Tehran's Ties With Beijing and Moscow

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UNITED AGAINST NUCLEAR IRAN

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Introduction

The Islamic Republic has long embraced the concept "neither east, nor west" as a tenet of its foreign policy. However, Supreme Leader Ali Khamenei has favored the "look east," particularly after the U.S. withdrew from the 2015 Joint Comprehensive Plan of Action (JCPOA) in May 2018. It became clear to the Supreme Leader that Europe's preference for the JCPOA would not prevail on the Trump Administration. Many European companies withdrew from deals with Iran in the face of U.S. secondary sanctions. Therefore, Iran's interest in closer trade relations with China increased.

Iran's ties with China were placed in the spotlight in March 2021, when the two nations signed a long-term agreement. A core provision of that agreement guarantees China's access to discounted oil purchases for the next 25 years in exchange for hundreds of billions of dollars in Chinese investments in Iran. China has substantial economic leverage over Iran as one of the few countries willing to flout Western sanctions on Iran's energy sector.

Iran's ties with Russia came under a microscope when Russia invaded Ukraine in February 2022. Iran offered Russia diplomatic, economic, and military support, including the provision of attack drones for use on the battlefield in Ukraine. U.S. officials have added that Iran may also ship surface-to-surface missiles to Russia.

Iran's mastery of sanctions evasion and indigenous arms production makes it an appealing partner for Russia. In fact, Russia studies Iran's sanctions evasion techniques closely and has begun to implement them. For example, it has adopted deceptive oil shipping practices, such as ship-to-ship transfers (STS) to hide the oil's origin country. UANI has systematically identified Iran's use of this and other deceptive shipping techniques, and has also identified vessels that were formerly used to illicitly ship Iranian crude, which are now being used to evade sanctions on Russian oil.

These arrangements shed light on Supreme Leader Khamenei's and the Islamic Revolutionary Guard Corps' (IRGC) aspiration to form strategic ties with China and Russia, especially in the face of Western pressure. This resource considers the historical background of Iran's relations with China and Russia, as well as their economic, military, and security dimensions. It will point out how Iran's relations with Russia in particular have been marked by distrust and unresolved tensions. The report concludes with a list of kinetic and non-kinetic policy options for disrupting Iran's relationships with Russia and China, respectively.

Tehran's Ties with Beijing

Sino-Persian ties date back centuries and benefit from high-level trade and cultural, scientific, and diplomatic exchanges. In the modern era, Iran formally established diplomatic ties with the People's Republic of China in 1970. Since the Islamic Revolution in 1979, China has been one of the only countries willing to sell arms, ballistic missile components, and anti-access/area denial weapons systems to Iran. In the 1980s and 1990s, China provided Iran with various types of nuclear technology and know-how that

assisted its development of a nuclear weapons program. Contrary to Beijing's declarations that it would cease selling dual-use components to Iran, Washington has alleged that such sales continued.

Nonetheless, in the 2000s and 2010s, China voted in favor of stringent U.N. sanctions imposed over Iran's nuclear weapons program. China was driven by a desire to avoid open conflict that could result from Iran's nuclear weapon acquisition. China prodded Iran to reach a compromise with the U.S. and other Western powers during negotiations of the JCPOA. In 2018, it opposed the U.S.'s exit from the deal. Today, it encourages Iran to return to the 2015 nuclear deal. China has steeply increased the quantity of its oil purchases from Tehran and as the main purchaser of Iranian oil, enjoys considerable leverage over Tehran.

Economic Relations

Ancient Persian and Chinese empires engaged in trade through the "silk road." In the modern era, China has become one of Iran's largest trade partners and investors, partly due to Iran's geographical position between China and the Middle East, Africa, and Western Europe. It also sits on the strategic Strait of Hormuz, through which one-fifth of total global oil consumption passes.

After the Iran-Iraq War (1980-1988), China emerged as a vital player in Iran's post-war reconstruction efforts. Over the years, it has expanded its footprint in infrastructure projects in Iran, including dams, factories, airports, roadways, and Tehran's subway system. Chinese investment in Iranian infrastructure is poised to increase in the coming years, as Iran is a linchpin in Beijing's signature "One Belt, One Road" initiative. The initiative aims to invest over $1 trillion in infrastructure to establish transportation networks across over 60 countries in Europe, Asia, and Africa.

Since the 1990s, China has viewed Iran as a major oil supplier that it can coerce into providing it with steep discounts. Iran's economic isolation and Beijing's efforts to balance its ties with other Middle East states, including adversaries of the Islamic Republic like Saudi Arabia, has clearly given China the upper hand in its relationship with Iran. China has diversified its portfolio of crude oil suppliers; Saudi Arabia and Russia are China's top suppliers. China's oil imports from Iran account for a mere 6% of its total oil imports.

Bilateral trade between Iran and China significantly expanded during the mid-2000s. It slightly decreased in 2011, but increased in 2012 partly because the Obama Administration offered China waivers for Iranian oil purchases. The waivers undermined a series of U.S. sanctions instituted that year via executive orders and legislative acts. In 2014, as the U.S. was negotiating a nuclear deal, the volume of trade between Iran and China reached a record high of $51.8 billion, even as Iran's total exports to the world were in freefall.

After President Trump withdrew the U.S. from the Iran nuclear deal in 2018, China and other major Iranian oil importers were given waivers to provide them time to find new suppliers. A year later, the Trump Administration's waivers on Iranian oil imports ended. As a result, Iran's total oil exports to the world fell to a record low of $12.7 billion in 2020. That year, Iran-China trade volumes dropped to $20

billion due to U.S.-led sanctions and a reduction in oil sales. Prominent Chinese state-controlled energy giants Sinopec and China National Petroleum Company pulled out of major investments in Iranian energy fields, but China continued purchasing oil from Iran at a steep discount. This gave China leverage in its trade war with the U.S.

When President Biden took office, Chinese companies rapidly increased their purchases. Recent U.S. Department of the Treasury sanctions against Chinese entities signal the Biden Administration's interest in taking a tougher line on China and Iran, but the administration's enthusiasm for reviving the JCPOA has severely constrained its approach. The administration has failed to enforce sanctions against China, squandering much of the U.S.'s leverage over Iran left over from the Trump Administration's "maximum pressure" sanctions campaign. The regime's oil revenues keep it liquid and relieve pressure from Western sanctions.

Since President Biden took office in January 2021, UANI has tracked $47 billion-worth of Chinese oil purchases from Iran. UANI analysis shows that Iranian oil exports to China increased by a staggering 116% in President Biden's first year in office compared to President Trump's last year in office. UANI has also identified the officially non-state, semi-independent "teapot" petrochemical refiners responsible for a large amount of these purchases. China uses these refiners, instead of state actors, to obscure its role in the imports.

China has thus far proven unwilling to use its economic leverage over Iran to pressure it to cease its malign and destabilizing activities. To the contrary, Iran's oil revenues from Chinese sales give the Iranian regime more resources to fund the U.S.-designated terrorist organization, the IRGC, and its proxies. This runs contrary to China's interest in preserving regional stability for the sake of steady oil flows. Likewise, China has not helped resolve non-JCPOA issues, such as Iran's ballistic missile and drone programs.

Iran's ability to circumvent Western sanctions via its economic relations with China could further improve when Iran becomes an official member of the China-led Shanghai Cooperation Organization. In September 2022, Iran signed a memorandum of obligations to join the Eurasian political, economic, and military bloc. After years of diplomatic wrangling, Iran's full membership is slated to be finalized in April 2023, according to Iranian news media.

Military and Security Ties

In the 1970s, under the Pahlavi monarchy, China and Iran developed good ties. Those ties remained solid despite the change in Iran's government in 1979. From the outset of the Iran-Iraq War in 1980, China was one of the only countries willing to provide Iran with weapons and military equipment, although it was also a large indirect supplier of military equipment to Iraq. For example, in the late eighties, China sold Iran the Silkworm anti-ship missile, enabling it to retaliate against Iraq for its attacks on oil tankers. After the war, China supported Iran's production of anti-access/area-denial weapons capabilities. For example, Iran developed the Noor anti-ship cruise missile, a copy of the C-801.

China also has a history of supporting Iran's ballistic missile program. In the nineties, Iran advanced its solid-propellant missile program with Chinese equipment and technology. In 2017, Chinese tech firms sold U.S.-designated Iranian company Shiraz Electronics Industries millions of dollars-worth of satellite positioning, navigation, and timing equipment. In 2021, Iran was granted further access to Chinese satellite navigation systems for military purposes, though they were of limited value for its ballistic missile program, given that its missiles tend to be guided by other mechanisms. In March 2022, the U.S. Treasury Department revealed that Iran procured from Chinese suppliers machines to process nitrile butadiene rubber and an inert gas jet milling system used for making solid propellant.

On June 6, 2023, the U.S. Department of the Treasury designated seven individuals and six entities in China, Hong Kong, and Iran for facilitating Iran's procurement of ballistic missile parts and technology. The sanctions were levied pursuant to Executive Order (E.O.) 13382, which targets weapons of mass destruction proliferators and their supporters. According to the Treasury's press release, the targeted procurement network supplied key Iranian regime actors with centrifuges and associated equipment and services; dual-use, nonferrous metals; and electronics, modules for radars, gyroscopes, and accelerometers. Iran's Ministry of Defense and Armed Forces Logistics (MODAFL), and its affiliated organizations, Parchin Chemicals Industries (PCI), Aerospace Industries Organization (AIO), Iran Electronics Industries (IEI), and P.B. Sadr, procured the sensitive materials. China-based Zhejiang Qingji Ind. Co., Ltd. sold centrifuges to PCI. Hong Kong-based Hong Kong Ke.Do International Trade Co. sold tens of millions of dollars' worth of dual-use, nonferrous metals to P.B. Sadr. And China-based Beijing Shiny Nights Technology Development Co., a MODAFL front company, procured electronics. Iran's Defense Attaché in Beijing, Davoud Damghani, coordinated the transactions, and thus he was also designated pursuant to E.O. 13382.

While Beijing and Tehran have a long history of military cooperation, ranging from high-level delegations, joint military drills, and the sale of military technology, Beijing has also cultivated relations with other Middle East states. Beijing published its Arab Policy Paper in January 2016, expressing its desire to cultivate closer military ties with Arab countries, including adversaries of the Islamic Republic. In line with these interests, China has exported CH-4 unmanned aerial vehicles (UAVs) to Saudi Arabia and the United Arab Emirates. These nations have deployed the UAVs in campaigns against the Iran-backed Houthis in Yemen. In March 2022, Chinese and Saudi companies announced plans to design and build drones in Saudi Arabia. Thus, China must weigh how cooperation with Iran could damage its relations with other Middle East partners. Additionally, China wishes to avoid fueling the potential for conflict in the Middle East arising from Tehran's hegemonic military ambitions.

While China has made overtures to other Middle East states, the Islamic Republic Armed Forces General Staff chief and IRGC Major General Mohammad Baqeri led a delegation to China in 2019. He signed an agreement to hold joint military training and increase high-level delegation exchanges. In April 2022, a Chinese delegation traveled to Tehran. They met again with Baqeri and other senior Iranian officials, including President Ebrahim Raisi and IRGC officials. Iran's planned accession to the Shanghai Cooperation Organization in 2023 will pave the way for further military and security cooperation.

China and Iran's security cooperation also involves Chinese provisions of sanctioned telecommunications and surveillance technologies to Iran's repressive domestic security apparatus. The U.S. levied fines against Chinese smartphone company ZTE for supplying Tehran with U.S.-made hardware and software between 2010 and 2016. In 2018, Huawei's chief financial officer was arrested in Canada for providing telecom equipment to Iran in violation of U.S. sanctions.

Chinese exports to Iran of video recording equipment soared recently, as the Iranian regime brutally cracks down on the protest movement enveloping the country after Mahsa Amini's death. U.S. Department of State and Treasury officials are in advanced deliberations regarding new sanctions against Chinese tech companies, such as Tiandy Technologies and Zhejiang Uniview Technologies, allegedly providing surveillance platforms to Iran. The Iranian regime uses these technologies to identify and persecute protesters in Iran.

25-Year Strategic Cooperation Agreement

Chinese Premier Xi Jinping visited Iran in early 2016 and proposed deeper strategic ties. In 2021, Beijing and Tehran signed a 25-year cooperation agreement. While the full details have not been released, leaks from 2020 suggested a wide-ranging arrangement centered on the exchange of heavily-discounted Iranian crude oil for hundreds of billions of dollars in Chinese investment in Iran. The deal also proposed banking, military, and security cooperation. The Islamic Republic hopes that the large influx of Chinese investments will increase Chinese stakes in and its commitment to the Islamic Republic.

More specifically, China plans to invest $400 billion in Iran's energy, banking, telecommunications, and transportation sectors. The planned investments in Iran's transportation infrastructure, including highways, railways, and maritime connections, will advance China's "One Belt, One Road" ambitions. The agreement also allegedly states that China will deploy 5,000 military forces to Iran to protect its projects. Islamic Republic officials deny this. The military and security dimension encompasses joint training exercises, research and weapons development, and intelligence sharing.

The concessions Iran would make in terms of its guarantees to supply China with discounted oil are significant but hardly surprising, given China's leverage in the relationship. Iranian political figures are suspicious of the deal, with some critics alleging that the concessions amounted to "selling off" the country from a position of economic weakness and international isolation. They believe that China harbors nefarious intentions and that its extraordinary investments in Iranian markets will result in a debt crisis, further rendering the country beholden to Beijing. That has resulted from other "One Belt, One Road" investments in Africa and Asia. This concern applies to Beijing's plans to develop Iranian sea ports near the strategic Strait of Hormuz.

As part of the deal, China has also committed to assisting and investing in Iran's telecommunications networks. That could be vital to the Islamic Republic's efforts to strengthen its police state. At the same time, Chinese state-backed companies like Huawei's involvement in developing 5G networks would give the Chinese Communist Party (CCP) unprecedented access to information.

Thus far, the 25-year cooperation agreement has not been robustly implemented. Raisi traveled to China on his first state visit to the country in February 2023 and met Chinese Premier Xi Jinping. This was the first state visit of an Iranian president to Beijing in over 20 years, according to Iranian media. The two leaders are expected to sign cooperation documents to follow up on the 25-year agreement amid tensions arising from Xi's visit to Saudi Arabia, where he met with Gulf Cooperation Council states in December 2022.

Left to Right: Chinese Premier Xi Jinping and President of Iran Ebrahim Raisi

Chinese-Brokered Agreement between Iran and Saudi Arabia

On March 10, 2023, China brokered an agreement between Iran and Saudi Arabia to normalize diplomatic relations with each other. Under the terms of the agreement, both countries will reopen their embassies within two months and implement a security agreement signed between Iran and Saudi Arabia in 2001 and an economic agreement signed in 1998. They also agreed to avoid interfering in each other's internal affairs. Saudi Arabia severed diplomatic relations with Iran in 2016 after its embassy in Tehran was overrun with Iranian protesters following Saudi Arabia's execution of a prominent Shia cleric. The agreement signals China's intention to become more involved in the region's geopolitics, as the U.S. prioritizes countering China in Asia and Russian aggression in Eastern Europe.

This is a significant move by China, which has historically limited its involvement in the region's geopolitics.

In the past, China has focused on pursuing its economic interests while reaping the benefits of the U.S. regional security architecture. It has also avoided choosing sides in regional conflicts, allowing it to build relations with Iran and Saudi Arabia and position itself as an impartial mediator.

The existing Gulf security architecture depends on a sustained U.S. commitment to its allies and partners in the region, namely Israel and the Gulf Arab states, and hostility to their shared regional adversary,

Iran. If those allies and partners question the reliability of the U.S. security commitments, they will pursue alternatives, including by improving relations with U.S. adversaries, particularly China and Russia.

The longstanding partnership between the U.S. and Saudi Arabia is vital to Saudi Arabia's national security. Saudi Arabia specifically depends on the U.S. to deter Iranian aggression.

However, in recent years Iran has not been sufficiently deterred from striking Saudi Arabia. In 2019, Iran struck Saudi Arabia's Abqaiq and Khurais oil facilities. The lack of a U.S. response likely emboldened Iran, while raising serious doubts in Saudi Arabia about the reliability of U.S. security arrangements. In January 2021, the Iranian-backed proxy group Kataib Hezbollah claimed responsibility for an attempted drone strike on Riyadh. Iran seems to have calculated that the U.S. will likely not impose significant costs on it for its regional aggression.

Uncertainty about the U.S.'s commitment to Saudi Arabia's security has compounded over the years. U.S.-Saudi relations began to sour under President Obama when his administration signed the 2015 Joint Comprehensive Plan of Action (JCPOA), which Saudi Arabia opposed. Saudi Arabia also was alarmed by the stated intention of the Obama Administration to reduce its involvement in the region as part of its "pivot" toward Asia.

President Biden has been critical of Saudi Arabia's de facto leader Mohammad Bin Salman (MBS) while seeking reentry into the flawed JCPOA. During his Presidential campaign, Biden even stated that, as president, he would make the Saudis "the pariah that they are." Tensions between the U.S. and Saudi Arabia were furthered by the Biden Administration's decision to delist the Houthis as a foreign terrorist organization in February 2021. The U.S.'s sudden withdrawal from Afghanistan further contributed to the perception that U.S. foreign policy priorities were shifting.

Compared to the U.S., China will not condition its relations with Saudi Arabia on human rights and Saudi domestic matters.

Saudi Arabia is seeking to ease tensions with Iran at a time when it is focusing on domestic and economic issues, including the rapid diversification of its economy and attraction of foreign direct investment. The Saudi's are looking to this agreement to rein in Iran's aggressive and subversive activities. China enjoys considerable economic leverage over Iran, but it remains to be seen whether Iran will abide by its promises to end its support for the Houthis.

China's political influence in the region may diminish if it is unable to ensure Iran's compliance with the agreement. Many observers expect that the agreement will fail, particularly given the track record of the Iranian regime's most powerful military institution, the Islamic Revolutionary Guard Corps (IRGC). The Iranian system may be reluctant to withhold material support for its proxies in the region, which could lead the deal to fall apart. Nevertheless, according to a Wall Street Journal report, Iran's then-Secretary of the Supreme National Security Council (SNSC) Ali Shamkhani signaled Supreme Leader Khamenei's support for the normalization.

Saudi Arabia is also smartly playing for leverage as the U.S. works toward brokering a deal between Saudi Arabia and Israel. The presentation of China as a competing interlocutor and partner is meant to

demonstrate that Saudi Arabia has other options for purveyors of weapons, security guarantees, and assistance in developing a civilian nuclear program.

For its part, Iran is seeking to alleviate pressure from international sanctions. On February 20, 2023, its currency plummeted to a record low, but news about the agreement boosted its value against the dollar. The agreement could also promote bilateral trade between the two countries, as both countries have promised to implement the "General Agreement for Cooperation in the Fields of Economy, Trade, Investment, Technology, Science, Culture, Sports, and Youth," signed in 1998. Furthermore, by normalizing relations with Saudi Arabia, it boosts its legitimacy on the international stage amid international condemnation over its brutality toward peaceful protesters, undercutting its diplomatic isolation. Moreover, by improving relations with Saudi Arabia, it may undermine prospects for Israeli-Saudi normalization.

According to reports, Iran also received Saudi Arabia's promise to lessen the criticism broadcast by Iran International, a satellite media outlet based in the U.S. that has been a popular source of information for Iranians amid the ongoing protests resulting from Mahsa Amini's death at the hands of the so-called "Morality Police" in September 2022.

China is seeking to ease tensions between two of its largest oil suppliers while also undermining U.S. influence and prestige in the region. China has long criticized the U.S. for its activities in the Middle East, particularly its wars in Iraq and Afghanistan. China does not wish to upend the U.S. security architecture but is intent upon growing its influence in the region at the expense of the U.S.

In the context of great power competition in the Middle East, the emergence of this agreement is a victory for China and has alarmed many policymakers in Washington. Yet, the Biden Administration has welcomed the agreement as a positive development. Administration officials argue that the U.S.'s regional influence was not damaged, and that de-escalating tensions is good for the region. They believe that renewed diplomatic relations may bring about an end to the war in Yemen.

China's Role in Iran's Nuclear Program

China has made significant contributions to Iran's nuclear program. In the 1980s and 1990s, China is believed to have helped construct the Isfahan Nuclear Research Center, which has played a significant role in the development of Iran's nuclear program. The research center has assisted in uranium exploration and mining, and the study and application of lasers for uranium enrichment. Beijing committed to stop providing direct nuclear support to Iran in 1997 as it sought to bolster its ties with the U.S. However, Chinese companies continued providing dual-use components to Iran. As recently as 2021, China was continuing to help Iran redesign the IR-40 heavy-water reactor at its Arak facility, according to a component of the JCPOA meant to preclude Iran's route to plutonium-based nuclear weapons.

Tehran's Ties with Moscow

Iran and Russia have historically distrusted each other. Tzarist Russia annexed Persian territory as a result of the Treaty of Turkmenchay in 1828 following the Russia-Persian wars. Russia and the United Kingdom divided Iran among themselves in the 19th and early 20th centuries. Soviet forces occupied northern Iran during World War II and refused to vacate the territory after the war, which resulted in a diplomatic crisis. For decades, Iran was a pillar of U.S.-led efforts to curtail Soviet penetration in the Middle East. The Islamic Republic supported Afghans fighting the Soviet invasion, which began in the winter of 1979, months after the Islamic Revolution.

After the Soviet Union collapsed in 1991, Russian and Iranian ties improved. Russia has provided Iran with arms and nuclear technology, though it opposes Iran obtaining a nuclear weapon. In the 2000s, Russia voted in favor of a series of United Nations resolutions against Iran over its nuclear program, and later encouraged Iran to agree to the JCPOA, which it did in 2015. According to reports, Iran's former Foreign Minister Mohammad Javad Zarif said on a leaked audiotape that the IRGC sought Russia's help to sabotage the Rouhani Administration's efforts to land the 2015 nuclear deal. The report underscores the tensions in the Iranian system over relations with Russia.

When Ebrahim Raisi, a Khamenei protégé, rose to the presidency in 2021, reformists and centrists were sidelined in the Iranian system. In contrast to the priorities of Raisi's predecessor, Hassan Rouhani, a purported centrist focused on a nuclear deal with the P5+1 and building ties with the West, Russia is a top foreign policy priority of the Raisi Administration. This aligns with the Supreme Leader's "look east" policy and his vision of a resistance economy. Since becoming president, Raisi has already met with President Putin of Russia on multiple occasions. For instance, whereas Rouhani made his first official visit to Russia in 2017 after taking office in 2013, Raisi made his official visit during his first year in office. Raisi expressed tacit support for the war in Ukraine on the day after the invasion via phone. In July 2022, during Putin's visit to Tehran, Supreme Leader Khamenei explicitly stated that the war is justified, because if Russia had not "taken the helm, the other side would have…initiated a war."

However, distrust lingers between Iran and Russia, because Russia has shown its willingness to exclude Tehran from important foreign policy decisions. For example, during the Second Karabakh War in the South Caucuses between Azerbaijan and Armenia in 2020, Russia disposed of an Iranian proposal for a peace treaty. In 2021, President Vladimir Putin declined to meet Iran's Parliament Speaker Mohammad-Bagher Ghalibaf, apparently because he did not conform to the Kremlin's Covid-19 protocol. Moreover, Russia wants to be a powerbroker in the Middle East. To that end, it pursues good relations with other powers in the region.

Economic Relations

Despite signing agreements to expand trade, the actual volume of trade between Iran and Russia has been insignificant. In 2014, Iran and Russia announced a multi-billion dollar oil-for-goods barter agreement. The two declared a new oil purchase agreement in 2017, but the actual shipment of Iranian oil happened only once in November 2017.

Far from achieving $25 billion in trade as agreed, the total volume of trade remained less than $2 billion in early 2021. However, in 2021, Iran and Russia traded $4 billion-worth of goods and services—an 80% increase. As Iran and Russia look to each other as sanctions evasion hubs, bilateral trade is expected to continue to rise. In the first half of 2022, bilateral trade between Russia and Iran increased by an additional 10%.

Islamic Republic officials lament the low trade volume, and blame each other for failing to understand the Russian market and trade dynamics. Recently, Russia and Iran have announced their desire to expand cooperation, especially in the energy sector. The actual implementation remains to be seen. In 2022, Russia's state-owned oil and gas giant Gazprom and Iran's state-owned National Iranian Oil Company (NIOC) signed a memorandum of understanding (MOU) according to which Russia would invest $40 billion in the development of oil and gas fields in Iran. This MOU was one of the first indications that a 20-year cooperation agreement that Raisi presented to Putin on his state visit to Moscow in January 2022 was beginning to materialize. An Iranian lawmaker optimistically surmised that bilateral trade between the two countries could reach $25 billion (from the current $4 billion).

Tehran and Moscow's economic cooperation extends to illicit oil trade. In 2018, the U.S. Department of the Treasury designated targets involved in an illicit scheme in which the Islamic Republic worked with Russian companies to provide millions of barrels of oil to the Syrian government. In exchange, Damascus facilitated the transfer of hundreds of millions of dollars to Hamas in Gaza and Hezbollah in Lebanon on behalf of the IRGC's Quds Force.

In May 2022, the U.S. Treasury designated several individuals and entities involved in an oil-smuggling network generating hundreds of millions of dollars for the IRGC's Quds Force and Hezbollah. The department disclosed that the oil smuggling network was "backed by senior levels of the Russian Federation government and state-run economic organs," such as the Russian state-owned Rosneft. Russia aids and abets Iran's financing of terrorism in the Middle East by conspiring with it to evade Western sanctions on Iran's oil sector.

Military and Security Ties

Iranian and Russian defense cooperation has been tumultuous. Between 1995 and 2001, more than 70 percent of Iran's weapons imports came from Russia. In 2001, Iran signed a 10-year agreement with Russia to enhance military and defense cooperation under the expectation that Russia would resume its conventional arms sales to Iran. The agreement, however, did not translate into significant final deals on weapons sales. In 2007, Russia agreed to sell Iran five S-300 air defense systems, but did not supply them because of a U.N. arms embargo imposed in 2010. This compounded mistrust in Iran toward Russia. In October 2016, Russia completed delivery of the S-300s.

Russia's intervention in Syria in the mid-2010s created an avenue for cooperation with Iran, despite lingering mistrust due to Russia's reneging on arms sales. Russia and Iran conducted joint operations against anti-Assad rebels in Syria, culminating in a decisive 2016 victory in Aleppo that permanently

reversed the tide of the war in Assad's favor. Iran acted as the ground force, and Russia provided decisive air power and special forces.

The joint operations extended to the war against the Islamic State, which had expanded its territory in Syria amid the Syrian Civil War. Iran and Russia formed an intelligence-sharing alliance with Iraq and Syria based in a headquarters in Baghdad, Iraq to coordinate the war effort against the Islamic State in 2015. The Russian Air Force relied on intelligence acquired by the IRGC and was permitted to use Iranian military bases and airspace to conduct airstrikes against targets in Syria. Russia's use of Iranian military bases was immensely controversial in Iran. The public revelations led to mounting pressure, and the arrangements were canceled.

In 2019, the Navy chief of the Islamic Republic Artesh, a military institution parallel to the IRGC, led a delegation to Russia and announced a "classified" military agreement between the Islamic Republic armed forces and the Russian Defense Ministry. In 2020, Russia's ambassador to Iran said there would be "no problem" for Russia to sell S-400 air defense systems to Iran following the expiration of the U.N. arms embargo, but no concrete agreement has thus far been announced. In January 2021, Iran and Russia signed a cybersecurity and information technology cooperation agreement. Later that year, they held a joint naval drill in the Indian Ocean in which China also participated.

Israeli officials have alleged that Russian vessels have escorted Iranian ships transporting weapons from Iran to Syria and Lebanon. Russia's protection of these shipments hinder Israel's ability to interdict weapons transfers to Iranian proxies, such as Hezbollah. Iran continues to explore sea routes, including the Suez Canal, given the effectiveness of Israel's intelligence apparatus and its airstrikes against ground convoys and logistics hubs in Syria.

Iran also wishes to use Russian forces in Syria to protect its weapons supply chain in the war-torn country. Iran shifted its supply routes nearer to Russian positions, hoping that the Russian presence would deter Israeli airstrikes. But the airstrikes continued, and Moscow has not condemned them. Diplomatic sources said that Moscow's decision not to condemn the airstrikes reflect its "growing impatience with Iran's involvement in Syria." That Israeli jets strike Iranian positions in Syria without worrying about Russian missiles further underscores Russia's interest in undermining Iranian influence in Syria. However, as Russia turns its attention to the war in Ukraine, Iran and Hezbollah have expanded their military footprint in Syria, moving forces into bases that were previously occupied by Russian mercenaries pulled to fight in Ukraine. Competition for influence in Syria between Iran and Russia is ongoing, not only in military affairs, but also in economic and cultural affairs.

Despite the unfolding tensions in Syria, Iran and Russia continue to hold joint military exercises. In August 2022, Iran hosted joint drone exercises with Russian forces, at around the same time Russia began receiving its first shipment of Iranian-made drones. Belarus and Armenia also joined the competition, which featured artillery targeting, reconnaissance, and air support drills. In autumn 2023, Iran, Russia, and China will conduct joint naval exercises in the northern Indian Ocean, extending to the Persian Gulf and the Strait of Hormuz.

Left to Right: Russian President Vladimir Putin and President of Iran Ebrahim Raisi

The War in Ukraine

Russia's depleted conventional arms stockpile has increased its need for provisions from abroad. That is where Iran has come in. Russia has already received hundreds of Iranian drones and is requesting thousands more. Moreover, it covets Iranian cruise-missiles, ballistic missiles, and Iran's expertise on sanctions evasion and drone production.

The war in Ukraine shifted the dynamics of Russian-Iranian military cooperation, especially given Russia's recent setbacks on the battlefield. In the past, military assistance tended to flow from Russia to Iran. Even as recently as January 2022, Iran and Russia's presidents agreed to a framework, modeled on the 25-year strategic plan between Iran and China, in which Russia would transfer technology and sell military equipment to Iran. The war in Ukraine upended the proposed 20-year plan. The deepening partnership centers upon Iran's provision of advanced Iranian-made attack drones and potentially surface-to-surface ballistic missiles to Russia.

Additionally, an arms contract between Russia and Iran, obtained by Sky News and validated by an informed security source, purportedly reveals that Iran has provided ammunition to Russia for use in Ukraine, including various sizes of artillery and tank shells and rockets worth over $1 million. The arms contract, dated September 2022, is allegedly linked to a separate contract for the sale of barrels for a T-72 tank and barrels for a Howitzer artillery piece, as well as ammunition shells, together worth an additional $740,000.

Iran's provision of homegrown drones—namely, the Shahed-136 loitering munition and the more sophisticated Mohajer-6—has enhanced Russia's ability to strike civilian infrastructure, including residential buildings, the energy grid, and water facilities. Russia's strategy is heavily focused on inflicting civilian casualties and destroying infrastructure. Iran has modified the drones for the latter purpose. The attack drones have also been used to strike military targets, including radar, air defense, and artillery systems, and Ukrainian tanks and other military vehicles.

The Iranian unmanned aerial vehicles (UAVs) have clearly proven useful to Russia, particularly since Russia has not invested in a robust drone arsenal. Western sanctions are hindering Russia's ability to procure materials needed for other weapons systems, such as the semiconductor chips necessary for precision-guided missiles. That is part of the reason why Russia also covets Iranian-made cruise and ballistic missiles, which reports indicate that Iran is preparing to provide.

Russia's dependence on Iran for attack drones may provide Iran leverage to extract benefits from Russia. Iran is looking for more than financial payment. The U.S. National Security Council speculated that Iran "may begin receiving [Russian Sukhoi Su-35 fighter jets] within the next year" to update its depleted fleet, noting that Iranian pilots were training in Russia on how to fly these aircraft in the spring. Reports confirmed in January 2023 that Iran expected to receive the first 24 Su-35 fighter jets as soon as March 2023. Russia launched the "Khayyam" satellite on Iran's behalf in August 2022. The satellite will greatly enhance Tehran's ability to conduct espionage on sensitive facilities in Israel and the Persian Gulf, as it is equipped with a high-resolution camera. Additionally, Russia is providing Iran with weapons recovered from the Ukraine battlefield for their reverse engineering in Iran. This increases the risks Israel would face if it decided to provide Ukraine with its air defense systems.

Given its leverage, Iran's interest in acquiring Russian military assistance and technical support is alarming. Iran has shown interest in Russian helicopters, coastal defense systems, and advanced air defense systems like the S-400. Iran is also seeking Russia's help to further develop its nuclear program. And Israeli officials fear that Russia could provide Iran with a hypersonic missile, or help it to develop one. Iran unveiled what is purported to be a hypersonic ballistic missile in June 2023, though public reports have not confirmed whether Russia assisted in its development. Such arms transfers are all the more problematic as the U.N. Security Council Resolution 2231's arms embargo expired in October 2020, providing legal cover for Moscow and Tehran to engage in these transactions.

In the economics sphere, Iran is also extracting concessions. Moscow is providing Tehran with preferential agricultural exports amid fears of food shortages due to the war. In July 2022, Iran became Russia's largest buyer of wheat. And, as noted, Russia agreed to make $40 billion-worth of investments in Iran's gas and oil fields. The remainder of this section details Iran's provision of drones and drone production facilities in Russia.

The first shipment of drones to Russia began in August 2022. Russian transport planes acquired the drones from an undisclosed location in Iran; Iranian technical experts traveled to Russia to set up the systems; and Russian military officers went to Iran to train on how to pilot them. Iranian instructors also reportedly went to Russian-occupied regions of Ukraine, including the Kherson region and Crimea, to train Russians and monitor launches and strikes on Ukrainian targets.

Iranian civilian airliners linked to the IRGC, such as Mahan Air and Qeshm Fars Air (cargo planes operated by Mahan Air), are also implicated in the logistics of these transfers. Flight tracking experts observed a significant uptick in Mahan Air-operated cargo flights to Moscow. Media reports confirmed that 42 IRGC-linked flights landed in Moscow since the war in Ukraine began.

Initial reports indicated that the drone transfers were challenged by technical difficulties and episodic supply. This raised questions regarding the drone's battlefield effectiveness. Since then, the relatively inexpensive cost and mass-production capacity of Iran's drone facilities have proven to be advantages for Russia that far outweigh these initial shortcomings. As Russia's stockpile of cruise missiles dwindles, Russia is using the cheaper and more numerous Shahed-136 to compensate.

The Ukrainian battlefield provides a testing ground to show how the Iranian drones perform against Ukraine's air defense systems and electronic jamming capabilities. Iran is studying how the Shahed-136—often used with antijamming systems that make it difficult for Ukraine to locate and destroy—performs on the Ukraine battlefield. Ukrainian officials claim that Iranian drones are difficult for Ukraine's air defense systems to detect, because they tend to be small and fly at a low altitude. Still, Ukraine has shot down hundreds of Iranian-made drones, partly because the Shahed-136 is slow and has a loud engine. Thus, Iran has proposed equipping the Shahed-136 with new engines that will allow it to fly faster, farther, and quieter than the current ones.

The deployment of Iranian drones in Ukraine is important as, for years, Iran's drones have been concentrated in the Middle East. Now, Iran has the opportunity to perfect the systems' performance outside the region. Furthermore, Iran can show the world how advanced its drone program is. In effect, Iran is advertising its drones to prospective buyers, including China. Reports indicate that China is lining up to purchase Iranian-made drones.

U.S. security officials initially reported that at least three different Iranian-made drones were included in the first round of shipments—the Shahed-129, the Shahed-191, and the Mohajer-6. Iranian sources confirmed that Russian officials sought to purchase these munitions in Tehran in November 2022. It is not clear if Russia has received the Shahed-129 and the Shahed-191 yet; they may still be forthcoming.

The U.S. Defense Intelligence Agency published a report in February 2023, confirming that the same drones used to attack U.S. and coalition forces in the Middle East are being used to strike targets in Ukraine. The Shahed-136 loitering munition and the Mohajer-6 have been identified on the Ukrainian battlefield. The former is known as a suicide drone, or loitering munition, because it is equipped with a warhead that detonates on impact. On the other hand, the Mohajer-6 can launch up to two precision-guided munitions. The Mohajer-6 can also carry a multispectral surveillance payload for targeting and intelligence-gathering capabilities. The Shahed-129 and Shahed-191 also have air-to-ground strike capabilities.

Iran recently admitted to provisioning the drones, but alternatively has said that it has not provided them since the war in Ukraine began. It claims that those it did provide were not for use against Ukraine. Russia denies receiving them. However, the discovery of drone parts manufactured after the war began debunks Iran's claims on the timing of its transfers. It also indicates the speed at which Iran can produce these lethal munitions.

The production tempo is alarming as Iran prepares to export its production capabilities to Russia. Negotiations over drone production lines in Russia, initially reported in November 2022, transformed into concrete plans in early January 2023, when Iranian military officials toured the site where a new

facility will be built with the capacity to produce at least 6,000 drones in a few years. The installation of production lines in Russia will make it more difficult for authorities to prevent Russia from acquiring the arms, because the facilities are not vulnerable to interdiction. Nor will Western nations be likely to strike them as they may consider doing against facilities in Iran.

It should also be noted that Iran's drones tend not to depend on sensitive components like ballistic missiles and other advanced weaponry. Dual-use items are difficult for governments and private firms to prevent Iran from acquiring. Ukrainian officials discovered that the Iranian-made drones used in Ukraine are packed with components manufactured by Western companies, including U.S. companies. Furthermore, Iran's drone program does not depend on foreign suppliers as much as it did in earlier stages. And it still imports sensitive components from China and certain European companies, according to a January 2023 U.N. report. The advancement of Iran's drone program amounts to advantages for Russia amid the two countries' deepening military partnership.

Russia has turned to Iran to procure materials for war and conduct trade. Deals are in the works for Iran to sell Russia clothing and automobile spare parts amid shortages as Western suppliers pull out of the Russian market. In January 2023, Iran and Russia linked their interbank communication and transfer systems to boost trade and financial transactions, as both countries' banking systems are facing similar limitations in the Belgium-based SWIFT financial messaging services. Iran is thus becoming integral to Russia's sanctions evasion capability, as Western sanctions target key sectors of the Russian economy.

Russia's Role in Iran's Nuclear Program

In the 1990s, Russia and Iran signed nuclear agreements for Russia to construct the Bushehr nuclear power plant. The facility became operational in 2011, but it has not run smoothly, some suspect because Iran cannot afford Russian fuel for the reactor.

American officials believe that Russian scientists and institutes helped Iranian engineers master the nuclear fuel cycle, and construct the 40-megawatt (M.W.) heavy-water reactor at its Arak facility. In November 2014, Iran began building two more nuclear reactors at the Bushehr power plant with Russian assistance. The $10 billion project was supposed to deliver two nuclear reactors over ten years. In January 2022, negotiations between Russia and Iran regarding the construction of the reactors were still ongoing.

Although Russia's position has long been that it is opposed to Iran obtaining a nuclear weapon, and Russia is unlikely to support weaponization efforts, its growing need for Iranian weapons amid weapons shortages and battlefield setbacks in Ukraine puts pressure on Russia to compromise with regard to Iran's nuclear program. The U.S. government appears unconcerned about this eventuality, as the Biden Administration has renewed some, but not all sanctions waivers allowing Russian state-controlled firms, such as the Rosatom nuclear company, to work at Iran's Fordow nuclear plant, a key uranium enrichment facility suspected of housing Tehran's nuclear weapons program and other facilities. It should also be noted that the Biden Administration was mulling an arrangement, under a revived JCPOA,

in which Russia would receive Iran's excess enriched uranium stockpile. This arrangement did not sit well with the American public, according to a UANI poll.

U.S. Policy Recommendations

Any U.S. policy toward Iran will indubitably be tied to the state of its relations with China and Russia. Washington must consider that the relations between China, Russia, and Iran are buttressed by anti-American ideological fervor. They pose a grave and immediate threat to U.S. economic, foreign policy, and national security interests. The need for a new Iran policy is especially pressing, as Iran is poised to deepen its relations with China and Russia as core provisions of the JCPOA have and will soon expire.

The expiration of the U.N. arms embargo on Iran in October 2020 allows Iran to legally purchase certain weapons from Russia and China. Per the JCPOA, U.N. limitations on Iran's ability to import and export ballistic missiles and other nuclear-capable delivery systems will expire in October 2023. This would allow Iran to avoid U.N. repercussions for its continued shipment of explicitly-banned drones and its planned shipments of Zolfaghar and Fateh-110 ballistic missiles to Russia. Furthermore, per the JCPOA, all remaining E.U. sanctions related to Iran's nuclear and ballistic missile programs will expire in October 2023.

The following list of kinetic and non-kinetic policy options are geared toward increasing costs on Tehran to deter it from enabling Russia's war campaign against Ukraine. Secondly, policymakers might consider ways to deter Iran's chief enabler, China, from continuing to purchase large quantities of oil and provision sensitive technologies. The U.S. might consider, for instance, sanctioning Chinese banks financing China's import of Iranian oil.

Kinetic Policy Options

1. Iran shares responsibility for Putin's commission of war crimes against the E.U.-candidate country Ukraine. The U.S. and NATO should consider airstrikes and sabotage against weapons facilities and military sites in Iran, including those used for training proxies and Russia.

Non-Kinetic Policy Options

1. End negotiations to revive the expiring JCPOA. If revived, the JCPOA would guarantee Iran the legal right to proliferate advanced weaponry used to destabilize and undermine the territorial integrity of Ukraine. Given divisions in the U.N. Security Council—for example, exemplified by the council's vote to block the Trump Administration's efforts to extend the arms embargo against Iran in October 2020—it is critical to invoke U.N. Security Council Resolution 2231's snapback mechanism prior to its expiration in October 2025. Snapback can be invoked over the veto of Russia or China for violations of U.N. Security Council Resolution 2231. The U.S. State Department, France, and Britain contend that Iran's drone transfers to Russia violate Resolution 2231, as the systems are embargoed as complete delivery systems under the U.N.'s Missile

Technology Control Regime. After the snapback mechanism expires, the U.S. and its allies will have no recourse to reimpose U.N. sanctions.

2. Identify non-U.S. individuals and entities forwarding U.S.-made dual-use components. Enforce stricter export controls and due diligence laws targeting private companies that manufacture the technologies found in Iranian-made drones. Encourage and assist allies in implementing similar investigations, export controls, and private sector due diligence laws.

3. Terminate sanctions waivers allowing Russian state-controlled firms to support Iran's uranium enrichment at facilities such as Fordow.

4. Aggressively enforce U.S. sanctions against Chinese companies and banks which are helping Iran circumvent U.S. sanctions. The current sluggishness in enforcement resources Tehran's proxies and partners.

Conclusion

This resource has focused on the economic, military, and security dimensions of Iran's relations with China and Russia. China is central to the Supreme Leader's vision of a resistance economy to neutralize sanctions. This gives China significant leverage over Tehran, albeit leverage that Beijing has not applied to deter Iran from its malign activities in the Middle East. While Beijing may wish to prop up Iran so that the U.S. is unable to pivot to Asia, Beijing also has an interest in a stable Middle East. It does not want Iran to obtain a nuclear weapon. Therefore, it must weigh a number of factors when it considers its military relations with Iran, including its relations with other states in the Middle East and the potential for conflict to result from Iran's hegemonic aspirations.

Iran's relations with Russia have historically been marred by deep mutual distrust. Unresolved tension continues to unfold in Syria. However, Iran has proven to be an able and willing partner for Russia in the provision of arms and especially drones. Piecemeal Western sanctions have proved inadequate to deter and unable to prevent Iran from developing its ballistic missile and drone programs. Now the U.S. is trying to play catch-up, as these programs pose a grave and immediate threat to the territorial integrity of Ukraine. Iran has mastered the use of dual-use components and sanctions evasion, and now plans on transferring this expertise to Russia. This gives Tehran growing leverage over Moscow, which may affect tensions in Syria, arms deals between the two countries, Russia's willingness to support Iran's nuclear program, and its interest in cultivating relations with Iran's adversaries.