

The China-Iran Agreement is not a Game-changer

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On 27 June, during a rally in the Gilan Province, Mohammed Ahmadinejad, the former Iranian President, who is reportedly engaged in talks with the Guardian Council to negotiate his participation in next year's presidential election, denounced the approval of a secret 25-year deal between Iran and China. Ahmadinejad went as far as to say that the Iranian nation will not recognize the deal, suggesting that the accord was a major blow to Iran's sovereignty, approved by a disastrous administration. While Ahmadinejad is quite clearly engaged in rebuilding a nation-wide base through recourse to his infamous populist and nationalist rhetoric, his words on the supposedly secret China-Iran agreement resonated widely.

The Iranian Foreign Minister Javad Zarif, who, along with the former Parliament Speaker Ali Larijani, conducted most of the negotiations with China, was called to brief the Majlis regarding the agreement on 5 July. During an emotional session, Zarif defended the agreement, claiming that there is no secrecy in the negotiations between Iran and China, and that the details of the accord will be released once the draft is finalized.⁽¹⁾ Outside Iran, opposition figures such as Reza Pahlavi, the son of the deposed Shah, publicly denounced the deal, echoing some unconfirmed reports that China will station soldiers on Iranian soil, violating national sovereignty.⁽²⁾ Several international media reported the news of the agreement, often in vastly exaggerated terms and with little understanding of the context.

(1) 'No hidden issue in Iran-China agreement, Zarif says', *Tehran Times*, 5 July 2020: <https://www.tehrantimes.com/news/449655/No-hidden-issue-in-Iran-China-agreement-Zarif-says>.

(2) Esfandiari, Golnaz, 'Explainer: Anger Among Iranians Over Long-Term Deal With China', *RFE/RL*, 13 July 2020: <https://www.rferl.org/a/explainer-iranian-china-deal-anger-among-iranians/30724344.html>.

The unprecedented hype generated by the agreement appears to be politically motivated. The administration of Hassan Rouhani, which has just entered its last year in office, is facing great pressure from the recently elected, conservative-dominated parliament. The spread of COVID-19 in the country has generated criticism regarding Sino-Iranian ties, creating room for some political actors to ‘problematize’ the relationship.⁽³⁾ Overseas opposition, as well as the US State Department, through its Persian Twitter account, in their effort to place further pressures on the regime, have popularized the idea that it was selling Iran to Beijing in a desperate move to keep its grip on power. On the other side, over-optimistic interpretations of the strategic significance and the extent of the deal appear equally exaggerated: again, largely for political gain. What does this agreement actually entail and what does it reveal about the potential of cooperation – and major limitations – in Sino-Iranian relations?

A Not-So-Secret Comprehensive Strategic Agreement

The first draft of the agreement, aimed at cementing ‘25-years of cooperation’ was introduced by Zarif on a state visit to China in August 2019, initiating in turn a drawn-out process of negotiation between the two sides. On 21 June 2020, the Iranian cabinet green-lighted the final draft of the agreement, with approval still pending from China.⁽⁴⁾ According to the requirements established by the Iranian constitution on international agreements, the document was to be published in order to allow for discussion and ratification by parliament. The agreement was leaked last week, however, before its formal issuance, garnering widespread attention from domestic and international media.

The content of the document largely accords with the framework of cooperation endorsed and publicly agreed upon by both Hassan Rouhani and Xi Jinping during the latter’s state visit to Iran in January 2016.⁽⁵⁾ More importantly, none of the more contentious points reported by international media appear in the content. For example, the document makes no mention of the transfer of Iranian islands to China, nor does it allow for a Chinese military presence on its soil. Beyond that, no indications are given concerning the value of the agreed-upon Chinese investments in Iran, casting serious doubts on the US\$400 billion figure that was originally brought up by the infamous article in the *Petroleum Economist* published in September 2019.⁽⁶⁾

What the content does show, however, are the areas of bilateral cooperation that will be developed over the next 25 years. Collaboration under the umbrella of the Belt and Road Initiative (BRI) is naturally given significant prominence in the language of the agreement. Iran will encourage Chinese investments in its special economic zones, while the two countries will jointly develop ports, coastal areas, and other

(3) Behraves, Maysam and Scita, Jacopo, ‘How the Coronavirus Crisis Exposed the False Promise of Iran-China Partnership’, *The National Interest*, 6 June 2020:

https://nationalinterest.org/blog/buzz/how-coronavirus-crisis-exposed-false-promise-iran-china-partnership-161396?fbclid=IwAR0ZJLShfjTB-IgaDUOtQd53Z0xIqDqG7leuI_SHZD8JG_WXSjXEp2P-bHc.

(4) ‘Iran, China holding talks to finalize 25-year coop. roadmap’, *Mehr News Agency*, 14 July 2020:

<https://en.mehrnews.com/news/160943/Iran-China-holding-talks-to-finalize-25-year-coop-roadmap>.

(5) ‘Full text of Joint Statement on Comprehensive Strategic Partnership between I.R. Iran, P.R. China’, *president.ir*, 23 January 2016:

<http://www.president.ir/en/91435>.

(6) Watkins, Simon, ‘China and Iran Flesh out Strategic Partnership’, *Petroleum Economist*, 3 September 2019:

<https://www.petroleum-economist.com/articles/politics-economics/middle-east/2019/china-and-iran-flesh-out-strategic-partnership>.

major infrastructures. China will also provide Iran with 5G telecommunication technology. The financial and banking sectors are also mentioned as core areas of cooperation. The agreement recognizes China as a regular customer of Iran's oil, a definition that appears to be a precondition for the provision of heavy discounts. In addition, the document contains a substantial section on military and defence cooperation. The two countries will set up a joint commission for military industries, and will prioritize the exchange of knowledge and expertise in areas such as hybrid warfare and counterterrorism. The agreement also calls for the joint development and production of armaments, as well as increasing the number of joint military drills between the Iranian and Chinese militaries.

What is Likely to Emerge from this Agreement?

Overall, the final draft of the 25-year cooperation agreement appears to be a more detailed version of the joint statement on the 'Comprehensive Strategic Partnership' that was published ahead of Xi's visit to Iran in January 2016. The Rouhani administration probably re-activated negotiations in 2019, three years after the inception of the agreement, in response to growing pressure from the United States and out of a desire to present Iran as being less internationally isolated than it was. Arguably, the growing convergence between Iran and China is the result of two macro-dynamics: on one hand, China's rise as a global power, which has catalyzed a shift towards the east among developing countries; on the other, Iran's troubled relationship with the United States and the West more generally has pushed the country to develop a 'Look to the East' policy, primarily as a means to diversify its economic ties and to withstand Washington's maximum pressure campaign.

At the moment, a forcefully-pursued 'Look to the East' policy appears to be the prevailing strategic rationale animating Iran's push to finalize a long-term comprehensive agreement with China. Still, the lack of implementation mechanisms in the content reveals that the actual realization of the full scope of the agreement is anything but given. At least three macro elements will shape Iran's ability to put the agreement into effect. First, both Iran and China need to negotiate detailed and realistic objectives and projects, providing sustainable mechanisms of implementation. Otherwise, the agreement risks remaining 'empty' and aspirational, and partially fulfilled with *ad hoc* examples of cooperation. Second, Sino-Iranian relations do not exist in a vacuum. Tehran's international isolation significantly limits the effective realization of a sustainable comprehensive partnership with Beijing. This isolation complicates and obstructs Iran's participation in China's Eurasian integration projects, such as the BRI, given the sanctions-regimes in place. Third, the extent to which the agreement is realized to its full strategic potential remains tied to the evolution of China's policy towards the Gulf states. In the short and medium terms, Beijing is likely to deepen and arguably give priority to its relationships with Saudi Arabia and the United Arab Emirates (UAE), which, overall, are more economically lucrative and less politically risky partners than Iran.

Therefore, what is likely to emerge from the 25-year cooperation agreement between China and Iran is, at least in the short term, an increase in the cultural, scientific, and people-to-people ties between the two countries. Cooperation in key strategic sectors may increase, but the extent to which it becomes organic and immune to external blips is still questionable. The eventual adoption of the agreement, even in the current form of a comprehensive roadmap, would ensure Iran that any attempt to completely

isolate the country would be defied, at least partly, by China. Whether this comes at the price of a dangerous overdependence on Beijing, as some indicators already suggest, is a question that remains open and problematic.⁽⁷⁾

The Agreement is not Likely to Change China's Strategy in the Gulf

The comprehensive strategic nature of the agreement, which, as said, includes potentially sensitive paragraphs on military cooperation and the joint development of port facilities, may be alarming to China's Arab partners and the United States. Due to the implementation limits already presented and the very nature of China's strategy in the Gulf, the impact of the accord on Sino-Arab ties is not likely to be disruptive though. In fact, China has already established comprehensive strategic partnerships with Saudi Arabia and the UAE, which therefore possess the same level of partnership with Beijing that Iran is seeking to establish in turn. Moreover, the combined value of Chinese investments in Saudi Arabia and the UAE for 2016–19 is three times higher than that in Iran.⁽⁸⁾ Yet these figures do not fully capture the growing level of integration and interaction between China and the Gulf, wherein Saudi Arabia and the UAE enjoy a privileged position. For these reasons, and with Riyadh being Beijing's largest provider of oil, it is unlikely that China will risk alienating its Arab partners to favour Iran. If anything, this will suggest that the eventual implementation of the most sensitive aspects of the Sino-Iran cooperation agreement will be carefully balanced.

In contrast, the agreement in its current form is likely to raise more concerns in Washington. The competition between China and the United States is assuming the aspect of a multi-level, global confrontation, from which the Gulf is not exempt. The accord with Iran and the solid partnerships with Saudi Arabia and the UAE show that Beijing is able to cement and further increase its footprint in the region, building comprehensive relationships with multiple regional actors. Consequently, the advantage that the United States has in the Gulf, which still dwarfs China in both absolute and relative terms, might be progressively eroded with time. While the China-Iran 25-year comprehensive agreement does not appear to be a short-term threat to American interests in the Gulf, it could further consolidate China's long-term presence in the region.

(7) Behraves and Scita, 'How the Coronavirus ...'.

(8) According to the China Global Investment Tracker provided by the American Enterprise Institute (AEI): <https://www.aei.org/china-global-investment-tracker/>.