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Beijing raises the stakes with Iran deal

08 APRIL 2021 | BY [JAMES GAVIN](#) (AUTHOR/JAMES-GAVIN)



China's plans for an expanded role in the Iranian economy could directly challenge the approach of the US, EU and Gulf

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EXCLUSIVE

Iran wasted little time touting the game-changing boost to its economy delivered by the cooperation agreement struck between its Foreign Minister Javad Zarif and Chinese counterpart Wang Yi in Tehran on 27 March.

With the ink barely dry on the so-called Comprehensive Strategic Partnership agreement, Iranian officials were talking up \$400bn in prospective Chinese investment that would be heading towards Iran's key economic sectors over the next 25 years.

In return for strategic investments in sectors ranging from banking, telecommunications, ports, railways, healthcare to ICT, China will receive discounted supplies of Iranian oil, amid surging Chinese demand for its crude.

The Iranians are understandably chipper about the implications of this agreement, which envisages an Iranian role in the Belt and Road Initiative, the multitrillion-dollar infrastructure initiative linking the Far East to Europe. Having, in the words of one Iranian observer, put its eggs in the basket of the West – without results – it can now shift its gaze East.

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Sir Richard Dalton, former British ambassador to Iran

Five-year gestation period

The deal is not exactly a surprise, with a gestation going back five years.

"The surprise is that it's taken this long for this kind of forward diplomacy including commercial activities to arrive, given the huge surpluses from its trade that it has had over many years," says Sir Richard Dalton, former British ambassador to Iran.

And yet, probing the detail of the deal, some of the paint soon starts to peel. Pointedly, the \$400bn figure does not feature in the official announcements emanating from Beijing. The Chinese describe the plan not in terms of the investment figures, but as a means of charting a course for long-term cooperation – without quantitative, specific contracts or goals and targets.

"Western countries look at this sort of deal and get spooked, but they don't look at it holistically and see what China is doing in the larger region," says Jonathan Fulton, associate professor of political science at Zayed University in the UAE.

"If you look at it that way, Iran really doesn't feature in a lot of what China is trying to achieve in the Middle East or South Asia."

China's US relations

While Iranian-Chinese trade will achieve some uplift as a result of the partnership, observers see its significance primarily in boosting Chinese political leverage over Washington on the wider international stage.

This should be a cause for reflection on the Iranian side.

"China's interest really lies in having a better relationship with the US and EU," says Fulton. "Time and again, they've said nice things to Iran, and then abandoned them when the US brings in more sanctions."

Iranians have reason to be suspicious about China's ability to deliver on its promises. After China National Petroleum Corporation signed a contract to develop the South Azadegan oil field in 2009, the government in Tehran subsequently terminated the agreement due to alleged underperformance and delays.

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Dalton

Neither is it in Iran's interests to throw all its eggs into China's basket.

"There isn't any way in which Iran will wish to allow China to monopolise foreign investment or imports of technology, oil and gas and petrochemicals – in fact, all the different aspects of Iran's economy," says Dalton.

"Iran has very broad needs from this relationship, and I can't see it ever saying, 'take me, I'm yours'."

Senior officials in Tehran are quick to scotch suggestions that they are up for sale at any price. Despite the overwhelming asymmetry of economic power between China and Iran, the latter is not prepared to roll over for Beijing.

As Iranian Foreign Minister Javad Zarif told Iran's Tasnim News Agency, "If you want China and Russia to pay attention to you, China and Russia must know that they are not your only choice. If you want the West to pay attention to you, the West must know that it is not your only choice. No one treats the distressed well."

Domestic Iranian reservations about the deal are real enough, with many non-regime elements fearful that the Chinese will sell the government sophisticated surveillance technologies, including face recognition capabilities. The implications for freedom of speech are ominous in a country where dissent is barely tolerated.



Iranian Foreign Ministry spokesman Saeed Khatibzadeh comments on the Iran-China 25-Year Cooperation Document on 7 April in Tehran. Credit: IRNA

Sanction relief

Palpably, Iran has much to gain from a deeper engagement with China, notably at a point when Beijing has weighed in with calls for faster

progress on sanction relief for Iran and for the US to return to the 2015 Iran nuclear deal (the Joint Comprehensive Plan of Action – JCPOA) that was negotiated by former President Barack Obama.

China, as a permanent member of the UN Security Council, is a signatory to the agreement. Tehran hopes it will speak on its behalf.

At talks in Vienna on 7 April, Wang Qun, China's UN envoy, reiterated China's opposition to "illicit sanctions" against Iran, and said the US should immediately revoke its "long-arm jurisdiction" targeting third-party entities and individuals, including from China.



People don't put enough stock into the fact that China is really threatened by a nuclear Iran

Jonathan Fulton, Zayed University

This might stoke concerns that the China-Iran deal will catalyse China's support for more assertive Iranian foreign policy positions.

Such fears may be misplaced. While Iran has strong value to Beijing as a bargaining chip in high-level negotiations with the US, it too has deep concerns about Iranian motivations.

"People don't put enough stock into the fact that China is really threatened by a nuclear Iran," says Fulton.

"They don't trust the Iranian regime either and that's why they have focused on this issue in both the Alaska talks with the Biden administration in mid-March, and in the Vienna talks in April. They are looking to find a way to work together on this."

China is unlikely to be able to deliver Iran's wish for imminent sanctions relief from President Joe Biden's administration, with US Secretary of State Anthony Blinken predicting that such sanctions relief is a "long way" off.

Biden's special Iran envoy, Robert Malley, has set out a lengthy list of measures that Iran could undertake to build confidence internationally, such as ending its support for sectarian violence undertaken via proxy militias in theatres such as Iraq, Syria and Lebanon, while halting its aid to the Houthi forces in Yemen.

So far, in public at least, the new US administration appears not to be unduly concerned by the implications of the Chinese-Iranian dalliance.

But behind closed doors, there will be agitation at the extent of Sino-Iranian security cooperation.

"There will be concern at reports of a military facility being set up at Chabahar port, and that spy networks could be set to monitor the flow of shipping and communications into the Sea of Oman," says Fariborz Ghadar, William A. Schreyer professor of global management, policies and planning at Penn State University, and an adviser at the Washington-based Centre for Strategic and International Studies.

China-Middle East ties

The Middle East region has different concerns about the partnership. Gulf states have their own deep commercial ties to China, but analysts suggest they should not fear Beijing ditching them in order to strike a good deal with Iran.

The Gulf states are in a strong position to influence Chinese behaviour. Saudi Arabia has substantial investments in China, and is the largest seller of crude oil to the country. It is looking to coordinate its economic development plans with China, and pull in more Chinese investment. That provides it with some leverage over China.

"They can say, we've got 200,000-300,000 Chinese expatriates living in places like Dubai, and there's all these investments and government contracts," says Fulton.

"They will emphasise the value of the money tap and that if China continues to work with them, they will have exposure to dynamic markets with

real connectivity to the rest of the Middle East.”

That is not an offer that Iran can easily make.

Iran's pivot east

The more lasting shift resulting from the China-Iran partnership may become visible over the long term.

Ever-closer Chinese engagement with Iran could erode the ‘soft power’ advantage that the US and the West have enjoyed over Iran, in spite of the years of sanctions and state-level enmity.

Despite the harsh anti-US propaganda in Iran, many young Iranians instinctively look to the US and the West as something of a beacon. They continue to emigrate there, and study at Western universities. That could change.

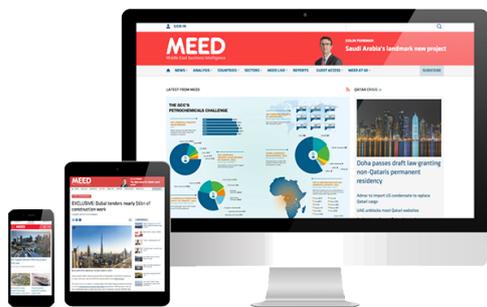
China’s growing involvement in Iran may over time shift their gaze eastwards, with more students and workers heading to China.

“I’d be concerned that over time, these kids will be going to China, and that the positive attitude to the West will start to erode,” says Ghadar.

Main image: The Iran-China comprehensive cooperation document was signed in Tehran on 27 March during a meeting between Iranian Foreign Minister Mohammad Javad Zarif and his Chinese counterpart Wang Yi. Credit: IRNA

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