

Sino-Iran Relations and Chinese Engagement in the Middle East

The Middle East is China’s Extended Periphery.

The Western Pacific and China’s immediate neighbors remain its highest priorities. However, Beijing has come to regard the Middle East as part of its extended periphery. Over the past decade, China has emerged as an increasingly significant player in the Middle East, with a growing economic, political, and — to a lesser extent — security footprint in the region.

Access to energy resources is China’s foremost interest in the region, which is the source of nearly half the country’s oil supplies. China’s second key interest in the Middle East derives from the desire to place the country at the center of global trade networks, as reflected in the Belt and Road Initiative (BRI).¹ A third Chinese interest is expanding its presence and influence in the region to counter perceived U.S. efforts aimed at “encirclement.” A fourth interest is ensuring domestic security by quashing public criticism of its policies and by inoculating Chinese territory from religiously-inspired violent extremism. China’s fifth interest is being accorded a level of respect and deference commensurate with China’s status as a major world power.²

China’s Presence in the Middle East Has Expanded.

In recent years, China has emerged as the biggest trade partner and external investor for many countries in the region. China has concluded partnership agreements with 15 Middle Eastern countries; participated in counter-piracy and maritime security missions in the Arabian Sea and the Gulf of Aden; twice conducted large-scale rescue operations for its nationals (from Libya in 2011 and Yemen in 2015); increased its diplomatic profile and activities in the region; embarked on counter-terrorism cooperation; and inserted itself as a niche player into the Middle East arms market.

Evidence of the changing focus of the People’s Liberation Army Navy (PLAN) — from “offshore waters defense” to “open seas protection”³ — and nascent ability to operate in distant

¹ See Ministry of Foreign Affairs of the People’s Republic of China, “China’s Arab Policy Paper,” January 13, 2016, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1331683.shtml; and The National Development and Reform Commission, Ministry of Foreign Affairs, and Ministry of Commerce of the People’s Republic of China (with State Council authorization), “Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road,” March 28, 2015, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1249618.shtml.

² See for example, Andrew Scobell, “Why the Middle East Matters to China,” in Anoushiravan Ehteshami and Nov Horesh (eds.), *China’s Presence in the Middle East: The Implications of the One Belt, One Road Initiative* (London: Routledge, 2018), pp. 9-23.

³ China’s State Council Information Office, “China’s Military Strategy,” May 2015, <http://eng.mod.gov.cn/Database/WhitePapers/2014.htm>. See also Caitlin Campbell, “Highlights

maritime environments⁴ can be seen in naval vessel visits to Gulf Arab ports⁵ and joint exercises with Iran, Saudi Arabia, and Turkey.⁶ To date, Beijing's preference has been for a "soft," as opposed to a "hard" military presence in the region, the former being mission-oriented and characterized by temporary.⁷ From December 27-29, as U.S.-Iran tensions escalated and reached a crisis point, China, Iran, and Russia held their first joint naval drills in the Indian Ocean and the Sea of Oman.⁸ Iran touted the exercises as evidence that it had foiled U.S. efforts aimed at its isolation.⁹ In contrast, Chinese naval officials framed the drills as routine anti-piracy operations — an indication of Beijing's determination not to be drawn into Middle East conflicts.¹⁰ Nevertheless, viewed in conjunction with Beijing's endorsement of Moscow's Gulf security proposal, these activities could presage further Sino-Russian coordination to promote and develop their own collective security concept and arrangements.¹¹

from China's New Defense White Paper: 'China's Military Strategy,'" *U.S.-China Economic and Review Commission Issue Brief*, June 5, 2015, https://www.uscc.gov/sites/default/files/Research/Issue%20Brief_Highlights%20from%20China%20New%20Defense%20White%20Paper_Campbell_6.1.15.pdf.

⁴ U.S. Department of Defense, Office of the Secretary of Defense, *Military and Security Developments Involving the People's Republic of China 2017*, Annual Report to Congress, https://www.defense.gov/Portals/1/Documents/pubs/2017_China_Military_Power_Report.PDF.

⁵ "Chinese navy ends Persian Gulf visits to Kuwait, Saudi Arabia, Qatar and United Arab Emirates," *Associated Press*, February 6, 2017, <http://www.scmp.com/news/china/diplomacydefence/article/2068445/chinese-navy-ends-persian-gulf-visits-kuwait-saudi>.

⁶ "Iranian and Chinese destroyers hold joint drill in Persian Gulf," *Jerusalem Post*, June 8, 2017.

⁷ Degang Sun, "China's Soft Military Presence in the Middle East," Middle East Institute, March 11, 2015, <http://www.mei.edu/content/map/china%E2%80%99s-soft-military-presencemiddle-east>.

⁸ "Russia, China, Iran start joint naval drills in Indian Ocean," *Reuters*, December 27, 2019, <https://www.reuters.com/article/us-iran-military-russia-china/russia-china-iran-start-joint-naval-drills-in-indian-ocean-idUSKBN1YV0IB>.

⁹ See for example: "US, Allies Failed to Sabotage Iran-Russia-China Naval Exercise, Commander Says," *Tasnim News Agency*, January 2, 2020, <https://www.tasnimnews.com/en/news/2020/01/02/2172678/us-allies-failed-to-sabotage-iran-russia-china-naval-exercise-commander-says>.

¹⁰ "China, Russia, Iran to hold joint naval exercise," *Xinhua*, December 26, 2019, http://www.xinhuanet.com/english/2019-12/26/c_138659848.htm; Minnie Chan, "China's role in joint drill with Iran and Russia limited to anti-piracy forces, say analysts," *South China Morning Post*, September 23, 2019, <https://www.scmp.com/news/china/diplomacy/article/3030032/china-expected-send-anti-piracy-fleet-not-navy-joint-drill>

¹¹ "Putin's Gulf security plan depends on Trump," *Al-Monitor*, August 16, 2019.

China Has Striven to Be Everyone's Partner.

China's long-standing approach to the Middle East has been to develop extensive and profitable economic ties, while avoiding becoming ensnared in regional rivalries and conflicts. This strategy is encapsulated in the "three no's principle" — no proxies, no spheres of influence, and no attempt to fill any power vacuum — put forward by Chairman Xi Jinping in his January 21, 2016 speech at the Arab League Headquarters in Cairo.¹² In short, China is determined to be and to remain everyone's partner.

China Has Deftly Balanced Competing Interests.

China has successfully diversified its relationships both within the Gulf and across the wider Middle East and North Africa (MENA) region. However, the unremitting turmoil that has plagued the region since the Arab Spring uprisings in 2011 has unquestionably made Beijing's task of balancing competing interests ever more complex. During that time, China's relationship with the United States has grown more contentious, intra-GCC political relations have grown more brittle, and the Saudi-Iran rivalry has become more toxic.

For the most part, China has managed to steer clear of the rift between the Qatar and the Saudi-led Quartet; the intensifying strategic rivalry between Saudi Arabia and Iran; and the proxy conflicts in Syria, Libya and Yemen. China's success in balancing its relationships with Middle Eastern partners in this challenging environment is attributable to several factors: 1) scrupulous adherence to the Five Principles of Peaceful Coexistence, notably the principle of non-interference; 2) a strong preference for U.N. Security Council-based multilateral diplomacy; 3) diplomatic cooperation and coordination with and/or a willingness to let Moscow take the lead and assume risks incurred by doing so.

Specifically with respect to the Saudi-Iran rivalry, Beijing has been careful to avoid giving the appearance of favoritism, as when it upgraded relations with both countries to "comprehensive strategic partnerships" during Chairman Xi's January 2016 visit to the region.¹³ A further indication that Beijing remains keen to balance its interests in the region can be found in the three outcome documents of the Ninth Ministerial Conference of China-Arab States Cooperation Forum (CASCF), held by video conference on July 6, less than a week before *The New York Times* reported on a leaked draft of a China-Iran strategic pact (discussed below).¹⁴

¹² "President Xi's Speech at Arab League Headquarters: Full Text," *China Daily*, January 22, 2016, https://www.chinadaily.com.cn/world/2016xivisitmiddleeast/2016-01/22/content_23191229.htm.

¹³ "KSA, China agree on strategic partnership," *Arab News*, January 21, 2016, <https://www.arabnews.com/saudi-arabia/news/868276>.

¹⁴ Foreign Ministry of the People's Republic of China, "China-Arab States Cooperation Forum Holds Ninth Ministerial Conference," July 6, 2020, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1795754.shtml; and Huaxia, "China, Arab

The fact that Beijing has defined its relations with the region primarily in material terms is an approach that is widely understood, appreciated, and reciprocated by its Middle Eastern counterparts. This affinity goes well beyond authoritarian patterns of government. China's success in balancing competing interests should also be viewed as an outgrowth of regional leaders' attraction to the "Chinese model" of development and recognition of the potentially valuable contribution of China's economic power to their own modernization efforts.

The state-centric approaches of the Arab Gulf states to diversify their economies — a challenge that has grown more acute with the plunge in oil prices — has led to more extensive, synergistic ties between state-owned firms. Intra-GCC rivalry has not stymied Chinese efforts to pursue its economic interests. On the contrary, China has capitalized on national competition between the Gulf states to develop regional logistics hubs through its financing of port projects and industrial zones. Thus, a symbiotic relationship between China and the GCC countries is in the process of developing, with China providing port development, large-scale construction, and state-backed finance instruments and countries on both sides of the Gulf maneuvering to make inroads into China as a site of production and consumption for their energy products.

Regarding Syria, Beijing has followed a "middle path," neither disengaging from nor condemning the Assad regime. China has repeatedly called for a political settlement,¹⁵ appointed a Special Envoy (in 2016),¹⁶ and held an international symposium on the Syrian issue (in 2018).¹⁷ China has drawn some criticism for the eight U.N. Security Council vetoes it has cast (following Russia's lead) on the Syrian issue. However, Beijing has worked to cement economic ties through the BRI, infrastructure investment and trade. As a result, Middle Eastern states no longer admonish China, as they initially had; nor have they publicly criticized Beijing for its repression of the Uighurs and other Chinese Muslim communities.

In addressing the terrorist threat emanating from the region, Beijing declined to take part in coalition fighting even after China was cited by ISIS as a target. In tackling the limited terrorism threat and "foreign fighters problem" it faces, China has focused on developing law

countries adopt declaration, action plan to deepen cooperation," *Xinhuanet*, July 7, 2020, http://www.xinhuanet.com/english/2020-07/07/c_139195393.htm.

¹⁵ For a recent example, see: "Chinese envoy calls for political settlement of Syria crisis," *Xinhua*, May 19, 2019, http://www.xinhuanet.com/english/2020-05/19/c_139067611.htm.

¹⁶ Ministry of Foreign Affairs of the People's Republic of China, "Special Envoy of the Chinese Government on Syrian Issue Xie Xiaoyan Gives Joint Interview to Chinese and Foreign Media," April 8, 2016, https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1354847.shtml.

¹⁷ Ministry of Foreign Affairs of the People's Republic of China, "Special Envoy of the Chinese Government on the Syrian Issue Xie Xiaoyan Attends International Symposium on the Syrian Issue," May 14, 2018, https://www.fmprc.gov.cn/mfa_eng/wjbxw/t1559820.shtml.

enforcement cooperation and has relied on massive domestic crackdowns.¹⁸ The latter have consisted of an increasingly sophisticated surveillance network coupled with a heavy police and security presence. In March 2019, the Council of Foreign Ministers of the Organization of Islamic Cooperation (OIC), headquartered in Saudi Arabia, adopted a resolution on safeguarding the rights of Muslim communities that included a *positive* reference to China.¹⁹ Meanwhile, demand for China's surveillance technology has grown. The United Arab Emirates (UAE), Saudi Arabia, and Iran are among over five dozen countries using Chinese-manufactured AI monitoring systems or blending Chinese-made components with technology procured from other sources²⁰ — though it is important to note that companies based in liberal democracies such as France, Germany, Israel and Japan are also proliferating this technology.²¹

Iran Has Attributes And Potential That Appeal To China.

Iran is an important regional partner for China. Ranked second in the world in natural gas reserves and fourth in proven oil reserves,²² Iran has enormous undeveloped hydrocarbons resources with a low cost base. The Iran's population exceeding 80 million constitutes a potentially lucrative market for Chinese commodities, and an especially attractive destination for goods produced by small- and medium-sized Chinese businesses. The launch of the Belt and Road Initiative (BRI) in 2013 boosted Iran's potential value to China as a key nodal point in an evolving regional transport network. As a Caspian Sea littoral state whose southern flank lies at

¹⁸ Mathieu Duchatel, "China's Foreign Fighters Problem," *War on the Rocks*, January 25, 2019, <https://warontherocks.com/2019/01/chinas-foreign-fighters-problem/>; and Daniel Byman and Israa Saber, "Is China Prepared for Global Terrorism?" Brookings Institution (September 2019), https://www.brookings.edu/wp-content/uploads/2019/09/FP_20190930_china_counterterrorism_byman_saber-1.pdf.

¹⁹ Organisation of Islamic Cooperation [OIC], Council of Foreign Ministers Resolution No. 1/46-MM, "On Safeguarding the Rights of Muslim Communities and Minorities in Non-OIC Member States," in Resolutions on Muslim Communities and Muslim Minorities in the Non-OIC Member States, March 1-2, 2019, <https://www.oic-oci.org/docdown/?docID=4447&refID=1250>.

²⁰ Paul Mozur *et al.*, "Made in China, Exported to the World: The Surveillance State," *The New York Times*, April 24, 2019, <https://www.nytimes.com/2019/04/24/technology/ecuador-surveillance-cameras-police-government.html>.

²¹ See Steven Feldstein, "The Global Expansion of AI Surveillance," Carnegie Endowment, September 17, 2019, <https://carnegieendowment.org/2019/09/17/global-expansion-of-ai-surveillance-pub-79847>. See also John Calabrese, "Huawei and the 5G Revolution in the Gulf," Middle East Institute, July 30, 2019, <https://www.mei.edu/publications/huawei-wars-and-5g-revolution-gulf>.

²² *BP Statistical Review of World Energy 2020*, <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2020-full-report.pdf>.

the narrowest point of the Persian Gulf, connecting the Arabian Sea and the Indian Ocean, Iran is poised to become a link in a contiguous China–Europe rail route that bypasses Russia.²³

... But Iran Needs China More Than China Needs Iran.

The fact that China today enjoys a “privileged” relationship with Iran is more a function of the latter’s geopolitical predicament than the two countries’ mutual affinity or even their economic complementarity. Whereas China has succeeded in establishing itself as Iran’s largest trading partner and export destination, the Sino-Iranian relationship has long been a limited and lopsided partnership.²⁴

During the 1990s, China’s growing energy needs, and Iran’s abundant oil and gas resources, formed the basis of a partnership. However, it was not until the early 2000s that Iran, cut off from the West, adopted a “Look East” economic strategy and that Sino-Iranian relations matured. Since then, China has emerged as Iran’s most important economic partner, with Chinese companies having deeply penetrated the underserved Iranian market: injecting capital into its extractive industries, developing its transportation infrastructure, and expanding its refining capacity.

Energy relations continue to loom large in Sino-Iranian relations. China regards investment in the energy sectors of its oil and gas suppliers as a means of reducing its energy security risks. Tehran needs Chinese investment and technology to boost its economy and mitigate the impact of U.S. sanctions. However, there is a greater need and urgency for Iran than for China in moving energy cooperation faster and farther. It is China that currently has bargaining leverage, as Iran holds a weak hand.

Although the Iranian economy is diversified, the petroleum sector remains of critical importance to the country’s wellbeing. In addition, many of Iran’s products derive from the oil sector (e.g., plastic and rubber products). However, Iran has been experiencing steep production declines in mature fields, which require a major infusion of capital and technology to revive. Iran also has had to contend with growing domestic primary energy consumption, energy inefficiencies, a high degree of energy price subsidization, and a complex and constraining policy environment.

²³ John Calabrese, “China’s “One Belt, One Road” (OBOR) initiative: envisioning Iran’s role,” in Anoushiravan Ehteshami and Nov Horesh (eds.), *China’s Presence in the Middle East: The Implications of the One Belt, One Road Initiative* (London: Routledge, 2018), pp. 174-191.

²⁴ Information for this section has been drawn from John Calabrese, “Intersections: China and the US in the Middle East,” Middle East Institute, June 18, 2019, <https://www.mei.edu/publications/intersections-china-and-us-middle-east>; and “Is Asia Iran’s Energy Lifeline?” Middle East Institute, May 9, 2018, https://www.mei.edu/publications/asia-irans-energy-lifeline#_ftn34.

Prior to the reinstatement of sanctions under the Trump administration's "maximum pressure" campaign, China alone had accounted for about a third of Iran's crude oil exports. At the time, China was also Iran's largest market for petrochemicals, especially methanol. Iran has looked to China not just as a major market for its oil but also as a key source of much-needed investment in energy.

Meanwhile, though, China has hedged against overreliance on Iranian oil shipments by expanding partnerships with other suppliers within and beyond the Middle East. To be sure, state-owned CITIC Group and the China Development Bank have provided billions of dollars in financing for Chinese-led railways and other projects in Iran. However, Beijing invested less than \$27 billion in Iran from 2005 to 2019; moreover, annual investment has dropped every year since 2016.²⁵

Sino-Iranian Relations Have Yet to Fulfill Either Side's Expectations.

Beijing and Tehran share the view that the international order intends to constrain their actions unfairly. However, they have divergent ideological orientations and approaches to regional and international issues. First, Iran's repeated threats to close the Strait of Hormuz have sounded alarms in Beijing. Second, the sectarian dimension of Iran's rivalry with Saudi Arabia is a source of consternation for Chinese leaders, who are concerned about religiously-inspired violent extremism permeating their own borders as well as placing their overseas interests and citizens at risk. Third, Iran's possible development of nuclear weapons capability is sharply at odds with the PRC's official non-proliferation stance and overriding interest in regional stability. Finally, Iran's expansive regional ambitions, which seem to stretch beyond simply advancing Silk Road integration, are incongruent with Chinese aims in the longer term.

Whereas despite these differences China's engagement with Iran has become more extensive over the past two decades, the relationship has been continually tested and beset by setbacks and disappointments. The two sides have alternated between reaping the rewards of their burgeoning partnership and finding themselves in the crosshairs of U.S. policy. During the period 2010-2016 (i.e., prior to the signing of the JCPOA), China did not ban *all* energy trade with Iran.²⁶ When Iran was blocked by sanctions from accessing foreign exchange, China settled the trade balance in goods rather than hard currency.²⁷

Beijing emerged from the first sanctions period having managed to retain its privileged economic relationship with Iran while avoiding a blow up with Washington by complying with

²⁵ See American Enterprise Institute (AEI), China Global Investment Tracker, <https://www.aei.org/china-global-investment-tracker/>.

²⁶ Cathleen D. Cimino-Isaacs and Kenneth Katzman, "Iran's Expanding Economic Relations with Asia," *CRS Report for Congress*, November 29, 2017, <https://fas.org/sgp/crs/mideast/IN10829.pdf>.

²⁷ John Calabrese, "Is Asia Iran's Energy Lifeline?" Middle East Institute, May 9, 2018, https://www.mei.edu/publications/asia-irans-energy-lifeline#_ftn34.

17 sanctions as well as by exploiting their deficiencies and loopholes. When the JCPOA took effect, China moved quickly to fortify its position in Iran and to elevate the bilateral relationship to a “comprehensive strategic partnership.”²⁸

However, with President Trump’s May 2018 announcement of U.S. withdrawal from the JCPOA, China-Iran relations reverted to a familiar pattern. China continued to buy crude oil from the Islamic Republic even after the Trump administration ended sanctions waivers for all Iranian customers, though Chinese purchases were sharply reduced. Over the past two years, sanctions have taken a toll on China-Iran commercial relations. Key Chinese state-owned enterprises pulled backed from their investments in Iran. China Petroleum & Chemical Corporation (SINOPEC) prolonged its negotiations on developing the Yadavaran oilfield while China National Petroleum Corporation (CNPC) pulled out of the South Pars gas project last year, after initially promising to take over the French company Total’s stake.²⁹ Washington’s crackdown on Chinese tankers carrying Iranian oil (as well as other entities found to have breached U.S. sanctions) has continued apace. The Bank of Kunlun, headquartered in Beijing, has regularly updated the list of Iranian companies under American sanctions, and has refused to grant them credit.³⁰ China’s oil imports from Iran plummeted 89% year-on-year in March.³¹ In June — officially, at least — China imported zero crude from Iran.³²

Both before the implementation of the JCPOA since the deal began to unravel, Beijing has offered both diplomatic support and an economic lifeline to Tehran. The fact that China has never acceded to U.S. pressure to “isolate” Iran reflects an overriding concern in Beijing to avert a situation in which either Iran implodes, or in which the current regime is rendered so desperate that it lashes out. China’s approach might also reflect a desire to use its relationship with Iran as a leverage point in its relationship with the United States.

²⁸ “China, Iran Lift Ties to Comprehensive Strategic Partnership,” *Xinhua*, January 23, 2016, http://news.xinhuanet.com/english/2016-01/23/c_135038615.htm; and “China-Iran Agree on Comprehensive Strategic Partnership”, NSNBC International, 24 January 2016. Accessible online at <https://nsnbc.me/2016/01/24/china-iran-agree-on-comprehensive-strategic-partnership/>.

²⁹ See John Calabrese, “China-Iran Relations: The Not-So-Special ‘Special Relationship,’” *China Brief*, March 16, 2020, <https://jamestown.org/program/china-iran-relations-the-not-so-special-special-relationship/>.

³⁰ “Concern in Iran Over China Commerce as China Gets Trade Deal,” *Bazaar & Bourse*, January 29, 2020, <https://www.bourseandbazaar.com/articles/2020/1/29/concern-in-iran-over-china-trade-following-us-trade-deal>.

³¹ Esfandyar Batmanghelidj, “Iran Can No Longer Rely On Trade With China,” *Bloomberg*, April 28, 2020, <https://www.bloomberg.com/opinion/articles/2020-04-27/iran-can-no-longer-rely-on-trade-with-china?sref=9gvlpwtg>.

³² “China’s Iran crude imports at zero in June: Customs,” *Argus Media*, July 27, 2020, <https://www.argusmedia.com/en/news/2126674-chinas-iran-crude-imports-at-zero-in-june-customs?backToResults=true>.

Indeed, Sino-Iranian relations have become more than ever tightly intertwined with the U.S.-China bilateral relationship, which has grown increasingly contentious across a wide range of issues. It is perhaps telling that the Phase 1 U.S.-China trade agreement contains a Chinese pledge to buy over \$50 billion more in U.S. oil and related products.³³ The latest sign of the interplay between Sino-Iranian and U.S.-China relations was Beijing's decision to join with Moscow and most other members of the U.N. Security Council in rejecting Washington's bid to extend the arms embargo on Iran due to expire in October and to reimpose U.N. sanctions.³⁴

The Artfulness and Artifice of "The Deal" — and Its Implications.

According to a story appearing in *The New York Times* on July 11 and subsequently updated, Beijing and Tehran have quietly drafted an 18-page proposed agreement to dramatically expand China's footprint in various economic sectors, provide China with a heavily discounted supply of oil over 25 years, and deepen military cooperation.³⁵

The disclosure of the document might have come as a shock to many, though not to those who have been following Sino-Iranian relations reasonably closely in recent years. When the Joint Comprehensive Plan of Action (JCPOA) was implemented, the China was the least hesitant of Iran's foreign economic suitors to restart trade relations.³⁶ During his January 2016 visit to Tehran, Chairman Xi sketched out a plan with President Hassan Rouhani, to broaden relations and increase bilateral trade to (a seemingly unattainable) \$600 billion within a decade.³⁷ In August of last year, following a visit to Beijing by Foreign Minister Mohammad Zarif, the two countries reportedly agreed to update the "comprehensive strategic partnership" to include an unprecedented \$400 billion of investment in the Iranian economy, in return for Chinese firms maintaining first right of refusal to participate in any and all petrochemical projects in Iran³⁸ —

³³ Finbarr Bermingham *et al.*, "Trade war: China to make huge purchases of US goods as details of phase one deal revealed," *South China Morning Post*, January 14, 2020, <https://www.scmp.com/economy/china-economy/article/3045937/trade-war-deal-details-phase-one-revealed-china-make-huge>.

³⁴ Michelle Nichols, "Thirteen of 15-Member U.N. Security Council oppose U.S. push for Iran sanctions," *Reuters*, August 22, 2020, <https://www.reuters.com/article/us-usa-iran-un/thirteen-of-15-member-un-security-council-oppose-us-push-for-iran-sanctions-idUSKBN25H1Q5>.

³⁵ Farnaz Sassihi and Steven Lee Myers, "Defying U.S., China and Iran Near Trade and Military Partnership," *The New York Times*, July 11, 2020 (updated July 22, 2020), <https://www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html>.

³⁶ "China pumps billions into Iranian economy as Western firms hold off," *Reuters*, reported in *South China Morning Post*, December 1, 2017, <https://www.scmp.com/news/china/diplomacy-defence/article/2122435/china-pumps-billions-iranian-economy-western-firms-hold>.

³⁷ Chris Zambelis, "China and Iran Expand Relations After Sanctions' End," *China Brief*, March 7, 2016, <https://jamestown.org/program/china-and-iran-expand-relations-after-sanctions-end/>.

³⁸ Adnan Aamir, "China Focuses on Iran after CPEC Setbacks in Pakistan," *China Brief*, November 1, 2019, <https://jamestown.org/program/china-focuses-on-iran-after-cpec-setbacks-in-pakistan/>.

an investment bonanza that has yet to materialize. That said, it is worth noting that if Iran had other (i.e., Western) suitors, Chinese largesse, even if it were forthcoming, might look less enticing given the cost of excessive dependence on China.

Still, there are fewer knowns than unknowns about this latest effort by Beijing and Tehran to reach agreement on and implement an ‘historic strategic pact.’ For one thing, the authenticity of the leaked Persian-language document has not been officially confirmed, nor has the document been signed. For another, the Iranian side, which likely leaked the document, appeared much more eager than Chinese officials to publicize or discuss it publicly.³⁹ Furthermore, the final details have yet to be hammered out. Finally, when or if the Iranian *Majlis* will approve the deal remains to be seen, given the concerns some of their members have already raised that it would risk ‘turning Iran into a Chinese colony.’ Indeed, members of the Conservative faction, which currently dominates the parliament, have even sought to amplify the rumors of embarrassing concessions, perhaps anticipating of the clock running out on the Rouhani administration’s term in office and indicating their desire to set the stage for the ascendance of a hard-liner in the next (June 2021) presidential election.⁴⁰

Given these uncertainties, it is difficult to assess the implications of the deal, except by conducting a brief thought exercise that considers the possible geopolitical and military ramifications if an agreement of the scope outlined in the leaked document were to be reached. Perhaps the most far-reaching implications would arise from major Chinese commitments to 1) develop the transportation infrastructure connecting Chabahar Port to inland and maritime markets and 2) develop Bandar-e-Jask Port, which is strategically situated to the east of (outside) the Strait of Hormuz. The former could enable Beijing to shift transit trade from Afghanistan and Central Asia through Pakistani ports, thus depriving India of a lever of influence. The latter could provide China with an additional dual-use port and augment the Chinese naval presence in the Indian Ocean Region (IOR). However, these and other possible outcomes are contingent on Beijing and Tehran not only reaching a final agreement but implementing it — neither of which is a forgone conclusion.

Sustaining U.S. Engagement in Gulf Affairs

America’s traditional allies in the Gulf do not view a security relationship with China as a substitute for their partnership with the United States. (Nor, for that matter, do America’s traditional allies elsewhere in the wider region.) However, the Gulf Arab states, to varying

³⁹ “Iran Says It Is Negotiating 25-Year Bilateral Deal With China,” *RFE/RL*, July 6, 2020, <https://www.rferl.org/a/iran-china-sanctions-zarif-/30709081.html>. Compare with: Foreign Ministry of the People’s Republic of China, “Foreign Ministry Spokesperson Hua Chunying’s Regular Press Conference on July 13, 2020,” July 13, 2020, https://www.fmprc.gov.cn/mfa_eng/xwfw_665399/s2510_665401/t1797455.shtml.

⁴⁰ Golnaz Esfandiari, “Explainer: Why Are Iranians Angry Over A Long-Term Deal With China?” *RFE/RL*, July 13, 2020, <https://www.rferl.org/a/explainer-iranian-china-deal-anger-among-iranians/30724344.html>.

degrees and for a variety of reasons, including diverging security outlooks and policy agendas as well as the erosion of their confidence in the U.S. long-term commitment to serve as a security “guarantor” have proceeded along three paths: upgrading their indigenous defense capabilities, adopting more assertive and interventionist postures throughout the region and in the Horn of Africa, and diversifying their security relationships including with China.

When considering the implications of China’s involvement in the Gulf for U.S. interests and policy, it is important to bear in mind the following observations: First, China has been, and remains first and foremost an *economic* actor driven mainly by commercial aims. Second and related, increasingly extensive Sino-Middle Eastern ties are a function of ‘supply *and* demand’, driven as much by regional states’ needs and ambitions as those of China.

Third, although the Belt and Road Initiative (BRI) framework gives the impression of a detailed, finely sculpted overarching strategy, in fact Beijing’s relations with the Gulf and to the wider Middle East have been structured and conducted on a bilateral rather than on a regional basis — with each partner accorded a different level of priority and serving a distinct need or role. A sharper, more discerning examination of the particularities of these relationships could help U.S. policymakers develop more focused, targeted responses to China’s inroads in the region.

Third, it is worth mentioning that China did not instigate the rift between the Saudi-led Quartet and Qatar, spur intra-GCC competition, nor has China fuelled Saudi-Iranian strategic rivalry, militarily intervened or materially supported nonstate actors in the catastrophic proxy conflicts in Syria, Libya, or Yemen. China’s policies in no way contributed to the misgovernance or internecine violence in Iraq, nor to the rise of ISIS. On the contrary, the turmoil originating from within the Middle East has placed the security of China’s energy supplies, economic assets, and overseas nationals at risk. Indeed, given that China’s interests in the region overlap with those of the United States, it is all the more advisable that U.S. policymakers avoid viewing all of China’s activities through a “great power competition” lens.

Rather than for the United States to allow itself to become trapped in zero-sum thinking regarding China’s involvement in the region, it would be more prudent to extricate itself from the trap in which it has already enmeshed itself — toggling between a futile quest to sustain American supremacy indefinitely and an ill-defined retrenchment has sowed uncertainty, diminished American credibility, and incentivized behavior by allies and adversaries alike.

It is not inconceivable, but it would be advisable for the senior leadership of the next Congress, working jointly with the next administration to seek to cobble together a bipartisan coalition for sustained engagement in the Middle East, and specifically in Gulf Affairs. and rebuild a domestic constituency acknowledge ready overly preoccupied with Chinese involvement in the region. A potentially useful departure point for such an endeavor would be to acknowledge and articulate the important U.S. interests still at stake and to commit to rebalancing the tools deployed in promoting and protecting them. Maintaining a modest forward military presence could make a valuable contribution to strategic reassurance and deterrence. So, too, could continuing to support the enhancement of partners’ defense capacity, though not to the extent

of transferring weapons and furnishing logistical support unconditionally, such that doing so provides a license for counter-productive military adventurism. Whether specifically in dealing with Iran or contending with other challenges in the region, American interests would be best served by guarding against the over-militarization of U.S. policy. This can be accomplished not only by investing in and otherwise supporting the use of vigorous and agile diplomacy, with as much energy and determination devoted to preventive as to coercive measures.