

# The Dragon and the Magi: Burgeoning Sino-Iranian Relations in the 21<sup>st</sup> Century

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Over the last several years, China and Iran have significantly strengthened their bilateral ties, reaching out to one another on issues ranging from energy and nuclear proliferation to trade, tourism, and military cooperation. With a relationship bolstered by a shared suspicion of U.S. interests, China's ever-growing thirst for energy resources, and Iran's desire to maintain its position as a Persian Gulf powerhouse, the Sino-Iranian partnership looks to move forward at a steady pace into the foreseeable future.

In many ways, the close Sino-Iranian relationship is a natural one, underpinned by historical ties and enhanced by contemporary mutual interest. Both countries have rich cultural and national identities, and view themselves as heirs to proud, ancient civilizations. In terms of energy and security, Iran is one of the richest oil and gas producing countries in the world, and the Shia leaders in Tehran harbor no love for the radical Central Asian Sunni Islamist groups that so worry Beijing. And of course, both China and Iran see themselves as opponents of U.S. regional hegemony, powerful nations bold enough to challenge the world's sole remaining superpower.

Sino-Iranian contact dates back to at least the second century BCE, when the Han Dynasty of China opened up the Silk Road and initiated trade with the Parthian empire. The Parthians served as a bridge between the Asian and Mediterranean worlds until they fell to the Sassanids in the third century CE, but the Silk Road continued to facilitate the Persian-Chinese cultural exchange for centuries to come, through the Arab conquest of Persia and into the modern era. A shared Silk Road heritage links China, Iran, and the post-Soviet states of Central Asia, and serves as a historical foundation for contemporary cooperation.

Today, Sino-Iranian energy cooperation is at an all-time high as Iran ascends to an increasingly critical role in China's 21<sup>st</sup> century energy strategy. China has become one of Iran's largest foreign investors, and both countries have been promoting Sino-Iranian cultural interaction.

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More worrisome to many in Washington is Beijing's established record of arming Tehran and assisting in Iran's nuclear development programs. While the long-standing acrimony between Iran and the U.S. shows no signs of dissipating, Iran is looking to China for support and partnership. Additionally, the Shanghai Cooperation Organization (SCO) has the potential to serve as a forum for further Sino-Iranian development, as Central Asia is a region in which China and Iran share mutual concerns and interests.

Conveniently, there is little in the way of modern conflict or animosity to stand in the way of Sino-Iranian relations. China maintains no imperialist or colonialist legacy in the Middle East, something the Islamic Republic, a country with particularly bitter memories of Western exploitation, is acutely aware. Post-revolution Iran has staunchly maintained its anti-imperialist outlook, and has energetically challenged U.S. interests in the region. Though Islam and Communism are markedly different and, some might say, conflicting ideologies, both regimes have consistently favored political, economic, and strategic pragmatism over ideological fervor. It is this pragmatism that has allowed the Sino-Iranian relationship to endure and thrive.

### **The Cold War and Its Aftermath**

The Cold War had a profound impact on Sino-Iranian relations. The U.S.-Soviet rivalry, as well as the Sino-Soviet split, shaped and guided political, cultural, and economic interactions between China and Iran, and established a foundation for the expansion of ties in the wake of the Soviet collapse.

Following the emergence of the People's Republic of China in 1949, the rabidly anti-Communist Mohammad Reza Shah Pahlavi immediately severed diplomatic relations with Beijing. Consequently, throughout the 1950s and the first half of the 1960s, Beijing adopted a strong anti-Shah position, viewing the Pahlavi regime as little more than a front for U.S. interests in the Persian Gulf. Beijing supported various anti-Shah and Iranian nationalist movements, and cheered the rise of Mohammad Mossadegh in 1952. In return, the Shah established diplomatic relations with Taiwan in 1956, securing his solidly anti-Beijing position.

However, the Sino-Soviet split and the initiation of the U.S.-Soviet détente in the 1960s drastically altered Sino-Iranian relations. Suddenly, Tehran and Beijing shared a common enemy in the Soviet Union, and the animosity between the two regimes began to thaw accordingly. The Shah's distrust of the Soviet Union was rooted in the long history of Russian-Iranian conflict; once Beijing and Moscow had declared one another enemies, Tehran was more than willing to take Beijing's side in

the struggle, especially when it appeared that Washington was starting to take a more conciliatory attitude towards Moscow.

As Maryam Daftari observes, “From the late 1960s, Sino-Iranian policies seemed to be heading towards some kind of a convergence, with Iran’s increasing economic and military power on the one hand, and the growing importance of China on the other.”<sup>1</sup> One of the critical factors in the development of this relationship was the willingness of both Beijing and Tehran to disregard existing ideological rifts in order to adopt a more pragmatic and effective strategy based on perceived threats. Though the Shah was a consistent and brutal oppressor of the Iranian communist movement, Beijing embraced the Pahlavi regime and ignored the Shah’s persecution of their ideological brethren. Likewise, the Shah chose to nurture the Sino-Iranian relationship despite Beijing’s political philosophies, and despite the Chinese Communist Party’s persecution of Chinese Muslims. Essentially, beginning in the 1960s, a mutual distrust of the Soviet Union, the Shah’s desire to secure a powerful benefactor in the event that the U.S.-Iranian relationship should sour, and China’s interest in cultivating an influential relationship in the Persian Gulf all served, to drive Tehran and Beijing closer together .

The 1970s began with a major step forward in Sino-Iranian relations, as Iran supported China’s 1971 entry into the United Nations. That same year, diplomatic ties between the two countries resumed. Throughout the 1970s, the Sino-Iranian relationship warmed, as Beijing and Tehran developed more substantial political and economic relationships. However, during this period the Sino-Iranian friendship was based on little more than a mutual animosity towards the Soviet Union, with little more to sustain it. There were, in reality, few substantial economic or cultural ties to bind the two nations.<sup>2</sup> This changed with the fall of the Shah in 1979.

Even though Beijing had supported the Shah in the 1970s, relations between the PRC and the Islamic Republic were, from the beginning, consistently cordial. Beijing immediately recognized the Islamic Republic, welcoming Tehran’s new regime into the fold of non-aligned developing nations and professing admiration for the revolutionary, anti-Western spirit of its ideology. Furthermore, in the 1980s, as in the time of the Shah, both Tehran and Beijing opted for a pragmatic approach to one another as opposed to one rooted in ideology. Though Iran’s new leader, Ayatollah Khomeini, was no friend to the communists, imprisoning and executing many and finally outlawing the communist Tudeh Party in

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<sup>1</sup> Maryam Daftari, “Sino-Iranian Relations and ‘Encounters:’ Past and Present,” *The Iranian Journal of International Affairs* 7, 4 (Winter 1996).

<sup>2</sup> *Ibid.*

1982, this did little to dampen the Sino-Iranian friendship. Likewise, the Islamic Republic overlooked Beijing's persistent persecution of China's Muslim population.

In the last decade of the Cold War, Beijing continued to enthusiastically support Tehran's non-alignment stance in the face of U.S. and Soviet pressures. China approved Iran's antagonism towards Iraq, a nation that Beijing had long considered a Soviet proxy state. Though China supplied weapons to both sides of the 1980-1988 Iran-Iraq War, when the conflict ended Beijing announced that it wished to facilitate post-war Iranian reconstruction when a devastated Iran had few other friends. Furthermore, the fallout from the Tiananmen Square massacre drew Beijing and Tehran even closer together, each regime by 1989 having been granted "pariah status" by most Western nations.

The end of the Cold War did little to dampen the Sino-Iranian relationship. In the early 1990s, Tehran turned to Beijing for help in rebuilding its depleted military capabilities. At the same time, China stepped-up its assistance to Iran's nuclear program. The two countries, much to the displeasure of the U.S., signed a nuclear cooperation agreement in 1992. Though U.S. pressure did manage to stifle full Sino-Iranian nuclear cooperation in the 1990s, Beijing nonetheless provided Tehran with material and technical assistance throughout the decade. In 1993, the two countries established the Chinese-Iranian Joint Commission on Economic, Trade, Scientific, and Technical Cooperation, creating a forum for the expansion of ties in multiple areas. Also in 1993, China ceased being a net exporter of oil, increasing its dependence on foreign energy sources and creating a lucrative market for Iranian oil and gas. Politically, China's refusal to support the 1996 Iran-Libya Sanctions Act, drafted by the Clinton administration to punish Iran for its support of terrorist organizations such as Hezbollah, was a further indication of Beijing's desire to nurture Sino-Iranian solidarity as the 21<sup>st</sup> century approached.

### **Energy and Other Areas of Economic Cooperation**

The Sino-Iranian economic relationship has grown at a steady pace since the end of the Cold War. In 1990, bilateral trade between the two countries totaled approximately \$314 million; it rose to approximately \$700 million by 1993.<sup>3</sup> Over the next 10 years, due in large part to China's rising energy needs, Sino-Iranian bilateral trade skyrocketed, and by 2003 was estimated to be approximately \$5.6 billion. By 2004, this had

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<sup>3</sup> Barry Rubin, "China's Middle East Strategy," *Middle East Review of International Affairs* 3, 1 (March 1999) <<http://meria.idc.ac.il/journal/1999/issue1/jv3n1a4.html>> (November 1 2005).

increased, by some estimates, to over \$7 billion,<sup>4</sup> and the figures continue to climb: in the first eight months of 2005, Sino-Iranian trade was valued at approximately \$6.3 billion, up over 44 percent from the same period the previous year.<sup>5</sup> Since 2003, China and Iran have established several sizeable energy deals, and have held numerous conferences promoting bilateral trade and economic cooperation. China has emerged as a critical aspect of the Iranian economy, a major energy customer, a source of technical expertise, and a key investor in a variety of fields. For its part, Iran has become a crucial energy source for China, and its 68 million residents represent a potentially significant market for Chinese goods.

Energy is without a doubt the most important aspect of Sino-Iranian economic cooperation, and accounts for the vast majority of bilateral trade. Generally speaking, energy has driven China's growing presence in the Middle East since the end of the Cold War. Prior to the fall of the Soviet Union, Beijing's involvement in Middle Eastern affairs was limited: Beijing viewed many Arab states as either U.S. or Soviet pawns, and China's often-close relationship with Israel further complicated its interaction with the Arab world. However, during the 1980s China began to increase its investment in Middle East energy projects, sending materials, technical assistance, and laborers to a number of Gulf states. By 1990, China was receiving approximately 40 percent of its oil from the Middle East; by 2002, this percentage had increased to 60 percent, or approximately 507 million barrels. Today, imports from Saudi Arabia and Iran account for roughly two-thirds of China's total oil imports.<sup>6</sup>

Circumstances have conspired to make China and Iran well-suited energy partners. Beijing's rapid and extensive industrialization and development campaigns require access to vast energy resources, and China has been dependent on energy imports for over a decade. Furthermore, China's energy security strategy largely depends on the use of overland energy pipelines, making resource-rich Central Asia and Iran attractive from a supply perspective. For its part, Tehran counts on its significant oil and natural gas wealth to help it weather the political and economic isolation imposed upon it by the U.S. since 1979.

The sharp increase in global energy demand has netted Tehran considerable revenues in recent years, and has significantly improved its economic and geopolitical standing. As OPEC's second largest oil producer (behind only Saudi Arabia) the Islamic Republic is using its energy reserves to strengthen its partnership with China (as well as India, Russia, and others) and to secure its position as a significant

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<sup>4</sup> *Islamic Republic News Agency*, January 19 2005.

<sup>5</sup> *Islamic Republic News Agency*, October 13 2005.

<sup>6</sup> Lin Liangxiang, "Energy First: China in the Middle East," *Middle East Quarterly* 12, 2 (Spring 2005) <<http://www.meforum.org/article/694>> (November 1 2005).

regional power. Given China's current and projected energy requirements, the Sino-Iranian relationship shows no signs of deteriorating in the new millennium. Currently, China imports approximately 60 percent of its oil needs; by 2020, that percentage is expected to rise to nearly 77 percent.<sup>7</sup>

Iran's energy situation improved greatly in 2003, when Tehran announced that the Azadegan oil field, located in southwestern Iran near the Iran-Iraq border, would potentially increase the country's crude oil reserves by 38 billion barrels. In 2004, additional discoveries further boosted Iran's oil reserves to approximately 132 billion barrels, over 11 percent of the world's total oil reserves. Iran also possesses the world's second largest natural gas reserves (behind Russia), with 15 percent of the world's total. China, concerned about the increasingly severe environmental effects of its ravenous coal consumption, is looking to greatly increase its use of natural gas over the next 20-25 years.

2004 was a banner year for Sino-Iranian energy cooperation, as China and Iran announced the signing of two major energy deals. In March 2004, the state-owned Zhuhai Zhenrong Corporation agreed to import 110 million tons of Iranian liquid natural gas (LNG) over 25 years, a deal worth approximately \$20 billion. Just months later, in October 2004, Sinopec, another state-owned Chinese energy company, agreed to a deal worth \$100 billion over 25 years involving the import of 250 million tons of Iranian LNG. As part of the October deal, Sinopec agreed to help develop and exploit Iran's massive Yadvaran oil field, from which China will receive 150,000 barrels of oil a day for 25 years. As a result of the Sinopec deal, China has emerged as Iran's top oil importer, and currently receives approximately 14 percent of its total oil imports from Iran. Naturally, this relationship with Beijing allows Tehran to more easily weather such complications as the Iran-Libya Sanctions Act, which prohibits any one company from investing more than \$20 million per year in Iran's petroleum industry.

From a security perspective, China recognizes that its sea lines of energy transport are vulnerable to disruption. In the event of a conflict with the U.S., for example, Arabian oversea oil supply lines could be easily cut by a U.S. naval blockade. Consequently, Beijing has invested in overland gas and oil pipelines throughout the Caspian Sea region. In August 2005, for example, Beijing announced that it would be willing to spend \$4.18 billion to acquire PetroKazakhstan, a Canadian-owned corporation with significant oil holdings in Central Asia. In October, the company's

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<sup>7</sup> Shuja Sharif, "Warming Sino-Iranian Relations: Will China Trade Nuclear Technology for Oil?" *Jamestown Foundation China Brief* 5, 12 (May 24 2005), <[http://www.jamestown.org/publications\\_details.php?volume\\_id=408&issue\\_id=3344&article\\_id=23-69793](http://www.jamestown.org/publications_details.php?volume_id=408&issue_id=3344&article_id=23-69793)> (November 1 2005).

shareholders voted to approve the deal, but the acquisition has been put on hold by Canadian courts.<sup>8</sup> Nevertheless, if the deal ultimately goes through, it would represent China's largest foreign acquisition to date.<sup>9</sup> China has also agreed to build a 614-mile long pipeline from Kazakhstan to western China, and is interested in contributing to another project connecting the Kazakhstan pipeline to Iranian oil fields. Furthermore, China has held talks with Turkmenistan to discuss additional pipeline projects to supply Chinese markets.<sup>10</sup>

Though the energy trade maintains the largest portion of the Sino-Iranian economic relationship, it is clear that Beijing and Tehran are interested in expanding economic cooperation and collaboration in a variety of other areas. For instance, in April 2005, following the signing of a Sino-Iranian Memorandum of Understanding on the expansion of bilateral trade and cooperation, the Iran Khodro group agreed to manufacture automobiles in China, an arrangement worth approximately \$60 million in Sino-Iranian joint investments. Production is scheduled to begin in 2006. In February 2005, Iranian and Chinese labor ministers met in Beijing to discuss the strengthening of labor ties between the two nations, and in May 2005 Chinese and Iranian aerospace officials came together in Beijing to discuss cooperation in this sector. Furthermore, in August 2005 an Iranian delegation traveled to China to participate in talks designed to explore ways in which China might help Iran join the World Trade Organization. China has also contributed to a number of domestic Iranian infrastructure projects, including the construction of a subway line in Tehran.<sup>11</sup> An aluminum deal worth approximately \$1 billion, in which China and Iran would cooperate on a smelter to be built in the port town of Bandar Abbas, is in the works.<sup>12</sup> And recently, Iranian Foreign Minister Manoucheher Mottaki announced that incentives would be distributed to Iranian embassies that managed to develop international trade in areas other than energy, further indicating Tehran's desire to diversify its export capabilities.<sup>13</sup>

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<sup>8</sup> "Shareholders Back U.S. \$4bn Sale of PetroKazakhstan," *Taipei Times*, October 20 2005, <<http://www.taipetimes.com/News/worldbiz/archives/2005/10/20/2003276612>> (November 1 2005).

<sup>9</sup> Erich Marquardt, "Economic Brief: China's Energy Acquisitions," *Power and Interest News Report*, Sept 2 2005, <[http://www.pinr.com/report.php?ac=view\\_report&report\\_id=359&language\\_id=1](http://www.pinr.com/report.php?ac=view_report&report_id=359&language_id=1)> (November 1 2005).

<sup>10</sup> "China, Turkmenistan Reinforce Solid Relationship, Seven Documents Signed," *News Central Asia*, July 20 2005, <<http://www.newscentralasia.com/modules.php?name=News&file=article&sid=>> (November 1 2005).

<sup>11</sup> "Iran, China sign contract on 4th Tehran metro line," *Payvand Iran News*, May 15 2004, <<http://www.payvand.com/news/04/may/1097.html>> (November 1 2005).

<sup>12</sup> "China and Iran in \$1bn aluminum deal," *Tehran Times*, October 15 2005.

<sup>13</sup> "Mottaki: Successful embassies in exports promotion receive incentives," *Islamic Republic News Agency*, October 19 2005.

While bilateral trade between China and Iran is on the rise, Iran ultimately occupies a small place in China's national economy. Economically speaking, China is far more important to Iran than Iran is to China, and the U.S. represents a much more lucrative market for Chinese goods. Though Sino-Iranian bilateral trade will likely top \$7 billion in 2005, total Sino-U.S. bilateral trade in 2004 was valued at over \$170 billion. By 2010, some predict that the total trade between China and the U.S. will reach upwards of \$300 billion,<sup>14</sup> even taking into account China's soaring energy needs, Sino-Iranian trade will not likely approach these levels. However, Iran's energy wealth, combined with China's rapid development and increasingly westward orientation, will ensure that Tehran maintains an important position in Beijing's national strategy.

### The Nuclear Issue

Though it is unclear as to exactly what extent China has contributed to Iran's nuclear program, most suspect that China has played a substantial role in the development of the Islamic Republic's nuclear capabilities. Given Iran's increasingly important place in China's energy strategy, many fear that Tehran will use its improved position to obtain further nuclear assistance from Beijing. These fears are amplified by China's recent support of Iran in the Islamic Republic's standoff with the U.S. and the European Union.

China's nuclear cooperation with Iran began in secret, in the 1980s, when Beijing supplied Tehran with a small training reactor and calutrons, used for the experimental separation of uranium isotopes. The nuclear cooperation continued into the 1990s, with a number of bilateral nuclear agreements signed between Tehran and Beijing, as well as an increasing anxiety on behalf of Washington as to China's role in the Islamic Republic's nuclear ambitions. Though U.S. pressure caused some Sino-Iranian reactor projects to be cancelled, numerous others were completed, and China also supplied Iran with technical assistance, training, and uranium enrichment and conversion facilities.<sup>15</sup> In 1997 Beijing pledged to Washington that it would cease all nuclear cooperation with Iran; however, there have been many reports since this pledge that the Chinese government and a number of private Chinese firms have continued to supply nuclear equipment and material to the Islamic Republic.

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<sup>14</sup> "Sino-US trade to double in 2010 to US\$300bln amid rows," *People's Daily Online*, September 3 2005 <[http://english.people.com.cn/200509/03/eng20050903\\_206172.html](http://english.people.com.cn/200509/03/eng20050903_206172.html)> (November 1 2005).

<sup>15</sup> Nuclear Threat Initiative: Iran Nuclear Profile, <[http://www.nti.org/e\\_research/profiles/Iran/2867\\_2868.html](http://www.nti.org/e_research/profiles/Iran/2867_2868.html)> (November 1 2005).

Recently, China's continuing support of Iran's nuclear development programs has been a major challenge to U.S. policy. China has consistently voiced its preference that Iran's nuclear development be monitored by the IAEA, and has opposed Iran's referral to the UN Security Council for non-proliferation violations. Consequently, Iran has gained a valuable Security Council ally, though Tehran has serious doubts about whether or not Beijing would employ its veto power to help Iran avoid UN sanctions. While this scenario is a major concern of the U.S., Beijing has never promised to use its veto power in this way, and in 2004 an Iranian Supreme National Security Council official declared, "We would be mistaken if we thought China would ever stand up to the Americans and engage in an embroilment over Iran's nuclear activities," pointing out that China's trade with the U.S. is "a thousand times more than that with Iran."<sup>16</sup>

Even so, China's political support of Iran's nuclear development, as well as what many suspect is its continuing material and technical support, reinforces the Sino-Iranian alliance and greatly improves Tehran's position. And because China is leaning so heavily on Iran as an energy source, Beijing will likely oppose any sanctions significantly harming Sino-Iranian energy cooperation. Just as trade with China has helped Iran successfully weather the Iran-Libya Sanctions Act, Sino-Iranian energy cooperation will likely allow Tehran to absorb any adverse effects from sanctions related to its nuclear development programs. Furthermore, by helping Iran oppose the U.S., China improves its image in the region, projecting itself as a political powerhouse able to keep Washington from imposing its will on any country it likes.

### **Chinese Weapon Transfers to Iran**

Beijing's transfer of weapons systems and technical expertise to Iran has traditionally been, from a U.S. perspective, one of the most troubling aspects of the Sino-Iranian relationship. Though it is debatable as to the exact quality and quantity of Chinese weapons obtained by Tehran, it can certainly be argued that China has played an important role in supplying the Iranian military since the early 1980s. Furthermore, though Iran is still lacking the technology and equipment needed to make the country a significant conventional threat to its neighbors, with Beijing's help, Tehran has managed to develop into a serious asymmetric threat to U.S. interests in the Gulf region.

Since the 1980s, China and Iran have been frequent and substantial partners in the international arms trade. The Islamic Republic, desperate

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<sup>16</sup> *Iran Press Service*, November 6 2004, <[http://www.iran-pressservice.com/ips/articles2004/november/china\\_iran\\_61104.shtml](http://www.iran-pressservice.com/ips/articles2004/november/china_iran_61104.shtml)> (November 1 2005).

to develop a military capability to protect it from its external and internal enemies and desiring to maintain its position as an important political and military power in the Persian Gulf, has repeatedly turned to Beijing (among others) for its arms. Beijing, eager to foster positive relations with Middle Eastern nations and desiring the revenues received through the arms trade, has helped Tehran restore its depleted pre-revolutionary arsenals. As a result, the Sino-Iranian arms trade has served to bolster the overall Sino-Iranian relationship for nearly 25 years.

Today, Iran, with approximately 540,000 troops and 350,000 reserves, possesses the largest standing military of any other Middle Eastern nation.<sup>17</sup> Furthermore, Iran, with China's help, has developed a powerful anti-access capability, and could substantially complicate U.S. security and energy interests in the Gulf. As Michael Eisenstadt points out, "The main conventional threat from Iran is... the threat it poses to the flow of oil from the region, the security and stability of the southern Gulf states, and the ability of the United States to project force in the region."<sup>18</sup>

Prior to the 1980s China's weapons sales to the Middle East were minimal, but during the last decade of the Cold War the Middle East represented the primary market for Chinese arms.<sup>19</sup> Beijing, in an attempt to counter perceived Soviet influence in the region, provided a number of Middle Eastern regimes, including Iran, with a variety of weapon systems and technologies. Though some have argued that China's weapons, most of which had been derived from older Soviet and German designs, were of questionable quality and had a minimal impact on the overall balance of power in the Middle East,<sup>20</sup> Beijing's transfer of arms to Tehran, in particular, significantly improved the Islamic Republic's military capabilities. Taking advantage of both the Iran-Iraq War and Iran's post-revolution political isolation, China focused a large portion of its arms trade on Iran, bringing Beijing both significant financial gain and a closer relationship with Tehran. According to Bates Gill, Iran, behind only Pakistan and North Korea, has been the largest recipient of Chinese arms and technology.<sup>21</sup>

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<sup>17</sup> Anthony H. Cordesman, "Iran's Developing Military Capabilities," Center for Strategic and International Studies Working Paper, December 2004, <[http://www.csis.org/burke/mb/041208\\_IranDevMilCap.pdf](http://www.csis.org/burke/mb/041208_IranDevMilCap.pdf)> (December 8 2004).

<sup>18</sup> Michael Eisenstadt, "The Armed Forces of the Islamic Republic of Iran: An Assessment." *Middle East Review of International Affairs* 5, 1 (March 2001).

<sup>19</sup> Yitzhak Shichor, "Mountains Out of Molehills: Arms Transfers in Sino-Middle Eastern Relations," *Middle East Review of International Affairs* 4, 3 (September 2000).

<sup>20</sup> *Ibid.*

<sup>21</sup> Bates Gill, "Chinese Arms Exports to Iran." *Middle East Review of International Affairs* 2, 2 (May 1998).

Prior to 1979, Iran, thanks to the generosity of the U.S. and Great Britain, had one of the most advanced, well-equipped, and well-trained militaries in the Middle East. After the Shah, however, the Islamic regime, wary of a counter-coup and preferring to rely on its masses of devout (but ill-trained) irregular revolutionary forces, purged the Iranian military of many of its most capable officers. The politicization of the Iranian military and the rift which developed between the Iranian regular army forces and the Islamic Revolutionary Guard Corps (IRGC) further undermined Iranian military capabilities.<sup>22</sup> The Iran-Iraq War (1980-1988) greatly depleted Iran's pre-revolution military capabilities, as many of the advanced weapons systems obtained by the Shah were captured or destroyed by the Iraqi forces; those that were not lost could not be adequately maintained due to a lack of technical knowledge and Western parts. Meanwhile, Iraq was receiving advanced weapons systems from the U.S. and Russia. As a result, a desperate Iran turned to China for its military needs, and the Sino-Iranian arms trade emerged.

Since the initiation of the Sino-Iranian arms relationship, China has played a large role in transforming Iran into a powerful regional power. Perhaps most significantly, China has contributed heavily to Iran's development of long-range ballistic and anti-ship cruise missiles, as well as to Iran's naval capabilities. China has, since approximately 1986, provided entire missile systems to Iran and has also contributed to the development of native Iranian missile systems.<sup>23</sup> Iran has developed a fairly advanced naval mine capability with Chinese assistance, and China has also provided a number of fast-attack boats to Iran. These contributions have significantly enhanced Iran's military capabilities in the region, and have ensured that Iran maintains an important place in Middle Eastern strategic calculations.

In 1986, Iran received the first of many shipments of HY-2 "Silkworm" anti-ship cruise missiles from Beijing. Though hardly state-of-the-art even in 1986, these cruise missiles, and subsequent anti-ship missile systems such as the C-801 and C-802, continue to provide the Islamic Republic with a considerable anti-access capability. The Persian Gulf is one of the busiest waterways in the world, and the U.S. has demonstrated that one of its key weaknesses is in its navy's ability to protect against asymmetric threats in littoral (i.e. coastal) areas. This was made abundantly clear in the Millennium Challenge war game, held in 2002 and designed to test various U.S. military doctrines and systems against an anti-access enemy based largely on Iran. Over the course of the game,

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<sup>22</sup> Michael Eisenstadt, "The Armed Forces of the Islamic Republic of Iran: An Assessment." *Middle East Review of International Affairs* 5, 1 (March 2001).

<sup>23</sup> Nuclear Threat Initiative: Iran Missile Profile, <[http://www.nti.org/e\\_research/profiles/Iran/Missile/2420.html](http://www.nti.org/e_research/profiles/Iran/Missile/2420.html)> (November 1 2005).

the Red Team leader, playing the part of an unfriendly Islamic regime, crippled U.S. naval forces in the Gulf using a variety of asymmetric methods, including anti-ship cruise missiles.<sup>24</sup> The Millennium Challenge demonstrated the significance of China's cruise-missile transfers to Iran, and underscored the potential of Iran to use this capability to undermine U.S. strategic interests in the Persian Gulf.

### **The Shanghai Cooperation Organization: A Further Opportunity for Cooperation**

Though the SCO is steadily emerging as a substantial, relevant partnership, there is still a great deal of uncertainty concerning its future. For the time being, the organization exists as a potential challenge to U.S. interests, but one which is in danger of being pulled apart by disparate aims and pressing economic limitations. NATO's Partnership for Peace, to which all SCO member states other than China and Russia belong, serves as a formidable counterpoint to the organization and a mechanism by which NATO can extend its influence in the region. Furthermore, the Central Asian countries, with the period of Soviet domination still fresh in their memories, seem reluctant to side decisively with any great power. Lingering, substantial Sino-Russian suspicions still exist, and it's unclear as to whether or not the two countries have the same goals for the SCO. That said, it is clear, especially given the recent expulsion of U.S. troops from Uzbekistan, that China hopes to use the SCO to further its goals in Central Asia, leveraging some countries' disenchantment with the U.S. to its advantage.

Additionally, the SCO could facilitate China's interactions with non-Central Asian countries, most significantly Iran. In July 2005 Iran (along with India and Pakistan) was granted observer status in the SCO. Afterwards, the Islamic Republic News Agency reported that First Vice President Mohammad-Reza Aref had expressed his desire for Iran to "serve as a bridge between SCO members and the Persian Gulf littoral states,"<sup>25</sup> something which Beijing no doubt desires, as well. More recently, Beijing reiterated the importance of the SCO to Sino-Iranian relations when Chinese Foreign Minister Li Zhaoxing declared during an October 2005 meeting with his Iranian counterpart that the SCO should serve as the "proper ground" for expansion of Sino-Iranian ties.<sup>26</sup>

Iran and the SCO are a good fit. Many of the SCO's primary objectives, as laid out in the organization's charter, are shared by Iran. Central Asian

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<sup>24</sup> "Wake-up Call," *The Guardian*, September 6 2002.

<sup>25</sup> *Islamic Republic News Agency*, July 5 2005, <<http://www.irna.ir/en/news/view/menu236/0507050960160340.htm>> (November 1 2005).

<sup>26</sup> "China and Iran to strengthen ties," *Islamic Republic News Agency*, October 13 2005.

security is a key concern for Tehran, and the regime harbors little love for the extremist Sunni Islamist organizations the SCO has vowed to eliminate. Energy security, threatened by extremist groups looking to destroy pumping stations and overland oil and gas pipelines, is another concern for Tehran. The SCO member states have also pledged to combat heroin trafficking throughout Central Asia; Iran, with an approximate 2 million addicts, has one of the worst national heroin addiction problems in the world, and Tehran is eager to cut down on the flow of narcotics across its borders.<sup>27</sup>

Iran's new status as an SCO observer will also help Iran more effectively engage the Central Asian regimes. While Tehran has actively pursued relations with the post-Soviet states since their independence, cooperation has been limited due to a number of factors, including Iran's reluctance to antagonize Russia by interfering in an area Moscow still considers to be within its traditional sphere of influence. Economic challenges have also hindered more extensive Iranian-Central Asian cooperation.<sup>28</sup>

However, despite limited economic resources, the Islamic Republic has established some energy and economic partnerships with various Central Asian countries, including oil-swap deals with Kazakhstan and transportation cooperation arrangements with Uzbekistan. It is quite possible that the considerable revenues generated from 2004's Sino-Iranian gas and oil deals will enable Iran to pursue a more aggressive Central Asian policy, especially in the context of a cooling U.S.-Central Asian relationship.

## **Cultural Ties**

Present day China and Iran each consider themselves heirs to ancient, advanced cultures, take great pride in the contributions their civilizations have made to history, and regularly reference the glories of the past as a means of charting a course for the future. As a result, history and culture have become a means of reinforcing more substantial Sino-Iranian ties. China has taken to using its sizable Muslim population as a means of forging spiritual ties with the Islamic Republic, and recent agreements between China and Iran to increase tourism between the two countries directly reference the Silk Road, indicating that Chinese and Iranian

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<sup>27</sup> "Iran's battle with heroin," *BBC News*, June 7 2002, <[http://news.bbc.co.uk/1/hi/world/middle\\_east/2031624.stm](http://news.bbc.co.uk/1/hi/world/middle_east/2031624.stm)> (November 1 2005).

<sup>28</sup> James P. Smith, "Iran pushes for positive political engagement in Central Asia," *Central Asia-Caucasus Analyst*, December 1 2004, <[http://iicas.org/libr\\_en/geopolit/7\\_12\\_04.htm](http://iicas.org/libr_en/geopolit/7_12_04.htm)> (November 11 2005).

officials wish to reopen this historical channel of Sino-Iranian interaction, cooperation, and collaboration.

In June 2005, Iran's ambassador to China, Fereyduun Verdinezhad, declared in an interview with the BBC, "China and Iran are the most important countries in eastern and western Asia respectively, and the Silk Road has linked our two countries together since ancient times. Under the new international situation, we should rebuild the Silk Road and erect a bridge of peace and security for Asia."<sup>29</sup> At an August 2005 Sino-Iranian Tourism Conference, a Chinese official echoed Verdinezhad's sentiments, saying, "I hope our two highly civilized nations would succeed in revival of the ancient Silk Road at this beginning of the 21<sup>st</sup> century."<sup>30</sup>

Though China's Muslim Uighurs have been the victims of persecution and discrimination in the wake of Beijing's development of Xinjiang, this has not kept Beijing from exploiting its indigenous Islamic culture to achieve greater solidarity with Tehran. Iranian officials have toured important mosques and met with Muslim leaders in Xinjiang, and in October 2005, Chinese and Iranian Muslims gathered in Yinchuan for a conference on promoting Sino-Iranian Islamic cooperation and collaboration.<sup>31</sup>

## Conclusion

Sino-Iranian cooperation is likely to continue. Any fears that Beijing may have had concerning the state of Sino-Iranian relations following Iran's June 2005 presidential election, in which the conservative mayor of Tehran, Mahmoud Ahmadinejad, defeated the more moderate former President Hashemi Rafsanjani, were quickly put to rest. At his first press conference as President, Ahmadinejad reaffirmed Tehran's desire to cooperate with Beijing, pointing out that, "Iran is intended to promote relations with all amicable countries in the world, including China." He went on to declare, "Iran is on a path of progress and elevation, and does not really need the U.S. on this path," indicating that Iran plans to use its partnerships with China and others to challenge and subvert any actions taken against it by the U.S.<sup>32</sup>

Ultimately, the China-Iran equation is simple: China's energy needs dictate that Beijing secure reliable energy resources, and Iran, as one of

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<sup>29</sup> *Xinhua News Agency*, June 14 2005.

<sup>30</sup> *Islamic Republic News Agency*, August 5 2005, <<http://www.irna.ir/en/news/view/line22/0508050808193114.htm>> (November 1 2005).

<sup>31</sup> *Asia Pulse*, October 10 2005.

<sup>32</sup> *Xinhua News Agency*, June 27 2005, <<http://www.china.org.cn/english/international/133219.htm>> (November 1 2005).

the most energy-rich nations on earth, is ready, willing, and able to provide those resources in exchange for the hard currency it needs to boost its economy. Meanwhile, its economic might and political clout make China a valuable ally for Iran in light of Iran's contentious nuclear program, while Beijing's support for Tehran in turn raises Beijing's profile in an increasingly important region.

In February 2001, George Tenet, then Director of the CIA, warned the U.S. Senate Select Committee on Intelligence that, in addition to Al-Qaeda, China and Iran posed the greatest threat to future U.S. security.<sup>33</sup> While the threat from Al-Qaeda has since been made violently clear, it is always important to keep things in perspective. China and Iran are sovereign nations, not stateless terrorist organizations, and consequently the decisions of both governments are dictated by more than ideology. The Sino-Iranian friendship, while sinister to some, is an essentially pragmatic development between two supremely self-interested parties, and it remains to be seen to what extent this development will impact U.S. geopolitical interests.

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<sup>33</sup> John E. Dougherty, "Iran, China forming major alliance" *Newsmax*, November 18, 2004, <<http://www.newsmax.com/archives/articles/2004/11/17/83609.shtml>> (November 1 2005).