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# Why Has Iran's Looking East Policy Failed?

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The Iranian Studies Unit

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Iran introduced its policy of "Look East" or "*Negah beh Sahragh*" nearly two decades ago. The policy sought to prioritize relations with Asian countries, especially China, but also with Russia and Central Asia. But it has only been vigorously pursued in the last few years, especially since the hardline government of President Ebrahim Raisi came to power in 2021. During the presidency of Hassan Rouhani (2013-2021), a moderate politician, Iran, though it did not ignore Asia, was more focused on resolving its disputes with Western powers, particularly the controversy over the nuclear program. Nevertheless, the groundwork for the twenty-five-year-old partnership agreement with China was completed during Rouhani's term in office and it was signed in the final year of his administration.

To some extent, Iran's growing interest in Asia and its rising powers, notably China, but also India, was expected. These states have become important global economic and political powers. Therefore, they could be important economic and trade partners for Iran as well as sources of investment. They, especially China, have also become significant players in the Gulf and the Middle East. It was thus a logical step for Iran to bolster its ties with them. Meanwhile, Russia and Central Asia are close to Iran geographically, meaning developments in the region and shifts in the policies of Moscow and some Central Asian states directly affect Iran's security interests. However, these were not the only reasons behind Iran's Look East strategy. Two other factors also contributed to this shift: differences within Iran's leadership regarding the direction of its foreign policy, especially the nature of its relations with the West, and Iran's disappointment with the West, which had been unresponsive to Tehran's overtures.

## Why Iran Turned East

Since its founding in 1979, the Islamic Republic has claimed that it is committed to an independent foreign policy and non-reliance on any foreign power or group of powers. During the Cold War, this meant independence from the Soviet Union and its allies and the Western bloc led by the US. This alleged independent policy is reflected in the IRI's slogan "Neither East nor West, only the Islamic Republic". During the Cold War years, in the diplomatic parlance, including that of Iran, "East" referred to the Soviet bloc and not to China or other Asian countries, partly because until its official split from the USSR in 1961, China was part of the Soviet bloc.<sup>1</sup> After the Sino-Soviet split, China adopted its own independent strategy towards states, such as Iran, which was essentially non-friendly.<sup>2</sup>

The idea of an independent foreign policy for Iran and non-attachment to competing great powers or blocs did not originate with the Islamic Republic. Mohammad Mossadegh's theory of "negative equilibrium" was based on the principle of equidistance from blocs and big powers. Yet, despite

<sup>1</sup> The Sino-Soviet split was prompted by Nikita Khrushchev's denunciation of Stalin in 1956. China was opposed to this policy and its relations with Moscow deteriorated until 1961 when China denounced the USSR and accused it of social imperialism.

<sup>2</sup> During the 1960s, China supported opponents of the monarchy in Iran as well as in the Gulf. For example, China helped the rebels in the Dhofar region as opposed to the Sultanate of Oman as did the USSR. Iran, however, helped Oman as did Britain. See: Fred Halliday, *Arabia Without Sultans* (London: Penguin Books, 1974.) But by 1971, the administration of Richard M. Nixon moved towards reconciliation with the PRC. Iran, too, established diplomatic relations with Beijing in August 1971.



rhetorical allegiance to an independent foreign policy, from the beginning of the IRI's establishment, there were different tendencies within its leadership regarding the direction of its foreign policy, including relations with Eastern and Western bloc countries. Some groups, including the left-leaning elements, were viscerally anti-West, especially anti-American, and to varying degrees pro-Soviet. Other groups, often referred to as moderates, pragmatists, and later reformists, distrusted the USSR and were willing to deal with Western states, including the US.

Over the years, these groups' positions shifted. For example, the pro-Soviet radicals of the 1980s turned reformists in the 1990s and beyond. After this conversion, they favoured recalibrating relations with the West.<sup>3</sup> Meanwhile, some of the more moderate elements of the 1980s became conservative and strongly opposed improvement in relations with the West. These intra-regime divisions largely explain the IRI's fluctuating position toward relations with Eastern and Western powers, and its failure thus far to normalize relations with the West. While Iran's internal power dynamics and intra-regime differences have been mainly responsible for shifts in its attitude toward relations with the West and non-Western actors, the Western powers' policies toward Iran and, especially their dismissal of Iran's overtures, have also played a significant role in these shifts. Often, Western powers' dismissal of Tehran's overtures has weakened the position of moderate and reformist elements willing to improve ties with the West.

As early as the mid-1980s, the more moderate elements, largely identified with Ali Akbar Hashemi Rafsanjani (president from 1989 to 1997), tried to establish contact and dialogue with the US. The height of these efforts was in 1986. These attempts, which came to be known as the Iran-Contra Affair by getting mixed up with the US plans to help the anti-Sandinista forces in Nicaragua, were distorted and eventually failed. Consequently, the very idea of dealing with Iran became discredited.<sup>4</sup>

Yet, in the 1990s and as late as 2005, Iran continued to reach out to the West, including to the US. However, the Western, especially US, response was not encouraging. Quite the contrary, Washington responded to Tehran's overtures by imposing sanctions on Iran. In 1994, the government of Hashemi Rafsanjani offered a deal to the US oil company Conoco. However, not only Washington refused this offer, but it also imposed new sanctions on Iran in 1996.<sup>5</sup> On 29 January 2002, after Iran had helped the US establish a new government in Afghanistan by essentially delivering the Northern Alliance to Washington and offering cooperation, US President, George W. Bush, named Iran part of an Axis of

3 Iran's reformists were the leftists who decided to join the IRI and try to take over by working through the system. Their change of heart was largely caused by the collapse of the USSR in 1991 and the discreditation of communism. For details see: Shireen T. Hunter, *Iran Divided: The Historical Roots of Iranian Debates on Identity, Culture and Governance* (Lanham: Rowman and Littlefield, 2014).

4 As part of this outreach, even the US national security adviser Robert Macfarlane traveled secretly to Tehran. However, the issue became mixed up with US domestic politics and was used by Democrats to attack President Ronald Reagan's policy towards Nicaragua. Pro-Arab elements within the US policy-making community were also against rapprochement between Tehran and Washington and used the controversy to undermine efforts to reach out to Iran. Meanwhile, Iran's radicals and the Soviet Union also sabotaged these efforts. For instance, information about secret contacts between Iran and the US was fed by the USSR to Al Shera newspaper in Syria. For an example of pro-Arab elements' efforts to undermine dialogue with Iran. See: Fredrick Axelgard, "Mistaken Nostalgia About Iran," *The Christian Science Monitor*, November 21, 1986, <https://bit.ly/3S19pZr>. Also, Shireen T. Hunter, *Iran and the World: Continuity in a Revolutionary Decade* (Bloomington IN: Indiana University Press, 1990).

5 The initiative was taken by New York Senator Alphonse D'Amato, largely under pressure from Israel and its US supporters.



Evil, which also included Iraq and North Korea.<sup>6</sup> Even so, after the US invasion of Iraq in March 2003, Iran again reached out to Washington and offered to discuss regional and other issues with the US. Again, the US did not respond.<sup>7</sup>

The West's unwillingness to engage seriously with Iran, unless Iran accepted every one of its pre-conditions, especially those regarding Israel and other regional issues, worked against the pro-West elements in the 2005 presidential elections.<sup>8</sup> The hardliners accused reformists and moderates of having pursued a "concessionary" foreign policy (*Siyasat-e Enfeali*). This factor helped Mahmoud Ahmadinejad win the elections. During his first term, 2005-2009, Ahmadinejad resurrected some of the radical policies of the early 1980s. In particular, he adopted inflammatory rhetoric against Israel and made comments amounting to Holocaust denial. His position on these issues made him an unacceptable interlocutor to Western leaders. Also, under his administration, Iran developed close relations with leftist leaders of Latin America, such as Hugo Chavez of Venezuela and Evo Morales of Bolivia, having already established close relations with Cuba's communist regime.<sup>9</sup>

Initially, this change in Iran's position was by choice. But, after the US, under President Barak Obama, imposed what the US Secretary of State, Hillary Clinton, called crippling sanctions, on Iran, Tehran had no option but to find new economic partners. This was also more or less the time when Iran initiated its "Look East" or "*Negah be Sharg*" strategy. However, even under Ahmadinejad, especially during his second term, looking East did not mean completely abandoning relations with the West or neglecting efforts to reach out to the US. Ahmadinejad tried to approach the US. But his approach was clumsy, writing, for instance, a lecturing letter to the US president.<sup>10</sup>

When Hassan Rouhani became president in 2013, Iran once again reached out to the West. This time, Tehran received a warmer response from the Obama administration, leading in 2015 to the signing of the Joint Comprehensive Plan of Action (JCPOA).<sup>11</sup> However, it is important to note that between 2003 and 2005 many opportunities to settle the nuclear dispute were disregarded by the Bush administration.<sup>12</sup> During the first term of Obama's presidency, his Secretary of State Hilary Clinton opposed any deal with Iran. She worked against mediation efforts in this regard by Turkey and Brazil, largely because she favoured the imposition of crippling sanctions on Iran, partly to appease Israel.<sup>13</sup>

6 See: Shireen T. Hunter, *Iran's Foreign Policy in the Post-Soviet Era* (Santa Barbara: Praeger/ABC-CLIO, LLC, 2008).

7 Apparently, Elliot Abrams, who at the time was at the National Security Council did not even show the letter to Condoleezza Rice, the National Security adviser to President George W. Bush. Trita Parsi offers the text of the letter in his book, *Treacherous Alliances: The Secret Dealings of Israel, Iran, and the United States* (New Haven, CT: Yale University Press, 2007).

8 Even hawkish US analysts have admitted that the US missed an opportunity to improve ties with Iran by including it in the Axis of Evil speech. See: Susan Maloney, "US Policy Towards Iran: Missed Opportunities and Paths Forward," *Brookings Institution*, Vol. 32, No. 2, (2008), 28-29, <https://bit.ly/3NL8J7Y>. Barbara Slavin also believes that in 2005 - 2006 there was an opportunity to resolve Iran-US disagreements. See her, *Bitter Friends, Bosom Enemies* (New York: St. Martin's Press, 2007), p. 218.

9 Fidel Castro had supported Iranian opposition to the Shah.

10 He wrote the letter in May 2006. For the text of the letter see: "Iran: Text of Ahmadinejad's Letter to Bush," *Radio Free Europe/Radio Liberty*, May 11, 2006, <https://bit.ly/47oEJWq>.

11 An agreement on this issue could have been reached as early as 2005, but the George W. Bush administration was against it.

12 For details see: Hunter, *Iran's Foreign Policy in the Post-Soviet Era*, pp. 89-97

13 Heather Maher, "Clinton Hopes to Change Brazil's Mind on Iran Sanctions," *Radio Free Europe/Radio Liberty*, March 3, 2010, <https://bit.ly/3RLpxg6>.

The signing of the JCPOA resolved the long-running dispute over Iran's nuclear program and improved prospects for political and economic relations between Tehran and the Western capitals. Certainly, Iran hoped that, after the agreement, Western companies would be willing to invest in Iran, especially in its energy sector, and the US would lift restrictions on its banking and financial interactions and allow the sale of US-made passenger planes to Tehran. However, the JCPOA was never fully implemented. Sanctions relief for Iran was limited and Western investments never materialized. Opponents of the agreement in Iran, too, engaged in provocative actions, which also undermined the deal.<sup>14</sup> The failure of the JCPOA to deliver economic benefits was due to significant opposition to it both in Iran and in the US, as well as in Israel and some Arab states.<sup>15</sup> Finally, in May 2018, Donald Trump withdrew from the JCPOA and adopted a policy of maximum pressure on Iran.

During Rouhani's mandate, Iran exercised patience and continued efforts to pursue better relations with the West. But when President Joe Biden, who gained power in January 2021, refused to quickly rejoin the JCPOA, pro-West elements in Iran were seriously weakened, enabling the hardliners to prevent the revival of the JCPOA.

This failure further undermined reformists/moderates, who lost the 2021 presidential elections to hardliners represented by Ebrahim Raisi. Under Raisi, Iran's relations with the West further deteriorated and its position on the nuclear issue hardened. Meanwhile, Tehran's ties with Russia and China grew closer. However, initially, even Raisi's government claimed that it wanted to have "balanced" relations with all countries, thus implying that, under the right circumstances, Iran would welcome positive ties with the West. In short, while within the Iranian leadership there have always been elements who have strongly opposed good relations with the West and have often sabotaged efforts to improve Iran-West relations, Tehran's Eastward turn was to a considerable extent caused by the West's dismissal of its advances.

## The IRI's Understanding of What Constitutes the East

In the last few years, especially after the signing of the Iran-China Twenty-Five Year Agreement of Cooperation on 1 March 2021, Iran's look East policy has been interpreted as largely focused on relations with China. However, although today China looms large in Iran's overall security and economic strategy, initially, looking East did not mean only China. In fact, at least during the presidency of Hassan Rouhani, Iran hoped that India could become an important economic partner and invest in the country, specifically in its south-eastern port of Chabahar. On 23 May 2021, Rouhani, India's Modi, and Afghanistan's Ghani signed an agreement to link India to Afghanistan and Central Asia via Chabahar, and India promised to invest \$500 million to develop the port.<sup>16</sup>

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<sup>14</sup> For example, shortly after signing the agreement Iran exploded a missile knowing that this would displease Washington. Iran's navy also captured some US sailors that had drifted into Iran's territorial waters. These actions helped the opponents of the deal in the US.

<sup>15</sup> Some hardliners in Iran opposed the deal because they feared that it would be a first step towards the normalization of relations with the West. A major source of opposition in the US was the supporters of Israel. Israel itself was violently opposed to the deal. In fact, Benjamin Netanyahu bragged that he convinced Trump to withdraw from the deal. See: Alexander Fulbright, "In Recording Netanyahu Boasts Israel Convinced Trump to Quit the Nuclear Deal," *Times of Israel*, July 17, 2018, <https://bit.ly/3Rkrt8l>.

<sup>16</sup> "India to Boost Iran Port Project, Links to Afghanistan," *Reuters*, May 25, 2016, <https://bit.ly/3S5HIPm>.



Iran's understanding of the East extends to Central Asian countries and industrially developed Asian states, like Japan, South Korea, and Malaysia. More recently, Iran has tried to establish better connections with Indonesia, made clear by Raisi's visit in May 2023.<sup>17</sup> Iran's long and arduous road to becoming a member of the Shanghai Cooperation Organization (SCO) and its efforts to become a member of the Eurasian Economic Union illustrate its broad understanding of what constitutes the East. The IRI's definition of the "East," also includes Russia, although Russo-Iranian relations have their separate dynamics. Iran has a Russo-centric view of what constitutes "Eurasia". Consequently, Tehran has been interested in joining economic groupings created by Russia, such as the Eurasian Economic Union (EUAU). In fact, after long negotiations with Russia, in 2018, Tehran signed a free trade agreement with the EUAU.<sup>18</sup> Iran has also been interested in signing a long-term cooperation agreement with Russia similar to that signed with China, but so far without success.<sup>19</sup>

## Iran's Expectations of the Look East Policy

By forging better ties with key Asian players, in addition to Russia, Iran has sought to satisfy some of its security and economic needs. A major goal has been to reduce Tehran's sense of international isolation, and to show Western states and their regional allies that it is not alone and marginalized by establishing ties with organizations like the EAU and the Shanghai Treaty Organization (STO). Tehran has also wanted great power supporters willing to mitigate the effects of the West's punitive policies and to shield it from international pressures initiated by the West in various international fora, including the United Nations. For example, given that both China and Russia are permanent members of the United Nations Security Council and hold veto power, Tehran had hoped that they would use their power to prevent the imposition of punitive measures on Iran. Iran's other security goal was to find sources of military supplies. Furthermore, Iran hoped to gain new trade partners and even more importantly new sources of investment.

## A Disappointing Record

So far, none of Iran's expectations of the security and economic benefits of its Eastward shift have materialized. This has been true in the case of Russia, Iran's Central Asian partners, India, and China. Neither Russia nor China have been willing to use their influence at the UN, notably their veto power at the Security Council, to protect Iran from the West's punitive policies. Both states have also treated Iran in a rather cavalier fashion. A case in point was in 2006, shortly after Iran initiated its look East

<sup>17</sup> Achmad Ibrahim and Niniek Karmini, "Iranian Leader Visits Indonesia to Deepen Economic Ties Amid Global Geopolitical Challenges," *Independent*, May 23, 2023, <https://bit.ly/3tyFJtl>.

<sup>18</sup> Silvia Boltuc, "Iran and the Eurasian Economic Union Signed an Agreement on a Free Trade Zone," *Special Eurasia*, January 20, 2023, <https://bit.ly/41EwOTL>.

<sup>19</sup> "Iran Hopes Strategic Pact with Russia Finalized in a Month," *Tehran Times*, March 30, 2023, <https://bit.ly/3RFxejf>.





strategy. At the time, Russia and China endorsed the position of 5+1 regarding Iran's nuclear program. In 2007, they voted for the Security Council resolution 1747, which imposed severe sanctions on Iran and froze its financial assets abroad.

Despite its claim that it has a strategic relationship with Iran, Moscow has been reluctant to give Tehran sophisticated arms, such as air defence systems and aircraft. It took Russia a long time to finally give Iran the S300 air defence system. Admittedly, part of the delay was because of the UN-imposed sanctions on the sale of arms to Tehran. But, even after the UN imposed prohibition was lifted following the 2015 nuclear agreement, Moscow was still slow in delivering the system. It was only in 2016, that this system was delivered to Iran.<sup>20</sup> By then, this system had already been replaced by the S400 version. By contrast, and despite the US opposition, Moscow sold Turkey's S400 system quite rapidly.<sup>21</sup>

The same has been true of sophisticated aircraft. Iran has sought Russia's Sukhoi 35 aircraft, but despite reports that Moscow would deliver these planes in March 2023, the delivery has not taken place.<sup>22</sup> Even US think tanks prone to exaggerating Russia-Iran ties have not been able to point to the actual delivery of specific weapons.<sup>23</sup> Russia has also shown total disregard for Iran's interests in regional disputes, not only in the South Caucasus but also in Syria. Russia has essentially used Iran to pursue its own ends. For example, Moscow has been unwilling to use its influence with Israel to prevent its bombing of Iranian positions in Syria.<sup>24</sup> During Iran's long quest for membership in the Shanghai Security Organization (SCO), Russia refused to support Iran's membership; it hid behind states such as Tajikistan, which, because of Iran's support for its Islamists, for a long time opposed Tehran's admittance to the organization.<sup>25</sup> Finally, in September 2021, the Organization's Summit agreed to change Iran's status from observer to full membership.<sup>26</sup> Iran became a full member of the SCO in July 2023.

In the economy and trade, Russia has not done much to help Iran. Iran has a large trade deficit with Russia. For example, in 2018, Russia exported \$3.7 billion to Iran, while Iran's exports to Russia amounted to only \$280 million. There was some increase in the volume of Russia-Iran trade in 2022, with the total exchange standing at \$4.6 billion. However, compared to the expansion of Russia's trade with Turkey, which during the same period increased to \$60 billion, Russo-Iranian trade volume

<sup>20</sup> "Russia Completes the Delivery of S 300 to Iran: RIA," *Reuters*, October 13, 2016, <https://bit.ly/3TEGDz2>.

<sup>21</sup> In retaliation the US imposed sanctions on Turkey. Amanda Macias, "US Sanctions Turkey Over Purchase of Russia S400 Missile System," *CNBC*, December 14, 2019, <https://bit.ly/3H4jXAK>.

<sup>22</sup> "Iran to Buy SU fighter jets from Russia, Iranian Broadcaster," *Reuters*, March 12, 2023, <https://bit.ly/3tB07tO>.

<sup>23</sup> "Deepening Iran-Russia Strategic Alliance," *Iran Primer*, April 25, 2023, <https://bit.ly/3tFlutZ>.

If US sources were to be credited, at least since the start of the Ukraine War, it has been Iran that has helped Russia militarily by sending it drones and other ammunition.

<sup>24</sup> Suleiman Al-Khalidi, "Israeli Strikes Hit Iranian Targets Near Russia's Mediterranean Bases," *Reuters*, August 14, 2022, <https://reut.rs/3NO34OB>.

<sup>25</sup> "Tajikistan Opposed to Iran's Full SCO Membership," *Iran Front Page*, April 22, 2017, <https://bit.ly/3NMmH9F>.

<sup>26</sup> "Agreed by the Eight Member States; The Islamic Republic of Iran Becomes the 9th Member of SCO," *Islamic Republic of Iran Ministry of Foreign Affairs*, September 17, 2021, <https://bit.ly/47hWk2f>.



is negligible.<sup>27</sup> Russia has shown no willingness to offer Iran preferential trade terms. For example, Iran had hoped that Russia could become a significant market for its fruit and vegetable products, but Russia, under various pretexts, including claims that Iranian products were substandard, has kept its imports of Iranian agricultural goods low. A few years ago, Russia returned some peppers exported by Iran claiming that they were substandard.<sup>28</sup> In fact, Russia's approach towards economic relations, as with its attitude toward security and political ties with Iran, has been exploitative. This is reflected in the large imbalance in the terms of their bilateral trade.

Russia's investment in Iran's economy has also been minimal. However, largely because of sanctions imposed on Russia by the West following its invasion of Ukraine in February 2022, the situation might be changing. For example, recently, Iranian authorities announced that, in 2021, Russia invested \$2.7 billion in three oilfields in Iran and is planning to invest \$50 billion in Iran's oil industry.<sup>29</sup> However, Iranian authorities have not given any details about the distribution of future Russian investments.<sup>30</sup> Moreover, significant doubts remain regarding Russia's seriousness in helping Iran develop its energy sector. Leaked Pentagon documents indicate Moscow is reluctant to do so.<sup>31</sup> This reluctance is understandable because as an energy producer Russia sees Iran as a rival. Russian contribution to the development of Iran's rail and road system has also fallen short. For example, Russia was to finance part of the Rasht-Astara railroad, along the so-called North-South Transit Corridor intended to link India to Russia. But, so far, it has failed to do so. Again, the situation might be changing as Moscow has renewed its commitment to completing this project.<sup>32</sup>

However, there are uncertainties over Russia's, and especially Vladimir Putin's, future. The challenge posed by Putin's leadership by the leader of the Wagner group, a militia engaged in the Ukraine war, could be a harbinger of future problems. Should Putin be replaced, Moscow's policy towards Tehran could change. Even if this did not happen, with its growing economic and other difficulties, Moscow might not be able to help Iran, even if it wanted to, which is doubtful.<sup>33</sup> Iran's trade relations with Central Asian and South Caucasian countries are also quite negligible. According to Fars News, in 2022, Iran exported less than \$2 billion to Central Asian states.<sup>34</sup> Iran's trade with Belarus, a member of the AEAU, is even less. And, given the fact that members of this union, except for Russia, are themselves less developed, their ability to help Iran is limited.

27 "An Inside Look at the Breaks on Iran-Russia Trade Ambitions," *Amwaj.media*, March 23, 2023, <https://bit.ly/3S1bowR>.

28 "Russia Returns Pepper Shipments," *Financial Tribune*, December 6, 2021, <https://bit.ly/3RCedmC>.

29 "Russian Firms Invest \$2.7 Billion in Iran's Oil Industry: Official," *Tasnim News Agency*, June 2, 2023, <https://bit.ly/49RXTWz>.

30 Irina Slav, "Iran and Russia Discuss Joint Development Of Oil And Gas Fields," *Oil Price.com*, May 18, 2023, <https://bit.ly/3vm4f1m>.

31 "Leaked Documents Show Russia's Reluctance to Invest in Iran's Oil Sector," *Iran International*, February 16, 2023, <https://bit.ly/41XQfHr>.

32 "Russia Signals Focus on Transit Sectors as Economic Ties Lag Military Partnership," *Amwaj.media*, April, 11, 2023, <https://bit.ly/3TKCs4K>.

33 Ellen Ionaes, "Russia's Wild Lat 24 Hours and the Wagner Group's March to Moscow Explained," *Vox*, June 24, 2023, <https://bit.ly/3TleJIA>.

34 In 2022, Iran exported \$650 million to Azerbaijan, \$465 million to Armenia, \$460 million to Turkmenistan, and \$290 million to Uzbekistan. Most of Iran-Turkmenistan and Azerbaijan trade consists of swap of gas: "Iran's Exports to Central Asian States, Caucasus, Russia Surge 18% in 2022," *Fars News Agency*, May 28, 2023, <https://bit.ly/3TKK33h>.



## China and India

China could have become both a source of much-needed investment for Iran as well as a political supporter. Yet, like Russia, so far, China has been a disappointment. For example, in 2007, Beijing did not exercise its veto power in the Security Council to prevent the imposition of international sanctions on Iran. Nor, in the last three decades, China has provided Iran with substantial military hardware. China has been only an indirect conduit through which Tehran has acquired access to some technology, especially in building missiles.<sup>35</sup> China's only contribution to Iran's security so far has been the role it played in brokering the reconciliation between Tehran and Riyadh. However, efforts to improve Tehran-Riyadh relations started long before China became involved. For over two years, Iran and Saudi Arabia have held talks in Iraq and Oman regarding their outstanding differences and ways of resolving them. In other words, conditions for Beijing's successful mediation had already been prepared. Moreover, China itself benefitted from playing this role, by showing its potential as a peacemaker in the Middle East, especially, at a time when the US's capacity to play the role of honest mediator in the region has been eroded.<sup>36</sup>

On several occasions, China withdrew from agreements it had made to develop Iranian oil fields; in 2010, Iran was forced to cancel the agreement with China for the development of the Azedegan oilfield because of China's delay in starting the operations. It seems that China had decided, instead, to develop energy cooperation with the US.<sup>37</sup> Prior to the cancellation of the Azedegan agreement, China had already cancelled other projects in Iran, such as building nuclear power plants. The principal reason was concern over the American response.<sup>38</sup>

China has also not lived up to its commitments to invest in Iran. Even after the signing of the 25-year agreement, China's investments in Iran have remained very low. According to Iranian sources, in 2021, total Chinese investment in Iran was \$185 million.<sup>39</sup> This was mostly in small mining projects and transit. During the same period, China invested \$690 million in two oilfields in Afghanistan and \$530 million in Pakistan. In 2021-2022, China invested \$750 million in Pakistan and over \$1 billion in Turkey. It was recently reported that China has signed an agreement with the Houthis to develop oilfields in Yemen.<sup>40</sup> In 2023, China, with which Iran also has a large trade deficit, announced that it would invest \$10 billion in Saudi Arabia and other Arab states.<sup>41</sup> The total volume of Iran-China trade in 2022 was \$15.8 billion, whereas in 2021 China-Saudi trade stood at \$87.3 billion. The only benefit of relations with China has been Beijing's purchase of Iranian oil, despite US sanctions. However,

35 Tuvia Gering and Jason Brodsky, "Not 'Business as Usual': The Chinese Military's Visit to Iran," *Middle East Institute*, May 16, 2022, <https://bit.ly/3H0quMX>.

36 Peter Baker, "Chinese Brokered Deal Upends Middle East Diplomacy and Challenges the US," *The New York Times*, March 11, 2023, <https://bit.ly/3tFIJ8n>.

37 "Iran Cancels Oil Field Deal with CNPC," *Reuters*, April 30, 2014, <https://bit.ly/41FA29y>.

38 For a brief analysis of Iran-China relations after the Islamic Revolution see: Shireen T. Hunter, *Iran's Foreign Policy in the Post-Soviet Era*, pp. 123 - 124.

39 Parisa Hafezi and Andrew Haley, "China Presses Iran to rein in Houthi attacks in Red Sea sources say," *Reuters*, January 26, 2024, <https://bit.ly/3SACWs5>.

40 Tsvetana Paroskova, "Houthis Sign Deal with China for Oil Exploration in Yemen," *Oil Price.com*, May 22, 2023, <https://bit.ly/48zXdEh>.

41 Sakina Fatima, "China, Arab Countries Sign Investment Worth USD 10 Billion in Riyadh," *Siyasat Daily*, June 13, 2023, <https://bit.ly/41KcNeg>.



compared to China's imports of Arab oil, its purchase of Iranian oil is also low. Furthermore, Iran sells oil to China at a discount.<sup>42</sup>

The same has been true of India. In 2005, when Iran's nuclear dossier was discussed at the IAEA meeting, Delhi voted in favour of sending the file to the Security Council. This prompted the then-Iranian negotiator, Ali Larijani, to exclaim that "we [Iran] thought India was our friend". India, too, reneged on its commitment to develop the Farzad oilfield and has not lived up to its commitments regarding the port of Chabahar, even though it received a waiver from the US.<sup>43</sup> In a recent interview, Iran's Minister of Roads and Urban Development, Mehrdad Bazrpash, dismissed the importance of India's backtracking on its commitment towards the development of the Chabahar port. He said that Iran wants investors who are willing to accept long-term commitments.<sup>44</sup> In short, the benefits of Iran's look East policy have been negligible.

## Causes of the Poor Results of the Look East Policy

The reasons behind the failure of Iran's Eastward policy fall into three broad factors. The first relates to the poor state of Iran's economy and the relatively low quality of its products compared to those of its competitors. For example, the packaging of Iran's agricultural products is often below international standards, which makes them less appealing to prospective buyers. The same is true of other products, such as clothing, textiles, and leather goods, largely because Iran has not invested sufficiently in or modernized such industries. Part of this neglect has been due to Iran's misplaced priorities and certain domestic policies. For example, cultural restrictions in Iran, coupled with uncertainty over its politics have led to a large flight of capital from the country. The other reason has been the lack of financial resources. Since 2008, and the imposition of harsh US sanctions, this has been the most significant barrier to adequate investments. Mostly for the same reasons, Iran's marketing operations have also been ineffective.

The second factor is the competitive nature of Iran's economic and political relations with Russia and Central Asian states. For example, Russia has long seen Iran as a major rival in the energy field. Therefore, Moscow has never favoured the full development of Iran's energy resources, especially natural gas. Russia has looked at its energy resources as a political instrument to maintain influence in parts of the former USSR as well as in Europe. By trying to make European states such as Germany dependent on Russian energy resources, Moscow has sought to limit Europe's political and military choices. The extent of this dependence became clear after Russia invaded Ukraine in 2022. Russia

<sup>42</sup> On China-Iran Trade see: Emil Avdalani, "China's 2023 Trade and Investment with Iran: Development Trends," *Silk Road Briefing*, February 12, 2023, <https://bit.ly/3SHprXs>.

<sup>43</sup> Part of the reason the US did so was to facilitate India's connection with Afghanistan, where the US was still deeply involved.

<sup>44</sup> "Tavafoqnameh-e Sakht-e Rah-Ahan-e Rasht-Astara Hafteyeh Ayandeh Emza Mishavad (The Agreement to Build the Rasht-Astara Railroad Will be Signed Next Week)," *IRNA*, May 9, 2023, <https://bit.ly/48hsb4u>.



has also consistently opposed energy cooperation between Iran and the states of the former Soviet Union, notably Armenia.

Moreover, following the Europeans' refusal to buy Russian gas and oil after Moscow invaded Ukraine, Russia moved aggressively to capture Iran's energy markets in Asia, including in China, by offering substantial discounts.<sup>45</sup> In fact, in 2022, a Russian official admitted that Moscow had benefited from the US economic sanctions on Iran. For these reasons, many observers have long suspected that the Kremlin did not favour the revival of the JCPOA and, at some critical junctions, prevented Iran from agreeing to a formula that could have led to the revival of the nuclear agreement.<sup>46</sup>

As noted before, Russia sees Iran as a potential political rival in places like the South Caucasus. Often, Russia has acted against Iran's interests in the South Caucasus. For example, currently, Moscow is not sympathetic to Iran's concerns over potential changes to its border with Armenia. Turkey and Azerbaijan want a corridor through Azerbaijan's Zangezur region, in order to connect Baku to the Autonomous Republic of Nakhchivan, without going through Iran. Should this happen, it would block Iran's access to Russia and Europe through the South Caucasus.<sup>47</sup> Moreover, although Moscow has based its policy toward Iran on pragmatic considerations, the Kremlin does not like Iran's Islamist ideology. This, in part, explains why Putin has kept Iran at arm's length.<sup>48</sup>

Despite the deep roots of Iran's cultural influence in the central Asian region, the Turkic-Persian divide influences their attitudes toward Tehran. Some, like the Republic of Azerbaijan, have irredentist claims toward Iran. Moreover, these countries' economies are competitive rather than complementary with that of Iran. For example, Azerbaijan, Turkmenistan, and Kazakhstan are energy producers and exporters. Even Uzbekistan exports some natural gas. Consequently, they, too, have benefitted from Iran's isolation and its exclusion from global energy markets, including those in Europe. To illustrate, after the outbreak of the Russia-Ukraine war and the cutting off of Russian energy exports to Europe, the EU reached out to Baku and, despite the Republic's poor human rights record, cut new energy deals with it.<sup>49</sup> In some other areas, such as agriculture and mining products, Iran's and Central Asian economies are competitive.

Third, Iran holds relatively low strategic importance for Russia and, even more so, for China. For example, because of Turkey's economic strength, NATO membership, and its influence in Central Asia and the South Caucasus, it holds greater strategic importance for Russia than Iran. Thus, Moscow is more sensitive to Ankara's interests than those of Iran. For China, too, Iran is of relatively little

<sup>45</sup> Dalga Khatinoglu, "More Evidence Emerges of Russia Taking Iran's Oil Market Share," *Iran International*, July 22, 2022, <https://bit.ly/41Gbikh>.

<sup>46</sup> Parisa Hafezi and Francois Murphy, "Russia's Demand for Guarantees May Hit Nuclear Talks, Iran Official Says," *Reuters*, March 5, 2022, <https://bit.ly/3RA1mkU>.

<sup>47</sup> Vali Kaleji, "Iran-Russia Diverge on the South Caucasus," *CACI Analyst*, June 15, 2023, <https://bit.ly/3RJc3lb>.

<sup>48</sup> For example, Putin never made a proper state visit to Iran. He only went to Iran on the occasions of the meeting of the heads of states of the Caspian Sea littoral states.

<sup>49</sup> "European Commission's Von Der Leyen Visits Azerbaijan to Seek Deal on Natural Gas," *Radio Free Europe/ Radio Liberty*, July 18, 2022, <https://bit.ly/47e5Of3>.



inherent geopolitical importance, certainly compared to states like Pakistan and even Afghanistan. For a long time now, China has seen Pakistan as an important ally against India. That is why China has invested heavily in Pakistan's port of Gwadar, often seen as a rival to Chabahar in Iran, as well as in other infrastructural projects.

Meanwhile, both Russia and China are aware of Iran's economic and even military potential, should its government decide to alter its foreign policy orientation and thus secure trade and investment from the West and international organizations. They do not want to see Iran develop and thus become less pliable to their wishes. Therefore, none of them want to help Iran develop economically. Rather, they want to keep it in its current dependent state and use it in their own rivalry with the West.

India, especially under the Hindu nationalist government of Narendra Modi with its strong anti-Muslim domestic agenda, is suspicious of Iran. Iran, which borders Pakistan, can never go too far in embracing India, without antagonizing Pakistan, with the attendant dangers of such policy. Moreover, India has ambitions of becoming an international player, including in the Gulf region, and thus would not welcome a strong Iran. Already in the 1970s, when the Shah decided to make Iran an Indian Ocean power, the then Indian Prime Minister, Indira Gandhi, expressed her concerns.<sup>50</sup> Iran also faces difficult choices in balancing relations with China and India, two states that are rivals and, at times, enemies. In other words, Iran's geopolitical situation and the character of most of its neighbours, which are either competitors or historical enemies, make the policy problematic. From geopolitical and geo-cultural perspectives, Japan and South Korea would make better economic partners for Iran. They are not close to Iran's neighbourhood and thus are not deeply involved in regional rivalries and disputes. However, in view of the Islamic Republic's anti-West posture, this option has not been open to Iran.

## Regional and International Causes

The third and most significant cause behind the failure of looking East policy is Iran's foreign policy postures, notably in the Middle East, and the fraught nature of its relations with key international and regional players, most importantly the US and Israel. In this context, Iran's estrangement from the West and its hostile relations with the US have been the most significant inhibiting factor. It has been because of this estrangement and policy disagreements that since 2008 Iran has been under severe sanctions.<sup>51</sup> However, as was noted earlier, the continuation of this estrangement has also been due to the US reluctance to engage seriously with Iran and pursue a pragmatic and step-by-step approach to resolving differences. In turn, this US reluctance has been mostly due to Israel's

<sup>50</sup> On India's reservations about Iran's Indian Ocean ambitions see: Bhabani Sen Gupta, "The View from India," in *The Persian Gulf and the Indian Ocean in International Politics*, ed. Abbas Amirie (Tehran: Institute for International Political and Economic Studies, 1975), p. 183.

<sup>51</sup> However, even before that Iran was under sanction, including the 1996 Iran, Libya, Syria (ISLA) Sanctions Act.



influence and its insistence that no US-Iran reconciliation should take place before Iran changes its stance on Israel and the Palestinian issue.

Iran's estrangement from the West has left it with little bargaining power vis-a-vis its potential Eastern partners. These partners have rightly calculated that Iran has nowhere else to go. Thus, they have not been willing to invest politically and economically in Iran. Instead, they, especially Russia, have often used Iran as a bargaining chip in their interactions with the West. Given the international balance of economic and political power, none of these countries, notably Russia and China, have been prepared to sacrifice their ties with the West, especially the United States, for Iran's sake. For example, economically, China and the US have become interdependent, although since the outbreak of the Covid 19, and the rising Sino-American political and strategic competition and the ensuing tensions, both countries have been trying to loosen some of their economic bonds.<sup>52</sup> Certainly, the US and some key European countries, have been trying to increase their self-sufficiency in certain key areas, notably microchips. But lately, both the US and China have realized that total economic decoupling would be highly costly and damaging to them. In fact, now, instead of talking about decoupling [with China], the talk is about de-risking.

In early June 2023, Washington even suggested talks about defence-related issues to which China did not respond positively. However, in January 2024 defence officials of the US and China met.<sup>53</sup> In general, although the two countries will try to avoid military confrontation and keep channels of communication open, reducing China-US tensions will not be easy. Any improvement could be unstable.<sup>54</sup> Economic reasons currently drive ongoing US-China communications. A look at the level of China's trade with the US, which in 2022 stood at \$690.6 billion, shows that Iran is in no position to be a viable alternative for China, especially that of the above figure, \$536.8 billion was China's exports to the US.<sup>55</sup> In short, unless conditions drastically alter, China would not run the risk of jeopardizing its economic ties with the US for Iran's sake.

Moreover, unlike Cold War competition between the US and the USSR, US-China rivalry is mostly power related and, despite the American position that competition with China is about democracy versus autocracy, it lacks a significant ideological dimension. Therefore, China's position toward the US is essentially pragmatic. Moreover, China has no particular ideological affinity with Iran, although it sees Iran's anti-American posture as serving its interests. This means that China's analysis of the costs and benefits of relations with Iran and the US have been pragmatic and based on calculations of China's own national interests.

In fact, it is ironic that Iran's Eastward policy could only succeed if it manages to normalize its relations with the US and thus escape the sanctions and their restraining impact on all aspects of its

<sup>52</sup> For instance, the US has increased investments in chip manufacturing to reduce dependence on China.

<sup>53</sup> "Chinese and US Military Officials Hold First Talks Since 2021," *Financial Times*, January 9, 2024, <https://shorturl.at/bpAHZ>.

<sup>54</sup> Nicole Hong, "Thaw in Relationship of China and US Is Fraught and Halting," *The New York Times*, June 2, 2023, <https://bit.ly/4aEv68O>.

<sup>55</sup> "U.S.-China Trade Stayed Robust in 2022. Will That Last?," *China File*, February 28, 2023, <https://bit.ly/3NJZgh2>.



economic relations. By not restoring acceptable relations with the West, Iran has narrowed its options. Instead of being able to choose its partners and get better deals, Iran has made itself vulnerable to manipulation by states such as China and Russia. Certainly, Russia, at many junctures, has used the so-called Iran card to prevent the West from reacting too strongly to some of its actions. China might also have done so and might do so in the future.<sup>56</sup> For example, it is more than conceivable that China might stop buying Iranian oil, if the US were to agree to relent on the Taiwan issue.

Iran's international isolation has also affected its relations in its neighbourhood, including with Central Asia and the Caucasus. Some of Iran's neighbours, notably Azerbaijan, aware of its isolation have pursued a hostile policy towards Iran, especially in the last several years.<sup>57</sup> Given the large disparity in the size and population of Iran and Azerbaijan, the government in Baku could not have followed such policies had Iran not been isolated. But Baku knows that, given its international isolation and the by and large difficult relations with its southern neighbours, Tehran would not dare to attack Baku or resort to other punitive measures.<sup>58</sup> Even Turkmenistan on occasion has treated Iran badly. For example, when Iran was experiencing a particularly harsh winter, Ashgabat cut the supply of gas to Iran.<sup>59</sup>

## Regional Politics and the Israel Question

Among regional factors, Iran's hostile relations with Israel and the latter's campaign against any improvement in Iran's relations with the West has been the most significant barrier. Tehran's fraught relations with other major regional players, notably Saudi Arabia and the UAE, have also stymied its look East policy. For example, China has extensive economic and trade relations with Saudi Arabia and other GCC states, notably the UAE and Qatar. Thus, Beijing would not want to endanger these ties for Iran's sake. However, Beijing has been willing to act as a mediator between Iran and key Gulf states, like Saudi Arabia.

Moscow, too, has been courting the GCC member states. Russia shares a common interest with Gulf Arab states in the energy field and is part of the OPEC-Plus agreement. Moreover, Russia sees itself as a global player and therefore, believes that it should have an adequate presence in the Middle East and the Gulf.<sup>60</sup> To do so, Moscow needs to have good relations with Arab states. Meanwhile, none of the countries that Iran has tried to court, notably, Russia, China, and India have been willing to antagonize Israel. Russia has close relations with Israel partly because of the presence of large

<sup>56</sup> Shahir Shahidsaless, "Is Beijing Playing the Iran Card Against the US," *Middle East Eye*, February 23, 2023, <https://bit.ly/3NHu6a3>.

<sup>57</sup> Maziar Motamedi, "Analysis: Will Azerbaijan-Iran Tensions Lead to War?," *Al Jazeera*, April 8, 2023, <https://bit.ly/41Kwses>.

<sup>58</sup> There are also domestic reasons why Iran has been patient with Baku. The most important is the overlapping of the populations of Iranian Azerbaijan and that of the Baku regime.

<sup>59</sup> "Turkmenistan Halts Gas Exports to Iran," *Anadolu Agency*, February 1, 2017, <https://bit.ly/47jQVYB>.

<sup>60</sup> Nikolay Kozhanov, "Russia-GCC Relations; Where Quality Matters More Than Quantity," *Insight Turkey*, Vol. 23, No. 1, (Winter 2021). Also, Dmitry Frolowski, "Understanding Russia-GCC Relations" in *Russia's Return to the Middle East: Building Sandcastles?*, ed. Niciu Popescu Stansilav (European Union Institute for Security Studies, 2018).





numbers of Russian Jews in that country. Russia's behaviour throughout the Syrian War has shown that Moscow is unwilling to antagonize Israel by supporting Iran.

In fact, Russia has kept the skies open for Israel to bomb Iran's positions in Syria. Russia has used Iran to its own ends. It has even competed with Iran for economic projects in Syria.<sup>61</sup> In other areas, too, Moscow has been sensitive to Israel's concerns. It was recently reported that Moscow has reached an agreement with Tel Aviv that it will not give Iran advanced planes, in exchange for Israel not helping Ukraine. It was also reported that the Gulf States and Israel have been lobbying Moscow not to provide Iran with sophisticated arms.<sup>62</sup>

The same is true of China. Beijing has good relations with Israel. In particular, for many years, Israel has been a good source of technology, including military, for China.<sup>63</sup> Consequently, Beijing did not want to endanger these ties by moving too close to Iran. Tensions in Sino-Israel relations could happen because of the US factor and the impact of US-China tensions. In that case, Israel would have to consider the impact of its ties to China on its relations with the US and the continued American support for its security. Already, Israel's ambiguous attitude vis-a-vis the Ukraine war has been met with some discontent in Washington.<sup>64</sup> For a while, mindful of Russia's reaction, Israel did not support Ukraine.<sup>65</sup> This attitude even prompted Volodymyr Zelensky, Ukraine's president to complain.<sup>66</sup> One factor in Israel's calculations was the fear that, if it supported Ukraine, Russia might increase its backing for Iran or prevent Israel from attacking Iranian positions in Syria. But again, it seems that the two states have reached an agreement in this regard, which again has left Iran in the lurch.

## Conclusions and Outlook

The most significant factor behind the failure of Iran's look East policy has been its fraught relations with the US and Israel. The subsequent severe economic sanctions have deterred countries potentially interested in investing in Iran or supporting it, including Russia and China. Iran has also badly miscalculated the willingness of China and Russia to lend their support simply because of their common rivalry, and in Iran's case, hostility to the US. Tehran has failed to appreciate the fact that today's great power rivalries are less motivated by ideology and more by geopolitics and power calculations and interest. By contrast, even today, Iran's foreign policy to a considerable degree is motivated by ideology, especially its leadership's anti-American and anti-Israel tendencies. Consequently, without some kind of reconciliation between Iran and the US and the lifting of the

61 Nikola Mikovic, "Why Russia Turns a Blind Eye When Israel Bombs Syria," *Asia Times*, January 3, 2022, <https://bit.ly/3H20ErH>.

62 Jay Solomon, "Gulf States and Israel are Secretly Lobbying Moscow Not to Arm Iran" *SEMAFOR*, March 6, 2023, <https://shorturl.at/rFU37>.

63 On Israel-China Relations see: Shira Efron et al., *The Evolving Israel-China Relations* (RAND Corporation, 2019).

64 Ben Samuels, "US Losing Patience with Israel Over Ukraine," *Haaretz*, May 2, 2022, <https://bit.ly/3RKxCBm>.

65 Daniel Rakov, "The Netanyahu Government's Approach to Russia and Ukraine," *Washington Institute for Near East Policy*, February 28, 2023, <https://bit.ly/3TKDZ12>.

66 "Zelensky 'Shocked' by Lack of Israeli Defense Support: 'They Gave Us Nothing'," *Times of Israel*, September 22, 2022, <https://bit.ly/3vhoYTU>.



most restrictive sanctions, in the future, too, Iran's look East policy will not yield any worthwhile economic or political dividend.

However, a worsening of Russo-American and US-China relations could prompt Beijing and Moscow to increase their level of interaction with Iran. Already, problems facing Russia, because of the Ukraine war, have led Moscow to revive some projects with Iran which had been languishing for some time. One of these projects is the Rasht-Astara railroad, which is part of the North-South Corridor. Recently Tehran and Moscow signed an agreement according to which Russia will invest in building the railroad.<sup>67</sup> It appears that problems faced by Russia in the Black Sea have heightened its interest in reaching the Gulf through Iran. Moreover, because its trade relations with Europe have sharply fallen due to sanctions, Moscow has become more interested in expanding commercial relations with Iran and Muslim states. In this context too, roads through Iran have become more important to Russia.<sup>68</sup> If reports in the Iranian media are credible, Russia is now willing to help Iran develop its oil and gas fields.<sup>69</sup>

However, Russia's own situation remains uncertain as the war in Ukraine drags on, causing internal tensions in Russia and potentially challenging Putin's hold on power. So far, no such change has occurred in Beijing's position, as its relations with the US remain volatile, dancing a fine line between tension and a desire to retain economic relations and limit the risk of military conflict, as evidenced by the visit of the US Secretary of State Tony Blinken to Beijing on 18 June 2023.<sup>70</sup> However, should Sino-American relations grow worse, Beijing might pay more attention to Iran and possibly use it to pressure Washington in the Gulf. However, this scenario would hardly benefit Iran, as it would get caught in US-China rivalry and conflict.

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<sup>67</sup> On the agreement see: "Emzaye 2 Qarardad va 8 Tafahum Nameye Nafti Beyn Iran va Russiyeh/ 80 Sherkat Rusi beh Iran Amadand (Signing of Two Contracts and Eight MoUs between Iran and Russia, 80 Russian Companies Came to Iran)," *Fars News Agency*, May 17, 2023, <https://bit.ly/48kIRcC>.

<sup>68</sup> "Turning Away from the West, Russia Seeks to Strengthen Economic Ties with the Muslim World," *France24*, May 16, 2023, <https://bit.ly/3Sc62z7>.

<sup>69</sup> "Iran Press Review, Russia to Modernize Outdated Iran Oil Industry," *Middle East Eye*, May 18, 2023, <https://bit.ly/47j0wic>.

<sup>70</sup> Humeyra Pamuk, "Xi, Blinken Agree to Stabilize US-China Relations in Beijing Talks," *Reuters*, June 19, 2023, <https://bit.ly/3TR2uTM>.