



2020  
10/20  
No. R20-10

The Middle East Institute of Japan is a nonprofit public interest foundation funded by dues

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## *Middle East Analysis Report*

**While Iran is under severe economic sanctions from the United States, the growing closeness between Iran and China is attracting attention. For Iran, which is struggling with both sanctions and the spread of COVID-19 infections, a stronger relationship with China could be a godsend. Meanwhile, the Belt and Road Initiative advocated by China involves expansion into the Middle East, which is causing some concern in the international community. Research Fellow Kenta Aoki analyzes the current state of Iran–China relations, the challenges related to these relations, and the future outlook.**

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### **Developments in Iran–China Relations and Future Outlook**

**Research Fellow: Kenta Aoki**

#### **1. Introduction**

Iran–China relations have been progressing as the Trump administration, which began in the United States in January 2017, continues to adopt hardline policies toward Iran. In particular, on July 11, 2020, *The New York Times* reported on the existence of a 25-year comprehensive cooperation plan (draft) between Iran and China, which has drawn international attention in one fell swoop.<sup>1</sup> In an incendiary tone, the article reported that we should be wary of China making inroads into the Middle East. There are whispers about the possibility of China leasing and stationing the People's Liberation Army on Kish Island, a tourist spot in the Persian Gulf,<sup>2</sup> and interest in the future direction of Iran–China relations

<sup>1</sup> Farnaz Fassihi and Steven Lee Myers, “Defying U.S., China and Iran Near Trade and Military Partnership,” *New York Times*, July 11, 2020, accessed on October 13, 2020, <https://www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html>.

<sup>2</sup> “Iran Will Not ‘Give Away’ Its Soil to China, Or Anyone Else, Zarif Insists,” *Radio Farda*, July 16, 2020, accessed on October 13, 2020, <https://en.radiofarda.com/a/iran-will-not-give-away-its-soil-to-china-or-anyone-zarif-insists/30732000.html>.

continues to build, but in reality, current discussions are primarily based on secondary sources published by U.S. news organizations as discussed above.

This report uses the text of the 25-year comprehensive cooperation plan (draft) between Iran and China (referred to below as the draft plan) to get an accurate picture of actual relations, objectively analyze and evaluate the aims of the two countries, and look into the future. To share the conclusions upfront, although Iran–China relations are expected to make progress over the short-term considering relations with the United States, the two nations have essentially different values and objectives despite their similar circumstances, and there is a strong possibility that such a fragile relationship will hold back bilateral relations in the long run.

## **2. The History of Iran–China Relations**

### **(1) Overview of Iran–China Relations**

Before specifically looking at the draft plan, I will give an outline of how relations between the two countries currently stand. Since establishing diplomatic relations on August 16, 1971, the two nations have developed a friendly relationship despite a few twists and turns. Against the backdrop of the Cold War structure in the 1970s, the relationship gradually deepened. At the time, the Nixon administration in the United States was promoting the Twin Pillars policy toward the Middle East, which focused on Saudi Arabia and Iran, and the administration placed particular importance on relations with the Iranian monarchy. Meanwhile, following a military conflict (a border dispute in March 1969) with the Soviet Union over Damansky Island (known as Zhenbao Island in Chinese), China devised a plan to counter the international order established by the superpowers of the United States and the Soviet Union and included Iran as an important partner in the plan.<sup>3</sup>

In the subsequent Iran–Iraq War (1980–1988), China was the largest supplier of arms to Iran (discussed in section 2. (3)). In the post-Cold War era, specifically 2001, China established the Shanghai Cooperation Organization (SCO) as part of its search for a new international order, and in the process of adopting policies focusing on central Asia for the purposes of energy security, China became a driving force in strengthening connectivity<sup>4</sup> in Eurasia. Since 2005, Iran has participated in the SCO as an observer and has strengthened both political and economic ties with China.

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<sup>3</sup> For details, see the following: Soichiro Tanaka, "A History of Iran–China Cooperation: One Aspect of the Contemporary Middle East Crisis," *Journal of Middle Eastern Studies*, No. 539, September 2020, pp. 64–75.

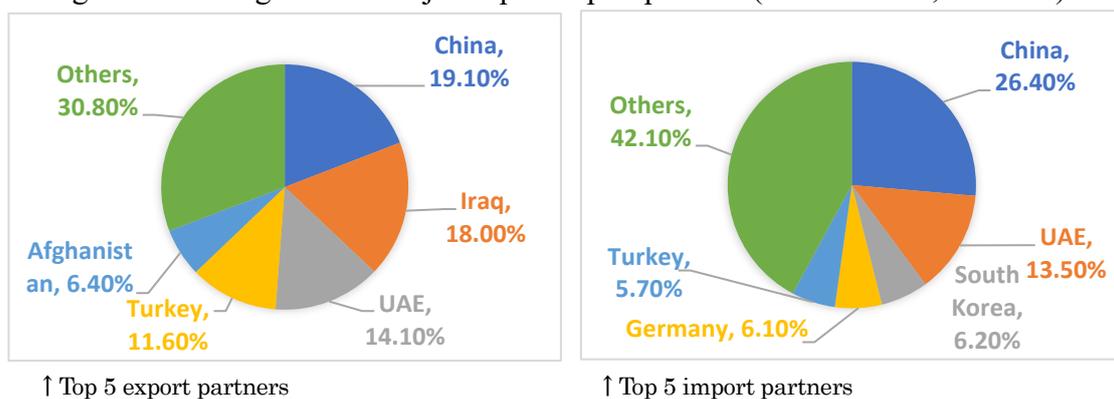
<sup>4</sup> An initiative to strengthen ties in a wide range of areas including politics, diplomacy, and the economy. In recent years, the principle of rule-based governance has begun to waver, leading countries to invest more actively in infrastructure, among other things.

Recently, the relation between the two countries has been making steady progress, as China puts into action the Belt and Road Initiative that it announced at the Asia-Pacific Economic Cooperation Summit in November 2014. From the beginning, Iran has been actively involved in the Asian Infrastructure Investment Bank (AIIB), which was established by China, and Iran officially became a member in January 2017. Furthermore, when the Joint Comprehensive Plan of Action (JCPOA) was signed in July 2015, China was part of the deal and participated in Iran's nuclear development as an important stakeholder. During President Xi's visit to Iran in January 2016, the two countries elevated relations through the Joint Statement on Comprehensive Strategic Partnership.<sup>5</sup> On June 21, 2020, President Rouhani approved the draft plan in a cabinet meeting and it is expected to be concluded in the near future.

## (2) Economic and Trade Relations

The powerful economic ties between the two nations are a driving force behind the overall strengthening of relations. Looking at export destinations by country for the non-oil sector in FY 2018, China was Iran's largest export partner (\$9.665 billion, or 19.1%; see the left side of Figure 1). China (\$11.375 billion, 26.4%) was also Iran's largest import partner, surpassing the United Arab Emirates (\$5.832 billion, 13.5%) and South Korea (\$2.674 billion, 6.2%; see the right side of Figure 1).

Figure 1. Ranking of Iran's major import/export partners (non-oil sector, FY 2018)



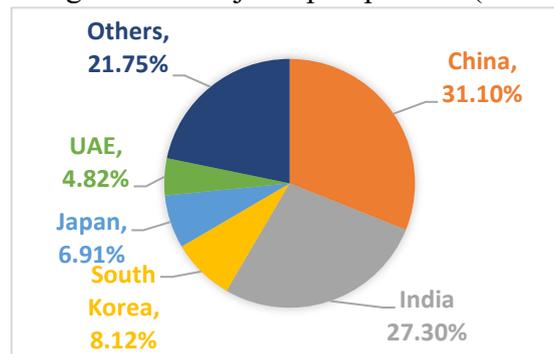
(Source) Prepared by the author based on [statistical data from the Trade Promotion Organization of Iran](#)

Even based on export partners for crude oil, the mainstay of Iran's annual revenue (FY

<sup>5</sup> Office of the President, Iran, *Full text of Joint Statement on Comprehensive Strategic Partnership between I.R. Iran, P.R. China*, January 23, 2016, accessed on October 13, 2020, <http://www.president.ir/EN/91435>.

2018), Iran's largest export partner is China (\$13.4 billion, 31.1%; see Figure 2). Since the US completely lifted its crude oil embargo in May 2019, the majority of countries have now stopped importing crude oil from Iran, but according to reports, China continues to import crude oil by cutting tracking devices and transferring cargo from ship to ship at sea in "off-shore deliveries."<sup>6</sup> In short, China continues to be Iran's most important trading partner regardless of the goods being traded.

Figure 2. Ranking of Iran's major export partners (crude oil, FY 2018)



(Source) Prepared by the author based on [statistical data from OEC](#)

### (3) Military relations

Turning our attention to military relations, Iran and China have been working together on military technology since the Cold War. During the Iran–Iraq War, China was a major supplier of weapons and military technology to Iran, with China accounting for approximately two thirds of weapons transfers to Iran during the war.<sup>7</sup> These transferred weapons included Silkworm anti-ship cruise missiles, increasing the threat to the U.S. Navy in the Middle East.

The military relationship between the two countries continued after the Cold War, albeit sluggishly. Although the number of weapons that China exported to the Middle East region (versus other regions) is not necessarily high, two thirds of all the weapons China exported to Middle Eastern countries from 1991 to 2015 were sent to Iran. This demonstrates that China considers Iran important.<sup>8</sup> Furthermore, close military cooperation between the two countries is still continuing. For example, Iran and China's navies held joint military exercises in June 2017, and Iran, China, and Russia held joint military exercises in the Gulf of Oman

<sup>6</sup> "US 'concerned' over untrackable China ships carrying Iran oil," *Al Jazeera*, October 16, 2019, accessed on October 14, 2020, <https://www.aljazeera.com/news/2019/10/16/us-concerned-over-untrackable-china-ships-carrying-iran-oil>.

<sup>7</sup> Emi Mifune, "Iran's Position in China's Foreign Policy," *Journal of Middle Eastern Studies*, No. 537, January 2020, pp. 8–19.

<sup>8</sup> Matsuaki Yatsuzuka, "Chinese Military Involvement in the Middle East," *Journal of Middle Eastern Studies*, No. 537, January 2020, pp. 20–33.

in December 2019.

### 3. Overview of the Iran-China 25-Year Comprehensive Cooperation Plan (Draft)

According to the text,<sup>9</sup> as reported in the media, the draft plan is made up of a body of texts with nine articles (four pages) and three accompanying documents (14 pages; 18 pages total). The center of the cover reads, "Final Draft: Iran–China 25-Year Comprehensive Cooperation Plan." At the bottom, it is dated "Khordad 1399 (May 21–June 20, 2020)" and indicates that the draft was prepared by the "Iran–China Comprehensive Strategic Joint Preparation and Work Secretariat" (see Table 3 on the next page for a summary).

What we do know is that the draft plan is designed to be a "win-win deal" that will bring the benefits of foreign currency and infrastructure development to Iran while bringing stable crude oil imports to China. In fact, the draft plan encompasses a wide range of areas including the economy; oil and energy; politics; science, technology, and education; human resource development; connectedness; the military and security; counter-terrorism; and information and communication.

Meanwhile, the draft plan does not include dispatching or stationing the People's Liberation Army in Iran. Neither does it contain language that leases Iranian territory to China, including the cession of Kish Island. On the whole, the draft plan gives the strong impression that the two nations are trying to advance their relations in a multifaceted manner by further developing the Joint Statement on Comprehensive Strategic Partnership signed in January 2016. In that sense, we can summarize the draft plan by saying that it is not specific to military cooperation or security and does not include content that goes beyond taking to the next level the relationship Iran and China have already built.

Table 3. Summary of the Iran–China 25-Year Comprehensive Cooperation Plan (Draft)

-	Preface	Iran and China are historic Asian countries with a close relationship in terms of commerce, economics, politics, culture, and security, and these two nations have shared visions and interests.
1	Vision	The plan will promote a comprehensive, strategic partnership between China and Iran that is founded upon creating win-win relationships between the two countries, the two regions, and internationally.

<sup>9</sup> Original Farsi text reported by [Iran International](#) on July 7, 2020, [Tabnak](#) on July 12, 2020, etc. However, neither Iran nor China has released the draft plan.

2	Mission	China and Iran will cooperate in the following 10 areas: (1) economic and commercial fields; (2) exchange in the public and private sectors, and special free trade zones; (3) economic, technological, and tourism fields; (4) strategic cooperation in economic fields; (5) science, technology, and higher education; (6) joint economic promotion; (7) support in regional and international organizations; (8) counterterrorism and security; (9) military cooperation; and (10) others.
3	Basic objectives	Iran will work to allow China to import oil from Iran and resume investment in Iran. Meanwhile, China will cooperate with Iran on the development of infrastructure including railways, roadways, seaways, and airways, and they will work together in areas such as the banking business, petroleum, petrochemistry, heavy industry, agriculture, and development of human resources (see Accompanying Document [1] for details).
4	Areas of cooperation	(1) Oil and energy (export of Iranian crude oil), (2) activities related to the Belt and Road Initiative (North–South transport corridor, development of the Chabahar Port, East–West rail transport network, regional cooperation, etc.), (3) development of the Makran coast (development of Jask Port, tourism, environment, etc.), (4) technology and telecommunications (information and communication, 5G communication, GPS, computers, etc.), and (5) finance, economy, and commerce (see Accompanying Document [2] for details).
5	Means of implementation	See Accompanying Document (3) for details on how cooperation in each area will be implemented.
6	Supervision and implementation	High-ranking officials representing the leaders of both countries will develop mechanisms for implementation. The representatives will hold an annual meeting. The foreign ministries of both countries will be responsible for supervising, in partnership with relevant ministries.
7	Cooperation with third countries	With the Belt and Road Initiative in mind, the two countries will encourage joint projects in neighboring countries.
8	Rejecting external	The two countries will protect the plan from unlawful pressure from third countries.

	pressure	
9	Final clause	This agreement will be effective for 25 years from the date of signing.

(Source) Prepared by the author based on reporting from [Iran International on July 7, 2020](#)

However, it should be noted that Iran's and China's attempts to strengthen relations on multiple fronts will expand China's influence in the Middle East. For example, the Makran coast is undeveloped compared with other areas and, in light of the current overcrowding in the capital of Tehran and provincial cities, development of this area (see item 4 of Table 3, "Areas of cooperation" and Figure 4) can be understood from the perspective of Iran's

comprehensive national development. Meanwhile, in light of the fact that the Chabahar Port was used for joint military exercises between three countries in December 2019, an oil pipeline to Jask Port was laid,<sup>10</sup> and the Revolutionary Guard Corps fired ballistic missiles that can be shot from underground during military exercises on the same coastline,<sup>11</sup> the development of the Makran coast could be seen as a stepping stone to expanding options for blocking the Strait of Hormuz in case of an emergency. As such, it cannot be said that the draft plan makes absolutely no changes to the balance of power in the region, and it has potential to become a cause for alarm in the international community, including Japan.

Figure 4. Locations along the Makran coast



#### 4. The Context of Growing Closeness between Iran and China

##### (1) Iran's possible objectives

A) Economic benefits: Iran's most significant challenge at present is the strain on its public finances.

Why, then would the two countries be trying to grow closer? First, in terms of Iran's objectives, the country's economy was on the brink of collapse due to sanctions and the impact of COVID-19, and it is thought that Iran had no choice but to approach China, its largest trading partner. After unilaterally withdrawing from the JCPOA in May 2019, the

<sup>10</sup> For details, see *Chuto Kawaraban*, 2019, No. 110, [https://www.meij.or.jp/kawara/2019\\_110.html](https://www.meij.or.jp/kawara/2019_110.html)

<sup>11</sup> "IRGC Fires Underground Ballistic Missiles in War Game," *Tasnim News Agency*, July 29, 2020, accessed on October 19, 2020, <https://www.tasnimnews.com/en/news/2020/07/29/2316809/irgc-fires-underground-ballistic-missiles-in-war-game>.

United States took measures against Iran such as shutting the country out of international financial networks and putting an embargo on Iranian crude oil. According to provisional calculations by the IMF, Iran's economic growth rate in FY 2020 is expected to be -6%. Coupled with a plunging currency and increases in the unemployment rate and the consumer price index, this makes for an uncertain future.<sup>12</sup> In March this of year, the central bank requested a loan of \$5 billion (approximately ¥550 billion) from the IMF, and the worsening economic situation is now a pressing issue.

#### B) Opposition toward the United States: Expectations of support from China within a multilateral framework

Amidst growing tension between the United States and Iran, backing from China within a multilateral framework functions as an important lever for Iran, and opposition toward the United States is considered another reason for Iran to cozy up to China.

Under the motto of "America First," the Trump administration has taken a series of actions that could completely negate the multilateralism that has been built up through steady effort by the international community, including withdrawing from the Paris Agreement (June 2017), withdrawing from UNESCO (October 2017), and withdrawing from the JCPOA (May 2018). Furthermore, the United States has launched pro-Israel policies exemplified by the normalization of diplomatic relations between Israel and the United Arab Emirates and Bahrain (September 2020) and is constructing a network that encircles Iran. When the United States presented a resolution to extend the weapons embargo against Iran on August 14, 2020, China once again demonstrated its support for Iran in the international arena by voting against the resolution, along with Russia.<sup>13</sup> Amid such circumstances, strengthening relations with China is positioned as a way for Iran to counter the unilateralism of the United States.

#### (2) China's possible objectives

##### A) Increasing influence in the region, tamping down on U.S. unilateralism, expanding the Belt and Road Initiative

Like Iran, China's objective is likely to curb the hegemony of U.S. unilateralism, as well as expand its influence in the region. While China has continued to voice its opposition to "power politics and hegemony" for the past 30 years or more, "power politics and hegemony"

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<sup>12</sup> For details, see Hideko Sakurai, "Updates on the Iranian Economy: Sanctions, Corona, and the Great Reset," *Journal of Middle Eastern Studies*, No. 539, September 2020, pp. 42–55.

<sup>13</sup> For details, see Chuto Kawaraban, 2020, No. 59, [https://www.meij.or.jp/kawara/2020\\_059.html](https://www.meij.or.jp/kawara/2020_059.html)

here refer to the United States.<sup>14</sup> To isolate its adversaries, China has formed a "united front" that incorporates even "enemies of enemies" and "friends of enemies" into the Chinese camp, and China and Iran maintain a relationship of mutual support and criticism of the unilateral U.S. system, while mutually upholding the principle of non-interference in the internal affairs of other countries based on the Five Principles of Peaceful Coexistence.<sup>15</sup> Stronger relations with Iran lead to an expansion of this "united front."

Furthermore, China's involvement in Iran's infrastructure development is seen as an attempt to expand the Belt and Road Initiative. To solve the Malacca dilemma, China has positioned the strengthening of its naval power and the building of alternative sea lanes as part of its national strategy,<sup>16</sup> and in August 2017, China began operating the Djibouti Naval Security Base—its first overseas military base—and has been increasing its presence in the Middle East and Africa. As discussed above, China's involvement in the development of the Makran coast, which is located at the nexus of the Middle East and Southwest Asia, gives China an advantage in terms of strategic competition among the major powers.

#### B) Economic benefits: Building a stable import system for natural resources

Additionally, China's objective is also thought to be building a stable import system for natural resources such as the oil and gas found underground in Iran. In the past, China National Petroleum Corporation (CNPC) had also been involved in a joint project with Iranian and French companies to develop the South Pars Gas Field located in the Persian Gulf. However, CNPC withdrew after economic sanctions were re-imposed by the United States in May 2018.<sup>17</sup> With Iran eager to start exporting crude oil again for the sake of financial reconstruction, China can take the opportunity to import Iranian crude oil at low prices, which is a major benefit.

#### C) "Counterterrorism:" Suppressing criticism of the Uighur problem

Suppressing criticism of the Chinese oppression of the Uighur people is thought to be another objective of China's plans to grow closer to Iran. The Chinese government has positioned the crackdown on separatist activities and extremism by the Muslim Uighurs as a "counter-terrorism measure" and is attempting to suppress this population under the name of

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<sup>14</sup> Mifune, work cited above, p. 13.

<sup>15</sup> Five principles consisting of mutual respect for each other's territorial integrity and sovereignty, mutual non-aggression, mutual non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.

<sup>16</sup> Emi Mifune, *China's Diplomatic Strategy: What Lies Beneath*, Kodansha, 2016, p. 142.

<sup>17</sup> "CNPC suspends investment in Iran's South Pars after U.S. pressure: sources," *Reuters*, December 12, 2018, accessed on October 14, 2020, <https://www.reuters.com/article/us-china-iran-gas-sanctions-idUSKBN1OB0RU>.

de-radicalization.<sup>18</sup> For the Iranian revolutionary regime, which is committed to the protection of the Islamic community, the oppression of Muslims is a problem that cannot be overlooked. China is thought to be warding off criticism from Iran in exchange for providing the country with material benefits.

## 5. Challenges Facing Iran–China Relations and Future Outlook

At first glance, it seems inevitable for Iran and China to grow closer, but the question of whether future relations between the two countries will proceed smoothly needs to be considered with care. First, there are discrepancies in the way that Iran and China perceive the draft plan. The Iranian perspective is close to reality: to avoid isolation while under aggressive economic sanctions from the United States, Iran had no choice but to get closer to China, its biggest trading partner. Meanwhile, the plan puts China in an advantageous position, both in terms of the country's strategy toward the United States and a steady source of crude oil. These differences in the positions of the two nations demonstrate their susceptibility to changes in the international environment, calling into question whether various forms of cooperation can be achieved.

Second, with the United States continuing to apply tough secondary sanctions against Iran, there is a good chance that unilateral sanctions by the United States could diminish the desire of Chinese companies to invest. Many Chinese companies are expanding their business in the United States, which discourages investment in Iran. Additionally, there are concerns within Iran about becoming too close to China, particularly among hardline conservatives,<sup>19</sup> and the Iranian government has no choice but to consider these concerns.

To sum up, although the two nations are "friends" currently working together for pragmatic reasons despite their differing objectives, there is a high likelihood that their future relationship will change according to the circumstances. After the weapons embargo on Iran was lifted on October 18, 2020, military relations between Iran and China are expected to deepen. Meanwhile, China has a relatively advantageous position compared with Iran and will likely hold fast to the principle of non-interference in internal affairs while also maximizing its own interests through detached and pragmatic diplomacy. Considering that the Trump administration's hardline policies toward Iran have encouraged a close relationship between Iran and China,<sup>20</sup> the policy approach that the next U.S. president takes toward Iran

<sup>18</sup> "Xinjiang: Large numbers of new detention camps uncovered in report," *BBC*, September 24, 2020, accessed on October 15, 2020, <https://www.bbc.com/news/world-asia-china-54277430>.

<sup>19</sup> Former president Ahmadinejad has declared his opposition to the draft plan and, in July of this year, Foreign Minister Zarif was criticized in the Iranian Parliament for not making the content of the draft plan clear to the public.

<sup>20</sup> Nobumasa Akiyama, "The Strategic Implications of US Withdrawal from JCPOA,"

will be important. The development of the relationship between Iran and China will affect strategic competition between major powers, both inside and outside the region. Accordingly, we must carefully examine both factors that encourage closeness between the countries and factors that discourage it.

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*Journal of Middle Eastern Studies*, No. 539, September 2020, pp. 8-28; Jamil Anderlini, "China's Middle East strategy comes at a cost to the US," *Financial Times*, September 9, 2020, accessed on October 15, 2020, <https://www.ft.com/content/e20ae4b9-bc22-4cb5-aaf6-b67c885c845c>.