

1-1-2021

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China between Iran and the Gulf Monarchies

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Abstract

China's deepening ties to Iran, evident in the comprehensive strategic partnership (CSP) signed in 2021 after five years of stalled progress, is not an indication of a revisionist Chinese approach to the Gulf region. In fact, its CSPs with Saudi Arabia and the United Arab Emirates, already activated and implemented, are at far more mature levels, commensurate with China's deep levels of economic and political engagement with the Arab side of the Gulf. This is consistent with a strategic hedging approach that Beijing has used to build a sustainable presence without disrupting a competitive and fragile regional order. With far larger and more diverse interests in the Gulf Cooperation Council countries, China's partnership with Iran creates leverage due to the asymmetry inherent in the China-Iran relationship.

In an intensely competitive regional order like the Gulf, the prevailing assumption is that extra-regional powers with deep interests cannot sit on the fence indefinitely. Eventually they will have to pick a side. This thinking has long featured in analysis of China's relations with Gulf countries and continues to confound those who anticipate its adopting a more conventional approach. However, Beijing's engagement with both Iran and the Gulf Cooperation Council (GCC) countries is a strategic opportunity made available by US security commitments to the Gulf monarchies, and as long as that remains the case we can expect China to continue straddling both sides of the Gulf. It does not imply neutrality, however. China's regional interests favor the Arab side, and its preference for the status quo provides opportunities for policy coordination with Beijing for both the United States and the GCC countries.

This point has become more important since the summer of 2020, when a leaked document supposedly provided details of what some interpreted as the end of China's fence-sitting: a 25-year partnership agreement with Iran that included ambitious targets for cooperation in the

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investment, economic, technological, political, and security fields.¹ The document seemingly supported a speculative article based on an anonymous source in the Iranian government and published in 2019 by *Petroleum Economist*, claiming China was planning to invest \$400 billion in Iran over the next five years.² The dramatic announcement, as reported, would result in a substantial deepening of the bilateral relationship and have serious consequences for the Gulf regional order, affecting the United States and its allies and partners. *The New York Times* reported that the partnership “would create new and potentially dangerous flashpoints in the US-China relationship” and potentially provide China with “a foothold in a region that has been a strategic preoccupation of the United States for decades.”³ There was heated debate in Iran’s parliament, the Islamic Consultative Assembly, as Foreign Minister Mohammad Javad Zarif defended the government’s closer ties with China: “There is nothing to hide about the deal. Every stage has been transparent, and once it is finalized, the details will be made public.”⁴ It is notable that all reports about the deal have so far come from the Iranian side, with no major Chinese outlets reporting on it.⁵ It is also worth pointing out that the prospect of \$400 billion worth of investment into a single country is wildly inconsistent with recent trends in China’s overseas investment and contracting, which have been declining since a peak in 2016.⁶

Coming as it did when the United States was trying to rally international support for an ultimately unsuccessful attempt to extend the UN arms embargo against Iran, the release of the partnership document fed into a narrative that Beijing was actively undermining US policy in the Gulf. Secretary of State Mike Pompeo warned that China and Russia, among others, would take advantage of the ending embargo to sell conventional weapons systems to Iran,⁷ further feeding concerns of an emerging axis of revisionist powers that would threaten an already tenuous Gulf order. That China, Russia, and Iran held trilateral naval exercises for the first time in December 2019 only reinforced US concerns.⁸

The China-Iran comprehensive strategic partnership is real, having been signed during a 2016 state visit by President Xi Jinping.⁹ The two governments have long looked to develop their

¹ For an analysis and translation of this document, see Lucille Greer and Esfandyar Batmanghelidj, “Last Among Equals: The China-Iran Partnership in a Regional Context,” Wilson Center, Occasional Paper Series No. 38, September 2020, https://www.wilsoncenter.org/sites/default/files/media/uploads/documents/MEP_200831_OCC%2038%20v3%20%281%29.pdf.

² Simon Watkins, “China and Iran Flesh Out Strategic Partnership,” *Petroleum Economist*, September 3, 2019, <https://pemedianetwork.com/petroleum-economist/articles/geopolitics/2019/china-and-iran-flesh-out-strategic-partnership>. For a response, see Jacopo Scita, “No, China Isn’t Giving Iran \$400 Billion,” *Bourse & Bazaar*, September 20, 2019, <https://www.bourseandbazaar.com/articles/2019/9/20/no-china-isnt-giving-iran-400-billion>.

³ Faranaz Fassihi and Steven Lee Myers, “Defying U.S., China and Iran Near Trade and Military Partnership,” *The New York Times*, July 11, 2020, <https://www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html>.

⁴ “Iran Government Squeezed Over ‘Secretive’ Deal with China,” *Al-Monitor*, July 10, 2020, <https://www.al-monitor.com/pulse/originals/2020/07/iran-government-rouhani-secretive-deal-china.html>.

⁵ Wang Xiyue, “China Won’t Rescue Iran,” *Foreign Policy*, December 18, 2020, <https://foreignpolicy.com/2020/12/18/china-wont-rescue-iran/>.

⁶ Derek Scissors, “China’s Global Business Footprint Shrinks,” American Enterprise Institute, July 10, 2019, <https://www.aei.org/research-products/report/chinas-global-business-footprint-shrinks/>.

⁷ “Secretary Michael R. Pompeo at a Press Availability,” US Department of State, April 29, 2020, <https://www.state.gov/secretary-michael-r-pompeo-at-a-press-availability-4/>.

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-idUSKBN1YVOIB>.

⁹ For the joint communique, see “Full Text of Joint Statement on Comprehensive Strategic Partnership Between I.R. Iran, P.R. China,” <http://www.president.ir/EN/91435>.

relationship, and the partnership was devised as a mechanism to increase political and economic coordination. As such, the Sino-Iranian partnership is significant, but no more significant than the partnership agreements China has signed with Saudi Arabia or the United Arab Emirates (UAE), both of which have also been designated comprehensive strategic partners. Add to those the lesser strategic partnerships that China has with Iraq, Kuwait, Oman, and Qatar, and it becomes evident that China's Gulf presence does not favor Iran; if anything, it is heavily weighted in favor of countries that consider Iran their greatest threat and, importantly, are US partners or allies.¹⁰ This underscores an important point: while China's approach to the Middle East-North Africa (MENA) in general, and the Gulf in particular, is structurally different than that of the United States, its interests are not. China's MENA presence is fundamentally influenced by the United States, and this offers opportunities for Washington and the GCC countries to work with Beijing to ensure that this deepening presence continues to develop in a way that supports their preferences for regional order.

US DRIFT, IMPACT ON THE GULF

One of the most significant factors contributing to perceptions of China's growing clout in MENA is the concern of a waning US commitment to the region, which in turn makes the question of China's preferences in the Gulf more important. As the international system transitions from post-Cold War unipolarity to one that is less centered, fractious regional orders are especially vulnerable to instability. Ten years after the Arab uprisings, the Middle Eastern order can best be characterized as turbulent.¹¹ Its international politics is dominated by regional rivalries, ideological competition, and overspilling domestic conflicts, all of which are exacerbated by tensions at the international level. The most significant systemic factor is the widespread assumption, justified or not, of American retrenchment.¹² US political leadership and the public at large clearly signal a preference for a reduced MENA presence, and despite American military preponderance there are justified concerns about a diminished political commitment. The fear of abandonment is a feature of any asymmetrical relationship, but in the case of the United States and GCC countries, it has always been particularly acute.¹³ Writing shortly after Operation Desert Storm, the high point of American power in the Gulf, Gause claimed, "Gulf leaders worry about the credibility of American commitment to them, particularly given the fate of the Shah of Iran, and want constant reassurance."¹⁴

This has only intensified under the administrations of Presidents Barack Obama and Donald Trump. As Karlin and Wittes note, the two presidents used different rhetoric when talking about US commitments to the Middle East but shared "the view that the United States is too involved

¹⁰ On China's use of strategic partnerships in the Gulf, see Jonathan Fulton, "Friends with Benefits: China's Partnership Diplomacy in the Gulf," *Shifting Global Politics and the Middle East* 34, (2019): 33-38.

¹¹ Waleed Hazbun, "In America's Wake: Turbulence and Insecurity in the Middle East," *Shifting Global Politics and the Middle East* 34, (2019): 14-17.

¹² Albert B. Wolf, "Strategies of Retrenchment: Rethinking America's Commitments to the Middle East," *Comparative Strategy* 39, no. 1 (2020): 94-100.

¹³ Glenn Snyder, "The Security Dilemma in Alliance Politics," *World Politics* 36, no. 4 (1984): 467; Abdulla Al Shayji, "The GCC-U.S. Relationship: A GCC Perspective," *Middle East Policy* 21, no. 3 (2014): 61.

¹⁴ F. Gregory Gause III, *Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States* (New York: Council on Foreign Relations Press, 1994), 121.

in the region and should devote fewer resources and less time to it.”¹⁵ A 2019 op-ed from former US Ambassador to Israel Martin Indyk, provocatively titled “The Middle East Isn’t Worth It Anymore,” articulated what many have long felt: that a post-American Middle East may not be a distant hypothetical. Arguing for a recalibration of US policy to match a declining set of regional interests, Indyk claimed that “few vital interests of the US continue to be at stake in the Middle East.”¹⁶ It is a point that many others have also made, with Karlin and Wittes arguing, “Although the Middle East still matters to the United States, it matters markedly less than it used to.”¹⁷

This uncertainty about US intentions has shaped foreign policy for three sets of actors: US allies and partners in the Gulf, Iran, and extra-regional powers with interests in the Gulf. Leaders in the GCC have always known that their relationship with the United States is interest-based rather than values-based. Marc Lynch forcefully emphasizes this point:

There are certainly high degrees of military cooperation and intelligence sharing, political coordination, and protestations of eternal friendship. But if ‘alliance’ entails some basic shared values, interests, and policy preferences, then it is hard to find any American allies in the Middle East.¹⁸

Given the importance of shared interests in driving closer cooperation, the awareness that US interests in MENA are fundamentally changing directly feeds the fear of abandonment.

The preference among leaders in the Gulf monarchies is certainly an ongoing robust continuation of America’s regional presence, and the fact that the United States renewed its Defense Cooperation Agreement with the UAE in 2017 for another 15 years is a clear sign that its looming departure is exaggerated.¹⁹ But at the same time, the threat has to be taken seriously. To constantly be told that your partner is interested in moving on and not make provisions for that contingency would be foreign-policy malpractice. As a result, the GCC countries have been actively deepening their pool of extra-regional partners.²⁰ There is no expectation that any one country or group of countries is capable of or willing to fill the kind of role that the United States does. However, by strengthening ties with a wider array of powers, the GCC is hedging against the specter of a diminishing American presence.

For Iran, the whiplash from one US administration to the next has deeply affected its regional policy. The Joint Cooperative Plan of Action (JCPOA) briefly provided breathing room for a regime under tremendous domestic and international pressure. The Trump administration’s pull-out combined with its “maximum pressure” campaign boxed Iran back in. Since then, there has been a series of attacks that are widely assumed to have come from Iran, although Tehran denies involvement. Four tankers were attacked off the coast of Fujairah in May 2019, and one month later two more tankers were attacked in the Gulf of Oman. This was followed by the shocking strike against Saudi Aramco facilities in September 2019 and rocket attacks from Iranian-backed militias on the

¹⁵ Mara Karlin and Tamara Cofman Wittes, “America’s Middle East Purgatory: The Case for Doing Less,” *Foreign Affairs* 98, no. 1 (2019): 89.

¹⁶ Martin Indyk, “The Middle East Isn’t Worth it Anymore,” *The Wall Street Journal*, January 17, 2020, <https://www.wsj.com/articles/the-middle-east-isnt-worth-it-anymore-11579277317>.

¹⁷ Karlin and Wittes, “America’s Middle East Purgatory,” 89.

¹⁸ Marc Lynch, *The New Arab Wars: Uprisings and Anarchy in the Middle East* (New York: Public Affairs, 2016), 246.

¹⁹ Kenneth Katzman, “The United Arab Emirates (UAE): Issues for U.S. Policy,” Congressional Research Service, 2020, 14.

²⁰ Jonathan Fulton and Li-Chen Sim, eds., *External Powers and the Gulf Monarchies* (London: Routledge, 2019).

US embassy in Baghdad in December 2019. The Biden administration is expected to adopt a less hostile approach to Iran and may return to the JCPOA. If it does, and Iran responds in kind, it will reinforce the importance of America's ability to shape the regional security agenda, for allies and enemies alike.

For other extra-regional powers with interests in the Gulf, changing US priorities and approaches affect their own. Many of these countries, such as the United Kingdom, India, Japan, and South Korea, are US allies or partners and have largely tended to bandwagon with American preferences in the Gulf. The prospect of a changing US direction will require them to recalibrate their own policies in order to account for a shifting regional landscape. If this is the case, we can expect to see these countries adopting more assertive Gulf policies that would likely diverge from America's.

In each of these cases, decision makers' options are significantly impacted by US behavior. Clear signaling of policy direction from Washington will in turn influence the policies adopted by each of these sets of actors.

CHINA, STRADDLING THE GULF

Among these extra-regional powers, it is China with the potential to have the most significant impact on the Gulf regional order. Unlike those described above, it notably is not a US ally or partner but rather its main strategic competitor. China has been careful to not challenge the United States in the Gulf, but bandwagoning is not an accurate description of its approach to the region. Bandwagoning occurs when a weaker state joins a stronger one, out of either opportunity or fear.²¹ While its leaders are aware of the benefits derived from free riding under the US security architecture and do not overtly challenge or undermine its regional policy, they were vocal in expressing opposition to the Trump administration's Iran policies. China has been compliant with UN sanctions against Iran and largely accepted US sanctions, given the importance of the United States to China's economy. However, the unilateral withdrawal from the JCPOA has triggered a response from Beijing. During a December 2019 visit to Iran, the Chinese foreign minister was unusually blunt, saying that China would stand with Iran "against unilateralism and bullying" from the United States and claiming that "the unilateral withdrawal by the US from the Joint Comprehensive Plan of Action, giving up on its international commitments and [attempts] to exert maximum pressure on Iran are the sources of the current tension arising over the Iranian nuclear issue."²² Pointedly, neither did Beijing accept US attempts to prolong the UN arms embargo. The Chinese mission to the UN offered a rebuke on Twitter:

US failed to meet its obligations under Resolution 2231 by withdrawing from #JCPOA. It has no right to extend an arms embargo on Iran, let alone to trigger snapback. Maintaining JCPOA is the only right way moving forward²³

²¹ Stephen M. Walt, *The Origin of Alliances* (Ithaca: Cornell University Press, 1987), 17-50; Kenneth Waltz, *Theory of International Politics* (Long Grove: Waveland Press, 1979), 126.

²² Laura Zhou, "China, Iran Should Stand Together Against 'Unilateralism and Bullying,' Wang Yi Says," *South China Morning Post*, January 1, 2020, <https://www.scmp.com/news/china/diplomacy/article/3044149/china-iran-should-stand-together-against-unilateralism-and>.

²³ China Mission to UN (@Chinamission2un), "US failed to meet its obligations under Resolution 2231 by withdrawing from #JCPOA. It has no right to extend an arms embargo on Iran, let alone to trigger snapback. Maintaining

It then voted against UN Resolution 2231, not necessarily out of support for Iran but in opposition to US unilateralism.

If China has not been bandwagoning, what describes its approach to the Gulf? Strategic hedging provides a more accurate analytical framework.²⁴ Rather than an alignment, strategic hedging is an option for a second-tier extra-regional power that wants to pursue its interests without disrupting an advantageous status quo.²⁵ Successful hedging allows a state to cultivate ties with everyone while carefully avoiding alienating anyone, usually by developing stronger economic and diplomatic relations without introducing an aggressive security presence. It develops its military capacity haltingly, accepting the preponderance of the stronger state, not challenging it but steadily building a limited capacity to protect its interests and assets while not being perceived as an overt threat.

An important feature of China's Gulf posture is its use of strategic partnerships. With a strict adherence to non-alliance policy in place since 1982, China has instead adopted a hierarchal range of partnerships. These are characterized as interest-based rather than threat-based; they do not focus on third countries or carry security commitments but focus on areas of mutual interest while avoiding potentially divergent ones.²⁶ This presents a clear distinction between the American use of alliances and partnerships based on dense security cooperation and hardens a regional order that isolates Iran. In contrast, Saudi Arabia, Iran, and the UAE all have top-level comprehensive strategic partnerships, while Iraq, Kuwait, Oman, and Qatar are all one level down. In the region, only Bahrain is without a Chinese partnership agreement.

This combination of strategic hedging and the "friends with everyone" approach inherent in its partnership diplomacy contributes to a sense that China's commitment to either camp in the Gulf rivalry is shallow at best, and that it is opportunistically engaging both sides without a real commitment to either. A counterargument points to the centrality of the United States to the monarchies' security, leading some to believe that, should US-China relations further deteriorate and tensions escalate, the GCC states would choose Washington over Beijing. This, in turn, would threaten China's energy security and drive it closer to Iran. It adds to the perception that China's engagement with the GCC is opportunistic, while that with Iran is strategic. John Garver, who has written extensively on Sino-Iranian relations, made this point after the JCPOA was signed: "Iran promises to be a valuable partner, perhaps even an ally. Saudi Arabia holds out no such promise."²⁷

An analysis of China's existing commercial and political interests in the Gulf presents a more complex dynamic, however. In economic terms, there is a significant gap between the monarchies and Iran across every indicator, with the GCC coming out far ahead. Trade has been especially important. In 2019, for example, Sino-Iranian trade was valued at \$19 billion against more than

JCPOA is the only right way moving forward," Twitter, May 14, 2020, <https://twitter.com/Chinamission2un/status/1260963464446644226>.

²⁴ Mohammad Salman, Moritz Pieper, and Gustaaf Geeraerts, "Hedging in the Middle East and China-U.S. Competition," *Asian Politics & Policy* 7, no. 4 (2015): 575-596; Jonathan Fulton, "China in the Persian Gulf: Hedging Under the U.S. Umbrella," in *Routledge Handbook of Persian Gulf Politics*, ed. Mehran Kamrava (Abingdon: Routledge, 2020): 492-505.

²⁵ Brock Tessman, "System Structure and State Strategy: Adding Hedging to the Menu," *Security Studies* 21, no. 2 (2012): 192-231.

²⁶ Georg Strüver, "China's Partnership Diplomacy: International Alignment Based on Interests of Ideology," *The Chinese Journal of International Politics* 19, no. 1 (2017): 32-37.

²⁷ John Garver, "China and Iran: An Emerging Partnership Post-Sanctions," Middle East Institute, February 8, 2016, <https://www.mei.edu/publications/china-and-iran-emerging-partnership-post-sanctions>.

\$176 billion for the collective Gulf monarchies (Table 1). Even as individual countries, Iran ranked well behind Saudi Arabia and the UAE and only slightly ahead of Kuwait and Oman. This is an ongoing feature; Saudi and the UAE consistently trade much more with China than Iran does. Of course, sanctions place an artificial ceiling on China's trade with Iran, but that is an important consideration here, as well. China has complied with sanctions over support for Tehran, and while Iran represents an important potential market, the GCC states have well-established, deep, and broad trade relations with China. They have long been negotiating a China-GCC free-trade agreement, and, with the end of the GCC rift in January 2021, negotiations on hold since 2017 will likely resume soon.²⁸

In terms of investment and contracting, the Gulf monarchies are also at an advantage. Chinese firms have made significant inroads into GCC infrastructure construction, and with the growth of Gulf digital economies, China has capitalized in this sector as well. The American Enterprise Institute (AEI)'s China Global Investment Tracker has the value of Chinese firms' engagement in the collective GCC at a tremendous advantage over Iran, and again the UAE and Saudi Arabia have outperformed the Islamic Republic (see Table 2). Much of this qualifies as contracting rather than investment. The AEI data show that, since China announced the Belt and Road Initiative (BRI) in 2013, the GCC countries have collectively been worth just under \$65 billion in contracting and investment for China; that with Iran is valued at just under \$13 billion. While the value of projects for Bahrain, Kuwait, Oman, and Qatar are all somewhat modest, the UAE's was priced at \$25.79 billion and Saudi Arabia's at \$20.68 billion, both significantly more than Iran.²⁹ ChinaMED's data on stocks of foreign direct investment (FDI) tell a similar story. In 2019, the GCC collectively represented \$11.6 billion in FDI stock against Iran's \$3 billion. The UAE alone, at \$7.6 billion, more than doubled Iran.³⁰

China has also established a financial architecture in the Gulf monarchies, with its banks operating in every GCC country except Oman. The Agricultural Bank of China's Dubai branch has been designated as a clearing house for transactions in Chinese yuan, the result of a currency-swap agreement between China and the UAE signed in 2012 and activated in 2017.³¹ The Doha branch of the Industrial and Commercial Bank of China also has a clearing center for trade and financing in yuan.³² Meanwhile, the Bank of Kunlun, the only Chinese bank operating in Iran, has dramatically reduced the scope of its business operations. In response to further US sanctions in early 2019, it announced to its Iranian clients that as of April 9, 2019, it would "no longer accept any business settlement in construction, mining, manufacturing, and textile industries," limiting its services to "settlements involving humanitarian supplies and non-sanctioned industries."³³

²⁸ On the China-GCC free trade agreement, see Qian Xuming and Jonathan Fulton, "China-Gulf Economic Relationship Under the 'Belt and Road' Initiative," *Asian Journal of Middle Eastern and Islamic Studies* 11, no. 3 (2017): 16-17.

²⁹ American Enterprise Institute, "China Global Investment Tracker," <https://www.aei.org/china-global-investment-tracker/>.

³⁰ "ChinaMED: Looking at China's Role in the Mediterranean Region," ChinaMED, <https://www.chinamed.it/>.

³¹ "UAE's Yuan Clearing Centre Clears \$6.5 Billion in Transactions," Reuters, December 11, 2018, <https://www.reuters.com/article/emirates-china-yuan/update-1-uaes-yuan-clearing-centre-clears-6-5-billion-in-transactions-idUSL8N1YG3OB>.

³² Nawied Jabarkhyl, "China's ICBC Doha Clears More Than \$86 Bln in Yuan Transactions," Reuters, April 26, 2017, <https://www.reuters.com/article/icbc-qatar-idUSL8N1HY49U>.

³³ Esfandiyar Batmanghelidj, "Iran Can No Longer Rely on Trade with China," Bloomberg, April 27, 2020, <https://www.bloomberg.com/opinion/articles/2020-04-27/iran-can-no-longer-rely-on-trade-with-china>.

TABLE 1 China's Bilateral Trade with Iran, GCC States, 2010–19 (in millions of US\$)

Year	China-Bahrain	China-Iran	China-Kuwait	China-Oman	China-Qatar	China-Saudi Arabia	China-UAE
2010	1,351.26	22,936.73	9,145.22	10,220.61	4,329.13	51,198.18	17,705.11
2011	1,764.08	35,596.38	11,934.95	15,287.29	6,649.69	74,629.08	22,757.08
2012	1,729.3	29,104.11	13,085.18	18,590.93	9,276.89	84,413.01	42,103.51
2013	1,856.29	31,065.75	13,038.51	21,622.58	11,110.28	82,559.14	48,398.63
2014	2,618.8	38,055.96	13,038.51	21,622.58	11,110.28	82,559.14	48,398.63
2015	1,886.36	24,053.69	12,152.58	15,883.05	9,055.00	57,834.38	33,487.06
2016	1,964.38	22,491.97	10,664.99	12,369.91	7,806.00	47,297.29	31,798.37
2017	2,762.98	26,887.73	13,911.97	15,670.79	10,640.73	45,550.6	59,742.44
2018	2,209.25	30,598.71	6,271.24	20,408.52	13,525.55	59,434.88	53,326.67
2019	2,102.21	19,228.43	17,142.1	16,553.95	12,571.09	72,850.22	55,212.02

Source: International Monetary Fund, "Direction of Trade Statistics."

TABLE 2 Value of Chinese Contracting and Investment, 2005–20 (in billions of US\$)

Bahrain	1.42
Iran	26.56
Kuwait	10.75
Oman	5.81
Qatar	7.72
Saudi Arabia	38.64
UAE	33.53

Source: American Enterprise Institute, “China Global Investment Tracker.”

This emphasizes the importance China attaches to the US relationship over that with Iran. Chinese and Iranian leaders may describe each other as “indispensable. . . strategic partners,”³⁴ yet time and again China has put its interests with Washington above those with Tehran. China needs a functioning relationship with the United States much more than it needs a deep partnership with Iran. The high point of Sino-Iranian trade over the past decade was 2014, at \$38 billion. That same year, China’s trade with the United States was valued at more than \$520 billion.³⁵ China’s most important economic relationship is with the United States, and that with Iran is a troublesome one, potentially strong but currently not worth the trouble it presents. This was reinforced in a recent Chatham House report, in which Chinese respondents described Iran as “not that relevant to China’s national interest. . . . China is both preoccupied with its trade dispute with the US and at the same time frustrated with Iran. . . . Many Chinese businesses do not believe it is worth doing business with Iran, given the difficulties involved.”³⁶ Forced to choose between improved trade relations with the United States or Iran, there is simply no doubt which one China would abandon.

This dynamic extends to the political realm as well. China’s comprehensive strategic partnership with Iran was signed months after the JCPOA was announced, at a time when many hoped Iran was on a path toward a more constructive international role. Chinese leaders had been actively involved in getting Iran to the deal, meeting 17 times with their Iranian counterparts in the two preceding years.³⁷ The promise of increased investment and economic assistance was linked to the successful resolution of the nuclear agreement, the carrot. The stick, of course, was the understanding that China would not go to the mat for a recalcitrant Iran. This leverage has continued to be a major characteristic of the Sino-Iranian relationship, an “archetypal Great Power–Middle Power partnership, with significant inbuilt power asymmetry.”³⁸ In the case of the JCPOA, this asymmetry provided Beijing with leverage that supported Washington’s preference, a lesson the Biden administration may find useful.

³⁴ Alex Vatanka, “China’s Great Game in Iran,” *Foreign Policy*, September 5, 2019, <https://foreignpolicy.com/2019/09/05/chinas-great-game-in-iran/>.

³⁵ International Monetary Fund, “Direction of Trade Statistics,” <https://data.imf.org/?sk=9D6028D4-F14A-464C-A2F2-59B2CD424B85&sid=1515619375491>.

³⁶ Sanam Wakil and Neil Quilliam, “Getting to a New Iran Deal: A Guide for Trump, Washington, Tehran, Europe and the Middle East,” Chatham House, October 22, 2019, <https://www.chathamhouse.org/2019/10/getting-new-iran-deal>.

³⁷ John Garver, “China and the Iran Nuclear Negotiations: Beijing’s Mediation Effort,” in *The Red Star & the Crescent: China and the Middle East*, ed. James Reardon-Anderson (London: Hurst & Company, 2018), 139–44.

³⁸ Dara Conduit and Shahram Akbarzadeh, “Great Power–Middle Power Dynamics: The Case of China and Iran,” *Journal of Contemporary China* 28, no. 117 (2019): 468.

The link between the partnership and the JCPOA has not been made explicit, but the timing does not seem coincidental. The comprehensive strategic partnership was established in January 2016; President Xi added Iran to his first MENA trip as president, making him the first head of state to visit Iran in the wake of the JCPOA. The partnership seemed to signal Chinese support for positive engagement with Iran. The final article of the joint announcement is focused specifically on the JCPOA:

Both sides welcome the agreement reached between the Islamic Republic of Iran and the P5+1 countries on the Joint Comprehensive Plan of Action (JCPOA) and believe that the agreement contributes toward guaranteeing the peacefulness of Iran's nuclear activities and results in the full realization of Iran's legitimate rights to peaceful use of nuclear energy according to the Non-Proliferation Treaty (NPT). Both sides emphasize that all relevant parties should implement the JCPOA and the United Nations Security Council Resolution No. 2231 in good faith and in an inclusive and balanced manner and reiterate that they will strive to advance the process of modernization of the Arak heavy-water reactor.³⁹

The election of Trump later that year signaled a change was coming again for Iran. While campaigning in 2016, he described the JCPOA as “the worst deal ever negotiated” and said his “number-one priority is to dismantle the disastrous deal with Iran.”⁴⁰ That he also campaigned on a more aggressive China policy meant that Beijing needed to once again prioritize Washington over Tehran. The brief promise of the comprehensive strategic partnership amounted to little beyond symbolism and rhetoric, and until the summer of 2020, there had been few signs of momentum.

In the meantime, China was making inroads with its other two comprehensive strategic partners in the Gulf, Saudi Arabia and the UAE. The partnership agreement with the Saudis was signed just days before that with Iran, while the agreement with the Emiratis was signed in July 2018 during another MENA trip by Xi.⁴¹ Neither has faced the same types of hurdles in carrying out their partnerships; as a result, both are deep into implementation while Iran remains at the formulation stage. The China-Saudi comprehensive strategic partnership resulted in the establishment of the High-Level Joint Committee, the steering group for the partnership. Co-chaired by Crown Prince Mohammed bin Salman and Vice Premier Han Zheng, it meets annually, with hosting duties alternating between the two countries. During the meetings, several memorandums of understanding and actual deals have been signed, targeting specific sectors and bringing shape to the structure of the partnership.⁴²

³⁹ “Full Text: UAE-China Joint Statement on Strategic Partnership,” Gulf News, July 21, 2018, <https://gulfnews.com/uae/government/full-text-uae-china-joint-statement-on-strategic-partnership-1.2254614>.

⁴⁰ Kelsey Davenport, “Trump Election Puts Iran Deal in Doubt,” *Arms Control Today*, December 2016, <https://www.armscontrol.org/act/2016-11/news/trump-election-puts-iran-deal-doubt>.

⁴¹ For the joint statement on the China-Saudi comprehensive partnership agreement, see “KSA, China Agree on Strategic Partnership,” Arab News, January 21, 2016, <https://www.arabnews.com/saudi-arabia/news/868276>; For that with the UAE, see Gulf News, “Full Text: UAE-China Joint Statement.”

⁴² Jonathan Fulton, “Situating Saudi Arabia in China's Belt and Road Initiative,” *Asian Politics & Policy* 12, no. 3 (2020): 371-72.

The China-UAE comprehensive strategic partnership is on a similar trajectory. Shortly after Xi's 2018 visit to the Emirates, the UAE appointed Khaldoon Al Mubarak, chief executive officer of Abu Dhabi's sovereign wealth fund, Mubadala, as the country's first special presidential envoy to China.⁴³ Given his high status in the UAE, it was a clear signal that this is a position of importance and that the country is taking the partnership seriously. China appointed Yang Jiechi, an especially high-profile interlocutor, as special representative to the UAE. As state councilor, a member of the Politburo's Central Committee, and former foreign minister, Yang is one of China's highest-ranking officials. In April 2019, the prime minister and ruler of Dubai, Sheikh Mohamed bin Rashid, represented the UAE at China's BRI Forum in Beijing, where he signed \$3.4 billion worth of deals.⁴⁴ Three months later, Sheikh Mohammed bin Zayed, Abu Dhabi's crown prince and the UAE's de facto ruler, paid a state visit to China, signing 16 agreements across the environment, energy, and economic sectors, as well as expanding a program to add Chinese-language instruction in the national curriculum. The sheikh described the current status of the bilateral relationship as "laying pillars of a road map for the next 100 years."⁴⁵

In both cases, the Saudi and Emirati comprehensive strategic partnerships saw active and immediate implementation and have driven political and economic cooperation to deeper levels. In Iran's case, there has been little movement five years in, and the leaked details from the summer of 2020 have yet to be verified by China, indicating a reluctance to commit to a troublesome partner. As Wang Xiyue noted in December 2020, "No Chinese media outlets have reported or analyzed the deal based on Chinese sources. When asked by reporters, Chinese Foreign Ministry spokespeople twice avoided making any comments."⁴⁶ That the information we have thus far has all come from the Iranian side is telling; its leak clearly serves Iran's political or strategic interests more than China's.

Iran is also behind the Gulf monarchies in terms of its involvement in MENA-China multilateral coordination. The GCC states are members of the Arab League, which established the China-Arab States Cooperation Forum (CASCF) in 2004 with the goal of coordinating political, economic, and, to a lesser degree, security cooperation between China and the 22 Arab League member states. The CASCF hosts ministerial meetings every other year, alternating between Beijing and an Arab capital, using the event to set the agenda for the following two years. There is also an ongoing China-GCC strategic dialogue, established in 2010 with the mission of "deepening mutual trust, expanding mutually beneficial cooperation, and promoting bilateral consultation and coordination in international organizations."⁴⁷ It has been less active since the GCC dispute erupted in 2017 but did hold a meeting in late 2020. Also, in 2016, China introduced its first

⁴³ Joyce Karam, "UAE Names Khaldoon Al Mubarak First Presidential Envoy to China," *The National*, October 18, 2018, <https://www.thenational.ae/uae/government/uae-names-khaldoon-al-mubarak-first-presidential-envoy-to-china-1.782350>.

⁴⁴ "Sheikh Mohammed Announces \$3.4bn Investment in Dubai Via China's Belt and Road Initiative," *The National*, April 26, 2019, <https://www.thenationalnews.com/uae/government/sheikh-mohammed-announces-3-4bn-investment-in-dubai-via-china-s-belt-and-road-initiative-1.854063>.

⁴⁵ "Sheikh Mohamed: UAE and China Creating 100-Year 'Road Map' to Boost Alliance," *The National*, July 23, 2019, <https://www.thenationalnews.com/uae/government/sheikh-mohamed-uae-and-china-creating-100-year-road-map-to-boost-alliance-1.889755>.

⁴⁶ Wang Xiyue, "China Won't Rescue Iran," *Foreign Policy*, December 18, 2020, <https://foreignpolicy.com/2020/12/18/china-wont-rescue-iran/>.

⁴⁷ "China, Gulf Cooperation Council Hold 1st Strategic Dialogue, Blame Israeli Attack on Humanitarian Ship," Embassy of the People's Republic of China in the Kingdom of Saudi Arabia, June 5, 2010, <http://sa.china-embassy.org/eng/zggccgx/7706490.htm>.

MENA-focused white paper, the Arab Policy Paper.⁴⁸ Notably, the document's focus is on working with Arab countries; Iran does not appear in it.

In contrast, Iran's political isolation has limited its opportunities for deeper political and diplomatic engagement with China. Under what Keynoush has described as an Iranian "piecemeal approach," it has pursued high-risk and costly policies that have contributed to its isolation among several of its Middle East neighbors.⁴⁹ As a result, its lack of constructive state-to-state relations throughout the region diminishes its utility in the BRI, an initiative designed to capitalize upon inter- and intra-regional connectivity. As Conduit and Akbarzadeh note, "Iran's posturing tends to undermine its substantial potential to benefit from the new opportunities presented by China's enhanced interest and investment in the Middle East."⁵⁰ Iran has had observer status in the China-led Shanghai Cooperation Organization (SCO) since 2005 and applied for full membership in 2008, but there have been no meaningful moves toward full membership. Iranian SCO membership would make for a greater set of problems than it could possibly solve, needlessly antagonizing the United States and the Gulf monarchies and making for a less stable security environment in the Gulf. Russia has advocated for full Iranian membership, but China has cooled on the prospect in the face of deteriorating US-Iran relations.

The most important geostrategic consideration is how Iran and the Gulf monarchies feature in the BRI. It is essentially a series of projects that promote connectivity through trade, investment, infrastructure, and inter-cultural relations. The overland component, the Silk Road Economic Belt, connects with Iran via the China-Central Asia-West Asia Economic Corridor, passing from China's westernmost province of Xinjiang through Kyrgyzstan, Tajikistan, Uzbekistan, and Turkmenistan. A railway connecting China and Iran has been developed, allowing freight trains to make the trip from Tehran to Yiwu in eastern China in 14 days, as opposed to 30 by ship.⁵¹ At the same time, the trains can only move a fraction of the cargo of a ship, and pass through sparsely populated and less prosperous Central Asian countries.⁵² The sea route, the Maritime Silk Road Initiative (MSRI), links to port cities of the Arabian Peninsula, connecting to ports across the Indian Ocean.⁵³ Of the two, the MSRI offers greater economic potential for China, and the monarchies are also better positioned to benefit. During the 2018 CASC Ministerial Meeting, Foreign Minister Wang Yi introduced the "Industrial Park-Port Interconnection, Two-Wheel and Two-Wing Approach" as an organizing principle for a series of Chinese port and park investments.⁵⁴ Linking Chinese projects in the UAE, Oman, Saudi Arabia, and Egypt, along with the

⁴⁸ "China's Arab Policy Paper," Ministry of Foreign Affairs of the People's Republic of China, January 13, 2016, https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/t1331683.shtml.

⁴⁹ Banafsheh Keynoush, "Iran's Regional Dynamics: A Piecemeal Approach," *Middle East Policy* 27, no. 2 (2020): 94.

⁵⁰ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 469.

⁵¹ Brendah Goh, "First Freight Train from China Arrives in Iran in 'Silk Road' Boost," Reuters, February 16, 2016, <https://www.reuters.com/article/us-china-iran-railway-idUSKCN0VP0W8>.

⁵² For a look at the China Central-West Asia Economic Corridor, see Jonathan Fulton, "An Analysis of Two Corridors in China's One Belt One Road Initiative: China-Pakistan and China Central-West Asia," *Inter-regional Connectivity: South Asia and Central Asia* (Lahore: GC University Press, 2017), 43-9.

⁵³ Jean-Marc Blanchard and Colin Flint, "The Geopolitics of China's Maritime Silk Road Initiative," *Geopolitics* 22, no. 2 (2017): 223-245; David Brewster, "Silk Roads and Strings of Pearls: The Strategic Geography of China's New Pathways in the Indian Ocean," *Geopolitics* 22, no. 2 (2017): 269-291.

⁵⁴ "Wang Yi: China and Arab States Should Jointly Forge the Cooperation Layout Featuring 'Industrial Park-Port Interconnection, Two-Wheel and Two-Wing Approach,'" Consulate-General of the People's Republic of China in Kuching, July 10, 2018, <https://kuching.chineseconsulate.org/eng/news/t1576567.htm>.

People's Liberation Army Navy Support Base in Djibouti, this set of initiatives connects supply chains and business clusters in support of Chinese commercial interests from the Gulf to the Arabian, Red, and Mediterranean seas. Cooperation with the UAE, Oman, and Saudi Arabia clearly meets important BRI-related objectives for Beijing, enhancing intra-regional connectivity across important geostrategic theaters.⁵⁵ While the land link to Iran provides another access point to the Gulf, it is not an economically viable one, and Iranian isolation within its own region further limits the commercial utility. The BRI is therefore yet another Chinese interest where the Gulf monarchies have more to offer than does Iran.

CONCLUSION

The evidence makes it clear that the prospect of a growing Chinese presence in the Gulf does not result in strengthening Iran or actively subverting regional order. Even where it would appear to be the case, such as the joint naval drills with Russia and Iran, we see China working to maintain its balanced approach. Weeks before conducting the drills, the People's Liberation Army Navy and the Saudi Royal Navy conducted Blue Sword 2019, a series of drills focused on "building mutual trust, enhancing cooperation, exchanging experiences, developing the capacity of participants to combat maritime terrorism and piracy, and improving training and combat readiness."⁵⁶

Rather than challenging the prevailing order, China's Gulf interests actually favor the status quo. As Alterman notes, in the Middle East, China "seems to be seeking ways to compete without becoming a rival" to the United States.⁵⁷ This presents opportunities for the United States and its Gulf partners. China's preference for stability could be used to exert leverage. The 2019 attack on Saudi Aramco is illustrative. In the immediate aftermath, China reportedly had to pay an extra \$97 million a day for energy imports as the price of Brent crude spiked by nearly 20 percent.⁵⁸ A worse scenario could have more lasting and costly outcomes for Beijing. Given the massive asymmetry between China and Iran, there is substantial leverage China could apply to prevent Iranian aggression. There is a sense that, for Beijing, Iran presents "a liability that could overplay its hand and provoke an actual conflict with the USA for which China might be held responsible."⁵⁹ When China's much deeper interests on the Arab side of the Gulf are weighed, it becomes more evident that China favors a Gulf order aligned with US preferences. With the prospect of a functioning GCC reemerging, there will be more opportunities to use China's relations with Iran in support of regional stability. GCC officials have consistently demonstrated to their Chinese counterparts the utility of their preference for regional stability.

There is considerable divergence between Chinese and US approaches to the Gulf, but the interests of the two powers are largely compatible. Both want a stable region that supports their strategic and economic concerns. Given their deep cooperation with the Gulf monarchies and China's

⁵⁵ Jonathan Fulton, "Domestic Politics as Fuel for China's Maritime Silk Road Initiative: The Case of the Gulf Monarchies," *Journal of Contemporary China* 29, no. 122 (2020): 175-190.

⁵⁶ "Saudi Arabia, China Conduct Drill to Improve Combat Readiness," Arab News, November 17, 2019, <https://www.arabnews.com/node/1585431/saudi-arabia>.

⁵⁷ Jon Alterman, "Chinese and Russian Influence in the Middle East," *Middle East Policy* 26, no. 2 (2019): 136.

⁵⁸ Yun Li, "Brent Crude Oil Jumps the Most in History After Saudi Attacks," CNBC, September 15, 2019, <https://www.cnbc.com/2019/09/15/us-crude-oil-jumps-15percent-after-drone-strikes-disrupt-saudi-crude-production.html>.

⁵⁹ Conduit and Akbarzadeh, "Great Power-Middle Power Dynamics," 471.

influence in Iran, there is an opening for Washington and Beijing to coordinate their policies in working toward a less turbulent Gulf region.

How to cite this article: Fulton, J. China between Iran and the Gulf Monarchies. *Middle East Policy*. 2021;1–14. <https://doi.org/10.1111/mepo.12589>