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A New Chinese Cash Flow: Enhancing Partnerships prior to the Biden Era?

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The heads of the European Union and the President of China recently announced the conclusion of a comprehensive investment agreement, reached after seven years of negotiations. For China, this agreement joins the free trade agreement in Asia (RCEP), the strengthening of bilateral relations with African countries, and declarations calling for the preservation of the nuclear agreement with Iran and the promotion of regional dialogue in the Gulf. A Chinese decision to accelerate negotiation processes and sign economic agreements, along with advancing political moves, is intended to strengthen the growth of the Chinese economy and its global position ahead of Biden's entry into the White House. Israel should follow the Chinese activities closely, study their significance for the Israeli policy and economy, maintain a dialogue with China at the leadership level, and at the same time coordinate positions in the context of these initiatives with the United States, the European Union, and the Gulf states.

At an online meeting of the Joint Committee of China and the European Union (December 30, 2020), the heads of state announced the completion of negotiations on a Comprehensive Agreement on Investment. China appears to have recently accelerated the negotiations, which included 35 rounds of talks over seven years, aided by Chancellor Angela Merkel's ambition to complete the process during the German presidency of the European Union, which ended on December 31, 2020. Chinese President Xi Jinping [stated at the event](#) that the agreement was balanced and would benefit both sides, and demonstrates China's desire to continue offering opportunities for cooperation with Europe and the international community. The agreement, he said, will help strengthen confidence in global trade and promote economic recovery after the coronavirus crisis. Xi Jinping expressed hope that the EU would provide Chinese investors with fair and impartial terms. [The EU statement said](#) the agreement would give European investors more convenient entry into the Chinese market and aid in transparency and fair trade with China.

For China, the investment agreement with the EU joins the Regional Comprehensive Economic Partnership (RCEP), signed on November 15 under the auspices of ten ASEAN countries as well as New Zealand, Australia, Japan, South Korea, and China. Negotiations

leading up to the formulation of this agreement, which lasted eight years, also gained momentum over the past year. Beijing seems to have given priority to reaching trade and investment agreements with Asian and European countries, and has apparently even compromised on various clauses, albeit without harming substantial Chinese interests, in order to reach agreements. The urgency for China stems from the ongoing strategic tensions with the United States, and China's desire to strengthen trade ties with major countries and regions in the world, as a complementary circle to China's internal economy development ("Dual Circulation"). EU leaders, like their Asian counterparts, appear to have felt that alongside the major difficulties encountered in their relations with China (including the issues of human rights and Chinese aggression against minorities in Xinjiang and Tibet, as well as against some Western countries including Australia), they should seek to promote economic cooperation with China, which will help local companies at a time of an extended economic crisis.

Alongside signing multilateral economic agreements, China continues intensive efforts to promote economic and political interests around the world. The Chinese Foreign Minister visited five countries in Africa – Nigeria, the Democratic Republic of Congo, Botswana, Tanzania, and Seychelles – (January 4-9, 2021), met with the heads of state, and focused on economic cooperation. In this framework, China stated that in addition to sending vaccines to African countries, agreements were signed with 12 countries on debt repayment reprieve, and with 15 other countries to postpone matured interest-free loans.

In parallel with the accelerated pace of economic agreements, China has also become active in the multilateral political arena. In this context, Chinese Foreign Minister Wang Yi [presented a plan](#) to preserve and strengthen the nuclear deal with Iran (JCPOA) once the Biden administration enters the White House. This occurred in a virtual meeting at the ministerial level (December 21) chaired by Josep Borrell, the EU High Representative for Foreign Affairs and Security Policy and attended by the foreign ministers of Iran, Russia, France, Germany, and the United Kingdom, the partners in the nuclear agreement (excluding the United States, who left it). The Chinese plan calls for an end to the "maximum pressure" policy on Iran taken by the Trump administration; the United States' return to the original agreement as soon as possible, while removing sanctions on Iran and without preconditions; and Iran's returning to fulfil its commitments under the agreement, while finding a fair solution to the issue of Iranian compliance. According to the Chinese Foreign Ministry, after the United States announces its return to the agreement, consultations will be held and an international conference will be convened with the participation of all the partner countries to approve the United States return to the agreement (although Iranian Foreign Minister Mohammad Javad Zarif contends that everything is clear and therefore no consultation and negotiation is needed). China has also

proposed the establishment of a regional forum in the Gulf, aimed at promoting multilateral dialogue to resolve regional security issues and assist in the preservation of the JCPOA.

The fundamental change in the context of China's involvement in the nuclear agreement with Iran is its willingness to present an initiative for action, and not just try to help persuade Iran to accept initiatives from other countries. As part of this, the proposal to establish a framework for regional dialogue in the Gulf, which *inter alia* will discuss ways to preserve the nuclear agreement, was presented earlier by the Chinese Foreign Minister in a virtual meeting (September 10, 2020) with the BRICS Foreign Ministers – Brazil, Russia, India, China, and South Africa – as well as at a meeting in China with Iranian Foreign Minister Zarif (October 10, 2020), and a special Security Council meeting (October 20, 2020) that discussed the Gulf situation. The Chinese proposal is general and does not specify a position on the possibility, raised by the Europeans and President-elect Biden, to advance a framework for discussing Iran's regional behavior and the issue of ballistic missiles.

In the economic agreements with the EU and with the Asian and Pacific countries, China appears to emerge a winner, given its expanding influence on the world market following its rapid recovery from the coronavirus outbreak. These agreements underscore, yet again, that the promotion of economic issues, which contribute to continued growth in China, is a top priority of the Chinese government.

At the political level, China tends to make statements, but is active only on issues that include Chinese interests and have high chances of success. Thus, its involvement in the Iranian nuclear issue and in the dialogue for cooperation in the Gulf raises the question of whether it sees an opportunity to advance its positions and perhaps even cooperate with the Biden administration, alongside the EU and various countries in the Middle East, particularly the Gulf states. China seems interested in proving to the Biden administration that dialogue between all parties should reign supreme, even if some are hostile to each other, and that this is preferable to the formation of a coalition of Gulf states against Iran, as the United States tried to do during the Trump administration, in part by promoting normalization between Israel and some of the Gulf states.

After President Biden takes office, China will see the United States' return to the nuclear deal without preconditions as a political success, particularly if the idea of holding a regional meeting in the Gulf area is implemented. Moreover (and in light of China's focus on its economic interests), a positive development that will include a consensus with the United States on these issues will allow the Beijing leadership to take a decision next year to approve the 25-year strategic economic agreement with Iran and present it as a complementary step to promote economic partnerships with the Gulf states, Iran included.

The Iranians need Chinese economic assistance and are eager to advance the strategic agreement; Beijing has so far refrained from approving it, in part so as not to be perceived as provoking the United States and the EU on such a sensitive issue.

Israel, in the Chinese view, is seen as part of the conservative American camp (the "Trump camp") that opposes the nuclear deal with Iran, and there is apparently no expectation from China (or from some members of the Biden administration) that Israel will support the Chinese initiative. Israel needs to follow China's economic agreements and policy proposals closely, maintain a leadership-level dialogue with China (which has not been done in the past year), understand the significance of the regional trade agreements for Israel's economy, and continue, in this regard, to coordinate policy positions with the United States and EU countries, as well as with friendly Gulf states.