

Introduction

The People's Republic of China and the Islamic Republic of Iran – and specifically the relationship between the two – pose a number of policy challenges for the State of Israel. China ranks among Israel's leading trade partners and investors, but that relationship has created trilateral tensions involving Israel's major power ally, the US, for whom China has become the principal strategic challenge. At the same time, Iran remains Israel's leading nemesis and most critical national security threat, which means, at first blush at least, that what it gains from its interactions with China risks becoming Israel's loss in the final ledger. These considerations and the questions they raise drive the research aims of the present memorandum.

Insofar as state ideology is concerned, atheist Communist China and Islamic revolutionary Iran could not be more different from each other. Yet, having shared the trauma of national humiliation in the 19th and 20th centuries, both revolutionary worldviews also rejected and openly defied imperialism, colonialism, and cultural penetration. Furthermore, they have over the past four decades come to share common and, in some cases, increasingly converging interests, including in respect of energy trade, transit infrastructure networks, and opposition to the international order as it currently stands, dominated by the US. Their interests, however, also diverge in other important ways, including their respective outlooks on stability in the Middle East, the role of the US as the region's key security guarantor, and indeed the balance of US military presence between East Asia and the Persian Gulf.

A Brief Historical Overview

Before proceeding further, a snapshot capturing the general arc of bilateral relations in the modern era is useful. The People's Republic of China (1949-present) and the Imperial State of Iran during the Pahlavi period

(1925-1979) first established official diplomatic relations in August 1971, facilitated by the US' own rapprochement with China as both the latter powers faced off against a common adversary in the Soviet Union. Following Iran's 1979 revolution, despite initial setbacks, including as a result of one-time paramount leader Hua Guofeng's visit to Iran in August 1978 and Beijing's expression of support to the Shah, bilateral ties resumed.

Throughout the 1980s and against the backdrop of the Iran-Iraq War, China's relations with Tehran focused heavily on arms sales, typically via North Korea, making China Iran's main military supplier. Although Beijing in the same period sold weapons to Saddam Hussein's Iraq, Iran's political leadership refrained from criticizing China. After the eight-year war, diplomatic interactions intensified, with then-president Seyyed Ali Khamenei – Iran's supreme leader today – visiting China in May 1989 in the first such official visit by an Iranian head of state. During the 1990s, when the pragmatic centrist Ali-Akbar Hashemi Rafsanjani's presidency coincided with Jiang Zemin's, diplomacy also increasingly pivoted on economic relations including Iran's post-war infrastructure reconstruction and, more importantly, Iranian energy exports. By this time, China's energy security needs had begun rising, and Iran appeared able to fill some of them.

In 2000, reformist President Mohammad Khatami visited China, and in April 2002, just after US President George W. Bush's "Axis of Evil" speech (Bush, 2002) partly directed against Iran, China's President Jiang Zemin travelled to the Islamic Republic in the first such visit by a Chinese paramount leader. In July 2005, just before Khatami ended his term, Iran acquired observer status within the Shanghai Cooperation Organization (SCO), a regional political, economic, and security body co-led by China and Russia. In late 2005, Iran also joined the Beijing-headquartered Asia-Pacific Space Cooperation Organization (APSCO), in an extension of its bilateral space cooperation with China which had begun in 1991.

During the hardline conservative presidency of Mahmud Ahmadinejad, as UN sanctions intensified, China progressively became Iran's largest trade partner, energy sector investor, and oil client, as detailed in chapter 2, on bilateral commerce. When he won the presidential elections in 2013, the pragmatic centrist Hassan Rouhani sought to rebalance Ahmadinejad's lopsided "look East" diplomatic orientation, turning to the West and receiving its representatives for more trade and investments even before the nuclear

agreement with the P5+1, officially known as the Joint Comprehensive Plan of Action (JCPOA) came into effect in January 2016.

By this time, China, a veto-holding UN Security Council permanent member, had become one of Iran's two major power diplomatic patrons along with Russia. As a measure of China's growing importance, Tehran studiously refrained from criticizing Beijing's domestic crackdowns, including on the Tiananmen Square protests in 1989 and subsequently on the Sunni-Turkic Uyghur Muslims in Xinjiang province.

During the 2003-2005 round of the nuclear negotiations with the UK, France, and Germany, Rouhani, then lead nuclear negotiator and secretary of the Supreme National Security Council, noted that the Chinese were "perhaps slightly easier to work with" since "the Russians have certain sensitivities about us that the Chinese do not have to the same extent" (Rouhani, 2005, p. 25). He also believed that "if we go to the Security Council because political negotiations have failed [as opposed to being referred for violating UN resolutions, K.L.]... a strong country like China can argue at the Security Council that Iran was negotiating and must return to the path of negotiations" (Rouhani, 2005, pp. 26-27).

However, China has also shortchanged Iran at critical junctures when its own, far more important relations with the US demanded it. In the 1997 US-China summit, to reduce tensions over the preceding Taiwan Strait crisis, President Jiang Zemin agreed to suspend nuclear cooperation with Iran. And during the 2006-2015 period of international sanctions on Iran, while Beijing became Tehran's top trade and energy partner and the largest source of Iran's imports, Chinese state-owned companies delayed on investment projects particularly in the energy sector, prompting several contract rescissions for reasons including sanctions pressure, the US' increasingly important shale energy sector, and technical-contractual issues vis-à-vis Iran.

After the Trump administration, having just withdrawn from the JCPOA, reimposed unilateral sanctions on Tehran in 2018, China did not end its oil imports from Iran but it did reduce them significantly. In the same period, bilateral trade waned and the China National Petroleum Corporation (CNPC) pulled out, for the second time, from a \$5 billion consortium agreement to help develop Phase 11 of the South Pars Gas Field. Beyond bilateral contexts, China has also repeatedly wavered in its diplomatic support for Iran

in multilateral settings, as explained in chapter 3, dedicated to diplomatic relations.

However, around the time that Joe Biden assumed the US presidency in January 2021, Iranian oil exports to China reportedly rose again, likely in anticipation of the new US administration offering sanctions relief. Then on March 27, China and Iran signed a 25-year strategic cooperation agreement, talk concerning which had first been brooked in 2016, and of which a Persian-language draft (the only available text of the agreement at the time of this writing) was leaked in the summer of 2020, with references to cooperation in a sweeping spectrum of areas.

Statement of Aims

The present memorandum picks up on these developments, focusing on three specific aspects of China-Iran relations – strategic, economic, and diplomatic. To this end, chapter 1 surveys each partner’s core interests and policy focus, before breaking down the strategic considerations underlying bilateral relations, along with the convergences and constraints that characterize them. Chapter 2 examines the volume and substance of bilateral commerce as well as investment over the past four decades, before adopting a comparative perspective involving China’s trade and investment relations with Iran’s other regional neighbors including Saudi Arabia, the UAE, and Israel. Chapter 3 focuses on three particular areas of diplomatic relations, namely, Iran’s place within China’s hierarchy of partnerships, Beijing’s Security Council voting pattern vis-à-vis Iran’s nuclear program, and SCO-Iran relations. A separate INSS publication by Hiddai Segev (2021), also produced in the context of this joint research effort, usefully discusses China and Iran’s defense relations. The final section of the memorandum then draws together conclusions and implications from the preceding chapters, and offers some policy recommendations for Israel’s decisionmakers going forward.

The conclusion at its broadest brushstroke is that although China’s strategic, economic, and diplomatic relations with Iran and any kind of assistance to the latter pose actual and potential threats to Israel, they not only ought to be viewed in comparative perspective, but also conceal opportunities for Israeli foreign policy. This is particularly so in light of the regional realignment given expression in the Abraham Accords.

Following from this, the gist of the recommendations is that rather than attempt to bilaterally press China to cut ties with Iran, Israel would likely fare better by acting in concert with its emerging regional allies, appealing to China's manifest non-partisanship and commercially oriented desire for regional stability, and persuading it to moderate Iran's behavior. China's involvement in the Middle East remains lopsidedly focused on economic and commercial relations. However, with its regional economic interests rising, if not now then at some point down the road, China will likely have difficulty refraining from more robust diplomatic, even military involvement. In other words, China will be able to stay on the sidelines for only so long. Before that critical inflection point, sustained engagement with China concerning Iran can help shape not only China's broader interactions with the region, but also the intensity, if not the nature, of the threat posed to Israel and its allies by Iran.