Chapter 1

Strategic Considerations, Convergences, and Constraints

China and Iran's conduct bears a number of similarities, evolving as both states have from separate revolutionary beginnings, the one in 1949, the other in 1979. There is, as a result, a certain convergence of interests. Yet, the divergences are hardly negligible, and it is these which impose constraints on the future trajectory of bilateral relations, with US policy constituting what is arguably the single most important external factor and source of interference. This chapter examines the broad strategic factors underlying bilateral relations. It begins with a survey of each partner's core interests and areas of policy focus as they flow from, and in turn interact with, domestic conditions. The chapter then looks at the areas where bilateral interests converge and diverge. While the latter at times also necessarily assume the form of economic, diplomatic, and military interactions, these are ultimately a function of broader, strategic considerations.

China's Interests and Policy Focus

Paramount leader since 2012, President Xi Jinping has revived the revolutionary-ideological fervor and personality cult of Mao Zedong's era, intensified the "great rejuvenation of the Chinese nation" and raised China's international leadership profile. This is a stark turnaround from former president Deng Xiaoping's counsel to "hide your strength, bide your time," which his immediate successors Jiang Zemin and to a lesser extent Hu Jintao largely maintained. The survival and dominance of the Chinese Communist Party (CCP), and within that, the seven-member Politburo Standing Committee which Xi heads remains the supreme political interest. To perpetuate its rule at home, the CCP seeks domestic stability built on territorial unity,

sustained economic growth and development, and, increasingly, a self-image projecting national power, pride and prestige, all under tightening political control among the Han majority and especially ethnic minorities.

Abroad, Beijing is expanding its presence, activity, and influence to sustain domestic growth and to match its rise as a great power. China still largely plays by international rules and has not yet overtly challenged US dominance. Instead, it is soft-shaping multilateral institutions like the UN, and bilateral partners, to better reflect its preferences. However, its sheer demographic and economic weight, having surpassed Japan as the world's second-largest economy by the end of 2010, has also steadily altered the global balance of relative capabilities. Under Xi, the will to power has become more pronounced than before with China gradually promoting a multipolar order, which implies that it is seeking a waning of US dominance.

Bilateral disputes with the US, China's primary competitor and, increasingly, rival, run the gamut of issues including trade and technology. But they largely speak to the US' own concerns of China as its principal strategic challenger. While China has benefited from the US' security umbrella to develop its global trade and secure energy supplies, it seeks to reduce the US' presence and blunt the threat it poses in the Asia-Pacific, and to degrade the US' regional alliances. The more the US is distracted elsewhere, including in the Middle East, the greater China's leeway for maneuver, particularly in its areas of priority.

China's strategic priorities begin at home and encompass its immediate neighborhood. These include unrest and, potentially, separatism among ethnic minorities like the Sunni-Turkic Uyghurs in Xinjiang; Hong Kong's protests; Taiwan's status; disputes with Japan and other regional US allies along the East China Sea, South China Sea and the First Island Chain; North Korea's stability; strategic competition with India; security in Afghanistan, Tajikistan and other border neighbors affecting Xinjiang's stability; and at one remove from there, economic penetration in Central Asia. But its ambitions have gone global, expanding from the Indo-Pacific to the Arctic, the Middle East and the Mediterranean, Africa, Europe, and Latin America. China's thirst for energy and supply diversification also makes the Persian Gulf a key focus.

China's rise as an economic and trading superpower likewise requires expanding and protecting trade routes. Freedom of navigation is particularly

sensitive around choke points like the Suez Canal, Bab al-Mandeb, the Strait of Hormuz and the Strait of Malacca, where the US maintains a naval presence and is capable of disrupting Chinese shipping. Key sections of China's overland and sea lines of communication run through the Middle East and especially Iran, which holds important reserves of exportable hydrocarbons. While China has benefited from security provided by the US, as its international commercial presence and investments grow, and especially if ties with the US worsen, Beijing would likely face more pressure to militarily secure its overseas economic interests.

Confronting relatively low external threats, but also to mitigate potential sources of internal instability including the nation's economic slowdown and underdevelopment in Xinjiang, Xi initially embarked on a full-throated expansion of China's influence and soft power, preeminently embodied in the sprawling Belt and Road Initiative (BRI). Important BRI elements comprise energy and infrastructure investments in the Middle East, including Iran. China likewise established alternative international financial institutions such as the Asian Infrastructure Investment Bank; assumed leadership on global issues including climate change; pushed scientific-technological boundaries like landing on the moon's dark side; and intensified Beijing's foreign influence operations, including through the United Front Work Department's ties with the Chinese diaspora and foreign political parties, and by increasing the number of Confucius Institutes overseas.

During Donald Trump's presidency, facing growing pressure from the US and international pushback over its increasingly assertive foreign policy and perceived role in the COVID-19 pandemic, China shifted towards a harder line, and more hard power. At home, China has ramped up surveillance and control including in Xinjiang and Hong Kong. Elsewhere, its warplanes regularly probe Taiwan's airspace, while armed tensions erupted along the Chinese-Indian border, causing casualties for the first time in decades. Meanwhile, China's defense capabilities including aircraft carriers and hypersonic weapons continue to strengthen, boosting not only its force projection capacity but also its ability to both deter and respond to aggression by other major military competitors. Despite all this, in the Middle East, China still largely refrains from significantly intensifying its diplomatic commitments and especially military activity other than participating in naval

port calls, joint drills, peacekeeping or emergency evacuation missions, and counter-piracy operations.

Iran's Interests and Policy Focus

Since the 1979 Revolution, *Velayat-e Faqih* or custodianship of the jurisprudent – the supreme leader – has remained the defining principle of Iran's political system. Not quite as hierarchical or personalized as its Chinese counterpart at present, the Iranian political establishment comprises multiple power centers which the supreme leader largely balances rather than rules by fiat. Not unlike China, however, Iran's priorities begin at home with domestic stability and, given that roughly half the population comprises minorities, both national and territorial unity. Because socioeconomic injustice also partly fueled the revolution, economic welfare and development feature prominently in domestic politics, along with an emphasis on voter turnout during elections to preserve the veneer of regime legitimacy. To demonstrate the revolution's unfading momentum to both external and domestic audiences, Iran's leadership frequently touts achievements reflecting national innovation and capability.

In foreign policy, Iran has maintained an enduring antagonism against the US and especially Israel, and to a lesser degree the West in general. In the 1980s and during the Iran-Iraq war, Tehran was stridently revisionist in attempts to export Ayatollah Ruhollah Khomeini's revolution and to forge a pan-Islamic internationalist order transcending the nation-state. This revisionism resurged during Mahmoud Ahmadinejad's presidency (2005-2013), when Iran sought to establish an anti-US coalition rooted in the global south and the political east, again fueled by revolutionary resistance. On the other hand, strategic accommodationism vis-à-vis the US and the West largely characterized the presidencies of the reformist Mohammad Khatami, and the moderate conservatives Ali-Akbar Hashemi Rafsanjani, and now Hassan Rouhani.

While Iran no longer seeks to transform the international order, at least not with the ardor of the 1980s, regardless of faction it sees itself as a leading regional power refusing to capitulate to US dominance and pressure. In this context, Iran, like China, seeks a more evenly multipolar world and often portrays itself as a key pillar, along with China and Russia, within a geopolitical bloc balancing against the US. It has also sought to create

alliances or at least greater diplomatic support in international and regional forums including the UN, the Non-Aligned Movement and the Shanghai Cooperation Organization, and to wedge the US away from some of its partners, especially in the EU.

Iran's economic policy has for decades revolved around exporting oil and gas and, increasingly, petrochemicals along with steel. Before 2020, energy was also the reason for its consistent trade surpluses. Its main trade focus has traditionally been the EU, especially Germany, and industrialized Asian economic powers including Japan, South Korea, India, and China. It has also aspired to greater economic influence in post-Soviet Central Asia, but with less success.

However, owing to decades of sanctions, Iran has had to pursue self-reliance by producing value-added semi-finished and finished goods in the industrial and especially defense sectors. US pressure has also blocked economic initiatives involving Iran, especially in its upstream energy sector and transnational oil and gas pipeline projects. Under US sanctions, Iran now depends more heavily on its immediate neighbors such as Iraq and the UAE, besides China. With Beijing, it has even aspired to raise bilateral trade to US$600 billion by 2026 – only slightly less than Iran's 2020 GDP, in current prices, of $610 billion, according to the International Monetary Fund (Motevalli, 2016; IMF Datamapper, n.d.).

Overseas, Iran's strategic priorities remain largely regional, spanning the Persian Gulf, through the Greater Levant, to the Caspian region and Afghanistan. Tehran's primary, if self-induced, adversaries are the US along with its regional military presence, and both Israel and Saudi Arabia, around which a broader coalition involving other Sunni partners like the UAE and Bahrain has been forming in recent years. Regional competitors include Turkey and to a lesser extent Pakistan, while Russia, currently a strategic partner, also competes with Iran as a gas exporter and, increasingly, for influence and profit in Syria. If China borders 14 neighbors, Iran borders 15 on both land and sea, heightening its sense of vulnerability and instability potential. While Iran's diplomatic, intelligence, and operational presence has extended farther afield including to Europe, Africa, and Latin America, Tehran's priorities lie much closer to home, in line with its status as a regional rather than global power.

Iran's foreign policy has thus far overwhelmingly revolved around offsetting the US' "maximum pressure" campaign, which has in turn forced Rouhani's relatively moderate-centrist government towards "maximum resistance," a position normally favored by his hardline conservative rivals. Iran's strategic response to the US has as such shifted from engagement and appeasement, the latter namely through the nuclear agreement and its imposed constraints, to one begrudgingly more aligned with hardliners encompassing greater balancing and subversion, and from May 2019, greater use of military force by the Islamic Revolutionary Guard Corps (IRGC) to push back against US pressure.

Diplomatically, Iran seeks to preserve the ongoing support of the nuclear agreement's remaining signatories, in part with the hope of mitigating sanctions reimposed under the Trump administration, even while holding out the promise of a return to the status quo ante if the US under the Biden administration were to return in whole to the agreement. At the start of 2021, to improve its leverage, Iran finally resumed uranium enrichment to 20 percent fissile purity, and on 23 February it ended its implementation of the Additional Protocol, thereby curtailing the ability of International Atomic Energy Agency inspectors to conduct snap inspections. However, Iran has also implemented these nuclear-related scale-back measures very gradually and in a calculated fashion to allow for offramps. Importantly, it has also so far largely refrained from disproportionate retaliation against the US and Israel, such as through mass-casualty attacks, including over the Natanz sabotage incident of July 2020 and the assassination of top nuclear scientist Mohsen Fakhrizadeh in November, both attributed to Israel.

Though they diverge on means and ways, Iran's factions converge on higher ends. Lacking the heft of a major power like China and beleaguered by unrelenting external pressures and internal crises, Iran's priorities presently fixate on regime survival and especially economic resurrection, with the latter heavily depending on boosted industrial production and self-sufficiency in order to increase exports and foreign currency revenues, and to compensate for oil sanctions.

Converging Interests

China and Iran are, to differing extents, revisionist powers, at least in the way they view some of their areas of immediate interest as well as US

dominance over parts of the international system. Neither necessarily seeks hegemony, but they do assert their status claims – as a global and regional power, respectively – and demand recognition of their interests and preferences. Both fiercely defend their political and value systems, born of revolution, against a foreign universalism privileging liberal democracy and the individual, and have at times sought to export these systems. Both likewise vigorously oppose any foreign interference in, and refrain from themselves commenting on the other's domestic issues, especially if these, like Hong Kong, have repercussions on national unity or stability.

For Tehran, China along with Russia are Security Council veto-holders whose votes anchored the international response against the Trump administration, and specifically its attempts to extend the arms embargo and invoke the snapback of sanctions against Iran. Both are similarly major power patrons in Iran's efforts to balance against the US, although China has proven the less unreliable. Between 2008 and 2012 for instance, at a time when Russia under President Dmitry Medvedev improved relations with the US and downgraded its defense cooperation with Tehran, China maintained its own arms delivery pipeline, becoming Iran's top military purveyor by default. While perspectives may differ in Beijing, Tehran views joint military exercises including December 2019's trilateral drills with Russia as proof it still has powerful friends.

For Beijing, Iran is the only supplier in the energy-critical Persian Gulf not easily susceptible to US pressure in the event of US-China tensions. Because of its longstanding hostility towards Washington, Iran is useful leverage for Beijing to distract the US, divert its resources, and degrade its dominance. Additionally, if China maximizes the BRI's potential, Iran is the only east-west Eurasian land bridge south of the Caspian, besides Russia to the north. China-Russia relations are mostly cooperative at present, but would likely again turn more competitive over time given China's growing power and influence especially in Russia's backyard.

In the 1980s and through the 1990s, China was a key arms supplier and later helped Iran establish its nuclear program and elements of its missile and rocket programs, including solid-fuel technology, which over time improved Iranian self-sufficiency when few countries were willing to sell it arms. Chinese defense exports including inventory items like fast attack boats and anti-ship missiles likewise contributed to keeping Iran militarily

relevant particularly in the Persian Gulf and the Strait of Hormuz, raising the costs of an attack or commercial blockade by the US. Although Beijing officially rejects a nuclear-armed Iran, it takes a less stringent view of proliferation if it is unambiguously aimed against China's adversaries, first India (by Pakistan), and down the road potentially the US. At present, China at the very least likely views an Iranian threshold capability as a potential asset more than a threat, something to keep the US strongly distracted in the region.

Under international and US sanctions, China has also become, and now remains, Iran's largest trade and investment partner, and energy client, as the next chapter on bilateral commerce shows. To illustrate the tenor of broader strategic relations, at least from Iran's viewpoint, some of these indicators are worth mention here. According to IMF Direction of Trade Statistics, mainland China's merchandise trade with Iran, worth $239.2 million in 1988, peaked over two hundredfold at $51.8 billion in 2014, amid UN sanctions, before falling to slightly less than half that figure in 2019 under US sanctions. The China Global Investment Tracker places total Chinese investments and construction contracts in Iran between 2005 and 2020 at $26.56 billion, more than any other foreign government. Additionally, between 2001 and 2015, China's share of Iran's oil exports rose from 10 percent to a record 56 percent, settling at 49 percent in 2019, according to calculations based on International Trade Center data. Under current US sanctions, other than trace volumes to Syria, the vast bulk of Iran's oil exports appear to have gone to China, partly via third countries like Malaysia, although steeply declining energy exports have in 2020 also led, for once, to an Iranian trade deficit with China and the world.

In 2005, a year before UN sanctions began, China represented 10 percent of Iran's total trade. In 2014, that proportion reached a record 36 percent. For perspective, more of Iran's trade depends on faraway China than Armenia's (which owing to geopolitical tensions is partially blockaded by Turkey and Azerbaijan) depends on nearby Russia. And if Iran mainly exports energy to China, China sells Iran almost everything imaginable, both industrial and consumer goods, from refined petroleum to cars, electronics and even carpets, Iran's signature export.

Indeed, Iran-China traffic also accompanied COVID-19's rapid and virulent spread in Iran and especially the holy city of Qom in early 2020. On January

31, 2020, the Rouhani government ordered the suspension of all China-linked flights, of which several ran each week between Tehran and major Chinese cities, and even destinations farther afield like Urumqi in Xinjiang province. Despite the official ban, however, Iran's IRGC-affiliated Mahan Air continued flying to and from several Chinese metropolises, ostensibly for a combination of repatriation sorties and medical supply runs, but possibly also for passenger traffic. Iran's own Deputy Health Minister Alireza Raisi subsequently even linked Qom's COVID-19 virus strain to Chinese workers and university students in the city (Ansari, 2020). Whatever the motives for those post-ban flights (or the origins of Iran's coronavirus crisis), they exemplified the importance of Iran keeping its lines of communication – and borders – open to China even despite the pandemic.

In Central Asia, bilateral economic interests meet through energy and especially cargo transit infrastructure, now formally incorporated within the BRI. From Central Asia to the Middle East, both Beijing and Tehran also have an interest in neutralizing Sunni Islamic fundamentalism and terrorism, especially the Islamic State and its affiliates. Both maintain good relations with North Korea, whether as leverage (against the US and its northeast Asian allies) or for military assistance. To circumvent US sanctions, Iran has a stake in China's growing global financial presence and the renminbi's internationalization. Although China has cornered Iran's domestic market, Chinese goods and especially technology are swiftly rising in quality, with Iran for instance looking to incorporate Huawei's 5G networks into its national mobile and IT infrastructure. Furthermore, while Russia is an important major power partner, China and particularly Iran view it with relatively more historical distrust than they do with each other.

China and Iran's interests have most pointedly converged on joint opposition to the Trump administration, which had also opened additional fronts against Beijing beyond trade and technology. For both partners, the previous administration's unilateralism, especially Trump's withdrawal from the nuclear agreement, has been a useful foil by which to demonstrate their relative adherence to international law and diplomatic norms. Even though Joe Biden appears to signal a relative measure of détente, his privileging of multilateral diplomacy could in fact facilitate a more united international front, this time not only against Iran as during the Obama administration, but

also against China. The more China is able to expand its sphere of influence against the US, the greater the maneuver space for Iran, in theory.

Divergences and Constraints

Still, there are inherent limits. While Chinese communism and Iran's Islamic revolution have not hampered bilateral relations, and Iran has refused in particular to criticize China's treatment of its own Muslim Uyghurs, Tehran's relations with and support for both Shia and Sunni extremist groups risk influencing Chinese Muslims. Iran's quiet anti-US support for the Sunni Afghan Taliban, with whom it nearly went to war in 1998, is one established vector of extremist influence on China's Uyghurs for instance, given that Uyghurs have also joined the Taliban, among other Jihadist groups.

Before the Xi-Trump era, China and Iran approached the US and the international order differently. While Ahmadinejad's Iran sought feckless confrontation, Hu Jintao's China (2002-2012) for the most part preferred measured subtlety, at least before 2008. Even now, Beijing remains wary of getting dragged into Tehran's score-settling with Washington, one probable reason the Chinese co-led Shanghai Cooperation Organization (SCO) has so far refrained from according Iran full membership.

As chapter 3, on bilateral diplomatic relations, also shows, China's ties with the US have likewise repeatedly tempered its ties with Iran in other ways. Meeting with US President Clinton in 1997, and amid earlier efforts to lower tensions over the Taiwan Strait crisis, Jiang Zemin agreed to curtail nuclear cooperation with Iran (Russia then picked up the slack). Under Washington's "maximum pressure," Beijing has reduced, not increased, its economic and banking ties with Iran to avoid sanctions exposure and plausibly as leverage in trade talks with the US. Indeed, as of October 2020, Iran still reportedly faced difficulty repatriating some $20 billion in foreign exchange revenues from China.

In 2010, Beijing along with Russia fully supported the Obama administration-cosponsored Security Council Resolution 1929 opening the way for far-reaching UN sanctions against Tehran, which in turn prompted criticism from Ahmadinejad government officials. But the move also benefited China by allowing Chinese goods to flood out Iranian bazaars. In turn, after signing the 2015 nuclear agreement which also included China, the Rouhani government leveraged the expectation of improved relations with the US

and the EU to expand trade with both, and by implication, to reduce Iran's relative economic dependence on Beijing.

Within the Middle East, China's approach likewise differs starkly from Iran's. While Iran demands the departure of American forces from the region starting with Iraq, China benefits from the US' existing (if shrinking) security umbrella, seeking its removal mainly from East Asia and the First Island Chain to forestall strategic encirclement. Iran's relations with Israel are dangerously hostile, on the one hand, and destabilizingly tense with Saudi Arabia and its Sunni allies, on the other. Conversely, China maintains good relations with all regional stakeholders, the only Security Council permanent member to do so without yet being necessarily perceived as partial, unlike Russia which has openly backed Bashar al-Assad's government in Syria's civil war. While China has dialed up tensions in multiple theaters, it has remained muted in the Middle East, neither taking sides nor embroiling itself in conflicts.

The importance and equilibrium of China's relations with regional partners like the UAE, Saudi Arabia, and Israel constrain the extent to which Beijing might pivot towards Tehran. As chapter 2, on bilateral commerce shows, China trades more in value terms with both Saudi Arabia, its top oil supplier, and the UAE than with Iran. And although Iran attracted more Chinese investments and construction contracts than most other regional countries including Israel between 2005 and 2020, China invested even higher sums in Egypt, the UAE, Saudi Arabia, and especially Pakistan. China maintains Comprehensive Strategic Partnership relations with Saudi Arabia, Iran, and the UAE and, indeed, with some three dozen other countries. It also maintains a uniquely-crafted Comprehensive Innovative Partnership with Israel, allowing Beijing and Jerusalem to sidestep questions concerning the actual strategic significance of bilateral ties. Moreover, even as it disavows official defense alliances (with the exception, though arguable, of North Korea), China's priority strategic partnerships lie beyond the Middle East, including with Russia and Pakistan.

While Beijing-Tehran military cooperation has deepened since 2014 in the form of naval visits, China has conducted more drills and port calls with and sold more advanced weapons to some other regional partners, especially Saudi Arabia. China likewise has joint weapons (UAV) production with countries like Saudi Arabia and Pakistan, but not with Iran, although the

latter also has a relatively developed indigenous military industry including for drones. Moreover, China has reportedly helped Riyadh stand up a nuclear program, including a secret yellowcake extraction plant, and improve its solid-fuel ballistic launcher capabilities. China's two-track approach is not new. In the 1980s, it did not just sell arms to Iran but also to its wartime enemy, Saddam Hussein's Iraq.

Although China has previously helped strengthen Iran's military and especially conventional capabilities, and could do so again now that the UN arms embargo has expired, Tehran's unconventional reliance on and support for extremist client and proxy groups remains a point of ambivalence for Beijing, and not only because of China's own Muslims. In Iraq for instance, insecurity linked to Iranian-backed militias seeking to force the US' troop departure places at risk Chinese interests, including in the energy sector. And although China like Iran consistently backs the Palestinian cause against Israel, missile and rocket fire by Lebanese Hezbollah and Gaza's militants on Israeli cities jeopardize Chinese citizens and assets in Israel. In Tel Aviv, Ashdod, and Haifa, Chinese firms have sizable stakes in construction projects or port management, including a 25-year agreement to manage a new, automated segment at Haifa port, and contracts to build part of Tel Aviv's light rail network. In other words, while Iran's disruptive regional behavior keeps the US glued to the Middle East, it can also hurt Chinese interests.

In the Persian Gulf and neighboring areas such as Bab al-Mandeb, hostilities initiated or backed by Iran, including through Yemen's Ansar Allah (Houthi) militia, jeopardize China's energy security and commercial shipping. Similarly, Iran's potentially fomenting unrest among the southern Gulf's Shia populations would increase project and investment risks for China. In Saudi Arabia, the Eastern Province is home to both the country's Shia as well as its massive oil fields and infrastructure.

In Asia, on the other hand, China's tensions with neighbors including in the South China Sea, especially if disputes become militarized, would create similar uncertainty for Iranian goods and oil exports, although except with China, these have currently been decimated by sanctions. Still, neither has directly criticized the other in such contexts, not even after the attack on Saudi Aramco facilities in September 2019 attributed to Iran – which reportedly included the use of Ya Ali cruise missiles similar to China's YJ-62/C-602 – or after Iran sabotaged the six foreign tankers earlier that May and June.

Furthermore, Iran juggles the interests of rivals China and India within its territory. India has leased Chabahar's Shahid Beheshti port, which is only 150 kilometers (km) west of the Chinese-managed Gwadar port in Pakistan. The resulting competition, however, is not only between India and China alongside Pakistan, but also between China's BRI (specifically the China-Pakistan Economic Corridor, or CPEC) and Russia, since Chabahar is a central node in the International North-South Transport Corridor (INSTC) binding together Russia, Iran, and India. Tehran has tried to solicit deeper Indian involvement in Chabahar-linked infrastructure, including a free trade zone and, less successfully, construction of a railway line to Zahedan. Iran has even dangled the possibility of China's involvement in Chabahar, if only to spur commitment from India.

But India's commercial presence in Chabahar would also intensify competition if – as the draft, leaked in July 2020, of the 25-year Iran-China cooperation agreement, itself finally signed on 27 March 2021, indicates – China subsequently develops and potentially leases Iran's Jask port 250 km to the west (Foreign Ministry of the Islamic Republic of Iran, 2020). Such competition would raise three-way tensions if either or both external powers ever deployed some kind of security presence, which Iran has so far officially prohibited. Even though oil exports have currently ceased under US sanctions, ties with populous India help diversify Iran's economic partnerships. Without India, Iran would likely deepen its economic integration with China and Pakistan including by enmeshing its transportation and energy infrastructure with that of the CPEC.

Because Iran's hardliners have so far rejected ratification of the Financial Action Task Force's remaining two conventions on money-laundering and terrorism financing, Chinese banks, which still heavily rely on the dollar and hence US clearing houses, face problems transacting with Iran. This in turn affects implementation of any long-term cooperation agreement, in the best case limiting transactions to suboptimal workarounds like barter and currency swaps.

The view of China from Tehran, at least among its hardline conservatives, could not be more different. However, this asymmetry of priorities, and aspirations, limits how much China would extend itself for Iran, and how much strategic commitment Iran should in turn expect from China.

Bilateral Relations Moving Forward

China-Iran relations rest on overlapping interests, but are also the product of decades of economic sanctions, diplomatic isolation, and geopolitical uncertainty, which have kept most governments at arm's length from Tehran. While sanctions have had dampening effects, Iran's isolation has still benefited Beijing more than most. Looking ahead, China's relations with Iran still heavily depend on China's ties with the US and with other key regional partners, as well as the effectiveness of any US or international sanctions regime.

Economically, Iran is likely to remain one of China's main regional partners, though not the most important. Diplomatically, Beijing is likely to continue defending Tehran where benefits outweigh costs, and especially to the extent that Washington presses its China offensive. Militarily, while China is unlikely to enter defense alliances, US rhetoric and threats against both partners (and Russia) help Beijing justify deepening cooperation with Iran. Yet, such cooperation, even if seen as qualitatively different in Tehran, would likely remain comparable to China's other regional military-to-military commitments, especially with Riyadh, comprising arms trade, joint exercises, port calls, and other routine exchanges. In addition, even with the official signing of the 25-year China-Iran cooperation agreement, the scope of which covers practically all Iranian sectors according to the leaked draft from last summer, implementation could still prove halting and heavily uneven.

Many of China's interests overlap with Iran's, and these are likely to expand if China-US tensions worsen, and if hardliners in Iran's 2021 presidential elections, like in 2005, again dominate all of its elected institutions along with its unelected bodies. Yet, there are substantial divergences as well, with implications for China's own relations vis-à-vis significant Others like the US and its closest allies in the Middle East. Unless these latter relations deteriorate dramatically, or China explicitly positions itself within an anti-US geopolitical bloc (perhaps even as it increases its financial clout and lowers its reliance on the dollar), Beijing's interpretation of a "Comprehensive Strategic Partnership" is likely to continue differing from Tehran's.