



China and Iran Announce \$400 Billion Trade Deal

OE Watch Commentary: China and Iran have recently announced a new trade deal worth \$400 billion over 25 years. In the accompanying excerpted article, Dr. Fan Hongda, a Chinese expert on Iran, lays out China's perspective of the deal. Dr. Fan is a professor at the Middle East Research Institute of Shanghai International Studies University [上海外国语大学], and a respected scholar of Iran, having taught in Tehran and written two books on US-Iran relations.

Dr. Fan notes that this is a natural extension of the groundwork laid in January 2016, when CCP General Secretary Xi Jinping visited Iran, signing a set of trade agreements including high-speed rail projects, and deepening of cooperation in oil and gas production. He notes that this was delayed due to the effects of sanctions against Iran, but that an uptick in relations (particularly due to China-Iran cooperation surrounding the COVID-19 response) makes this an expected development.



Chinese & Iranian Flags.

Source: Peter Wood

It is also important to contextualize the \$400 billion over 25 years in terms of the existing trade relationship between Iran and China. In 2018, the latest year for which data is readily available, China imported \$13.4 billion of crude petroleum from Iran, representing over 70 percent of its total imports from that country (\$18.9 billion). Iran imported \$14 billion worth of goods, mostly machinery electronics and other manufactures. The \$400 billion, spread over 25 years, then represents less than China's annual imports per year. Many analysts have already pointed out that the figure likely accounts for a wish list rather than a set of concrete plans.

Most of the proposed projects also fit naturally into existing Chinese initiatives: transport networks including subway lines and high-speed rail and airports, are a regular feature of Belt and Road projects. Other aspects, such as extensions of the Beidou GNSS or cooperation on surveillance, are areas that China is pushing across the board.

While China formally describes its relations with Iran as a "comprehensive strategic partnership" [全面战略伙伴关系], it is worth noting that it has a similar relationship with Iran's arch-rival Saudi Arabia. Despite this apparent alignment, China has gone against Iran in international organizations at key moments, notably in 2010, when it voted for UN sanctions against Iran. However, these sanctions were regularly avoided (during the author's time in China in the early 2010s, he was told by multiple Chinese businesspeople that Chinese companies were seeking to evade sanctions to do business in Iran).

Whatever China's agreements with Iran over development programs and attitude toward the United States, its support of extremist militants and nuclear weapons development programs are in strong opposition to Chinese policies.

China has increased its level of military cooperation with Iran, with several high profile port calls and visits by senior leaders. In 2014 two Chinese warships visited Iran's Bandar Abbas port for joint naval exercises in the Gulf. In 2015 PLA General Staff Department (GSD) Deputy Chief Admiral Sun Jianguo visited Iran. While China has sold military equipment, including cruise missiles, missile-armed fast attack boats, and missile guidance systems to Iran in the 1990s and early 2000s, there have not been significant overt transfer of systems and technology since at least the early 2000s. Meanwhile, China has become a larger exporter of weapon systems including drones to Saudi Arabia, which it has had an extensive weapons export relationship (including DF-4 and DF-21 ballistic missiles) since the 1980s.

As acknowledged by Dr. Fan, a core reason that China's relations with Iran have been significantly constrained is US diplomatic and economic pressure. It is clear that China considers its relationship with the US to have adversely affected its ability to interact with other countries, but believes that it is gradually making itself more independent.

China may attempt to use the prospect of deepened military cooperation or sales of equipment as a bargaining chip, but its close relationships with Saudi Arabia and Pakistan, courting of Israel for technology, and fundamental disagreement on core issues make the full realization of a military partnership unlikely. **End OE Watch Commentary (Wood)**



Continued: China and Iran Announce \$400 Billion Trade Deal

“Another factor that cannot be ignored in the improvement of Sino-Iranian relations is that China is increasingly constrained by American factors when considering diplomacy with Iran...”

Source: Fan Hongda [范鸿达], “伊朗宣布与华25年全面合作计划，中伊关系能否进一步走近?” (Iran announced a 25-year comprehensive cooperation plan with China, can Sino-Iranian relations get closer?), *Shanghai Observer* [上观新闻], 30 June 2020. <https://www.shobserver.com/news/detail?id=264494>

On the 23rd of June Iranian government spokesman Ali Rabiei announced that China and Iran’s 25-year comprehensive cooperation plan has been approved; on the 24th, Iranian Foreign Minister Mohammad Javad Zarif and Chinese Foreign Minister Wang Yi held a video conference which included promotion of the 25-year bilateral cooperation plan.

The plan points out that the key cooperation points of the two countries include economic and trade development, university scientific and technological cooperation, security cooperation, mutual support and cooperation in international and regional organizations, and development of military cooperation. And it is also worth mentioning that the cooperation plan also focuses on eradicating poverty and improving the living conditions of people in less developed areas.

Judging from the areas announced by the Iranian government, this is indeed Iran’s China’s “Comprehensive Cooperation Plan” with a longer-term agreement of 25 years. If the plan can be given real attention and effective implementation by both sides, the future development of bilateral relations is worth looking forward to.

In announcing the comprehensive cooperation plan between Iran and China, Ali Rabiei noted the basis of the cooperation plan is the joint declaration issued by the two countries in January 2016 when Xi Jinping visited Iran and the establishment of a comprehensive strategic partnership. The publication of the “Joint Statement of Partnership” laid the foundation for the establishment of a comprehensive cooperative relationship between the two countries.

China and Iran not only have the historical legacy of friendly contact through the “Silk Road,” but also contemporary friendly exchanges. Since the establishment of diplomatic relations in 1971, China has always regarded Iran as one of the most important partners in the Middle East. Especially after China proposed the “Belt and Road” initiative, Chinese policy makers have given Iran, an important country along the “Belt and Road”, greater attention. President Xi Jinping’s visit to Iran in 2016 highlighted this point. From China’s perspective it is ready for a better development of China-Iran relations.

On the other hand, after Iran and the UN Security Council “P5” and Germany signed a nuclear agreement in 2015, Iran was generally more optimistic about the expansion of foreign relations, and it is more inclined to historical inertia with European and American countries to some extent affect Iran’s development. The enthusiasm for relations with China is also the key reason why relations between the two countries did not usher in a new upsurge as planned after President Xi Jinping’s visit to Iran in 2016. Nevertheless, China has always stood on the side of Iran in upholding international fairness and justice in opposing US sanctions against Iran and maintaining the Iranian nuclear agreement.

As the United States withdrew from the Iran nuclear agreement in 2018 and imposed “maximum pressure” on Iran, Iran’s plan to develop relations with Europe and the United States was blocked, and China, which has been implementing friendly policies against Iran, has once again become a prominent option for Iran’s diplomacy. During his visit to China in late August 2019, Iranian Foreign Minister Zarif said on social media that “I am proposing a 25-year plan for a comprehensive strategic partnership in Beijing”; in October of the same year, Iranian President Rouhani publicly expressed the hope to study and formulate Iran as soon as possible...

The new coronary pneumonia epidemic that is sweeping the world is a disaster that humans are still experiencing. In the face of this common disaster, China and Iran have written a new chapter of friendship. When the epidemic first broke out in China, Iran, which has long been subjected to international sanctions promoted by the United States, soon brought to China urgently needed masks and other medical supplies. Tehran’s famous landmark Freedom Tower (Azadi Tower) also lit up to cheer on China. When the outbreak subsequently broke out in Iran, China immediately provided medical supplies to Iran, and sent a team of medical experts to Iran. The mutual help between China and Iran under the epidemic has further brought the two countries together.

It is worth noting that on issues such as Hong Kong, Taiwan, Xinjiang, and Tibet, which are related to Chinese sovereignty, Iran has clearly stood with China.

Another factor that cannot be ignored in the improvement of Sino-Iranian relations is that China is increasingly constrained by American factors when considering diplomacy with Iran. The United States, which has long been hostile to the Islamic Republic of Iran, was once an important factor affecting the development of Sino-Iranian relations, because Sino-US relations have affected the diplomacy of Chinese policymakers to other countries for a long period of time, including Iran, and the author has repeatedly heard complaints from Iranian friends about China’s diplomacy. With the US’s almost comprehensive suppression of China, Sino-US relations have encountered freezing points; on the other hand, China’s diplomacy is gradually getting rid of the situation where Sino-US relations have excessively affected other bilateral relations. Under such circumstances, China has more room to develop relations with Iran.

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But it should be noted that there is still significant difference between planning and implementation. China and Iran are expected to work together to promote the true and effective implementation of the comprehensive cooperative relationship between the two parties in various fields and specific matters.