

ANALYSIS OF IRAN - CHINA RELATIONS

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The most significant impact of the Iranian nuclear deal has been on China. China has been regarded as one of the prime winners of the deal, as Iran pulls back key elements of its enrichment programme which gives a chance to Beijing to deepen its historic partnership with Iran. This impending opening can prove to be a chance for the Chinese state-owned energy companies to increase their involvement with Iran's oil and natural gas industries, and Iran could become a prospective and important export market for a range of Chinese products. Iran and China share the outrage suffered at the hands of the West, stripping them of their past glory and power. Over the past few decades, China and Iran have been developing a broad and deep partnership centred on China's energy needs by taking advantage of Iran's abundant resources and, in this process, engaging in arms sales and defence cooperation with the underlining aim to establish a geostrategic balancing against the US in the region. This paper will look into the nature and range of relations that exist between China and Iran. It will also try to analyse if the nuclear deal will change the pattern of this bonhomie between the two nations. With economic sanctions on Iran being lifted after the implementation of the nuclear deal, the multi-billion-dollar trade relationship between China and Iran is set to expand as China is expected to invest more heavily in Iran's oil, gas and industrial sectors.

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HISTORICAL BACKGROUND

Iran and China established official diplomatic relations in 1971. Despite modest early interactions, it was a long time before China acquired substantial vested interests in the region, and with Iran specifically. At the time, China did not have the financial means or the diplomatic or political heft to promote and protect its interests in the region.¹ However, since the Islamic Revolution in 1979, Beijing has viewed Iran as a potential political and strategic ally and gone ahead to cultivate a strategic partnership with it. For several decades now, the Sino-Iranian partnership

has had a positive effect on China's energy security and on the development of Iran as an important player in the geopolitical scene in the West Asian region. There are several issues that brought Iran and China together: (a) the common suspicion of the US; (b) China, as a growing economy wanted energy security to fulfil its energy demand and, therefore, viewed Iran as a favourable partner; (c) Iran's isolationism also played a significant role in bringing the two countries together. Iran's ability to play against the big powers in the region was visualised by China as making it a possible ally in the region; and (d) lastly, China's economic reforms and its emergence into the big league made it look towards Iran not only as an energy supplier but also in the form of untapped markets for Chinese products. Besides having large oil reserves, Iran is also one of the major geopolitical players in the Persian Gulf region. However, this mutually beneficial relationship has been under pressure since the time sanctions were imposed by the international community on the Iranian regime. Despite the sanctions, China was able to find ways of continuing its relationship with Iran in order

1. Peter Mackenzie, "A Closer Look at Iran-China Relations", September 2010, https://www.cna.org/CNA_files/PDF/D0023622.A3.pdf. Accessed on April 21, 2016.

to meet its energy needs and requirements.² Despite all its attempts, the US government failed to persuade China to follow the example of Iran's other main trading partners which included India, South Korea, the United Arab Emirates (UAE), the European Union (EU) and Japan. This inability of the American authorities to make Beijing impose sanctions on Iran or at least follow the requirements of Washington concerning trade and economic cooperation with Tehran, posed a challenge to the sanctions regime at that time.³

China had maintained its relations with the pre-revolutionary Iran under the Shah's regime as well as the post-Islamic Revolution Iran. After World War II, and with the onset of the Cold War, China's Communist regime was considered a threat by the US. This led to the utilisation of the political and diplomatic power of the US to stop China's penetration into the region in order to curb the spread of Communism in the whole West Asian region. Mohammad Reza Shah's regime in Iran had forged close diplomatic, economic and political ties with the US after the overthrow of the Mossadegh government in 1953. However, the relationship between Iran and China was not close during the Shah's regime despite having trade relations. Additionally, Iran was diplomatically obligated (as a result of its relations with the US) to choose both its economic and political alliances. Moreover, the Sino-Soviet political rift in the later part of the 1960s led China to look for the new partners for an alliance, thereby, shifting its interests towards Iran and the other oil producing nations in West Asia.⁴

The Islamic Revolution and the subsequent Iranian hostage crisis left the Western world with a feeling of suspicion and mistrust of the new Islamic Republic that emerged. China had to work hard to reestablish its

2. Nikolay A. Kozhanov, "U.S. Economic Sanctions Against Iran: Undermined by External Factors", *Middle East Policy Council (MEPC)*, vol. xviii, no. 3, Fall 2011, <http://www.mepc.org/journal/middle-east-policy-archives/us-economic-sanctions-against-iran-undermined-external-factors?print>. Accessed on April 20, 2016.

3. Ibid.

4. Manochehr Dorraj and Carrie L. Currier, "Lubricated with Oil: Iran-China Relations in a Changing World", *MEPC*, vol. xv, no. 2, Summer 2008, <http://www.mepc.org/journal/middle-east-policy-archives/lubricated-oil-iran-china-relations-changing-world?print>. Accessed on August 22, 2016.

During the Iraq-Iran War of the 1980s, China provided significant military support to Iran which helped China rebuild its trust with the newly emerged Iranian regime. Also during the war between Iran and Iraq, China was the major supplier of advanced weapons to Iran in areas ranging from tanks and fighter jets to fast-attack patrol craft and anti-ship missiles.

relations with Iran. After the revolution, when Ayatollah Khomeini, the Supreme Leader of Iran, pursued the policy of “*neither east, nor west*”, China emerged as an ideal partner for Iran. As a matter of fact, Iran desperately needed China’s support during those difficult times. The West had already imposed sanctions on Iran following the American hostage crisis, and the Iraqi invasion of Iran in the 1980s made it difficult for Iran to survive without arms. According to Michael Singh, historically, Iran and China have shared mutual relations on the single pretext of their mutual suspicion of the US. The modern Sino-

Iranian relationship started when China became an indispensable security partner to Iran by supplying it with arms as well as providing it with key nuclear components.⁵ During the Iraq-Iran War of the 1980s, China provided significant military support to Iran which helped China rebuild its trust with the newly emerged Iranian regime. Also, during the war between Iran and Iraq, China was the major supplier of advanced weapons to Iran in areas ranging from tanks and fighter jets to fast-attack patrol craft and anti-ship missiles. However, the development of a strong alliance between the two can be specifically attributed to three main reasons: one, China never interfered in Iran’s domestic and foreign policies; two, China needed Iranian energy and natural resources which was also beneficial for Iran; and three, the Chinese leadership was not perceived as a threat in Iran as it did not have any imperialistic ideas vis-à-vis Iran.⁶

5. Michael Singh, “The Sino-Iranian Tango”, *Foreign Affairs*, July 21, 2015, <http://www.foreignaffairs.com/print/1114921>. Accessed on April 28, 2016.

6. S. Harold and A. Nader, “China and Iran: Economic, Political, and Military Relations”, *Occasional Papers*, vol. 50, RAND Corporation, January-December 2012, http://www.rand.org/content/dam/rand/pubs/occasional_papers/2012/RAND_OP_351.pdf. Accessed on April 29, 2016.

The relationship between Iran and China changed course when the Chinese economy started growing, thereby increasing its energy needs and also seeking new markets to sell its products. At that time, China's relations with Iran were driven not only by its energy needs and profit making, but also by its strategic agenda to limit US influence in the region.⁷ It must be added that Iran's strained relations with the US and Western Europe made China an alluring partner. Iran needed a reliable buyer for its oil and gas, and a supplier of military equipment and weapon systems. Not surprisingly, the relationship proved to be a mutually beneficial one.⁸

DIMENSIONS OF THE RELATIONSHIP

Economic Relations: China was a crucial partner in helping Iran during the sanctions and had an extensive economic relationship with Iran despite the United Nations Security Council's (UNSC's) sanctions. The two nations have cooperated in different sectors, including energy and construction. China emerged as a top economic partner of Iran, investing heavily in the energy sector and filled in the vacuum created with the departure of other Western nations. As a result of the Iran-Iraq War and the imposition of sanctions, Iran's energy sector infrastructure had become outdated and inefficient. China played a significant role in rebuilding this infrastructure as well as engaging in joint venture exploration and oil and gas field development projects.⁹ During the years when Iran was facing sanctions, China was one of a handful of countries that continued trading with Iran. The volume of trade between Iran and China, which has increased significantly in the recent years, had multiplied since the early 1990s. While in 1994, the volume of trade stood at around \$450 million, it rose to \$2.3 billion in 2001 and

7. Joel Wuthnow, "Are Chinese Arms About to Flood into Iran?", January 13, 2016, <http://www.nationalinterest.org/feature/are-chinese-arms-about-flood-iran-14887?page=2>. Accessed on April 21, 2016.

8. Dorraj and Currier, n. 4.

9. Aaron Morris, "From Silk to Sanctions and Back Again: Contemporary Sino-Iranian Economic Relations", *Al-Nakhlah*, Winter 2012, <https://www.ciaonet.org/attachments/19720/uploads>. Accessed on April 30, 2016.

China is already Iran's largest trading partner with bilateral trade surpassing \$50 billion in 2014—a 31.5 per cent increase from the previous year. During Chinese President Xi Jinping's visit to Iran earlier this year, the two countries also agreed to increase bilateral trade more than 10-fold to \$600 billion in the next decade as China pursues its *One Belt One Road* project, an ambitious network of road, rail and port routes that will connect China to Central Asia, South Asia, West Asia and Europe.

\$30 billion in 2010.¹⁰ China is already Iran's largest trading partner with bilateral trade surpassing \$50 billion in 2014—31.5 per cent increase from the previous year. During Chinese President Xi Jinping's visit to Iran earlier this year, the two countries also agreed to increase bilateral trade more than 10-fold to \$600 billion in the next decade as China pursues its *One Belt One Road* project, an ambitious network of road, rail and port routes that will connect China to Central Asia, South Asia, West Asia and Europe.¹¹ Long-term contracts in the energy and mining sectors were also discussed during this visit. Iran is seeking to attract

\$50 billion annually in foreign investment for the country's ailing \$400 billion economy. China had been Iran's biggest trading partner, with trade between the two nations amounting to some \$52 billion in 2014, before the fall in oil prices.¹²

The rapid growth in trade and economic relations between the two countries has been attributed to two factors—the first being China's sustained and substantial economic growth, turning a predominantly agrarian self-contained economy into a fast developing industrial powerhouse. The second factor is related to the limited number of choices that Iran had for economic

10. Ariel Farrar-Wellman and Robert Frasco, "China-Iran Foreign Relations", July 13, 2010, <http://www.irantracker.org/foreign-relations/china-iran-foreign-relations>. Accessed on August 22, 2016.

11. Huileng Tan, "China Tilts to Iran as Xi Caps Visits with 17 Accords", January 25, 2016, <http://www.cnbc.com/2016/01/25/china-tilts-to-iran-as-xi-caps-visit-with-17-accords.html>. Accessed on April 30, 2016.

12. Golnar Motevalli, "China, Iran Agree to Expand Trade to \$600 Billion in a Decade", January 23, 2016, <http://www.bloomberg.com/news/articles/2016-01-23/china-iran-agree-to-expand-trade-to-600-billion-in-a-decade>. Accessed on April 30, 2016.

cooperation due to the sanctions which were imposed by the US on Iran following the hostage crisis in 1979. Imposition of a wide range of sanctions, first by the US since the early 1980s and then by the United Nations Security Council since 2006, which had expanded in range and depth, made the situation all the more difficult for Iran. This was coupled with the continuing rise in demand for a wide range of consumer goods in the Iranian economy. As a result of all this, the Iranian market was flooded with Chinese products.¹³

Iran holds the world's third largest source of proven oil reserves and second largest source of proven gas reserves. The Iranian economy largely revolves around its energy sector which has been the basis of the Sino-Iranian economic relations. The Chinese oil demand increased to almost 90 percent from 1993 till 2002, and by 2008, China was importing approximately 7.8 billion barrels per day. In 2009, Iran supplied China with more than 23 million metric tonnes of crude oil, making it China's third largest oil supplier after Saudi Arabia and Angola.¹⁴ Iran is also China's largest source of liquefied petroleum gas. But this flow of energy is not unidirectional. Due to the lack of internal refining capabilities, Iran imports 40 percent of its refined gasoline from external sources, of which China provided 30 percent in 2009.¹⁵ However, the imports fell by more than 30 percent in the first half of 2010, making Iran the only country to experience declining oil exports to China in 2010. Iran formed a joint oil and gas committee with China to broaden and expedite energy cooperation. Furthermore, China signed a \$20 billion agreement

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13. Mohsen Sahriatinia, "Iran-China Relations: An Overview of Critical Factors", *Iranian Review of Foreign Affairs*, vol. 1, no. 4, Winter 2011, pp. 57-85.

14. Morris, n. 9.

15. Ariel Cohen et. al, "Iran's Energy Sector: A Target Vulnerable to Sanctions", February 14, 2011, <http://www.heritage.org/research/reports/2011/02/irans-energy-sector-a-target-vulnerable-to-sanctions>. Accessed on August 23, 2016.

in May 2011 to boost bilateral cooperation in Iran's industrial and mining sectors.¹⁶ Between 2005 and 2010, Chinese firms signed contracts worth \$120 billion in the Iranian energy sector.¹⁷ In July 2010, China and Iran's Oil Ministry announced a \$40 billion deal to revamp Iran's petroleum refining industry.¹⁸ China imported 0.63 billion barrels per day of Iranian oil in the first half of 2014, which was 48 percent more than imports by it in the previous year.¹⁹

Sino-Iranian commercial relations, outside the energy sector, had also shown an increasing trend. China imported \$3.12 billion of Iranian non-energy products in 2009 which included iron ore, methanol, propane, polyethylene, styrene, butane, ethylene-glycol, paraxylene, chrome stone, marble, oil and mineral seals, and purified copper. Iran mainly imported from China railroad and subway locomotives parts, oil and gas pipelines, LCD and LED modules, car parts, polystyrene, bananas and cars. China also made vast infrastructure investments in the non-energy sector in 2009 which included construction contracts for bridges, highways, railways, airport infrastructure and metro rail systems.²⁰ China also exports manufactured goods to Iran such as computer systems, household appliances, and cars.²¹ Reports by the Iran-China Chamber of Commerce and Industries stated that bilateral trade between China and Iran diminished significantly in the year 2012. It went down from approximately \$3 billion in 2011 to \$400 million in 2012.²² One of the reasons cited for this was the sanctions that were imposed on Iran by the Western powers.

Thus, the continued Sino-Iranian economic engagement is expected to further expand in the period after the successful completion of the Iranian nuclear deal and removal of sanctions. China's ambitious One Belt, One

16. Kozhanov, n. 2.

17. Tan, n. 11.

18. Motevalli, n. 12.

19. Lauren Dickey and HeliaIghani, "Iran looks East, China Pivots West", August 25, 2014, <http://thediplomat.com/2014/08/iran-looks-east-china-pivots-west/>. Accessed on August 23, 2016.

20. Ibid.

21. Wuthnow, n. 7.

22. Arash Karami, "Chinese Investment in Iran Said to Drop from \$3 Billion to \$ 400 Million", <http://iranpulse.al-monitor.com/index.php/2013/03/1555/chineseinvestment-in-iran-said-to-drop-from-3-billion-to-400-million/>. Accessed on August 23, 2016.

Road (OBOR) project had been designed to connect China to West Asia through which it can expand its strategic and economic relationships in the energy rich nations in the West Asian North African (WANA)²³ region along with access to the Caspian Sea, Arabian Sea and Indian Ocean. Both nations have far too much to lose, with China needing the Iranian oil supplies to fuel its domestic economic and industrial growth and unrestricted access to northern Iran through OBOR. Iran, on the other hand, needs the ever growing energy markets for its oil industry to sustain its economic growth as well as any benefits that could accrue from China's revival of its Silk Road initiative.

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Political and Diplomatic Relations: The Silk Road set the stage for the strengthening of diplomatic relations between Iran and China. Historically, both Iran and China were the non-Western empires that had suffered humiliation at the hands of the Western nations. In practical terms, this translated into foreign policy goals of a multipolar world, free of US hegemony, and in this respect, the goals of both nations remain quite aligned.

The rapprochement between China and US in the midst of the Cold War subsequently created a gap in the relations between China and Iran. The reason attributed for this is the fact that China's support to the new revolutionary regime in Iran could have damaged the new and somewhat positive developments in the Sino-US relationship. China was in desperate need of US technology for its technologically starved industry, and this could be obtained only through normalisation of US-China relations, that

23. WANA: West Asian North African region

opened it to US and other Western technologies.²⁴ However, the Iran-Iraq War in the 1980s did contribute towards the improvement of the relationship between China and the Iranian regime. In the Iran-Iraq War, the US openly supported Iraq while the Chinese policy-makers, under the rule of Deng Xiaoping, were more focussed on strengthening its international position. Given the favourable circumstances of trade between Iran and China, the diplomatic relations eventually expanded considerably and resulted in significant progress in bilateral trade relations.²⁵ Added to this mix was also the commonality of interests between Iran and China: their mutual distrust related to the US, and the creation of a multipolar world order where each is a dominant power in its respective region. This shared idea, in turn, allowed their relationship to evolve despite a few fundamental shifts in their outlooks and interests. Their commonalities also extended due to the existence of the semi-authoritarian and semi-democratic system of regimes that prevailed in their respective states.²⁶

There are two emerging scenarios—the Caspian Sea and the Shanghai Cooperation Organisation (SCO)—which could help sustain the momentum in the Sino-Iranian relationship. The first scenario points towards China intensifying its quest for gaining access to the energy resources of the Caspian Sea region.²⁷ Through this, it seems, China wants to decrease its heavy dependence on oil imports from the Persian Gulf. As a result, China is more interested in a stronger and more stable Iran that can help facilitate its transit of oil from the Caspian region. The second scenario is that of Iran becoming a member of the SCO. The SCO was created in 1996 with the aim of demilitarising the border between China and the former Soviet Union.

24. R. Hameed, "Sino-Iran Relations Current Developments and Future Scenario", *Policy Perspectives*, vol.7, no.2, 2010, <http://www.ips.org.pk/pakistan-and-its-neighbours/1094-sinoiran-relations-current-developments-and-future-scenario.html>. Accessed on September 2, 2016.

25. Mahmoud Gahfour, "China's Policy in the Persian Gulf", *MEPC*, vol. xvi, no. 2, Summer 2009, <http://www.mepc.org/journal/middle-east-policy-archives/chinas-policy-persian-gulf?print>. Accessed on September 14, 2016.

26. John Garver, "China and Iran: An Emerging Partnership Post-Sanctions", February 8, 2016, <http://www.mei.edu/content/china-and-iran-emerging-partnership-post-sanctions>. Accessed on September 2, 2016.

27. John S. Park and Cameron Glenn, "Iran and China", *The Iran Primer*, <http://iranprimer.usip.org/resource/iran-and-china>. Accessed on August 29, 2016.

However, it evolved into a wider regional organisation in the subsequent years, with Iran being granted the status of observer in 2005. If Iran is given full membership of the SCO—which was refused to it due to the sanctions—it could provide Iran an organisational context to forge closer relations with the states vital to its interest in Central Asia.²⁸

However, there are speculations that despite greater opportunities, Sino-Iranian relations in the post-Iran nuclear deal scenario will lead to limited ties. The reason cited for this has been related to China's need to maintain positive diplomatic relations with the other states not only in the WANA region but also with many Western and European nations. Beijing has stronger trade ties with Riyadh and imports nearly double the quantity of oil from Saudi Arabia as compared to Iran.²⁹ China has, till now, tried to balance its regional commitments by keeping a relatively low diplomatic profile and avoiding taking strong positions on various contentious issues in the region which has also been a part of China's soft power politics. However, as against this, to further strengthen the relationship between the two nations, President Xi Jinping visited Iran earlier in 2016 to sign a 25-year strategic plan.³⁰ But definitely, China will need to tread this path carefully while balancing its relations with the US and other key Western powers. In the case of the Iranian nuclear issue, China's overall objective had been to play the role of a mediator for the peaceful resolution of the issue. The purpose of

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28. Ibid.

29. Joel Wuthnow, "Posing Problems Without an Alliance: China-Iran Relations after the Nuclear Deal", *SF*, no. 290, February 2016, <http://www.ndupress.ndu.edu>. Accessed on August 31, 2016.

30. "Beijing Balances Iranian Opportunities with Tehran Troubles: China-US Focus", <http://www.chinausfocus.com/peace-security/beijing-balances-iranian-opportunities-with-tehran-troubles/>. Accessed on August 29, 2016.

this could have been to elevate China's standing in the international arena as a "responsible global player."³¹ Coinciding with President Xi Jinping's more assertive foreign policy approach, China's diplomacy in the nuclear talks beginning in 2013 had been bolder as compared to the previous rounds.³²

Defence Relations: Defence relations between Iran and China are a complex matter and various issues are linked with these. At some point, the idea of defence cooperation with Iran is objectionable to some of the major powers of the world. China had aided Iran's efforts to modernise its military hardware through the transfer of military technology and the sales of small arms and tactical ballistic missiles, anti-access systems and anti-ship cruise missiles. However, Iran sought to advance its weapons programme with assistance from China. Iran's military interactions with China started in the early 1980s during the Iran-Iraq War (1980-88). China supplied arms to both sides during that war which amounted to a total of almost \$5 million during 1980-88.³³ China supplied advanced weapons to Iran in areas ranging from tanks to fighter jets to fast-attack patrol craft and anti-ship missiles, breaking all the multilateral non-proliferation norms. At this time, Beijing was driven mainly by the profit motive and also the strategic desire to strengthen Iran in the region against the excessive US influence.³⁴ In the 1990s, China assisted Iran in the production of various anti-ship ballistic missiles.³⁵ However, Chinese arms sales to Iran gradually declined in the 1990s and 2000s due to pressure from the US and the imposition of sanctions by the UN against Iran. Those sanctions initially prohibited involvement in Iran's nuclear and ballistic missile industries but were later expanded to cover conventional weapons such as combat aircraft and warships.³⁶

31. Mackenzie, n. 1.

32. Emma Scott, "A Nuclear Deal with Chinese Characteristics: China's Role in the P5+1 Talks with Iran", *China Brief*, vol. 15, issue 14, July 17, 2015, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=44172&cHash=a196bde88d782a0173dbd4793a06104f#V9EC5Zh97IU. Accessed on September 2, 2016.

33. Farrar-Wellman and Frasco, n. 10, p. 71.

34. Wuthnow, n. 7.

35. Rashida Hameed, "Sino-Iranian Relations: Current Developments and Future Scenarios", *Policy Perspectives*, vol. 7, no. 2, January-June 2010, <http://www.ips.org.pk/global-issues-and-politics/1094-sino-iranian-relations-current-developments-and-future-scenario>. Accessed on August 30, 2016.

36. Ibid.

Military links played a significant role in the Iranian foreign policy post 1997. The level of cooperation related to the Chinese assistance towards Iran's ballistic missiles and nuclear programmes declined due to strong international and US pressure. Some transfer of defence articles continued, such as the sale of C-14 catamaran missile boats between 2000 and 2002, but the arms relationship essentially ended by 2005.³⁷ The UN sanctions on Iran in the 2000s posed another restraint on the prospects for China-Iran military ties, especially in areas such as nuclear and missile technology. When the more pragmatic leader Hassan

Rouhani became Iranian president in 2013, the Iranian government changed some of its tactics to achieve core objectives related to foreign policy and core defence-security programmes for confidence building and to minimise international suspicions.³⁸ In this context, more recently, in 2013 and 2014, with the new leadership in Iran, the stronger China-Iran military relations have begun to reverse a trend of declining cooperation.

Support for Iran's military development effort was advantageous to China's own military modernisation drive. The role of arms export was crucial in financing China's military research and development efforts, as mentioned earlier. Building with Iran a multi-dimensional, cooperative partnership, tested by adversity and founded on mutual understanding, trust and common interests, was one of the underlying objectives of China's military cooperation with Iran.³⁹ Iran placed great emphasis on military

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37. "The SIPRI Arms Transfer Database Contains no Record of PRC Arms Sales to Iran after 2005," <http://www.sipri.org/databases/armstransfers>. Accessed on August 29, 2016.

38. Masoud Rezaei, "Chinese-Iranian Military Relations", *Iranian Review of Foreign Affairs*, vol. 5, no. 3, Fall 2014, pp. 109-148, <http://irfajournal.csr.ir/WebUsers/irfajournal/UploadFiles/OK/139409021356495000007-F.pdf>. Accessed on August 31, 2016.

39. John W. Garver, *China and Iran: Ancient Partners in a Post Imperial World* (Seattle: University of Washington Press, 2006), pp. 197-198.

The Nuclear Threat Initiative reports that in the mid-1980s, China began training Iranian nuclear technicians in China under a secret nuclear cooperation agreement, assisted in the construction of Iran's primary research facility located at Isfahan, and also agreed to supply Iran with subcritical or zero yield nuclear reactors—all under IAEA safeguards.

development to help it realise its goals in that area despite US pressure and threats, which earned China considerable 'political capital' in Iran. In spite of this US pressure, Beijing persisted to provide Iran with self-reliant indigenous nuclear, missile and conventional weapon capabilities. At the same time, China's assistance to Iran also rested on the belief that a militarily strong Iran could serve Chinese interests in constraining the US in the region.⁴⁰

The sanctions regime crippled Iran's ability to procure critical conventional weapons platforms as well as technological expertise and necessary spare parts. Iran's conventional and technological deficiencies have helped mould its operational military strategy around asymmetrical and irregular warfare concepts on which it relies heavily today. However, with the removal of the sanctions, Iran is eager to modernise its military to keep pace with its regional rivals through its purchases of foreign arms and technologies.⁴¹

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40. Ibid.

41. Chris Zambells, "China and Iran Expand Relations after Sanctions' End", *China Brief*, vol. 16, issue 5, http://www.jamestown.org/programs/chinabrief/single/?tx_ttnews%5Btt_news%5D=45179&cHash=53a60240c05c576b7b4a6b1f96678924#.V85eqZh97IU. Accessed on August 31, 2016.

42. "China's Nuclear Exports and Assistance to Iran", Nuclear Threat Initiative, <http://www.nti.org/db/China/niranpos.htm>. Accessed on September 10, 2016.

In the 1990s, China signed a 10-year nuclear cooperation agreement with Iran that allowed Iranian engineers to undertake training in China. This clearly indicated that it would solidify the already close technical cooperation between Iran and China.⁴³ Since then, there have been continuous reports stating that China had been directly assisting Iran with its nuclear programme. However, by 1997, this assistance was more “indirect.” There is no publicly available information indicating that China or Chinese entities have directly aided the most sensitive parts of Iran’s nuclear programme—uranium enrichment and the possible military dimensions addressed in numerous IAEA reports. Iran did use Chinese provided UF₆ in covert enrichment projects carried out between 1998 and 2002.⁴⁴ However, Iran’s uranium enrichment programme is based largely on technology acquired from the A.Q. Khan network. New generation centrifuge designs have been modified significantly—probably, at least, in part to avoid the need for difficult-to-obtain maraging steel.⁴⁵ Security ties between Iran and China also flourished at a time when international negotiations on Iran’s nuclear programme were still going on.

More recently, Iran and China have intensified their military cooperation. In June 2016, Iran reportedly received a batch of TL-7 anti-ship missiles from China. This could mark a new phase of military-technical cooperation between the two countries.

43. Elaine Sciolino, “China will Build A-Plant for Iran”, September 11, 1992, *New York Times*, <http://www.nytimes.com/1992/09/11/world/china-will-build-a-plant-for-iran.html>. Accessed on September 9, 2016.

44. “Implementation of the NPT Safeguards Agreement and Relevant Provisions of Security Council Resolutions in the Islamic Republic of Iran,” IAEA GOV/2011/65, November 8, 2011, <http://www.iaea.org/Publications/Documents/Board/2011/gov2011-65.pdf>. Accessed on September 10, 2016.

45. Maraging Steel: it is known for possessing superior strength and toughness without losing the malleability. It is a special class of low-carbon ultra-high-strength steel that derives strength not from carbon, but from precipitation of intermetallic compounds (nickel, cobalt, molybdenum and titanium). Maraging steel’s strength and malleability in the pre-aged stage allows it to be formed into thinner rocket and missile skins than other steels, reducing weight for a given strength.
David Albright and Christina Walrond, “Iran’s Advanced Centrifuges,” *ISIS Report*, October 19, 2011, http://isis-online.org/uploads/isisreports/documents/Iran_Advanced_Centrifuges_18October2011.pdf. Accessed on September 10, 2016.

More recently, Iran and China have intensified their military cooperation. In June 2016, Iran reportedly received a batch of TL-7 anti-ship missiles from China. This could mark a new phase of military-technical cooperation between the two countries. There are reports of Chinese companies producing C-802 and C-602 anti-ship missiles in order to equip the Islamic Republic of Iran's air force.⁴⁶

Many scholars believe that Sino-Iranian military cooperation will expand considerably with the lifting of the sanctions under the Joint Comprehensive Plan of Action (JCPOA). There is a probability that the normalisation of relations between Iran and the West will eventually lead to the creation of a favourable climate for much greater Sino-Iranian military cooperation. A number of Chinese military technologies that would be attractive to Iran include long range air-to-air missiles and sea mines besides anti-ship cruise missiles. At the same time, the Chinese strategy of denying the US Navy access to the sea close to the Chinese coast can also be applicable to Iran. There will be a probable increase in the number of military-to-military exchanges of all sorts between the two nations. In the same realm, it was indicated during Chinese President Xi Jinping's latest visit to Iran that China may increase the sale of weapons to Iran.⁴⁷ This has generated fear in the US camps that China is pursuing this strategy despite the danger that these arms will be reexported to nearby conflict regions or embolden the Iranian military to challenge the US military positions in the Persian Gulf region, which is a major transit route for Chinese oil imports from the Persian Gulf.⁴⁸

IMPLICATIONS FOR INDIA

It is for sure that a new geostrategy is underway vis-à-vis Iran and the Persian Gulf region, post the Iranian nuclear deal. The rivalry between India and China for access to energy fields in the Persian Gulf and guarantee of free flow of energy from this Asian region, has redefined Iran's geopolitical situation

46. "China Strengthens Ties with Iran", July 2, 2016, <http://www.veteranstoday.com/2016/07/02/china-strengthens-ties-with-iran/>. Accessed on September 12, 2016.

47. Gahfour, n. 25.

48. Ibid.

in a new and unprecedented way. Further, since the lifting of the sanctions, India has been eyeing deeper energy ties with Iran in the oil and gas, and fertiliser and petrochemical sectors. At the same time, India is also striving hard for acquiring rights to develop the Farzad B gas field in the Persian Gulf region. Currently, India lags far behind the major regional players such as Russia, China and Turkey in the Central Asian region in gaining from the natural resources of the region.⁴⁹ Both India and Iran have a commonality of interest and a similarity in their national aspirations, especially relating towards preserving their strategic autonomy in their respective regions. For the two nations, the challenges have also come from the international pressures for “subverting or else reversing the already vigorous course of Indo-Iranian relations”⁵⁰ to the extent of dictating India’s relations with Iran. The recent years have witnessed various obstacles in the Indo-Iranian relations which were affected after the US imposed economic sanctions on Iran for its controversial nuclear programme. India’s experience of voting against Iran with the US on the IAEA resolution, thereby finding Iran in non-compliance with its international obligations were signs of international pressure for taking an anti-Iranian stance.⁵¹ In the impending scenario, it is important that India treads this path with balance and strong determination to triumph over its competing interests between Iran and the US. On India’s part, it is also necessary that Indian diplomacy take this case of India-Iran partnership a little ahead in order to engage the “new” emerging Iran with greater sensitivity to its (Iranian) concerns for it to be successful.

CONCLUSION

The Sino-Iranian partnership in the economic, political and strategic fields is very strong; however, it is strongly affected by both international

49. Anu Sharma, “Decoding PM Narendra Modi’s Forthcoming Visit To Iran: Opportunities For India”, *Caps In-focus*, May 10, 2016, http://www.capsindia.org/files/documents/CAPS_Infocus_ANS_05.pdf. Accessed on November 29, 2016.

50. Ashok K. Behuria, “India and Iran: In Search of a New Rhythm”, in Anwar Alam, ed., *India and Iran: An Assessment of Contemporary Relations* (New Delhi: New Century Publications, 2011). pp. 52-71.

51. Chintamani Mahapatra, “India, Iran and the United States: Nuclear Diplomacy” in Alam, ed., *Ibid.*, pp. 95-105.

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and domestic circumstantial variations in both nations. This also depends on their relations with the US which can fundamentally change the nature of Iran-China relations.⁵² As the sanctions are lifted, China has the capacity—through military assistance, economic investment and the transfer of technology—to facilitate Iran's rise as a regional power. However, the Western powers fear that given Iran's record of working through proxies, Chinese assistance could also indirectly strengthen other non-state actors supported by

Iran. And Iran can offer China a strategically important foothold in the West Asian region, in case China chooses to challenge the US influence there.⁵³ Many American scholars believe that in order to keep the Sino-Iranian partnership in check, it is necessary to keep the US role in the region constructive and competitive.⁵⁴

China has been sympathetic towards Iran and has shown interest in the stability of oil supply from the West Asian region. The nuclear accord between Iran and the Western powers could configure positively in the bilateral relations between the two by providing Iran "the much needed access" to the more advanced Western technologies and also reducing the geopolitical tensions between Iran and the US. There are chances that China is utilising this opportunity of opening up of Iran as an alternative to its reliance on the other West Asian nations for oil imports. At the same time, Iran offers immense investment opportunities for Chinese companies in several areas and particularly in energy and infrastructure.⁵⁵ Iran is being seen as a gatekeeper of Chinese interests in West Asia. From the Chinese

52. RAND Report

53. Mackenzie, n. 1.

54. Elizabeth Rosenberg and Alexander Sullivan, "Why China Likes the Iran Deal", *CNN*, July 31, 2015, <http://edition.cnn.com/2015/07/31/opinions/rosenberg-sullivan-china-iran-deal/>. Accessed on September 4, 2016.

55. Stanly Johny, "China's Long Game in West Asia", *The Hindu*, January 29, 2016, <http://www.thehindu.com/opinion/op-ed/chinas-long-game-in-west-asia/article8163718.ece>. Accessed on April 13, 2016.

perspective, integrating Iran into OBOR is rooted in economics but can also play a role in enhancing stability in the already volatile West Asian region. However, considering the neighbourhood being hostile towards Iran, such a development is likely to be regarded as inimical to Arab interests and even threatening in the wake of the continuing Iran-Arab Gulf acrimony.⁵⁶

There are chances that China can become more central to Iran's economic viability which is quite clear with Chinese Foreign Minister Wang Yi stating, "China is willing to encourage even more Chinese companies to invest in Iran and build factories via the joint development of industrial parks in accordance with Iran's development needs and China's ability."⁵⁷ However, in opposition to this, there are odds that this nuclear deal and removal of sanctions can lead to the marginalisation of China's role in Iran due to the expected flood of Western companies into Iran. Iran's swift turn to Europe and to the US, resonates its desperate need for acquiring the capital resources for their technology, as well as Tehran's wish to tie itself to the West in order to make itself more self-sufficient. Moreover, in this flood of Western companies, it seems that Tehran is being a little more cautious and reserved in expanding its relations with China.

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56. Jeffery S. Payne, "China's Iran Bet", June 8, 2015, <http://www.mei.edu/content/map/china%E2%80%99s-iran-bet>. Accessed on September 10, 2016.

57. Ben Blanchard, "China's Foreign Minister Pushes Iran on Nuclear Deal", *Reuters*, February 16, 2015, <http://www.reuters.com/article/us-iran-nuclear-china-idUSKBN0LK05Q20150216>. Accessed on September 11, 2016.