

Aspects of Sino-Iranian relations

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Introduction

Sino-Iranian relations played a significant role in world history over the past two thousand years, either as points of origin or pillars of the cross-cultural trade along the old and the modern form of the Silk Road.

The energy agenda of the two countries are well-matched. The People's Republic of China, the new-old great power, has an insatiable hunger for energy to match its economic growth, this being its major motivation for involvement in the economic affairs of the Persian Gulf. The Islamic Republic of Iran, isolated by sanctions and crippled by an outdated infrastructure, has no choice but to sell its crude oil to a willing buyer.

Considering that neither of these two states can be called democracies, it is yet to be determined if the recent changes in government on both sides will affect their current relations. With the tensions and the sanctions over its nuclear program, Iran has decided to follow its own path, and the question of whether China will act to ease the tensions between the West and Iran remains open. Likewise, it remains to be seen whether the change of leadership in the People's Republic of China will cause any change in policies regarding China's policy toward Iran, the Gulf Region and the Middle East.

These important aspects, which provide the foundation of Sino-Iranian relations, are discussed below.

Historical ties between China and Iran

The first contact was made in 138-115 BC when Han China sought allies against the nomad tribes, commonly known as the Huns. Later, the key role of Persia in trade can be traced back as far as 166 AD, when the Chinese imperial diplomat, Hou Han Shu, first submitted a report about contact with the Emperor of Rome. He named the empire "Great China", as he found the Roman lifestyle to be similar to that of the Han Chinese. Through this report, we can understand how significant the role of the Parthian, and later the Sassanid (New Persian) Empires were in the interaction between China and the Western territories.

During the Arabian expansion, the key ally of Sassanid Persia was the new Chinese imperial dynasty, the Tang. Although Tang China did not actually send military aid to the Sassanid dynasty, the key forts and commercial checkpoints that were established throughout the Silk-Road created a basis for the relations that continued over the following centuries. Practical Chinese technologies, such as the early paper industry and the issuance of paper money, were hereby transferred to the West. In return, the Persians relayed the knowledge of classical – primarily Greek - mathematics, geometry, philosophy and medicine.

After the Islamic conquest of Sassanid Persia, Tang China offered asylum to the Sassanid prince and his court, and was able to retain a part of the former Persian empire, known as the Anxiⁱ Protectorate, where the famous four garrisons of Anxi were established to secure Chinese regional, political and economic interests.ⁱⁱ With this action, Tang China was able to maintain relations with the Persian population even after the Arabian conquest and thus kept a major part of Central-Asia under the Chinese sphere of influence. Aside from the trading partnerships, even Buddhist missions played a significant role during this time in cross-cultural development, which had settled on the remnants of the former Zoroastrian culture.

This transition era of Chinese influence ended with the defeat of the Tang Chinese forces at the battle of Talas in 751 by the forces of the Arabian Abbasid dynasty. Some historians refer to this confrontation as the first real clash of civilizations, because this battle determined the fate of the Central-Asian cultural traditions.ⁱⁱⁱ Although Central-Asia continues to exist under the Muslim cultural sphere, the Chinese historical ties with the region persist to this day.

The relations following the battle remained reasonably good and it remained that way even during the Arabian “Golden Age”. The cross-cultural trade along the Silk Road had become more active, regardless of the often rapid power shifts. Settlements appeared on both sides, which provided the significant cultural, commercial and technological exchange, fueling rapid advancement in the region.

During the 13th century, the Mongolian conquest erased the traditional sovereign empires in the region and established a unique, loose state between China to Europe. The Mongolian era signified important advancement to the region, because the trade routes of the Silk Road were relatively safe, thus further improving trade and interaction. From either direction, Persia formed a pillar, as it was a gateway to the Middle-East or Central-Asia.

After the Mongol era, Ming China's Grand Armada was led by the eunuch admiral, Zheng, who made several visits to Iran. A few decades later, the Ming court decided to burn the fleet and reduce foreign ties. The connections still remained along the Silk Road, even if the activity decreased for political reasons. By the 19th century, the majority of the world's precious metal flowed into Qing China. This economic process slowly started to drain the precious metal out of the Western, colonialist countries, leading to the Opium wars. Thereafter, the former Imperial China was reduced to a semi-colonial state and the so-called "Chinese cake"^{iv} was shared between various colonial powers until the Chinese revolution in 1911. Complete independence, however, was only gained after the foundation of the communist Chinese state, the People's Republic of China in 1949.

The Persian state also fell into a semi-colonial status after the Second World War, with American influence dominant until the Islamic revolution in 1979. Considering both countries' almost common colonial and post-colonial experiences and syndromes, they were able to find common ground to renew diplomatic relations in the 1980s.

Sino-Iranian relations during the Cold War

The cold war itself had a critical impact on Sino-Iranian relations. When the communist People's Liberation Army (PLA) won the civil war over the Kuomintang in 1949, the Iranian Shah, Mohamed Reza Pahlavi immediately cut ties with the newly founded People's Republic of China due to the extreme anti-communist sentiment and American influence. After the death of Stalin in 1953, however, the Shah immediately stepped in, backing the People's Republic of China in the face of emerging tensions between China and the Soviet Union and reestablishing diplomatic relations.

The increasingly aggressive secularization program of the Shah led to his overthrow in 1979 by the Muslim supporters of the Ayatollah Khomeini. The explicit anti-American stance of the new government and the subsequent hostage crisis resulted in a freezing out of Iran by the U.S. through a number of strict trade sanctions, which exist to this day. The U.S. ceased to become the supplier of weapons to Iran (notwithstanding "Irangate"), prohibited the purchase of crude oil from Iranian oil fields and froze Iranian assets held in foreign banks.

Although the relations with the PRC were still not very significant before the Islamic revolution, the Soviet-Iranian tensions dating back to WWII created common ground to

initiate the first steps of a greater cooperation in order to reduce the Soviet sphere of influence in Central and Eastern Asia. Once the Islamic revolution had overthrown the Shah, the relations between the two countries started to improve even though Islamist sentiment did not support the communist ideology. Regardless, the PRC did not interfere when the Islamic Republic hunted down the Iranian communist party, nor did the Islamic Republic interfere when the PRC army used violent measures against the Islamic minorities in China.^v

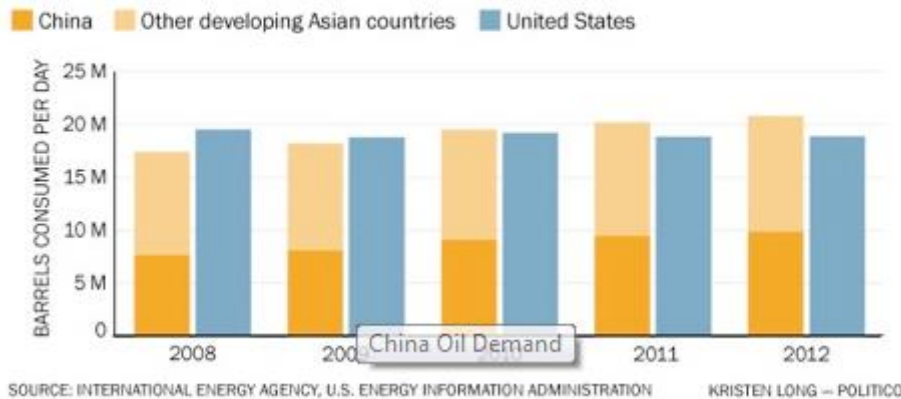
The relations between the two countries were based, first of all, on anti-Western sentiment. The economic and military ties had become closer during the Iraq-Iranian war of 1980-1988, when the PRC provided weapon shipments to Iran. In 1985, the bilateral negotiations had begun to restart the Iranian nuclear program, which had been interrupted by the revolution. Ironically, the PRC also provided weapons to Saddam Hussein's Iraq, as it wished to maintain an "open doors" doctrine, similar to that used by the Colonialist powers vis-a-vis both China and Japan during the 19th century. By the end of the war, the PRC declared its intention to play a major part in reconstruction of the Iranian economy. Obviously, the fact that the PRC had become a "pariah state" for a short time after the events of Tiananmen Square allowed the ties to grow even stronger.^{vi}

Chinese investments in the Iranian economy and energy sector

By the early 1990s, China ceased to be a net oil exporter as its economy expanded and began to rely on imported sources, creating a greater potential partnership with the Joint Commissions.^{vii} Iran, on the other hand, seemed to be the desperate provider, since it holds almost 7% of the world's fossil fuel sources and was economically isolated via sanctions. By 1993, China had already invested over 300 million dollars in the Iranian energy sector and by the beginning of the 21st century; the value of investments had increased to over 5 billion dollars.^{viii} Today, Iran is China's third largest energy provider, after Saudi Arabia and Angola.^{ix}

DEMAND FOR OIL

For the first time, more oil was consumed daily in 2010 by China and other developing Asian countries than by the United States.



Source: <http://www.instituteforenergyresearch.org/2012/04/05/china-oil-strategy-more-supply-low-prices-economic-growth/>

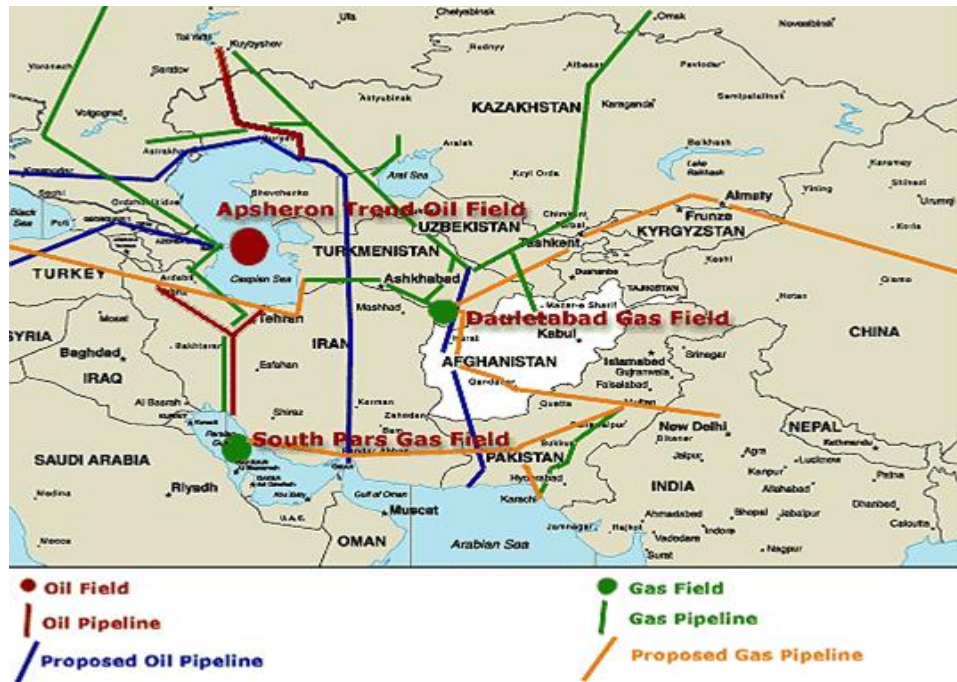
However, considering the reduced amount of domestic coal production, however, China is desperate to renew its infrastructure and to steer its economic development towards oil and natural gas. Also, considering the increasing consumption, the transition to new raw materials will be necessary to maintain reasonable economic growth.

China's involvement in Iranian infrastructural development is motivated by both short-term and long-term goals. In the short-term, this activity is linked to an opportunity to source oil and gas at a discount. In the long-term, China is positioning itself as a quasi-monopolistic buyer in Iran, in order to secure oil and gas sources for the future. To achieve this goal, further investments are crucial to modernize the crumbling infrastructure of the Shah era.

In 2004, a state-owned Chinese company, the Zhuai Zhengrong Corporation, bought 110 million tons of liquid natural gas from Iran as part of an investment-linked transaction. Similarly, Sinopec, another big state-owned energy corporation offered to invest in the Yadaravan oil field to increase crude oil production, in return for 150 thousand barrels of oil for 25 years.^x Further agreements were concluded with CNPC, the Chinese National Petrol Company since 2006, which made China Iran's main energy export destination, despite the sanctions imposed on the Islamic Republic. By the year 2010, as a result of further investments in the Iranian mining sector, bilateral trade had already reached 30 billion dollars in this sector alone, and is planned to increase to 100 billion dollars by 2016.^{xi}

China also has a major interest in building new pipelines through Kazakhstan to avoid the calculated risk of sea energy transportation in the event of a naval conflict in the Persian Gulf. Thus, in 2005, China concluded an agreement with PetroKazakhstan, a Canadian-owned

company to make the greatest foreign investment of the PRC, in order to establish a safe and stable pipeline between Iran and Western-China.^{xii}



Source: Maleki A, *Iran and China: Dialogue on Energy*

Like many of the developing countries whose economy is based mostly on crude material export, Iran lacked capability to refine its crude oil. Thus, paradoxically, 40 percent of its fuel needs came from import, which caused a dangerous dependency, considering the enacted sanctions. The Iranian government was desperate to increase its refining capacities throughout the country. In 2006, the National Iranian Oil Refining and Distribution Company (NIORDC) initiated an expansion attempt; however, the expansion had to be delayed due to the enacted sanctions. Iran sought Chinese aid, which was manifested in Sinopec's offer in 2009 to sign a memorandum of understanding with NIORDC.^{xiii} These attempts were apparently successful, since the Iranian government proclaimed in the summer of 2011 that Iran was then capable exporting fuel.

The economic cooperation between Iran and China, however, is not restricted strictly to energy resources but extends also to infrastructural developments throughout the country. These infrastructural developments are located in the Tehran area or along the main transportation lines around the country. An example of such an investment was the building of the Tehran metro system within six years between 2000 and 2006. Other investments, such as

water dams or long-range railroad systems, which might connect China with Turkey and thus to Europe are also among the possibilities.^{xiv}

Having considering the benefits of the mutual cooperation between China and Iran on a macro level, the cheap Chinese wares appearing on the Iranian markets cause problems for many Iranian merchants, as they can hardly compete with the low priced Chinese merchandise. The appearance of Chinese goods on Iranian markets has already drawn the attention of the Iranian media and some negative sentiment among the population.

Weapons and arms dealings

The newly founded Islamic Republic of Iran was cut off from Western, mostly American weapon shipments following the Islamic revolution. During the Iraq-Iranian war, it soon found itself lacking proper supply lines, especially as Iraq was directly armed by the Soviet Union. Iran is desperate to improve its military capabilities and China seems to have been a good partner since the 1980's. During the war, the Chinese leadership refused to interfere directly, finding it acceptable to sell weapons to the Islamic republic through resellers and dealers only. China's first contribution was a shipment of 200 HY-2 anti-ship missiles, commonly known as "Silkworms", through North-Korea in 1986.

After a few years, through reverse engineering and Chinese technological assistance, the Islamic Republic announced that the country possesses the capacity to produce missiles, similar in class to the "Silkworm" missiles, on its own. This is a very significant development, especially because any sort of Western-made military capability was almost certainly depleted during the almost decade-long war against Iraq.

During the 1990's, the dealings between the two countries increased rapidly. This extended to the sale of conventional weapons to the Islamic republic, as well as M11 and M9 class short- and mid-range ground-to-ground missiles. There were also several initiatives to sell C801 and C802 category of anti-ship missiles, which are capable of underwater launch. The PRC was subjected to intense pressure by the Clinton administration for violating the ILSA and the Iraq-Iran Non-proliferation Treaty. Chinese-US relations were already strained at that time due to the Chinese attitude on the matter of the Taiwan straits.^{xv}

The sanctions that were imposed during the first decade of the 21st century did not hamper Chinese involvement in improving the military capabilities of Iran. It is suspected that dealer states, such as Syria and North Korea, are continuing to provide the shipments. Sharp

criticism from the West is to be expected, especially if China is suspected of transferring far-range or even ballistic missile technology through rogue states, as defined by the US and the NATO member states. Similar reactions would be understandable if there would be evidence of the PRC's possible covert involvement in Iran's chemical weapon development.

The PRC and the Russian Federation offered an observer position to Iran in the Shanghai Cooperation Organization (SCO), which covers the major part of the Eurasian supercontinent. The SCO exists since 2001, but it had more of a symbolic value in keeping NATO influences out of the region. In 2005, along with Syria, Pakistan and India, the SCO decided to extend the invitation to Iran. In the case of Pakistan and India, a common membership in a regional organization would serve the purpose to initiate peace talks, while in the case of Syria, it was a means for the Russian navy to acquire a foothold in the Mediterranean Sea. Although it is the hope of the SCO to help ease tensions regarding the Iranian nuclear standpoint, others might only see it as an initiative to expand the sphere of influence of two great powers.^{xvi}

The nuclear issue

It is unclear to this day what exact former and current role China has in Iran's nuclear program, but many suspect that this role is very significant. Since Iran is such an important target country for China's energy needs, it is not known what other resources China makes available to Iran's leadership.

Although the exact date when cooperation began is not known, it is certain that China provided Iran with experimental reactors sometime during the Iran-Iraq war, in order to be able to commence its own experimental trials to split the uranium isotope. Cooperation continued into the 1990's, when several bilateral agreements were signed with the Islamic Republic of Iran.^{xvii}

The Chinese-Iranian programs were suspended due to pressure exerted by the Clinton administration with reference to the ILSA law of 1996, which sanctions all companies that provide Iran with any form of assistance in continuing its nuclear program.^{xviii} The only exception is the Russian designed Buseri atomic energy plant, since the Russians agreed to supply ready-made, enriched uranium to the power plant.^{xix}

Nevertheless, it is possible that China is continuing to support Iran's atomic program, since China had earlier stated that it does not recognize the sanctions and would rather place Iran's atomic program under the supervision of the Atomic Energy Commission. We must also take into consideration the fact that China never provided any guarantee to the Islamic Republic of Iran that it would exercise its veto right in the Security Council sessions; the simple reason is that China's trade with the US is almost 100 times that which it generates with Iran. Iran cannot, therefore, rely on receiving support from China before the UN. Nevertheless, the cooperation in the field of energy reduced the negative effect of the ILSA sanctions and China's presence in the region and its assistance to Iran are clear signals to Washington that it is capable of countering the will of the US and reducing American influence in the region.^{xx}

Conclusion

Sino-Iranian relations will continue in the future due to the important economic ties. The Islamic Republic of Iran will need China for its own economic survival, considering the amount of equity investment flowing into the country and the foreign support against the sanctions. Despite the theocratic system of the Islamic Republic of Iran, there is a chance for a change of policy in the future, due to the more liberal approach. In the case of the future cooperation the attitude of the Iranian population towards the Chinese investors might determine the future relations as well.

China will likely consider Iran one of its greatest investments, if not the greatest. There is also a high likelihood that China, due to its growing economic influence, will be able to establish an economic as well as a military foothold in the region. This is a realistic threat to the West and surely the United States will continue to initiate dialogue with the PRC. In order to convince China to reduce its presence in the region, the United States will most likely give up something from among its foreign policy priorities, such as the release of Taiwan from the American protecting influence. However, there is little chance that the PRC will give up its energy policy agenda in the region. In fact, further investments can be expected in Pakistan and probably in India to establish the new energy Silk Road.

ⁱ Anxi is the ancient Chinese name for the Parthian region.

ⁱⁱ This is based on the fact that the official name of the Anxi Protectorate was also known as the Grand Protectorate General to Pacify the West.

ⁱⁱⁱ William van Kemenade: Iran's relations with China and the West, Cooperation and confrontation in Asia; Netherlands institute for international relations, November 2009

^{iv} A French magazine, the *Le Petit Journal* named China the "Cake of Kings, Queens and Emperors" in 1898, symbolizing the colonial powers' and Japan's aim to divide China among themselves.

^v Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 2-3

^{vi} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 4-5

^{vii} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 4

^{viii} Lounnias Djallil: China and the Iranian nuclear crisis, *European Journal of East Asian studies*, 2011/10 p. 11

^{ix} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012 p. 39-40

^x Yu Guoqing, *The Focus: China and EU Energy Security: China's Foreign Energy Policy towards Iran*, International Institute of Asian Studies, Winter 2012, p. 27

^{xi} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012 p. 24

^{xii} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p. 7

^{xiii} *China-Iran a limited partnership*, US-China Economy and Security Review Commission, October 2012 p 16

^{xiv} Fan Hongada, *China's Policy options towards Iran*, *Journal of Middle Eastern and Asia Studies (in Asia)* Vol. 5. No 1. 2011 p. 9

^{xv} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012

^{xvi} Weitz R, *Growing Pains: The State of the Shanghai Cooperation Organization*, *The Journal of International Security Affairs*, Number 17, Fall, 2009, pp. 83-89

^{xvii} Scott Harold, Alireza Nadel, *China and Iran: Economic, political and military relations*, Rand Corporation: Center of Middle East and Public Policy, 2012 p. 22

^{xviii} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p 118

^{xix} Anthony H. Kordesman, Khalid R. Al-Rodhan: *Iran's Weapons of Mass Destruction: The Real and Potential Threat*, *Significant Issues Series Vol. 28/3* 2006

^{xx} Brandon Gentry, *The Dragon and the Magi*, *The China and Eurasia Forum Quarterly*, Nov. 2005 p 118