

Iran and China: On the Way to a Long-Term Strategic Agreement?

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On July 11, 2020, the *New York Times* published the draft of a 25-year strategic agreement between Iran and China leaked by sources in Tehran, to the dismay of Beijing. According to the draft, China will receive priority in billions of dollars of infrastructure investments in Iran, and a regular supply of oil and gas at a substantial discount, while military cooperation between the two countries will increase. It is believed that Iran has been working on this agreement since Xi Jinping's 2016 visit to Iran. The Chinese are interested mainly in the long-term commercial benefits, while taking care to maintain a balance between their relations with Iran and their relations with the Gulf states. They therefore have no intention of promoting a military alliance with Iran against the United States, and certainly not against Saudi Arabia and Israel. It is believed that Beijing will weigh the risk to stability in Iran before deciding to approve such an agreement, and even if one is signed, there is no guarantee that it will be implemented.

On July 11, 2020, the *New York Times* published a draft 25-year strategic agreement between Iran and China. The 18-page document was apparently leaked by sources in Iran, to the dismay of Beijing. According to the published draft, China will receive priority in investments amounting to billions of dollars in infrastructure projects in Iran, including transportation, ports, roads, railways, banks, and communications, in addition to cooperative ventures in cybersecurity, research and development, and intelligence. The draft also mentions the possibility of joint military training and exercises. Iran will commit to provide a regular long-term supply of oil and gas to China at a substantial discount. The military section of the published draft agreement stipulates the formation of a joint military committee for military industries to promote the design and manufacture of weaponry.

The discussions regarding the agreement are a continuation of the 2016 visit by Chinese President Xi Jinping to Iran, when relations between the countries were upgraded to a "comprehensive strategic partnership" (Beijing used the same exact term to describe its relations with Saudi Arabia during the same visit, and also with over 20 other countries). At the conclusion of that visit, it was reported that [17 agreements were signed](#), and that it was agreed to expand bilateral trade by a factor of 10 to \$600 billion – an especially ambitious target that China might not have been able to meet even if the United States had

not withdrawn from the nuclear agreement with Iran in 2018 and imposed extensive sanctions on Iran that sharply decreased trade between China and Iran. Iranian Supreme Leader Ali Khamenei was quoted as saying, "The agreement with China to promote strategic relations for 25 years is justified."

Since Xi's visit to Tehran, Iranian officials have been working to translate words into deeds, and to upgrade the rhetoric into substantial Chinese investments that will boost Iran's faltering economy. More than four years since then, many of the agreements in question have remained on paper. Not only has China not helped the agreement move forward, but the financial arm working with Iran, the Bank of Kunlun, headquartered in Beijing, has regularly [updated](#) the list of Iranian companies under American sanctions, and has refused to grant them credit. At the same time, for internal needs, [China has continued to import oil from Iran, with the official figures lower than the actual quantities imported, mostly through Malaysia.](#)

The Iranian leadership is very eager to actualize an agreement with China. President Hassan Rouhani expressed hope that the agreement, which requires approval by parliament, would be signed by March 2021. The issue, however, aroused a storm in Iran. Former President Mahmoud Ahmadinejad argued that Rouhani's regime had signed a dubious secret deal with a foreign country. Criticism and anxiety on the social media charged that Iran would become a protectorate of China, cede Kish Island to China, and allow the stationing of 5,000 Chinese soldiers in Iranian territory (this figure does not appear in the leaked agreement). Cooperation with China at a time when it persecutes the Uyghur Muslim community in its territory was also criticized. At the same time, support for the measure as an essential lifeline for the Iranian economy was also voiced. The Iranian media reported that Supreme Leader Ali Khamenei continued to favor the agreement, although he has issued no direct up-to-date statement on this issue.

Iran has a clear interest in large-scale cooperation with China. Iran is currently experiencing one of its most difficult periods, due to its deteriorating economic situation caused by the American sanctions, plunging oil prices, and the effects of the coronavirus. These are compounded by a major wave of recurring protests over the past two years, the killing of al-Quds commander Qasem Soleimani, the downing of a Ukrainian passenger jet after taking off from Tehran, American pressure in the UN Security Council to extend the weapons embargo against Iran, the threat of the resumption of all of the sanctions that were in force before the nuclear agreement (snapback), and the recent attack on the centrifuges assembly facility at Natanz. In these circumstances, Iran can portray a large-scale long-term agreement with China as an achievement that shifts the regional and global strategic balance in its favor. If they actually materialize, Chinese investments will be a crucial boost for the suffocating Iranian economy, and an improvement in Iran's economic

situation will detract from the effectiveness of the Trump administration's "maximum pressure" strategy against Iran. Furthermore, if and when negotiations between Iran and the West resume, Western means of pressure against Iran will be weaker, and Iran's opening position will improve. Iran also hopes that the agreement will ensure China's continued opposition to US efforts in the Security Council to extend the arms embargo against Iran, and will later enable Iran to acquire Chinese weapons, and perhaps also improve its bargaining position with Moscow in the procurement of arms from Russia.

In China, however, official sources have made no response, other than the remark by a spokeswoman from the Ministry of Foreign Affairs, who in response to the *New York Times* article told a Chinese correspondent, "China attaches importance to developing friendly cooperative relations with other countries. Iran is a friendly nation enjoying normal exchange and cooperation with China. I don't have any information on your specific question [about the draft agreement]." In an interview, China's ambassador to Tehran commented on the issue of the nuclear agreement, but refrained from any mention of a bilateral agreement. This cold response, which was also aimed at Iranian ears, indicates the discomfort and perhaps even anger in Beijing about the Iranian leak before the details of the agreement were agreed and approved.

From China's perspective, such an agreement, if signed, will have mainly commercial importance, because it is designed to give Chinese companies an advantage in the long term, including in the development of oil fields and low-priced energy imports. The Chinese often take advantage of political weakness to attain preferred terms. In this case, they are also exploiting the coronavirus crisis, continued sanctions against Iran, and Iran's need for extensive investments to obtain optimal terms for Chinese companies in the long term. Inter alia, the [Indian media](#) gave extensive coverage to Iran's decision to award China the project for building a railway from the port of Chabahar to Zahedan on the border with Afghanistan, which was originally awarded to India. Iran claims that the estimated \$400 million project, which was signed four years ago, has been delayed by the Indians.

Yet in addition to China's ties with Iran, its ties with Saudi Arabia and the United Arab Emirates have become closer in recent years; just like Iran, China refers to these countries as "strategic partners." It can be assumed that as part of its decision on approving the agreement with Iran, Beijing will weigh the effect on its relations with its other partners in the Gulf, and will try to alleviate some of the speculative concerns voiced in the Western media about the growing cooperation between China and Iran, especially in the military sphere. One example of this is that despite various statements, military cooperation led by China in recent years has been limited and operationally insignificant – evidence of China's caution to date in the context of these bilateral relations.

It currently appears that Iran's eagerness to publish the emerging agreement serves its interests more than those of China, and that the difficulties facing its approval by both sides are still unresolved. A few months before the US presidential elections, Iran, and perhaps China to some extent as well, has an interest in using its announcement of the agreement to exert pressure on President Trump. In any case, past experience shows that even if the agreement is signed, there is no guarantee that all of the projects mentioned in it will actually come to fruition.

Significance for Israel

The agreement between China and Iran is of great importance to Iran, including in the context of a possible easing of the pressure generated by the sanctions. From a Chinese perspective, the basis for the agreement is the principle of commercial-economic benefit, while maintaining the balance in its relations with Saudi Arabia and the United Arab Emirates. China's goal in relations with Iran is not to create a military alliance with Iran against the United States, and certainly not against Saudi Arabia and Israel. Israel is of little importance to China in this case, and does not necessarily figure in Chinese considerations, except as part of China's concern about an Israeli military attack against nuclear facilities in Iran, which is liable to set off a regional war and destabilize the region. The Chinese will likely consider the level of risk in approving an agreement of this type, and will hesitate to advance it if they feel that their financial interests will be affected by instability in the region and in Iran. This aspect, in which Iranian activity destabilizes and threatens the region, should be emphasized by Israel to high-level Chinese parties.