a potential security partner and source of future arms, technology, and information sharing, but in a more benign manner than Russia, as China has not sought to send forces or basing in the region.⁶³

Conversely, the literature also highlights an alternative perspective in Iran weary of China, and describes key risks for Iran of growing too close to China. First, Iran is concerned about becoming overly dependent on China, with the Supreme Leader espousing self-reliance and expanding ties with both the East and West.⁶⁴ Iran is deeply distrustful of any form of foreign intervention and realizes its political and economic interests are best served by being diversified between East and West, and thus is fearful of becoming

⁵⁸ Harold and Nader, "China and Iran," 23; Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 991.

⁵⁹ Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 987.

⁶⁰ Harold and Nader, "China and Iran," 5, 10–11.

⁶¹ Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 990.

⁶² Harold and Nader, "China and Iran," 5–6; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 4.

⁶³ Joel Wuthnow, "Posing Problems Without an Alliance: China-Iran Relations after the Nuclear Deal," Institute For National Strategic Studies, February 2016, <https://inss.ndu.edu/Media/News/Article/654743/posing-problems-without-an-alliance-china-iran-relations-after-the-nuclear-deal/>.

⁶⁴ Omar Carmi, "Khamenei's First Speech of 2021: Reemphasizing U.S. Weakness, Iranian Self-Reliance," The Washington Institute For Near East Policy, accessed July 30, 2021, <https://www.washingtoninstitute.org/policy-analysis/khameneis-first-speech-2021-reemphasizing-us-weakness-iranian-self-reliance>; Al-Monitor, "Khamenei: Iran Must Expand Ties with East as Well as West," *Al-Monitor*, July 16, 2018, <https://www.al-monitor.com/originals/2018/07/iran-khamenei-us-sanctions-engagement-east-west.html>.

dependent on China.⁶⁵ This view, according to Shariatinia and Azizi, and reinforced by Vatanka, points to concerns that China's increased influence is not benign, that there is concern about the country becoming economically dependent on China, and worry that Chinese investments may not fully compensate for investments lost from Europe and the West.⁶⁶ Azad and Harold and Nadar also add that some Iranians dislike China's economic influence, which they view as China taking discounted Iranian energy and raw materials, while inundating the Iranian market with lower-priced inferior goods it chooses.⁶⁷ Second, Iran worries China will not back it unconditionally, and in critical moments may prioritize other more important relationships (such as with the United States, Saudi Arabia, or United Arab Emirates).⁶⁸ Iran thus sees opportunities, but realizes that China will not back it when doing so undermines Chinese interests.⁶⁹ Even though China offers Iran one of its few avenues for international relief through its membership in the UNSC and founding role in institutions such as the Shanghai Cooperation Organization (SCO); China's support is not a given for Iran, as, for example, Iran sought SCO membership for decades, which China agreed to support but did not act on until 2021.⁷⁰ The literature thus highlights that these opportunities and constraints cause Iran to pursue China—but with some hesitation—which limits and slows deepening of relations and BRI participation, particularly compared to others like Pakistan and the UAE.⁷¹

⁶⁵ Mahmood Monshipouri and Javad Heiran-Nia, "China's Iran Strategy: What Is at Stake?," February 16, 2021, <https://doi.org/10.1111/mepo.12533>.

⁶⁶ Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 991–991; Alex Vatanka, "China's Great Game in Iran," *Foreign Policy*, August 5, 2019, <https://foreignpolicy-com.libproxy.nps.edu/2019/09/05/chinas-great-game-in-iran/>.

⁶⁷ Harold and Nader, "China and Iran," 10–11; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 13–15.

⁶⁸ Wang Xiyue, "China Won't Rescue Iran," *Foreign Policy*, December 18, 2020, <https://foreignpolicy.com/2020/12/18/china-wont-rescue-iran/>; Vatanka, "China's Great Game in Iran."

⁶⁹ Vatanka, "China's Great Game in Iran"; Xiyue, "China Won't Rescue Iran."

⁷⁰ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 478.

⁷¹ Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 993.

3. How China Views Iran: Opportunities and Constraints

Similarly, the literature highlights key opportunities and constraints from a Chinese perspective regarding the partnership with Iran. First, China sees Iran as a key energy supplier and way to diversity its expanding energy needs.⁷² Second, for China, Iran has significant long-term economic potential and is identified as one of the most important countries in the BRI due to Iran's strategic location (as the nation that would connect the Belt and Road), underrealized market possibilities, extensive human capital resources in its large and educated population, and significant natural resources.⁷³ China wants to grow global trade in the Yuan, establish itself as a responsible global leader, and take advantage of market opportunities in Iran resulting from departing Western firms.⁷⁴ Second, Harold and Nader and Green and Roth point out China views Iran as a way to counter U.S. power in the Middle East, and as an avenue to "further its geopolitical ambitions" and reach into the region, while keeping the U.S. occupied and from focusing efforts to the Indo-Pacific.⁷⁵

Constraints for China that prevent it from engaging Iran further also predominate the literature and include, first, fear that closer ties to Iran will destabilize the region and drag it into an undesired conflict.⁷⁶ Thus, while China will argue against U.S. unilateralism (for example on the nuclear issue), and will tout multilateralism and sovereignty, it is also concerned about Iran creating instability and conflict which could undermine its economic interests.⁷⁷ For this reason, China has remained careful to not subvert the U.S. security guarantee to the region, and fears a U.S.-Iran conflict could potentially threaten its interests.⁷⁸ Regarding military and security cooperation in the Middle East, China has been

⁷² Harold and Nader, "China and Iran," 15–17.

⁷³ Vatanka, "China's Great Game in Iran"; Harold and Nader, "China and Iran," 15; Miles Maochun Yu, "Iran In China's Grand Strategy," Text, Hoover Institution, accessed August 13, 2021, <https://www.hoover.org/research/iran-chinas-grand-strategy>.

⁷⁴ Vatanka, "China's Great Game in Iran."

⁷⁵ Harold and Nader, "China and Iran," 18; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 5–6.

⁷⁶ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 3.

⁷⁷ Vatanka, "China's Great Game in Iran."

⁷⁸ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 3.

largely risk averse, and according to Steven Walt, is happy to let the U.S. continue to expend its political and military capital in the region, while it remains unwilling to overextend, become involved in regional conflicts, and focused on its primary interests in East Asia.⁷⁹ Second, China constrains its economic relations with Iran because it seeks to diversify its energy portfolio and not overly rely on Iran for oil and gas.⁸⁰ Additionally, the act of doing business in Iran is bureaucratically difficult, carries greater political and fiscal risks relative to other places (such as in the UAE or Saudi Arabia) due to the possibility of sanctions or conflict, and returns on investments in Iran may not be as lucrative as other places (critical given Chinese investments are driven by profit).⁸¹ Third, China has to balance its relationship with Iran with its more important ties with other regional actors such as Saudi Arabia and the UAE.⁸² As Greer and Batmanghelidj demonstrate—by showing that trade, foreign direct investment, and business interactions with Iran are below levels with other key countries including Pakistan, the United Arab Emirates, and Saudi Arabia—China is careful not to jeopardize these relationships over its comparatively smaller relationship with Iran.⁸³

4. The Role of the United States in the Relationship

The literature affords the U.S. a central role in the Iran-China relationship. For the first approximately 25 years of the relationship, in his seminal work on the subject, John Garver concludes that, “China seems to have decided not to confront the United States in the Middle East over Iran.”⁸⁴ However, China, he states, would make only the minimum concessions required, and would find ways—such as ensuring ambiguities in agreements

⁷⁹ Middle East Institute, “The Middle East in an Era of Great Power Competition: A Conversation with Barry Posen and Stephen Walt,” Middle East Institute, April 16, 2020, <https://www.mei.edu/events/middle-east-era-great-power-competition-conversation-barry-posen-and-stephen-walt>.

⁸⁰ Wuthnow, “Posing Problems Without an Alliance: China-Iran Relations after the Nuclear Deal,” 4.

⁸¹ Wuthnow, 4.

⁸² Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 7.

⁸³ Wuthnow, “Posing Problems Without an Alliance: China-Iran Relations after the Nuclear Deal,” 5; Greer and Batmanghelidj, “Last Among Equals: The China-Iran Partnership in a Regional Context.”

⁸⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 232–33.

it could exploit—to demonstrate commitment and value to Iran.⁸⁵ As an example of this balance and U.S. influence, Garver traces China’s support for Iran’s nuclear program in detail from 1985–1997, situating China as Iran’s most important nuclear partner.⁸⁶ Garver argues this support was critical in Beijing’s effort to forge a partnership with Iran, and Beijing’s abandonment of nuclear support to Tehran was largely due to heavy U.S. pressure.⁸⁷ Ultimately, Garver frames China’s 2004 handling of Iranian nuclear diplomacy as “balanced between supporting Iran and upholding the NPT regime,” with the other permanent UNSC members.⁸⁸ Similarly, Garver traces the Iran-China military partnership including arms sales and support to Iran’s military modernization.⁸⁹ He claims China’s support was based “on the belief that a military strong Iran served China’s interests by constraining the United States,” and offered the potential to demonstrate how Chinese systems would fare against the United States if Iran and the United States were to come into conflict.⁹⁰ Again, support was provided in a way so “as not to undermine China’s relations with the United States.”⁹¹

Additionally, the literature frames the U.S. as central in the Iran-China relationship due to U.S. led sanctions, which both have pushed Iran closer to China, and kept China hesitant. Largely lacking required investment and modernization since 1979, Iran’s economy has suffered, and China is currently positioned as the best option for Iran to resist sanctions, bringing Iran closer to China.⁹² However, China has to balance its relationship with Iran with its relationship with the United States, thus U.S.-led sanctions also constrain the Iran-China partnership.⁹³ U.S. withdrawal from the JCPOA and renewed sanctions

⁸⁵ Garver, 233–36.

⁸⁶ Garver, 139, 156–58, 233–36.

⁸⁷ Garver, 139–41, 233–36.

⁸⁸ Garver, 165.

⁸⁹ Garver, 172, 176–77.

⁹⁰ Garver, 198.

⁹¹ Garver, 198–200.

⁹² Shariatnia and Azizi, “Iran and the Belt and Road Initiative,” 988.

⁹³ Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 12.

created additional barriers for Tehran in participating in the BRI, and China has increasingly focused on other parts of the initiative.⁹⁴ Beijing did not fully join the United States in isolating Tehran with sanctions; however, many Chinese companies left Iran not wanting to jeopardize their access to Western markets and more important interests.⁹⁵

D. QUESTIONS AND METHODOLOGY

To better understand what motivations and limitations in Iran-China relations led to and shaped the CSP, this thesis will seek to answer two questions. First, what are the main motivations and limitations in the relationship for the IRI given domestic factors and shifting U.S. policy? Second, what are the main motivations and limitations in the relationship for the PRC given domestic factors and shifting U.S. policy? To do this, the thesis will use historical analysis of the Iran-China relationship from 1979–2012, and from 2013–2021. The thesis will examine these periods specifically focusing on the economic and strategic-military aspects of the Iran-China relationship to help identify opportunities, constraints, and Iran and China’s roles in creating these opportunities and constraints.

E. RESEARCH DESIGN AND ROADMAP

Research will be a single case study historical analysis of the Iran-China relationship using both scholarly works including books, reports, and journal articles, and primary sources. Primary sources will include available texts of the 2016 and 2021 strategic partnership, reporting from English language Iranian and Chinese news agencies, releases from government officials, economic data (for example on trade and oil sales), data on military sales and cooperation, and reporting on joint military engagements. Chapter two will be a historical analysis of the Iran-China relationship from 1979–2012 focusing on the economic and strategic-military factors of the relationship to explain the main opportunities and constraints that have defined the relationship based on Iranian and Chinese goals and interests. Chapter three will analyze the relationship from 2013–2021, and its opportunities and constraints, again focusing on the economic and strategic-military factors of the

⁹⁴ Shariatinia and Azizi, “Iran and the Belt and Road Initiative,” 994.

⁹⁵ Vatanka, “China’s Great Game in Iran.”

relationship and explaining how they impacted the 2016 and 2021 agreements. Chapter four will examine the CSP with respect to United States interests, followed by a conclusion of key findings.

F. FINDINGS

Several main themes highlight the drivers and constraints of the Iran-China relationship. First, the partnership is largely pragmatic, but driven by a narrative of both countries being great civilizations opposing the U.S.-led international order believed to be unjust and an infringement of sovereignty. Iran views China as a necessary partner given its isolation (from arms sales in the 1980s, to support for its nuclear program in the 1990s, to trade and Iran's most supportive voice in the UNSC today), and China views Iran as a useful partner due to Iran's important geostrategic location, significant resources (including energy and human capital), and as a counter to U.S. influence. The relationship, however, is limited by relationship asymmetry and the great power-middle power relationship dynamic (where Iran fears abandonment and China fears entrapment).⁹⁶ IRI foreign policy choices (including support for militant clients, ballistic missile development, and nuclear program) have caused it to be isolated, need PRC support, and thus fear becoming overly dependent on China (leading it to fear abandonment). Further, Iran's foreign policy choices cause China to fear entrapment in an Iranian conflict, and to at times limit or balance support for Iran with its other partnerships to secure its more vital interests.

Second, Iran largely determines the context (opportunities and constraints) of the relationship, while China largely determines the content (execution) of the relationship. The IRI's destabilizing policies—because they have led to Iran's international isolation and sanctions—have both led Iran to turn to China, and China to moderate its support for Iran. China, however, largely drives execution of the relationship within this context (having the upper hand in determining the content of economic deals with Iran, sometimes abiding by UN sanctions to be seen as a responsible power, and at other times supporting the IRI to hedge against the United States).

⁹⁶ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 468–70; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue."

Third, the Iran-China relationship has consistently been subordinated to other relationships and objectives, but has remained durable. China, for example, has prioritized its relationship with the United States and international reputation (more essential to its development), yet has still balanced providing meaningful support for Iran.⁹⁷ The utility of the relationship to both sides, however, allows it to withstand hardship. Tehran relies on China to continue support based on shared anti-U.S. alignment, and Beijing counts on Tehran to continue support in any U.S-PRC contingency.⁹⁸ China and Iran will thus likely not cut ties, but also cannot fully resolve each other's goals and issues vis-a-vis the United States.⁹⁹

These partnership drivers and limiters have become further cemented over the past decade with the BRI, JCPOA, and 2016 CSP. The BRI offered the promise of large Chinese investment in Iran's infrastructure and development, particularly given Iran's central location in the most direct BRI route. However, BRI cooperation was limited (relative to what Iran's location and resources seemed to dictate) largely due to sanctions on Iran and China's need to balance its other relationships and interests. There was even more promise for cooperation and deepening of the relationship with the JCPOA, lifting of sanctions, and 2016 CSP. However, China's hesitancy, U.S. withdrawal from the JCPOA, and reimposition of sanctions—with the IRI largely continuing its provocative foreign policy—limited BRI and CSP implementation.

Partnership drivers led the IRI and PRC to sign the CSP and March 2021 cooperation agreement. For Beijing, the CSP hedges against any U.S. attempt to cut oil supplies in any confrontation, complicates any U.S. pivot to the Indo-Pacific, may divide the United States and its allies, expands China's presence in the Middle East, supports economic development, diversifies oil suppliers, and positions the PRC to capitalize on Iran's potential (including its geographic location, human capital, and diversified

⁹⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 293.

⁹⁸ Garver, 128.

⁹⁹ Belal, Kulsoom, "China-Iran Relations," 56–57.

economy).¹⁰⁰ For Tehran, the CSP provides opportunity to improve its economic situation, dulls U.S. sanctions, can increase energy sector revitalization and efficiency, provides support in international institutions, offers support countering security threats, and creates the possibility of future arms sales.¹⁰¹

However, partnership limiters ensured that the CSP is not a formal alliance, and present significant barriers to implementation. The CSP lacks specifics (particularly in military and security cooperation), provides only a roadmap for cooperation, and simply may bring the IRI-PRC relationship more on par with others in the region. Thus, the CSP may not directly threaten U.S. interests—particularly in the short and medium term—especially as the U.S. and China share some mutual interests vis-à-vis the IRI, and the PRC will likely continue to prioritize its relationship with the United States (and U.S. allies) over the IRI. However, aspects of the CSP—particularly increased IRI security cooperation, PRC access to the Gulf, and PRC gray zone benefits—have the potential to possibly undermine U.S. interests, particularly in the longer term.

¹⁰⁰ Peyman Hassani and Amir Hossein Arabpour, “Iran-China Comprehensive Strategic Partnership from Perspective of Economic Diplomacy,” *Tehran Times*, April 26, 2021, <https://www.tehrantimes.com/news/460263/Iran-China-comprehensive-strategic-partnership-from-perspective>; Alterman, “Chinese and Russian Influence in the Middle East.”

¹⁰¹ Hassani and Arabpour, “Iran-China Comprehensive Strategic Partnership from Perspective of Economic Diplomacy.”

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II. IRAN-CHINA RELATIONS 1979–2012

This chapter will analyze Islamic Republic of Iran (IRI) and People's Republic of China (PRC) historic relations from 1979–2012 through key periods (1979-1988, 1989–2004, 2005–2012) and highlight issues such as nuclear cooperation, arms sales, economic ties, and the U.S. impact on the partnership. This chapter will also highlight the great power – middle power dynamic that both drives and constrains the relationship.¹⁰²

The IRI-PRC partnership is based on a narrative of great civilizations victimized by the West, with a respect for each other's history and accomplishments.¹⁰³ Both Iran and China believe their rich histories and cultures permit them to govern as they desire, staunchly support each-others sovereignty, view U.S. "hegemony" and Western criticism of their rule as unjust, and have been forced to defend their regime's legitimacy given increasing pressure for human rights and democracy.¹⁰⁴ Additionally, both regimes overthrew pro-Western leaders, seek increased regional influence, look to undermine Western presence, question international institutions they see as unfair, and only selectively abide by international rules.¹⁰⁵ This has led to a predisposition for cooperation, though rooted in pragmatic interests.¹⁰⁶ These converging strategic interests were aimed in the 1970s against Soviet power, during the 1980s with the Iran-Iraq war, in the 1990s against U.S. hegemony, and in the 2000s extended to trade of Iranian oil for Chinese capital-goods.¹⁰⁷

Overall, as Conduit and Akbarzadeh contend, the relationship developed as a typical great power-middle power partnership, with significant potential benefits, but an asymmetry of power leading to China fearing entrapment and Iran fearing

¹⁰² Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 469–70.

¹⁰³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 285.

¹⁰⁴ Garver, 58, 63; Harold and Nader, "China and Iran," 2, 23.

¹⁰⁵ Dina Esfandiary and Ariane Tabatabai, *Triple Axis: Iran's Relations with Russia and China* (London: I.B. Tauris, 2021), 5–6, 52; Harold and Nader, "China and Iran," 3.

¹⁰⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 301.

¹⁰⁷ Garver, 301; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 32.

abandonment.¹⁰⁸ Great powers support the security of middle powers, and middle powers can support great power security by balancing power in the international system.¹⁰⁹ China has found Iran useful to augment its autonomy vis-à-vis other superpowers, namely in Iran's ability to frustrate U.S. interests.¹¹⁰ However, China fears being entrapped in an Iranian conflict, particularly an Iran-U.S. conflict that might lead to Sino-U.S. conflict—which could be disastrous for China's interests—and has caused China to at times distance itself from Iran.¹¹¹ Iran's provocative foreign policies including support to militant clients and threats to close the Strait of Hormuz reinforce these concerns, and thus limit the relationship.¹¹² The IRI, for its part, fears the PRC may abandon it for other interests if pressed, which has caused it to be hesitant to criticize China.¹¹³

A. OVERALL PARTNERSHIP DRIVERS AND LIMITERS

For the IRI, what drove the relationship was the centrality of the PRC in guarding it from isolation and international criticism.¹¹⁴ After the revolution, the IRI was isolated by its anti-communist, anti-western, and anti-American rhetoric, and despite its drive to retain independence, grew deeply dependent on China militarily, diplomatically, and economically.¹¹⁵ As Iran became increasingly isolated, increasing Chinese power allowed the IRI to pursue its 'East-over West-Strategy' to withstand its isolation.¹¹⁶ Due to sanctions the IRI lacked access to foreign capital and expertise, and viewed the PRC as necessary for Iran's development and modernization as a crucial source of trade,

¹⁰⁸ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 476.

¹⁰⁹ Conduit and Akbarzadeh, 469–70.

¹¹⁰ Conduit and Akbarzadeh, 470.

¹¹¹ Conduit and Akbarzadeh, 468; Harold and Nader, "China and Iran," 19.

¹¹² Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 476; Harold and Nader, "China and Iran," 19.

¹¹³ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 476; Harold and Nader, "China and Iran," 19.

¹¹⁴ Harold and Nader, "China and Iran," 1–2.

¹¹⁵ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 4; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 4, 32, 65; Harold and Nader, "China and Iran," 1–2.

¹¹⁶ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 170.

investment, and technology.¹¹⁷ The PRC also helped IRI achieve its ideological goal of opposing American “hegemony.”¹¹⁸ The IRI sought to achieve this goal through supporting groups like Hizballah and Hamas to extend its influence in Iraq and the Levant.¹¹⁹ However, U.S. forces remained in the region and the IRI has poor relations with other powers (including Saudi Arabia, Turkey, and Israel).¹²⁰ Critically, Iran views China as having the will and ability to help counteract U.S. forces in the Gulf.¹²¹ Additionally, as Harold and Nader state, “Iranian officials appear to believe that China’s interests are closely ‘tied’ to Iran,” and thus makes cooperation likely.¹²² IRI leaders appreciate that China appears to lack territorial ambitions (unlike Russia or the United Kingdom), provides technology the rest of the world would not, and largely overlooks its provocative foreign policy and human rights records.¹²³ Finally, PRC support helps the IRI as—according to Teer and Wang—the PRC “challenges the post-cold war conception that a regime has to be democratic to be legitimate” and “promotes the norms of sovereignty and noninterference.”¹²⁴ This is important because the IRI’s argument for its nuclear program is based on sovereignty and its right to peaceful nuclear energy, and it believes a multipolar world with a strong China will interfere less in its internal affairs and nonproliferation.¹²⁵

For the PRC, what drove the relationship was its desire for influence in the geostrategic Persian Gulf, and view of Iran as a regional power and force countering the United States with significant energy resources and markets to fuel China’s

¹¹⁷ Harold and Nader, “China and Iran,” 5.

¹¹⁸ Harold and Nader, 5.

¹¹⁹ Harold and Nader, 5.

¹²⁰ Harold and Nader, 5; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 44–45.

¹²¹ Harold and Nader, “China and Iran,” 5; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 44–45.

¹²² Harold and Nader, “China and Iran,” 5.

¹²³ Harold and Nader, 3–4.

¹²⁴ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 180.

¹²⁵ Teer and Wang, 180.

development.¹²⁶ First, the PRC saw the IRI as a useful strategic partner in advancing its regional goals of countering United States and Soviet Union influence and preventing a regional hegemon, preventing anti-PRC regimes, opposing support for Taiwan independence or other separatist movements, and engendering support for its Gulf foreign policy.¹²⁷ China became cognizant of protecting its long-term interests against the United States and Soviet Union in the Persian Gulf utilizing Iran, particularly after the Soviet Union invaded Afghanistan in 1979, and given both the Soviet Union and United States assisted Iraq in the Iran-Iraq war.¹²⁸ China saw the IRI's ability to frustrate U.S. and Soviet objectives using its recluse status and symbols—vice military capability—as an attractive and powerful bargaining chip with the other great powers.¹²⁹ Second, as the United States has either multilateral alliances (including Turkey in NATO), bilateral alliances (including Jordan, Israel, Egypt, and Kuwait), or close security cooperation (as with Saudi Arabia), that left Iran as the only major potential partner for the PRC to counter U.S. influence.¹³⁰ Third, low-level IRI-U.S. conflict provides the PRC with a unique opportunity to increase influence and keep the U.S. military engaged in the Gulf, complicating any U.S. pivot to the Pacific.¹³¹ Finally, for the CCP, the main priority of regime survival and legitimacy is directly tied to economic performance, which requires energy resources to fuel development, which Iran could provide.¹³² Ultimately, as John Garver argues, Beijing sees

¹²⁶ Harold and Nader, “China and Iran,” 1–3.

¹²⁷ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 169; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 32; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 470.

¹²⁸ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 5.

¹²⁹ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 470.

¹³⁰ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 169.

¹³¹ Harold and Nader, “China and Iran,” 1–2; Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 6.

¹³² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 299; Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 170, 175.

the IRI as a key West Asia partner and “a central element of a post-unipolar, China-centered Asia.”¹³³

For the IRI, what constrained the relationship is fear of dependence and abandonment, reinforced as China established relations with other Middle Eastern states including normalizing relations with Israel, and increasing relationships with the UAE and rival Saudi Arabia.¹³⁴ China became Tehran’s largest Asian trade partner and Iran considers Beijing its most important partner, while Beijing has instead developed profitable relationships with other Middle East countries, including IRI rival Saudi Arabia, who by 2014 was China’s largest crude oil supplier, providing 16% of Chinese imports.¹³⁵ Among Iranians, there was also concern over increasing dependence on China, and “many Iranians perceive China to be exploiting Iran economically while backing an increasingly brutal and repressive regime.”¹³⁶ Indeed, following the 2009 Iranian elections and regime crackdown on demonstrations, the PRC supported the IRI regime, leading to popular anti-China sentiments which could cause the IRI to hesitate to appear too close to the PRC.¹³⁷

For the PRC, what has constrained the relationship with the IRI is the imperative to ensure its relationship with Iran does not damage the PRC-U.S. relationship or the PRC’s international reputation, which could jeopardize its core strategic interests.¹³⁸ The PRC recognizes the U.S. influence over its most important objectives (from domestic development and CCP control, return of Taiwan, and being seen as a well-respected global leader).¹³⁹ Advancing these interests requires cordial relations with the United States, as

¹³³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 295; Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 170.

¹³⁴ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 170.

¹³⁵ Teer and Wang, 170.

¹³⁶ Harold and Nader, “China and Iran,” 2.

¹³⁷ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 170.

¹³⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 60–61; Harold and Nader, “China and Iran,” 2.

¹³⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 233–34; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 473.

for example achieving Deng's goal of quadrupling China's GDP required "access to U.S. markets, technology, and education."¹⁴⁰ Therefore, the PRC supports the IRI, but would not sacrifice its U.S. relations, and sought to maintain a minimum balance between Washington and Tehran.¹⁴¹ This need to balance the United States has long been a source of tension in the Iran-China relationship.¹⁴² Finally, China also feared Iran may bolster Islamic movements that could destabilize the middle east, central Asia, and Xinjiang.¹⁴³

It should be noted that although both China and Iran oppose U.S. "hegemony," they have different interests vis-à-vis the United States. China required the United States for growth, and its desire for stable trade and investment relations limit PRC ability to go against the U.S.. The IRI, conversely, is isolated by a harsh U.S.-led sanctions regime, and directly challenges U.S. national security interests via its missiles, support of militant client organizations, and pursuit of a nuclear program.¹⁴⁴ These drivers and limiters are outlined in Appendix A and B.

B. IRI-PRC RELATIONS: 1979–1988

The period from 1979–1988 was critical for the Iran-China relationship in establishing the foundational elements (drivers and limiters) of the partnership that endure today. Following the 1979 revolution, the IRI faced worsening relations (with the West and Arab neighbors), required new partners, and pursued a cautious Beijing.¹⁴⁵ However, Iran and China were moving in opposite directions. Iran was consumed by internal conflict and war with Iraq, as Ayatollah Khomeini and focused on consolidating power in a Shia theocratic regime.¹⁴⁶ By contrast, Deng Xiaoping had consolidated power, was working to de-revolutionize Chinese diplomacy, and was pursuing an open-door policy and "four

¹⁴⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 60–61.

¹⁴¹ Garver, 60–61, 116–17, 121.

¹⁴² Garver, 64–65.

¹⁴³ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 5, 13.

¹⁴⁴ Harold and Nader, "China and Iran," 21.

¹⁴⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 292.

¹⁴⁶ Garver, 58–61; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 1–4.

modernizations” in industry, agriculture, defense, and technology.¹⁴⁷ Tehran saw in China a strong anti-hegemonic power likely willing and able to help provide war munitions, create jobs, support its nuclear program, and provide United Nations Security Council (UNSC) backing.¹⁴⁸ Beijing saw in Iran a major regional power in an important geostrategic location, and quickly sought friendly, cooperative relations with the new IRI based on its five principles of peaceful coexistence.¹⁴⁹ As IRI leaders sought an independent foreign policy and nonalignment with a “neither East nor West” policy, they criticized hegemonic powers.¹⁵⁰ Although Iran was militarily weakened, it also nearly immediately proved its anti-U.S. credentials with the 1979 hostage crisis.¹⁵¹ Finally, Iran was an important potential buyer for Chinese arms when Chinese military procurement spending stagnated and arms manufacturers needed cash.¹⁵² Thus, both parties had interests in the relationship, the partnership strengthened both states position during the Iran-Iraq war (as the wars outcome would have been worse for Iran had China not supported it), but both pursued a partnership for different reasons.¹⁵³

IRI leaders were initially suspicious of the PRC for its courting of the Shah and viewed the PRC—as it did the Soviet Union and UK—as potentially looking to exploit Iran.¹⁵⁴ In 1979, Iran’s leaders distrusted Beijing—according to John Garver—because of “Beijing’s close embrace of the Shah, by ignorance compounding a religious-ideological chasm, and by Beijing’s quasi-alliance with Washington.”¹⁵⁵ Despite this, PRC officials

¹⁴⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 58–61; Azad, *Iran and China: A New Approach to Their Bilateral Relations*; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 30, 72.

¹⁴⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 59–60; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 2; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 71.

¹⁴⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 59, 62, 64.

¹⁵⁰ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 470–72.

¹⁵¹ Conduit and Akbarzadeh, 472.

¹⁵² Harold and Nader, “China and Iran,” 3–4.

¹⁵³ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 472–73.

¹⁵⁴ Conduit and Akbarzadeh, 472; Harold and Nader, “China and Iran,” 3.

¹⁵⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 93.

officially recognized the Islamic Republic three days after its founding.¹⁵⁶ The November 1979 U.S. Embassy seizure and ensuing hostage crisis immediately demonstrated Tehran's utility to Beijing in frustrating U.S. interests, but also demonstrated how close IRI-PRC ties could undermine U.S.-PRC relations and would require careful balancing.¹⁵⁷ Ten days after the hostage crisis began in November 1979 President Carter imposed a trade embargo (through Executive Order 12170) ending all U.S. business with Iran.¹⁵⁸ Iran's isolation subsequently increased as former partners cut ties due to IRI rhetoric and policies, leading to calls for self-reliance.¹⁵⁹ Ultimately, China abstained from a UN vote condemning the Embassy seizure, thus balancing its interests by refusing to criticize Iran, but also not directly opposing the U.S. by supporting Iran.¹⁶⁰

As western support ended, Iran's conventional military deteriorated, and Iran adopted asymmetrical approaches to deter threats (which it perceives as from the West, its neighbors, and groups like ISIS), working through various military and non-state actors.¹⁶¹ This strategy was primarily overseen by the Iranian Revolutionary Guard Corps (IRGC), meaning that anyone—including China—that wanted to work with Iran in security would have to engage the IRGC.¹⁶² While the West saw the IRGC as central in IRI destabilizing activities, Iran viewed (and continues to view) them as integral to its security.¹⁶³ The IRI thus sought to boost its defensive capabilities and to arm and equip itself and the regional

¹⁵⁶ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 472; Harold and Nader, "China and Iran," 3.

¹⁵⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 55–56.

¹⁵⁸ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 91.

¹⁵⁹ Esfandiary and Tabatabai, 91, 96.

¹⁶⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 64–65; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 4; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 4, 72.

¹⁶¹ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 124.

¹⁶² Esfandiary and Tabatabai, 124.

¹⁶³ Esfandiary and Tabatabai, 124.

militias and security forces it supports, including in Syria, Iraq, and Lebanon.¹⁶⁴ To do this Iran leaned on China for the systems and weapons it could not produce domestically.¹⁶⁵

1. Iran-Iraq War (1980–1988)

The foundational event during this time was the Iran-Iraq war from September 1980 to August 1988, which was catastrophic for Iran with 262,000 casualties, but saw the IRI-PRC relationship develop as the PRC capitalized on opportunities to increase its influence in Iran.¹⁶⁶ Iraq's invasion of Iran initially caused the IRI to seek military assistance from the Soviet Union, while China initially supported Iraq due to its interest in limiting great power influence (the PRC provided Iraq 10% of its arms sales during the war).¹⁶⁷ By 1983 however, the IRI-Soviet partnership dissolved, creating opportunity for an informal IRI-PRC partnership.¹⁶⁸ The partnership was enabled, first, by the PRC's turn away from revolutionary communism, thus decreasing its ideological threat to IRI leaders who were fighting internal leftist forces.¹⁶⁹ Second, the PRC could empathize with the IRI, as it was similarly isolated as a result of its revolutionary policies during the 1960s.¹⁷⁰

China, however, remained formally neutral in the conflict, contending that war was not in either parties interest and superpowers should not intervene.¹⁷¹ China did not want Iran to loose, but wanted to avoid giving the U.S. pretext for military intervention, undermining Gulf security, or alienating Western and Arab countries which supported Iraq.¹⁷² China in September 1980 supported UNSC Resolution 479 calling on both sides to refrain from violence, which upset Iran because the resolution did not condemn Saddam

¹⁶⁴ Esfandiary and Tabatabai, 128.

¹⁶⁵ Esfandiary and Tabatabai, 128.

¹⁶⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 68–69; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 6.

¹⁶⁷ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 472.

¹⁶⁸ Conduit and Akbarzadeh, 472.

¹⁶⁹ Harold and Nader, “China and Iran,” 3.

¹⁷⁰ Harold and Nader, 3.

¹⁷¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 69–70.

¹⁷² Garver, 69–70; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 6.

Hussein as the invading power.¹⁷³ Khomeini saw PRC refusal to label Iraq the aggressor as unprincipled, while China argued its actions were necessary to oppose U.S. interference.¹⁷⁴ In 1982, U.S.-PRC relations worsened due to U.S. arms sales to Taiwan and because the Soviet threat aligning the two countries was waning.¹⁷⁵ Consequently, as China moved away from the United States the IRI-PRC relationship—previously constrained by U.S.-PRC alignment—grew, particularly as China acknowledged that its previous policies had overstated the Soviet role.¹⁷⁶ This acknowledgement led to reciprocal visits in 1983–1984 and a resetting of IRI-PRC relations based on economic development, fighting hegemonism, and primacy of each states independent foreign policies.¹⁷⁷

Despite PRC neutrality, the partnership grew as Iran needed support meeting military, technology, and economic shortfalls, and China sought to benefit from filling these needs.¹⁷⁸ For Ayatollah Khomeini—despite a desire to pursue an independent foreign policy—internal conflict, war with Iraq, economic collapse, emigration, and diplomatic isolation led Tehran to cooperate with Beijing.¹⁷⁹ China stepped in to provide support in agriculture, immigration, dams, fishing, and arms sales.¹⁸⁰ In 1981, Ali Khamenei (then a Majlis member) went to Beijing, the two sides agreed to oppose imperialism and hegemonism, and China promised \$700 million in trade in 1982–1983.¹⁸¹ When economic cooperation began, China had few ties in Iran and had to compete with

¹⁷³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 70–71.

¹⁷⁴ Garver, 70–71; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 18, 44–45.

¹⁷⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 73–75.

¹⁷⁶ Garver, 73–76.

¹⁷⁷ Garver, 76–77.

¹⁷⁸ Garver, 58, 63, 71; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 6; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 5, 33, 65, 71.

¹⁷⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 59–60; Harold and Nader, “China and Iran,” 3–4.

¹⁸⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 239–42; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 11–12.

¹⁸¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 72.

more advanced East Asian and Western companies; but China quickly took advantage of opportunities as sanctions caused other trade partners to leave Iran.¹⁸² In 1985 a Chinese delegation to Tehran signed a memorandum on economic, trade, and technical cooperation, which expanded to a trade agreement in August 1987, and caused bilateral trade to expand to \$500 million per year.¹⁸³ Interactions became more frequent, with 19 high-level exchanges from 1985–1988, emphasizing a shared anti-Western worldview.¹⁸⁴ China, however, despite resetting relations with Iran, preferred low-level economic cooperation and stressed that Tehran should not interfere in PRC-U.S. relations.¹⁸⁵

As the war progressed, the United States determined the IRI was inciting violence and sought an arms embargo, which both China and Iran viewed as U.S. hegemonism, but Beijing continued to balance Tehran and Washington.¹⁸⁶ China backed U.S. sponsored UNSC Resolution 552 calling for an end to Iran-Iraq attacks on neutral shipping, but did not support U.S. sanctions or Operation Staunch (a U.S. operation to reflag Kuwaiti tankers).¹⁸⁷ China, however, also supported Iran rhetorically (in claiming sanctions and Operation Staunch were U.S. hegemonism), militarily (as the only UNSC permanent member not to send warships to the region), and diplomatically (calling for the U.S. military to leave the Persian Gulf).¹⁸⁸ China was instrumental in ending the war as it became increasingly concerned about escalation of attacks, culpability (particularly regarding Iran's use of advanced Chinese Silkworm missiles), and entrapment.¹⁸⁹ In October 1987, Iran used Silkworm missiles (the one and only time) against Kuwaiti shipping in the Strait of Hormuz, and Beijing—demonstrating its fear of entrapment in an

¹⁸² Garver, 237; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 11–12.

¹⁸³ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 96.

¹⁸⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 93–94.

¹⁸⁵ Garver, 78.

¹⁸⁶ Garver, 83–84.

¹⁸⁷ Garver, 84, 88–89.

¹⁸⁸ Garver, 83–84, 88–90.

¹⁸⁹ Garver, 85–86; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 473.

IRI-U.S. conflict—lobbied against their use.¹⁹⁰ UNSC Resolution 598 was passed calling for an end to the war via immediate ceasefire and withdraw, which the PRC encouraged IRI leaders to accept.¹⁹¹ China continued to reiterate fighting was counterproductive and provided pretext for more U.S. presence, but also criticized the U.S. military buildup and sanctions, and worked to make resolution 598 more balanced.¹⁹² On 3 July 1988, the USS Vincennes shot down Iranian Air Flight 655 killing all 290 onboard, further cementing anti-U.S. sentiment.¹⁹³ On 17 July 1988 Iran agreed to UN Resolution 598, only after Chinese pressure and a Chinese promise of post-war cooperation.¹⁹⁴ The Iran-Iraq war fundamentally shaped the IRI, but it was PRC tangible support to the IRI during the war, particularly through arms sales, that cemented the relationship.

2. PRC-IRI Arms Sales During the Iran-Iraq War

During the war China's arms sales to Iran were vital to upgrading Iran's aging military and earned China good-will in Iran.¹⁹⁵ Arms sales demonstrated the PRC was a reliable partner and different from the West, as the PRC highlighted anti-western solidarity, found financing solutions for IRI purchases, and did not make deals conditional on human rights.¹⁹⁶ Yet, the PRC supported IRI goals only as far as it did not jeopardize PRC-U.S. relations and its more important interests, and would not join the IRI in an anti-U.S. bloc.¹⁹⁷ The PRC—to both show support for the IRI and that it was a responsible power—worked to show the IRI that it was unique among the UNSC permanent members, but

¹⁹⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 90; Harold and Nader, "China and Iran," 7; Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 474.

¹⁹¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 85–86.

¹⁹² Garver, 85–87.

¹⁹³ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 72–73.

¹⁹⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 87–91.

¹⁹⁵ Garver, 80; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 33.

¹⁹⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 80; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 33.

¹⁹⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 80.

balanced arms-sales to Iran with arms-sales to Iraq and with supporting UNSC objectives.¹⁹⁸

The IRI viewed itself as targeted by its neighbors and the West, and thus focused on hard power, defensive military capabilities, and military technology, which fostered PRC participation.¹⁹⁹ The IRI greatly valued PRC assistance, particularly after the 1984 Iran Sanctions Act in which the United States restricted Iran's access to arms and designated the IRI a state sponsor of terror.²⁰⁰ This left Russia and China as potential suppliers, and China sought to increase its influence and capitalize on Iran's expanding arms market.²⁰¹ Chinese defense firms were large and influential but needed hard currency to modernize (as Vietnam exposed China's military inadequacies).²⁰² Deng Xiaoping's reforms allowed these firms to seek foreign customers and retain profits, which helped fuel military modernization, even as Deng reduced defense budgets.²⁰³

During the war, because of Iran's tactics (using mass and appeals to revolutionary fervor) it sought to domestically produce less sophisticated weapons; this required lesser technology and industrial support China was willing and able to provide, and largely without political conditions.²⁰⁴ China initially sold Iran small arms, ammunition, artillery, and helped Iran develop its domestic capabilities in these areas.²⁰⁵ By 1982, the United States believed the IRI purchased 40% of its arms from the PRC and North Korea.²⁰⁶ The PRC eventually sold the IRI F-6 and F-7 fighter aircraft, T-59 Tanks, 122/130mm Towed

¹⁹⁸ Garver, 82; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 122.

¹⁹⁹ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 26.

²⁰⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 167; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 8; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 56.

²⁰¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 167; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 8.

²⁰² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 168; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 8.

²⁰³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 168.

²⁰⁴ Garver, 168.

²⁰⁵ Garver, 173.

²⁰⁶ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 122.

Guns, CSA-1 Surface-to-Air Missiles (SAMs), Portable Hong Ying-5 SAMs, 107mm multiple rocket launchers, C-801 and Hai Ying-2 (HY-2) anti-ship cruise missiles, PL-2A and PL-7 air-to-air missiles, Type 501 armed personnel carriers, and HQ-2B SAMs.²⁰⁷ Cooperation included a secret \$1.3 BN deal in 1983 (using North Korea as a middle-man), a \$1 BN deal in March 1985, a \$1.16 BN deal in June 1985; and a \$3.1 BN deal in 1986 including 200 HY-2 Silkworm anti-ship cruise missiles and material to produce Silkworms domestically, which gave Iran the ability to close sea-lanes.²⁰⁸ Iran justified the agreements by claiming that China did not have colonial aspirations.²⁰⁹ By 1987, the PRC and IRI began ballistic missile development (including range extension) and testing cooperation.²¹⁰

Yet, China was neutral and wanted to minimize blowback from sales to Iran (in both the West and among Arab states). China thus only sold Iran arms indirectly through third parties (North Korea, Hong Kong, Pakistan, British, and Turkish entities) and denied the sales until 2004.²¹¹ The United States—who was primarily selling weapons to Iraq—denounced PRC sales to Iran. Ultimately, China sold the Gulf States \$12 BN worth of arms, increasing its international status, bolstering and underwriting China’s defense sector modernization, and funding imports.²¹² Overall, arms sales: opened the Iranian market for China’s defense industry, increased China’s geostrategic influence in the region, and were important for establishing roots for the broader economic relationship.²¹³ In sum, China

²⁰⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 173–78; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 9.

²⁰⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 80, 182; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 6–8.

²⁰⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 79–80.

²¹⁰ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 9.

²¹¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 167, 169–70; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 6–7; Harold and Nader, “China and Iran,” 7.

²¹² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 171; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 9–10.

²¹³ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 123; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 473.

assisted IRI military development, largely ignored U.S. calls to cut off IRI military imports, and became the IRI's primary arms supplier.²¹⁴

Overall, from 1979–1988 the IRI and PRC built a lasting partnership. Tehran was isolated and distrustful of the international order, while Beijing was a “friend in need” and became the IRI's most influential partner.²¹⁵ China provided Iran meaningful support including arms sales (against Washington's demands), support in the UNSC, diplomatic support demanding withdrawal of superpower forces from the Gulf, and economic support.²¹⁶ PRC assistance, though limited, gained goodwill in Tehran and gave the IRI maneuver space despite international sanctions, without openly confronting the United States.²¹⁷ Iran provided China a counterweight to the United States, and hard currency from arms sales to develop its defense sector.²¹⁸ While IRI-PRC relations caused tensions in U.S.-PRC relations, these tensions never totally undermined the U.S.-PRC relationship.²¹⁹ According to John Garver, “objectively China just about got the right balance between conciliating Washington and supporting Tehran.”²²⁰

C. IRI-PRC RELATIONS: 1989–1996

After the Iran-Iraq war, the IRI and PRC both underwent major changes, but their policies grew more pragmatic and their relationship closer.²²¹ In Beijing the 1989 Tiananmen massacre caused the United States and other western countries—previously supportive of China's development efforts—to levy criticism and sanctions, which created

²¹⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 166.

²¹⁵ Garver, 94; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 13; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 27.

²¹⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 93; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 13.

²¹⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 88, 93; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 13.

²¹⁸ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 13.

²¹⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 94.

²²⁰ Garver, 94.

²²¹ Harold and Nader, “China and Iran,” 4.

empathy from Tehran.²²² Iran's human resources, infrastructure, and economy were decimated, and the IRI was isolated.²²³ China quickly offered assistance to rebuild the country, skillfully seizing the chance to grow the relationship.²²⁴ The relationship also deepened after the fall of the Soviet Union, as both the PRC and IRI worried about a potential opportunity for the United States to expand its influence, and both championed multipolarity and sovereignty.²²⁵ Similarly, the IRI and PRC both also viewed the 1991 Gulf War as a U.S. effort to dominate the Middle East, and saw the quick coalition victory as an unwelcome advance of U.S. hegemony.²²⁶ Thus, from 1991–1996 the IRI-PRC 'antihegemony' partnership grew with increased state visits, though China continued balancing its interests and using its clout from the Gulf War to negotiate termination of U.S. sanctions from Tiananmen.²²⁷ With the Soviet Union's collapse, the U.S.'s rise as a superpower (and unipolarity), and increasing pressure on the PRC over its human rights record, the IRI-PRC partnership became critical to the PRC.²²⁸

Iran collaborated with Chinese clients during the Iran-Iraq war signing bilateral agreements for economic, technological, and scientific cooperation, and were considering how China could help rebuild Iran.²²⁹ Khomeini's death in June 1989, and ascendance of Ayatollah Ali Khamenei and President Rafsanjani provided new possibilities for the partnership, potentially softening Iran's foreign policy and further opening Iran to

²²² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 95–96; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 21.

²²³ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 17; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 107.

²²⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 95; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 27, 107.

²²⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 96–97; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 19–20; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 40.

²²⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 103–6, 160.

²²⁷ Garver, 104, 106–7.

²²⁸ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 474.

²²⁹ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 18–19.

China.²³⁰ As western sanctions blocked Iran's access to the global economy, President Rafsanjani led Iran to "look East" to meet its economic and technical needs. While not multifaceted these efforts were a positive early engagement of East Asia.²³¹ In 1989 Khamenei went to Beijing, where he reiterated third world solidarity and initiated IRI-PRC military cooperation.²³² The visit, however, demonstrated the relationships asymmetry as Khamenei was not originally scheduled to meet Deng Xiaoping, and immediately after the visit the PRC sought to reassure its other allies concerned about PRC-IRI cooperation (for example with missile sales to Saudi Arabia).²³³ The PRC continued support for the IRI's missile and nuclear programs, which was highly valued by IRI leaders, and for the PRC diverted U.S. attention from its major Pacific interests.²³⁴ Official visits and Visa exemptions increased student exchanges, research, and joint training programs promoting economic, cultural, technological, and scientific cooperation.²³⁵ Iran's economy, however, continued to struggle despite privatization, efforts to create free-trade zones, and cutting subsidies and social welfare programs.²³⁶

The PRC under the leadership of Jiang Zemin—who was President, General Secretary of the CCP, and head of the CMC—embarked on a "going-out" strategy incentivizing overseas investments to advance China's foreign interests and presence to support its expanding economy.²³⁷ However, while China went out into Iran and used Iranian oil to fuel development, the IRI remained unable to use oil to compel the PRC into supporting its policies; for example the IRI tried to coerce PRC leaders to denounce Saudi

²³⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 99; Harold and Nader, "China and Iran," 4.

²³¹ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 22.

²³² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 101–2, 293; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 73.

²³³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 101–2, 293; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 73.

²³⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 98; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 14–15, 73.

²³⁵ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 72.

²³⁶ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 25.

²³⁷ Azad, 19, 40–41; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 168.

Arabia and eject Israel from the UN, but instead the PRC normalized relations with these countries.²³⁸ The PRC needed to meet Arab leader demands to secure its interests, particularly the Gulf States, which increased in importance to China as cities like Dubai became sources of capital, investment, and integral inroads into Iranian markets.²³⁹

U.S.-PRC relations were at a low during this time, and the PRC saw utility in the IRI confronting the United States, yet still hedged in its relationship with Iran. U.S.-PRC relations were strained by the Tiananmen Massacre, confrontations in 1993–1994 over China’s Most-Favored-Nation trade status being tied to Human Rights, and the 1995–1996 dispute where two U.S. carriers went to the Taiwan Strait.²⁴⁰ The PRC saw the IRI as useful in demonstrating the U.S. was violating national sovereignty, in demonstrating it could either facilitate or confound U.S. policies towards Iran (specifically by supporting or inhibiting Iran’s nuclear, missile, and military modernization programs), and as an important hedge if there was to be a U.S.-PRC military confrontation.²⁴¹ Beijing saw Iran as important in the event of a U.S.-PRC clash—over Taiwan for example—where Iran could impede Western states Persian Gulf oil supplies and undermine any Western efforts to shut of China’s oil.²⁴² However, Beijing still worried that close ties to Iran might sully its reputation and strain other relationships (including with the United States) more vital to its development.²⁴³ Thus, when Iran again asked China to join an anti-U.S. bloc including Russia, India, and Pakistan, the PRC still declined.²⁴⁴ However, because the IRI was useful, China opposed U.S. sanctions against Iran in 1995, emphasized mutual respect, and issued statements in solidarity with Iran.²⁴⁵ Ultimately, the PRC quickly overcame its

²³⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 282; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 25, 39.

²³⁹ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 39.

²⁴⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 111, 115; Harold and Nader, “China and Iran,” 4.

²⁴¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 96–97.

²⁴² Garver, 121, 264–65; Harold and Nader, “China and Iran,” 1–2.

²⁴³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 97–98.

²⁴⁴ Garver, 113; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 73.

²⁴⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 114–15.

Tiananmen isolation by cooperating in the UNSC to end the Kuwait crisis, whereas the IRI, still isolated, increasingly looked East.²⁴⁶

By 1991 the United States concluded the IRI was seeking nuclear weapons, a major U.S. aim became stopping that effort, and PRC support for the IRI thus directly challenged U.S. policy.²⁴⁷ By 1993, U.S. policy towards Iran and Iraq became ‘dual containment’—which along with the Iran-Iraq Non-Proliferation Act—were seen as U.S. hegemonism to prevent the IRI from accessing political and financial resources required to rebuild.²⁴⁸ Both the PRC and IRI argued that Iran was a party to the Nuclear Nonproliferation Treaty (NPT), had a right to peaceful nuclear energy, had cooperated with the International Atomic Energy Agency (IAEA) who never found breaches, and that the United States should remain out of other countries affairs.²⁴⁹ Dual containment became the basis for UN sanctions on Iran for its nuclear pursuits and sponsoring terrorism.²⁵⁰ In 1995 U.S. firms were banned from Iran’s oil sector, the ban extended into a full trade embargo, and eventually extended to sanctions against foreign companies conducting business in Iran.²⁵¹ Sanctions forced Iran to fully look East, and increased Iran-China cooperation.²⁵²

IRI-PRC cooperation expanded in two other important ways. In 1995, the IRI and PRC agreed that Persian Gulf security must be provided by regional states, and reiterated the importance of partnering to combat U.S. hegemony.²⁵³ Second, in 1996 the PRC established the Shanghai Cooperation Organization (SCO) with Russia, Tajikistan, Kyrgyzstan, and Kazakhstan to address objectives in Central Asia.²⁵⁴ Central Asia was

²⁴⁶ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 21.

²⁴⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 110.

²⁴⁸ Garver, 111; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 20–21; Harold and Nader, “China and Iran,” 4; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 74.

²⁴⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 111.

²⁵⁰ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 74.

²⁵¹ Esfandiary and Tabatabai, 74.

²⁵² Esfandiary and Tabatabai, 74.

²⁵³ Esfandiary and Tabatabai, 75.

²⁵⁴ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 42.

critical to both Iran and China, as both worried about nationalism and geopolitical rivalry, China sought the region's vast material resources, and both wanted to use Iran to move resources to China.²⁵⁵

1. Early Nuclear Cooperation

The PRC was the IRI's main nuclear supporter—particularly from 1985–1997—despite U.S. led international opposition, with support highly valued by IRI leaders and a key element of IRI-PRC cooperation.²⁵⁶ Both denied cooperation until 1991, as Beijing viewed the Gulf War as a U.S. effort to increase regional influence, and expanded assistance to Iran.²⁵⁷ Most assistance was in principle to support Iran's civilian nuclear energy needs, but much of the support (including with uranium enrichment) also had military applications.²⁵⁸ Regardless of PRC intentions—whether profits, better relations with the IRI, or to help Iran develop a nuclear weapons capability—its support increased Iran's nuclear capabilities.²⁵⁹

China joined the IAEA in 1984, just before its cooperation with Iran, and most—though not all—of its support for Iran's nuclear program was disclosed and technically in NPT and IAEA compliance.²⁶⁰ In 1985 China supported Iran's nuclear energy program, helping Iran establish its Esfahan Nuclear Research Center (providing four training reactors and educating Iranian engineers in China), activities not reported to the IAEA until 1992 but not considered significant proliferation risks.²⁶¹ By 1987 Iran's program was also expanding as a result of information from the AQ Khan network, while China continued to

²⁵⁵ Azad, 41–42.

²⁵⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 139; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 27.

²⁵⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 139, 160.

²⁵⁸ Harold and Nader, “China and Iran,” 8.

²⁵⁹ Harold and Nader, 8.

²⁶⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 143; Harold and Nader, “China and Iran,” 8.

²⁶¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 143–46, 160; Harold and Nader, “China and Iran,” 8.

help Iran mine Uranium (not reportable to the IAEA).²⁶² The PRC additionally agreed to supply Iran with a 27 kW and 27 mW reactor and 1,600 KGs of Uranium (which were also not reported).²⁶³ In 1991, the PRC agreed to work with Iran to build a nuclear reactor at Bushehr, agreed to cooperate on science and technology development, and sold 1.8 metric tons of Uranium (not reported until 2003).²⁶⁴ According to John Garver the PRC justified nuclear support to the IRI given: it was for peaceful purposes; it was subject to IAEA inspections; and Iran pledged not to transfer materials or technology to any third country without permission.²⁶⁵ In 1992 the PRC agreed to provide Iran 4 x 300 mW reactors (but cancelled the 27 mW reactor), and then in 1994 agreed to sell Iran a Tokamak (China's first international transfer of nuclear fusion technology), helped Iran develop atomic laser technology, and helped Iran advance in the area of heavy water.²⁶⁶ After the U.S. confronted China over the possible heavy water reactor sale, the deal was cancelled (which later became a subject in the 1997 U.S.-PRC agreement regarding IRI-PRC cooperation).²⁶⁷ Though China did not supply Iran a heavy water reactor, China was supportive providing the IRI heavy water.²⁶⁸ In 1994 China provided Iran with a large facility to produce uranium hexafluoride (hex), disclosed to the IAEA in 1996.²⁶⁹ In 1997 when China was seemingly helping Iran with the construction of other hex facilities, the U.S. protested, and Beijing suspended the deals.²⁷⁰ Iran used nuclear design data it received (possibly from China during negotiations) to eventually build its Natanz facility.²⁷¹ Ultimately the PRC provided IRI critical support in developing its nuclear program in the late 1980s into the 1990s, support that although was largely subject to IAEA

²⁶² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 124, 145–46.

²⁶³ Garver, 146.

²⁶⁴ Garver, 147–60.

²⁶⁵ Garver, 147.

²⁶⁶ Garver, 148–51.

²⁶⁷ Garver, 151.

²⁶⁸ Garver, 152.

²⁶⁹ Garver, 152.

²⁷⁰ Garver, 152–53.

²⁷¹ Garver, 153.

cooperation and limits, was insufficiently reported and caused tensions in the U.S.-PRC relationship.²⁷²

2. Post Iran-Iraq War Arms-sales and Defense Cooperation

After the Iran-Iraq war, the IRI sought more advanced technologies including missile, chemical, and nuclear capabilities and the PRC continued to help Iran achieve these objectives—particularly supporting Iran’s efforts to develop its domestic production capabilities.²⁷³ Iran preferred arms sales with Russia over China due to its more advanced technology and China’s reluctance to fully cooperate even after signing agreements.²⁷⁴ China’s advantage however, was that it was willing to exchange weapons and defense products for oil, and at good prices based on third-world solidarity.²⁷⁵ Thus, while Russia became Iran’s primary post-war military supplier, China remained important with a ten year IRI-PRC military and technology agreement focused on missile cooperation and increased high-level military exchanges.²⁷⁶

Tehran feared U.S. disruption of its oil trade and—with Beijing’s support—worked on developing its littoral capabilities including ballistic missiles and naval forces to counter U.S. capabilities in the Persian Gulf and increase ways Iran could attack ships in the Gulf.²⁷⁷ Lacking an advanced air force, Iran sought deterrence or retaliation through missile forces and its ability to disrupt shipping.²⁷⁸ To this end, from 1989–1997 China also sold Iran HQ-2b Coastal defense SAM systems, CSS-8 SSM’s and CSS-8 TEL SSM launchers, C-801 and C-802 anti-ship cruise missiles, Hugo and Hudong missile fast-attack boats to carry the 802s, F-7 fighters, Y-12 and Y-7 transport aircraft, ESR-1 surveillance

²⁷² Garver, 160.

²⁷³ Garver, 171.

²⁷⁴ Garver, 196–97; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 27.

²⁷⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 196–97; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 27.

²⁷⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 171; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 473.

²⁷⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 181–84; Harold and Nader, “China and Iran,” 7.

²⁷⁸ Harold and Nader, “China and Iran,” 7.

radar, and fire control radars.²⁷⁹ China also helped Iran with its Scud-B development, artillery rockets, and helped Iran domestically support its own solid-fuel, unguided, heavy artillery rockets.²⁸⁰ In 1996 there was also a three year, \$45 BN agreement largely for ballistic missiles, missile production, and guidance system test equipment, which helped Iran develop its Shahab-3 ballistic missiles that can range Israel and U.S. bases in Turkey.²⁸¹ Then, China helped Iran develop dual-use chemical facilities, with China later admitting Iran had developed Chemical Warfare agents.²⁸²

The PRC denounced U.S. accusations that it exported missile technology to Iran, criticized U.S. sanctions of missiles sales to Iran, and insisted what it sold were dual-use capabilities (pesticides, herbicides, industrial chemicals, or chemical agents).²⁸³ In 1993 the United States stopped the Chinese ship Yinhe suspecting it had chemical weapons when it did not, which to China further demonstrated U.S. arrogance in meddling in IRI-PRC ties.²⁸⁴ Beijing generally rejected U.S. pressure to stop selling advanced conventional weapons to Iran—with some major exceptions in nuclear, cruise missiles, and Category 1 ballistic missiles—but even when Beijing did succumb to U.S. pressure, it found way to support Tehran.²⁸⁵ Further, the arms sales enabled Beijing to see—in the event of a U.S.-IRI conflict—how the U.S. would respond to its weapons and how its weapons (particularly anti-ship systems) would fare in such a clash.²⁸⁶

Iran and China also continued to view arms control agreements as tools of the U.S. and West to preserve military advantage.²⁸⁷ U.S. efforts to prevent the spread of WMD,

²⁷⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 182–84.

²⁸⁰ Garver, 186.

²⁸¹ Garver, 188.

²⁸² Garver, 189; Harold and Nader, “China and Iran,” 7.

²⁸³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 195–96; Harold and Nader, “China and Iran,” 7.

²⁸⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 191.

²⁸⁵ Garver, 199.

²⁸⁶ Garver, 200; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 8.

²⁸⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 179.

and the Missile Technology Control Regime (MTCR) in particular, were viewed as efforts to prevent third world nations from gaining retaliatory capabilities, and thus as against the sovereign right of self-defense.²⁸⁸ Both also pointed to U.S. use of force against developing countries (Yugoslavia 1999, Iran 1987, Afghanistan 1998/2001, Iraq 1991/1997, and deployment of two aircraft carriers near Taiwan in 1996) as U.S. hegemony.²⁸⁹ In sum, China wanted to undermine U.S. hegemonic interests and provided support to IRI military development despite U.S. disapproval.²⁹⁰ The PRC adroitly managed arms sales to the IRI, as they never caused the United States to stop supporting PRC modernization efforts.²⁹¹

3. Post Iran-Iraq War Economic Cooperation

IRI-PRC cooperation grew as the PRC sought to diversify its energy supplies and wanted a part in Iran's energy market, and Iran sought support to develop its infrastructure after its revolution and decade of war.²⁹² Iran looked to rebuild, with China as its major partner.²⁹³ Postwar projects focused on China providing manufacturing equipment, assistance in building factories and production lines, and mining support, in exchange for Iranian oil, minerals, and metals.²⁹⁴ This entrenched the overall pattern of IRI-PRC economic relations; where China provided industrial equipment, technology, capital goods, munitions, and engineering services in exchange for oil, minerals, and metals.²⁹⁵ Also entrenched were the relationships central economic problems; that Iran had little China

²⁸⁸ Garver, 179–81.

²⁸⁹ Garver, 180.

²⁹⁰ Garver, 199–200.

²⁹¹ Garver, 199–201.

²⁹² Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 92, 99.

²⁹³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 239; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 54.

²⁹⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 253–55; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 26.

²⁹⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 244–46.

desired to import except energy and raw materials, and that Iran believed China should financially underwrite cooperation due to its strategic significance.²⁹⁶

Entering the 1990s, Iran's economy was becoming more state dominated with the growth of Islamic foundations (or Bonyads), while China was opening and becoming more market oriented.²⁹⁷ China grew rapidly and in 1993 transitioned from a net oil exporter to importer, with over half from the Persian Gulf, which increased Iran's significance to China.²⁹⁸ As the PRC increasingly worried about energy security—particularly as relations with the United States worsened—Iran's location and resources could be vital to ensuring continued flows of oil to satisfy skyrocketing demand.²⁹⁹ Additionally, Iran was a potentially large market for Chinese goods and services, but Iranians remained concerned about the quality of China's technology compared to Western technology (although it cost less).³⁰⁰ China thus sought to develop ties with other Gulf Cooperation Council (GCC) states and Saudi Arabia to diversity its energy supplies, should it want to offset imports from Iran.³⁰¹ Overall, IRI-PRC trade allowed China to satiate its energy demands by partnering with a strategically important country that would reject U.S. calls to sanction China.³⁰²

D. IRI-PRC RELATIONS: 1997–2004

In Tehran, the 1997 election of President Khatami shifted focus from reconstruction to reform, and Iran's foreign policy became more conciliatory.³⁰³ Reform discourse was contentious and heightened expectations, but did not resolve domestic or foreign policy

²⁹⁶ Garver, 244.

²⁹⁷ Garver, 241–42.

²⁹⁸ Harold and Nader, "China and Iran," 4; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 24.

²⁹⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 264–65; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 23–24.

³⁰⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 239, 241, 246.

³⁰¹ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 24–25.

³⁰² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 246.

³⁰³ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 31.

problems, nor change Iran's relationship with the West.³⁰⁴ China, by 1997, had decided to focus on economic development, largely to stand up to the west. Ironically, to support these development goals, China moved away from Iran to avoid confrontation with the United States.³⁰⁵ Although pragmatic economic and UNSC cooperation continued, in 1996–1997 China ended nuclear cooperation with Iran, stopped selling Iran Category I ballistic missile and advanced anti-ship cruise missiles, decreased high-level interactions to their lowest levels since 1979, and halted military exchanges.³⁰⁶

The PRC decision to curtail support to the IRI was likely due to potential negative impacts the support had to its reputation, interests, and relations with the U.S., though was curtailed carefully to retain influence with Iran.³⁰⁷ China loathed U.S. hegemonic presence in the Persian Gulf, but realized it needed U.S. support to achieve its most critical economic and technological development goals.³⁰⁸ China's move from Iran was also likely due to its desire to be viewed as a responsible power and realization that nonproliferation was increasingly a global norm.³⁰⁹ China also likely determined its interests were best met by less nuclear weapon states.³¹⁰ Tehran was angered by growing U.S.-PRC ties, and China's influence in Iran waned, but China's acquiescence was largely blamed on the U.S..³¹¹

However, as China cut critical support for Iran, it also resisted U.S. demands.³¹² Beijing wove loopholes into agreements over Iran: ending Silkworm sales but selling technology and machinery to manufacture missiles and then selling the even more

³⁰⁴ Azad, 31–32.

³⁰⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 115; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 3, 38.

³⁰⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 115, 177; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 38; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 75–76.

³⁰⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 233.

³⁰⁸ Garver, 234.

³⁰⁹ Garver, 234.

³¹⁰ Garver, 235.

³¹¹ Garver, 116; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 76.

³¹² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 235–36.

advanced C-801/C-802 anti-ship missiles; agreeing to parameters of the MTCR but requiring range and payload distinctions to lesson impacts; and implementing a new (reportedly tighter) export control system and still exporting critical items.³¹³ Beijing thus did not sacrifice friendly ties with Tehran under U.S. pressure, and during protracted discussions resisting U.S. demands bolstered Iran's indigenous capabilities.³¹⁴

In 1999, U.S. warplanes struck China's embassy in Belgrade, U.S.-PRC relations soured, and IRI-PRC relations improved.³¹⁵ Beijing offered to help build power stations and copper mines, there was cooperation on the Tehran metro project, and regular ministerial and high level visits resumed.³¹⁶ The communiqué issued following President Khatami's 2000 visit to China stipulated that Beijing and Tehran agreed to long-term ties based on respect for sovereignty and peaceful co-existence, the need for a new multi-polar international order, and stressed Persian Gulf security should be provided by regional, vice outside, powers.³¹⁷

In 2000, Beijing endorsed Khatami's efforts to dethaw relations with the U.S.; as he sought a 'dialogue among civilizations' and proposed a grand bargain addressing some of the biggest U.S. security concerns.³¹⁸ However, U.S. intervention in Afghanistan in 2001, the 2002 State of the Union labeling Iran as part of the Axis of Evil, and the 2003 U.S. invasion of Iraq all eroded any trust in the U.S. and solidified the rationale for the IRI-PRC anti-U.S., anti-hegemony partnership.³¹⁹ In 2003, the United States sought to bring Iran's nuclear case to the UNSC, and the PRC opposed the action believing Iran would be the next U.S. target.³²⁰ China, however, had to carefully manage its relations with

³¹³ Garver, 235–36.

³¹⁴ Garver, 235–36.

³¹⁵ Garver, 117; Harold and Nader, "China and Iran," 4–5.

³¹⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 118.

³¹⁷ Garver, 118–19, 124.

³¹⁸ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 20–21, 76–77.

³¹⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 122–23; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 77; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 183.

³²⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 123.

Washington, Tehran, as well as European and Arab capitals.³²¹ Following Jiang Zemin's 2002 visit to Iran no Joint Communiqué or treaty was signed and China didn't accept Iran's invitation to join an anti-Western bloc.³²² Furthermore, China remained cautious of open military cooperation with Iran, largely kept support for Iran's military modernization and dual-use technology private, ended military visits (the PLAN did not visit Iran from 1984–2004, despite the fact it would likely have been welcome and began port calls in Pakistan, India, Bangladesh, and elsewhere), and kept high level visits private.³²³ Although there were 12 non-public military exchanges from 1990–2001 (far fewer than the 75 with Pakistan), this demonstrates Beijing's worry that IRI-PRC ties could negatively impact U.S.-PRC ties.³²⁴

1. The Nuclear Issue: 1997–2004

In 1997 the PRC stopped providing Iran direct nuclear support as the scope and covert military aspects of the IRI program came to light, increasing the political costs of assistance.³²⁵ China likely assessed it needed to stop nuclear support to better relations with Washington, and to receive help improving its own nuclear energy program necessary for development.³²⁶ The PRC continued to support two low-proliferation risk IRI projects, but pledged not to sell nuclear or uranium hexafluoride plants, heavy-water reactors or production plants, and promised no new nuclear assistance.³²⁷ The PRC capitulated to U.S. demands and lost considerable credibility in Tehran.³²⁸ Tehran, though upset, lacked recourse, as Beijing remained its only supporter in other vital areas.³²⁹

³²¹ Garver, 125.

³²² Garver, 125.

³²³ Garver, 125.

³²⁴ Garver, 126.

³²⁵ Garver, 155.

³²⁶ Garver, 139, 155; Harold and Nader, "China and Iran," 7.

³²⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 154.

³²⁸ Garver, 154–55; Harold and Nader, "China and Iran," 7.

³²⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 155.

In 2002, an IRI opposition group disclosed two covert nuclear sites including the Arak heavy water production plant and the Natanz Uranium enrichment facility.³³⁰ Washington attempted to refer Iran's nuclear case to the UNSC for sanctions, and Beijing echoed Tehran's claim that its program was for peaceful purposes and opposed sanctions.³³¹ However, PRC leaders encouraged the IRI to cooperate with the IAEA and specified that if the case did go to the UNSC, the PRC stance would be based on the evidence.³³² Throughout the 2004 IRI-IAEA discussions the PRC continued to seek to support both the NPT and IRI.³³³ Though not an explicit quid pro-quo, support on the nuclear issue facilitated energy cooperation as China worked to develop Iran's energy sector (where SINOPEC, for example, in 2004 signed a MOU with NIOC to develop the Yadavaran oil field).³³⁴ The West deemed the IRI was noncompliant with NPT rules, due to failure to declare facilities to the IAEA in a timely manner.³³⁵ During the 2003–2005 talks the IRI politicized enrichment as an issue of national sovereignty, independence, and self-sufficiency, and that stopping enrichment was another example of the West trying to stymie its progress.³³⁶ This characterization made it impossible for the IRI to ever accept zero enrichment, and subsequent talks instead focused on symbolic elements of the program and aimed to limit enrichment.³³⁷

Ultimately, both the IRI and PRC asserted the United States was falsely accusing Beijing of providing nuclear weapons technology to Tehran and trying to divert attention from Israel's program, and maintained Iran's program was for civilian purposes.³³⁸

³³⁰ Garver, 162; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 27; Semira N. Nikou, "Timeline of Iran's Nuclear Activities," United States Institute of Peace: Iran Primer, August 17, 2021, <https://iranprimer.usip.org/resource/timeline-irans-nuclear-activities>.

³³¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 163–65.

³³² Garver, 163–65.

³³³ Garver, 165.

³³⁴ Garver, 165; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 41.

³³⁵ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 45–46.

³³⁶ Esfandiary and Tabatabai, 46.

³³⁷ Esfandiary and Tabatabai, 46–47.

³³⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 155.

Additionally, PRC cooperation was extensive and integral to IRI nuclear efforts, and continued PRC support after others had ceased cooperation earned Beijing trust and goodwill in Tehran.³³⁹ Finally, the PRC decision to disengage was likely due to possible damage to its reputation once IRI covert activities were disclosed; as PRC interests and desire to be seen as a responsible global power were better served by upholding the NPT.³⁴⁰

2. Economic Cooperation

During this 1997–2004 period Iran needed stable oil markets and China needed stable supply; thus, Iran became one of China’s main oil suppliers while China sought development projects to secure Iranian oil sales and further expanded exports of capital goods to Iran.³⁴¹ From 1999–2000 China increased its oil imports from Iran by 80%, and then from 2000–2001 increased its oil imports from Iran by another 55%, also increasing two-way trade increased 73% in a mutually beneficial relationship.³⁴² Overall, Iran’s demands for capital goods, and ability to pay in oil, benefitted China’s economy.³⁴³ Iran-China trade and investment ties expanded so rapidly that, whereas in 2004 Iran’s top trade partner was the European Union, by 2007 China was Iran’s top trade partner.³⁴⁴

Although Iran has vast oil and natural gas reserves, it lacked the refining capabilities, technology, and expertise to fully exploit these resources, and China sought to replace departing Western companies by helping fill these gaps.³⁴⁵ In 2000, Tehran awarded Japan development rights to the Azadegan field, but Japan withdrew over

³³⁹ Garver, 155, 159–60.

³⁴⁰ Garver, 161–62.

³⁴¹ Garver, 265, 272.

³⁴² Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 76; Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 119.

³⁴³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 248.

³⁴⁴ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 181; Harold and Nader, “China and Iran,” 5.

³⁴⁵ Harold and Nader, “China and Iran,” 10; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 99.

concerns regarding IRI nuclear activities, and SINOPEC eventually received the rights.³⁴⁶ China invested in helping Iran develop its underdeveloped fields and refining capabilities, and with Chinese assistance, helped develop Yadavaran field production to 300,000 barrels per day (half to be sold to China).³⁴⁷ China also helped Iran build its Caspian Republics Oil Swap (CROS) project, a major IRI effort to develop its Caspian energy resources.³⁴⁸ Efforts included strengthening infrastructure to move Caspian Crude at Persian Gulf ports, particularly Neka, the development of which was performed against U.S. wishes.³⁴⁹ Energy cooperation built on the 1997 IRI-PRC energy relations agreement and included: in 2000 Sinopec provided Iran oil exploration machinery and helped renovate aging refineries; in 2002 a 10-year oil trade agreement was reached; in 2004 Iran granted CNPC exploitation rights to its oil and gas fields; in 2004 IRI-PRC trade reached \$22 BN, of which 65% was from oil; and in 2005 CNPC signed a \$4.7 BN contract for South Pars exploration.³⁵⁰ Overall, SINOPEC invested nearly \$1 BN in the early 2000s in Iran's energy infrastructure, which put it among large investors, but still behind Italy, Japan, and South Korea.³⁵¹

Iran's economic reliance on China extended beyond energy, with extensive trade and investments in non-energy sectors.³⁵² Chinese engineers built infrastructure including bridges, dams (including a huge dam in Lorestan province), railroads, and tunnels throughout Iran, to potentially help Iran sell more energy on the international market.³⁵³ In 2003, China imported from Iran \$2.6 BN, and exported to Iran \$1.1 BN in machines, appliances, vehicles, aircraft, and more, thus financing 42% of oil imports by exporting

³⁴⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 270–71; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 99–100.

³⁴⁷ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 181.

³⁴⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 272.

³⁴⁹ Garver, 273–74.

³⁵⁰ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 99–100.

³⁵¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 275.

³⁵² Harold and Nader, "China and Iran," 11.

³⁵³ Harold and Nader, 11.

capital goods and supporting its own heavy industry.³⁵⁴ Agriculture and infrastructure remained areas of cooperation, but Chinese companies began engaging in major electrical power projects, modernizing Iran's shipping fleet, and auto manufacturers opened factories in Iran.³⁵⁵

Finally, transportation and infrastructure were major areas of cooperation. China helped Iran, in 1996 for the first time, establish a rail line tying it to Central Asia, including a 295-km line from Mashhad Iran to Turkmenistan; a central link to later Belt and Road Cooperation.³⁵⁶ In 2003 an IRI-PRC MOU was signed to build the Esfahan to Shiraz railway, and Chinese firms bid to provide 600 passenger and 5,000 freight cars, ships, around 3,100 miles of highway and 3,700 miles of railway, seven international airports, and three extremely large ports (including Chabahar).³⁵⁷ Iranian engineers were also trained in China learning strengths and weaknesses of Chinese capital goods; cooperation Beijing hoped would create a long-lasting partnership.³⁵⁸ China's early development was the result of opening eastern China to the coast, and then via ports and overseas trade, to the global economy.³⁵⁹ In 2000, an effort began to accelerate growth in western China by opening transportation lines in the South-Southwest, particularly with Iran and Pakistan.³⁶⁰ These new trade routes were also strategic, as in the event of a U.S.-PRC military confrontation, if there was a blockade of China's coast, these routes would provide the PRC alternate avenues to import materials.³⁶¹

³⁵⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 248.

³⁵⁵ Garver, 256–57; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 108.

³⁵⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 258; Harold and Nader, "China and Iran," 11; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 181.

³⁵⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 258–59.

³⁵⁸ Garver, 259.

³⁵⁹ Garver, 288.

³⁶⁰ Garver, 289.

³⁶¹ Garver, 291.

The preeminent Iran-China cooperation project though was the Tehran metro from 2000–2006.³⁶² The project began under the Shah, was halted during the war, and Rafsanjani invited Chinese firms to bid for work.³⁶³ Iran had outdated technology and needed assistance, but Western prices were high, so China agreed to provide support: at one-fourth Western bids, China could acquire Western technology (such as braking systems), use the technology to advance its manufacturing sector, create modern parts at the updated facilities, and later transfer this technology to Iran.³⁶⁴ The project demonstrated the reliability and durability of Chinese industry and improved the reputation for Chinese-made equipment.³⁶⁵ After an initial delay due to lack of Iranian funding, Beijing extended financial support (possibly \$1.5 billion) to ensure the project's success.³⁶⁶ The project was the largest ever by China overseas and set a precedent for large-scale Chinese financial support and joint acquisition of advanced technologies.³⁶⁷ In sum, Iran continued to value China's contribution to its industrialization and economic development, and China valued being able to finance oil imports by selling industrial equipment and technology.³⁶⁸ Beyond this, China approached Iran as equals, and didn't insist on as many conditions for support or as an instrument of pressure, while western negotiators insisted their methods were correct.³⁶⁹ Iran also saw China as willing—unlike western companies—to sell entire production processes and to provide large financial support.³⁷⁰

³⁶² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 26; Harold and Nader, "China and Iran," 12.

³⁶³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 261; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 26.

³⁶⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 262; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 26; Harold and Nader, "China and Iran," 12; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 181.

³⁶⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 262; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 108.

³⁶⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 264.

³⁶⁷ Garver, 264.

³⁶⁸ Garver, 278.

³⁶⁹ Garver, 275; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 123.

³⁷⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 275.

However, there remained inhibitors of Iran-China economic relations. Iran remained apprehensive regarding the quality of Chinese goods and technology, unclear whether China had the technology to help it fully develop its oil and natural gas sectors, and preferred more sophisticated Western, Japanese, or Korean goods.³⁷¹ Iran also disapproved of slow Chinese development; threatening to cancel the \$5 BN South Pars Field development contract if Chinese firms did not speed up exploration.³⁷² Tensions also remained in tough negotiations and disagreements over what levels, types, and price discounts for Chinese support and economic cooperation were justified given political solidarity.³⁷³ Iranian representatives insisted on low prices, brought in outside competitors to suppress prices, and often revisited previously-agreed to points.³⁷⁴ These problems were compounded by the complex Iranian bureaucracy which sometimes could not pay debts, restricted ownership of its energy resources (limiting China's opportunities), and sometimes could take years for government action (even with clear political support).³⁷⁵ China also focused on diversification—particularly energy supplies—leading it to gravitate towards Arab countries and the GCC, and to balance its relationship with Iran with its relationship with countries like Saudi Arabia and the UAE, to Iran's chagrin.³⁷⁶ The largest problem, however, was that Iran made too few goods China needed, leading Iran to have a large trade deficit with China (sometimes offset by large petroleum imports), but overall highly imbalanced.³⁷⁷

E. IRI-PRC RELATIONS: 2005–2012

During his two terms as President starting in 2005 Mahmoud Ahmadinejad oversaw the height of “look east” (turning to East Asia with economic, political, military, and

³⁷¹ Garver, 277.

³⁷² Harold and Nader, “China and Iran,” 22.

³⁷³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 278.

³⁷⁴ Garver, 278; Harold and Nader, “China and Iran,” 22.

³⁷⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 278–79; Harold and Nader, “China and Iran,” 22.

³⁷⁶ Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 4.

³⁷⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 279.

cultural exchanges), but also was antagonistic towards the West and oversaw the IRI's increasing isolation.³⁷⁸ Looking east was not preferred, but hostile nuclear and foreign politics (anti-West and anti-Israel) cost the IRI its traditional Western allies and left few options, while China became more pragmatic.³⁷⁹ Ahmadinejad and his policies were endorsed by the Supreme Leader and IRGC, and he was thus enabled to be increasingly assertive.³⁸⁰ East Asian nations had to participate in sanctions, but tried to mitigate their impact and satisfy Iran who opened its markets.³⁸¹ After 2005 the U.S. implemented additional nuclear sanctions which also caused European countries and Japan to stop business in Iran, opening more opportunities for Chinese companies and investors, a problem exacerbated by select U.S. sanctions exemptions, which Chinese firms expertly navigated.³⁸² According to Azad, pragmatic PRC leaders wanted both access to lucrative Iranian markets and close ties to the West, without "paying any relevant costs."³⁸³ China, thus, while disapproving of Western actions and unwilling to punish Iran, did not want to appear overly close to Iran and quietly sought Iran's forgiveness when it sided with the United States.³⁸⁴

During this time Iranians expressed growing anti-Chinese sentiments, although these were more muted than anti-U.S. sentiments.³⁸⁵ The first reason was belief among Iranians that China was buying Iranian oil and raw materials at low prices and flooding Iran with low-priced inferior Chinese goods, thus undermining Iran's agriculture, industry, and overall development.³⁸⁶ The second reason was perceived increased PRC intervention in Iran (particularly after the 2009 election protests where many who demonstrated blamed

³⁷⁸ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 47; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 11, 39.

³⁷⁹ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 48–51.

³⁸⁰ Azad, 50–51.

³⁸¹ Azad, 48.

³⁸² Azad, 55–56.

³⁸³ Azad, 51.

³⁸⁴ Azad, 51.

³⁸⁵ Azad, 64–65.

³⁸⁶ Azad, 64–65; Harold and Nader, "China and Iran," 21.

the PRC for maintaining the regime), and PRC actions against the Uighur population in Xinjiang.³⁸⁷ The PRC may have provided telecommunications surveillance equipment and crowd control anti-riot technology to the IRI that enabled the regime to suppress demonstrations and track dissident movements, resulting in chants of “death to China” among pro-democracy elements in Iran.³⁸⁸ Additionally, following the Green Movement in Iran, riots ensued in the Uighur Autonomous Region of Xinjiang.³⁸⁹ High-ranking Iranian clerics (both supporters and challengers of President Ahmadinejad) criticized the PRC for its treatment of the Muslim Uighurs and demanded a strong government stance.³⁹⁰

Despite this growing anti-Chinese sentiment in Iran the IRI-PRC relationship deepened. The IRI increasingly depended on PRC diplomatic protection and appreciated PRC silence towards its internal behavior, including its brutal suppression of the 2009 protests.³⁹¹ In 2012 Xi Jinping became President of China and leader of the CCP, proposed the “Chinese Dream” based on nationalism and revival to restore its rightful place after being subjugated by the west, and saw Iran (with its energy resources and large market) as useful to fuel development.³⁹² The relationship deepened as China circumvented sanctions to support Iran (for example with a currency agreement where Iran transferred part of its currency reserves and \$25 BN in European currency reserves to China to avoid blockage in western banks and for use to fund Chinese projects in Iran).³⁹³ Additionally, with the United States announcing its ‘pivot to Asia’—which the PRC viewed as a U.S. effort to counter its rise—the PRC saw the U.S.-IRI conflict (in addition to conflicts in Iraq and Syria) as increasingly important in ensuring U.S. attention remained focused on the Middle

³⁸⁷ Harold and Nader, “China and Iran,” 13.

³⁸⁸ Harold and Nader, 13; Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 183.

³⁸⁹ Harold and Nader, “China and Iran,” 14.

³⁹⁰ Harold and Nader, 14.

³⁹¹ Harold and Nader, 6; Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 183.

³⁹² Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 31.

³⁹³ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 57.

East.³⁹⁴ Finally, IRI leaders lauded close ties with the PRC, and President Ahmadinejad praised China and blamed the United States in forums like the SCO.³⁹⁵

Four additional factors shaped the IRI-PRC relationship during this period. First, Iran obtained SCO observer status in 2005.³⁹⁶ Comments from IRI leaders—such as Ali Akbar Velayati in 2007—characterized the SCO as a counterweight to the West and NATO expansion, whereas China viewed it as a benign forum for cooperation.³⁹⁷ Chinese officials repeatedly rejected Iran’s bid for member status on grounds that no country under international sanctions could become a member, but Beijing’s hesitancy may have reflected concerns that the IRI might try to use the body provocatively.³⁹⁸ Second, as international pressure grew, criticism of Ahmadinejad also grew for isolating the country, as shown in the 2009 elections.³⁹⁹ The PRC wanted to maintain good relations with the IRI and to block U.S. sanctions, but also wanted to be viewed as a responsible power and to prevent another nuclear actor in the Middle East.⁴⁰⁰ Additionally, sanctions decimated Iran’s mismanaged economy leaving Iran increasingly reliant on China (which was humbling for IRI leaders who sought independence), and China (and Russia) looked to lessen sanctions impact, both bent to U.S. pressure.⁴⁰¹ Finally, many Arab countries also approached Beijing offering deals for oil sales.⁴⁰² China thus diversified its oil suppliers, gained even more leverage in its Iran partnership, and—because China still needed U.S. technology and markets for development—would not appease Iran at the cost of its U.S. relationship.⁴⁰³

³⁹⁴ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 186.

³⁹⁵ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 60–61.

³⁹⁶ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 478.

³⁹⁷ Conduit and Akbarzadeh, 478.

³⁹⁸ Conduit and Akbarzadeh, 478.

³⁹⁹ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 79.

⁴⁰⁰ Esfandiary and Tabatabai, 80.

⁴⁰¹ Esfandiary and Tabatabai, 84; Harold and Nader, “China and Iran,” 6.

⁴⁰² Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 60.

⁴⁰³ Azad, 59.

Ultimately, the PRC emerged as the best available partner for the IRI. Russia had been a possible IRI partner, also providing weapons, nuclear support, and a buffer from sanctions.⁴⁰⁴ But IRI relations with Russia were—according to Harold and Nader—“based on expediency rather than shared strategic interests.”⁴⁰⁵ Iran did not reach its goals courting Russia, leaving India (seen as too close to the U.S.), Brazil (viewed as too independent and lacking the power to counter the U.S.), and China as possible partners.⁴⁰⁶ The IRI looked to the PRC—with its significant resources, growing power, and few demands—hopeful the PRC would be a strategic partner and, unlike Russia, not always prioritize its interests regarding the United States over the IRI-PRC partnership.⁴⁰⁷

1. Arms Under Ahmadinejad

The IRI continued to seek to develop its domestic capability and self-reliance in defense systems, not only in the land, sea, and air domains, but also in space and cyberspace.⁴⁰⁸ Iran continued to seek self-sufficiency as sanctions reduced its conventional defense capabilities, but remained reliant on the PRC for arms.⁴⁰⁹ In 2005, Iran purchased \$43 million in conventional arms from China, 74% of Iran’s total arms imports, while the Russian Federation, the only other country that sold Iran arms, only sold it \$15 million.⁴¹⁰ During this period the PRC sold the IRI additional anti-ship and anti-aircraft missiles, radar-guided anti-ship missiles, and updated versions of C-802 anti-ship cruise missiles.⁴¹¹ After 2010, Iran and China increased cooperation on intelligence sharing, counter-terrorism, anti-piracy, disaster relief, and technology.⁴¹² The IRI

⁴⁰⁴ Harold and Nader, “China and Iran,” 6.

⁴⁰⁵ Harold and Nader, 6.

⁴⁰⁶ Harold and Nader, 6.

⁴⁰⁷ Harold and Nader, 6.

⁴⁰⁸ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 126.

⁴⁰⁹ Esfandiary and Tabatabai, 53.

⁴¹⁰ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 180–81.

⁴¹¹ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 132.

⁴¹² Esfandiary and Tabatabai, 134.

particularly sought to increase its intelligence and cyberspace capabilities, especially following the 2009 Green Movement protests and the 2010 Stuxnet cyber-attack on its nuclear enrichment program (reportedly setting the program back two years).⁴¹³

The IRI, however, remained highly reliant on the PRC for military assistance.⁴¹⁴ In 2012, following UNSC sanctions, the PRC sold Iran \$32 million in conventional arms, 68% of total IRI arms imports, but a decrease from its 2005 support.⁴¹⁵ For China, this \$32 million to Iran was less than 2% of its global arms exports, and was also a large decrease from 2005.⁴¹⁶ Thus, Chinese arms sales remained critical to the IRI, but Iran's purchases of arms decreased in importance to China.⁴¹⁷

2. Nuclear Issue Under Ahmadinejad

The nuclear program remained the central issue of Iranian foreign policy under Ahmadinejad, and isolated Iran diplomatically and economically.⁴¹⁸ The PRC continued to balance support for the IRI (as the more Iran rejected non-proliferation efforts and was sanctioned the more leverage China had), with support for the NPT and its desire to be recognized as a responsible stakeholder in talks.⁴¹⁹ For China, a protracted low-level U.S.-IRI nuclear conflict was beneficial as it diverted U.S. attention and resources from the Indo-Pacific.⁴²⁰ China did not want a nuclear Iran or a U.S.-IRI conflict that would undermine its interests, but also did not need a quick resolution to the U.S.-IRI conflict, and thus did not take a definitive position.⁴²¹ The PRC feared close association to the IRI that could

⁴¹³ Esfandiary and Tabatabai, 126.

⁴¹⁴ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 184.

⁴¹⁵ Teer and Wang, 184.

⁴¹⁶ Teer and Wang, 184.

⁴¹⁷ Teer and Wang, 184.

⁴¹⁸ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 54.

⁴¹⁹ Azad, 54.

⁴²⁰ Azad, 54.

⁴²¹ Azad, 55.

undermine its desire to be a responsible power, and because hostile IRI rhetoric and actions risked armed conflict with the United States and West.⁴²²

Iran's nuclear program was the subject of numerous UNSC resolutions from 2006–2010. In 2006 the IAEA could not verify Iran's compliance with its nuclear obligations, its case was referred to the UNSC, leading to UNSCR 1737. UNSCR 1737, the first of the UN-led international sanctions, created an embargo on sales to Iran of ballistic missiles and other conventional arms and technologies used for both conventional and military applications, and extended by Resolution 1747.⁴²³ In 2008, UNSCR 1803 unanimously passed, urging Iran to comply with its obligations and past UNSC resolutions. Iran saw this as a double-standard, and was upset with China for supporting the measure.⁴²⁴ Finally, in 2010 Resolution 1929 passed imposing more extensive sanctions on IRI nuclear and missile programs and extending embargoes on ballistic missile and major conventional weapons.⁴²⁵ During these negotiations, the PRC prolonged talks, extracted concessions from the United States, and successfully watered-down sanctions.⁴²⁶

The United States and European states followed with their own sanctions on Iran. In July 2010, with the Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) the U.S. sanctioned firms investing in Iran's energy sector, and imposed additional sanctions on petroleum sales to Iran.⁴²⁷ CISADA attempted to restrict both Iran's access to the global financial system and trade financing for Iran's import-export community.⁴²⁸ The EU—often lagging U.S. sanctions—then sanctioned IRI trade, financial services, energy, transport, assets, and more, nearly as strictly as the United

⁴²² Azad, 53.

⁴²³ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 56, 96, 128.

⁴²⁴ Esfandiary and Tabatabai, 79.

⁴²⁵ Kenneth Katzman, *Iran Sanctions*, CRS Report No. RS20871 (Washington, D.C.: Congressional Research Service, 2022), 37–38, <https://sgp.fas.org/crs/mideast/RS20871.pdf>.

⁴²⁶ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 79–80, 129; Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 171–72.

⁴²⁷ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 171–72; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 56.

⁴²⁸ Katzman, *Iran Sanctions*, 27–28.

States.⁴²⁹ The United States in 2012 established the Iran Freedom and Counter-Proliferation Act, which targeted Iran's energy and shipping industries.⁴³⁰ Tehran continued to argue its program was for civilian purposes, and the PRC continued to support the IRI based on sovereignty more than any other UNSC permanent member.⁴³¹

Although the PRC supported the IRI, the PRC ultimately supported UN sanctions while privately pressuring the IRI to negotiate with the international community.⁴³² Ahmadinejad was however muted in his frustration with Beijing, possibly demonstrating inability to critique the PRC fearing abandonment.⁴³³ PRC support for sanctions—not even abstaining from the vote—demonstrated its regional-security goals were primary to economic interests in Iran.⁴³⁴ However, as sanctions deterred most international business from Iran, Chinese companies sought ways to circumvent sanctions and developed a monopoly, demonstrating China would readily use Iran to advance its own interests.⁴³⁵

The conundrum for Beijing was that either military intervention or diplomatic pressure against Iran to resolve the nuclear issue could hurt its interests. The PRC, regarding UNSC resolutions, could—according to Teer and Wang—“support sanctions on Iran, damaging Beijing's energy ties with Tehran; veto any measure, frustrating and angering Washington; or play a passive role of abstention without a clear position, diminishing China's newfound role as a gradually more influential actor on the world

⁴²⁹ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 171–72; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 57; Katzman, *Iran Sanctions*, 43.

⁴³⁰ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 56.

⁴³¹ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 172, 183.

⁴³² Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 475.

⁴³³ Conduit and Akbarzadeh, 475.

⁴³⁴ Conduit and Akbarzadeh, 475.

⁴³⁵ Conduit and Akbarzadeh, 474.

stage.”⁴³⁶ Ultimately, China was in a precarious position, as even if it abstained and the other UNSC members passed sanctions, China would have to observe them.⁴³⁷

3. Economics under Ahmadinejad

Economic imbalances in the Iran-China relationship grew as Chinese goods saturated the Iranian market, and jobs left for China.⁴³⁸ First, The Iranian people were upset by closing factories, rising unemployment, an influx of Chinese workers, disappearing national brands, and crippling sanctions (which China endorsed and appeared to benefit from).⁴³⁹ President Ahmadinejad’s economic policies contributed greatly to these issues, as skyrocketing real-estate prices, inflation, and cuts in state-subsidies—combined with corruption, mismanagement, and embezzlement—led many Iranians to seek cheaper foreign products, which caused domestic production to drop, and increased Chinese goods saturating the market.⁴⁴⁰ This problem was also exacerbated as sanctions against Iran increased China’s influence.⁴⁴¹ Iranian producers and consumers thus ended up paying higher prices for lesser quality goods, exacerbated by an influx of Chinese workers.⁴⁴² Second, increasing sanctions against Iran increased China’s influence as Iran-China trade increased from \$10 billion in 2005, to \$21 BN in 2009, and to \$29 billion in 2010 as China became Iran’s leading trade partner.⁴⁴³ In 2011, U.S. legislation barred any company doing business with Iran’s Central bank from the U.S. financial system. This severely damaged Iran’s economy, particularly since Iran’s Central Bank accounts in other countries received payments for oil.⁴⁴⁴ This caused Iran’s major oil purchasers including

⁴³⁶ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 183.

⁴³⁷ Teer and Wang, 183.

⁴³⁸ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 52.

⁴³⁹ Azad, 52–54.

⁴⁴⁰ Azad, 62–67, 75; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 34, 57, 96–97.

⁴⁴¹ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 62.

⁴⁴² Azad, 64; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 34.

⁴⁴³ Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 62.

⁴⁴⁴ Harold and Nader, “China and Iran,” 9; Katzman, *Iran Sanctions*, 17.

the European Union, Japan, and South Korea, to leave Iran and purchase more oil from GCC states.⁴⁴⁵ In late 2011, even major Chinese firms such as CNPC and Sinopec were slow in implementing their agreements with Iran, and China's official media expressed concern over increasing tensions regarding Iran's nuclear program.⁴⁴⁶

The PRC sought to capitalize on Iran's isolation and use its favored access to keep doing business in Iran, with Tehran even opening its first overseas trade center in Beijing.⁴⁴⁷ China slowed progress on joint projects, reduced foreign direct investment, and decreased its purchases of Iranian crude to comply with UN restrictions.⁴⁴⁸ Yet, between 2010 and 2015 Iran's exports to China grew by 24%—largely from crude oil—and Iran's imports from China grew by 25%.⁴⁴⁹ China increased energy cooperation in areas not prohibited by UN Sanctions including oil trade, liquid nitrogen gas trade, development, upgrading refineries, improving oil recovery, and building new pipelines.⁴⁵⁰ By 2013, with an interim nuclear deal, China raised Iranian imports to pre-sanctions levels and kept investing in Iran's energy sector, but China had already engaged other GCC countries to diversify its imports and reduce risks.⁴⁵¹

For Beijing economic ties with Iran were also beneficial for profits, as a strategic hedge, and to bolster China's heavy industry. Investments were profitable for China's main national oil companies CNPC, Sinopec, and CNOOC.⁴⁵² As foreign companies were slow to come back into Iran, China received favorable terms in financing, exploitation, and development of significant oil and gas fields including Azadegan, Yadavaran, and the South Pars gas fields.⁴⁵³ Regarding the Azadegan field, Japan's state backed Inpex was

⁴⁴⁵ Harold and Nader, "China and Iran," 9.

⁴⁴⁶ Harold and Nader, 12.

⁴⁴⁷ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 100, 110.

⁴⁴⁸ Esfandiary and Tabatabai, 101.

⁴⁴⁹ Esfandiary and Tabatabai, 101.

⁴⁵⁰ Esfandiary and Tabatabai, 101.

⁴⁵¹ Esfandiary and Tabatabai, 101.

⁴⁵² Harold and Nader, "China and Iran," 18.

⁴⁵³ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 102.

Iran's choice partner with a 75% stake in the field, but nuclear sanctions caused Tokyo to cut its share to 10% in 2006.⁴⁵⁴ Following U.S. led sanctions, Japan relinquished its remaining 10% share, which CNPC then took over.⁴⁵⁵ Similarly, in 2009, the U.S. and European states created new sanctions following the uncovering of the Fordow enrichment plant, and China pledged \$5 BN to develop the South Pars natural gas field, and \$3 BN to expand two Iranian oil refineries.⁴⁵⁶ Additionally, ties enhanced Chinese energy security by partnering with a supplier that would not likely cut exports to China in the event of a U.S.-PRC military conflict.⁴⁵⁷ Finally, non-energy investment such as dams, ports, ship-building, and consumer goods grew and provided state-owned Chinese firms openings to compete for contracts overseas, export goods, and create jobs for Chinese labor.⁴⁵⁸

Iran continued to enjoy benefits of trade with Beijing. China did not make trade conditional on political processes or behavior.⁴⁵⁹ Beijing was also unconcerned about selling dual-use items, for example selling Iran Magnetic Resonance Imaging (MRI) Technology, which can be used for both medical purposes and to examine missile casings and structure, when the west would not.⁴⁶⁰ Further, China continued to be most willing to sell entire production processes to Iran, enabling self-sufficiency, and making Iran more difficult to isolate.⁴⁶¹ Iran relied on China to help keep its economy afloat (as even after the UN resolution was passed China continued trade with Iran), which increased China's influence and helped Iran weather sanctions. Beijing would cooperate with sanctions, but then make deals to blunt sanctions (for example facilitating business with Iran's Central

⁴⁵⁴ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 185–86.

⁴⁵⁵ Teer and Wang, 185–86.

⁴⁵⁶ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 79.

⁴⁵⁷ Harold and Nader, "China and Iran," 18.

⁴⁵⁸ Harold and Nader, 18.

⁴⁵⁹ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 111.

⁴⁶⁰ Esfandiary and Tabatabai, 111.

⁴⁶¹ Esfandiary and Tabatabai, 111.

Bank despite sanctions), demonstrating its ability to impact the effectiveness of sanctions.⁴⁶²

Some obstacles continued to inhibit trade for Iran. There were a lack of customs agreements and laws, trade remained uncoordinated, and banking obstacles worsened.⁴⁶³ Also, although the trade-deficit shifted in Iran's favor in 2013 due to rapidly expanding Iranian oil exports, the trade imbalance, and lack of diversification in goods China would import remained problematic for Tehran.⁴⁶⁴ China agreed to import non-oil commodities, by 2007 became Iran's main trading partner, and by 2008 bilateral trade reached \$27 billion, but the concern over diversification remained.⁴⁶⁵ Additionally, Iran lamented the slow pace of investment and project delivery. In 2012, for example, Tehran cancelled the \$2 BN contract with Sinohydro to build the Lorestan Dam.⁴⁶⁶ Finally, Chinese firms such as CNOOC and Sinopec purchased \$4.6 BN in U.S. energy assets, making these firms less likely to risk their investments by cooperating with Iran.⁴⁶⁷

The most problematic issue for Iran was that it became more heavily reliant on China due to sanctions, but China did not become more heavily dependent on Iran. European companies were the largest supplier of Iran's industrial components and manufacturing machinery, but were replaced by China in 2008.⁴⁶⁸ The EU was also previously the largest importer of Iranian oil, but the 2011 EU oil embargo caused European states to stop importing Iranian oil. This caused China's share of Iranian oil to increase from 20% in 2011 to 39% in 2014, making Iran more dependent on Chinese purchases.⁴⁶⁹ This was occurring though, as China was also importing more oil from other

⁴⁶² Harold and Nader, "China and Iran," 9–10.

⁴⁶³ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 112.

⁴⁶⁴ Esfandiary and Tabatabai, 109.

⁴⁶⁵ Esfandiary and Tabatabai, 109.

⁴⁶⁶ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 185.

⁴⁶⁷ Harold and Nader, "China and Iran," 16.

⁴⁶⁸ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 9.

⁴⁶⁹ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 184.

Gulf states—including increasing imports from Saudi Arabia by 20%—which made China less dependent on Iranian oil.⁴⁷⁰ Overall, China’s oil imports from Iran grew despite sanctions, but expanded much slower than China’s energy ties with other Gulf countries.⁴⁷¹ Iran-China annual trade then increased from \$5.6 BN in 2003 to a record \$51.8 BN in 2014, before declining after oil prices plunged and the JCPOA enabled other countries to enter Iran’s market.⁴⁷²

China, critically, was not dependent on Iran (as Iran provided only 13% of its total 2007 oil imports, compared to 16% from Saudi Arabia).⁴⁷³ Conversely, Iran relied on China (as in 2011 oil accounted for nearly 79% of Iran’s total export revenue and 22% of Iran’s crude exports were to China).⁴⁷⁴ As Iran faced increasing sanctions by 2012, China increased oil purchases to 54% of Iran’s oil exports.⁴⁷⁵ As sanctions increased the challenges for Iran to export oil, China provided alternative funding mechanisms and imported non-sanctioned products (for example buying 90% of Iran’s iron ore exports).⁴⁷⁶

F. IRI AND PRC-U.S. RELATIONS

The PRC oscillated—as Garver points out—between supporting the United States contrary to IRI wishes and supporting the IRI contrary to U.S. wishes.⁴⁷⁷ During the Iran-Iraq war the PRC encouraged the IRI not to get in a military conflict with the United States and ultimately had a major part in ending the conflict.⁴⁷⁸ Beijing also complied with U.S. demands in 1987 to stop selling Silkworm missiles to Iran, later stopped selling Iran the C-

⁴⁷⁰ Teer and Wang, 184.

⁴⁷¹ Harold and Nader, “China and Iran,” 27.

⁴⁷² Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 9; Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 184–85.

⁴⁷³ Teer and Wang, “Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue,” 180.

⁴⁷⁴ Teer and Wang, 180.

⁴⁷⁵ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 473.

⁴⁷⁶ Conduit and Akbarzadeh, 473.

⁴⁷⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 281.

⁴⁷⁸ Garver, 282.

801/C-802 anti-ship missiles, agreed to not sell Iran Category I ballistic missiles, and agreed to broaden missile cooperation against Iran.⁴⁷⁹ During the Gulf War, Beijing supported U.S. efforts to compel Iraqi withdraw from Kuwait, and did not block the UNSC vote authorizing force.⁴⁸⁰ Beijing then suspended nuclear cooperation with Iran, urged Tehran to cooperate with the IAEA, and supported the global nonproliferation regime alongside the United States.⁴⁸¹ Finally, the PRC repeatedly declined IRI appeals to join anti-U.S. coalitions, and messaged IRI leaders not to support Muslim communities in other states.⁴⁸²

Simultaneously, Beijing consistently thwarted U.S. efforts to constrain Iran.⁴⁸³ During the Iran-Iraq war China supplied arms to Iran and rejected U.S. efforts to reflag and escort Kuwaiti tankers.⁴⁸⁴ Following the war Beijing supplied Iran with technology and machinery to modernize its missile, advanced conventional weapons, and chemical warfare programs; particularly capabilities to target U.S. navy and air forces.⁴⁸⁵ China supported Iran's CROS development efforts, continued long-term oil purchases, and agreed to support joint development of the Yadavaran oil field.⁴⁸⁶ Beijing also denounced the 1991 and 2003 U.S. wars in Iraq, and rejected U.S. military forces in the Gulf claiming 'littoral states' in the region should ensure security, thus implicitly supporting a critical role to Iran.⁴⁸⁷ China, further, was Iran's primary nuclear supporter from 1985–1997, and in 2004 opposed United States efforts to refer Iran's nuclear case to the UNSC.⁴⁸⁸ Finally, the PRC

⁴⁷⁹ Garver, 282.

⁴⁸⁰ Garver, 282.

⁴⁸¹ Garver, 282.

⁴⁸² Garver, 282.

⁴⁸³ Garver, 282.

⁴⁸⁴ Garver, 282. For information on the Tanker War see Lee Allen Zatarain, *America's First Clash With Iran: The Tanker War, 1987–1988* (Philadelphia: Casemate, 2008).

⁴⁸⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 282; Harold and Nader, "China and Iran," 7.

⁴⁸⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 282.

⁴⁸⁷ Garver, 282.

⁴⁸⁸ Garver, 282.

supported IRI efforts in rejecting unjust U.S. judgement (seen in a visit to Tehran by Jiang Zemin after Iran was labeled as part of the ‘axis of evil’) and in calling for antihegemony and multipolarity.⁴⁸⁹ United States, PRC, and IRI relations thus involved U.S-PRC cooperation at the expense of IRI policy aims, yet also involved China supporting Iran against U.S. policies.⁴⁹⁰

PRC-IRI cooperation was a secondary, but important, consideration in U.S.-PRC relations.⁴⁹¹ Tensions in U.S.-PRC relations primarily centered on U.S. demands for the PRC to respect human rights norms (demands CCP leaders believed interfered with their sovereignty and control), and differing views towards Taiwan (the PRC with a “One-China Principle” and the U.S. with a “One-China Policy”).⁴⁹² Washington hoped to use China’s dependence on U.S. trade to compel it to abandon support for the IRI.⁴⁹³ PRC leaders believed U.S. sanctions and objections to IRI-PRC cooperation were U.S. attempts to control the Persian Gulf.⁴⁹⁴ Beijing was thus constantly balancing support for Iran (to maintain influence) with compromising when needed to maintain its relationship with the U.S. (to avoid severing the more important PRC-U.S. relationship).⁴⁹⁵ The U.S. ultimately sanctioned China in 1987 for its sales of Silkworms, M-11 missiles, chemicals or chemical technology, and missile technology to Iran.⁴⁹⁶ Beijing agreed to end silkworm sales in 1988; but subsequently provided Iran the machinery to indigenously build the missiles. This demonstrates a recurring pattern where Beijing seemed to concede to U.S. demands, but then took actions that made concessions less substantial.⁴⁹⁷

⁴⁸⁹ Garver, 282, 284.

⁴⁹⁰ Garver, 283.

⁴⁹¹ Garver, 202.

⁴⁹² Garver, 202; Richard Bush, “A One-China Policy Primer,” *Brookings: Center for East Asia Policy Studies*, East Asia Policy Paper 10, March 2017, <https://www.brookings.edu/wp-content/uploads/2017/03/one-china-policy-primer-web-final.pdf>.

⁴⁹³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 202.

⁴⁹⁴ Garver, 203.

⁴⁹⁵ Garver, 204.

⁴⁹⁶ Garver, 205–7, 211–12.

⁴⁹⁷ Garver, 208.

U.S.-China competition intensified after 1991, as the U.S. determined the IRI was working on a nuclear weapons program and the PRC was providing assistance.⁴⁹⁸ In 1991 Secretary of State Baker visited China with evidence Beijing was going to sell Iran M-11 missiles, called on China to stop all cooperation with Iran on nuclear and category 1 ballistic missiles, and Beijing eventually agreed to reduce missile technology sales.⁴⁹⁹ China sought to reassure the international community it did not encourage proliferation and joined the NPT in 1993, but rejected U.S. sanctions claiming unilateral estimates did not substitute for IAEA decisions.⁵⁰⁰ IRI-PRC relations then became entangled in U.S.-PRC relations in 1992 when the U.S. agreed to sell 150 F-16's to Taiwan (seemingly violating the 1982 joint communique prohibiting arms sales to Taiwan).⁵⁰¹ Eight days later an IRI-PRC nuclear cooperation agreement was reached including the sale of nuclear power plants (though this was long in development).⁵⁰² The U.S. later claimed Chinese support to Iran violated the MTCR, and China would counter U.S. sales of F-16's to Taiwan violated the 1982 joint communique.⁵⁰³

The U.S. recognized that the PRC could undermine U.S. interests vis-à-vis the IRI, principally by selling weapons that threaten U.S. forces.⁵⁰⁴ This was clear in 1996, when Iran tested a C-802 in the Persian Gulf (fired from aboard a ship) and the U.S. levied sanctions against the PRC for its support (with three more rounds to follow through 2003).⁵⁰⁵ Washington set four goals for the PRC regarding the IRI: agree to end nuclear support, suspend cruise missile sales, enforce export controls on dual-use nuclear items,

⁴⁹⁸ Garver, 208.

⁴⁹⁹ Garver, 211–12.

⁵⁰⁰ Garver, 210, 212.

⁵⁰¹ Garver, 213; Richard Bush, “A One-China Policy Primer,” *Brookings: Center for East Asia Policy Studies*, East Asia Policy Paper 10, March 2017, <https://www.brookings.edu/wp-content/uploads/2017/03/one-china-policy-primer-web-final.pdf>.

⁵⁰² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 214.

⁵⁰³ Garver, 215.

⁵⁰⁴ Garver, 222.

⁵⁰⁵ Garver, 221.

and join the Zangger Committee to monitor nuclear technology exports.⁵⁰⁶ Recognizing the IRI-PRC relationship was increasingly jeopardizing the U.S.-PRC relationship, a U.S.-PRC deal was made in the fall of 1997. In this deal the U.S. agreed to lift all sanctions and the PRC agreed (confidentially) to support the four U.S. goals by ending all nuclear support (for example to not provide a heavy-water reactor or uranium conversion facility) and halting cruise missile and missile technology production sales to Iran.⁵⁰⁷ However, the PRC still did not fully accept the U.S. argument that as an oil importer China needed stability in the Persian Gulf, and any increase of Iran's military capability could eventually backfire on China.⁵⁰⁸ Despite its official position, some Chinese viewed a nuclear Iran as a beneficial counter to U.S. influence in the region, while there was less concern a nuclear-armed Iran would directly, negatively impact China's security.⁵⁰⁹

CIA reports through summer 2001 certified that China was complying with its agreement to end nuclear cooperation with Iran.⁵¹⁰ China did not join the MTCR, but reiterated it would not support development of IRI Category I ballistic missile capabilities, agreed to tighten its control of missile related exports, and only eventually agreed to make its own export control laws.⁵¹¹ President Clinton—though increasing sanctions on Iran for its nuclear program and support for terrorism—largely did not sanction China for its activities in Iran (despite 18 banned transfers between 1994–1998).⁵¹² Conversely, President George W. Bush determined the IRI had ties to terrorist groups including Hezbollah, saw an increase in Chinese missile technology to Iran after the 2001 Afghanistan invasion, viewed China's export control regime as inadequate, and levied 10

⁵⁰⁶ Garver, 222.

⁵⁰⁷ Garver, 222–26; Harold and Nader, “China and Iran,” 4.

⁵⁰⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 222–23.

⁵⁰⁹ Harold and Nader, “China and Iran,” 21.

⁵¹⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 226.

⁵¹¹ Garver, 227.

⁵¹² Garver, 228–29; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 56.

sets of sanctions on China in his first two years in office.⁵¹³ In 2002 China passed more definitive export control measures, but exports of missiles and missile technology continued.⁵¹⁴ The U.S. determined Norinco (a Chinese firm) was supplying an Iranian missile-manufacturer with steel (which Beijing denied), and banned Norinco for two years.⁵¹⁵ Thus—although the United States and PRC agreed that an IRI weapons program was a threat, and China technically met its obligations—China’s export control system permitted leaks and material and technology kept going to Iran.⁵¹⁶

In 2009, the United States and PRC agreed to work constructively on Iran and, among other issues, nonproliferation.⁵¹⁷ However, given that the PRC-IRI partnership is multifaceted, the United States ability to change PRC approaches towards Iran remained limited.⁵¹⁸ For example, the U.S. tried to encourage other oil-producers—like Saudi Arabia—to export more oil to China to reduce its reliance on Iranian oil, with only mixed success.⁵¹⁹ In sum, the PRC’s perception of increasing rivalry with the United States, coupled with increased ties to the IRI, led Beijing to continue cooperating with Tehran, particularly to leave the possibility to grow relations in the future.⁵²⁰

G. XINJIANG AND CHINA’S UIGHUR POPULATION

An underlying potentially contentious factor in the IRI-PRC partnership is with respect to the Muslim Uighur population in Xinjiang as Iran’s inclination is to support oppressed Muslims globally, which conflicts with PRC internal security concerns.⁵²¹ Overall, IRI support for terrorist movements and insurgencies (such as Hezbollah and

⁵¹³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 228–29; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 56.

⁵¹⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 230.

⁵¹⁵ Garver, 230–32.

⁵¹⁶ Garver, 232.

⁵¹⁷ Harold and Nader, “China and Iran,” 24.

⁵¹⁸ Harold and Nader, 27.

⁵¹⁹ Harold and Nader, 26.

⁵²⁰ Harold and Nader, 27.

⁵²¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 131.

Hamas) is viewed negatively by the PRC, as there is concern it establishes a precarious precedent for minority groups in China, particularly the Uighur minority.⁵²² PRC concerns intensified from 1989 through the 1990s as Islamist separatist activity in Xinjiang increased with aid from Islamic movements in Afghanistan, Uzbekistan, Tajikistan, and Chechnya.⁵²³ In the early 1990s activities in Xinjiang focused on recruiting and organization, but by 1996 escalated with assassinations and riots.⁵²⁴

The early IRI clandestinely funded the building of mosques, and sometimes sought quotas and tourist Visas for students from China for study and travel in Qom.⁵²⁵ During this time, as a show of good-will, Beijing arranged for then President Khamenei to visit Xinjiang in 1989.⁵²⁶ Though highly orchestrated, Khamenei's two-day visit was intended to demonstrate Beijing's control over the region, and was highly valued in Iran.⁵²⁷ The PRC clearly articulated however, that while it appreciated its partnership with Iran, any support for the Uighurs was unacceptable, and 'noninterference' in China's internal affairs (as outlined in China's five parameters of peaceful coexistence) was a precondition for IRI-PRC cooperation.⁵²⁸ IRI support for the Uighurs thus remained limited.⁵²⁹ By 1997 Tehran stopped support to the Uighurs to preserve its relationship with the PRC, but also because there were converging IRI-PRC interests in countering Sunni fundamentalism in Central Asia (which the Uighurs are Turkish Sunni's, not Persian Shia).⁵³⁰

Despite typically being an outspoken supporter of oppressed Muslims, relationship asymmetry likely muted Iran's criticism of the PRC for its treatment of Muslims in

⁵²² Harold and Nader, "China and Iran," 21.

⁵²³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 131.

⁵²⁴ Garver, 131.

⁵²⁵ Garver, 132.

⁵²⁶ Garver, 137.

⁵²⁷ Garver, 137–38.

⁵²⁸ Garver, 133, 292; Marc Lanteigne, *Chinese Foreign Policy: An Introduction* (New York: Routledge, 2020), 119.

⁵²⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 133; Azad, *Iran and China: A New Approach to Their Bilateral Relations*, 34.

⁵³⁰ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 135.

Xinjiang and made the IRI careful not to upset Beijing with support for the Uighurs.⁵³¹ This was apparent after a PRC crackdown of the 2009 Urumqi riots left 100 dead, and the IRI largely remained silent.⁵³² Iranian leaders have stated that the way the PRC treats Muslims in China will impact relations with Iran and the Muslim world in general, but have had little ability to protest PRC actions.⁵³³

H. CHAPTER CONCLUSION

Iran from 1979–2012 was not “a deeply ideological monolithic entity,” but the IRI foreign and security policy narrative was principally “dominated by distrust of international law and institutions, anti-imperialism and anti-Americanism.”⁵³⁴ Following the 1979 revolution this IRI rhetoric, IRI revolutionary activism, a poor human rights record, pursuit of a nuclear program, and support for militant clients destabilizing the region left it isolated.⁵³⁵ Tehran was left with few friends including Libya, Syria, and North Korea who were similarly ostracized in the international community.⁵³⁶ The IRI sought self-sufficiency, but following 1979 there was a vacuum from previous Western allies leaving, Iran required assistance meeting immediate needs, and began moving closer to China.⁵³⁷ For the PRC, the IRI was diplomatically useful in countering the United States due to its pariah status, and was economically useful as sanctions and isolation undermined competition and created unique opportunities for Chinese companies.⁵³⁸ For the PRC, relations with Iran also risked tarnishing its international reputation and jeopardizing its

⁵³¹ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 475–76.

⁵³² Conduit and Akbarzadeh, 475–76.

⁵³³ Conduit and Akbarzadeh, 475–76.

⁵³⁴ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 20.

⁵³⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 138; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 10–11.

⁵³⁶ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 138.

⁵³⁷ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 122–23.

⁵³⁸ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 138.

larger interests including everything from “permanent normal trade relations” with the United States to hosting the 2008 Summer Olympics in Beijing.⁵³⁹

From 1979–2012 some key themes developed in the IRI-PRC partnership. First, the relationship developed around a shared narrative of civilizational greatness, grievance and victimization at the hands of outside powers, and desire to counter Western domination in the Persian Gulf.⁵⁴⁰ This created mutual respect, an alignment of worldviews, and put the IRI and PRC on the same side of world affairs.⁵⁴¹ Both the PRC and IRI wanted to rid the region of outside military forces and regional security managed by regional states (as indicated in a joint communique following President Khatami’s visit to China), though in different ways.⁵⁴² China sought Gulf security managed by all regional players, while Iran believed it should be the regional security leader.⁵⁴³ Despite this—according to Garver—both Beijing and Tehran lament the fact that instead of withdrawing, the United States expanded its Persian Gulf military presence including: the 1979 Carter doctrine announcement of direct U.S. military responsibility for Gulf security; the 1983 expansion of the Rapid Deployment Force to a regional headquarters; the pre-positioning of supplies and equipment; and the expansion of military use facilities in Saudi Arabia.⁵⁴⁴ In 2003 U.S. forces occupied Iraq, and both Beijing and Tehran agreed this was a manifestation of U.S. hegemony antithetical to their interests.⁵⁴⁵

Second, the relationship was based on opportunity and long-term strategic interests, as pragmatism and domestic politics most often prevailed over ideology.⁵⁴⁶ Both sought a post-unipolar world with diminished U.S. power, where China leads East Asia, and Iran

⁵³⁹ Garver, 138.

⁵⁴⁰ Garver, 294.

⁵⁴¹ Garver, 285–86.

⁵⁴² Garver, 294–95.

⁵⁴³ Garver, 295.

⁵⁴⁴ Garver, 294–95.

⁵⁴⁵ Garver, 295.

⁵⁴⁶ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 51; Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 298.

anchors Central Asia.⁵⁴⁷ Given this, Beijing looked long-term to prioritize its modernization and development (which at times required it to subordinate ties with Iran to ties with the US), while strengthening Iran and developing a strong partnership to position itself for a post-US unipolar order.⁵⁴⁸ To this end Beijing provided meaningful support to Iran during the Iran-Iraq war (including arms sales), seized economic opportunities as Western states left Iran following the 1979 Islamic revolution (with Chinese firms entering the Iranian market), and assumed a vital place in Iran's post-war reconstruction.⁵⁴⁹ China seized the opportunity of poor U.S.-IRI, European-IRI, and Arab-IRI relations to use its UNSC position, nuclear weapons, and astute diplomacy (highlighting third-world solidarity and rejecting the Western model) to provide support.⁵⁵⁰ Strategically, China recognized Iran's importance due to its "large area and population, educated people, rich energy resources, strategic location, and spirit of national cohesion" that made it a power.⁵⁵¹ Additionally, for China, Iran's destabilizing foreign policy kept the United States focused on the Middle East, which kept the United States from turning attention and assets towards where China's core national interests lie in the Indo-Pacific.⁵⁵²

Third, despite the partnership's utility, the relationship was secondary, and prioritized behind other relationships and objectives by both the IRI and PRC.⁵⁵³ IRI-PRC relations are premised on the pillar that they would not jeopardize either states' other partnerships; for example IRI-PRC relations would not hurt U.S.-PRC or KSA-PRC relations.⁵⁵⁴ China prioritized its domestic development—and thus its relationship with the United States and international reputation—over IRI considerations. Thus, the Middle East was generally an area of secondary attention and concern in PRC foreign policy

⁵⁴⁷ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 295.

⁵⁴⁸ Garver, 296.

⁵⁴⁹ Garver, 298.

⁵⁵⁰ Garver, 298.

⁵⁵¹ Garver, 298.

⁵⁵² Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 6.

⁵⁵³ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 293; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 33.

⁵⁵⁴ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 33.

(behind the Indo-Pacific), though the regions importance increased with China's growing energy demands.⁵⁵⁵ China prioritized relations: first with major powers such as the United States, Soviet Union/Russia, and Japan that directly impacted its major goals; second with neighboring states (Vietnam, Korea, Burma, Thailand, and Laos) that can either cooperate or counter China; and third with regional powers—like Iran—as it increasingly recognized the importance of the region and oil to the balance of power.⁵⁵⁶ Simultaneously, China consistently engaged other regional powers, including IRI adversaries like Saudi Arabia, when the PRC deemed it advantageous to do so.⁵⁵⁷ In sum, although relations with the IRI were not as important to the PRC as PRC-U.S., PRC-EU, or PRC-Russia relations they are still important and—according to Harold and Nader—“contribute materially to the growth of China's overall influence and strategic weight.”⁵⁵⁸

Fourth, and related, China—according to Garver—“decided not to confront the United States in the Middle East over Iran,” but balanced this with never conceding more than necessary and finding ways to remain useful to Tehran.⁵⁵⁹ Beijing's need for cooperation with the United States to support development sometimes necessitated trade-offs between Tehran and Washington, and the PRC repeatedly adjusted support for the IRI to appease the United States.⁵⁶⁰ China, however, found ways to be helpful supporting Iran's economic development (sectors including mining, power, manufacturing, transportation, and energy), invested billions supporting infrastructure development (including the Tehran metro), provided Tehran with technologies the West would not, and helped Iran develop an indigenous defense industrial base.⁵⁶¹ China managed—though neither were perfectly happy—to keep both Iran and the United States happy enough to

⁵⁵⁵ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 293.

⁵⁵⁶ Garver, 293–94.

⁵⁵⁷ Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 4.

⁵⁵⁸ Harold and Nader, “China and Iran,” 20.

⁵⁵⁹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 232–33, 283–84.

⁵⁶⁰ Garver, 283.

⁵⁶¹ Garver, 284; Harold and Nader, “China and Iran,” 7.

meet some of it's critical needs.⁵⁶² However, the PRC viewed the United States as trying to regulate IRI-PRC relations based on U.S. interests, which it viewed as the epitome of hegemonism and an infringement of sovereignty.⁵⁶³

Fifth, the relationship is asymmetric, with Iran increasingly dependent on China.⁵⁶⁴ The PRC diversified its energy suppliers (including Saudi Arabia and the UAE) and increased economic relations with the United States and others to sustain rapid development.⁵⁶⁵ Conversely, Iran become increasingly diplomatically, economically, and militarily dependent on China as its principal external protector and partner, particularly following the 2011 sanctions.⁵⁶⁶ Iran became increasingly dependent on China in commercial and energy ties, remained highly dependent on China in military ties, and China enjoyed a monopoly on providing technology and developing Iranian Energy resources (particularly during sanctions).⁵⁶⁷ Although the IRI became of increasing strategic value to the PRC (given its confrontation with the West and location), the PRC's ideological value to the IRI increased. As PRC power and influence increased the PRC was increasingly able to promote sovereignty, oppose liberal democratic ideals, and thus create space for illiberal regimes like the IRI.⁵⁶⁸ The IRI sees liberal democracy as a threat to its power, and knows the PRC shares this fear.⁵⁶⁹ Critically, this PRC penchant to resist calls for political liberalization offset some IRI concerns of over-dependence.⁵⁷⁰

⁵⁶² Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 284.

⁵⁶³ Garver, 284.

⁵⁶⁴ Harold and Nader, "China and Iran," 13.

⁵⁶⁵ Harold and Nader, 13; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 190–91.

⁵⁶⁶ Harold and Nader, "China and Iran," 13.

⁵⁶⁷ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 190–91.

⁵⁶⁸ Teer and Wang, 190–91.

⁵⁶⁹ Harold and Nader, "China and Iran," 13.

⁵⁷⁰ Harold and Nader, 13.

Finally, the relationship has withstood adversity, suggesting it's durability.⁵⁷¹ To show it was a reliable partner China supplied Iran with arms during the 1980–88 war, did not support U.S. efforts during the Tanker War (such as Operation Staunch), provided significant nuclear cooperation, and found ways to assist Iran's missile development, all despite U.S. pressure.⁵⁷² Through this Beijing—though at times viewed as capitulating to U.S. demands—has largely demonstrated its reliability as a partner to Iran, even in the face of political opposition and costs, and hopes these efforts will translate into the IRI being a similarly reliable partner should crisis arise (such as a U.S.-PRC conflict over Taiwan).⁵⁷³ Notably, unlike other relationships, there are no major crises in the IRI-PRC partnership, and tensions over trade and Uighurs for example have not prevented cooperation.⁵⁷⁴ The relationship has endured because of its perceived value to both sides: as an opportunity to counter U.S. influence, for access to important markets and resources, and for support in creating new institutions to balance the West and grow as regional hegemons.⁵⁷⁵

⁵⁷¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 286, 288.

⁵⁷² Garver, 286, 288.

⁵⁷³ Garver, 287–88.

⁵⁷⁴ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 10.

⁵⁷⁵ Esfandiary and Tabatabai, 2–3.

III. IRAN-CHINA RELATIONS 2013–2021

To answer what motivations and limitations in Iran-China relations have led to the Comprehensive Strategic Partnership (CSP) since 2013, this chapter will address the Belt and Road Initiative (BRI), Joint Comprehensive Plan of Action (JCPOA) negotiations, JCPOA implementation, the U.S. withdrawal from the JCPOA, and the 2016 and 2021 CSP agreements. This chapter will argue that the drivers of the relationship enabled the creation of the CSP as an important roadmap for cooperation. However, the limiters of the relationship prevented the CSP from cementing a strategic alliance, from containing more specific cooperation goals, and have thus far limited implementation.

First, the motivations and limitations of the relationship cemented from 1979–2012 continued to underpin the relationship, amplified by China’s increasing power and regional engagement, as demonstrated through the JCPOA and BRI. Beyond this, the substance of the CSP follows—according to Esfandiari—the same playbook as always, “agreeing to deepen ties but on vague terms that are scant on details and concrete commitments.”⁵⁷⁶ IRI-PRC relations continued to be premised on the fact that they would not impede relations with other powerful states (particularly the United States), and would be based on mutual interests and without conditions.⁵⁷⁷

Second, China continued to hedge to remain outside of turbulent Gulf politics, while having the United States continue its role as regional security guarantor.⁵⁷⁸ Beijing looks to grow and protect its economic interests, diversify energy suppliers, and not alienate Iran, the United States, or Saudi Arabia.⁵⁷⁹ The PRC sought to maximize the chances of establishing stable relations with Persian Gulf countries, while minimizing risk (for example the U.S. disrupting China’s energy supplies in event of a U.S.-PRC conflict),

⁵⁷⁶ Esfandiari, “Iran’s ‘New’ Partnership With China Is Just Business as Usual.”

⁵⁷⁷ Esfandiari.

⁵⁷⁸ Jeremy Garlick and Radka Havlová, “China’s ‘Belt and Road’ Economic Diplomacy in the Persian Gulf: Strategic Hedging amidst Saudi–Iranian Regional Rivalry,” *Journal of Current Chinese Affairs* 49, no. 1 (April 2020): 2, <https://doi.org/10.1177/1868102619898706>.

⁵⁷⁹ Garlick and Havlová, 2.

without undermining the U.S. regional security guarantee.⁵⁸⁰ China looked to foster relations with Gulf countries principally to enhance its own security, rather than to weaken U.S. influence, which would undermine China's regional interests.⁵⁸¹

The third theme is that the context (opportunities and constraints) of the relationship were defined more by Iran than China, but the content and implementation of the CSP within that context is defined more by China than Iran. IRI foreign policy choices have led to its economic and strategic-military isolation (a main driver behind its desire for the CSP). However, these destabilizing activities also cause China to fear entrapment and increase its need to balance its relationship with Iran with its other more critical relationships (with the U.S., Saudi Arabia, and the UAE). China, however, has more diplomatic, military, and economic leverage and power, and thus determines execution of the relationship based on its own risk-reward calculus within the context created by Iran.

A. CHINA'S REGIONAL GOALS

From a macro-level, China from 2013 viewed its Middle East interests as trade, freedom of navigation, and counterterrorism, and through the lens of its BRI and relations with the United States.⁵⁸² However, relative to these large and increasing strategic interests, the PRC historically devoted few resources to the region, and thus began increasing engagement more proportional to its large interests.⁵⁸³ China has touted economic gains but quietly pursued strategic gains to increase its role by becoming “everyone's friend but no one's ally.”⁵⁸⁴ Even among China's partners in the Middle East, Iran is notable for its vast human (well-educated population) and natural (energy) resources.⁵⁸⁵ Practical PRC concerns—the need to spur economic development and secure

⁵⁸⁰ Garlick and Havlová, 3.

⁵⁸¹ Garlick and Havlová, 4.

⁵⁸² Michael Singh, “China and the United States in the Middle East: Between Dependency and Rivalry,” in *The Great Power Competition Volume 1*, ed. Adib Farhadi and Anthony J. Masys (Cham: Springer International Publishing, 2021), 369–95, https://doi.org/10.1007/978-3-030-64473-4_18.

⁵⁸³ Singh.

⁵⁸⁴ Singh.

⁵⁸⁵ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 10.

access to energy including oil and gas without becoming mired regional conflicts—continued to take precedence over ideological goals.⁵⁸⁶ The PRC focus remained to ensure economic development, to raise living standards for 1.4 billion people and prevent social dissatisfaction.⁵⁸⁷ Thus, sustainable economic growth, in particular energy security to fuel this growth, is central to PRC foreign and domestic policy.⁵⁸⁸ Consequently, Beijing’s primary interests in the Middle East center on energy security, but also include increasing great-power status and ensuring domestic stability.⁵⁸⁹

B. ROUHANI AND XI BRING PROMISE AND ENGAGEMENT

Three main developments in 2013 framed IRI-PRC relations including the presidency in Iran of Hasan Rouhani with his desire to engage the West, Xi Jinping’s ascendance and launching of the BRI, and negotiations regarding Iran’s nuclear program. President Rouhani pledged foreign policy prudence and to rebuild productive ties with the United States and regional neighbors; an opportunity China was optimistic about exploiting to develop closer (particularly economic and trade) ties with Iran.⁵⁹⁰ Second, with the BRI China began greater engagement with the Middle East, as Iran—with its pivotal location—seemed poised to occupy a prominent place. However, the BRI showed that closer IRI-PRC relations was largely contingent on IRI reproachment with the West.⁵⁹¹ Third, both the BRI and nuclear negotiations demonstrated China’s dilemma regarding Iran, as China has to balance economic ties with Iran against its other interests, including persuading the United States that China is a responsible stakeholder, not a great power competitor.⁵⁹² For President Rouhani, fixing Iran’s economy, devastated by decades of sanctions, became the

⁵⁸⁶ Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 157.

⁵⁸⁷ Monshipouri and Heiran-Nia, 157.

⁵⁸⁸ Monshipouri and Heiran-Nia, 157.

⁵⁸⁹ Monshipouri and Heiran-Nia, 157–58.

⁵⁹⁰ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 476–77; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 22, 41.

⁵⁹¹ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 11.

⁵⁹² Zhao Hong, “China’s Dilemma on Iran: Between Energy Security and a Responsible Rising Power,” *Journal of Contemporary China* 23, no. 87 (May 4, 2014): 409–10, <https://doi.org/10.1080/10670564.2013.843880>.

top priority, and partly explains IRI willingness to negotiate with the P5+1 (the permanent members of the UNSC plus Germany).⁵⁹³ With this, Iran failed to comply with its international obligations (particularly non-proliferation and human-rights), as China attempted to facilitate dialogue between Iran and the P5+1, but served as both a “supporter and spoiler.”⁵⁹⁴

C. CHINA’S BELT AND ROAD INITIATIVE

In 2013 Xi Jinping announced the BRI, which is China’s main effort (politically, economically, and strategically) to increase access to global markets, and impacts the IRI-PRC relationship in trade, development, and diplomacy.⁵⁹⁵ Politically, the BRI seeks to enhance regime legitimacy and build the Chinese dream through the rejuvenation of Chinese power.⁵⁹⁶ Economically, the BRI seeks to integrate trade and transport networks placing China at the center of global trade, bring growth to Western China, and reshape global trade and financial systems on PRC terms. Strategically, the BRI seeks to turn China into the great power in Eurasia, to create dependencies that increase China’s soft power and advantage Chinese businesses, and to increase Chinese influence through growing people-to-people ties.⁵⁹⁷ PRC objectives for the BRI in the Middle East were securing energy supplies, increasing connectivity, redefining global supply chains, deepening trade and investment, promoting RMB use by large oil producers, advancing soft-power (specifically a pro-China coalition), and increasing Chinese military presence in the region.⁵⁹⁸ PRC leaders claim the BRI focuses on combating the terrorism, separatism, and extremism which plague regional conflicts and potentially impact the stability of

⁵⁹³ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 22, 41, 55–58.

⁵⁹⁴ Esfandiary and Tabatabai, 19, 32.

⁵⁹⁵ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 468.

⁵⁹⁶ David M. Lampton, “Chapter 5: Nightmares,” in *Following the Leader: Ruling China, from Deng Xiaoping to Xi Jinping* (Berkeley: University of California Press, 2014), 172.

⁵⁹⁷ Maha S. Kamel, “China’s Belt and Road Initiative: Implications for the Middle East,” *Cambridge Review of International Affairs* 31, no. 1 (January 2, 2018): 76–95, <https://doi.org/10.1080/09557571.2018.1480592>; Garlick and Havlová, “China’s ‘Belt and Road’ Economic Diplomacy in the Persian Gulf,” 6; Sharma, “An Analysis of ‘Belt and Road’ Initiative and the Middle East,” 36; Shariatinia and Azizi, “Iran and the Belt and Road Initiative,” 987.

⁵⁹⁸ Kamel, “China’s Belt and Road Initiative,” 78.

Xinjiang.⁵⁹⁹ Despite the fact that 24% of BRI investment goes to the Middle East, PRC leaders have remained hesitant to even more fully engage the region due to volatile security situations in Syria, Iraq, and Yemen, to avoid becoming intertwined in regional rivalries, and to not directly challenge the United States.⁶⁰⁰

Iran was not initially in the BRI plan as other states—like Pakistan with the China-Pakistan Economic Corridor—were viewed as central to China for access to the Indian Ocean. However, as Iran is in the geographical heart of the project, it became a prospective key partner.⁶⁰¹ The BRI has a northern and southern route. The northern route runs from western China, through Kazakhstan, into Russia, through Belarus and Poland, then into Germany and Western Europe.⁶⁰² The southern route goes from western China, through Turkmenistan, into Iran, Turkey, then into the Balkans and Western Europe, a route which gives Iran a prominent role.⁶⁰³ Iran also views an additional route through Iraq and Syria to the Mediterranean as strategically significant.⁶⁰⁴ Ultimately, the BRI does not require Iran, but—as the southern route bypasses Russia (a possible competitor), ensures China’s freedom of action, keeps the United States from its periphery, protects against Sunni extremism, and is the most direct and cost effective route—Iran’s participation could be highly advantageous to BRI success.⁶⁰⁵ Further, Iran’s strategic location (providing China access to the Persian Gulf, Sea of Oman, and closer to critical energy centers), natural resources, relatively developed transportation infrastructure, large area, and human

⁵⁹⁹ Anchi Hoh, “China’s Belt and Road Initiative in Central Asia and the Middle East,” *Digest of Middle East Studies* 28, no. 2 (September 30, 2019): 260, <https://doi.org/10.1111/dome.12191>.

⁶⁰⁰ Sharma, “An Analysis of ‘Belt and Road’ Initiative and the Middle East,” 37–41.

⁶⁰¹ Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 469–76; John Calabrese, “The China-Pakistan Economic Corridor (CPEC): Underway and Under Threat,” Middle East Institute, December 20, 2016, <https://www.mei.edu/publications/china-pakistan-economic-corridor-cpec-underway-and-under-threat>.

⁶⁰² Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 166.

⁶⁰³ Monshipouri and Heiran-Nia, 166.

⁶⁰⁴ Monshipouri and Heiran-Nia, 166–67.

⁶⁰⁵ Thomas Erdbrink, “For China’s Global Ambitions, ‘Iran Is at the Center of Everything,’” *The New York Times*, July 25, 2017, sec. World, <https://www.nytimes.com/2017/07/25/world/middleeast/iran-china-business-ties.html>; Garlick and Havlová, “China’s ‘Belt and Road’ Economic Diplomacy in the Persian Gulf,” 14; Manoj Joshi, “China and Iran: JCPOA and Beyond,” Observer Research Foundation, February 18, 2019, <https://www.orfonline.org/expert-speak/china-and-iran-jcpoa-and-beyond-48244/>.

resources make it poised to be a linchpin for the project.⁶⁰⁶ Thus, Iran is a sought after BRI participant and challenger of U.S. influence in the Gulf, but “China’s leaders do not want to have to choose between the United States and Iran.”⁶⁰⁷

1. BRI Investments in Iran, and Iran’s Views of the BRI

China began to invest more in infrastructure projects in Iran, specifically railways as part of the Southern BRI route.⁶⁰⁸ China’s investments in Iranian railway development is demonstrated through the Tehran-Qom-Isfahan High-Speed Rail project (funded 40% by Chinese companies and executed by the China Railway Engineering Corporation), building railway lines westward from Teheran to link Shiraz and Bushehr, and the seminal project to electrify the Tehran-Mashhad Railway.⁶⁰⁹ China invested \$1.5 BN (of the reported \$4.2 BN required) to electrify the Tehran-Mashhad railway, as part of the approximately 2,000 mile New Silk Road, connecting Kazakhstan, Kyrgyzstan, Uzbekistan, and Turkmenistan to western China.⁶¹⁰ In 2016, the first cargo train traveled this route from Zhejiang province to Tehran, which was thirty days shorter than Maritime shipping from Shanghai to Bandar Abbas.⁶¹¹ Following this, China’s Export-Import Bank approved financing for the electrification project and Chinese companies became key contractors.⁶¹²

⁶⁰⁶ Hoh, “China’s Belt and Road Initiative in Central Asia and the Middle East,” 254; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 469.

⁶⁰⁷ Garlick and Havlová, “China’s ‘Belt and Road’ Economic Diplomacy in the Persian Gulf,” 13.

⁶⁰⁸ Joshi, “China and Iran.”

⁶⁰⁹ Belal, Kulsoom, “China-Iran Relations”; Garlick and Havlová, “China’s ‘Belt and Road’ Economic Diplomacy in the Persian Gulf,” 14.

⁶¹⁰ Joshi, “China and Iran”; Sharma, “An Analysis of ‘Belt and Road’ Initiative and the Middle East,” 47; Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 157–58; Shariatnia and Azizi, “Iran and the Belt and Road Initiative,” 989.

⁶¹¹ Jonathan Fulton, “China’s Changing Role in the Middle East” (Atlantic Council, June 2019), 8, https://www.atlanticcouncil.org/wp-content/uploads/2019/06/Chinas_Changing_Role_in_the_Middle_East.pdf; Garlick and Havlová, “China’s ‘Belt and Road’ Economic Diplomacy in the Persian Gulf,” 14; Joshi, “China and Iran”; Erdbrink, “For China’s Global Ambitions, ‘Iran Is at the Center of Everything.’”

⁶¹² Hoh, “China’s Belt and Road Initiative in Central Asia and the Middle East,” 260.

Undermining significant BRI opportunities to grow the Iran-China relationship, however, were concerns in China of Iranian reliability and stability, and concerns in Iran regarding Chinese intentions. China remained hesitant to invest in Iran given relationship asymmetry and IRI posturing—especially with the United States—which increase potential to entangle China in a crisis, and demonstrate the difficulty of shifting entrenched dynamics even with large economic incentives.⁶¹³ Given this, China had changed the main BRI route to bypass Iran, but since signing the CSP a route has branched off into Iran.⁶¹⁴

Also undermining BRI opportunities are contrasting views in Iran towards the BRI. Some groups in Iran see the BRI as an opportunity to upend the U.S. led international order, benefit from a redistribution of power, and gain freedom of action.⁶¹⁵ Additionally, some in Iran see the BRI as a chance to improve the region, for example reducing poverty and instability which has plagued states like Afghanistan and Pakistan resulting in conflict, refugees, narcotics trade, and extremism.⁶¹⁶ Further, the BRI can help Iran rebuild its economy, spur development, and reassume its historic place at the center of the Silk Road. To this end, Iran requires \$52 BN in downstream and \$134 BN in upstream energy sector investments, and view China as the most likely and critical source of this investment.⁶¹⁷

Conversely, others in Iran express fear of rapid BRI expansion creating overreliance on China, with reduced competitiveness and job losses. They point to Iran's growing dependence on China given that roughly 25% of all Iranian imports in 2016 were from China, and that the second most goods are imported from the UAE (with many of these goods believed to be imported illicitly from China).⁶¹⁸ There is also fear of China's influence in neighboring countries, which are essential markets for Iran. Finally, some BRI

⁶¹³ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 469.

⁶¹⁴ Monshipouri and Heiran-Nia, "China's Iran Strategy," 165.

⁶¹⁵ Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 987.

⁶¹⁶ Shariatinia and Azizi, 987–89.

⁶¹⁷ Shariatinia and Azizi, 987–89.

⁶¹⁸ Shariatinia and Azizi, 990–91.

projects conflict with Iran's interests, such as China's increasing role in Central Asia's energy market, which has decreased Iran's competitiveness.⁶¹⁹

This 'opportunity' and 'threat' view of the BRI in Iran largely extends to the broader view within Iran of the relationship with China. According to a 2019 University of Maryland poll, 58% of Iranian interviewed viewed China favorably, 39% did not.⁶²⁰ Some Iranians expressed concern relations with China will undermine any democracy in Iran, allow China to exploit Iran's resources, result in contracts that do not consider Iran's national interests, and allow China to encroach on Iran's sovereignty.⁶²¹ Alternatively, others in Iran view the relationship with China as important to resisting U.S. pressure, for creating maneuver space internationally to advance its foreign policy goals, for supporting the survival of the political system, and for resisting economic sanctions; a view manifested in the "Look East" policy under President Ahmadinejad.⁶²² These competing viewpoints caused hesitancy and Iran to fall behind others in its relationship with China (as \$60 BN in Chinese investments propelled CPEC advances, and the UAE became China's major logistics and finance hub).⁶²³ Further, as Iran's almost exclusive economic partner, China enjoyed trade advantages and leverage (such as trade with Iran in goods vice currency), sparking resentment and frustration in Iran.⁶²⁴ Iranian elites were divided on whether China's support was an opportunity or threat as officials objected to China's financing measures, merchants disapproved of Chinese products flooding the market, and there remained criticisms regarding delays and cancellations in energy and transportation cooperation.⁶²⁵

⁶¹⁹ Shariatinia and Azizi, 990–91.

⁶²⁰ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 7–8.

⁶²¹ Belal, Kulsoom, "China-Iran Relations," 58; Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 992.

⁶²² Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 991–92; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 7–8.

⁶²³ Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 993.

⁶²⁴ John Calabrese, "Intersections: China and the U.S. in the Middle East," Middle East Institute, June 18, 2019, <https://www.mei.edu/publications/intersections-china-and-us-middle-east>.

⁶²⁵ Calabrese.

2. Tensions Caused by the BRI

The BRI also created tensions that could exacerbate competition and regional rivalries. Although China seeks to hedge its economic interests in the Persian Gulf (seeking to buy oil and invest in all countries), with expanding PRC interests it is becoming increasingly difficult to maintain neutrality.⁶²⁶ Both Iran and Saudi Arabia compete for Chinese support but are valuable to China in different ways, Iran due to its geographic location, but Saudi Arabia as the larger energy supplier.⁶²⁷ Additionally, geopolitical rivalry already exists in competing BRI projects, including the Gwadar (developed as part of CPEC) and Chabahar port projects (initiated by a 2016 agreement between Iran, Afghanistan, and India).⁶²⁸ China promised \$1.6 BN to develop Pakistan's Gwadar port in a 40 year agreement that would give China the right to manage the port.⁶²⁹ This allows China to move oil from the Middle East and Iran to Pakistan, and then into Western China, and also enables China to potentially build a naval base on the Arabian Sea.⁶³⁰ Conversely, India, feeling encircled by China, agreed to invest in Iran's Chabahar port, giving India the ability to use Iran for access to Afghanistan and Central Asia, while avoiding Pakistan and linking the Indian Ocean, Central Asia, and China.⁶³¹ The problem is the two projects are in close proximity and similarly seek to connect Central Asian countries to Ocean ports, and are thus in nearly direct competition and may cause economic rivalry within the BRI.⁶³² Finally, the BRI will likely benefit some states over others, possibly stoking regional rivalries, with Iran having the potential to benefit greatly, more than other GCC

⁶²⁶ Garlick and Havlová, "China's 'Belt and Road' Economic Diplomacy in the Persian Gulf," 16–17; Sarah Kaiser-Cross and Yufeng Mao, "China's Strategy In the Middle East and the Arab World," in Eisenman, Joshua and Eric Heginbotham, Editors. *China Steps Out: Beijing's Major Power Engagement With the Developing World* (New York: Routledge, 2018), 178–81.

⁶²⁷ Garlick and Havlová, "China's 'Belt and Road' Economic Diplomacy in the Persian Gulf," 16–17.

⁶²⁸ Shariatnia and Azizi, "Iran and the Belt and Road Initiative," 990.

⁶²⁹ Monshipouri and Heiran-Nia, "China's Iran Strategy," 165–66.

⁶³⁰ Monshipouri and Heiran-Nia, 166.

⁶³¹ Monshipouri and Heiran-Nia, 166.

⁶³² Garlick and Havlová, "China's 'Belt and Road' Economic Diplomacy in the Persian Gulf," 14; Shariatnia and Azizi, "Iran and the Belt and Road Initiative," 990–91.

states for example.⁶³³ Critically, the BRI may reshape Gulf politics given Iran's potential ascendance as a BRI hub, Iran's ambitions to be a dominant regional power revising the U.S.-led regional order, and Iran's increasing rivalry with U.S. allies.⁶³⁴

D. THE JOINT COMPREHENSIVE PLAN OF ACTION (JCPOA)

President Rouhani's election permitted space for Iran to negotiate in good faith on the nuclear issue, while China supported negotiations seeking to prevent proliferation and destabilization, to build political capital as a facilitator, and anticipating increased business with Iran (protecting and building economic interests).⁶³⁵ In November 2013 an interim agreement was reached to limit some sensitive Iranian nuclear activities, extended twice during final JCPOA negotiations.⁶³⁶ In Iran proponents saw negotiations tied to security interests and opponents saw it as undermining national prestige, while Khamenei shielded negotiators, and the IRGC helped manage expectations and silence critics.⁶³⁷

There were also many high-level IRI-PRC engagements from 2013–2015 as China played a large role in the nuclear negotiations. China emphasized that if Iran failed to agree with the international community war would be likely, and that if a deal was reached where sanctions were lifted China would significantly assist with Iran's economic and industrial development.⁶³⁸ Iran assured China it was not pursuing nuclear weapons, and with this China supported its right to develop a peaceful nuclear energy program under International Atomic Energy Association (IAEA) supervision.⁶³⁹ China mediated negotiations urging Iranian accommodation, advice Tehran heeded, eventually signing the JCPOA setting the

⁶³³ Kamel, "China's Belt and Road Initiative," 77.

⁶³⁴ Kamel, "China's Belt and Road Initiative."

⁶³⁵ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 54–55, 84–85.

⁶³⁶ Esfandiary and Tabatabai, 86.

⁶³⁷ Esfandiary and Tabatabai, 49–51.

⁶³⁸ John W. Garver, "China and Iran: An Emerging Partnership Post-Sanctions" (Middle East Institute, February 8, 2016), 2, <https://www.mei.edu/publications/china-and-iran-emerging-partnership-post-sanctions>; Fulton, "China's Changing Role in the Middle East," 8.

⁶³⁹ Garver, "China and Iran," 3.

stage for further development in the partnership.⁶⁴⁰ In this role China demonstrated a recognition of negative repercussions of being perceived as supporting Iran, that it valued its U.S. relationship more than that with Iran, and that it was wary of endangering its more critical relationships by expanding relations with Tehran.⁶⁴¹

For Iran, paradoxically, it has been least secure when it pursues weapons—which increases possibilities of conflict, including Israeli preemption—and most secure when it utilizes conventional missiles and militant clients like Hezbollah and the Houthis to advance its interests.⁶⁴² This explains why Iran was willing to negotiate limits to its nuclear program, but not compromise on its support to militant clients or missile programs. A nuclear Iran would have to plan to confront Israel, and Iran’s only way to compensate for its conventional weakness is precision-strike missiles, which it thus would also not negotiate on as part of the JCPOA.⁶⁴³ Notably, there is also no open-source data available on possible Iranian weapons design, testing, vulnerability to preemptive strikes, or how Iran may deploy a nuclear weapon.⁶⁴⁴

1. JCPOA Provisions

On 14 July 2015, the final JCPOA agreement was reached with Iran accepting limits on its nuclear program in exchange for lifting of nuclear related sanctions.⁶⁴⁵ In exchange for Iran accepting limits and inspections on its nuclear program the UNSC ended sanctions tied to the nuclear program, and the U.S. and EU also lifted non-military trade sanctions against Iran, all under conditions sanctions could be reimposed (or snapped back)

⁶⁴⁰ Garver, 3.

⁶⁴¹ Fulton, “China’s Changing Role in the Middle East,” 8.

⁶⁴² Anthony H. Cordesman, “Iran and U.S. Strategy: Looking Beyond the JCPOA” (Washington, D.C.: Center for Strategic and International Studies, July 20, 2021), https://csis-website-prod.s3.amazonaws.com/s3fs-public/publication/210630_Cordesman_Looking_Beyond.pdf?67tSwbkOayGo4_3nnmEEFmepX4UDFV2E.

⁶⁴³ Cordesman.

⁶⁴⁴ Cordesman.

⁶⁴⁵ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 86.

if Iran violated its terms of the agreement.⁶⁴⁶ Specifically, Iran agreed to limit uranium enrichment, uranium stockpiles, actions at its Fordow facility, limit advanced centrifuge research and development, disable elements of its Arak reactor, and to accept a monitoring and verification regime.⁶⁴⁷ In exchange U.N., U.S., and E.U. sanctions would be relieved, including after eight years from a heavy arms embargo, and relief after ten years from ballistic missile restrictions.⁶⁴⁸ In short, until 2020, Iran's ability to purchase arms and military equipment were subject to UNSC approval (though after expiration unilateral sanctions from the U.S. and others would still likely prohibit Iran's access to much of the equipment.⁶⁴⁹

In the United States many lauded the JCPOA, but concerns remained. Positively, the JCPOA promised to ensure it would take Iran at least one year to enrich enough weapons grade uranium for one bomb—for at least ten years—and effectively block development of a plutonium bomb.⁶⁵⁰ Critics, however, pointed to the short timelines for restrictions on heavy conventional and ballistic missile programs, that the deal did not address Iran's support to militant clients, and that the unfreezing of \$100 BN in Iranian assets—even if most went to pay Iran's debt to China and address economic issues—just a small fraction going to fund Hezbollah or the Assad regime could be significant and concerned Gulf allies and Israel.⁶⁵¹ Some experts argued, to counter this, that monitoring would remain beyond 10 years, the West would have gained intelligence about Iran's program, and (although imperfect) the inspection regime would be timely enough to

⁶⁴⁶ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 172.

⁶⁴⁷ Arms Control Association, "The Joint Comprehensive Plan of Action (JCPOA) at a Glance," Arms Control Association, March 2022, <https://www.armscontrol.org/factsheets/JCPOA-at-a-glance>; Joshi, "China and Iran."

⁶⁴⁸ Arms Control Association, "The Joint Comprehensive Plan of Action (JCPOA) at a Glance."

⁶⁴⁹ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 129.

⁶⁵⁰ Robert Einhorn, "Debating the Iran Nuclear Deal: A Former American Negotiator Outlines the Battleground Issues," *Brookings* (blog), August 12, 2015, <https://www.brookings.edu/research/debating-the-iran-nuclear-deal-a-former-american-negotiator-outlines-the-battleground-issues/>.

⁶⁵¹ Einhorn.

prevent removal of the most concerning items.⁶⁵² Additionally, experts argued that China and Russia were unlikely to sell Iran high-end military equipment, and that the United States has other ways—using law and policy—to prevent the IRI from importing advanced technologies, providing arms to militant clients, or using the un-frozen assets to support groups like Hezbollah or the Houthis.⁶⁵³

During nuclear negotiations the United States adopted—what Foad Izadi and Esfandiar Khodaei identified as—a “guarded-engagement strategy” towards China, while China adopted a “soft-balancing approach” towards the United States.⁶⁵⁴ The United States sought to engage and cooperate with China towards the mutual goal of nonproliferation, but to use U.S. power—including critiques of the PRC’s human rights record, economic sanctions, and support from allies like Saudi Arabia and Israel—to pressure the PRC to support sanctions on Iran.⁶⁵⁵ China, alternatively, took a soft-balancing approach and insisted the issue be resolved through negotiations.⁶⁵⁶ China sought to safeguard its major interests vis-à-vis the United States and West, prevent U.S. regional domination, and protect its interests with respect to Iran, including safeguarding oil supplies, retaining Iran as a strategic partner in Central Asia, and leveraging Tehran in complicating the U.S. pivot to Asia.⁶⁵⁷ China rebuked U.S. unilateral sanctions, but supported UN resolutions, and continued—despite sanctions—to maintain extensive trade with Iran through the interim (2013) and final (2015) agreements.⁶⁵⁸ The United States concluded that absent a nuclear agreement it would have to ensure sanctions effectiveness, which would have required barring China from the U.S. financial system.⁶⁵⁹ However,

⁶⁵² Einhorn.

⁶⁵³ Einhorn.

⁶⁵⁴ Foad Izadi and Esfandiar Khodaei, “The Iran Factor in U.S.-China Relations: Guarded Engagement vs. Soft Balancing,” *China Quarterly of International Strategic Studies* 03, no. 02 (January 2017): 299–323, <https://doi.org/10.1142/S2377740017500105>.

⁶⁵⁵ Izadi and Khodaei.

⁶⁵⁶ Izadi and Khodaei.

⁶⁵⁷ Izadi and Khodaei.

⁶⁵⁸ Izadi and Khodaei.

⁶⁵⁹ Izadi and Khodaei.

President Obama concluded this would have been problematic stating, “since they [China] happen to be major purchasers of our debt, such actions could trigger severe disruptions in our own economy and, by the way, raise questions internationally about the dollar’s role as the world’s reserve currency.”⁶⁶⁰ These immense considerations and repercussions highlighted how highly consequential China’s Iran policy was in prompting Washington to seek a nuclear compromise.⁶⁶¹

The signing of the JCPOA raised the prospects for the Iran-China relationship, but sanctions relief did not generate promised rapid economic recovery in Iran which led to discontent, and protest, partially exacerbated by high expectations set by President Rouhani.⁶⁶² Ayatollah Khamenei concluded that the United States had an issue with the Islamic Republic generally, and slow JCPOA implementation reinforced to some in Iran that it could only trust itself.⁶⁶³ While Iran viewed the JCPOA and sanctions relief as an opportunity to engage the global market, diversify suppliers, generate competition, and expand investment, IRI distrust of the west, slow sanctions relief without economic gains, and alternative vision to the U.S.-led world order moved it closer to the PRC.⁶⁶⁴ Further, China increased its previously limited regional role, in 2016 opening its first overseas base in Djibouti (facilitating power projection), agreeing to manufacture Chinese UAV’s in Saudi Arabia, and suggesting it could possibly mediate Iran-Saudi tensions.⁶⁶⁵ China also increased its involvement in the Syria crisis when it hosted Syrian government and opposition officials and then appointed a special envoy to support UN mediation efforts.⁶⁶⁶

Paradoxically, the JCPOA made Iran strategically less dependent on China, and even while China’s influence grew, China became strategically more dependent on Iran in

⁶⁶⁰ Izadi and Khodaei.

⁶⁶¹ Izadi and Khodaei.

⁶⁶² Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 23, 58; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 477.

⁶⁶³ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 24.

⁶⁶⁴ Esfandiary and Tabatabai, 15, 23–24, 58.

⁶⁶⁵ Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 160.

⁶⁶⁶ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 149.

the region.⁶⁶⁷ The JCPOA lessened the P5's ambitions against Iran, and thus lessened the value of China's security council seat to Iran, while Iran's position as the most efficient BRI route to connect China with Europe increased Iran's value to China.⁶⁶⁸ However, as China's power grew (diplomatically, economically, and militarily), its ability to influence others and advance its goals of sovereignty and non-interference also grew, as evidenced by U.S. allies joining the Asia Infrastructure Investment Bank.⁶⁶⁹

2. JCPOA Economic Impacts

Sanctions relief provided an opportunity for Iran to diversity its suppliers and generate economic competition. On implementation, high level visits began immediately, as the JCPOA seemingly provided Iran an opening to break its dependence on China, principally through selling oil and energy to Europe (who was seeking to diversity its supplies due to unrest in Eastern Ukraine and Russia's annexation of Crimea).⁶⁷⁰ Oil trade with Europe increased quickly, as from January through April of 2017 Iran sold the EU around 560,000 barrels per day (bpd) of crude oil, six times 2016 levels.⁶⁷¹ Sanctions relief rendered Iran economically less dependent on China, as Iran-EU trade grew from \$8.7 BN in 2014 to \$14.5 BN in 2016, while Iran-China trade shrank from \$51 BN in 2014 to \$31.2 BN in 2016.⁶⁷² Thus, while Iran-China trade remained over double that of EU-Iran trade, and remained 388% below pre-sanctions levels, Iran reduced its relative dependence on China.⁶⁷³ However, as European firms grew increasingly cautious of possible U.S. sanctions, Iran-China bilateral trade grew in 2017 by 19% to exceeded \$37 billion, a

⁶⁶⁷ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 188.

⁶⁶⁸ Teer and Wang, 188.

⁶⁶⁹ Teer and Wang, 189.

⁶⁷⁰ Teer and Wang, 187–89; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 86.

⁶⁷¹ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 187.

⁶⁷² Teer and Wang, 176, 187.

⁶⁷³ Teer and Wang, 176, 187.

significant increase though far from desired targets.⁶⁷⁴ There was also increased competition as large oil companies from China's rivals began competing for contracts. For example, as China National Petroleum Corporation (CNPC) completed phase I of the Azadegan field project and sought to contract for phase II, the National Iranian Oil Company (NIOC) announced CNPC would have to bid for Phase II and compete against non-Chinese firms (including Japan's state-owned Inpex).⁶⁷⁵ During sanctions, as market competition abated and other countries left, China invested heavily in development, but with the JCPOA now faced competition.⁶⁷⁶

Western countries—particularly European banks—became increasingly weary of the challenges associated with doing business in Iran, however, and thus turning plans into contracts proved difficult.⁶⁷⁷ This was partly the IRI's own doing as corruption, inefficiency, opacity, insufficient regulation, a poor banking sector, barriers to foreign entry, and mismanagement, remained.⁶⁷⁸ Additionally, despite ties with the EU and EU members, there was worry they may follow any U.S. lead regarding remaining sanctions.⁶⁷⁹ Ultimately, European businesses and bank hesitancy to re-enter Iran, largely because of U.S. sanctions, led Iran to turn to eager Chinese banks and firms.⁶⁸⁰

Conversely, after agreeing to the JCPOA Tehran viewed China as offering extensive economic benefits as China capitalized on its knowledge of working in Iran and relationships cultivated during sanctions (a lasting advantage as Western companies left).⁶⁸¹ The most important Chinese investment in Iran after JCPOA implementation was in July 2017 with a \$4.879 BN agreement to develop the South Pars Gas Field between

⁶⁷⁴ Calabrese, "Intersections."

⁶⁷⁵ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 188.

⁶⁷⁶ Teer and Wang, 190.

⁶⁷⁷ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 86; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 188.

⁶⁷⁸ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 23.

⁶⁷⁹ Esfandiary and Tabatabai, 11.

⁶⁸⁰ Esfandiary and Tabatabai, 11–12.

⁶⁸¹ Esfandiary and Tabatabai, 15, 92.

NIOC and a consortium including France's Total, China's CNPC, and Iran's Petropars.⁶⁸² PRC involvement in Iran also continued to increase as China's CTIC extended \$10 BN in credit to Iran for infrastructure projects with railways (including ways to fund the Tehran-Mashhad rail electrification project), hospitals, and Chinese firms even expanding into new sectors (including for reconstruction of the Arak heavy water reactor).⁶⁸³ Other deals included \$550 million to build an oil terminal on Qeshm island, and a deal with Sinopec to develop the Yadavaran oil field.⁶⁸⁴ Economic efforts were accompanied by soft-power measures, such as 150 Iranian expatriates donating blood in China for Ashura, and China offering assistance following a deadly earthquake in north-west Iran in November 2017.⁶⁸⁵ However, despite many Chinese companies engaging Iran anticipating preferential treatment, Iran continued to prefer Western partners and products and strategically sought cooperation with many states, vice just China.⁶⁸⁶

The BRI, JCPOA, and Rouhani's more moderate foreign policy looked to potentially deepen the relationship, but Iran remained a potentially hazardous partner and the PRC continued to prioritize balancing its interests and mitigating risks.⁶⁸⁷ Little changed the underlying limits on the relationship including China's concerns of entrapment and of the threats Iran's provocations posed to its security, while Iran feared overreliance and abandonment.⁶⁸⁸ Further, large Chinese firms with global interests remained hesitant (due to the continued risk of being the subject of U.S. sanctions), and only small Chinese companies with few assets in the West remained active in Iran.⁶⁸⁹ Finally, despite international sanctions on Iran being lifted, at the 2017 and 2018 SCO meetings China

⁶⁸² Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 989.

⁶⁸³ Calabrese, "Intersections"; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 188; Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 989.

⁶⁸⁴ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 477.

⁶⁸⁵ Conduit and Akbarzadeh, 477.

⁶⁸⁶ Xiyue, "China Won't Rescue Iran."

⁶⁸⁷ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 480; Belal, Kulsoom, "China-Iran Relations," 57–58.

⁶⁸⁸ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 478.

⁶⁸⁹ Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 989.

remained hesitant to support Iran's long-standing bid for full membership, fearing Iran may use the body to project anti-hegemonic messages.⁶⁹⁰ Events validated Chinese fears, when in January 2017 Iran test-fired a medium range ballistic missile—undermining Rouhani's less provocative foreign policy and highlighting IRGC independence—resulting in U.S. sanctions on two Chinese companies and three Chinese nationals.⁶⁹¹ Ultimately, despite both sides commitment to the BRI, the economic possibilities did not fundamentally change entrapment and abandonment security concerns, as China (with other options to Iran) was only willing to accept finite amounts of risk, and Iran was often above this threshold.⁶⁹²

E. 2016 COMPREHENSIVE STRATEGIC PARTNERSHIP (CSP)

In January 2016, one week after JCPOA implementation, Xi Jinping was the first leader since 2002 to visit Tehran, leading to an upgrading of the relationship to a CSP.⁶⁹³ The visit and CSP set the stage for the signing of memorandums of understanding for 17 economic agreements promising to raise bilateral trade to a reported \$600 BN by 2026, expanding trade and investment in energy, transportation (including railways and ports), and the service industry.⁶⁹⁴ Ayatollah Khomeini, before signing of the deal, said he never trusted the West, sought independence which China promoted, and emphasized Iran would not forget China's cooperation during sanctions.⁶⁹⁵ With that, the stated goals of the 2016

⁶⁹⁰ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 479.

⁶⁹¹ Conduit and Akbarzadeh, 479–80.

⁶⁹² Conduit and Akbarzadeh, 480.

⁶⁹³ Conduit and Akbarzadeh, 477.

⁶⁹⁴ Kamel, "China's Belt and Road Initiative"; Calabrese, "Intersections"; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 130; Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 476–77; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 172; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 8–9.

⁶⁹⁵ Bozorgmehr Sharafedin, "Iran's Leader Says Never Trusted the West, Seeks Closer Ties with China | Reuters," *Reuters*, January 23, 2016, sec. Business News, <https://www.reuters.com/article/us-iran-china/irans-leader-says-never-trusted-the-west-seeks-closer-ties-with-china-idUSKCN0V109V>.

agreement were to deepen ties in the following domains: political; executive cooperation; human and cultural; judiciary, security and defense; and regional and international.⁶⁹⁶

The 2016 CSP, significantly, was not a formal alliance and demonstrated China's need to balance its other regional relationships, particularly with Saudi Arabia. First, unlike the U.S. who has allies it supports at times despite divergent views (such as backing Riyadh despite its campaign in Yemen), China does not build formal alliances and views its relationships strictly pragmatically.⁶⁹⁷ The PRC constantly adjudicates relationships as it seeks to engage all partners and not to be forced to choose one partner over another.⁶⁹⁸ Second, China sought to balance its relationship with Iran with its relationships with other regional states. On Xi's 2016 trip he first visited Saudi Arabia, then Iran, and finally Egypt, pledging \$55 BN in loans and investments for infrastructure projects, and signing 52 bilateral cooperation deals, explicitly working to avoid involvement in regional disputes.⁶⁹⁹ This demonstrated China strategy, as stated in its 2016 Arab Policy Paper, which called for comprehensive cooperation with Arab states and the use of economic and diplomatic power to address security issues.⁷⁰⁰ Notably, however, deep historic ties prevent Sino-Saudi relations from becoming as deep as Iran-China ties.⁷⁰¹

1. 2016 CSP Shifts in Military, Security, and Strategic Relations

In 2013–2014 Iran-China military cooperation remained largely symbolic, but an increase in high level visits and port calls reversed a trend in decreasing cooperation. China had traditionally focused on arms-sales to Iran, while Iran increasingly saw military cooperation with China as a top priority and sought to increase 'defense diplomacy.'⁷⁰² Xi

⁶⁹⁶ "Full Text of Joint Statement on Comprehensive Strategic Partnership between I.R. Iran, P.R. China."

⁶⁹⁷ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 130–31.

⁶⁹⁸ Esfandiary and Tabatabai, 130–31.

⁶⁹⁹ Sharma, "An Analysis of 'Belt and Road' Initiative and the Middle East," 42; Hoh, "China's Belt and Road Initiative in Central Asia and the Middle East," 254; Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 130–31.

⁷⁰⁰ Hoh, "China's Belt and Road Initiative in Central Asia and the Middle East," 260.

⁷⁰¹ Garver, "China and Iran."

⁷⁰² Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 134.

and Rouhani met at the 2013 SCO summit building trust, and built on that trust during a second visit in 2014, significantly improving ties over the troubled relations of Hu Jintao and Mahmoud Ahmadinejad.⁷⁰³ In 2013—for the first time—two Iranian navy ships (destroyer Sabalan and helicopter carrier Kharg) visited China, and in 2014 two PLAN ships visited Bandar Abbas, while the Iranian defense minister and Navy Commander visited China, and Iranian and Chinese defense ministers met at an international security conference in Moscow.⁷⁰⁴ Notably, the PLAN previously had many opportunities to visit Iran as part of the anti-piracy operation in the Gulf of Aden, but had not.⁷⁰⁵ Thus, it was likely an overall deepening of the partnership and shared interests—with the election of Rouhani, a growing energy relationship, and advance of the Islamic State—that facilitated China’s decision to grow closer defense relations with Iran.⁷⁰⁶ This indicates that military ties likely closely follow the broader tenor of the overall relationship, which the CSP fosters.⁷⁰⁷ Additionally, due to international isolation since 1979, today’s Iranian military has virtually no contact with the West, but does have important contacts with China, despite the bar on the sale of weapons under security council resolutions prior to the JCPOA.⁷⁰⁸

IRI-PRC defense relations grew following the 2016 CSP with increased high-level coordination and technology cooperation, but Iran sought to diversify its arms suppliers. First, port visits and high-level exchanges continued and were formalized.⁷⁰⁹ Second, technology cooperation expanded, as, for example, Iran worked with a Chinese company to acquire satellite navigation systems more accurate than commercial GPS.⁷¹⁰ Iran also

⁷⁰³ Joel Wuthnow, “China-Iran Military Relations at a Crossroads,” *The Jamestown Foundation China Brief* 15, no. 3 (February 4, 2015), <https://jamestown.org/program/china-iran-military-relations-at-a-crossroads/>.

⁷⁰⁴ Wuthnow; Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 134.

⁷⁰⁵ Wuthnow, “China-Iran Military Relations at a Crossroads.”

⁷⁰⁶ Ahmad Majidiyar, “Iran Signs Defense-Military Agreement with China, Calls for Joint Military Drills,” *Middle East Institute*, November 14, 2016, <https://www.mei.edu/publications/iran-signs-defense-military-agreement-china-calls-joint-military-drills>; Wuthnow, “China-Iran Military Relations at a Crossroads”; Garver, “China and Iran.”

⁷⁰⁷ Wuthnow, “China-Iran Military Relations at a Crossroads.”

⁷⁰⁸ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 151–52.

⁷⁰⁹ Esfandiary and Tabatabai, 130–31.

⁷¹⁰ Esfandiary and Tabatabai, 133.

sought Chinese air and naval military technologies, sending Iranian generals to China to visit aircraft factories and air bases, and to discuss possible purchases.⁷¹¹ Iran also sought Chinese military technologies including anti-ship cruise missiles, air-to-air missiles, and mines, many capabilities China developed to counter U.S. capabilities. The IRI also looked to bolster its internal security and saw China's cyber and social media firewalls as addressing these needs.⁷¹² Third, the period saw Iran become less dependent on China as an arms supplier. Whereas Iran was highly dependent on China for arms prior to the JCPOA (in 2005, 74% of Iranian arms, by value, were from China, which after sanctions in 2012 were 68%, and remained just under 70% in 2014–15), after the signing of the JCPOA Russia became the nearly exclusive arms supplier to Iran selling around \$398 million.⁷¹³ Notably, in 2016 Iran passed a law requiring 5% of the annual budget to be spent on defense, prioritizing modernizing air forces and air defense, cyber, and counter-terrorism capabilities.⁷¹⁴ In sum, Russia emerged as China's main competitor in Iran regarding defense cooperation, but China maintained an edge supplying parts and maintenance for Iranian weapons and established itself as supportive of Iran's security needs, including supporting Iran in suppressing domestic dissent.⁷¹⁵

Additionally, regarding security cooperation, Iran and China both saw the Islamic State (IS) as a threat, and provided support to the Assad regime in Syria. Iran views IS—which believes Shia Islam is a deviation from true Islam—as a threat.⁷¹⁶ China, similarly, views the rise of IS in Afghanistan and Central Asia as a threat to stability and security in Xinjiang province.⁷¹⁷ China, has subsequently used national security and counterterrorism as a pretext to oppress the freedoms of its Muslim minority in Xinjiang. This oppression has at times exacerbated China's terrorism problem. For example, 114 Uighurs joined ISIS

⁷¹¹ Esfandiary and Tabatabai, 133.

⁷¹² Garver, "China and Iran."

⁷¹³ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 187–89.

⁷¹⁴ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 128.

⁷¹⁵ Garver, "China and Iran," 5–6.

⁷¹⁶ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 148.

⁷¹⁷ Esfandiary and Tabatabai, 150.

in 2014, and in 2017 released video threatening China promising to retaliate for the oppression of Muslims.⁷¹⁸ Regarding Syria, Iran has staunchly supported the Assad regime with manning, training, and equipment. China, particularly since increasing its involvement in 2016, also supported Assad with military advisors and weapons (including sniper rifles and rocket launchers).⁷¹⁹ Importantly, as part of its support for Syria, Iran allowed Russia access to a refueling base in Iran. Public release of this information drew significant blowback in Iran, as there is a high sensitivity in Iran towards any foreign military presence and the constitution forbids any foreign military base on Iranian territory, even for peaceful purposes.⁷²⁰ Importantly for the CSP, this highlights how much opposition there would be in Iran to even the perception that China's military is being permitted access to Iranian territory.

During this period geostrategic relations also shifted, as Iran became less dependent on China, but China's promotion of its global norms benefitted Iran. Specifically, Iran relied on China to ensure the UNSC would not extend sanctions beyond UNSC Resolution 1929, and Beijing (after the United States announced its pivot to Asia) looked to Iran to ensure U.S. attention remained on the Middle East, vice the Asia-Pacific.⁷²¹ After the JCPOA, however, Iran decreased its dependence on China's UNSC veto as the nuclear issue was considered resolved, and Iran became more important to China as an essential piece of the BRI.⁷²² However, as mentioned, as China's economic and military power grew its ideological value to Iran grew in promoting sovereignty and non-interference (as opposed to liberal values, human rights, and democracy espoused by Western states).⁷²³

⁷¹⁸ Esfandiary and Tabatabai, 150.

⁷¹⁹ Esfandiary and Tabatabai, 147.

⁷²⁰ Esfandiary and Tabatabai, 143.

⁷²¹ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 190.

⁷²² Teer and Wang, 190.

⁷²³ Teer and Wang, 190.

F. 2018 U.S. JCPOA EXIT AND MAXIMUM PRESSURE CAMPAIGN

In 2018, the U.S. unilaterally withdrew from the JCPOA citing concerns with sunset provisions, inspections, and lack of dealing with Iran's support to militant clients or ballistic missile programs.⁷²⁴ First, continued support to militant clients provided the IRI unparalleled asymmetrical power and regional influence integral to its grand strategy.⁷²⁵ Key Iranian militant client organizations are shown in Figure 1.

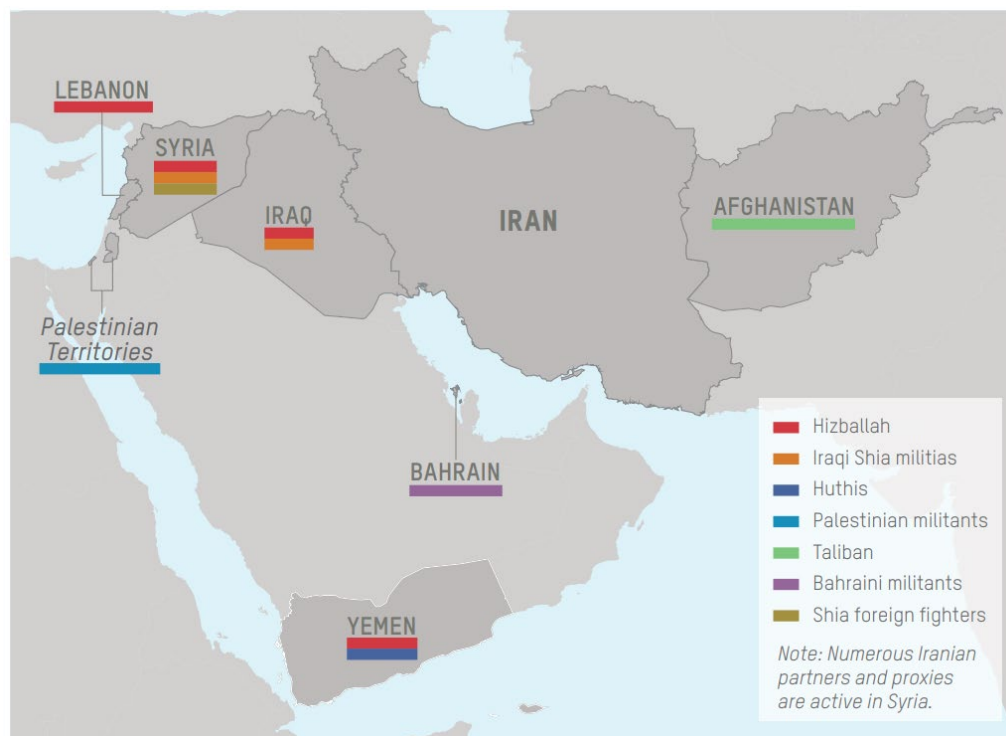


Figure 1. Selected Iranian Proxies⁷²⁶

⁷²⁴ The White House, "Fact Sheet: President Donald J. Trump Is Ending United States Participation in an Unacceptable Iran Deal – The White House," The White House, May 8, 2018, <https://trumpwhitehouse.archives.gov/briefings-statements/president-donald-j-trump-ending-united-states-participation-unacceptable-iran-deal/>.

⁷²⁵ Afshon Ostovar, "The Grand Strategy of Militant Clients: Iran's Way of War," *Security Studies* 28, no. 1 (January 1, 2019): 159–88, <https://doi.org/10.1080/09636412.2018.1508862>.

⁷²⁶ Source: Defense Intelligence Agency, ed., "Iran Military Power: Ensuring Regime Survival and Securing Regional Dominance," 2019, https://www.dia.mil/Portals/110/Images/News/Military_Powers_Publications/Iran_Military_Power_LR.pdf.

Second, also integral to Iran's grand strategy is its ballistic missile program.⁷²⁷ While Iran does not have intercontinental ballistic missiles, it does have many short and medium-range ballistic missiles, and cruise missiles capable of delivering nuclear weapons.⁷²⁸ A general overview of Iranian Ballistic Missiles and ranges are depicted in Figure 2.

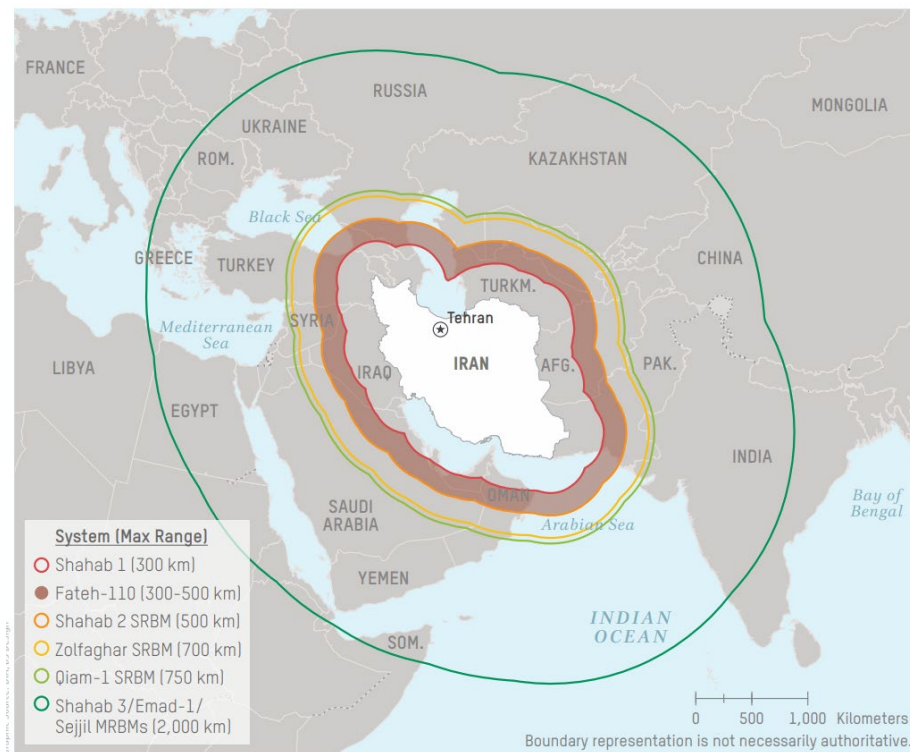


Figure 2. Iranian Ballistic Missile Ranges⁷²⁹

The U.S. reinstated direct and secondary sanctions on Iran with the goal to compel Iran to negotiate a longer and more comprehensive deal that addressed these concerns. The U.S. had already conducted 19 rounds of sanctions on 168 Iranian entities prior to 5 April 2018, but added 300 new entities, including re-sanctioning hundreds of entities

⁷²⁷ Ostovar, "The Grand Strategy of Militant Clients," 159–61.

⁷²⁸ Sanam Vakil and Neil Quilliam, "Getting to a New Iran Deal: A Guide for Trump, Washington, Tehran, Europe and the Middle East" (Chatham House, October 2019).

⁷²⁹ Source: Defense Intelligence Agency, "Iran Military Power."

unsanctioned under the JCPOA.⁷³⁰ This decision reiterated Iran's belief that the U.S. aimed to thwart the country's progress and counter the regime.⁷³¹

The other P5+1 countries worked to save the JCPOA by convincing their firms to remain in Iran to deliver on promised economic benefits, to convince Iran to remain in the deal.⁷³² The EU, Turkey, Russia, and China declared their continued support for the JCPOA, and created a Special Purpose Vehicle to support continued trade.⁷³³ However, major companies still pulled out rather than risk their business interests in the United States, particularly as U.S. secondary sanctions prevented trade with the U.S. for those trading with Iran (including nearly 100 businesses including banks, oil companies like Total, insurance providers, aviation companies, and major automotive manufactures).⁷³⁴ With this, U.S. sanctions started to impact Iran's economy and led the otherwise more moderate President Rouhani to adopt "maximum resistance."⁷³⁵

China's reaction to the U.S. unilateral pullout from the JCPOA was muted given the large threat it posed to Chinese businesses and investments in Iran, BRI cooperation, and to Iran-China economic relations.⁷³⁶ China opposed U.S. unilateral sanctions, with China's foreign ministry claiming, "China's commercial cooperation with Iran is open and transparent, reasonable, fair and lawful, not violating any United Nations Security Council Resolutions."⁷³⁷ Chinese officials voiced "regret" at the U.S. pullout, continued diplomatic

⁷³⁰ Joshi, "China and Iran."

⁷³¹ Esfandiary and Tabatabai, *Triple Axis: Iran's Relations with Russia and China*, 15.

⁷³² Reuters, "China Defends Iran Business Ties after Trump Threat," *Reuters*, August 8, 2018, sec. Business News, <https://www.reuters.com/article/us-iran-nuclear-china-idINKBN1KT0TU>.

⁷³³ Joshi, "China and Iran."

⁷³⁴ Joshi; Reuters, "China Defends Iran Business Ties after Trump Threat."

⁷³⁵ Kevjn Lim, "China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective" (The Institute for National Security Studies, May 2021), 18, <https://www.inss.org.il/wp-content/uploads/2021/05/china-iran-relations-memo-213.pdf>.

⁷³⁶ Calabrese, "Intersections."

⁷³⁷ Reuters, "China Defends Iran Business Ties after Trump Threat"; Khamenei.ir, "If They Want Iran to Resume Its JCPOA Commitments, the U.S. Has to Remove All Sanctions," text, Khamenei.ir (Khamenei.ir, February 7, 2021), <http://english.khamenei.ir/news/8363/If-they-want-iran-to-resume-its-jcpoa-commitments-the-us-has>.

relations with Iran, and reaffirmed their commitment to the JCPOA and CSP.⁷³⁸ China's tempered response to the U.S. pullout was likely influenced by ZTE and Huawei (major telecommunication companies), facing U.S. sanctions as a result of trade with Iran.⁷³⁹ Although Chinese officials stated they would not comply with U.S. sanctions, private companies who sought access to U.S. markets were hard to protect from secondary sanctions and began pulling out of Iran.⁷⁴⁰ Even state-owned CNPC and Sinopec demonstrated concern and officially stopped booking new Iranian oil shipments.⁷⁴¹ Beijing overall sought to reduce its risks of being sanctioned and to increase its leverage in U.S. trade talks, and thus reduced its economic and banking ties with Iran.⁷⁴² China opposed sanctions and did not end all trade with Iran (which would have risked pushing Iran towards hostilities), but simultaneously was hesitant to outright disregard Washington and thus mostly observed sanctions.⁷⁴³ Thus—an outright trade war excluded—China demonstrated that, despite tough rhetoric, it would not risk its \$737 BN in trade with the United States (2018 value) for its \$42 BN in trade with Iran.⁷⁴⁴

As other countries nearly entirely cut off trade, China reduced but did not stop trade with Iran, and, thus, grew in importance to Iran as its principal economic partner. The result was accelerating IRI-PRC talks, as the IRI sought to formalize relations and secure economic and geopolitical benefits. The IRI realized it needed to capitalize on PRC trade and investment—as Israel and GCC members had—to keep pace and ensure BRI promises became impactful and job producing.⁷⁴⁵ Politically, the IRI realized the intensification of

⁷³⁸ Calabrese, “Intersections”; Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 6.

⁷³⁹ Calabrese, “Intersections.”

⁷⁴⁰ Shariatinia and Azizi, “Iran and the Belt and Road Initiative”; Shariatinia and Azizi, 994; Calabrese, “Intersections.”

⁷⁴¹ Shariatinia and Azizi, “Iran and the Belt and Road Initiative”; Shariatinia and Azizi, 994; Calabrese, “Intersections.”

⁷⁴² Calabrese, “Intersections.”

⁷⁴³ Calabrese.

⁷⁴⁴ Calabrese.

⁷⁴⁵ Ellie Geranmayeh, “A Pragmatic Partnership: Why China and Iran Try to Collaborate,” *European Council on Foreign Relations* (blog), July 17, 2020, https://st.ecfr.eu/article/commentary_a_pragmatic_partnership_why_china_and_iran_try_to_collaborate/.

U.S.-PRC competition, and that any agreement increasing ties with the PRC was useful leverage in future negotiations over easing U.S. sanctions.⁷⁴⁶ Following U.S. JCPOA withdrawal Iran walked back its commitments (enriching uranium above allowable levels and keeping uranium stockpiles at higher levels than permitted under the JCPOA).⁷⁴⁷ The IRI maintained that, because the U.S. abrogated the deal first, that the U.S. must lift all sanctions as a precondition for return to its commitments.⁷⁴⁸

1. Economic Implications of Renewed U.S. Sanctions

Despite an increase in Chinese trade and investment in Iran, it remains below the 2016 goal of \$600 BN, as 2020 bilateral trade was \$14.9 BN (down from the high of \$52 BN in 2014), and foreign direct investment (FDI) was just over \$3 BN (well below that of other Gulf countries).⁷⁴⁹ Iran's economy remained closely tied to China, as in 2019 25% of Iran's imports were from China (an estimated \$13.2 BN), with another 15.8% of Iran's imports from the UAE (an estimated \$8.17 BN) which are also believed to mainly come from China, as Iran also imported roughly \$9.7 BN from China in raw materials, parts, and machinery (which supported China's manufacturing sector).⁷⁵⁰ Additionally, bilateral trade significantly slowed, with Chinese imports from Iran decreasing from \$1.2 BN to \$428 million between October 2018 and February 2019, with also a significant cut of imports from Iran to China from 2019–2020.⁷⁵¹ An overview of China's exports to Iran and Iran's exports to China is shown in Figure 3.

⁷⁴⁶ Geranmayeh.

⁷⁴⁷ Khamenei.ir, "If They Want Iran to Resume Its JCPOA Commitments, the U.S. Has to Remove All Sanctions."

⁷⁴⁸ Khamenei.ir.

⁷⁴⁹ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 8–9.

⁷⁵⁰ Belal, Kulsoom, "China-Iran Relations"; Bourse & Bazaar Foundation, "Concern in Iran Over China Commerce as Trump Gets Trade Deal," Bourse & Bazaar Foundation, accessed January 10, 2022, <https://www.bourseandbazaar.com/articles/2020/1/29/concern-in-iran-over-china-trade-following-us-trade-deal>.

⁷⁵¹ Dan Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran," *Atlantic Council* (blog), October 1, 2019, <https://www.atlanticcouncil.org/blogs/iransource/despite-sanctions-china-is-still-doing-some-business-with-iran/>; Anthony H. Cordesman, "China in the Gulf: A New Partnership with Iran?" (Center for Strategic and International Studies, July 15, 2020), <https://www.csis.org/analysis/china-gulf-new-partnership-iran>; Kuo, "China-Iran Strategic Cooperation."



Figure 3. Value of Iran and China Exports⁷⁵²

Although Beijing wanted to expand economic cooperation with Iran, expanding trade was constrained by international sanctions on Iran and China's larger interests in other Gulf countries, as the \$14.9 BN China-Iran trade was well below that of China-Saudi trade (\$67.2 BN) and China-UAE trade (\$49.3 BN).⁷⁵³ China invested in Iran as a "distressed asset" to secure future profits, to guarantee access to Iran's large oil and gas reserves, and—given Iran's 85 million people and diversified economy—to ensure access to a potentially profitable market and investment opportunity.⁷⁵⁴ With the reimposition of sanctions China became Iran's largest import and export market, with China continuing to import primarily crude oil from Iran and Iran importing mostly value-added manufactured goods from China. Critically, China's primary import from both Saudi Arabia and the UAE is also oil, which helps China meet its energy demands unencumbered by sanctions.

⁷⁵² Adapted from The Observatory of Economic Complexity, "What Does China Export to Iran? (2020)," The Observatory of Economic Complexity, accessed April 7, 2022, https://oec.world/en/visualize/tree_map/hs92/export/chn/irn/show/2020/; The Observatory of Economic Complexity, "What Does Iran Export to China? (2020)," The Observatory of Economic Complexity, accessed April 7, 2022, https://oec.world/en/visualize/tree_map/hs92/export/irn/chn/show/2020/.

⁷⁵³ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 9–11.

⁷⁵⁴ Green and Roth, 9.

Similarly, China's FDI in Iran grew 327% from 2010–2019 (reaching its height at \$5 billion in 2017, and dropping to \$1.5 billion in 2019), but grew 1,941% in GCC countries during the same period, demonstrating the China-Iran economic relationship had fallen well behind.⁷⁵⁵ The 2018 reimposition of sanctions impeded project delivery, resulted in few new projects (only three announced from January 2019 to September 2020), caused China's investments in Iran to fall significantly below other regional states and 2016 goals, and leaves doubts China will fulfill its promised CSP investments.⁷⁵⁶ A summary of investments (compiled by the American Enterprise Institute China Global Investment Tracker) is located in Appendix C.⁷⁵⁷

U.S. sanctions provided both major opportunity but also great risks for Chinese businesses.⁷⁵⁸ First, China can benefit from less competition in the Iranian market. For example, after the U.S. exited the JCPOA, Total stated its future in development of the South Pars field depended on receiving a U.S. sanctions waiver. Total eventually left, and its 51% share was awarded to CNPC.⁷⁵⁹ Second, China also began to corner Iran's domestic market, particularly as the quality of Chinese goods and technology continued to rise (for example incorporating into its mobile infrastructure Huawei's 5G networks).⁷⁶⁰ However, sanctions exposed risks to Chinese businesses and the primacy of China's trade relationship with the U.S. relationship.⁷⁶¹ For example, during U.S.-PRC trade talks CNPC suspended investment in the South Pars field it had gained from Total.⁷⁶² CNPC, however, convinced the United States it needed to continue its North Azadegan field investments to

⁷⁵⁵ Green and Roth, 9–11.

⁷⁵⁶ Green and Roth, 11.

⁷⁵⁷ American Enterprise Institute, "China Global Investment Tracker," American Enterprise Institute, March 20, 2022, <https://www.aei.org/china-global-investment-tracker/>.

⁷⁵⁸ Belal, Kulsoom, "China-Iran Relations," 57–58.

⁷⁵⁹ Belal, Kulsoom, 57–58; Shariatinia and Azizi, "Iran and the Belt and Road Initiative," 989.

⁷⁶⁰ Lim, "China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective," 21.

⁷⁶¹ Reuters, "CNPC Suspends Investment in Iran's South Pars after U.S. Pressure: Sources," *Reuters*, December 12, 2018, sec. Commodities, <https://www.reuters.com/article/us-china-iran-gas-sanctions-idUSKBN1OB0RU>.

⁷⁶² Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran."

recover billions spent under buy-back contracts.⁷⁶³ Iran's concern is that it needs CNPC engineering and equipment to maintain output in the South Pars.⁷⁶⁴ There were also reports that—due to U.S. pressure—China also did not push progress on the Arak reactor.⁷⁶⁵

Thus, while China's interests are served by maintaining ties with Iran, China will likely make concessions and subordinate its Iran policy to its larger trade and technology considerations with the United States.⁷⁶⁶ An example is policy changes at the Bank of Kunlun, a CNPC subsidiary that handles an estimated 80% of payments that support Iran-China bilateral trade and was made the subject of U.S. sanctions in 2012 for dealings with an IRGC affiliate.⁷⁶⁷ After the re-imposition of U.S. sanctions in 2018 the bank paused business in Iran for a month, and then restricted transactions to only humanitarian and non-sanctioned goods (effectively cutting off Iran's shipping, steel, and automobile sectors and preventing repatriation of earnings).⁷⁶⁸ Ultimately, this demonstrated that while China maintained its foreign policy independence, and will continue to trade with Iran and purchase Iranian oil, there remained a hesitance to outright violate U.S. sanctions.⁷⁶⁹ Notably, any further turn towards the IRI would represent a significant shift for the PRC, as the PRC seemingly looks to remain neutral or even prioritize Arab states, which have more gas, money, and do not face U.S. sanctions.⁷⁷⁰ The dilemma for China, however, is that as it doesn't make commitments to any nation (other

⁷⁶³ Reuters, "CNPC Suspends Investment in Iran's South Pars after U.S. Pressure."

⁷⁶⁴ Reuters; Calabrese, "Intersections."

⁷⁶⁵ Calabrese, "Intersections."

⁷⁶⁶ Bourse & Bazaar Foundation, "Concern in Iran Over China Commerce as Trump Gets Trade Deal"; Joshi, "China and Iran."

⁷⁶⁷ Joshi, "China and Iran"; Bourse & Bazaar Foundation, "Concern in Iran Over China Commerce as Trump Gets Trade Deal."

⁷⁶⁸ Bourse & Bazaar Foundation, "Concern in Iran Over China Commerce as Trump Gets Trade Deal"; Calabrese, "Intersections"; Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran."

⁷⁶⁹ Erdbrink, "China Deepens Its Footprint in Iran After Lifting of Sanctions."

⁷⁷⁰ Cordesman, "China in the Gulf."

than those in its economic self-interest), there will always be constraints to it being seen as an honest broker.⁷⁷¹

2. Energy Cooperation and Renewed U.S. Sanctions

Energy remained central to the Iran-China relationship as the main source of income for the IRI (seeking customers for its oil), and as energy security remained central to PRC foreign and domestic policies (seeking guaranteed safe passage through the Strait of Hormuz).⁷⁷² CCP legitimacy is based on economic development, which requires access to energy resources necessary for growth.⁷⁷³ Energy security is thus imperative for the PRC, as imports grew from 4,000,000 bpd in 2009 to 10,850,000 bpd in 2020, while China's projected 2030 production of 4.9 BN bpd will be well short of the 15 BN bpd projected consumption.⁷⁷⁴ Thus, as China's oil imports reached 55%, an energy shortage is the greatest risk to China's economic security.⁷⁷⁵ Ultimately, China fears that a conflict in which the U.S. attempts to stop oil flows (or price fluctuations) could derail growth, and thus seeks to secure energy flows through long-term supply contracts or acquiring equity in multiple alternative suppliers.⁷⁷⁶

From 2012–2013 China's purchases of Iranian oil fell by 23%, as China became increasingly concerned about an Iran-Israel conflict.⁷⁷⁷ By 2014, Iran's oil exports to

⁷⁷¹ Bonnie Girard, "China's Iran Dilemma," *The Diplomat*, January 11, 2020, <https://thediplomat.com/2020/01/chinas-iran-dilemma/>.

⁷⁷² Najmeh Bozorgmehr, "Iran Looks to China as U.S. Sanctions Bite: Trade. Strategic Partners Beijing Offers Counterweight to European Ties and Stays out of Tehran's Domestic Affairs," *Financial Times*, September 7, 2020, Proquest; Belal, Kulsoom, "China-Iran Relations."

⁷⁷³ Monshipouri and Heiran-Nia, "China's Iran Strategy," 157.

⁷⁷⁴ Monshipouri and Heiran-Nia, 160.

⁷⁷⁵ Hong, "China's Dilemma on Iran," 422–23; Eleanor Albert, "China Is Buying Record Amounts of Iranian Oil," accessed January 5, 2022, <https://thediplomat.com/2021/03/china-is-buying-record-amounts-of-iranian-oil/>.

⁷⁷⁶ Hong, "China's Dilemma on Iran," 413, 21; Monshipouri and Heiran-Nia, "China's Iran Strategy," 157–58.

⁷⁷⁷ Garver, "China and Iran."

China dropped behind those from Saudi Arabia, Angola, Russia, and Oman.⁷⁷⁸ China decreased its dependence on Iranian crude through diversification, however, Iran remained dependent on China's oil purchases, as China accounted for nearly 40% of Iranian oil exports in 2014.⁷⁷⁹ Further, while Iranian firms sought business with Chinese firms, who they found accommodating, there remained concerns regarding the quality of Chinese products and the slow pace of project implementation.⁷⁸⁰ For example, in 2013 Iran expelled CNPC from development of the South Pars field claiming CNPC did not complete its promised work.⁷⁸¹ Foreseeing a nuclear agreement and sanctions being lifted, energy companies globally sensed opportunities, and with their governments support, moved to rapidly establish (or reestablish) relationships in Iran as so as not to find themselves at a competitive disadvantage.⁷⁸² Notably, however, the IRI relies heavily on oil revenue (particularly from sales to China), and in 2012 when the United States implemented oil sanctions (though allowing Iran to export 1,000,000-1,500,000 bpd), it fell into a recession.⁷⁸³ Similarly, today, sanctions have caused customers to leave, inflation, and economic contraction of 3.6%.⁷⁸⁴

The IRI also needs technological support to fully develop its resources. According to the U.S. Energy Information Administration, Iran has 12% of established oil reserves

⁷⁷⁸ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 473; The Observatory of Economic Complexity, "Where Does China Import Crude Petroleum from? (2014)," The Observatory of Economic Complexity, accessed April 30, 2022, https://oec.world/en/visualize/tree_map/hs92/import/chn/show/52709/2014/.

⁷⁷⁹ Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue," 189.

⁷⁸⁰ Hong, "China's Dilemma on Iran," 415–18.

⁷⁸¹ Esfandiary, "Iran's 'New' Partnership With China Is Just Business as Usual."

⁷⁸² Einhorn, "Debating the Iran Nuclear Deal."

⁷⁸³ Anjli Raval and Najmeh Bozorgmehr, "Iran Sends out Ghost Tankers to Keep the Oil Money Flowing: Tehran Reverts to Old Tactic of Selling in Secret to Circumvent Looming U.S. Sanctions," *Financial Times*, September 22, 2018, sec. USA, Proquest.

⁷⁸⁴ Ian Talley and Courtney McBride, "As New Iran Sanctions Loom, U.S. Aims to Plug Gaps; Trump Administration's Plan to Block Iranian Oil Exports Begins Monday, as It Grants Waivers Allowing Eight Countries to Temporarily Import Iranian Oil - ProQuest," *Wall Street Journal*, November 2, 2018, Proquest; Raval and Bozorgmehr, "Iran Sends out Ghost Tankers to Keep the Oil Money Flowing: Tehran Reverts to Old Tactic of Selling in Secret to Circumvent Looming U.S. Sanctions."

(the third-largest), and 16% of the world's natural gas reserves (the second-largest).⁷⁸⁵ Damages from the Iran-Iraq war, sanctions, and underinvestment caused Iran's oil infrastructure to deteriorate, oil production to fall since 2017, and kept reserves underdeveloped and revenues unrealized.⁷⁸⁶ Iran was thus only the fifth-largest OPC oil producer in 2020 (despite being exempt from productions cuts), though it is assessed that production could return to 3,800,000 bpd if sanctions were lifted.⁷⁸⁷ In sum, Iran valued China as its largest oil purchaser, appreciated China's trade despite sanctions, and welcomed China's support for its industrialization.⁷⁸⁸

Regarding China's continued engagement in Iran's energy sector, when the U.S. reimposed sanctions China was buying 650,000 bpd of Iranian crude (7% of its total crude imports worth \$15 BN), while CNPC and SINOPEC invested heavily in Iran's oil industry including Yadavaran and North Azadegan.⁷⁸⁹ Shortly after sanctions were announced selective reduction exemption (SRE) waivers were given to eight countries, including China, which allowed China to import Iranian oil for 180 days at 360,000 bpd, or approximately half of pre-sanctions imports.⁷⁹⁰ China began to actually purchase around 446,000 bpd from December 2018 through February 2019, which grew to 613,000 and 800,000 bpd in March and April respectively, most of which was stockpiled into strategic reserves or bonded storage ahead of waivers expiration.⁷⁹¹

While China thus officially significantly cut crude imports from Iran, it remained Iran's largest customer, undermining U.S. sanctions and purchasing Iranian oil (particularly after European and Asian buyers exited due to risks of losing access to U.S.

⁷⁸⁵ Belal, Kulsoom, "China-Iran Relations," 53; U.S. Energy Information Administration, "Country Analysis Executive Summary: Iran," U.S. Energy Information Administration, July 20, 2021, <https://www.eia.gov/international/overview/country/IRN>.

⁷⁸⁶ Hong, "China's Dilemma on Iran," 413; U.S. Energy Information Administration, "Country Analysis Executive Summary: Iran."

⁷⁸⁷ U.S. Energy Information Administration, "Country Analysis Executive Summary: Iran."

⁷⁸⁸ Hong, "China's Dilemma on Iran," 414.

⁷⁸⁹ Joshi, "China and Iran."

⁷⁹⁰ Joshi.

⁷⁹¹ Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran"; Calabrese, "Intersections."

financial systems and markets).⁷⁹² China illicitly imported Iranian oil from Oman, the UAE, and Malaysia (China imported twice as much Malaysian crude in 2019 and 2020 than pre-sanctions), utilizing tankers who turned off their transponders to avoid detection, changing vessel names and itineraries, conducting ship-to-ship transfers to obscure their origin, storing oil in tankers at sea while identifying buyers, and blending oil with grades not from Iran.⁷⁹³ Iranian oil sales to China increased dramatically in 2020, facilitated by these deceptive maneuvers, and may have reached one million bpd in spring of 2021, leading to a formal objection from the United States.⁷⁹⁴

⁷⁹² Tristan Kenderdine, "China's Petrochemical Enterprise Alliance and Iran Oil Trade," Middle East Institute, May 5, 2020, <https://www.mei.edu/publications/chinas-petrochemical-enterprise-alliance-and-iran-oil-trade>; Lucy Hornby, Anjali Raval, and Aime Williams, "China Rails at U.S. Clampdown on Iran Oil Exports: Energy Tension End of Sanctions Waiver Raises Volatility Risk in Middle East, Says Beijing," *Financial Times*, April 24, 2019, Proquest; Anjali Raval, David Sheppard, and Najmeh Bozorgmehr, "China Accused of Iran Oil Sanctions Breach: Energy Tracking Agency Claims Tanker Docked in Jianzhou Bay near Qingdao Last Week," *Financial Times*, June 27, 2019, Proquest; Bloomberg, "China Gorges On Cheap, Sanctioned Oil From Iran, Venezuela," *Bloomberg*, January 10, 2022, <https://www.bloomberg.com/news/articles/2022-01-10/china-buys-more-sanctioned-oil-from-iran-venezuela-at-a-bargain>.

⁷⁹³ Bloomberg, "A Surge in Iranian Oil Exports Is Clogging Up Chinese Ports," *Bloomberg*, March 10, 2021, <https://www.bloomberg.com/news/articles/2021-03-10/china-s-binge-on-iranian-oil-clogs-up-ports-and-storage-tanks>; Nidhi Verma and Shu Zhang, "Iran Slips Record Volume of Oil into China, Reaches out to Asian Clients for Trade Resumption," *Reuters*, March 8, 2021, sec. Commodities, <https://www.reuters.com/article/us-oil-iran-asia-analysis-idUSKBN2B00OL>; Alex Lawler, "As Nuclear Talks Make Progress, Iran Oil Exports Stay above 2020 Rates in April," *Reuters*, April 22, 2021, <https://www.reuters.com/article/idUSL8N2ME4WJ>; Bloomberg, "China Gorges On Cheap, Sanctioned Oil From Iran, Venezuela"; Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran"; Benoit Faucon, "Iranian Oil Exports Rise as Tehran Circumvents Sanctions, Finds New Buyers; Sales Have Risen but Remain Sharply down since the U.S.'s 'maximum Pressure' Campaign Began," *Wall Street Journal*, December 15, 2020, Proquest; Reuters, "China Reports First Official Iranian Oil Imports since Dec 2020," *Reuters*, January 19, 2022, sec. Energy, <https://www.reuters.com/business/energy/china-reports-first-official-iranian-oil-imports-since-dec-2020-2022-01-20/>; Belal, Kulsoom, "China-Iran Relations"; Aresu Egbali, "Iran Seeks to Boost Oil Exports to China with Bilateral Agreement," S&P Global, March 27, 2021, <https://www.spglobal.com/platts/en/market-insights/latest-news/electric-power/032721-iran-seeks-to-boost-oil-exports-to-china-with-bilateral-agreement>; Brett Sudetic and Omid Shokri, "Iranian Sanctions Evasion and the Gulf's Complex Oil Trade," Middle East Institute, May 11, 2021, <https://www.mei.edu/publications/iranian-sanctions-evasion-and-gulfs-complex-oil-trade>; U.S. Energy Information Administration, "Country Analysis Executive Summary: Iran"; Reuters, "China's Iran Oil Imports Seen Hitting New High in March, Curbing OPEC Output Options," *Reuters*, March 30, 2021, sec. Energy, <https://www.reuters.com/business/energy/chinas-iran-oil-imports-seen-hitting-new-high-march-curbing-opec-output-options-2021-03-30/>.

⁷⁹⁴ Arshad Mohammed and John Irish, "U.S. Has Reached out to China about Cutting Oil Imports from Iran, Officials Say," *Reuters*, September 28, 2021, sec. Business, <https://www.reuters.com/business/exclusive-us-has-reached-out-china-about-cutting-oil-imports-iran-officials-say-2021-09-28/>; Belal, Kulsoom, "China-Iran Relations"; Michael Singh, "A Plan B for Iran," *Foreign Affairs*, October 25, 2021, <https://www.foreignaffairs.com/articles/iran/2021-10-25/plan-b-iran>.

It is estimated that (despite officially cutting imports of Iranian oil for most of 2021) between January 2020 and February 2021 Iran exported around 306,000 bpd of oil to China, 75% of which were “indirect” (using deceptive maneuvers) and went to small independent “Teapot” refineries (vice state-run mega-refineries), while the other 25% was a small volume officially imported despite sanctions.⁷⁹⁵ Notably, CNPC and Sinopec remained cautious and reportedly suspended scheduling new Iranian deliveries.⁷⁹⁶ The downside to these methods is that they increase transaction costs, and although in 2020 Iran’s estimated oil revenues were only \$5 BN—a large decline from the \$53 BN revenue in 2017—Iran will likely seek revenue and continue this trade.⁷⁹⁷ Figure 4 highlights estimates of sales during from 2020–2021, which are expected to rise into 2022 given rising prices and additional quotas to independent refineries.⁷⁹⁸

⁷⁹⁵ Bloomberg, “China Ramps Up Iran Oil Purchases After Getting New Quotas,” *Bloomberg*, December 16, 2021, <https://www.bloomberg.com/news/articles/2021-12-16/china-teapots-boost-iran-oil-imports-after-getting-new-quotas>; Bloomberg, “China Gorges On Cheap, Sanctioned Oil From Iran, Venezuela”; Bourse & Bazaar Foundation, “China-Iran Trade Report: December 2021” (Bourse & Bazaar Foundation, December 2021), <https://www.bourseandbazaar.com/china-iran-trade-reports/december-2021>; Verma and Zhang, “Analysis”; Albert, “China Is Buying Record Amounts of Iranian Oil.”

⁷⁹⁶ Sudetic and Shokri, “Iranian Sanctions Evasion and the Gulf’s Complex Oil Trade”; Katz, “Despite Sanctions, China Is Still Doing (Some) Business with Iran.”

⁷⁹⁷ Bourse & Bazaar Foundation, “Concern in Iran Over China Commerce as Trump Gets Trade Deal”; Sudetic and Shokri, “Iranian Sanctions Evasion and the Gulf’s Complex Oil Trade”; Katz, “Despite Sanctions, China Is Still Doing (Some) Business with Iran”; Sudetic and Shokri, “Iranian Sanctions Evasion and the Gulf’s Complex Oil Trade.”

⁷⁹⁸ Bloomberg, “China Gorges On Cheap, Sanctioned Oil From Iran, Venezuela.”

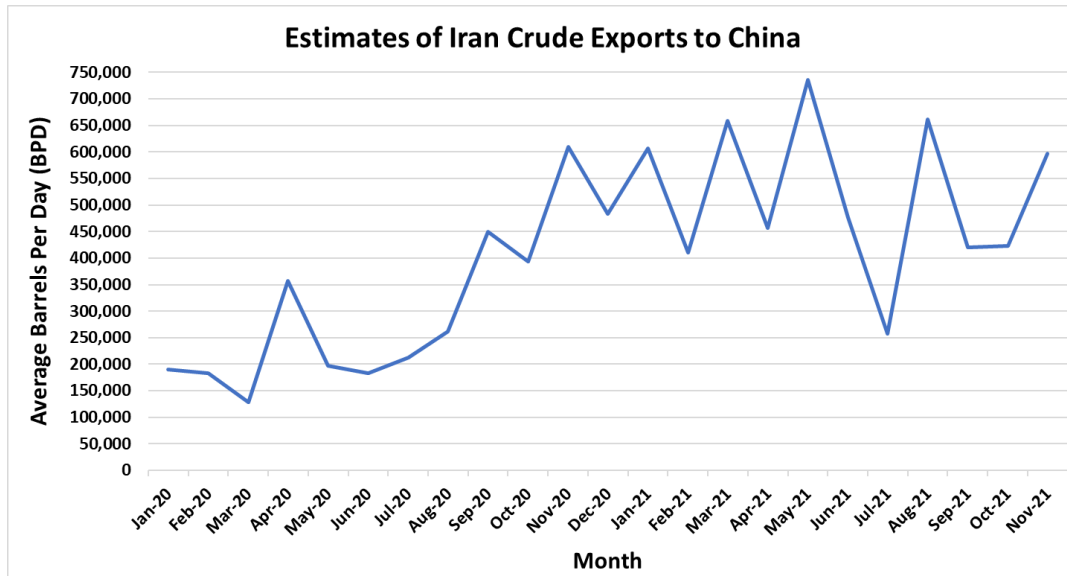


Figure 4. Estimates of Iran Crude Imports to China⁷⁹⁹

Chinese firms and national oil companies, considering international pressure and their own interests, have also continued, but decreased their investments in Iran to avoid jeopardizing their U.S. and European assets.⁸⁰⁰ Various Chinese companies established contracts for large projects in Iran, but delayed funding the projects.⁸⁰¹ The April 2018 U.S. investigations of Huawei and ZTE—and subsequent banning of U.S. firms from trading with them over violations of Iranian sanctions—clearly messaged that Chinese companies risk their access to U.S. markets if they continue to do business in Iran, and thus justified Chinese caution.⁸⁰²

These risks of doing business in Iran, and the uncertainty of future sanctions, likely caused CNOOC and CNPC to exercise caution, as both have U.S. assets they wanted to grow.⁸⁰³ For example, in the South Pars Field, where France’s Total held a 50.1% state,

⁷⁹⁹ Adapted from Bloomberg, “China Ramps Up Iran Oil Purchases After Getting New Quotas.”

⁸⁰⁰ Hong, “China’s Dilemma on Iran,” 421.

⁸⁰¹ Hong, 421.

⁸⁰² Belal, Kulsoom, “China-Iran Relations,” 57–58; Conduit and Akbarzadeh, “Great Power-Middle Power Dynamics,” 480; Joshi, “China and Iran”; Yu, “Iran In China’s Grand Strategy.”

⁸⁰³ Hong, “China’s Dilemma on Iran,” 421.

left due to sanctions, CNPC took over Total's shares accumulating a 80% stake, agreed to accelerate development of the field, and then withdrew against U.S.-China trade talks.⁸⁰⁴ For Iran, CNPC support is critical, as without its engineering and equipment, Iran would struggle to maintain output.⁸⁰⁵ Similarly, Sinopec invested \$3 BN in the Yadavaran oil field, but sopped months later.⁸⁰⁶ However, Chinese companies have reportedly invested \$2 BN in building the Abadan oil refinery, offered to invest \$2 BN in a Caspian Sea refinery, and restarted projects including developing the South Pars Field, Yadavaran Field, and Jask terminal.⁸⁰⁷ Iran, however, provides China oil to subsidize these investments, decreasing revenue.⁸⁰⁸

China also looked to diversity its oil supplies and turned to others in the region including Saudi Arabia and the UAE (which became China's top two Middle East trade partners), requiring China to carefully calibrate and limit ties with Iran.⁸⁰⁹ While still purchasing Iranian oil, China looked to diversify its suppliers to minimize disruptions and risk, rebalanced imports in favor of Saudi Arabia, Iraq, and Brazil, and can easily further diversify.⁸¹⁰ Iran accounts for only 3% of Chinese oil imports, and Iran does not rank among top suppliers.⁸¹¹ Additionally, China saw the risks of Iranian destabilizing actions, particularly with the attacks on the Abqaiq and Khurais Saudi Aramco facilities.⁸¹² Ultimately, while China views Iran as a strategic partner, it voted for every U.N. sanctions resolution on Iran prior to the JCPOA, after U.S. withdrawal from the JCPOA blocked

⁸⁰⁴ Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran"; Calabrese, "Intersections"; Monshipouri and Heiran-Nia, "China's Iran Strategy," 162–63; Katzman, *Iran Sanctions*; Reuters, "CNPC Suspends Investment in Iran's South Pars after U.S. Pressure."

⁸⁰⁵ Reuters, "CNPC Suspends Investment in Iran's South Pars after U.S. Pressure."

⁸⁰⁶ Katz, "Despite Sanctions, China Is Still Doing (Some) Business with Iran."

⁸⁰⁷ Katz; Belal, Kulsoom, "China-Iran Relations."

⁸⁰⁸ Raval, Sheppard, and Bozorgmehr, "China Accused of Iran Oil Sanctions Breach: Energy Tracking Agency Claims Tanker Docked in Jiaozhou Bay near Qingdao Last Week."

⁸⁰⁹ Monshipouri and Heiran-Nia, "China's Iran Strategy," 164.

⁸¹⁰ Bourse & Bazaar Foundation, "Concern in Iran Over China Commerce as Trump Gets Trade Deal."

⁸¹¹ Albert, "China Is Buying Record Amounts of Iranian Oil."

⁸¹² Bourse & Bazaar Foundation, "Concern in Iran Over China Commerce as Trump Gets Trade Deal."

Iranian bank accounts fearing U.S. secondary sanctions, and significantly reduced crude imports.⁸¹³ Likewise, as China imports half of its oil from the region, China is unlikely to jeopardize relations with Gulf monarchies who it has increased oil imports from for relations with Iran with whom it has decreased oil imports.⁸¹⁴

In sum, due to China's business interests and high demand for energy, it remained the only active player in Iran's oil industry, and thus central to the effectiveness of sanctions against Iran.⁸¹⁵ However, China's trade and investments in Iran were limited by uncertainty regarding sanctions and waivers, due to difficulties in doing business in Iran (such as arbitrary changes to agreements, discrimination, and unwieldy bureaucracy), due to a desire for profits (given sanctions increase transaction costs and the time to deliver), and due to the need to balance business interests in Iran with its more important interests in other states (such as oil trade with Saudi Arabia).⁸¹⁶ Ultimately, China has thus continued, but limited, energy and business dealings with Iran.

3. Political Implications of the U.S. JCPOA Pullout

Chinese leaders have both formally condemned U.S. unilateral sanctions and supported negotiations for a renewed agreement, while strongly opposing Iran's possession of nuclear weapons, continuously cautioning Teheran against destabilizing actions that may further crisis (such as closing the strait of Hormuz), and urging Iran to seriously consider Security Council proposals for resolving the nuclear standoff.⁸¹⁷ As Beijing both benefited from multifaceted relations with Iran, yet participated in UN resolutions against Iran, it both advanced and set back U.S.-led efforts, while many Chinese companies remained fearful of being cut off from the \$15 trillion U.S. market.⁸¹⁸ Beijing—according to John Calabrese—“eventually came to accept that the Iranian nuclear issue placed its own

⁸¹³ Monshipouri and Heiran-Nia, “China's Iran Strategy,” 164.

⁸¹⁴ Monshipouri and Heiran-Nia, 164.

⁸¹⁵ Hong, “China's Dilemma on Iran,” 417.

⁸¹⁶ Hong, 424; Katz, “Despite Sanctions, China Is Still Doing (Some) Business with Iran.”

⁸¹⁷ Hong, “China's Dilemma on Iran,” 420.

⁸¹⁸ Hong, 420.

interests at risk.”⁸¹⁹ Thus, PRC actions reflected both a balancing of its interests and relationships, but also concerns about Tehran’s international provocations, inflexibility, and the PRC’s own limited ability to alter IRI policies.⁸²⁰ To both support and compel Iran—yet not damage its international image—China has opposed unilateral U.S. sanctions but supported UNSC sanctions (such as the 2010 Comprehensive Iran Sanctions, Accountability, and Divestment Act).⁸²¹ However, when it has supported sanctions China has found ways to support Iran in the UNSC, including blocking U.S. efforts in July 2020 to indefinitely continue the UN arms embargo on Iran.⁸²² The PRC’s strategy ultimately effectively maintained IRI-PRC relations, yet has largely preserved the effectiveness of UN sanctions against Iran.⁸²³

Notably, the IRI had strong incentives not to leave the nuclear deal, with low risks relative to large potential strategic economic and political gains.⁸²⁴ The IRI used the United States leaving the deal to breach its commitments considerably in 2019 and 2020, enriching uranium to 63%, well above JCPOA allowable levels (below the 90% needed for a nuclear weapon).⁸²⁵ By enriching Iran demonstrated it could withstand efforts to derail its program such as nuclear facility attacks and scientist assassinations.⁸²⁶ Iran also risks little in conventional military power by returning to a deal, with the ballistic missile

⁸¹⁹ Calabrese, “Intersections.”

⁸²⁰ Calabrese.

⁸²¹ Hong, “China’s Dilemma on Iran,” 420.

⁸²² Belal, Kulsoom, “China-Iran Relations.”

⁸²³ Hong, “China’s Dilemma on Iran,” 420.

⁸²⁴ Jamsheed K. Choksy and Carol E. B. Choksy, “Iran Needs the Nuclear Deal to Keep Russia and China at Bay,” *Foreign Affairs*, May 25, 2021, <https://www.foreignaffairs.com/articles/iran/2021-05-25/iran-needs-nuclear-deal-keep-russia-and-china-bay>.

⁸²⁵ Choksy and Choksy; Francois Murphy, “Iran Has Enriched Uranium to up to 63% Purity, IAEA Says,” *Reuters*, May 11, 2021, sec. Middle East, <https://www.reuters.com/world/middle-east/iran-has-enriched-uranium-up-63-purity-iaea-report-says-2021-05-11/>; BBC News, “Iran’s Enriched Uranium Stockpile 12 Times Limit, Says IAEA,” *BBC News*, November 12, 2020, sec. Middle East, <https://www.bbc.com/news/world-middle-east-54912402>; Reuters, “Iran Says Stockpile of 60% Enriched Uranium Reaches 25 Kg,” *Reuters*, November 5, 2021, sec. Middle East, <https://www.reuters.com/world/middle-east/iran-says-its-stockpile-60-enriched-uranium-has-reached-25-kg-state-media-2021-11-05/>.

⁸²⁶ Choksy and Choksy, “Iran Needs the Nuclear Deal to Keep Russia and China at Bay.”

embargo ending October 2023 and the conventional arms embargo already ended.⁸²⁷ Furthermore, eliminating sanctions greatly benefits Iran's economy, as Iran's economy is currently dependent on nations breaching U.S. sanctions, thus removing (particularly banking) restrictions is critical to Iran's economic independence.⁸²⁸ Next, due to heightened geopolitical pressures, Iran had little recourse but to join Russia and China, but Iran's history predisposes it to avoid reliance on great powers.⁸²⁹ Finally, before any additional actions to revive the JCPOA, Iran demanded the U.S. first lift unilateral sanctions.⁸³⁰ China supported Iran in this effort rhetorically, reaffirming Iranian sovereignty and with PRC foreign minister Wang Yi stating the United States should rescind sanctions on Iran and stop "its long arm of jurisdictional measures."⁸³¹

G. THE IRI IN PRC REGIONAL ENGAGEMENT

Since 2013 China has also deepened its Middle East diplomatic, economic, and security engagement—becoming many states largest trade partner and investor—but has not rushed to challenge the U.S.-led regional security architecture or become entangled in complex regional politics.⁸³² China's increasing role is seen through its developing partnerships with 15 Middle East states, participating in anti-piracy and maritime security missions, large-scale rescue operations in 2011 in Libya and 2015 in Yemen, and its critical role in getting Iran to sign the JCPOA.⁸³³ Further, China's military presence near the Strait of Hormuz and Bab al-Mandeb was increased by China building a base in Djibouti and

⁸²⁷ Choksy and Choksy.

⁸²⁸ Choksy and Choksy.

⁸²⁹ Choksy and Choksy.

⁸³⁰ Parisa Hafezi, "Iran Insists U.S. Lift Sanctions First to Revive Nuclear Deal Talks," *Reuters*, March 1, 2021, sec. Emerging Markets, <https://www.reuters.com/article/us-iran-nuclear-usa-idUSKCN2AT1KX>.

⁸³¹ Fassihi and Myers, "China, With \$400 Billion Iran Deal, Could Deepen Influence in Mideast."

⁸³² Jonathan Fulton Al-Tamimi Camille Lons, Degang Sun, Naser, "China's Great Game in the Middle East," *European Council on Foreign Relations* (blog), October 21, 2019, https://ecfr.eu/publication/china_great_game_middle_east/; Kaiser-Cross and Mao, "China's Strategy In the Middle East and the Arab World," 187.

⁸³³ Al-Tamimi, "China's Great Game in the Middle East."

potential militarization of Gwadar.⁸³⁴ China also has conducted at least four exercises with Iran since 2014, which Iran has touted and China has downplayed.⁸³⁵ However, the United States remains the essential regional security guarantor, thus the PRC is careful not to cross any U.S. red-lines vis-à-vis the IRI, while the IRI exaggerates its ties with China to ease its isolation.⁸³⁶

China's Middle East presence is motivated primarily by its expanding economic interests (including energy security access to markets), and political support (necessity to fuel its rapid development and insulate itself from backlash regarding treatment of the Uyghur Muslims), vice a drive for hegemony.⁸³⁷ According to Kaiser-Cross and Mao, China has done this in three ways, using diplomacy, positioning itself as a "neutral partner" who does not take sides (though this is becoming more difficult as China has become more active), and expanding its soft power.⁸³⁸ First, oil imports from the Middle East fuel China's rapid economic development, and China (with the BRI) became the largest investor and trade partner in 11 Middle East states.⁸³⁹ With this, Securing Freedom of Navigation in the Persian Gulf is of vital strategic importance to China, and China thus wants to diversify its links to the Gulf, however, is reluctant to be pulled into economic or geopolitical squabbles, and realizes its investments run the danger of being perceived as enabling unpopular governments.⁸⁴⁰ Second, China seeks an insurance policy against separatist movements, specifically Muslim Uyghurs in Xinjiang. China believes closer ties

⁸³⁴ Al-Tamimi.

⁸³⁵ Greer and Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context," 16; Reuters, "Russia, China, and Iran to Hold Joint Naval Drills in Indian Ocean Soon - RIA," *Reuters*, February 8, 2021, sec. India, <https://www.reuters.com/article/russia-military-iran-china-idUSKBN2A81Q8>.

⁸³⁶ Al-Tamimi, "China's Great Game in the Middle East."

⁸³⁷ Kaiser-Cross and Mao, "China's Strategy In the Middle East and the Arab World," 187; Steven A. Cook and James Green, "China Isn't Trying to Dominate the Middle East," *Foreign Affairs*, August 13, 2021, <https://www.foreignaffairs.com/articles/united-states/2021-08-09/china-isnt-trying-dominate-middle-east>.

⁸³⁸ Kaiser-Cross and Mao, "China's Strategy In the Middle East and the Arab World," 187.

⁸³⁹ Cook and Green, "China Isn't Trying to Dominate the Middle East"; Masoud Rezaei, "The Barriers to China-Iran Military Diplomacy," September 3, 2021, <https://thediplomat.com/2021/09/the-barriers-to-china-iran-military-diplomacy/>.

⁸⁴⁰ Albert, "China Is Buying Record Amounts of Iranian Oil."

will prevent Middle East countries, including Iran, from providing material support to the Uyghurs.⁸⁴¹ Finally, China looks to expand its regional influence and reinforce Iran as a counterweight to Western influence, while Iran benefits from its ability to turn to China when it cannot rely on other partners.⁸⁴²

China continued to have an increasing demand and dependency on the region for oil, and therefore a growing interest to ensure regional stability.⁸⁴³ This provides motivation for China to actively support stability and prevent conflict, but also provides motive for China to become more forceful in regional politics.⁸⁴⁴ In sum, China would be damaged more than any other large country if there was a disruption in oil imports from the Persian Gulf (where it receives over half its imports from), and thus is increasingly becoming more active in regional security matters.⁸⁴⁵ Further, China has increasingly viewed the United States and Russia as unable to bring rapprochement between Iran and Saudi Arabia, and since it has positive ties with both, is increasingly attempting to fill the void.⁸⁴⁶

Overall to fill this void—as Arab Gulf states remain concerned about China’s policy towards Iran—China increasingly mediates in the region.⁸⁴⁷ PRC involvement is generally through: interventions (such as in Sudan); engagement (such as in the Israeli-Palestinian conflict and Iranian nuclear talks); limited intercession (such as in Libya, Syria, and Yemen); and indirect participation where the PRC has limited interests and influence (such as Iran’s maritime disputes, conflict in Lebanon, and countering violent extremist organizations including the Islamic State and al-Qaeda).⁸⁴⁸

⁸⁴¹ Cook and Green, “China Isn’t Trying to Dominate the Middle East.”

⁸⁴² Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 33–34.

⁸⁴³ Al-Tamimi, “China’s Great Game in the Middle East”; Kaiser-Cross and Mao, “China’s Strategy In the Middle East and the Arab World,” 180.

⁸⁴⁴ Al-Tamimi, “China’s Great Game in the Middle East.”

⁸⁴⁵ Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 162.

⁸⁴⁶ Monshipouri and Heiran-Nia, 162.

⁸⁴⁷ Al-Tamimi, “China’s Great Game in the Middle East.”

⁸⁴⁸ Al-Tamimi.

As the PRC does not have any regional security commitments, the perception is that it abstains from regional rivalries. However, this view overlooks that PRC's relationships are hierarchical, and that the PRC's need for regional stability leads it to prefer to support status-quo over isolated states.⁸⁴⁹ This was demonstrated in Xi upgrading China's partnership with the UAE in 2018 to its highest level, but failing to upgrade Qatar's partnership in 2019, and in the fact that China has not provided advanced military systems to Iran or non-state actors.⁸⁵⁰ In sum, there is a view that the PRC free-rides on the U.S. Persian Gulf security umbrella without providing public goods.⁸⁵¹ Conversely, there is a view that China's BRI investments and trade may contribute to public goods, regional development, and stability.⁸⁵² Elements of both are likely true, the PRC may remain happy to rely on the U.S. security guarantee, and hope to see its investments create stability in the region. Importantly, regardless of if Beijing seeks to undermine U.S. provided stability, increased IRI-PRC ties have undermined U.S. policies (including sanctions), and—according to Green and Roth—“Beijing's tacit approval of proliferation activities supporting Iran's missile program puts U.S. troops in the region at continued risk.”⁸⁵³

H. 2021 COMPREHENSIVE COOPERATION AGREEMENT

The 2021 agreement has been touted as a comprehensive deal, worth \$400 billion over 25 years, where China invests in Iran in exchange for discounted Iranian oil.⁸⁵⁴ More specifically, first, the agreement includes proposed projects like airports, high-speed railways, and subways. Second, China would develop free-trade zones in critical areas including Maku, Abadan, and on Qeshm Island in the Gulf. Third, the agreement includes proposals for China to build a 5G telecommunications network infrastructure, to offer Iran Beidou (its highly accurate Global Positioning System), and to provide cyberspace control

⁸⁴⁹ Al-Tamimi.

⁸⁵⁰ Al-Tamimi.

⁸⁵¹ Al-Tamimi.

⁸⁵² Al-Tamimi.

⁸⁵³ Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 3.

⁸⁵⁴ Green and Roth, 6, 9.

assets to the IRI (like China's Great Firewall). Fourth, the deal proposes military cooperation.⁸⁵⁵ For China, developing its CSP with Iran was a way for China to diversify its energy supply and lay the groundwork to extend the BRI.⁸⁵⁶ For Iran, it needed to rebuild its economy, devastated by the U.S. withdrawal from, and EU hesitancy towards, the JCPOA.⁸⁵⁷ While Tehran has touted the agreement as a critical milestone, a "Complete road map" in IRI-PRC relations, Beijing has instead couched the agreement as a "general framework for China-Iran cooperation."⁸⁵⁸ Most critically, first, the deal is a framework with no binding legal authority.⁸⁵⁹ Second, as the CSP was initiated in 2016 the agreement was not the direct result of the U.S. maximum pressure campaign, but U.S. sanctions likely played a role in getting in its formalization.⁸⁶⁰ Figure 5 is a binning of the 25-year agreements fundamental goals.

⁸⁵⁵ Greer and Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context," 23–37; Monshipouri and Heiran-Nia, "China's Iran Strategy," 158; Fassihi and Myers, "Defying U.S., China and Iran Near Trade and Military Partnership."

⁸⁵⁶ Albert, "China Is Buying Record Amounts of Iranian Oil."

⁸⁵⁷ Monshipouri and Heiran-Nia, "China's Iran Strategy," 158.

⁸⁵⁸ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 3, 6.

⁸⁵⁹ China Briefing News, "China-Iran 25-Year Cooperation Agreement: A Non-Committal Framework to Support the Status Quo," *China Briefing News*, July 16, 2021, <https://www.china-briefing.com/news/the-china-iran-25-year-cooperation-agreement-what-is-it-and-should-regional-investors-traders-pay-attention/>.

⁸⁶⁰ Jonathan Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China," *Atlantic Council* (blog), July 15, 2020, <https://www.atlanticcouncil.org/blogs/menasource/iran-isnt-the-only-middle-eastern-country-in-a-unique-partnership-with-china/>.

<u>ECONOMIC</u> - Both parties will make efforts to turn China into a steady importer of Iranian crude oil. China will be expecting Iran to be mindful of Chinese concerns regarding its return on investment in the Iranian oil sector. In exchange, the Chinese side will be mindful of optimizing the financial gains generated in oil deals with Iran. - Expansion of cooperation in the fields of banking, financial procurement and insurance - Boosting Investment in different economic sectors including petrochemicals, heavy industries, agriculture, health, electricity, science-based companies and smart networks, modern industries such as telecommunications, public service and tourism - Optimizing the two sides' capacities into operationalizing mega-projects in the fields of mine and industry - Improving capacities in business, commerce and customs service cooperation - Expansion of cooperation in agricultural, pharmaceutical and health sector production as well as innovative industries - Increased cooperation in tourism, including through encouraging investment and developing tourism infrastructure and resources	<u>INFRASTRUCTURE</u> - Promoting Iran's position in the Belt and Road Initiative through a development of multifaceted transport system, covering railroads, roads and highways, maritime and aviation based on national and regional demands - Cooperation in maritime and ports infrastructure including through the construction of maritime facilities, vessels, ports, equipment and the related installations - Cooperation in the construction of suburban new towns in Iran - Strengthening infrastructure for technical and engineering cooperation in multiple economic fields and facilitation of exports of technical and engineering services - Cooperation in the construction of industrial, service-oriented and technology-oriented centers in selected ports and islands with a focus on production as well as exports of jointly-produced commodities and services to regional countries
<u>TECHNOLOGY</u> - Expansion of cooperation in the transfer and development of modern technologies including clean energies, renewable energies, construction of power plants, telecommunication and information technologies, health sector, agriculture - Upgrading scientific, technical, legal and economic cooperation in different subfields of cyberspace and equipment meant for end users - Promoting investment in power plants - Push for developing science and sharing modern technologies for the purpose of protecting the environment in various fields - Negotiations with a focus on cooperation in energy projects in Iran	<u>MILITARY/STRATEGIC</u> - Enhancing military, defense and security cooperation with a focus on training and research, defense industries and interaction in strategic fields - Boosting comprehensive strategic political partnership at bilateral, regional and international levels

Figure 5. Binning of Comprehensive Cooperation Fundamental Goals⁸⁶¹

Critically, it is unclear how much of the agreement can be implemented while the dispute over Iran's nuclear program remains unresolved and U.S. sanctions remain in place.⁸⁶² Ariane Tabatabai, claimed, "we see that the agreement is little more than a comprehensive road map based on the 2016 framework, which does not resolve the main issue of the China-Iran partnership—its implementation"⁸⁶³ The agreement was signed shortly after the U.S.-PRC summit in Alaska, which possibly indicated China was less interested in specifics than in signaling to Washington its ability to undermine U.S. influence by working with Iran.⁸⁶⁴ As Iran became increasingly frustrated with lack of benefits from the JCPOA—with European countries quietly withdrawing from promised deals—both Iran and China view the deal as expanding their interests and confronting the U.S., the first deal of its kind for Iran looking for

⁸⁶¹ Adapted from Greer and Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context."

⁸⁶² Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 6.

⁸⁶³ Golnaz Esfandiari, "Explainer: Why Are Iranians Angry Over A Long-Term Deal With China?," RadioFreeEurope/RadioLiberty, accessed December 28, 2021, <https://www.rferl.org/a/explainer-iranian-china-deal-anger-among-iranians/30724344.html>.

⁸⁶⁴ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 6.

a powerful ally.⁸⁶⁵ This is evidenced during a televised ceremony where PRC Foreign Minister Wang Yi told IRI Foreign Minister Javad Zarif, “Our relations with Iran will not be affected by the current situation, but will be permanent and strategic.”⁸⁶⁶ Wang also met Ali Larijani, a top adviser to Ayatollah Khamenei, who said: “Iran decides independently on its relations with other countries and is not like some countries that change their position with one phone call.”⁸⁶⁷ Zarif also dubbed China “a friend for hard times.”⁸⁶⁸

Within Iran there have been both supporters and criticisms of the deal. U.S. cyberattacks and the assassination of IRGC Quds force commander Qasem Soleimani eliminated any possibility of Tehran-Washington diplomatic engagement, and with this the 25-year agreement offered a new—though controversial—strategy.⁸⁶⁹ First, proponents of the deal in Iran view CSP cooperation as mutually beneficial, as providing a stable oil market, projecting strength, and breaking U.S. isolation. For China, mutual benefit entails stake in Iran as a large oil supplier, a large foreign market for Chinese goods, and BRI progress.⁸⁷⁰ Iranian supporters also claim that the deal was necessary as China is the only lifeline given the country’s limited economic options, inflation, and with the limited prospect of U.S. sanctions being lifted, that Iran needed to attract investment and technology.⁸⁷¹ More specifically, proponents argue that Iran must produce 8.5 million bpd of oil to have a significant say in the global energy market, and for that, needed Chinese support to help boost production and secure a long-term importer, which the CSP does.⁸⁷² Additionally, Iranian supporters of the deal offer that it entrenches relations with a second supporter—along with Russia—in the UNSC. Further, for Iran, it perceives a declining global liberal order and increasing Chinese power,

⁸⁶⁵ Fassihi and Myers, “Defying U.S., China and Iran Near Trade and Military Partnership.”

⁸⁶⁶ Reuters, “Iran and China Sign 25-Year Cooperation Agreement,” *Reuters*, March 27, 2021, sec. Emerging Markets, <https://www.reuters.com/article/us-iran-china-idUSKBN2BJ0AD>.

⁸⁶⁷ Reuters.

⁸⁶⁸ Reuters.

⁸⁶⁹ Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 162.

⁸⁷⁰ William Figueroa, “China-Iran Relations: The Myth of Massive Investment,” *The Diplomat*, April 6, 2021, <https://thediplomat.com/2021/04/china-iran-relations-the-myth-of-massive-investment/>.

⁸⁷¹ Fassihi and Myers, “Defying U.S., China and Iran Near Trade and Military Partnership”; Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 163.

⁸⁷² Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 162–63.

and thus its turn to China demonstrates long-term prudence.⁸⁷³ In this view, expanding Western ties poses a clear danger to regime and elite interests and the regime's power structure, while a deepening relationship with China is seen as supporting the persistence of the regime and its authoritarian practices regardless of the political and economic consequences.⁸⁷⁴

Within Iran, there are also critics of the deal who argue Iran negotiated from a position of weakness and isolation during sanctions (and amidst the Covid-19 pandemic) and is selling the country to China, citing Chinese investments in African and Asian countries that have left them indebted and beholden to China.⁸⁷⁵ Critics argue Iran is surrendering sovereignty to China and have compared the deal to the Treaty of Turkmenchay, where in 1828 Qajar Iran surrendered territory in the South Caucasus to tsarist Russia.⁸⁷⁶ Criticism within Iran also stemmed from a lack of trust in the regime, particularly after brutal suppression of protests in November 2019 and the shoot down a Ukrainian airliner in January 2020.⁸⁷⁷ Finally, criticism of the agreement also reflected mistrust of China including perceptions that the deal benefited China more than Iran, reinforces the unbalanced relationship, and will perpetuate China flooding Iran's market with lesser quality goods at the expense of domestic producers.⁸⁷⁸ Critics also argue that China's authoritarian and undemocratic governance will promote and prioritize elite interests at the expense of the public.⁸⁷⁹ While critics of the CSP agree Iran requires foreign investment, and lasting relations with China are acceptable due to its position on non-interference, there is concern the CSP provides China unparalleled access to Iran's resources and infrastructure.⁸⁸⁰ With this, Iranian officials have also highlighted that the deal is non-binding, but a comprehensive roadmap for cooperation that will boost trade and regional

⁸⁷³ Monshipouri and Heiran-Nia, 163.

⁸⁷⁴ Monshipouri and Heiran-Nia, 163.

⁸⁷⁵ Fassihi and Myers, "Defying U.S., China and Iran Near Trade and Military Partnership"; Monshipouri and Heiran-Nia, "China's Iran Strategy," 163.

⁸⁷⁶ Esfandiari, "Explainer"; Figueroa, "China-Iran Relations"; Monshipouri and Heiran-Nia, "China's Iran Strategy," 163.

⁸⁷⁷ Esfandiari, "Explainer."

⁸⁷⁸ Esfandiari.

⁸⁷⁹ Monshipouri and Heiran-Nia, "China's Iran Strategy," 163.

⁸⁸⁰ Monshipouri and Heiran-Nia, 163–64.

security guarantees.⁸⁸¹ Officials have also claimed the deal is an “an evitable outcome of the friendly development of nations,” represents China’s efforts to establish a group of like-minded states, and stresses an alternative to U.S. bullying with China’s “pragmatic interactions.”⁸⁸²

Most importantly, Iranian skepticism of the deal is explained by uncertainty and ingrained resistance to foreign influence and intervention.⁸⁸³ Iran’s ministers insist that the CSP does not cede territory or permit Chinese basing or military access in Iran, but some within Iran seem unconvinced.⁸⁸⁴ IRI foreign minister Zarif defended the deal, but also added, “I don’t believe in the [policy] of looking to the East or the West,” instead indicating Iran should be open to engaging any willing partners to advance its interests.⁸⁸⁵ This indicated an IRI recognition that its interests are best served by diversifying relations globally in order to retain autonomy.⁸⁸⁶ To this end, long-term cooperation with the PRC may inhibit any future IRI prospects for a balanced foreign policy, and thus leave the PRC to benefit most by gaining more leverage to influence IRI foreign policy.⁸⁸⁷ Ultimately, by looking East, Tehran could lose any potential backers in the West, lose leverage to counter great powers, and thus undermine IRI interests.⁸⁸⁸ If the United States and Western allies do not successfully respond to these long-term Chinese efforts, Iran’s trade ties with the West may greatly reduce or end.⁸⁸⁹

⁸⁸¹ IRNA English, “Iran-China Document: A Comprehensive Cooperation,” *IRNA English*, March 28, 2021, sec. News > Politics, <https://en.irna.ir/news/84276298/Iran-China-document-A-comprehensive-cooperation>; IRNA English, “Iran-China Deal Non-Binding: Academic,” *IRNA English*, April 4, 2021, sec. News > Politics, <https://en.irna.ir/news/84283346/Iran-China-deal-non-binding-Academic>.

⁸⁸² IRNA English, “Iran-China Deal to Boost Trade, Guarantee Regional Security: Speakers,” *IRNA English*, April 11, 2021, sec. News > Politics, <https://en.irna.ir/news/84291714/Iran-China-deal-to-boost-trade-guarantee-regional-security>; IRNA English, “Iran-China Document.”

⁸⁸³ Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 169.

⁸⁸⁴ Esfandiary, “Iran’s ‘New’ Partnership With China Is Just Business as Usual.”

⁸⁸⁵ Esfandiary.

⁸⁸⁶ Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 169.

⁸⁸⁷ Monshipouri and Heiran-Nia, 169.

⁸⁸⁸ Monshipouri and Heiran-Nia, 169.

⁸⁸⁹ Monshipouri and Heiran-Nia, “China’s Iran Strategy.”

I. CHAPTER CONCLUSION

Survival and expanding power remained the PRC's top goals, achieved through increasing presence abroad to promote territorial unity, development, and project national power.⁸⁹⁰ Similarly, Iran's priorities remained domestic stability and regime survival, and economic welfare and development.⁸⁹¹ Limiters of the Iran-China partnership—previously highlighted and reinforced by Belal—included: China's need to avoid confrontation with the United States, Israel, and Arab countries to facilitate its growth and peaceful rise; great-power middle-power asymmetry causing Chinese caution as it fears entrapment by Iran; and skepticism in Iran of China's increasing engagement fearing dependence, loss of sovereignty, and abandonment.⁸⁹² Iran and China thus continued to grow the relationship based on shared interests and necessity “in a compartmentalized manner and with no strings attached—the same way they've dealt with each other over the past 50 years.”⁸⁹³ Thus, according to Garver, “most broadly, of all major powers, the People's Republic of China is the most likely to welcome the emergence of Iran as the preeminent power in the Gulf in the context of China's rise as the preeminent power in Asia.” However, China also remained consistent in pragmatism towards its U.S. relations, which Tehran recognized.⁸⁹⁴

The CSP is thus in many ways an important expansion of the IRI-PRC partnership. However, China has many incentives to balance its relationship with Iran with its relationship with the United States and other (particularly strategically important and stable) regional states.⁸⁹⁵ Ultimately the agreement is a roadmap, and what elements materialize, and to what degree, remains the question.⁸⁹⁶ The Iran-China relationship also remains largely pragmatic, economics focused, and non-ideological. Iran recognizes China's rapid rise of power, and

⁸⁹⁰ Lim, “China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective,” 12–13.

⁸⁹¹ Lim, 16.

⁸⁹² Belal, Kulsoom, “China-Iran Relations.”

⁸⁹³ Esfandiary, “Iran's ‘New’ Partnership With China Is Just Business as Usual.”

⁸⁹⁴ Garver, “China and Iran,” 5–6.

⁸⁹⁵ Figueroa, “China-Iran Relations.”

⁸⁹⁶ Kuo, “China-Iran Strategic Cooperation.”

given U.S. secondary sanctions, views China as the only state that can contest the United States.⁸⁹⁷ China also appreciates Iran's position as a regional power critical to the BRI, rich in natural resources, with abundant human capital, and with a large untapped market.⁸⁹⁸ However, China will not allow Iran to jeopardize its more important relations with the United States.⁸⁹⁹

If China does become the regional hegemon, it will be more because of U.S. withdraw than China's strategic decisions or desires.⁹⁰⁰ Beijing has devoted significant resources to economic and diplomatic ties with all Middle Eastern powers—to include Iran, Israel, KSA, and the Gulf States—a feat no other state has accomplished, but this leaves China with a delicate balancing act. Since 2012 China has assumed a more assertive foreign policy, emphasized by the 2016 Xi visit to Saudi Arabia, then Iran, then Egypt, emphasizing mutual respect and win-win cooperation. Yet, China remains cautious of overextension, as it concluded that U.S. military interventions in Afghanistan and Iraq reduced U.S. global influence, which it seeks to avoid.⁹⁰¹ A credible U.S. military deterrent messages to Iran that acquiring nuclear weapons may be both costly and impossible, would assure U.S. partners in the region (like Israel and Saudi Arabia) who may feel compelled to act against Iran themselves absent U.S. presence, and demonstrate that any U.S. president (regardless of party) would consider military action against if there is credible intelligence Iran was pursuing a weapon.⁹⁰²

⁸⁹⁷ Geranmayeh, "A Pragmatic Partnership"; Monshipouri and Heiran-Nia, "China's Iran Strategy," 169.

⁸⁹⁸ Geranmayeh, "A Pragmatic Partnership"; Monshipouri and Heiran-Nia, "China's Iran Strategy," 169.

⁸⁹⁹ Geranmayeh, "A Pragmatic Partnership."

⁹⁰⁰ Cook and Green, "China Isn't Trying to Dominate the Middle East."

⁹⁰¹ Cook and Green.

⁹⁰² Singh, "A Plan B for Iran."

IV. IMPLICATIONS FOR UNITED STATES INTERESTS

The CSP is important because it represents China's growing Middle East investments, influence, and support for illiberal regimes (such as the IRI). The CSP does not, however, eliminate existing constraints on IRI-PRC cooperation. China remains hesitant to invest in Iran seeking to balance other relationships (with the United States and other regional powers) and to avoid entanglement in ongoing regional disputes. These obstacles will likely make realizing CSP goals difficult.⁹⁰³

A. REASONS THE CSP IS NOT THREATENING TO U.S. INTERESTS

1. Vague Commitments and Unrealized Investment Promises

Commitments contained in the CSP are vague, and will not realistically reach \$400 BN.⁹⁰⁴ First, the CSP is a general framework and non-binding. Second, \$400 BN would require \$16 BN in investments annually, and China's total FDI to Saudi Arabia over five years (its largest oil supplier and not the subject of sanctions) is only \$5.1 BN.⁹⁰⁵ Additionally, five year projections of total BRI investments were \$600-\$800 BN, thus, it is doubtful \$400 BN would go to any one country, let alone Iran under U.S. sanctions.⁹⁰⁶ This is particularly true given total Chinese investments in Iran since 2005 is estimated to be \$27 BN.⁹⁰⁷ Further, the financial infrastructure to facilitate such trade is lacking, with the Bank of Kunlun sensitive to U.S. sanctions and currently only supporting humanitarian

⁹⁰³ Yadlin and Heistein, "The Prospects of a China-Iran Axis."

⁹⁰⁴ Figueroa, "China-Iran Relations."

⁹⁰⁵ Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."

⁹⁰⁶ Lons and Nouwens, "China-Iran Deal"; Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China."

⁹⁰⁷ American Enterprise Institute, "China Global Investment Tracker."

and non-sanctioned trade.⁹⁰⁸ Finally, both IRI and PRC foreign ministries have emphasized the CSP is only a guide with no specific contracts or financial targets.⁹⁰⁹

Related, China's investments in Iran in the near-term are not likely to dramatically increase as U.S. secondary sanctions deter foreign firms from the Iranian market for fear of being cut out of the U.S. market.⁹¹⁰ In practice, U.S. sanctions have complicated Chinese business in Iran. Examples include the 2019 CNPC withdraw from the South Pars project, Chinese firms largely halting involvement in Iran's infrastructure projects, and China nearly halving its crude oil imports due to U.S. sanctions and buying more oil from other Gulf states.⁹¹¹ Thus, despite BRI hopes for energy and transport infrastructure investments, these projects mostly stalled due to risks to Chinese contractors, and that Iran-China trade grew at all mostly reflected China becoming the world's largest industrial goods supplier.⁹¹² Ultimately, Iran has never accounted for more than 1.2% of Chinese trade; thus lagging well behind Saudi Arabia and the UAE in both trade and as a destination for Chinese FDI.⁹¹³ Chinese companies will likely remain hesitant to invest large sums in Iran while vulnerable to sanctions, and Iranians will likely remain concerned about economic dependence on China.⁹¹⁴

2. PRC Need to Balance Numerous Relationships

CSP's are a standard PRC foreign policy tool, and the IRI-PRC CSP is an effort to balance the relationship with others in the region. The PRC has signed numerous economic

⁹⁰⁸ Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China."

⁹⁰⁹ Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."

⁹¹⁰ Yadlin and Heistein, "The Prospects of a China-Iran Axis."

⁹¹¹ U.S. Energy Information Administration, "China's Crude Oil Imports Surpassed 10 Million Barrels per Day in 2019 - Today in Energy," 2 May 2022 (U.S. Energy Information Administration), accessed January 21, 2022, <https://www.eia.gov/todayinenergy/detail.php?id=43216>; Lons and Nouwens, "China-Iran Deal"; Reuters, "CNPC Suspends Investment in Iran's South Pars after U.S. Pressure."

⁹¹² Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."

⁹¹³ Figueroa, "China-Iran Relations."

⁹¹⁴ Ashley Rhoades and Dalia Dassa Kaye, "China Does Not Have to Be America's Enemy in the Middle East," War on the Rocks, April 19, 2021, <https://warontherocks.com/2021/04/china-does-not-have-to-be-americas-enemy-in-the-middle-east/>.

and security cooperation agreements with Middle East states—including Iraq (2015), Saudi Arabia (2016), and the United Arab Emirates (2018)—to balance its interests and quell regional rivalries.⁹¹⁵ Iran is trailing its regional adversaries in cooperation with China, and the CSP, rather than elevating the relationship above others, is possibly just a growth of the relationship that reflects Iran’s desire to receive levels of economic and security cooperation equal to what China provides over regional powers.⁹¹⁶ In sum, China could pursue its interests by increasing its ties with other regional powers, which could reduce Iran’s leverage and undermine its interests.⁹¹⁷

China’s deepening relationships with Iran’s regional rivals limit the Iran-China relationship. Iran has a hostile relationship with Israel (which has evolved into a shadow war), a destabilizing relationship with its declared rival Saudi Arabia, and a growing rivalry with numerous Gulf States (where the UAE and Bahrain normalized relations with Israel through the Abraham accords).⁹¹⁸ Conversely, China is the only UNSC permanent member that maintains good relations with all regional stakeholders, and is largely perceived as impartial.⁹¹⁹ China, for example, hosted an Arab league summit in 2020, and is deepening ties with Israel (in key areas such as trade and technology).⁹²⁰ Additionally, regarding Saudi Arabia, Riyadh has been apprehensive towards the CSP, and given that Saudi-China trade dwarfs Iran-China trade, China will remain cautious of expanding its ties with Iran to where it impedes relations with Riyadh, or similarly, with GCC

⁹¹⁵ Greer and Batmanghelidj, “China and Iran Announced a New Economic and Security Partnership. That’s Not as Alarming as It Sounds.”

⁹¹⁶ Greer and Batmanghelidj; Figueroa, “China-Iran Relations”; Lons and Nouwens, “China–Iran Deal.”

⁹¹⁷ Dalia Dassa Kaye et al., “Reimagining U.S. Strategy in the Middle East: Sustainable Partnerships, Strategic Investments” (RAND Corporation, February 23, 2021), 100–101, https://www.rand.org/pubs/research_reports/RRA958-1.html.

⁹¹⁸ Yadlin and Heistein, “The Prospects of a China-Iran Axis”; Geranmayeh, “A Pragmatic Partnership”; Green and Roth, “China-Iran Relations: A Limited but Enduring Strategic Partnership,” 7.

⁹¹⁹ Lim, “China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective,” 23.

⁹²⁰ Rhoades and Kaye, “China Does Not Have to Be America’s Enemy in the Middle East”; Belal, Kulsoom, “China-Iran Relations,” 60.

countries.⁹²¹ China has many deep interests and relationships throughout the region, and Beijing will likely remain unwilling to jeopardize these for deeper engagement with Iran.⁹²² Notably, while China has increased its assertiveness in other regions, in the Middle East it has actively avoided taking sides.⁹²³

Importantly, the relative value of the Saudi and UAE partnerships to China, over that of Iran, is clear, first, in that the Saudi-China and UAE-China partnerships are maintained at significantly higher levels than the relationship with Iran.⁹²⁴ The Iran-China relationship is maintained at the Ambassador level. Saudi-China relations, however, are maintained by a joint high-level committee chaired by CCP politburo standing committee members and Saudi Crown Prince Mohammed bin Salman.⁹²⁵ Similarly, UAE-China relations are maintained by a special advisor to the Emirati Royal Family, and Yang Jeichi, an influential Politburo member.⁹²⁶ Notably, China also signed its CSPs with Saudi Arabia and the UAE, and a comprehensive innovative partnership with Israel before the CSP with Iran.⁹²⁷ Ultimately, the imperative to balance relations with Saudi Arabia, the UAE, and Israel limit the breadth and depth of PRC relations with the IRI.⁹²⁸

China also has other options and will factor in risk costs in business dealings with Iran. Iran is the significantly weaker side as China accost for over 30% of Iran's imports and exports, but Iran accounts for under 1% of China's market.⁹²⁹ China-Iran trade peaked

⁹²¹ Belal, Kulsoom, "China-Iran Relations," 59.

⁹²² Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China."

⁹²³ Lim, "China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective," 23.

⁹²⁴ Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China"; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 7.

⁹²⁵ Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China"; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 7.

⁹²⁶ Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China"; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 7.

⁹²⁷ Lim, "China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective," 23; Kuo, "China-Iran Strategic Cooperation."

⁹²⁸ Lim, "China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective," 23.

⁹²⁹ Alterman, "Chinese and Russian Influence in the Middle East."

in 2014 at nearly \$51 BN, or 1.2% of China's total foreign trade, but has since plummeted while China-KSA and China-UAE trade and FDI has climbed sharply.⁹³⁰ Thus, China is irreplaceable for Iran, but Iran is replaceable for China and just one of China's important relationships in the region.⁹³¹ This imbalance is caused by Iran's instability, high business costs, and the risks of doing business in Iran as a result of U.S. sanctions, and that other Middle East states promise better returns on investments.⁹³² While China is willing to provide Iran many benefits others are not, relationship asymmetry affords Beijing great economic leverage over Tehran, and thus China's future dealings with Iran will likely continue to be opportunistic and pragmatic.⁹³³ In sum, Iran needs China, but China has alternatives to Iran including Saudi Arabia and its oil, the UAE and its robust financial establishment, Egypt with the strategic Suez canal, and Israel with technology.⁹³⁴

Because of the imbalance, Iran risks selling oil at extremely discounted prices to China to entice it in the short term. The problem is, if sanctions are lifted, long-term deals at extraordinarily low prices would severely undercut potential profits for Iran, and would likely be seen in Iran as giving away assets and create domestic backlash.⁹³⁵ Since 2018 Iran has not been able to dictate prices, its oil has been sold at steep discounts, there have been high transaction costs to sell through illicit channels (up to 12%), and Chinese payments have not fully been paid back into the economy (but instead been used to pay Iran's debts to Chinese oil companies or held in the Bank of Kunlun).⁹³⁶

3. The CSP is Not a Security Alliance

Security items in the CSP—joint military exercises, terrorism related intelligence sharing, cooperation against international crime—already exist, and even if they become

⁹³⁰ Xiyue, "China Won't Rescue Iran"; Yadlin and Heistein, "The Prospects of a China-Iran Axis."

⁹³¹ Xiyue, "China Won't Rescue Iran"; Yadlin and Heistein, "The Prospects of a China-Iran Axis."

⁹³² Xiyue, "China Won't Rescue Iran"; Yadlin and Heistein, "The Prospects of a China-Iran Axis."

⁹³³ Yadlin and Heistein, "The Prospects of a China-Iran Axis"; Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 6.

⁹³⁴ Alterman, "Chinese and Russian Influence in the Middle East."

⁹³⁵ Yadlin and Heistein, "The Prospects of a China-Iran Axis."

⁹³⁶ Xiyue, "China Won't Rescue Iran."

more formalized, are not a policy-shift.⁹³⁷ Although China and Russia have done two drills with Iran under anti-piracy and counter-terrorism auspices, these exercises with Iran are usually followed by exercises with Saudi Arabia.⁹³⁸ Additionally, none of the CSP cooperation specifically threatens the United States or its Gulf allies as—although intelligence sharing is troubling—efforts to counter counterterrorism, trafficking, and transnational crime are shared objectives and not against the U.S. or its allies.⁹³⁹ China is unlikely to prioritize Iran over Saudi Arabia or the UAE who are aligned with the United States (as an example Beijing has not sold advanced UAV's to Iran, but has sold them to Saudi Arabia and GCC countries).⁹⁴⁰ Related, there has also not been a sudden increase of Chinese arms sales to Iran, even after the United Nations arms embargo ended in 2020.⁹⁴¹ Beijing's sales to the region are mainly tanks (which Iran seeks Air Defense Weapons) and its motive for arms sales is profit (which Iran lacks cash).⁹⁴² Thus, Iran is not a lucrative partner, there is a mismatch of desired items and items for sale, and the result is China sells far fewer arms to Iran than it does to U.S. Middle East allies (including Saudi Arabia and the UAE).⁹⁴³ Thus, this vague bilateral security cooperation is unlikely to undermine U.S. interests by altering the military balance in Iran's favor, at least in the near term.⁹⁴⁴

4. Iranian Concerns over Increased Chinese Sovereignty Infringement

Many Iranians have concerns about China's motives and are concerned about infringement on Iran's sovereignty and independence, a concern which limits

⁹³⁷ Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."; Figueroa, "China-Iran Relations."

⁹³⁸ Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."

⁹³⁹ Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China."

⁹⁴⁰ Lons and Nouwens, "China-Iran Deal."

⁹⁴¹ Lons and Nouwens.

⁹⁴² Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."

⁹⁴³ Greer and Batmanghelidj; Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

⁹⁴⁴ Fulton, "Iran Isn't the Only Middle Eastern Country in a Unique Partnership with China."

engagement.⁹⁴⁵ Despite the debate within Iran regarding deepening ties with China, after the JCPOA largely failed to improve Iran's economy, Ayatollah Khamenei supported alliances with non-Western powers perceived as more trustworthy than the United States, seeking a fair arrangement with China as the only counterweight to the U.S. or Europe.⁹⁴⁶ While Iran's relations with western countries thus continues to sour, and repercussions of the U.S. withdraw from the JCPOA compound, calls may build in Iran for increased ties with China.⁹⁴⁷ However, there are still concerns that the CSP could adversely affect Tehran's ability to balance its strategic interests and maintain its autonomous foreign policy.⁹⁴⁸ There are still segments in Iran—particularly among the younger generation and women who supported President Rouhani—that favor a lifting of social restrictions and normalization of relations with the West.⁹⁴⁹

5. China and the U.S. Share Interests in Gulf Security

First, there are overlapping U.S.-PRC interests vis-à-vis Iran on important security issues.⁹⁵⁰ These issues include nonproliferation (as neither side benefits from Iran possessing nuclear weapons), and in preventing Iran from escalating maritime conflicts (to ensure oil trade through the strait).⁹⁵¹ Second, while some Chinese investments in the Middle East are contrary to U.S. interests (such as in surveillance technologies)—and the United States has an interest in retaining a competitive advantage over China—some investments in infrastructure, development, and reconstruction can spur development and promote stability, and are thus not antithetical to U.S. interests.⁹⁵² Third, Chinese scholars

⁹⁴⁵ Yu, "Iran In China's Grand Strategy."

⁹⁴⁶ Geranmayeh, "A Pragmatic Partnership."

⁹⁴⁷ Belal, Kulsoom, "China-Iran Relations," 58.

⁹⁴⁸ Monshipouri and Heiran-Nia, "China's Iran Strategy," 158.

⁹⁴⁹ Monshipouri and Heiran-Nia, 159.

⁹⁵⁰ Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."; Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

⁹⁵¹ Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

⁹⁵² Joel Wuthnow, "Chinese Perspective on the Belt and Road Initiative: Strategic Rationales, Risks, and Implications," *Institute for National Security Strategies*, no. China Strategic Perspectives 12 (n.d.): 28; Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

identify other regional threats (particularly to BRI investments) including terrorism, piracy, and climate change, and the United States could leverage China to also address these common challenges.⁹⁵³

While the PRC capitalizes on opportunities created by U.S.-IRI conflict, the PRC realizes that its U.S. relationship is more central to its long-term global ambitions.⁹⁵⁴ Importantly, CSP implementation heavily depends on resolving the nuclear issue (in order to undo sanctions), which aligns with U.S. interests.⁹⁵⁵ The PRC worries that if the IRI were to develop a nuclear weapons capability it could cause a regional nuclear arms race (though the PRC also worries that U.S. pressure against Iran's militant clients and missile programs has shifted the regional military balance in favor of U.S. allies), reasons which led the PRC to support the JCPOA.⁹⁵⁶ Further, as China also increasingly seeks to be viewed as a responsible global stakeholder, and recognizes that as its power increases its international obligations will grow beyond non-interference, there is a convergence of critical U.S.-PRC interests in Iran and regional stability.⁹⁵⁷

Finally, China benefits from the U.S. regional security guarantee, which ensures free flow of energy, keeps U.S. forces engaged in the region and from focusing on the Asia-Pacific, enables China to focus on its own region where its strategic priorities reside, and allows China to remain outside regional disputes.⁹⁵⁸ Ultimately, China wants to avoid a regional conflict potentially affecting the three million barrels of oil per day that it imports through the Strait of Hormuz, and has thus become more engaged in the region, but still

⁹⁵³ Wuthnow, "Chinese Perspective on the Belt and Road Initiative: Strategic Rationales, Risks, and Implications," 28.

⁹⁵⁴ Hong, "China's Dilemma on Iran," 424.

⁹⁵⁵ Kuo, "China-Iran Strategic Cooperation"; Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."

⁹⁵⁶ Rezaei, "The Barriers to China-Iran Military Diplomacy."

⁹⁵⁷ Hong, "China's Dilemma on Iran," 424.

⁹⁵⁸ Lim, "China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective," 14, 23; Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

remains hesitant to engage in complex regional politics, and thus prefers to benefit from the U.S. regional security guarantee.⁹⁵⁹

6. China Prioritizes its Relationship with the U.S. Over Iran

There are also limits to China's desire to challenge the United States to support Iran. Both Beijing and Tehran prioritize their relationships with the United States and West over their relationships with each other, as U.S. relations are essential to China's development (which underpins social stability and regime legitimacy), and to Iran who views the United States as the largest danger to regime stability and survival.⁹⁶⁰ Beijing has repeatedly subordinated its relationship with Tehran for the sake of bigger interests in Washington.⁹⁶¹ Thus, despite Beijing using U.S. rhetoric to justify cooperation with Iran, unless U.S.-PRC relations significantly deteriorate, Beijing will likely continue to view the CSP as limited.⁹⁶² Additionally, China's willingness to economically engage Iran given U.S. sanctions is also limited, as paradoxically, Chinese banks began refusing to deal with Iran because of pressure from the U.S. at the same time Tehran touted the CSP as an economic lifeline.⁹⁶³ Ultimately, a low level of U.S.-IRI tensions, resulting in sufficient sanctions to reduce competition in Iran but not sanctions that prevent the flow of capital or energy, appears to be most ideal for China.⁹⁶⁴

The need to prioritize the U.S. relationship (not antagonizing the United States or undermining the U.S. security guarantee) to balance regional rivalries (such as Iran-Saudi Arabia), and secure its interests (regarding energy flows and BRI implementation) has led China to hedge.⁹⁶⁵ Some argue China is seeking to erode U.S. influence by increasing

⁹⁵⁹ Greer and Batmanghelidj, "China and Iran Announced a New Economic and Security Partnership. That's Not as Alarming as It Sounds."

⁹⁶⁰ Lons and Nouwens, "China-Iran Deal"; Hong, "China's Dilemma on Iran," 420.

⁹⁶¹ Lons and Nouwens, "China-Iran Deal."

⁹⁶² Lim, "China-Iran Relations: Strategic, Economic and Diplomatic Aspects in Comparative Perspective," 26.

⁹⁶³ Xiyue, "China Won't Rescue Iran."

⁹⁶⁴ Xiyue.

⁹⁶⁵ Garlick and Havlová, "China's 'Belt and Road' Economic Diplomacy in the Persian Gulf."

engagement with both Iran and Saudi Arabia, but this ignores that China benefits from the U.S. regional security guarantee, is hesitant to become mired in regional affairs, and still faces challenges projecting power to the region.⁹⁶⁶ However, with no end likely to the Saudi-Iran rivalry, to China's need for oil from Saudi Arabia, or to Iran as vital to BRI connectivity and PRC strategic interests, it does not further Chinese interests to end relations with either Iran or Saudi Arabia for the other.⁹⁶⁷ Yet, given U.S. sanctions on Iran and stress on China to be a "responsible stakeholder," balancing cooperation with both could be challenging for Beijing and limit cooperation with Tehran.⁹⁶⁸

B. WAYS THE CSP AND DEEPENING IRAN-CHINA TIES MAY THREATEN U.S. INTERESTS

1. Security Cooperation and Potential for PRC Access

The CSP has the potential to more formalize IRI-PRC security cooperation, increase PRC access to the Gulf, and thus increase PRC regional power projection capabilities.⁹⁶⁹ The CSP formalized intelligence sharing and missile program cooperation, and with the arms sale embargo formally ended, the CSP creates the potential for additional joint military exercises and arms sales, particularly as China new weapons, missiles, and aircraft make them increasingly attractive to Iran.⁹⁷⁰ Second, the CSP provides a potential avenue for China to increase its access to Iran and the Persian Gulf. Key examples of this in the agreement include joint development of Iran's Makran coast (along the Gulf of Oman), including joint development of the Jask port facility and Naval base.⁹⁷¹ Jask potentially gives China a port and strategic position outside the Strait of Hormuz, and

⁹⁶⁶ Garlick and Havlová, 18.

⁹⁶⁷ Garlick and Havlová, 18.

⁹⁶⁸ Garlick and Havlová, 18.

⁹⁶⁹ Cordesman, "China and Iran."

⁹⁷⁰ Yadlin and Heistein, "The Prospects of a China-Iran Axis"; Cordesman, "China in the Gulf"; Cordesman, "China and Iran."

⁹⁷¹ Cordesman, "China and Iran"; Al Jazeera, "Iran Opens Oil Terminal to Bypass Strategic Strait of Hormuz," *Al Jazeera*, July 22, 2021, sec. Oil and Gas, <https://www.aljazeera.com/news/2021/7/22/iran-opens-oil-terminal-to-bypass-strategic-strait-of-hormuz>; Greer and Batmanghelidj, "Last Among Equals: The China-Iran Partnership in a Regional Context."

permits Iran to bypass the Strait in its oil trade.⁹⁷² Additionally, the CSP may increase PRC ability to counter the “Quad” (the United States, India, Australia, Japan) by expanding opportunities to exploit ports (like Gwadar in Pakistan) and trade routes to Central Asia.⁹⁷³ Finally, as pointed out by Masoud Razaei, “Unlike the West and some Arab countries, China does not find development of Iran’s conventional military capabilities a threat to its interests.”⁹⁷⁴ Further, the PRC does not view Iran’s militant clients like Hizballah or Shia militias in Iraq as directly threatening Chinese interests, and thus has not leaned on Iran to end support for these groups (although the Houthis in Yemen may be a counter-example in potentially undermining Chinese interests vis-à-vis Saudi Arabia).⁹⁷⁵

Critically, the CSP may further support China’s military modernization and power-projection that can affect the Middle East balance of military power. China’s involvement in anti-piracy operations provides lessons for the future, and its base in Djibouti may aid power-projection.⁹⁷⁶ Furthermore, as pointed out by Kaye, “greater Chinese involvement in Iranian ports could help it project power in the Middle East, and especially in Middle Eastern oil shipment routes.”⁹⁷⁷ China does not appear to want to immediately undermine the U.S. security guarantee and wants to avoid being mired in Middle Eastern conflicts. However, to the extent Middle East leaders remain predisposed towards Washington the United States will carry more weight, but if the United States appears to be withdrawing, attitudes and calculus may shift, and the PRC could step in.⁹⁷⁸

⁹⁷² Fassihi and Myers, “Defying U.S., China and Iran Near Trade and Military Partnership”; Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 163; Al Jazeera, “Iran Opens Oil Terminal to Bypass Strategic Strait of Hormuz.”

⁹⁷³ Cordesman, “China and Iran.”

⁹⁷⁴ Razaei, “The Barriers to China-Iran Military Diplomacy.”

⁹⁷⁵ Razaei.

⁹⁷⁶ Bowen, “China Sets Sights on Middle East with Iran Co-Operation Deal”; Cordesman, “China and Iran.”

⁹⁷⁷ Kaye et al., “Reimagining U.S. Strategy in the Middle East.”

⁹⁷⁸ Cook and Green, “China Isn’t Trying to Dominate the Middle East.”

2. China's Growing Gulf Influence May Create Strategic Opportunities

Beijing has traditionally viewed the Middle East as the U.S. sphere of influence, but is slowly changing this idea.⁹⁷⁹ Given that China will likely remain the largest importer of Middle East oil, it will likely continue to become more active in regional affairs.⁹⁸⁰ With this—although not looking to replace U.S. military power in the near-term—China has worked to present itself as an alternative to U.S. power and has developed partnerships with U.S. allies via investment and economic cooperation.⁹⁸¹ Additionally, the CSP is a possible indication that the PRC is looking to strategically position itself to advance its interests with respect to the United States many years in the future.⁹⁸² For example, China's BRI investments compete with India's efforts to develop Iran's Chabahar port and pipeline development, and it impedes India's efforts to assist Iran in improving roadway and railways into Central Asia.⁹⁸³ Next, the deal is an indication China may believe it can use Iran to counter the United States (at an acceptable risk), and also pit Iran and its neighbors against each-other. China may calculate that as Iran becomes increasingly dependent on China, that Beijing will have increasing influence over Tehran, and will thus be able to decrease the risks that Iran will trap it in a conflict with the U.S.⁹⁸⁴

Finally, U.S.-Iran conflict could potentially advance China's ambitions by decreasing U.S. power and increasing its relative power. While U.S.-IRI conflict could threaten global oil flows, if China were to remain outside the conflict—as it did during the 2003 Iraq War—it could gain relative to the United States.⁹⁸⁵ This is because in such a

⁹⁷⁹ Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

⁹⁸⁰ Monshipouri and Heiran-Nia, "China's Iran Strategy," 160.

⁹⁸¹ Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

⁹⁸² Cordesman, "China and Iran."

⁹⁸³ Cordesman.

⁹⁸⁴ Cordesman, "China in the Gulf."

⁹⁸⁵ Ben Reynolds, "In a U.S.-Iran Conflict, China Wins," China-US Focus, February 2, 2020, <https://www.chinausfocus.com/peace-security/in-a-us-iran-conflict-china-wins>.

confrontation the U.S. may lose regional bases or access, be discredited, or lose political will to remain the region; by abstaining, China could be postured to fill in any gaps.⁹⁸⁶

3. Increases PRC Influence and Coercive Tools Short of War

Even if purely economic, China's influence can undermine U.S. efforts to pressure the IRI, and turns U.S. efforts to pressure Iran (such as sanctions) into openings that permit China to increase its influence.⁹⁸⁷ First, in the Persian Gulf the U.S. military presence is decreasing, while China's influence is increasing, creating concerns among U.S. Arab security partners about the U.S. commitment.⁹⁸⁸ Second, the CSP ensures Arab states must now account for the possibility of expanding IRI-PRC military ties in their interactions with China.⁹⁸⁹ Third, both the IRI and PRC seek to undermine U.S. influence; as both sought to undermine U.S. interests and bring about U.S. withdrawal from Afghanistan.⁹⁹⁰ However, although both the IRI and PRC agree on wanting to undermine U.S. power and influence, they pursue it differently as the IRI supports militant clients that habitually attack U.S. interests (for example in Iraq), while the PRC engages any willing partners, regardless of their ties to the United States, for profit.⁹⁹¹ Fourth, the PRC can profit from saving more on lower oil prices than it invests in Iran, and can also similarly profit if Gulf states create financial motivations for China to curb military ties to Iran.⁹⁹²

4. The CSP Provides Iran Maneuver Space

The CSP is useful to Iran in demonstrating that it is not easily isolated and thus improve the IRI position in any negotiations with the United States or international community.⁹⁹³ While the PRC will not solve all IRI problems—and the IRI will not

⁹⁸⁶ Reynolds.

⁹⁸⁷ Cordesman, "China and Iran."

⁹⁸⁸ Cordesman.

⁹⁸⁹ Cordesman.

⁹⁹⁰ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 8.

⁹⁹¹ Rhoades and Kaye, "China Does Not Have to Be America's Enemy in the Middle East."

⁹⁹² Cordesman, "China and Iran."

⁹⁹³ Figueroa, "China-Iran Relations"; Kuo, "China-Iran Strategic Cooperation."

provide the PRC with trade and technological advances it seeks in its competition with the United States—the PRC may offer the IRI short-term political leverage in its relationship and future negotiations with the United States.⁹⁹⁴ The CSP also is meant to signal limits to the effectiveness of sanctions—particularly unilateral U.S. sanctions—without PRC support.⁹⁹⁵ For the PRC, agreeing to reduce support for the IRI may also create good-will and concessions from Washington on Beijing’s other higher priority issues.⁹⁹⁶

The CSP is also important in that it set key conditions for Iran’s entry into the SCO, which may indicate a changing perspective of China towards Iran, and open the door for increased Iranian aggressiveness.⁹⁹⁷ The SCO is a critical institution—led by China—to rival U.S. led cooperative institutions.⁹⁹⁸ Iran petitioned for full membership under President Ahmadinejad in 2008 and again in 2010, viewing the SCO as a significant way to counter the United States.⁹⁹⁹ China however opposed upgrading Iran’s observer status, citing a clause in the SCO charter that any countries under UN sanctions could not join.¹⁰⁰⁰ Iran sought SCO membership as a way to end its isolation, enhance maneuver space vis-à-vis the West, increase its resistance to U.S. sanctions, and increase its ability to be a positive partner in resolving conflicts.¹⁰⁰¹ Yet, Iran’s application for full membership was denied in 2016 and 2017. Presumably, China and other SCO members may have remained concerned Iran would use the SCO as a venue for a larger conflict with the United States, or put Beijing in a precarious position by pitting the SCO against Washington, particularly as SCO decisions are made by consensus, with veto power for all members.¹⁰⁰² However,

⁹⁹⁴ Yadlin and Heistein, “The Prospects of a China-Iran Axis.”

⁹⁹⁵ Esfandiary, “Iran’s ‘New’ Partnership With China Is Just Business as Usual.”

⁹⁹⁶ Yadlin and Heistein, “The Prospects of a China-Iran Axis.”

⁹⁹⁷ Greer and Batmanghelidj, “Last Among Equals: The China-Iran Partnership in a Regional Context.”

⁹⁹⁸ Esfandiary and Tabatabai, *Triple Axis: Iran’s Relations with Russia and China*, 7, 24.

⁹⁹⁹ Belal, Kulsoom, “China-Iran Relations,” 57.

¹⁰⁰⁰ Belal, Kulsoom, 57.

¹⁰⁰¹ Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 165.

¹⁰⁰² Belal, Kulsoom, “China-Iran Relations,” 58; Monshipouri and Heiran-Nia, “China’s Iran Strategy,” 165.

finally, in 2021 the SCO voted to accept Iran's bid and begin a two year process for full accession into the body.¹⁰⁰³ China's support for Iran's full membership may possibly represent that China is increasingly inclined to use Iran to advance its interests in global strategic competition against the United States, is less worried about Iran's ability to draw it into conflicts, less worried about confrontation with the United State generally, and potentially less worried about SCO confrontation with the West.¹⁰⁰⁴

5. The CSP Represents an Overall Deepening of the Partnership

The IRI-PRC partnership is centrally based on pragmatic cooperation when interests align, although the element of partnership against the U.S.-led international order has become central as China has positioned itself as an alternative to the U.S.-led global order.¹⁰⁰⁵ This is evidenced as Beijing regularly provides Tehran rhetorical, and sometimes substantive support, in disputes. For example, in 2019 when the United States was pressuring the IRI for its destabilizing regional activities, Xi Jinping declared, "no matter how the international and regional situation changes, China's resolve to develop [a] comprehensive strategic partnership with Iran will remain unchanged."¹⁰⁰⁶ Further, after the December 2020 U.S. strike against IRGC Quds Force Commander, General Qassim Soleimani, China's Ministry of Foreign Affairs urged "the U.S. side in particular, to remain calm and restrained and avoid further escalating tensions" and told the United States "not to abuse force."¹⁰⁰⁷ For the IRI, the CSP cemented the PRC was—as Foreign Minister Javid Zarif stated—a "friend for hard times."¹⁰⁰⁸

¹⁰⁰³ James M. Dorsey, "Iran Floats Reports of Imminent Shanghai Cooperation Organization Membership," *Responsible Statecraft* (blog), June 19, 2021, <https://responsiblestatecraft.org/2021/06/19/iran-floats-reports-of-imminent-shanghai-cooperation-organization-membership/>.

¹⁰⁰⁴ Dorsey.

¹⁰⁰⁵ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 4.

¹⁰⁰⁶ Green and Roth, 4; Reuters, "China's Desire for Close Iran Ties Unchanged, Xi Says Ahead of Saudi Prince's Visit," *Reuters*, February 21, 2019, sec. World News, <https://www.reuters.com/article/uk-china-iran-idUKKCN1QA06L>.

¹⁰⁰⁷ Green and Roth, "China-Iran Relations: A Limited but Enduring Strategic Partnership," 4.

¹⁰⁰⁸ Cordesman, "China and Iran."

Critically, China has the most leverage in its relations with Iran, but also has the greatest interests at risk from sanctions or an armed conflict.¹⁰⁰⁹ Militarily, the PRC sees strategic value in helping Iran develop as a counterweight to U.S. military power in the Persian Gulf, as it views the United States and GCC working together to ensure security that advances U.S. interests. However, as Harold and Nader point out, “the Persian Gulf is not fully and securely within the U.S. orbit as long as the Islamic Republic opposes the U.S. presence in the region.”¹⁰¹⁰ Thus, a militarily capable Iran helps advance the PRC goal of blocking the U.S. from dominating the Persian Gulf, while helping keep U.S. focus and resources out of the Indo-Pacific.¹⁰¹¹ As Harold and Nader pointed out in 2012, over three decades the IRI-PRC relationship grew despite differing ideologies, geostrategic goals, and priorities, indicating that relations will likely grow closer absent a disruptive change such as military conflict.¹⁰¹²

C. POSSIBLE FUTURE IMPACTS

Two possible futures to explore include first, a status quo future, in which the United States remains the regions security guarantor and dominant military power. A second alternative is a non-status quo future in which there is possibly a U.S.-PRC military conflict, or if U.S. withdrawal from the region becomes significant to the point it is viewed as retrenchment.

1. Status-quo Future

In a status-quo future, increased IRI-PRC cooperation under the CSP is unlikely to directly undermine U.S. interests, particularly in the short and medium term. A status quo future has at least three important characteristics. First, the United States remains the regional security guarantor. China would likely continue to seek to benefit from the U.S. military presence providing security for Gulf trade—and while it will continue to seek to

¹⁰⁰⁹ Harold and Nader, “China and Iran,” 14.

¹⁰¹⁰ Harold and Nader, 18.

¹⁰¹¹ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 18; Harold and Nader, “China and Iran,” 20.

¹⁰¹² Harold and Nader, “China and Iran,” 23.

increase its economic and diplomatic influence—likely avoids seeking any provocative escalation in its military presence. Second, China would likely continue to prioritize economic ties, and thus seek to avoid becoming entangled in complicated regional affairs and having to take sides in regional conflicts to maximize its economic relationships. Third, Iran would likely continue its current provocative foreign policy trajectory. This provocative foreign policy is the root of Iran’s international isolation and sanctions, which ultimately limits closer ties with the PRC (who wants to be seen as a responsible power), and Chinese businesses (who do not want to risk their larger business interests in the United States). In this scenario, IRI-PRC ties would likely remain constrained, as the PRC would continue to subordinate its Iran policy to its larger interests vis-à-vis the United States and trade partners more essential to its growth and foreign policy goals such as Saudi Arabia and the UAE. In this future, where Iran’s foreign policy remains provocative, China would likely not directly controvert U.S.-IRI or U.S.-Gulf policies to the point of undermining the U.S.-PRC relationship and—although the PRC would continue to seek to build its trade ties and influence in the region—would continue to carefully balance its relationships in the Gulf (for example not selling advanced weapons to Iran that would upset the Gulf military balance, directly undermine the United States, upset Gulf trade partners, or undermine PRC desires to be viewed as a responsible great power).

2. Non-Status-quo Future

Alternatively, there are non-status-quo futures—for example in which the United States and China potentially become engaged in a military confrontation or if the United States significantly reduces its security footprint in the Gulf—in which the growing IRI-PRC relationship and CSP could be more detrimental to U.S. regional, and global interests. In the event of any U.S.-PRC military conflict, China may possibly seek to complicate any military actions by United States or allied forces in the Gulf, to preserve the neutrality of Gulf States, and to ensure that oil continues to flow to China from the Gulf States through the Strait of Hormuz. In this future China thus may seek to encourage Iran to undermine U.S. interests in the Gulf. To do this, Iran could leverage Hezbollah to threaten Israel, use its militant client organizations in Iraq to create instability, encourage the Houthi’s in Yemen to further attack Saudi Arabia, utilize its ballistic missiles to threaten U.S. or ally

bases or personnel, or even use the opportunity to advance its nuclear program. The CSP and ties with Iran could be valuable to China if it seeks to establish a larger Gulf security presence to compel Gulf State neutrality, to ensure oil flows through the Strait of Hormuz to China, to posture for a possible expansion or any conflict in the Indo-Pacific, or to posture for a possible post-conflict environment.

A second non-status quo future is one in which the United States significantly reduces its military commitment to the Gulf. In this scenario a strong Iran-China partnership, aided by the CSP, would potentially encourage a more bellicose Iran, increase the security fears of U.S. allies including Israel and Saudi Arabia, drive other Gulf States further into China's sphere of influence (not just economically, but also in the diplomatic and security realms), increase instability, and ultimately undermine U.S. regional leadership. This would not be unprecedented, as when Britain withdrew from the Gulf in 1971 (with the U.S. engaged in Vietnam and not filling the void left by the withdraw), both Iran and Saudi Arabia began to seek increased regional influence and more assertive foreign policies (aided by oil money), which developed into an intense rivalry after the Iranian revolution. In this future, there may be a vacuum China could potentially be poised to fill, with the help of strong ties with Iran, potentially advancing its ideology and agenda antithetical to U.S. values and interests.

V. CONCLUSION

From 1979–2012, the Iran-China relationship developed as a pragmatic partnership, based on long-term strategic interests, beneficial to both sides, but with key limitations. First, the Iran-China partnership grew on a narrative of great civilizations wrongfully oppressed, opposing the U.S.-led international order believed to be unjust and seeking to revise the unipolar order to restore their greatness. China primarily sought to increase its influence by focusing on economic development, while Iran pursued a provocative foreign policy supporting militant clients, developing ballistic missiles, and pursuing a nuclear program. These policies left Iran with few friends and isolated, and it turned to China for vital economic, diplomatic, and military support. China nurtured the partnership due to Iran's significant resources (including energy and human capital), potential as a large market, important geostrategic location, and utility in frustrating U.S. power.

Second, there were, however, important limits to the partnership, caused by relationship asymmetry (with Iran needing China, but China not needing Iran) and the great power-middle power nature of the relationship (where Iran feared abandonment and China feared entrapment).¹⁰¹³ Iran's foreign policy choices caused it to be isolated and in need of China's support, but also caused it to fear dependence on China and that China may abandon it. Iran's actions caused China to fear entrapment in an Iranian conflict, and caused China to prioritize other more important interests. These more important strategic interests for China included its aims in the Asia-Pacific (including Taiwan reunification and interests in the South China Sea), its desire to be seen as a responsible great power, and continued economic development to ensure CCP legitimacy (which requires energy security and access to markets).

Third, critically, the context (opportunities and constraints) of the relationship were driven largely by Iran's foreign policy choices, while the content (execution) of the

¹⁰¹³ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 468–70; Teer and Wang, "Sino-Iranian Asymmetrical Interdependence in Light of the Iran Nuclear Issue."

relationship was determined primarily by China. Iran's foreign policy choices led it to be sanctioned by international bodies, caused rivalries with states, and led it to be seen as outside of international norms. However, China—with greater power than Iran—largely drove execution of the relationship based on its strategic and economic risk-reward calculus within this context (sometimes abiding by UN sanctions to be seen as a responsible power, and at other times supporting Iran to hedge against the United States).

Fourth, the Iran-China relationship was consistently a second-order relationship subordinated to other objectives, with China particularly prioritizing its relationship with the United States and international reputation (more essential to its development).¹⁰¹⁴ However, China balanced meaningful support to Iran while avoiding outright opposition with the United States and other Gulf states. This allowed China to maintain friendly relations with Iran, leverage the U.S. security guarantee as the U.S. remains engaged in the Middle East, and further its interests in the Asia-Pacific.

Fifth, the partnership withstood adversity and proved durable. China provided arms during the Iran-Iraq war, supported Iran's nuclear program, and assisted Iran's missile development, despite U.S. pressure. Tehran counted on shared anti-U.S. sentiment to ensure Chinese support to protect it from U.S. pressure.¹⁰¹⁵ Similarly, China counted on Iran to provide support (including oil) in the event of any contingency with the United States.¹⁰¹⁶ China and Iran thus remained partners (as the relationship benefits both states), but also recognized they could only support (not resolve) the other's goals vis-a-vis the United States.¹⁰¹⁷

From 2013–2021 the BRI, JCPOA, and 2016 CSP exacerbated these partnership drivers and limiters. The BRI offered opportunity for the partnership, as the PRC was primed to provide large investments in infrastructure and development, and Iran was primed to benefit (with its location as the most direct route connecting China to Europe).

¹⁰¹⁴ Garver, *China & Iran: Ancient Partners in a Post-Imperial World*, 293.

¹⁰¹⁵ Garver, 127.

¹⁰¹⁶ Garver, 128.

¹⁰¹⁷ Belal, Kulsoom, "China-Iran Relations," 56–57.

However, as Iran was the subject of sanctions, cooperation was more limited than Iran's location and resources seemingly dictated. With the JCPOA and lifting of sanctions there was even more promise for increased cooperation, leading to the 2016 CSP and deepening of the relationship. However, limiters of the relationship—including elements of Iran's provocative foreign policy—remained and, combined with U.S. withdraw from the JCPOA and renewed sanctions, inhibited BRI and 2016 CSP implementation.

Iran and China signed a final CSP in 2021, further deepening their partnership. For Beijing, deepening relations with Tehran through the CSP hedges against any U.S. attempt to cut off oil supplies, prevents the United States from fully pivoting to the Indo-Pacific, can divide the United States and its allies while advancing Chinese leadership, expands China's presence in the Middle East, supports economic development, diversifies oil suppliers to reduce energy dependence on U.S. allies (like Saudi Arabia), and primes China to capitalize on Iran's potential (its prime geographic location, educated and large population, and diversified economy).¹⁰¹⁸ For Iran, the CSP improves its overall economic situation, blunts U.S. sanctions, increases energy sector efficiency, provides support in economic and international institutions, helps counter security threats, and opens up the possibility of future arms sales.¹⁰¹⁹

However, partnership limiters ensured that the 25-year cooperation agreement lacked specifics (particularly in military and security cooperation), and although it contained significant economic and diplomatic cooperation measures, these likely remain unattainable. The CSP may not threaten U.S. interests—particularly in the short and medium term—because: CSP commitments are vague and nonbinding; the CSP is a normal evolution of the relationship; the Iran-China partnership lags behind China's relationships with other U.S. allies; China and U.S. share mutual interests vis-à-vis Iran; and China will continue to prioritize its relationship with the United States over Iran. However, the CSP may threaten U.S. interests because: it formalizes Iran-China security cooperation; may

¹⁰¹⁸ Hassani and Arabpour, "Iran-China Comprehensive Strategic Partnership from Perspective of Economic Diplomacy"; Alterman, "Chinese and Russian Influence in the Middle East."

¹⁰¹⁹ Hassani and Arabpour, "Iran-China Comprehensive Strategic Partnership from Perspective of Economic Diplomacy."

increase China's power projection and Gulf access; provides China gray zone benefits; provides Iran maneuver space in negotiations; and represents an overall deepening of the relationship.

Ultimately, in a status-quo future, the CSP is more unlikely to undermine U.S. interests than in a non-status-quo future. In a status-quo future—where the United States remains the regional security guarantor and Iran remains sanctioned for its destabilizing foreign policy—CSP implementation will likely remain limited. The PRC will remain hesitant to directly oppose the U.S. for Iran, to expend political capital (wanting to be seen as a responsible power), and to invest economically (due to sanctions and other risks of doing business in Iran). However, in a non-status-quo future—with a U.S.-China military conflict or significant U.S. withdraw from the Gulf—the CSP may support critical cooperation to controvert U.S. influence in Iran and the region.

APPENDIX A: SECURITY OPPORTUNITIES AND CONSTRAINTS

	Opportunities	Constraints
Iran	• China provides the best counter-weight to challenge the U.S. led international order • China is a possible source of arms and defense cooperation with past arms sales, and nuclear and ballistic missile assistance • Ties with China signal to the U.S. that Iran is not completely isolated • China provides an opportunity for a diplomatic lifeline in the UN/SCO/and more	• Iran fears that China is increasingly encroaching on its sovereignty and highly values autonomy • Iran understands that China's support is conditional, based on China's other priorities and needs • China has not hesitated to support Iran's regional adversaries when in its national interest
China	• Iran challenges the U.S. led international order, and by creating instability in the ME complicates U.S. efforts to shift to the Pacific • Iran's geo-strategic importance between the ME, South and Central Asia, and at the straits of Hormuz gives it large potential and significance as a lynchpin of the BRI • Large prospects to grow soft-power (culture, education, tourism, public health) • U.S. has resources pinned down in the ME and unable to fully pivot to the Pacific	• Lack of prioritization, China has many more important concerns and priorities in the Asia-Pacific Region and benefits from the U.S. security guarantee in the region • Apprehension over a possible Iranian-US conflict which would threaten its interests and risk entanglement • Relationship with U.S., China does not want to completely undermine the stability provided by the U.S. regional security guarantee or worsen relations with the U.S. by selling arms • Relationships with Iran's regional rivals - Saudi Arabia and UAE for example - require China to temper its relationship with Iran to balance these growing relationships • China fears Iran's support for insurgencies may set a dangerous precedent for Muslims chafing under China's rule • Iran's nuclear proliferation runs counter to China's official position countering nuclear proliferation

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APPENDIX B: ECONOMIC OPPORTUNITIES AND CONSTRAINTS

	Opportunities	Constraints
Iran	• China is the most likely economic lifeline and source of trade in the face of sanctions • Chinese investment is needed to increase Iran's GDP and welfare – with investment in infrastructure particularly required, which could be provided in the context of the BRI • China is most willing to transfer to Iran entire processes, supporting Iranian desires for self-sufficiency • China trade largely not conditional tied to other issues such as human rights	• Iran fears over-reliance on China, and increased Chinese leverage due to trade imbalance • Economic relationship with China does not facilitate economic diversification, as there is little outside energy and raw materials that China wishes to import from Iran • There is domestic opposition to China's encroachment in the market (explosion of lower-quality Chinese goods to undercut domestic goods) • Concerns over low levels of Chinese technology
China	• Iran is important as a key BRI node between the ME, South and Central Asia, and at the straits of Hormuz • Access to Iran's energy and raw material resources • Future potential for growth because of Iran's vast human capital, and as an export market	• Doing business in Iran is riskier than other places, due to potentialities of sanctions or other actions that may hinder profits or progress • Chinese companies focus on profits – and compared to other places – the risks versus the rewards for profits can hinder investment • When there are sanctions, companies don't want to openly defy them, because they want to retain access to more important U.S. and Western markets so restrict working in Iran • Doing business in Iran can be difficult due to red tape and challenging business climate • Negotiations with Iran can be difficult, and Iran sometimes demands cut-rate prices based on third-world alignment principles

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APPENDIX C: SELECT MAJOR CHINESE INVESTMENT PROJECTS IN IRAN¹⁰²⁰

Year	Month	Investor	Millions	Share	Transaction Party	Sector	Subsector
2005	December	China Intl Trust and Invest (CITIC), Aluminum Corp of China (Chinalco)	\$ 900		South Iran Aluminum	Metals	Aluminum
2006	January	China North Industries (Norinco)	\$ 310		Tehran Rail	Transport	Rail
2006	July	China Petroleum and Chemical (Sinopec)	\$ 2,840			Energy	Oil
2007	October	Gezhouba	\$ 210	49%	Iran Water and Power	Energy	Hydro
2007	October	China Nonferrous Metal Mining	\$ 110	20%	Jahad Tahghighat	Metals	Aluminum
2007	December	China Petroleum and Chemical (Sinopec)	\$ 2,010	51%	National Iranian Oil	Energy	Oil
2008	June	MCC	\$ 200			Metals	Steel
2009	January	China National Petroleum Corp. (CNPC)	\$ 1,760		National Iranian Oil	Energy	Oil
2010	October	Sinohydro	\$ 1,500		Zanjan Regional Water	Energy	Hydro
2010	October	China National Machinery Industry (Sinomach)	\$ 290			Utilities	
2011	April	China National Machinery Industry (Sinomach)	\$ 280		GEG Iron	Metals	Steel
2011	April	China Nonferrous Metal Mining	\$ 100		National Iranian Steel	Metals	Steel
2011	April	China North Industries (Norinco)	\$ 590			Transport	Rail
2011	September	China Nonferrous Metal Mining	\$ 930		KALCO	Metals	Aluminum
2012	May	China North Industries (Norinco)	\$ 1,250		Tehran Urban & Suburban Rail	Transport	Rail
2012	December	Sinosteel	\$ 690			Metals	Steel
2013	January	China Nonferrous Metal Mining	\$ 710			Metals	Steel
2014	March	China Communications Construction	\$ 160			Real estate	Construction
2014	May	MCC	\$ 350			Metals	Steel
2014	November	China National Machinery Industry (Sinomach)	\$ 320			Transport	Rail
2014	December	Sinosteel	\$ 180		Zarand	Energy	Coal
2015	September	China Communications Construction	\$ 500			Transport	Autos
2016	January	Sinosteel	\$ 470		Bafgh Kasra	Metals	Steel
2016	January	China North Industries (Norinco)	\$ 330		Golbahar New Town Development	Transport	Rail
2016	May	China Energy Engineering	\$ 1,960			Utilities	
2016	November	China National Petroleum Corp. (CNPC)	\$ 600	30%	Total	Energy	Gas
2017	February	China National Machinery Industry (Sinomach)	\$ 220			Metals	
2017	February	China Petroleum and Chemical (Sinopec)	\$ 590			Energy	Oil
2017	November	China North Industries (Norinco)	\$ 1,530			Chemicals	
2017	December	China Petroleum and Chemical (Sinopec)	\$ 1,050			Energy	Oil
2018	January	China Railway Construction	\$ 540			Transport	Rail
2018	March	China National Machinery Industry (Sinomach)	\$ 840			Transport	Rail
2018	March	China National Machinery Industry (Sinomach)	\$ 700			Transport	Rail
2019	August	China General Technology (Genertec), Beijing Power	\$ 1,540			Transport	Rail

¹⁰²⁰ American Enterprise Institute, “China Global Investment Tracker.”

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