China-Iran Strategic Cooperation: Context and Central Asian Vectors
by Philip Reid

EXECUTIVE SUMMARY

In March, China and Iran signed a 25-year Strategic Cooperation Agreement in Tehran. The agreement reportedly provides for up to $400 billion of direct investment, reflecting earlier commitments made during Xi’s landmark visit in 2016. This year’s ceremony, attended by Foreign Minster Wang, coincided with the half centenary of the establishment of bilateral relations, and some commentators have hailed the agreement as marking a major strategic re-alignment. The reality is more complex, but the trajectory of Sino-Iranian relations is a pivotal one, particularly for Central Asia, the region separating two states that routinely eulogize each other in ‘civilizational’ terms. Tangible markers for a Sino-Iranian ‘axis’ in the region are noticeably absent however and the shared ‘New Silk Road’ vision has been stifled by sanctions, poor connectivity and regional wariness towards Tehran’s revolutionary agenda. This policy brief reviews the China-Iran strategic relationship and identifies four key vectors for its future development in the region.

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Triangular Bilateralism

While often misinterpreted as an ‘all weather’ alliance, Sino-Iranian relations have, for most of their modern history, functioned as a diplomatic triangle, one in which China’s immediate interests with the United States are granted primacy. Beijing and Tehran enjoyed strong relations during the 1980s when Chinese missile shipments and nuclear cooperation became a source of tension with Washington. Solidarity was cemented by post-Tiananmen sanctions and economic relations expanded significantly during the early-1990s. Recognizing the danger of a split with Washington after the Third Taiwan Strait crisis however, Beijing terminated nuclear projects and stopped shipments of anti-ship missiles to Iran. The sale of a research reactor had previously been cancelled in 1992 on the eve of a US congressional vote on China’s most-favoured-nation status. This dual-track policy of anti-imperialist solidarity but carefully judged and often duplicitous acquiescence to US demands has defined the tempo of bilateral relations in the Twenty-First Century.

While Jiang Zemin would visit Tehran only months after Iran was declared part of the second Bush administration’s ‘Axis of Evil’, Mahmoud Ahmadinejad’s ‘Look to the East’ policy stalled after successive high-level meetings drew no formal commitment from Beijing. China would approve sanctions restricting conventional arms exports to Iran, blocked Tehran’s SCO accession and, in 2012, halved imports of Iranian oil. Following the US withdrawal from the JCPOA, the Chinese state-owned Bank of Kunlun has limited payment processing to areas not targeted by sanctions, cutting off machinery and parts to Iranian industry. China has also been slow to invest in the development of keynote gas projects and in 2019 pulled out of the South Pars development.

Yet China has continued to foster Tehran’s missile production capacity, indirectly, by failing to penalize export control violations, enabling the transfer of sub-components and military-industrial inputs. Beijing has also facilitated Iranian cooperation with North Korea, granting airspace and maritime access. Indirect assistance that prompted sanctions on Chinese companies by the Bush Administration in 2003 and 2007 continued despite the ‘maximum pressure’ policies of the Trump Administration, during the course of which ZTE was indicted in the US for exporting technology to Iran and North Korea. Chinese companies have constructed railroads, bridges, dams, tunnels, steel mills, as well as a metro system in Tehran. In 2007, China became Iran’s leading trade partner and two years later, as investment agreements were signed totalling $17 billion, China became the leading destination for Iranian oil exports. In early 2021, daily oil exports to China were returning to all-time highs, assessed in some cases to be de facto repayments to Chinese companies and either passed off as crude shipments from other countries or facilitated by so-called ‘bonded storage’.

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13 Holmquist and Englund, “China and Iran – an Unequal Friendship”, 22. Also Reuters, “China’s Iran oil imports seen hitting new high in March, curbing OPEC output options”.

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Tehran has been willing to take considerable risks in order to maintain strong relations, most recently by delaying the curtailment of bilateral flights at the outset of the pandemic, and Beijing’s public disdain has disillusioned many Iranians. As Iran’s dependence on Chinese oil demand has risen, reaching forty-eight percent of total exports in 2019, Beijing has diversified supply and Chinese companies have been able to negotiate deals below world benchmarks. Barter arrangements have also saturated Iranian markets with Chinese manufactures and Iran’s middle classes are as hostile to China as conservatives are towards the United States. Consequently, the strategic agreement has been denounced on Iranian Social media as a ‘New Treaty of Turkmanchay’, a reference to the ignominious Qajar capitulation to the Russian Empire in 1828.

**Balancing Regional Interests**

Chinese opposition to Tehran’s nuclear proliferation is genuine however, and conditioned by Beijing’s requirement to be seen as a responsible world power. While China still defends Tehran’s legal right to peaceful nuclear activities, Beijing has voted for UN sanctions, issued white papers on non-proliferation and was a decisive interlocutor in JCPOA negotiations. Nevertheless, negotiations occurred in tandem with a revival of military cooperation that has continued to the present day. In 2014, two PLA-N destroyers docked in Bandar Abbas for the first time and twelve military interactions: high-level dialogues, port visits and bilateral exercises, reportedly took place between 2014 and 2018. In late-2019, the two navies conducted a trilateral exercise with Russia after a year of heightened tensions in the Hormuz Strait.

Beijing pursues what it describes as a ‘zero enemies’ policy in the Middle East, and China has proactively engaged Saudi Arabia since a series of high-level visits in the late-1990s. The Kingdom has been China’s leading supplier of crude oil since 2001 and in 2016 Sinopec and Aramco inaugurated a $10 billion refinery on the Red Sea Coast, an export point of egress aloof from tensions in the Hormuz Strait. Sceptics of the March agreement are swift to point out not only Beijing’s strategic agreement with Saudi Arabia, but also the heightened Chinese investment in GCC countries during the past five years.

The same argument however has been made to downplay fears of Chinese expansionism in Central Asia, where investments and concessional loans are often contrasted with the higher levels of Chinese ODI registered in OECD economies more able to absorb them. The true depth of Beijing’s relationship with Tehran is more effectively gauged by

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its context than by conventional empirical alibis. ‘No country in the world’, according to Harold and Nader, ‘is as important in ensuring [Iran’s] survival and helping to insulate it from international pressure as the PRC’.22 Indeed, the voting correlation between the two countries on important UNGA resolutions is one of the highest among China’s bilateral relationships.23 This is less the policy of a responsible world power seeking to prevent instability in a major oil-producing region than the product of a longue durée strategic calculus conditioned by Beijing’s perception of its relative position in the global order. Maintaining Iran as a strong regional power both anchors Beijing’s ‘anti-imperial’ revisionist platform on the world stage and presents a distraction for US military commitments in East Asia. Beijing’s weapons sales to Iran have occasionally been tied to US weapon sales to Taiwan and no Arab state can now deal with China without considering the risk that China might expand its military ties with Tehran.24

According to John Garver, ‘there is nothing comparable’ in the Sino-Saudi relationship, ‘to the close and genuinely strategic Sino-Iranian partnership’.25 A formal military alliance between the two countries is not likely however, although one would be implied by any stationing of Chinese forces on Iranian soil, a stipulation claimed in reports of the Strategic Agreement leaked last summer.26 China does not wish to be seen as Iran’s ‘sole protector’ and utilizing multilateralism allows Beijing to continue to criticize unilateral actions taken by the US.27 The timing of the March agreement may be largely contextualized by the anticipated revisiting of the 2015 JCPOA and both sides have acknowledged its non-binding nature. While little further clarity on the agreement has been forthcoming, under present sanctions Chinese investment will likely fail to match either the hyperbolic levels projected in 2016 or now being assumed for the 2020s.

The Silk Road State

China’s relationship with Iran also empowers the ‘New Silk Road’ concept. Dynastic empires have been sufficiently proximate to legitimize a mutual reverence for the perceived-halcyon network of artisans and traders, yet distant enough to return few examples of historical conflict or grievance. The confrontation between Tang and Abbasid dynasties, a prominent cultural reference still taught in Central Asian schools and mosques, is located within a largely Sunni historical discourse from which modern-day Iran and its Pahlavi, Qajar and Safavid forebears sit aloof. The normative value of Iran’s medieval urban legacy is eclipsed perhaps only by that of Uzbekistan and Iranian territory is an inescapable reality of the numerous proposed economic corridors passing to the South and East of the Caspian Sea.

While Chinese economic and—to a lesser extent—military relations with the Central Asian republics have expanded considerably during the past 30 years, Tehran’s early diplomatic offensives encountered a general reticence towards its revolutionary agenda, exposed by Iranian involvement in the Tajik civil war. The potential for a contiguous China-Iran ‘axis’ in the region has been further stifled by sanctions, regional tensions and other non-tariff barriers. Yet the potential for conflict is also limited and Central Asia would appear a natural ‘testing ground’ for any expansion of the bilateral relationship. This brief therefore identifies the following, for the consideration of regional and international policymakers, as markers for the future development of cooperation between the two powers in Central Asia:

- **Lines of Communication.** Chinese and Iranian visions of the BRI are broadly
complementary. While there is little evidence to suggest that overland transport routes are presently being used to directly facilitate arms or other embargo violations between China and Iran, both governments favour economic corridors that bypass the Russian Federation and are less cumbersome than the CPEC. All Central Asian states are members of the Tehran-based Economic Cooperation Organization (ECO) and have, to varying degrees, utilized the port of Bandar Abbas for ocean-going exports since 1996. Iran has also explored oil and gas swap arrangements with Kazakhstan and Turkmenistan. China and Iran can in fact already claim one ‘direct’ rail link, yet the circuitous nature of the Kazakhstan-Turkmenistan-Iran (KTI) railroad, inaugurated in 2014, is attested by the negligible freight traffic along this route recorded prior to the pandemic. Deteriorating relations between Tehran and Ashgabat have impacted intra-regional freight movement, and rail crossing points on the Iran-Turkmen border have been closed for much of 2020. China and Iran remain leading promoters of the prospective ‘Five Nations’ rail link traversing Southern Kyrgyzstan, Tajikistan and North-Western Afghanistan that contours the Khorasan cultural legacy and bypasses chokepoints of Russo-Kazakh influence such as the Khorgos Gateway. Iran was promoting the railroad in Kyrgyzstan in 2016 when Bishkek signed a 10-year bilateral ‘roadmap’, the only Central Asian republic to do so. Tehran delivered humanitarian aid during the pandemic and opened a sports complex in Osh. Various components of the railway are supported by the international development finance community yet remain stymied by Bishkek’s resistance, allegedly under Russian pressure, to the construction of transit rail links across Kyrgyz soil. The ‘connectivity’ spirit largely precludes responsible powers from openly denouncing any Eurasian infrastructure proposal, but Sino-Iranian interests also appear to converge in the negotiation of certain projects: the TAPI and Trans-Caspian pipelines for example. Tehran’s recent curtailment of Indian operations at the port of Chabahar would also appear favourable to Beijing.

- Xinjiang. While China’s Muslim population is Sunni rather than Shia, and Arab states as well as Turkey, have also recognized Beijing’s sovereignty on the Uighur issue, the US State Department has attempted to exploit Xinjiang as a weakness in Iran’s revolutionary credentials. After reformist Iranian clerics criticized Beijing during the 2009 mass unrest in the province, the two governments reached a consensus condemning international interference in China’s internal affairs. In 2020, Iranian hardliners would go further by declaring that in dealing with its problem of ‘Saudi-supported Wahabi Takfiri Muslims’, China was ‘serving Islam’. On a more existential level, the anti-Turkic motifs in the scholarship of Tajik-Iranian nationalists, Rahim Masov for example, and Muhammadjon Shakhuri, are also a welcome counter-weight to the pan-Turkism of the 1990s which Beijing has in part blamed for heightened Uighur agitation. While this is less deterministic

31 Rahimi, “Iran’s New Pivot to Central Asia Publication”,
than the sanctions factor for governmental relations, Iranian soft power will encounter limitations in Central Asia, particularly in Kazakhstan and Kyrgyzstan, which, unlike the other three republics, did not sign a 2019 joint letter to the UNHRC supporting Beijing’s Xinjiang policy.

- **Saudi-Iranian Rivalry.** Central Asian governments remain wary of radicalism in both its Iranian- and Saudi-sponsored forms and analysts have struggled to find obvious proxy examples for the Gulf rivalry in the region. Saudi Arabia has increased its investment in Central Asia in recent years and in 2019 the Gulf States represented the largest source of FDI for Kazakhstan. Tehran’s traditional areas of competitive advantage on the other hand have, with the exception of Tajikistan, largely been confined to the cultural sphere. A narrative of sorts however is gradually playing out in Turkmenistan as a vector of the long-extant Saudi-Iranian rivalry in Afghanistan. Ashgabat’s relations with its overbearing southern neighbour have remained fractious and Riyadh has, in partnership with the Turkmen government, taken the financial lead in the TAPI pipeline since 2016. Gulf capital now competes with Chinese investment in Central Asia and in certain instances, particularly where China-Iran connectivity fosters additional strategic depth for Tehran, regional governments may be forced into binary policy choices.

- **Tajikistan.** Edward Wastnidge believes the regional Saudi-Iranian rivalry to be most evident in Tajikistan, the Central Asian country also considered most economically and politically integrated with the PRC. Relations between Dushanbe and Tehran passed into a downtrend midway through the 2010s, following a period of the burgeoning entente. In 2015, Tehran extended an invitation to the leader of Tajikistan’s Islamist opposition after the organization had been declared a terrorist organization by Dushanbe. The Tajik government ordered the closure of a number of Iranian cultural and development initiatives, including the local office of the Imam Khomeini Relief Foundation, one of the Islamic Republic’s largest charitable organisations. This was exploited by Riyadh, and President Rahmon’s visit to Riyadh in 2016 coincided with a sharp deterioration in cross-Gulf relations following the execution of a prominent Shia cleric in Saudi Arabia. The Saudi ambassador to Tajikistan stated that the expulsion of ‘Iranian agents’ had been a ‘great victory’ and Rahmon was able to secure investment commitments from the Saudi Development Fund and the Islamic Development Bank. Dushanbe’s multivector confidence however, also reflected a decade-long expansion of its economic and military ties with Beijing, a relationship that has attracted increasing attention since the revelation of a Chinese patrol base on Tajik territory in 2019. Dushanbe faces a looming debt crisis and as de facto creditor-of-last-resort, Beijing’s political ties appear set to move into decisive overweight. That Beijing’s rise in Dushanbe has paralleled Tehran’s demise should present a viable counter-thesis to the suggestion of a Sino-Persian ‘condominium’, but 2021 has seen a diplomatic offensive by Tehran, with three high-ranking visits to Tajikistan. In April, the Tajik Defence Minister visited Tehran – the first visit by a top-level official in five years. It remains to be seen to what extent...

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38 Wastnidge, “Central Asia and the Iran-Saudi rivalry”.

39 Wastnidge, “Central Asia and the Iran-Saudi rivalry”.

40 Rahimi, “Iran’s New Pivot to Central Asia Publication”.

41 Rahimi, “Iran’s New Pivot to Central Asia Publication”.

degree this is being facilitated by Beijing's abundant political capital in Dushanbe, but interests align to such an extent that Tajikistan would appear an obvious locus for China-Iran strategic cooperation and a worthwhile subject for periodic scholarly review.

References


