



# The Economic Tangibility in Iran- China Relationship: An Indian Perspective

Tasneem Fatma<sup>1</sup>

<sup>1</sup> Research scholar, Jamia Millia Islamia, New Delhi, India  
Email- [fatmatasneem26@gmail.com](mailto:fatmatasneem26@gmail.com)

## Abstract

The contemporary world is more and more oriented towards global and economically dominated objectives. This globalized era has reduced the spatial competition, ushering in a new phase of economic competition. Economic outcomes need to be carefully observed and need an intense debate. This paper examines the burgeoning economic cooperation between Iran and China from an Indian perspective. In recent years, Iran, traditionally a close ally and friend of India, has enhanced its ties with China, globalization as a key player in this development. This study analyzed the extent of their cooperation, especially in the relation to the China's Belt and Road Initiative and the infrastructural development in Iran, utilizing secondary data. These data are collected from different Websites, and journals. Finally, it concludes that there is a prominent shift from dependency to Self-reliance. This evolving relationship pushes Indian foreign policies on the edge and a potential challenge. For India, West Asia, particularly concerning its historically friendly relations with Iran. This article employs a descriptive-analytic approach, utilizing qualitative data gathering method, and analyzes the data within the framework of geo-economics between Iran and China.

Keywords: China, Iran, Economy, Development, BRI

## 1. Introduction

Globalization has significantly reshaped the global economy and international interactions, redefining economic transaction and contributions to economic decentralization. Traditional state boundaries established by the Westphalia treaty are becoming increasingly alien. China and its multifaceted economic projects are binding the world without prior terms and conditions but genuine economic and technical assistance. It has emerged as a leading nation in technology provider can be a lifesaver for Iran who is facing sanctions and trade embargo. The western pressure and Iran's nuclear projects are a big challenge which affects the course of their relationship. Above all these challenges these historical partners are coming closer through the forces of globalization. Meanwhile, cultural and ideological differences are prevalent, but the geographical proximity and economic interests sustain their relationship, compelling further examination of their shared interest.

China a developing economy lacks in energy resources looking into West Asia as a genuine source of Energy provider. Iran in West Asia occupies an important place in Energy resources. Iran has World's fourth largest Crude oil reserves and second largest Natural gas producer. Iran is has the largest population and a country with a huge agricultural assistance in West Asia, It enables China to get the market for its economic and developmental processes. Iran plays an important role in China's Belt and Road Initiative in both Land and Maritime routes. Its extensive geography and strategic location is serving a significant advantage for the nations to compete

From the ancient times, Iran played a pivotal role in the Silk route, which connected China to Rome. India is another ancient partner of these two countries on Silk route facilitated trade and culture throughout the centuries. This route facilitated centuries of cultural, historical and personal

exchanges, establishing a bridge whose significance remains crucial for contemporary understanding. Over the past decade, Iran and China has grown closer and become a close alliance in the region, with their economic cooperation consists a significant component of Iran's international economic relationship. This partnership initially connected with economic assistance and helps in Iran development and infrastructure. Following the Iran-Iraq war in 1980s and since then it has expanded to encompass the collaboration in defense, strategy, and foreign policy. In this neoliberal era of economic cooperation, inter-state cooperation has become more viable and easily accessible. However, the forthcoming decade anticipated to be more competitive and challenging due to escalating tension over human rights and the regional tension. In response, states are converging to share a vision and establish common ground, thereby creating an international system that fosters shared understanding and interests. Robert Keohane demonstrated that international cooperation can be sustained through repeated interactions, transparency, and monitoring. Despite being two distinct civilizations, they have managed to cooperate and maintain their friendship by adhering the narrative 'reviving the past'. Meanwhile, globalization is simultaneously fostering closer ties among these three civilizations, experiencing the economic prosperity through the utilization of historical connectivity. The question arises as to how India perceives this increasing proximity of Iran and China in this uncertain era of globalization. It is interesting to see the complex network among these countries, as their cooperative relations remain robust despite the ideological differences and conflict of interests.

## **2. Iran- China- India: An Ancient Partner in Global world**

Three ancient civilizations, historically significant in the world, have experienced prolonged economic, prosperity and growth. Most of the western countries were drawn to these ancient nations seeking to conquer them militarily, economically and sometimes deceptively. The rise of colonialism and imperialism in the 18<sup>th</sup> and 19<sup>th</sup> centuries disrupted the paths to prosperity, leaving them in a state of disparity and discouragement. The economic foundation of these countries were severely weakened, rendering them nearly collapsed. Except India, China and Iran were never direct colonies of any western power, they faced challenges from influential powers such as Britain, Portugal and Japan. These countries rise from the revolution. Consequently, these three countries share a common sentiment of humiliation and anti-colonial mindset. Their initial foreign policies, influenced by this sense of humiliation, were characterized by the reluctance to cooperate with colonial countries and tendency to isolate themselves from the outside world. However, India chose a different path adopting a non-aligned stance and remaining open to engage with global community. This shared sentiment, coupled with differing approaches, continues to give rise to conflicting viewpoints.

After the Iranian revolution, Iran established a theocratic government and adopted a "Neither EastNor West" foreign policy. The United States continued economic sanction on Iran for almost 45 years now. Despite adequate agricultural land, Iran still faces economic difficulties. China is historically Iran's ally connecting 'silk route' ,has strengthen ties with Iran through shared view on U.S's hegemonic behavior. Both nations seek a multi-polar world order, exemplified by China's Belt and Road initiative (BRI), which Iran joined in 2015-16. India's rivalry with China stems from its regional status aspirations. They both engage with regional security complexes, possess material capabilities, and are recognized globally (Kapoor, 2023). While India's regional role is acknowledged China dismisses India's competitive efforts, citing its socio-economic challenges like poverty, inequality, low per-capita income, and religious division (Gokhle, 2021). India perceives China's Belt and Road initiative as a strategic maneuver to reshape the Eurasian geopolitical landscape, potentially diminishing India's regional influence. Central to India's

apprehension is the China-Pakistan Economic corridor (CPEC), which traverses Pakistan occupied Kashmir, a territory that India claims. This development has been seen as a direct challenge to India's sovereignty and territorial integrity. Moreover, China's strengthening relationship with Iran, highlighted by joint ventures like Chabahar port, and its growing presence in West Asia, pose challenges to India's access to vital energy supplies and trade pathways. These developments contribute to India's sense of strategic encirclement leading it to explore new alliances and infrastructure projects to protect its interests and preserve its strategic independence in the area (Passi, 2017). The strategic partnership between Iran and China, exemplified by their 25-year cooperation agreement, extends beyond economic collaboration to form a geopolitical axis that challenges the Western-centric global order.

### 3. Iran-China Economic tangibility

The economic relationship between Iran and China has developed into a strategically significant partnership characterized by substantial trade, infrastructure collaboration, and long term investment framework. Despite the limitation imposed by US-led sanctions China has become Iran's largest trading partner with bilateral trade primarily focused on Iran's export of crude oil and petrochemical products and the import of Chinese manufactured goods and technological apparatus (Fulton, 2019). The 25 years- strategic deal between Iran and China formalized their relationship, outlining prospective investments across sectors like energy and Transportation (CHERIAN, 2021). This agreement, particularly within the Belt and Road Initiative, positions China as a pivotal partner for Iran. The economic alignment between China and Iran further delineates Iran's strategic significance within Chinese foreign policy. China regards Iran as crucial ally, facilitating its connection to both the Middle East and Eastern Europe (Nader, 2016). Chinese participation in Iranian infrastructure initiatives, including railway construction, port development and the establishment of special economic zones, exemplifies the tangible realization of their strategic alignment. Additionally, both nations have devised alternativemechanism, such as barter trade and non- dollar payment system, to circumvent western sanctions. The prominent presence of Chinese products in Iranian markets and technology within its infrastructure further underscore the increasing tangibility of the Iran-China economic relationship.

For Iran, economic engagement with China serves as essential lifeline amid international isolation, allowing Tehran to partially alleviate the economic pressures imposed by western sanctions (Vatanka, 2021). For China, Iran represents both an opportunity and a challenge. As a major source of natural gas and petroleum, Iran offers China considerable transaction benefits. Moreover, Iran strategic geographical location, which includes both land and maritime routes, allows it to connect with central Asia and the Middle East, and South Asia. However, this cooperation in south Asia creates tension in the Indian Ocean. The Iran-China and Pakistan economic corridor threatens Indian sovereignty and authority, while China cautious to ace ongoing western scrutiny. As a result, China often adopts a cautious yet calculated approach, aiming to strengthen its ties with Iran while protecting its broader interests in the Gulf region (Down, 2010). This economic support to Tehran constrained by western sanctions,also enhances China's influence in shaping Iran's economic and strategic decision. These routes do not only facilitate trade but also solidify China's geopolitical presence in the Indian Ocean region. Technological collaboration further intensifies the relationship. Chinese companies are aiding in Iran's deployment of 5G networks, surveillances system, and smart city infrastructure. Such projects integrate Iran into Chinese technological ecosystem, potentially increasing its reliance on Chinese standard s, platforms and expertise. Ultimately, the Iran-China relationship represents a fusion of economic pragmatism and strategic ambition. This strategic direction reflects a shift in regional alliances, with Iran joining non-

western partnerships like BRICS and Shanghai Cooperation Organizations (SCO), while China expands influence in West Asia through BRI. Both nations oppose U.S-led sanctions by exploring alternative financial systems and local currency trade. For India, the Iran-China partnership creates geopolitical challenges, as Iran has been India's strategic partner for regional connectivity through Chabahar Port, providing access to Afghanistan and Central Asia. However, the rising Chinese presence in Iran threatens to sideline Indian interests in the area, particularly after reports emerged that Iran excluded India from Chabahar-Zahedan railway project in 2020, citing delays and funding issues (Haider, 2020).

25-year agreement holds particular significance for Iran, as it marks the first instance of Iran entering into such an extensive long-term arrangement with a major international power (Tiezzi, 2021). Iran and India have historically maintained a partnership in the Indian Ocean region. However, China expansion through the CPEC may marginalize India. While China contests US sanctions on Iran, India remains cautious regarding Iran-US dynamics. China's reliance on Iran oil has led it to advocate non-dollar transactions to counter US-led economic measures. Iran's strategic shift towards China is apparent as New Delhi aligns with the United States, Israel and the Gulf cooperation council (GCC). India's deepening security, technological, and economic collaboration with the U.S and Israel particularly through defense partnerships, joint innovation projects, and the Indo-Abrahamic (I2U2) framework continue to align it more closely with a western-oriented coalition (Bhamidipati, 2025). Simultaneously, under its "Link West" policy, India has reinforced its ties with the GCC, expanding hydrocarbon engagements, naval cooperation, and intelligence sharing (Sibal, 2017). In this context, Tehran has strategically sought to diversify its international affiliations avoiding overreliance on any single bloc by anchoring itself in growing partnership with Beijing.

#### **4. Economic Transaction between Iran and China**

As World Bank reported that Iran's economy is moderately growing. China is Iran's biggest trade partners and has contributed in an average growth of Iranian economy. In May 2025, China exported goods valued at \$607 million to Iran and imported goods worth \$267 million, resulting in a positive trade balance of \$341 million. Between May 2024 and May 2025, China's exports to Iran increased by \$12.2 million (2.05%), rising from \$595 million to \$607 million, while imports grew by \$21.1 million (8.57%), from \$246 million to \$267 million (complexity, 2025). Rail connectivity is one of the biggest project of Iran and China boosting their economic and development projects. This Integrated into BRI as an emerging central pillar of this project. Noting that in 2017, China Exim Bank and Iranian authorities signed a US \$1.5 billion agreement to upgrade and electrify the Tehran-Mashhad line, connecting the political capital with a major economic hub in the northeast though implementation has faced financing delays (Wang, 2025). Empirical indicators underline the growing connectivity fostered by BRI-linked infrastructure. For instance, the inauguration of a direct shipment route from China to Chabahar in January 2023 reduced shipping times by approximately ten days and cut loading/unloading costs by roughly US\$400 per container. Bilateral trade volumes are also rising: in 2022, China-Iran trade reached US\$15.8 billion a 7% increase and trade diversity includes ores, chemicals, machinery, and electronics (Times, 2023).

#### **5. Iran-China economic cooperation- In Indian perspective**

Iran plays an important role in India's strategic considerations for several reasons. Firstly, Iran serves as a crucial supplier of crude oil. Secondly, it shares a border with the Strait of Hormuz, a

vital maritime passage through with one-fifth of the world's seaborne oil is transported. Thirdly, Iran is positioned to become India's "gateway" to Central Asia, Europe and Russia facilitated by the prospective development of ports at Chabahar and Bandar Abbas, as well as International North-South Transport Corridor (INSTC). Lastly, Iran is emerging as a regional power with significant influence in West Asia, potentially contributing to regional stability. India has diligently maintained its relationship with Iran despite pressures from the United States, Israel and the GCC countries. Within India's Look West policy, Iran sits on a very important position. However, recent trends indicate a potential weakening of this relationship due to Iran's growing ties with China, which from India's perspective presents a challenge similar to those posed by China's BRI. Over the past four decades, Iran has faced stringent economic sanctions and trade embargoes imposed by the United States, prompting it to seek alternative economic partners globally. Conversely, China, skeptical of the United States' unilateral economic policies, has extended support to Iran, establishing itself as a new economic partner by providing technological and other forms of assistance. As a rapidly growing economy and the largest manufacturer of goods, China requires natural resources to sustain its economic growth. An area in which it is deficient is Iran, with its abundant natural resources, as well-positioned to meet this demand. These two historically allied nations are drawing closer, driven by mutual needs and global dynamics.

In an article for Middle East Institute, Professor Anwar Alam, who serves as the director of West Asian Studies at Jamia Millia Islamia and currently a fellow at policy perspective foundation in New Delhi, highlighted that China's increasing involvement in Iran poses an external threat to India. Iran, as a significant regional power in West Asia, has the capability to disrupt India's longstanding presence and influence in the region. India possesses comparative advantages over China in terms of "Soft power" within the region and is increasingly significantly influencing global influence and prestige. There exists a substantial power disparity between China and India concerning economic resources and military capabilities. Furthermore, China has rapidly established a presence in the Gulf by acquiring equity stakes in the region's upstream oil and gas sector and successfully penetrating Arab markets. Finally, India's inability to effectively manage its own periphery, South Asia, has arguably led Gulf States to be more inclined to seek Chinese, rather than Indian protection if circumstances necessitate (Alam, 2017).

In his article "The role of Iran's Strategic Outreach in West Asia" Colonel Rajeev Aggarwal, a senior Research Consultant at the Chintan Research Foundation, explores India's potential to regain its influence in West Asia, especially as China's presence in the region grows. Historically, the relationship between India and Iran has been limited, mainly due to western sanctions on Iran over its controversial nuclear program. However, with former President Raisi's 'neighborly policy' and the China-brokered peace deal with Saudi Arabia, both Saudi Arabia and the UAE have now fully restored diplomatic ties with Iran. In May 2024, Iran and UAE held the first session of their joint economic committee meeting in Abu Dhabi, focusing on boosting economic collaboration. This shift makes it easier for India to engage with Iran, as India has never viewed its relationship with Saudi Arabia and Iran as mutually exclusive. Although, talks on Iran's nuclear program remain at a standstill, suggesting no immediate resolution or lifting of Western sanctions. This situation simplifies India's approach to Iran. With no expected changes in the West's position, India is free to interact with Iran as long as it can balance its global interests (Aggarwal, 2024).

In an interview with Jon Alterman Professor C. Rajamohan stated that India and Iran have historically been partners, and the presence of China in West Asia is unlikely to significantly impact India due to the United States serving as a security guarantor in the Gulf region. China's demand for natural gas positions it as a key player in the area. Professor Raja Mohan expressed concern

regarding China's presence in the Indian Ocean, which may limit India's influence and presence there. For India to establish itself as a major power capable of competing with others, it is essential to form partnership in the near term. If India perceives itself as a weakest among the major powers yet the strongest among the middle powers, it is prudent to adopt a modest approach, expand its network of partnership, and concentrate on addressing the growing Chinese influence in the Middle East (Mohan, 2022).

## 6. Scope and Limitations of the BRI

BRI started in 2013, with BRI China, aims to establish extensive infrastructure network across continents to boost global trade, connectivity, and economic collaboration. By undertaking a range of ambitious projects involving railways, ports and special economic zones (SEZs) Iran aims to integrate itself into BRI structure, thereby increasing its geopolitical significance and trade connections while furthering its national development goals. India envisioned Chabahar as a linchpin for the International North-South Corridor and access to Central Asian markets. China's ability to develop a land-sea corridor from Xinjiang to Chabahar or Gwadar would allow it to dominate transit flows to west Asia, marginalizing Indian connectivity efforts (Pant, 2020). Moreover if BRI linked corridors gain traction in Iran, Afghanistan and Central Asia they could offer better integrated trade routes than INSTC or Chabahar, weakening India's influence the country (Pant, 2020).

In addition to its transport infrastructure initiatives, Iran has actively pursued the establishment of special economic zones in alignment with objectives of BRI. Although, India has been a primary early investor in Chabahar, China is anticipated to take a co-development role under the 25-years strategiccooperation framework outlined in Chinese- Iranian agreement (Haider, 2020).Despite the extensive publicity surrounding the BRI, its outcomes have not met expectations. The anticipated progress and actual developments are significantly misaligned. As of June 2025, China's total investment in Iran since 2007 remains below UD \$5 billio , which is considerably less than its investments in the UAE or Saudi Arabia. Furthermore, the implementation of the 2021, 25-years cooperation agreement has been slow (Wang, 2025). Political sensitivities, U.S. sanctionsand financing risks have moderated the enthusiasm of Chinese state-owned enterprises for rapid development, resulting in extended timelines of numerous projects.

## 7. Conclusion

Iran's geographical location is pivotal to its geostrategic significance for both China and India. For China, Iran serves as a gateway to the Mediterranean and Eastern European markets, while for India, it provides access to the Central Asian market. Following the establishment of the Islamic Republic in 1979, Iran maintained closer ties with India than with China, largely due to its apprehension towards Chinese ideology and policies. However, in recent decades, Iran has developed stronger relations with China India. India's policies in West Asia, which involve cooperation with otherGulf partners, have contributed to a widening gap between these two historically cultural and economic partners. India is attempting to implement a soft power strategy in the region, whereas China, while projecting soft power, is also pursuing a hard power strategy, making it a more reliable partner for Iran. Meanwhile, India is attempting to make strategic moves through its international North-South Transport corridor (INSTC) project, butChina's Belt and Road Initiative (BRI) appears more credible and extensive in its implications. Despite both India and China working cautiously, the Iranian administration has repeatedly acknowledged delays in transactions and slow progress, which the Chinese counterparts are overlooking, causing distress

among Iranian businessmen and some government officials. Some Indian factions believe that the economic growth between Iran and China does not undermine the historical bond between Iran and India, and they perceive a closer affinity with Indians than with China. The significant Indian diaspora in Iran has fostered a soft power connection between the two countries. Strategically, India still maintains a strong presence in the region. Though India is coming closer to Iranian adversaries in the region could not impact as much trouble as it could to China.

## References

- Agarwal, C. R. (2024, August 14). The Role of Iran in India's Strategic Outreach in West Asia," Colonel Rajeev Agarwal. New Delhi.
- Alam, A. (2017, March 21). India's Strategic Vision About West Asia and Its Limitations. New Delhi.
- Bhamidipati, G. (2025, March 25). India's Tightrope Walk: Navigating U.S.-Israel-Iran Tensions. *New Lines Institute*.
- CHERIAN, J. (2021, APRIL 27). *FRONTLINE MAGAZINE*. Retrieved AUGUST 11, 2025, from <https://frontline.thehindu.com/world-affairs/25-year-deal-iran-china-economic-security-cooperation-nuclear-deal-negotiations-america-us/article34342261.ece>
- complexity, T. o. (2025). *Iran and China*. OEC.
- Down, E. S. (2010). Who's Afraid of China's Oil Companies? *Energy Security*, 73-100.
- Fulton, J. (2019). China's changing role in the Middle East. *Atlantic Council*.
- Gokhle, V. (2021). The Road from Galwan: The Future of India- China Relation. *Carnegie INDIA*, 19-23.
- Haider, S. (2020, July 14). Iran drops India from Chabahar rail project, cites funding delay. New Delhi.
- Kapoor, S. (2023). *India, the Persian Gulf and the Emergence of a Supercomplex*. New Delhi: Routledge.
- Mohan, C. R. (2022, December 13). India's Middle East Strategy. (J. Alterman, Interviewer)
- Nader, A. S. (2016). *China in the Middle East : A wary Dragon*. Santa Monica, USA: RAND corporation.
- Pant, H. V. (2020). *India's middle east conundrum*. New Delhi: ORF.
- Passi, H. V. (2017). India's Response to China's Belt and Road Initiative: a policy in motion. *Asia Policy*, 88-102.
- Sibal, K. (2017). Revisiting India's 'Link West' policy. *Gateway House*.
- Tiezzi, S. (2021, March). What's in the China-Iran Strategic Cooperation Agreement? USA.
- Times, T. (2023, may 28). China's investment in Iran increases 150% in 2022: counselor. Tehran.
- Vatanka, A. (2021, April 26). *Making sense of the Iran-China strategic agreement*. Retrieved August 11, 2025, from <https://www.mei.edu/publications/making-sense-iran-china-strategic-agreement>
- Wang, L. C. (2025, june 25). What are China's Economic interests in Iran? London.

**Open Access** This chapter is licensed under the terms of the Creative Commons Attribution-NonCommercial 4.0 International License (<http://creativecommons.org/licenses/by-nc/4.0/>), which permits any noncommercial use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons license and indicate if changes were made.

The images or other third party material in this chapter are included in the chapter's Creative Commons license, unless indicated otherwise in a credit line to the material. If material is not included in the chapter's Creative Commons license and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder.

