

Iran and China: Political and Economic Aspects of the Strategic Relationship

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This paper provides an examination of the rationalities of bilateral relations. The question this paper is particularly interested in is what are the roots of the current Sino-Iranian comprehensive partnership and why now? Apart from the various debates on Iran and China, the paper argues that the current relationship is to extend a zone of peace and stability eastwards and towards the Middle East, the Persian Gulf and Central Asia, and it came in response to the imminent threats, pressures and recent aggressive developments in relations with the United States. The recent strategic agreement between China and Iran is an essential step forward in establishing stable relations. Nevertheless, Iran's self-exclusion from the relations with crucial regional as well as the Western world has had the limiting effect of creating political and especially economic competitive opportunities for Iran, and thus relations with China has failed to create the positive political dynamics that were intended. The limited Iranian use of China's economic and diplomatic power, an incompatibility that sets out a range of complex challenges in developing any tangible meaning to the concept of sustainable 'strategic partnership' between the two actors is a major stumbling block in the bilateral relations.

Keywords: Iran, China, political relations, global economy

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Ancient Partners: Review of Sino-Iranian relations

According to Andrew F. Cooper and Yanbing Zhang (Cooper & Zhang, 2018: 28–47), China, the second most powerful nation in the world after the United States in terms of its economic capacity and one of five permanent members of the United Nations Security Council and Iran as a “strategic middle power” have decisive roles to play in world affairs in the 21st century. As two great civilisations with a record of exchange and political relationships that reach back more than a thousand years, Iran and China share many mutual interests.

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The two nations share a similar perception of the international system, the understanding that the international order is monopolised by the West (Garver, 2011: 11). The fact that they share an ideological responsibility to help developing states and strengthen the Third World underscores this understanding of identification and the Sino-Iranian alliance. Iran's political administration appreciates China's fast economic growth and its reluctance to meddle in other countries internal affairs. On the other hand, China acknowledges Iran as the 'fellow successor' to a huge culture and as the regional power of the Middle East.

Before the Islamic Revolution of 1979, the atmosphere of the Cold War influenced the relations between Iran and China (Gentry, 2005: 113), and after the Islamic Revolution, despite Iran's grand strategy of 'Neither East Nor West', the relations with the East found a more prominent priority in Iran's foreign policy. In Carver's view, the present discourse of "great civilizations" and friendship is more than idle. The Chinese emphasis on growing long-term diplomatic partnerships that can overcome political change is key to this discourse of civilisations. A long-term investment in friendship and cooperation is an especially Chinese value, believes Garver. For example, he explains the difficult transition in Sino-Iranian relations after the Iranian Revolution of 1979. The Sino-Iranian relationship is not permanently fixed, but it has overcome significant changes, particularly the Iranian revolution as a serious social revolution of the twentieth century and the new Iranian state, the Islamic Republic of Iran. China had also been the result of intense social upheaval. It too was a state dedicated to the removal of the past social order. It too was a revolutionary state that found its style with violence and turbulence toward the development of a new order. Both China and Iran were principally revolutionary states that rejected the dominant international order and sought to replace that order. By 1979, however, the utopian visions that had fired China's revolutionary quest had burned out. China's post-Mao leadership, commanded by Deng Xiaoping, who united supreme power in August 1978, was committed to ending "class struggle" for a Communist society, concentrating rather on practical matters of economic development. The institutions and values set by the Chinese revolution were still in place, but the quest now was a pragmatic one for economic improvement, not an ideological quest for a classless and egalitarian society.

Ironically, after the Islamic Revolution, once a close ally, the United States turned to become the Great Satan who had been the Shah's major partner since 1953, and to the USSR the "lesser Satan." Nevertheless, among the leaders of the post-revolution Iranian government, there was significant mistrust of China. Ayatollah Khomeini released his distrust of China in late 1978 as the revolutionary movement in Tehran rose. In a speech in October, shortly after departing from Iraq for exile in Paris, Ayatollah Khomeini warned that our youth must know that China and Russia, like the United States and Britain, feed on the blood of our people. His request to you was to avoid the slogans that play into the hands of the Shah and try to be independent without any inclination toward East or West.

One of Iran's fundamental principles guiding foreign policy after the Islamic Revolution was "Neither West nor East. Whether China was incorporated in the "East" was a matter of some discussion in revolutionary Iran, but it seems that during the first years after the Islamic Revolution of 1979 was established, China's communist philosophy, as well as its supports of Saddam Hussein's aggression on Iran, qualified China for inclusion in the "East." From Iran's perspective, during those days, China's support of Saddam, like all other superpowers of the East and the West, was the evidence of the absolute purity of the Islamic Revolution of Iran, as well as the sign of the total bankruptcy of the system of capitalism and socialism and the evidence of their shared enmity vis-à-vis Islam. Despite the

great ideological disagreements between China's Communist leaders and Iran's theocratic rulers, the interests of the state combined with civilisational commonalities brought the two countries together. Being in a bloody war with Iraq that began in September 1980 on the Iranian side, calculations of expediency pushed ideologically resistant leaders toward the revival of ties with China. Yet once interactions between Iran's new clerical rulers and China's rulers started, at least some of Iran's new leaders understood in China not only an important power ready and able to aid revolutionary Iran, but a major non-Western civilization struggling, like Iran, to develop along non-Western lines and struggling against the West's current global domination, interference, and attitude of superiority.

The post-revolution Iranian revolutionary approach to world affairs was precisely what China was trying to shed under Deng Xiaoping. China's leaders recognised that close association with revolutionary Iran would undermine China's push to normalize its international role. Yet, the reality of Iran's very ample national power remained. This meant that Beijing would strive to help revolutionary Iran, but avoid overly close association with it. The restraints on China's relations with Iran needed to be communicated to Iranian representatives with proper diplomatic subtlety and indirectness. It could not serve China's interests to anger or antagonise Iran's leaders. Hence, Beijing's strategic plan was long-term: to set up a stable, peaceful, cooperative relationship with an influential regional power in a very crucial region of the world. But this could not be accomplished at the cost of weakening China's quest for development.

In the 1980s, as soon as Beijing's "independent foreign policy line" had been articulated, Chinese leaders started using that line, along with more assertive Chinese opposition to the United States policies, to strengthen Sino-Iranian relations. Iran noted and was happy about China's expanding alignment with the Third World and developing nations. Finally, and most importantly, the adjustment in China's line disengaged Beijing from close alignment with the United States just as Iranian-American ties were spiralling down. Post-revolution Iran faced promptly rising military pressure by the United States primarily because of the United States reaction to the collapse of its key regional ally, Iran under the shah, combined with increasing Soviet belligerency (Schmidt & Heilmann: 109–112). The United States policy toward the Persian Gulf was to rely on a proxy power, first Britain and then Iran, to police that region. That policy collapsed with the Shah's regime. President Carter's reaction was an outcome to deploy the United States military forces to the region and to build up an infrastructure that could sustain strategies to deter or, if necessary, to occupy Persian Gulf petroleum or close the Strait of Hormuz. Henceforth the United States itself would serve as guardian of the Persian Gulf. This also meant that Iranian moves against the flow of oil through the Persian Gulf brought it into direct military conflict with the United States (Hadian, 2008: 75).

From the Iranian perspective, the purpose of the United States buildup in the Persian Gulf was to pressure and ultimately eradicate Iran's Islamic revolutionary system. Iran's Islamic leaders believed that the United States had stimulated Saddam Hussein's invasion of Iran in September 1980, while the hostage crisis was in its tenth month, as a way of retaliating and weakening Iran. Eliminating or at least limiting the quickly expanding post-1979 the United States military presence in the Persian Gulf thus shortly became a crucial Iranian goal. In this situation, continued Chinese alignment with the United States in the Persian Gulf formed a crucial barrier to Sino-Iranian rapprochement. By the early 1990s, China and Iran shared an interest in shifting the world towards multi-polarity. From the Iranian viewpoint, the fall of the Soviet Union built an extremely unbalanced international system with the United States as

the only superpower which jeopardised Iran's national security. According to Carver John W. also "Beijing believed that after the USSR, Washington saw China as the major obstacle to US global domination, and would seek to undermine China by supporting various independence movements in Taiwan, Tibet, and Xinjiang" (Carver, 2011: 97).

When in 2005 in Iran, Ahmadinejad succeeded Khatami to become Iran's ninth President, the policy of looking to the East (in Persian: *negiah be Sharq*) was launched to counterbalance the increasing economic isolation. Iran turned away from the careful relations with the Western states during the Khatami presidency trying to forge new alliances with the powers in the East. Thus, Beijing became a privileged actor in the booming but isolated Iranian market. The most important Chinese investments in Iran were in the field of oil and gas exports worth about \$ 20 billion over 25 years, the construction of the Azadegan oil field and the agreement with the National Chinese Oil Company to replace Total France for the development of the South Pars gas field (Ghafouri, 2009 88:).

To a great extent, sanctions converted the Iranian market into a monopoly of Beijing. Moreover, China's rise to world power status has accompanied its will to oppose European and American claims to hegemony. China sees Iran as the major power in the Persian Gulf, with strategic dominance over the Strait of Hormuz and with immense oil resources. These resources are crucial to post-colonial economies as they face the successors of Western imperialism in an era following colonial withdrawal (Farmanfarmaian, 2020). The impulse to expel Western business interests and end the unjust "humiliation" of before great powers such as Persia (Iran) and China is the foundation for the Sino-Iranian partnership. Thus, after the collapse of the Soviet Union, Iran established well-developed economic and political relations with China. An important step was the improvement of bilateral economic relations. Moreover, we could witness the active participation of China in the Persian Gulf region imposing restrictions on military activities of the dominant Western powers in the regions, particularly the United States. Iran and China also concluded different successful agreements to expand energy cooperation. As the preeminent power in the region, Iran profits from the Chinese energy cooperation with the region. Thus, China found reliable energy sources in the Middle East and the Persian Gulf in addition to its energy cooperation with Russia and Central Asia, which it needs to make sure its economic growth. Furthermore, China holds that transportation of energy supplies from the Persian Gulf is safer only if it maintains close relations with all regional actors since transportation of energy supplies flows through tankers via the Strait of Hormuz in the Persian Gulf and not through pipelines like its energy supplies in Central Asia.

From China's perspective, Iran has significant economic and political weight in the Middle East and the Muslim World. From China's perspective, Iran is a potential partner in dealing with regional security concerns, such as the issue of revival of the Taliban in Afghanistan and its effect in Chinese-Iranian exposed regions. Moreover, China, for its part, hopes to expand its connections with Iran to strengthen its footprints in the Middle East. Beijing furthermore expects that "through relations with Iran, China might be able to impact and secure the flow of the international distribution of oil and the international balance of power" (Garver, 2011: 96-97). In a meeting with Iranian President Hassan Rouhani on the sidelines of the Shanghai Cooperation Organization summit in Bishkek, Kyrgyzstan, President Xi says China will promote steady ties with Iran no matter how the situation changes (Reuters, 2019).

Iran's Policy of Looking to the East

There is no clear-cut definition of “middle power,” but scholars put diverse classes to determine the term, such as material capacity, physical capacity and geopolitical importance, influence on great power politics, contribution to global problems, etc. (Robertson, 2017: 355–370). Rising economic capacity, possible military and political-power resources, a fair degree of domestic cohesion, spirit and some strength to contribute to the generation of a revised international order are commonly employed to identify emerging or rising powers. (Hurrell, 2010: 63–88). The post-revolution Iranian governments hope to play an influential role in international politics have always fallen short and Iran has been recently facing severe international pressures, such as sanctions. Moreover, Iran has never had the material capacity to perform independently on the global stage without the support of great powers or international organisations. Since the debates over Iran's nuclear programme began in the early 2000s, the Western scepticism of Iran has grown again after the Islamic Revolution.

Where the Iranian public view is concerned, the argument is that there is an apparent tension among various domestic paradigms. On the one hand, the attractions of a pro-Western agenda which promises liberalisation, modernisation, aid, technical assistance and eventual integration of Iran into the Western camp, and on the one hand, the Eurasianists and the proponents of Iran's ‘look East policy’ who consider an alliance with Beijing and Moscow as essential, given the Iranian dependency on energy exports and supplies, as well as the ideational affinities and values that Tehran and Beijing share, such as state sovereignty, limitation of the Western dominance in the regional and world affairs, extending the regional partnership.

After a series of negotiations between the Iranian diplomatic teams and officially designated senior representatives of P5 + 1, the Joint Comprehensive Plan of Action (JCPOA) was obtained under the title of the Vienna Agreement. It is not surprising, therefore, that the JCPOA was seen as a great victory for Hassan Rouhani's government at home and abroad. It was estimated that with the lifting of the Security Council nuclear-related sanctions and the unilateral sanctions by the United States, the Iranian government could have a smooth path to trade and finance projects inside Iran. However, a severe anti-JCPOA rhetoric commenced during President Donald Trump's candidacy in the 2016 election indicated that if he took power in the United States, the Rouhani administration would face serious economic, security and political challenges. President Trump's entry into the White House and desolation of the JCPOA created a new condition in the region. Trump finally decided to withdraw from the JCPOA in 2018 and was criticised not only by the Rouhani administration but also by the EU, Russia and China (Guardian News, 2018).

China's participation in the JCPOA has been significant and Beijing has emphasised resolving the nuclear issue peacefully, preventing further escalation of pressures on Iran. China has thus far abstained or vetoed most of the recent United Nations Security Council resolutions (Almond, 2016). At a diplomatic level, both Iran and China view the extraterritorial application of secondary sanctions by the United States as being inconsistent with the principles of non-interference and sovereignty. Iran constantly declares that the sanctions are ‘illegal.’ In the meantime, recently, Beijing, alongside Moscow, supports Tehran in the nuclear dispute so that a further resolution against Iran's nuclear programme could not be passed and the United Nations Security Council rejected a proposal to indefinitely extend an arms embargo on Iran (Deutsche Welle, 2020).

Tehran and Beijing had overcome the diplomatic ups and downs and fully normalized their relations by the early 1990s. Chinese Foreign Minister visited Tehran recently to sign the bilateral agreement and met with his Iranian counterpart Zarif. During the meeting, the two foreign ministers agreed that a common strategy is necessarily on the issue of US sanctions, and regional security affairs, such as the security for Afghanistan and Iraq as well as to face the challenges of the global financial crisis and climate change. Chinese Premier's visit to Iran in 2016 was a sign of a new milestone in the relationship for establishing and developing strategic cooperation relations and improving their partnership.

Tehran's strained relations with Europe and the United States created another chance for further strategic cooperation between Iran and China. Indeed, in the light of regional tensions as well as the nuclear crisis, Tehran's relations with the West have been at an all-time low. These circumstances had prompted some observers to consider whether Iranian increasingly tumultuous relationship with the West might lead to a fundamental shift in its strategic orientation toward the East. Tehran aims to pursue a "hybrid foreign policy" that keeps the door for relations with the West open but at the same time has anti-Western features since 1979. Facing some difficulties in domestic politics, the difficulty is to keep up a favourable political balance with Principalists, Eurasianists and, Westernists, Reformers, Nationalists, and Iranian liberals. The formulation of Iran's foreign policy has been principally based on an admixture of the post-revolution's Shia-Islamism, with tendencies towards the global East. The Shia Islamist Eurasianists on foreign policy has characteristically relied on an anti-West orientation and pragmatic partnerships with the East and developing nations across the globe, such as relations with Latin and Central American nations. However, Iranian Eurasianist foreign policy lacks a full-fledged strategy that can realistically be expected to yield positive results for the country, especially when compared to its pre-Islamic Revolution ties with Western counterparts (Hunter & Shirin, 2010: 11).

On the other hand, China wants to get full support from Iran about the Chinese policies towards the Persian Gulf and the Middle East. Considering the U.S. sanction in particular during the Trump Administration, because of the purchasing of the nuclear programme and Iran's support of Syria and the Resistance allies across the Middle East, Iran wanted to use China as political and economic leverage against the United States and the regional adversaries in the GCC. On the other, Beijing did not likely wish to be used leverage against the United States and the GCC or even Israel for the sake of Iran, as China had its trouble with the Trump Administration over the trade war, Taiwan crisis and Hong Kong protests.

Tehran and Beijing both under the pressure from the United States recently concluded a roadmap of 25-years comprehensive cooperation, which indicates that China and Iran give further weight to the already close Sino-Iranian relations. China and Iran have concluded a strategic agreement, which is a step for achieving a long-term strategic partnership between two Asian powers with many mutual interests (The Guardian, 2021). The agreement entails political-strategic, economic and cultural components and should further promote and ease the relations between China and Iran in the long run. This is especially important from Iran's perspective, as due to sanctions imposed on Iran, the structural, economic, and social damage have been tremendous, and so, notable investment is yet required to rebalance the Iranian economy. With the JCPOA achieved, Iran's economy hoped to recover. However, with the "snapback" to re-establish all sanctions against Iran, the economy has again suffered in early 2019 and 2020 (Aljazeera, 2020). Beijing seeks to strengthen its status as one of the few formal buyers of Iran's oil, as well as boosting its footprint in the Iranian economy. Moreover, assisting

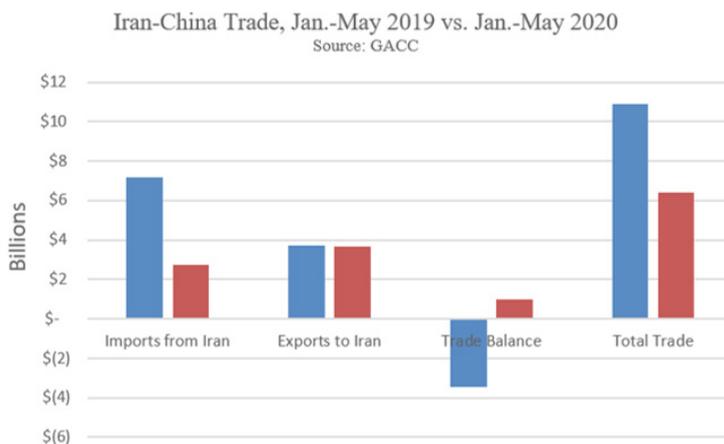
to make sure the survival of the JCPOA presents China with the opportunity to put forward its profile in international affairs and to set the tone in the broader nuclear non-proliferation debates and specifically in solving the dilemma over the JCPOA.

China has thus far demonstrated support for Iran at the UN Security Council by vetoing some of the UN Security Council Resolutions initiated by the United States and its allies which aimed to punish Iran for its nuclear ambitions. China, for instance, managed to veto any restrictions that Resolution 1929 might place on financial transactions, especially in the energy sector with Iran. The recent draft of Resolutions extended former sanctions by limiting trade relations with Iran, permitting states to scrutinise vessels suspected of transporting sanctioned materials. While Washington requires China to pressure Tehran by limiting its trade relations with Iran and halting the import of oil from Iran, Beijing maintains continuously its commercial ties with Iran, asserting that politics and economics should be excluded. China argues that regular trade relations and energy collaboration between China and Iran have nothing to do with the nuclear issue, and they should not mix issues of different nature.'

Sino-Iranian Trade Relations

China's approaches toward Iran are primarily economic. The contemporary Sino-Iranian relations is primarily formed by energy trade and investment and technological cooperation. The Chinese determination to get engaged in the Iranian market comes in a time when due to the sanctions, many trade partners including Europeans, Japanese, Indians and South Koreans, have reduced trade cooperation with Iran drastically or have become reluctant to do investments in various strategic sectors, including the developing Iranian oil other industrial fields. While the Sino-Iranian political cooperation is increasing, the Sino-Iranian trade, in contrast, is facing major obstacles. According to China's General Administration of Customs, the total trade between Iran and China in 2020, compared to 2018, decreased by almost 36.3% (General Administration of Customs of the People's Republic of China, 2020). Since the exports and imports relations of Iran take place with the US dollar, the fluctuation of the US Dollar and inflation have influenced the Iranian capital market and generated turbulence on the Tehran Stock Exchange index. According to economic analysis and statistical evidence, the spread of turbulence causes severe damages to the Iranian economy, as in the Iranian calendar year 1397 (2019-2020), Iran's economy was shaken by new sanctions, especially oil sanctions, which was spread to financial markets and the stock market (Sajedi & Sajedi, 2019: 123–155).

The Sino-Iranian trade volume had soared in the second decade of the 2000s. The bilateral trade peaked at a historic high level. According to the Chinese customs data trade with Iran continues to decline clearly, primarily because Beijing is buying less and less crude oil from Tehran. The trade data imply Tehran may not be an especially attractive partner for Beijing's investments. According to monthly data from China's General Administration of Customs (GACC), trade with Iran dropped 41 per cent to \$6.4 billion in the first five months of 2020, compared to \$10.9 billion during the same period in 2019. This drop shows a 62 per cent decrease in Chinese imports from Iran, although Chinese exports to Iran prevailed stable, dropping just 1 per cent to \$3.69 billion in the first five months of 2020 (Saeed Ghasseminejad, 2020).



Source: The Foundation for Defense of Democracies (FDD)

There are several reasons for this outcome. First, the two economies might reach their limits in terms of compatibility, and so there must be further structural arrangements to increase the bilateral trade volume. Depending on increasing trade volume with China, Iran has suffered more because of the deepening deficit. Iran imported more from China than exporting to this country. This means that the higher trade volume with China brings more deficit to Iran. This creates more reluctance on the Iranian side to develop its trade with China. Second, Iran's economy dropped significantly because of sanctions and domestic issues, such as the lack of transparent and bad-governance inter alia.

Iran's exports to China are ca. one billion and 840 million dollars. China which estimated 28.9 per cent of Iran's total exports in the first quarter of this year, is one of the five main destinations for Iranian goods. China's exports to Iran during this year amounted to 1 billion and 940 million dollars. Subsequently, the share of China in Iran's total imports in the spring was ca. 25.4% (Abena New Agency, 2020). Given this economic context, the formation and promotion of financial and trade integration between China and Iran is a key aspect of the agreement between China and Iran. China under the umbrella of the One Belt, One Road project, is steadily expanding its political influence and investment footprint, including the Strait of Hormuz. Beijing will increase its involvement in the region building on a long-term strategy that seeks to improve China's diplomatic and economic influence across the Middle East. There is also tremendous enthusiasm in the region for Chinese investment there. China regards the region (Global Times, 2017). This, in China's perspective, rests upon stability within the region. According to China's estimations, the growth opportunities through BRI will reduce tensions in the Middle East (Xinhua, 2017). Therefore, in contrast to reluctant European investors, China has proceeded to flow investments into Iran. The latest example was a 538 million USD railway deal (South China Morning Post, 2017).

China's Belt Road Initiative (BRI)

Transportation, Investments and Trade under Xi Jinping's presidency, China turned towards the Middle East trying to link the Xinjiang Uyghur Autonomous Region and the Middle East. Since then, the China-Central Asia-Western Asia Economic Corridor (CCAWEAC) has

become the central engine for China to focus on the Central Asian, Middle Eastern and South Caucasian countries. It is also an alternative mainland route to Europe that does not pass through Russian territory. As a result, China actively invests in building railroads, highways, ports, and other infrastructure facilities in the CCAWAEC countries. The Persian Gulf region's population is an important market for Chinese goods. China is also a supplier of high-tech and arms to the region. The Chinese unmanned aerial vehicles have been in great demand in the GCC states. Together China has strengthened its economic-political-military presence in the region. Its military presence also will enable it to keep watch of the Strait of Hormuz inter alia to make sure stability in the Persian Gulf. China has also deployed soft power tools to grow its diplomacy in the region. The Confucius Institutes are very successful among the youth because the Chinese language promotes job opportunities in companies affiliated with China. In addition, Beijing gives thousands of scholarships to the region's students (Sahakyan & Mher, 2021).



Source: Xinhua, 2014

According to China's estimations, the growth opportunities through the One Belt, One Road project will reduce tensions in the Middle East (Xinhua, 2017). Therefore, China has proceeded to invest in Iran. The latest example was a 538 million USD railway deal (South China Morning Post, 2017). The BRI is one of the most acclaimed Silk Road initiatives in the post-Cold War period which was first formulated by Chinese President Xi Jinping in 2013 during a trip to Central Asia and has resonated with both the region and the wider globe. In addition, both in terms of its financing and the geographical area that it embraces, this initiative has become the object of discussions. In this sense, it is helpful to elaborate on two fundamental points of the Chinese initiative that distinguish it from those initiatives led by other countries.

First, China's initiative crosses a much wider geographic area. The BRI encompasses two principal geographical regions: the first follows the historical overland Silk Road through Central Asia, north to Russia, and finally to Europe, while the other passes through Iran and Turkey to the south. China's overland Silk Road is called the Silk Road Economic Belt. The BRI also includes the 21st Century Maritime Silk Road (MSR), including Southeast Asia, South Asia, East Africa and Europe. The route of the MSR begins in the South China Sea, passing through the Malacca Strait, the Indian Ocean and the Red Sea before reaching into the Mediterranean Sea.

The BRI, beyond being a mere transport corridor, envisages the economic integration of the nations along its path. The first of the five fundamental fields of cooperation envisioned in the initiative is based on the integration of transportation systems. For this purpose, railways, highways, airways and ports are formed and integrated, and, if necessary, new railways, highways, airports and seaports will be established. Second, the potential of involved countries to develop urban infrastructure is developed by improving their domestic markets and operating towards their further economic integration. Third, the BRI also supports the idea of promoting the joint use of energy and natural resources as well as their extraction operations. The fourth area of collaboration is the foundation of organised industrial zones as well as the establishment of agricultural production and farm operations. Fifth, the BRI focuses on the facilitation of development initiatives that run to meet the requirements of countries along the Silk Road. Accordingly, as a country that has achieved its flourishing model of development, China is trying to transport its knowledge while also providing material support for related projects.

China will complete the One Belt, One Road project through the development of Iran's infrastructure and use Iran's territory as a corridor between China and Europe. Considering Iran's advantages, such as the shortest land route to Europe, as well as the access to the Persian Gulf and via the port of Chabahar (Iran's only ocean port) to open waters, Iran can offer an important role and infrastructure in the transit of goods (Fars News Agency, 2015). From Iran's perspective, the primary goal is to use the route as a green and safe corridor to simplify the export of Iranian energy and related products as well as the Iranian manufactured goods to China. The Silk Road is a favourable project and an exceptional economic and trade opportunity for Iran, where Iran's geographical location has provided its special importance in terms of the movement of goods and the passage of oil and gas pipelines in the global economy. Through this project, Iran can get multiple advantages and develop its economic status at the regional and global levels. This necessitates understanding the opportunities and developing to compete with regional and international competitors. The current state of geopolitics in the Middle East shows that the enduring Sino-Iranian alliance will remain an outstanding pillar of Iranian foreign policy.

Energy Relations

Energy is a foreign policy tool of Iran to influence the consumer countries in the political arena and to effectively take part in international equations. The cornerstone for the use of energy exports is the dependency relationship that occurs between an oil or natural gas providing state and a consuming state. Thus, energy is directly linked with Iran's national interests albeit it has not yet reached its proper place in its foreign policy. Iran ranks second in the world for natural gas reserves and fourth in proven crude oil reserves. While its economic

base is fairly diversified for an oil-exporting country, economic activity and government revenues still depend on oil revenues and have, so, been unstable (The World Bank Group, 2020). Iranian deposits of oil and gas will financially nourish the Iranian economy for years to come.

Nonetheless, due to the devastations incurred during the Iran–Iraq War (1980–1988) and the negative influence of the US-imposed sanctions on Iran since 1980, Iran’s oil infrastructure has suffered much. China’s rapid economic growth in the last two decades, as well as the insufficient domestic energy resources, have made energy security and its prospects an important but also worrying issue for the country. This is primarily because any interruption in the flow of energy can create severe obstacles in the path of China’s economic growth and thus have a serious consequence for its national security. Hence, energy is a vital issue for economic development and its preservation and energy security is a top priority for foreign policy (Vaezi, 2008: 8). The Middle East is China’s most obvious source of energy supply. China’s growing demands and Iran’s energy capacities have increased the weight of Iran as an energy provider, although China has recently tried to cut its dependency on oil imports from the Middle East broadening its sources of energy imports. China is an important market for LNG and will offer a solid ground for Iran as a gas producer country (Behrozifar, 2006: 48). Requests for gas will increase as requests for electricity increase. Natural gas is thereby utilised as a fuel for electricity generation.

Knowledgeable of Iran’s serious demands to explore its vast oil and gas resources and modernise its energy infrastructures, China proposed to restore it and to engage in joint venture explorations and development of new oil and gas fields. In doing so, China strives to close up into the Iranian energy market and to meet its growing oil and gas requirements. Iran has the second-largest oil resource after Saudi Arabia. By the end of 2019, the value of petroleum exports (million \$) of Iran accounted for 19,233 (OPEC: Iran, 2019). According to the World Bank, “Iran’s Gross Domestic Product (GDP) was estimated at US\$440 billion for the Iranian calendar year 2019/20, for an 82.8 million population” (The World Bank Group, 2020). Iran’s trade products consist of its hydrocarbon, agricultural, and service sectors, while there is a noticeable state presence in the manufacturing and financial services.

Given such a profound interaction between energy and politics in Iran, its foreign relations cannot be outlined without recognising the status of oil and gas. According to the 66th annual report of the British Petroleum (BP), entitled “World Energy Statistics Review 2017”; Iran’s proven oil reserves in 2015 and 2016 were the same, equal to 158.4 billion barrels, and with 9.3% of the world’s proven oil reserves Iran is still the fourth-largest owner of oil reserves in the world. This is while Iran’s regional rival Saudi Arabia with 266 billion and 500 million barrels ranks second place in this regard. According to the latest BP estimates, the volume of Iran’s gas reserves in 2015 and 2016 were equal to 33.5 trillion cubic meters, and Iran owns 18% of the world’s total gas reserves. According to the report, Russia is in second place after Iran with reserves of 32.3 trillion cubic meters and Qatar is in third place with 24.3 trillion cubic meters of reserves. Iran with the second-largest gas reserves in the world, together with Qatar and Russia is thus the only suppliers of gas in the international market (Soage, 2015: 4).

Iran’s energy policy is not based on the coordination of energy interests and the oil markets alone. The three most important components that affect Iran’s energy diplomacy are, first, the concern of the unexpected developments and interruptions that could lead to severe cuts in export and shortages, secondly, Iran’s economic vulnerability about oil export, and thirdly, Iran’s conception of the threat by the US dominance in the Persian Gulf, the worries about the sanctions

and blockade of Iran's oil supply by tankers. These concerns have grown in the wake of the US military presence in the Persian Gulf and Iraq (Akhavan Kazemi, 2005: 171). China tries to fill in the existing gap of investment and foreign exchanges with and inside Iran, particularly in the Iranian energy sector. According to Shirk (2007: 137), Chinese policymakers believe that 'the only way to make sure a safe flow of energy is to take physical control over oil and gas by buying up equity stakes or long-term supply contracts in producing countries.

Hence, China finds that most of the oil and gas could be either already owned by national companies in the producer countries or by Western oil companies. Therefore, "China has been compelled to move toward states where United States sanctions prohibit American companies from doing business, such as the Sudan and Iran" (Shirk, 2007: 138). On the Iran side, Iranians are also willing to do business with the Chinese as they find that 'Chinese are more ready to respect the Iranian interests and to meet the Iranian investment and technological requirements compared to the Western States (Garver, 2011: 275). Moreover, Iran honours China's willingness to import the Iranian oil and oil products, the way China contributes to Iran's industrialisation in the oil sector and the readiness to export various commodities to Iran which are urgently needed by Iran. Therefore, over the last decade, Iran has occurred as major suppliers of energy resources to China. As China's interest in Iran grows, it desires not to continue as a sheer purchaser of Iranian oil. It also aims to get engaged in Iranian oil expansion plans to further increase China's portion in the Iranian energy market and make sure the flow of the necessary oil imports over the long term.

Strategic obstacles in the way forward

As part of China's One Belt One Road initiative, it is uncertain if such projects will materialise. Hitherto the share of transit, the infrastructure, especially the development of railways in Iran, will need to make a real improvement in the logistics. Some of the mutual trade and energy projects are ambitious, and whether all these projects can be finalised is still unclear. China's investments in Iran's transport infrastructure, particularly in railways, are not completed yet. Chinese officials expressed an interest to build up Iran's Chabahar Port in Iran's southeastern province of Sistan and Baluchestan after India hesitated and withdraw from the project. It remains to be seen if China or India would be the winner of the project. India signed an MOU and approved a \$150 million line of credit to develop the strategic Iranian port of Chabahar, which includes a transit route to Afghanistan bypassing Pakistan (The Express Tribune, 2016).

Chinese oil and energy companies may have several obstacles as they lack the technology needed to liquefy Iran's natural gas and despite some good developments still, it may take some time to overcome the logistic and technological gaps and to be at the same level compared with the experienced Western firms which have a long record of history in implementing and managing complex oil and gas projects (Garver, 2011: 11). Disagreements over contract terms, repeated delays and cancellations have thus far hindered the involvement of China's energy firms in Iran's oil and gas sector. During 2010 and 2014, while Iran was under the most substantial sanctions, China became more reluctant to keep its confirmed investments. The standstill of an agreement with China National Offshore Oil Corporation (CNOOC) in 2011 for the development of Iran's North Pars gas field was a major setback.

Although Iran is China's fifth-largest oil supplier in 2014 (U.S. Energy Information Administration, 2020) it is very difficult to predict if and how China's investments in Iran's

oil and gas sector will develop further. Iran's growing need to do and export more of its oil and gas is a dilemma in Iran's relation with China. Given the economic consequences of sanctions, it is difficult for Iran to protect its economic interest and at the same time to grant access and sell as much Iranian oil and gas as possible to the Chinese market. Moreover, the international sanctions and the tensions recently on the Persian Gulf has risen the importance of safe alternative suppliers of energy to avoid becoming heavily dependent on Iran for energy resources. China will need to check the cost of the investments and imports from Iran and thus does not ignore completely the incentives of turning to other major trade partners and energy suppliers in the Persian Gulf, mostly Saudi Arabia and the UAE (Alamayifar, 2011: 30–31).

Because of the absence of economic and political relations with the West, Iran finds it is trapped in extensive commercial relations with China and its wish to keep up its independence under the slogan of neither the east nor the West. Moreover, domestic Iranian opinion is an important determinant. Iranians still prefer to have constructive relations with the West, particularly the United States and do not want to be cut off from the West. Still, if Iranian students want to go abroad for the higher education of doctoral and research studies, they mostly choose the Western countries, including the United States and not China or Russia. There is an asymmetric relation between Iran and China. China considers the relations with Iran as a source of bargaining vis-à-vis the West, with admittedly plenty of opportunities for success or failure along the way. Tehran knows that it could not expect Beijing to work only for the bilateral relations with Tehran. Hence, Tehran has adopted a 'double-track strategy' of diplomatic ties with China while hoping for better relations with the West. To a great extent, Iran's potential rapprochement with the West over the nuclear case could serve as an important bridge between Iran and the West and thus might limit the prospect of bilateral relations over the long term (Omidvarnia, 1989: 58).

Both China and Iran must try to respond to some of the other side's concerns and while operationalising the joint agreements. In other words, there is only a little evidence that China would stay a reliable partner in Iran's search for longstanding trade and security partnerships. Moreover, Iranian manufacturing companies, producers and businessmen constantly protest against the imbalance of economic relations with China, that the imports of all sorts of Chinese products endangered their existence. There are only limited chances for Iranian firms and producers to survive should Iran import more Chinese products. The introduction of goods made in Iran can create a space to attract attention to the Iranian brands supporting Iranian quality products. Some multiple undiscovered Iranian manufacturers and brands produce goods comparable to foreign brands. However, because of the lack of marketing and sales, they could not compete with other products and foreign brands.

However, when it comes to huge investment plans to sign contracts with Iran, the Chinese companies hesitate because of uncertainty over how the international community will go ahead and respond if Iran does not curtail its nuclear programme and particularly the enrichment of uranium programme. China, in general, is not willing to pay the price of any tension between Iran and the West and China wants to avoid jeopardising opportunities to promote trade relations in the United States and Europe as well. For example, Shenzhen-based Huawei (Chinese telecommunications equipment manufacturer) declared openly that it will voluntarily limit its business development thereby no longer striving for new deals with customers and restricting its business activities with existing customers because it intends to do business in the United States and Europe.

China is careful in forging too close to Iran's nuclear programme and tries to push Tehran towards collaboration and to respect Security Council proposals (along with EU and/or Russian proposals) for settling the nuclear standoff. At the same time, China has been rhetorically clear that it will not support any violation of the non-proliferation treaty or the closing of the Strait of Hormuz. On the other hand, Iran aims to prove a balancing act in the ties with China. Tehran knows the risky relations with China and Beijing's limited support of Iran. A further point is the Chinese relations with Iran's arch-rivals. Beijing is balancing its policies against Iran's rivals (Burton, 2020). Beijing does not see Iran's nuclear programme as threatening as the Western states, Israel or Saudi Arabia do and it has primarily sought to convince the West and the GCC that Iran is not seeking nuclear weapons or at least China will not support such an intention for Tehran. As for security, should the United States continue to diminish its presence in the Middle East, that would push the GCC states to shift away from their dependency on the United States placing more active bets on some of their potential Asian partners, including China. From Iran's perspective, the development in the region rests upon stability within the region. China's reluctance to act as a security guarantor in the Persian Gulf indicates that Beijing does not want to pay any of the costs of possible military tensions in the Middle East and that its security strategy towards the Persian Gulf is not yet well-defined (Alterman Jon B., 2013). Hence, Beijing seems unlikely to proclaim any peace initiatives for Iran and Persian Gulf security beyond broad calls for peace in the region, probably maintaining China's existing policy of non-interference (Lons et al., 2019).

Conclusions

Despite some tensions and diverging interests in Sino-American or Sino-Iranian relations, Beijing and Tehran have altogether managed to establish a balance between reconciling its interests in Washington and forging an alliance with Tehran. The agreement will ease the cooperation in terms of the Silk Road. Thus, it will be an important driver of economic growth with advantages and further trade opportunities not only for China and Iran but also for many countries across the silk road. Iran's new policy of a "Pivot to the East" involves developing robust ties with the giants of the Asian continent, namely, China and Russia (Tanchum, 2020). The maximum pressure strategy by the United States, if anything, sharpened Tehran's wish to introduce Beijing as a reliable economic and political ally under the atmosphere of threats and sanctions. Thus, Iran's policy of a Pivot to the East has achieved all the more credibility among Iranian officials after the United States withdrew from the JCPOA. The United States' maximum pressure campaign on Iran, combined with a confrontational approach from Saudi Arabia and Israel vis-à-vis Iran and the growth of tensions in the Strait of Hormuz are endangering both the freedom of navigation, energy security and flow of oil supplies through the Persian Gulf. Nevertheless, China seems quite reluctant to become bogged down in the regional tensions and attempts to avoid a military conflict.

Economic sanctions against Iran have driven the growth of China-Iran economic ties. China is now Iran's largest trade partner, its largest oil purchaser, and its largest foreign investor. However, China does not seem ready to shape any one-sided relation neither with the GCC nor with Iran. By avoiding partnerships in favour of its bilateral ties with Iran or the GCC, China remains keen to balance its relations with all regional powers. By circumventing direct involvement in regional battles, China aims to further expand its economic and military activities in a highly strategic region, securing the flow of oil exports without being bogged

down in the upheaval of political and security confrontations in the Persian Gulf. The European Union and Washington will have to recognise China's interest which is thwarting their traditional dominant role as a net security provider in the Persian Gulf and the Indian Ocean. Based on the strategic relations with Iran, China can keep up a sustainable presence along the Strait of Hormuz, which would furthermore legitimize Beijing's overseas bases to guard its maritime interests. This will lend credence to Beijing's claims of being a powerful and responsible global actor.

The dilemma of the Iranian nuclear issue has had an impact on the course of the development of Sino-Iranian relations. As China's interests in the Persian Gulf are comprehensive, Beijing will find it increasingly difficult to keep its balancing act between the competing interests at play. The hallmark of contemporary Iranian relations with China is pragmatism based on an understanding of shared security and economic affairs. China does not have any negative records in the minds of the nations, like colonialism or military interventions. Energy consumption in China and the continuing trend will elevate Iran to an important place in China's foreign policy. China can reciprocate some of the strategic needs of Iran in the field of development and security. In terms of economic relations, China and Iran will try to avail themselves of opportunities to expand their security and economic relations. Zero-sum intentions by the United States compel Tehran to profit from China's capability to thwart U.S. endeavours. China and Iran will attempt to apply an external balancing policy, which implies counterbalancing an antagonist's power by relying on the capacity of allies. However, should a rapprochement with the United States be possible, Iran's diplomacy makes it harder for Tehran to sustain its contemporary middle-of-the-road strategy in establishing relations with China.

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