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By Professor Derek Grossman

13 Feb 2026

Summary:

Despite China's public rhetoric calling for peace and dialogue between the U.S. and Iran, Beijing actually prefers a prolonged state of managed tension between the two — short of full-scale war. This is because sustained U.S.–Iran friction keeps Washington's military and political attention tied down in the Middle East, giving China greater freedom of action in the Indo-Pacific, particularly regarding Taiwan. China supports Iran diplomatically, economically, and through discreet military-related assistance (like dual-use components for drones and missiles) not out of altruism, but because a strategically dependent Iran serves as a useful partner in countering American dominance. A genuine U.S.–Iran peace deal would actually undermine China's interests by reducing Tehran's reliance on Beijing.

Heightened tensions :

Recent heightened tensions between the United States and Iran over Tehran's repression of nationwide protests and its advancing nuclear program have raised concerns about the future peace and stability of the Middle East. Still, events over the past week suggest that both sides are—at least for now—seeking to avoid outright war. After the U.S. military shot down an Iranian drone on February 3 that was aggressively approaching the USS Abraham Lincoln, Washington and Tehran met indirectly in Oman and agreed that diplomacy on the nuclear issue should continue.

This is the right approach, and both sides deserve credit for it. It also closely aligns with what China has been urging for years. In its most recent statement, the Chinese Ministry of Foreign Affairs said it "hopes all parties will resolve differences through dialogue and jointly keep the region peaceful and stable." Beijing has consistently framed itself as an advocate of restraint, warning against the use of military force and calling for disputes to be resolved politically rather than through escalation.

Iran was also reportedly discussed during a phone call last week between U.S. President Donald Trump and Chinese leader Xi Jinping. Trump said the leaders spoke about "the situation in Iran," though no further details were provided publicly. It is plausible that Trump pressed Xi to reduce China's diplomatic and economic support for Tehran, particularly as the administration considers responses to the regime's violent suppression of protests. Xi, for his part, likely prioritized issues more central to China's core interests—most notably Taiwan—suggesting that the call may have involved implicit tradeoffs ahead of Trump's planned visit to Beijing in April. That said, any such horse-trading remains speculative.

Regardless of near-term diplomacy, China's broader perspective on Iran is unlikely to change absent a major shock. Beijing views Tehran as a useful strategic partner in its long-term effort to counter Western—especially American—dominance of the international system. As a result, China supports Iran diplomatically and economically, while also offering limited and discreet military-related assistance. This support does not typically take the form of overt arms sales, but rather the provision of dual-

use components and technologies that can be used in Iranian drone and missile production. These activities allow Beijing to strengthen Iran's resilience without incurring the costs associated with formal military alliances or large-scale weapons transfers.

From China's perspective, sustained U.S.–Iran tension—short of full-scale war—can be strategically advantageous. One plausible scenario is a prolonged standoff marked by periodic incidents, such as the downing of drones or maritime harassment, that keeps Washington focused on the Middle East. Such a dynamic would tie down U.S. military and political attention, potentially giving Beijing greater freedom of action in the Indo-Pacific, particularly with respect to coercive pressure on Taiwan.

A second potential future entails the U.S. and Iran going to full-blown war. While this would certainly harm Chinese strategic interests in certain ways, the net effect might actually be quite positive for Beijing. On the downside, China is Iran's top oil customer, meaning that Beijing might temporarily or even permanently lose access to Tehran's vast oil resources needed for continued socio-economic development. China's access to oil in Venezuela has already become complicated by the U.S. military's kidnapping of Nicolás Maduro last month and American management of the nation's oil fields. But on the upside, war would certainly keep the U.S. preoccupied even more so in the Middle East, meaning less American focus on the Indo-Pacific and a prolonged strategic opportunity for China to assert itself there. Either way, Beijing has historically demonstrated a willingness to absorb short-term economic pain if the longer-term strategic balance tilts in its favor.

Both scenarios, however, carry risks for China. In the event of sustained conflict or war, Iran could seek greater support from Beijing. While China could easily expand diplomatic and economic backing, deeper military assistance would be far more costly, potentially provoking U.S. retaliation and entangling China more directly in the conflict. Washington has already criticized Beijing for allowing Chinese-origin components to be used in Iranian drones that later appeared on battlefields in Ukraine.

More visible Chinese involvement during a U.S.–Iran conflict would sharply escalate tensions with Washington.

A genuine diplomatic breakthrough between the United States and Iran—whether on the nuclear issue, domestic repression, or both—would also complicate China's strategy. Improved U.S.–Iran relations could reduce Tehran's reliance on Beijing and weaken their shared interest in countering American power. To be sure, greater regional stability would benefit China economically, particularly by safeguarding energy flows and investment opportunities. But strategically, a less isolated Iran would be a less useful partner for Beijing.

Overall, despite its public emphasis on peace and dialogue, China appears to prefer a prolonged period of managed tension between Washington and Tehran. This outcome allows Beijing to maintain close ties with Iran while avoiding the costs and risks of deeper military involvement. Even if Trump and Xi revisit Iran in greater detail during their April meeting, the underlying strategic incentives on China's side are unlikely to shift.

Going forward, Beijing will continue to champion diplomacy rhetorically while quietly helping Iran withstand U.S. pressure. One variable worth watching is whether China's deepening ties with Gulf states—many of which view Iran as a long-term threat—begin to constrain Beijing's alignment with Tehran. Yet recent events suggest China believes it can balance these relationships. Since Hamas' October 7 attack on Israel, Beijing has increasingly sidelined Israel diplomatically while engaging Gulf states and Iran alike, emphasizing shared opposition to U.S. influence. This reinforces the likelihood that China will continue seeking to manage Middle Eastern divisions in ways that maximize its strategic leverage against Washington.

Before RAND, he served over a decade in the U.S. Intelligence Community, where he was the daily intelligence briefer to the Director of the Defense Intelligence Agency and to the Assistant Secretary of Defense for Asian & Pacific Security Affairs.

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