

Prospects and Complexities of China-Iran Relations, Implications for the US, and Regional & Global Repercussions

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The opinions and conclusions expressed herein are those of a number of international officers within the Combined Strategic Analysis Group (CSAG) and do not necessarily reflect the views of United States Central Command, nor of the nations represented within the CSAG or any other governmental agency.

Key Points

- The China-Iran relationship is rooted in limited pragmatic cooperation. However, in recent years, it has evolved into a partnership that is more explicitly opposed to the international order led by the US.
- Considering that China also has to balance the relations between Israel-Iran and Saudi Arabia-Iran, it is unlikely that China will form a military alliance with Iran in the near future.
- Although the partnership between China and Iran has the potential to alter the balance of power in the region, China's actions in the region are not always damaging to U.S. interests.
- Instead of spending finite resources on a potentially unachievable objective of attempting to "push" China out of the region, the US might try to lessen the drawbacks of China's presence and rebalance its own efforts in these fields.
- The China-Iran "Comprehensive Strategic Partnership," Iran's participation as a full member of the Shanghai Cooperation Organization, and the military exercises they have conducted make one thing clear: strategic competition with China will not be limited to the Indo-Pacific.

Introduction

China-Iran relations have steadily evolved and expanded in the domains of geopolitics, economics, and diplomacy since the Iranian Revolution in 1979. The recent agreements and partnerships between the two countries, reflected in the Belt and Road Initiative (BRI) as well as the 25-year Comprehensive Strategic Partnership (CSP) will pave the way for long-term strategic cooperation between the two countries.¹

Economically, both countries have a strong interest in developing their energy resources and have collaborated on oil and gas projects. China has also invested in infrastructure projects in Iran, including highways, bridges, ports, and telecommunications networks.²

¹ Belal, Kulsoom, Pluto Journals, Policy Perspectives Volume 17 Issue 2, "China-Iran Relations", 2020, <https://www.scienceopen.com/hosted-document?doi=10.13169/polipers.17.2.0047> (accessed Mar 10, 2024)

² Mackenzie, Peter, CNA China Studies, China and Iran: "A Closer Look at China-Iran Relations, <https://www.cna.org/reports/2010/D0023622.A3.pdf>, (accessed Mar 10, 2024)

Politically, both countries have a history of challenging the United States and the West, and they see their partnership as a way to counterbalance American influence in the region. They also share a commitment to preserving their respective political systems, Iran as an Islamic Republic and China as a Communist state.³

Geopolitically, the strategic partnership between China and Iran has the potential to alter the balance of power in the region. China is playing an increasingly influential role in the Middle East and Iran is strengthening its ties with a major global power.⁴

In terms of security, both countries are concerned about instability in the Middle East, and they see their partnership as a way to maintain regional stability and address security threats. Iran has the potential to increase China's influence in the Middle East, not only in economic but also in political and military aspects.⁵

Although they have shared interests, there have also been periods of disagreement and tension between China and Iran, particularly with respect to the pace and scope of their economic and political cooperation. Nevertheless, the relationship between China and Iran is likely to continue to play an important role in shaping the geopolitical environment in the region and beyond.

Historical Background

The relationship between China and Iran originated during the Achaemenid Dynasty, when the groundwork for the grand and historic Silk Road, connecting China to Europe through the Middle East, was laid. However, the modern relationship between the two countries has its roots in the 20th century, when both China and Iran underwent significant political and economic transformations. Their relationship has ebbed and flowed during the Cold War. Both China and Iran underwent major political changes. China became a communist state under the rule of Mao Zedong and Iran underwent a series of reforms and coups that eventually led to the establishment of the Islamic Republic in 1979. Since Iran's official recognition of the People's Republic of China in 1967, ties between Iran and China have been primarily positive. Although the revolutionary forces' victory in Iran in 1979 was a significant blow to their ties, the situation quickly changed when the Iran-Iraq War broke out in 1980. While both global powers, the US and Russia, backed Iraq, China's leadership offered significant help to Iran, which the Iranians did not forget after the war.⁶ The contemporary relations between the two countries began when China was progressing with its new policy of modernization that was essentially outward-looking, and Iran was in a chaotic period with new leadership that has faced with multiple challenges at home and abroad.⁷ These changes brought both countries into conflict with the West and positioned them as rivals of the United States, which helped to lay the foundation for their modern-day strategic partnership.

³ Lucille Greer, Washington Post, "China-Iran: A New Economic Security Partnership", 2021, <https://www.washingtonpost.com/politics/2021/04/01/china-iran-announced-new-economic-security-partnership-thats-not-alarming-it-sounds/>, (accessed Mar 10, 2024)

⁴ Lubna Ali, Central European Management Journal, 2023, "China-Iran Strategic Partnership: An Evolving New Security Complex", https://journals.kozminski.cem-j.org/index.php/pl_cemj/article/view/711, (accessed Mar 10, 2024),

⁵ Yıldırımçakar, Emrah, Alternatif Politika, "The Dynamics Of Iran-China "New" Strategic Cooperation", 2023, <https://dergipark.org.tr/en/pub/ap/issue/77852/1312356>, (accessed Mar 10, 2024)

⁶ Çelik, Yavuz, Asya Araştırmaları Uluslararası Sosyal Bilimler Dergisi, "An Overview of China-Iran Relations and Its Impact on Central Asia", 2022, <https://dergipark.org.tr/tr/download/article-file/2163937>, (accessed Mar 10, 2024)

⁷ Azad, Shirzad, "Iran and China: A New Approach to Their Bilateral Relations" 2020, <https://rowman.com/ISBN/9781498544597/Iran-and-China-A-New-Approach-to-Their-Bilateral-Relations>, (accessed Mar 10, 2024)

To understand how high the rapprochement between the two countries is, we can look at how China categorizes its relationship with Iran. China has different levels of partnership with different states, and Iran has taken one of the highest levels of partnership. Figure 1 shows the details of the levels of China’s strategic partnerships.⁸

Partnership	Priorities
Comprehensive Strategic Partnership	Full pursuit of cooperation and development on regional and international affairs
Strategic Partnership	Coordinate more closely on regional and international affairs, including military
Comprehensive Cooperative Partnership	Maintain sound momentum of high-level exchanges, enhanced contacts at various levels, and increased mutual understanding on issues of common interest
Cooperative Partnership	Develop cooperation on bilateral issues, based on mutual respect and benefit
Friendly Cooperative Partnership	Strengthen cooperation on bilateral issues, such as trade

Figure-1: Levels of Chinese Partnerships

The "Friendship and Cooperation" level, which is the lowest level of the table, was reached with the China-Iran "Friendship and Cooperation Agreement" signed between the two countries in 2002.

In 2004, the "China and Iran Strategic Partnership Agreement" was signed. As of 2016, a "Comprehensive Strategic Partnership" was signed. With this agreement, Iran became one of the countries with which China established relations at the highest level.⁹ A 25-year cooperation agreement between Iran and China, which strengthens relations between the two countries and includes "political, strategic, and economic" components, was signed in 2021.¹⁰

Besides their anti-US sentiment, they have a broad and deep partnership focused on China's energy needs and Iran's abundant resources. Although their relationship faces some challenges, they continue to have strong interests in developing cooperation in many areas.

Current Context (Geopolitical, Political, Economic)

There are enough valid reasons for these two countries to improve their relations. Iran stands out prominently in the region because of its size, population, culture, history, and vast resources of oil and gas. Moreover, Iran sits in a geopolitically significant position that has attracted the attention of great powers throughout history.¹¹ Today, China, a major economic power, has increased investments in Iran in line with its interests (discussed further below). In addition to the 25-year agreement signed between the two countries, BRICS membership might allow Iran to counteract the isolation and sanctions imposed on it, increase its geopolitical influence, and create new economic opportunities.

Iran’s Importance for China “Multifaceted Advantages”

Iran holds strategic importance for China for several reasons. From an energy security perspective, Iran has significant oil and natural gas reserves, making it a crucial energy source for China's growing economy. China is heavily dependent on energy imports, and Iran offers a valuable opportunity to diversify its sources raw materials.

⁸ SCMP Reporter, South China Morning Post, Jan 2016, “Quick Guide to China’s Diplomatic Levels” <https://www.scmp.com/news/china/diplomacy-defence/article/1903455/quick-guide-chinas-diplomatic-levels?campaign>

⁹ China has relations at “Comprehensive Strategic Partnership” level also with Egypt (2014), KSA (2016), and UAE (2018), <https://www.atlanticcouncil.org/in-depth-research-reports/report/china-s-changing-role-in-the-middle-east-2/>

¹⁰ Rashid, Yasir, IRAM, Center for Iranian Studies, “The Latest Status of the 25-Year Comprehensive Cooperation Agreement Between Iran and China”, Apr 2022, <https://iramcenter.org/en/the-latest-status-of-the-25-year-comprehensive-cooperation-agreement-between-iran-and-china-737>, (accessed Mar 10, 2024)

¹¹ Dalileh R. Ashtiani, Iran Review, "Iran's Geostrategic and Geo-economic Advantages for Northern Neighbors in Central Asia and Caucasus", 2017, <https://www.theiranproject.com/en/news/259203/iran%E7%97%B4-geostrategic- and-geo-economic-advantages-for-northern-neighbors-in-central-asia-caucasus>, (accessed Mar 10, 2024)

As of late 2019, largely attributable to the sanctions on Iran, China has benefitted from purchasing Iranian crude oil at 12 to 15 percent off the market price of each barrel.¹²

China's ambitious Belt and Road Initiative aims to connect Asia to Europe and Africa through a network of infrastructure projects. Iran, located at the crossroads of the Middle East, Central Asia, and South Asia, offers China an important door to improve trade and economic connectivity. Iran's location provides China with access to the Arabian Gulf and the Straits of Hormuz, critical maritime routes for energy transportation. Ready access to these routes is vital for China to secure its energy supplies and facilitate the transportation of goods. Geopolitically, Iran is a major player in the Middle East. By maintaining strong relations with Iran, China can increase its diplomatic influence in the region and participate in regional affairs (e.g. the China-brokered renormalization deal between Iran and Saudi Arabia¹³). Finally, as China seeks to diversify its economic and geopolitical partnerships, strengthening ties with Iran allows China to balance its relations in the region and avoid excessive dependence on any one country.

Assessment: It is in China's interest to have a stable and secure Iran to protect its investments and to ensure the smooth flow of resources. Iran's stability is vital to maintaining stable economic and political conditions for China's projects and investments. In short, the strategic importance of Iran for China lies in its role as a crucial energy supplier, a key node in the BRI, a gateway to important maritime routes, a hub for regional connectivity, and a partner for diversifying political and economic ties in the Middle East.

China's Importance for Iran "Circumventing International Sanctions"

Several factors contribute to China's importance to Iran in a geopolitical context. China is one of Iran's largest trading partners, especially in the energy sector. This economic interdependence strengthens bilateral ties and provides Iran with a crucial market for its energy resources. China is actively involved in various infrastructure projects in Iran, including the development of ports, railways, and energy facilities. In this context, Chinese investments contribute to Iran's economic development and helps build critical infrastructure. Perhaps China's greatest importance to Iran is the support it provides in circumventing international sanctions. China's economic participation provides Iran with a way to access international markets and maintain economic stability despite sanctions. China also provides diplomatic support, frequently cooperating with Iran on various diplomatic issues in international forums. This common stance could strengthen Iran's position on the global stage, especially in forums where both countries have common interests or concerns.

Assessment: China is a very important port where Iran can take shelter in difficult times. It serves as a lifesaver for the regime, which is challenged by economic and diplomatic difficulties. In addition, its relationship with China is vital for Iran, which aims to shape regional and global dynamics.

Comprehensive Strategic Partnership and 25-Year Sino-Iran Agreement

Since 2015, China has significantly increased its diplomatic engagement with Iran, coinciding with the signing of the Iran nuclear deal (Joint Comprehensive Plan of Action or JCPOA) and the gradual lifting of international sanctions on Iran as part of the agreement.¹⁴ In 2016, President Xi Jinping made a visit to Iran after the deal was signed. The two

¹² Scollon, Michael, Radio Free Europe, "Iranian Economy Buoyed By 'Dark Fleet' Oil Shipments To China", Jan 2024, <https://www.rferl.org/a/iran-economy-oil-shipments-dark-fleet-china-sanctions/32764518.html>, (accessed Mar 10, 2024)

¹³ Jash, Amrita, Georgetown Journal of International Affairs, "Saudi-Iran Deal: A Test Case of China's Mediator Role", 2023, <https://gji.georgetown.edu/2023/06/23/saudi-iran-deal-a-test-case-of-chinas-role-as-an-international-mediator/>, (accessed Mar 10, 2024)

¹⁴ China Daily Reporter, China Daily, China-Iran: Iran Upgrade Ties to Carry Forward Millennia-Old Friendship, 2023, [China, Iran upgrade ties to carry forward millennia-old friendship\[1\]- Chinadaily.com.cn](https://chinadaily.com.cn/2023/06/23/china-iran-upgrade-ties-to-carry-forward-millennia-old-friendship/) (accessed Mar 10, 2024)

countries translated bilateral ties to a "comprehensive strategic partnership," one of the highest levels in China's partnership diplomacy, during this visit, the first by the top Chinese leader since 2002. These understandings led both China and Iran to sign a 25-year cooperation pact in March 2021, which had been in the works since 2016. Even though the full details of this strategic agreement have never been published, it is believed to include several political, security, military, and cultural dimensions, and an important part of the agreement is thought to focus on the economic cooperation between the two countries.

Despite the benefits for Iran, China's investments may come with shortcomings. Falling into China's "debt trap" would be one of the potential consequences of the agreement. Some studies show that 165 countries owe money (US\$385 billion in total) to China in the scope of the BRI project. Therefore, China's US\$400 billion worth of investment in Iran, may be costly for Iran. Moreover, if they cannot circumvent the sanctions imposed on Iran, Chinese investors may be hamstrung. Along with the sanctions, Iran's non-participation in the FATF (Financial Action Task Force) is another challenge that will overshadow potential investments.¹⁵ Despite Iran's high expectations of China, analysis of Chinese investment and construction projects in the last 10 years, we see that China is absolutely and relatively underinvested in Iran. (See figure no. 2)¹⁶

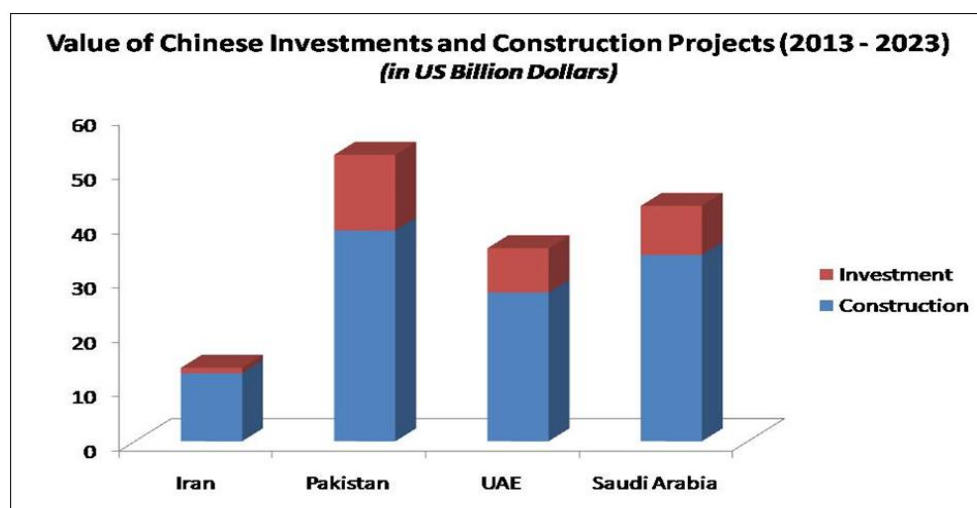


Figure-2 AEI's China Global Investment Tracker

Assessment: A 25-year cooperation agreement signed in March 2021 is one of the latest and most significant indications of the two sides' willingness to coordinate more closely. The bilateral agreement provides considerable economic opportunities for Iran and offers Iran political insurance against international isolation in the future. The agreement is a golden opportunity, but there are significant challenges in the way of its implementation. The sanctions against Iran represent the biggest obstacle. In addition to Russia's invasion of Ukraine, the war in Gaza and the consequences of these crises could affect the implementation of the 25-year agreement.¹⁷ The continuation of these crises will generate opportunities and challenges for Iran, affecting Iran's political, economic, and energy

¹⁵ Rashid, Yasir, Center for Iranian Studies, IRAM, "The Latest Status of the 25-Year Comprehensive Cooperation Agreement Between Iran and China", Apr 2022, <https://iramcenter.org/en/the-latest-status-of-the-25-year-comprehensive-cooperation-agreement-between-iran-and-china-737/>, (accessed Mar 10, 2024)

¹⁶ AEI China's Global Investment Tracker Database, "Values of Chinese Investments and Construction Projects (2013-2023)", <https://www.aei.org/china-global-investment-tracker/>, (accessed Mar 10, 2024)

¹⁷ Iran's increasingly close relations with Russia and its contribution to and stance during the Israel-Hamas war might force China to be more careful in its relations and investments with Iran.

relations with other countries, such as China. In addition, considering China's economic downturn, substantive outcomes, with few concrete investments so far, may be delayed for some time.¹⁸

The Comprehensive Strategic Partnership deal between China and Iran is likely not a game-changer for the US, and a Cold War-like rivalry with China in the Middle East is far from certain. Ultimately, China needs the Middle East to remain stable to feed its oil dependence and reap any rewards from its investments. In this context, the US might have common ground in the pursuit of stability and security across the Central region.¹⁹

Perceptions in Iran

Historically, a positive view of China has existed in Iran since the 1979 Islamic Revolution.²⁰ But, traditionally, two different and contradictory views have shaped the opinion of the Iranian elite and the public regarding relations with China. These two attitudes can be labeled as 'threat-centered' and 'opportunity-centered.' In this vein, the latter attitude, mainly of the conservatives, views Iran's increasing expansion of ties with China positively as it provides the former with room for international maneuvering and assertiveness, despite the sanctions imposed by the US. They believe that China is a rising power, while they think Russia and Europe are declining powers and the US is still in a unique position as the only global power, in part because of its exceptionally capable armed forces.

There are also important voices who think that China could challenge America sooner than a quarter of a century, and therefore Iran should join this bandwagon with China.²¹ Closer ties with China as a strategy was first made part of the foreign policy agenda during the Mahmoud Ahmadinejad administration (2005-2013), within the framework of the 'Look East' policy.²² The conservatives, with a deep anti-Western philosophy, see potential allies in Russia and China for the Islamic Republic to resist the persistent American pressures and to advance its 'anti-hegemonic' foreign policy agenda in the Arabian Gulf.²³

The other viewpoint, which is the 'threat-centered' view, is held mainly by the reformists. It focuses on the threats resulting from the expansion of relations with China and emphasizes the necessity of balancing Chinese presence and influence through expanding relations with the EU.²⁴ The same group also have the perception that the 25-year strategic agreement with China will only strengthen the Iranian regime by helping it to impose new oppressive measures, control information, spread propaganda, and spy on dissidents and their families. Moreover, in return, China will continue to kill off Iranian craftsmanship with a flood of inexpensive goods and destroy the environment with infrastructure projects that profit China rather than Iran.²⁵

¹⁸ Douglas, Jason, The Wall Street Journal, "What's Wrong With China's Economy, in Eight Charts", Mar 2024, <https://www.wsj.com/world/china/whats-wrong-with-chinas-economy-in-eight-charts-efc2ea5f>, (accessed Mar 10, 2024)

¹⁹ "Just because two nations are engaged in a strategic competition, the option to cooperate should not be ruled out when such cooperation serves a common interest.", Joint Concept for Competing, Feb 2023 Foreword, page 10.

²⁰ Kulsoom, Belal, Institute of Policy Studies, "Elections and Political System in Iran", 2016, https://www.academia.edu/25693091/Elections_and_Political_System_in_Iran_IPS_Situational_Brief, (accessed Mar 10, 2024)

²¹ Hadian, Nasser, USIP The Iran Primer, "Iran & China: An Iranian View", Jun 2023, <https://iranprimer.usip.org/blog/2023/jun/27/iran-china-iranian-view>, (accessed Mar 10, 2024)

²² The International Institute for Strategic Studies, "Iran's Eastern Strategy," Strategic Comments 24, no. 36, 2018, <https://www.iiss.org/publications/strategic-comments/2018/irans-eastern-strategy>, (accessed Mar 10, 2024)

²³ Shariatnia, Hamidreza Azizi, Taylor and Francis Online, "Iran and the Belt and Road Initiative: Amid Hope and Fear.", Mar 2019, <https://www.tandfonline.com/doi/pdf/10.1080/10670564.2019.1594108>, (accessed Mar 10, 2024)

²⁴ Belal, Kulsoom, Pluto Journals, Policy Perspectives Volume 17 Issue 2, "China-Iran Relations", 2020, <https://www.scienceopen.com/hosted-document?doi=10.13169/polipers.17.2.0047>, (accessed Mar 10, 2024)

²⁵ Vaisi, Ghazal, ME Institute, "The 25-Year Iran-China Agreement, Endangering 2,500 Years of Heritage", 2022, <https://www.mei.edu/publications/25-year-iran-china-agreement-endangering-2500-years-heritage>, (accessed Mar 10, 2024)

Assessment: Iran is facing severe economic challenges as a result of sanctions and poor relations with the West. Given that trade between the EU and Iran has decreased, there appears to be few alternatives but to forge closer links with China and Russia. However, due to opposing opinions in the country, it does not seem likely that Iran will fall completely under China's orbit, at least in the near future.

Security and Military Context

Defense cooperation between China and Iran began in the early 1980s, during the Iran-Iraq War, when China became one of Iran's main arms suppliers and a contributor to its nuclear program. During that war, China provided Iran with a variety of weapons to support its military efforts. These weapons included Chinese J-6 fighters, T-5 tanks, F-6 fighters, T-59 tanks, antitank guns, rocket launchers, MiG-21 fighters, HY-2 "Silkworm" anti-ship missiles, C-801 anti-ship missiles, and T-69 tanks.²⁶

With the end of the Cold War, China had difficulty accessing weapons technology and other sensitive technology, previously sourced from Russia. At this juncture, and with the 1979 revolution, Iran began to develop links into China's advanced weapons programs. During the Iran-Iraq War, Iran allowed Chinese engineers to access the Soviet technology and French-made missile technology it captured from Iraq. In addition, Iran allowed the Chinese to examine the F-4 Phantom warplanes that the USA gave to the Shah Regime in the 1970s. China developed air refueling technology in 1991, thanks to the technology obtained through Iran.²⁷

The nature of military ties started shifting to technology transfers in the 1990s. Iran began to reverse-engineer Chinese weaponry, including anti-ship cruise missiles.²⁸

After revelations about Iran's illegal nuclear program in 2003, China restricted its arms sales to Iran to avoid US sanctions. The relationship had instead shifted to joint military drills and broader strategic cooperation on maritime operations, piracy, counterterrorism, and search and rescue operations in the mid-2010s.²⁹ Although the US feared that China would sell large quantities of modern weapons to Iran after the United Nations lifted the 2010 embargo on exports of most types of weapons to Iran in 2020, this has not yet happened.³⁰

The Xi Jinping era marks a new chapter in defense cooperation between the two countries. China and Iran signed an agreement during Xi's 2016 visit to improve military cooperation in training, counterterrorism, and equipment and technology. They also agreed to establish a joint commission between the general staff to enable closer coordination in all areas of military relations.³¹

Since the first port visit of Iranian ships to China in 2013 and the first visit of Chinese warships to Iran in 2014 for joint naval exercises in the Persian Gulf, there have been many military interactions between China and Iran,

²⁶ USIP Iran Primer, "Iran & China: Military Ties", Jun 2023, <https://iranprimer.usip.org/blog/2023/jun/28/iran-china-military-ties>, (accessed Mar 10, 2024)

²⁷ Alperen, Ümit, İran Araştırmaları Merkezi, "Reel Politik Düzlemde İran-Çin İlişkileri", 2018, https://iramcenter.org/uploads/files/Reel_Politik_Duzlemde_Yran-Cin_YliYkileri.pdf, (accessed Mar 10, 2024)

²⁸ USIP Iran Primer, "Iran & China: Military Ties", Jun 2023, <https://iranprimer.usip.org/blog/2023/jun/28/iran-china-military-ties>, (accessed Mar 10, 2024)

²⁹ Ibid

³⁰ Stockholm International Peace Research Institute Fact Sheet, SIPRI Trends in International Arms Transfers, 2021, https://sipri.org/sites/default/files/2021-03/fs_2103_at_2020.pdf (accessed Mar 10, 2024)

³¹ Tasnim News Agency Defense News, "Iran, China to Form Joint Commission for Military Cooperation", 2016, <https://www.tasnimnews.com/en/news/2016/11/14/1240601/iran-china-to-form-joint-commission-for-military-cooperation>, (accessed Mar 10, 2024)

including port visits, bilateral exercises, and high-level dialogues.³² The last two exercises conducted with the joint participation of the two countries were "Maritime Security Belt - 2023" and "Security Bond-2024". Both took place in the Gulf of Oman and aimed to jointly safeguard regional maritime security.³³

Assessment: China-Iran joint exercises and military interactions, particularly after 2021, signal that the two countries stand together despite (or perhaps because of) pressure from the US; the 25-year agreement goes beyond the economic domain and bilateral relations. Nevertheless, considering that China also has to account for the relations between Israel-Iran and Saudi Arabia-Iran, it is unlikely that China will form a military alliance with Iran in the near future.

So far, China's foreign policy has focused on safeguarding China's sovereignty, territorial waters, and regional interests (i.e. developing strategic depth). Although there have been signs of a growing Chinese readiness to step up its military presence in the Central region, China is benefiting from the stabilizing influence of the US military presence in the Middle East, allowing China to free ride on the US regional security guarantee. It appears that China is not yet openly trying to displace the US as the dominant power in the Middle East.

Shanghai Cooperation Organization (SCO) Membership of Iran

Iran became the SCO's ninth member on July 4, 2023, during the organization's virtual summit. Iran had observer status in the SCO since 2005 and applied for full membership in 2008. However, SCO member states rejected Iran's request for accession for more than a decade. China and Russia did not want the organization to be drawn into the conflict between Iran and the West. However, Russia's unprecedented invasion of Ukraine and the increasing strategic competition between the US and China have cleared the past reservations and paved the way for Iran's full membership.³⁴

Iran considers one of the most important aspects of SCO membership is that the West's four decades of continuous efforts to isolate Iran have been frustrated by Iran's membership in a significant international organization.³⁵

Iran's increasing trade with SCO countries (an increase of 5.5% from 2022 and 2023 to reach over \$37 billion)³⁶ and increasing military interactions with China and Russia lead experts to think that Iran's membership in the SCO will have a positive impact on Iran. From their view, stabilizing Afghanistan, or at least minimizing the spillover effects of terrorism or conflict in the country, is one of its top priorities as a SCO member. Iran can play a central role in dealing with Afghanistan's security concerns about terrorism, extremism, drug trafficking, and transnational crimes.³⁷

However, some assess that, in terms of benefits to Iran, the SCO offers very little. They suggest that SCO is not like NATO or the European Union, where members enjoy certain privileges such as mutual defense or economic

³² Stanzel Angela, SWP Paper, "China's Path to Geopolitics: Case Study on China's Iran Policy at the Intersection of Regional Interests and Global Power Rivalry", 2022, <https://www.swp-berlin.org/10.18449/2022RP05/>, (accessed Mar 10, 2024)

³³ Hyeon Seong, Choi, South China Morning Post, "China, Russia and Iran Hold 5-Day Military Exercise Near Gulf of Oman as Red Sea Attacks Rise", Mar 2024, <https://www.scmp.com/news/china/military/article/3255043/china-russia-and-iran-hold-five-day-military-exercise-near-gulf-oman-red-sea-attacks-continue>, (accessed Mar 14, 2024)

³⁴ Azizi, Hamidreza, Amwaj Media, "What Iran Really Seeks From the SCO", Sep 2022, <https://amwaj.media/article/what-iran-really-seeks-from-the-sco>, (accessed Mar 10, 2024)

³⁵ Ibid

³⁶ Press TV, "Iran's Trade with SCO States Rises 5.5% to Reach Over \$37bn: Official", Feb 2024, <https://www.presstv.ir/Detail/2024/02/14/720047/Iran-Trade-Increase-Shanghai-Cooperation-Organization-SCO>, (accessed Mar 10, 2024)

³⁷ House, Sapru, Indian Council of World Affairs, "Iran's Membership of SCO: Expectations vs Reality", Feb 2023, https://www.icwa.in/show_content.php?lang=1&level=1&ls_id=9122&lid=5926, (accessed Mar 10, 2024)

integration. The SCO functions as an ad hoc organization that meets in several forums, and Iran's membership, in some ways, is symbolic, simply bolstering the organization's claim that it has a wide geographic influence.³⁸

Assessment: Although the impact of SCO membership on Iran's economy is not yet clear, it is likely that membership in an organization that comprises 40 percent of the world's population and 30 percent of the global GDP will be advantageous.

Iran's entry into the SCO, presumably expanding relations with Russia and China, can give Iran more leverage to negotiate with the US and Europe. The SCO member countries can increase intelligence sharing, of value to joint counter-terrorism operations, and collaborative efforts to deal with common security threats. This could heighten concerns in the West, especially in the US, that the hegemony that upholds the rules-based international order is being replaced by a new, multipolar reality defined by organizations such as the SCO. In other words, Iran in the SCO might have the potential to reshape regional dynamics, enhance Iran's strategic position, and impact US interests by providing Iran with greater economic opportunities, security cooperation, and diplomatic support within a powerful regional organization.

Implications of the Sino-Iran Relations on the US

The improvement in relations between China and Iran is not a sudden or unexpected development. China's involvement in the Middle East has been steadily increasing over the past two decades, and they had been working on a comprehensive strategic partnership agreement with Iran for many years.

This relationship may work against US interests. Increased Sino-Iranian military cooperation could, over time, significantly improve Iranian military capability. If Iranian forces were to acquire improved anti-access/area-denial capabilities from China, Iran may develop a higher confidence in its ability to defend against an attack designed to halt an Iranian sprint to a nuclear weapons capability. That perception in Iran could make an Iranian nuclear breakout both more likely and more difficult to stop.³⁹ This would bolster its position as a threshold state and potentially embolden Iran to be more aggressive regionally.

Such a strategic partnership might underwrite Iran's economic stability and its international political support, at least in the UN Security Council with China's support. It might also boost Iran's bargaining power in its ongoing confrontations with the US.

Better relations with Iran offer China opportunities to offset US influence. China could thus demand concessions from the US on issues it considers more significant in exchange, for example, for a promise to reduce cooperation with Iran. On the other hand, if the rivalry between China and the US continues to escalate, military alliances that have begun to form could potentially become key elements of competition in the long term.

It could be important for the US to consider that by failing to provide the necessary resources for regional partners to defend themselves, they might feel compelled to seek alternative means from other nations such as China and Russia. This could potentially strengthen the US' primary adversaries and reduce US influence in the Middle East. It is worth noting that similar situations have arisen in the past with Egypt and Saudi Arabia.

³⁸ Lipin, Michael, Voice of America News on Iran, "Iran Seeks Boost as SCO Member but Faces Domestic, Organizational Hurdles", Jul 2023, <https://www.voanews.com/a/iran-seeks-boost-as-sco-member-but-faces-domestic-organizational-hurdles-analysts-say/7182733.html>, (accessed Mar 10, 2024)

³⁹ Ibid

To avoid strategic surprise, the US could also proactively exchange intelligence on Sino-Iranian military cooperation with Israel and Gulf Arab partners. Moreover, the US could encourage Gulf partners to make clear to China that providing major weapons systems to Iran would seriously damage its relations with Gulf Cooperation Council countries.⁴⁰

However, it is useful to look at the developments from another perspective. As stated in the "Joint Concept for Competing" document published by the Joint Chiefs of Staff in February 2023, ways to cooperate with China can be sought.⁴¹

It's not yet clear if China's Comprehensive Strategic Partnership with Iran will create a "China-Iran axis" so while China threatens US interests in the Indo-Pacific there may not be a need for the US to view China as an enemy in the Middle East.

Tempting as it may be to brand all Chinese activity as nefarious in nature, China's actions in the region are not always damaging to US interests. There may be overlapping interests with China given that both countries have a stake in containing conflicts and instability. As it contends with multiple challenges around the globe, the US should look for potential opportunities to cooperate with China even as it seeks to compete on other fronts. Chinese investments in infrastructure, development and reconstruction may spur regional growth. Rather than expend scarce resources on unachievable goals such as trying to "push" China out of the region, the US might try to mitigate the negative aspects of China's involvement and rebalance its own investments in these areas.⁴²

Given the right circumstances the US and China can cooperate on humanitarian aid and disaster relief operations and antipiracy patrols, presenting further opportunities for cooperation in the Middle East. Neither country has an interest in prolonging devastating wars in the Middle East or permitting escalation of maritime conflicts that can disrupt global shipping.⁴³ The challenge here is that China has demonstrated little inclination to join such initiatives.

The US could provide its partners in the region with viable alternatives to Chinese initiatives, avoiding a confrontational approach towards China's role in the region while establishing itself as a more dependable partner, improving relationships with countries in the region.⁴⁴

The China-Iran "Comprehensive Strategic Partnership," Iran's participation as a full member in the Shanghai Cooperation Organization, and the military exercises conducted by them make one thing clear: strategic competition with China will not only take place in the Indo-Pacific, and the US must be deliberate in its approach to counteract this.

⁴⁰ Ibid

⁴¹ "For the United States, competition does not always mean hostility and does not preclude cooperation. Nor does the US view strategic competition as an inevitable march to armed conflict. Done properly, there is much to gain from strategic competition; something US adversaries have already realized. To succeed, the Joint Force will expand its mindset to understand the nature of the strategic competition it is engaged in, focus on national interests and strategic objectives rather than just denying those of its adversaries." Joint Concept for Competing, Foreword, page i,

⁴² Ashley Rhoades, Dalia Kaye, Texas National Security View, "China Does not Have to Be America's Enemy in the Middle East", Apr 2021, <https://Warontherocks.Com/2021/04/China-Does-Not-Have-To-Be-Americas-Enemy-In-The-Middle-East/>, (accessed Mar 10, 2024)

⁴³ Ashley Rhoades, Texas National Security View, "China Does not Have to Be America's Enemy in the ME", 2021, <https://Warontherocks.Com/2021/04/China-Does-Not-Have-To-Be-Americas-Enemy-In-The-Middle-East/>, (accessed Mar 10, 2024)

⁴⁴ Papageorgiou Maria, Mohammad Eslami, Georgetown Journal of International Affairs, "China's Increasing Role in the Middle East: Implications for Regional and International Dynamics", Jun 2023, <https://gija.georgetown.edu/2023/06/02/chinas-increasing-role-in-the-middle-east-implications-for-regional-and-international-dynamics/>, (accessed Mar 10, 2024)

Regional and Global Implications

To better understand strategic alignments in Iran-China relations and the potential consequences of increased cooperation, it is essential to look at them against the broader context of global and regional developments. This includes accounting for the political dynamics of the great and middle powers that will shape the foreseeable future.

China's geopolitical move into the Middle East is gradual and steady, however, China has adopted a risk-averse policy, and is increasingly better calibrated — designed not to frighten or evoke rash responses by regional or international powers. Nevertheless, for now, a region-by-region strategic expansion process continues. China is aware that it cannot dominate the world at once; instead, it is aiming to achieve dominance over Asia primarily, with the strong partnership with Iran serving as a part of its increasing equities in the Middle East.

Strengthened Iran-China relations may have tangible effects on the geopolitics of the Middle East and an enduring impact on US power and influence in the Middle East. Such a strong relationship might also affect other neighboring regions such as Central Asia and the Indo-Pacific. For example, China's strong support of Pakistan is aimed toward balancing against India, and its support of Iran is directly aggravating the US. Both partnerships serve China's global strategic plans, which are to grow geopolitical power and influence in the Indian Ocean and the Arabian Gulf.⁴⁵

The development of this partnership coincides with Iran's extension of its wide-ranging strategic plans in the Oman Sea and the Arabian Sea. Iran's "Chabahar" and "Jask" strategic ports in the Oman Sea and its 1,000 km oil pipeline plan which would bypass the Strait of Hormuz are intended to reshape the geostrategic coordinates of the region.⁴⁶ China could potentially benefit by increasing its control over the Strait of Hormuz and expanding its influence in the Arabian Gulf in the near future with new port investment in the area.

By securing its survival and improving its position and power in the region, the partnership might provide Iran with a great deal of bargaining power in its interactions with the West.

Furthermore, China also has plans to extend its digital footprint to the region. The Middle East plays a prominent role in China's Digital Silk Road under which Chinese companies have secured 5G deals with the GCC countries. China has also been collaborating in strengthening local cyber strategies with the UAE.

Finally, China has advanced its soft power projection in the region with several humanitarian initiatives, recognizing that soft power is essential for its status as a great power. Such initiatives include medical aid during the COVID-19 pandemic, cultural promotion with a focus on strengthening people-to-people relations, mainly through tourism which has seen a surge in the recent years, educational initiatives through university exchanges and cooperation, and the establishment of Confucius Institutes in the Middle East. All these initiatives are an effort to create a positive image in the region and to emphasize China's role as a responsible power and a reliable partner.

As China continues to assert its influence in the Middle East, the relationship with Iran will likely play a pivotal role in shaping regional geopolitics, with significant consequences for the balance of power, regional stability, and the interests of other global actors.

⁴⁵ According to the American Enterprise Institute's China Global Investment Tracker database; China's investments and construction contracts in Pakistan has reached to \$52.73B in the last decade, <https://www.aei.org/china-global-investment-tracker/>, (accessed Mar 10, 2024)

⁴⁶ Aljazeera, "Iran Opens Oil Terminal to Bypass Strategic Strait of Hormuz", 2021, <https://www.aljazeera.com/news/2021/7/22/iran-opens-oil-terminal-to-bypass-strategic-strait-of-hormuz>, (accessed Mar 10, 2024)

Conclusion

It can be easily inferred that as China's interests (need for energy, securing BRI investments, and efforts to keep its rival, the United States, busy in the ME) in the region continues, it will seek to increase its ties with Iran, and this will inevitably affect the interests of other regional/global powers.

China's future Iran policy will likely depend on how the relationship between the great powers develop elsewhere. A decision on whether to increase its relations with Iran or cooperate with the US will likely rely on how the US acts regarding China.

Iran is just one part of China's larger interests in the Middle East, and Chinese influence in the region faces some hard limits. China has to balance its relations with countries with conflicting interests, such as Saudi Arabia, Iran and Israel. China's strengthening ties with Israel creates a particularly difficult context for its deepening relations with Iran.

The recent deal and developments between China and Iran are probably not a game-changer for the US; it is not inevitable that the competition between the US and China will evolve into an armed conflict, nor is it clear that China's interests are best served by driving instability. China needs the Middle East to remain stable in order to feed its oil dependence and reap any rewards from its investments. As a result, the US might even find opportunities to cooperate with China in the region, even while competing elsewhere. Neither country has an interest in prolonging wars in the Middle East or permitting escalation of maritime conflicts that disrupt global shipping. Humanitarian aid and disaster relief operations and antipiracy patrols present further opportunities for cooperation in the Middle East.

The China-Iran relationship could cast a shadow over China's efforts to improve its international image as a responsible player. The more isolated Iran becomes, the greater the danger that China will be seen as an outlier because of its ties with Iran.

Instead of spending finite resources on unachievable objectives like attempting to "push" China out of the region, the US could benefit from China's presence and rebalance its efforts in these fields.

As long as China can undermine US efforts to marginalize Iran through diplomatic isolation and economic hardship, China will continue to be viewed as a threat in the region. For this reason, it would be an appropriate course of action for the US to closely and comprehensively monitor China's power, expansion of influence, and changes in military presence in the region, as well as better understanding the details of China's relations with every country in the region to better calibrate its approach.

The economic and security partnership between China and Iran is complex and it is difficult to discern its true impact, but the new dynamics could reshape regional geopolitics.