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Iran Plays the Eurasian Card

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EXECUTIVE SUMMARY: The newly signed massive China-Iran agreement prompts as many questions as answers. One thing is clear: China has taken action at a time when the US is winding down its presence in Middle East and its relationships with Arab states have come into question.

On March 27, China and Iran signed an expansive deal in Tehran. Neither the Iranian nor the Chinese leadership revealed details, but analysts believe it was largely along the lines of a leaked 18-page draft published last year by The New York Times.

The draft detailed a potential \$400 billion in Chinese investment in Iran's oil and gas industries, telecommunications, ports, railways, and other sectors over a quarter century. China would receive Iranian oil in return under preferential terms. This could signal that Beijing, despite heavy US sanctions, will still avail itself of Iranian oil. This would be very much in Tehran's interest, as economic sanctions have decimated Iran's oil and gas industries.

The draft also mentioned deepening military cooperation between the countries, including joint exercises, military research, and intelligence-sharing. China has conducted two naval drills with Iran and Russia within a framework of fighting piracy and counterterrorism—a subtle indication of Chinese involvement in the safety of oil trade routes from the Middle East to the Indo-Pacific.

But focusing on China's agreement with Iran does not reveal the full picture. Beijing has set its sights on the entire Middle East. The Iran agreement does not mean cooperation only with the Islamic Republic. For Beijing, Iran is but one piece on the chessboard.

Consider the Middle East tour conducted last month by China's FM Wang Yi, during which he visited not only Iran but also Saudi Arabia, the UAE, Turkey, Oman, and Bahrain. Limiting itself to Iran would not be beneficial to Beijing, as other regional powers are looking to China for potential investment and are considering how to interpret Washington's reevaluation of its policy in the Middle East. A small indication of China's region-wide vision is its willingness to host direct talks between the Israelis and the Palestinians. *China Daily*, an organ of the Chinese Communist Party, reported that Beijing has a five-point plan "for achieving security and stability in the Middle East by offering constructive boosts to Palestine-Israel dialogue, resuming the Iran nuclear deal and building a security framework in this region."

Some analysts are forgetting the Russian dimension in burgeoning China-Iran relations. Russia-China relations have entered a new era of cooperation in nearly all areas. China is undoubtedly much stronger in pure economic terms, but both sides are eager to highlight the balance of their partnership. Contrary to Central Asia or the Arctic region, where China and Russia are more likely to compete, the Middle East could be an area where they can cooperate.

For Russia, Chinese influence in the volatile region would help rein in the West's geopolitical ambitions. As long as the Western-Russian rivalry continues, Chinese influence will be welcomed by Moscow and regarded as a necessary component to balance the West and in some cases even squeeze it out entirely. In many regions across Eurasia, Russia is working closely with regional actors to keep the West at bay. Growth of Chinese clout via the deal with Iran can be beneficial to Moscow and would serve the purpose of sidelining the collective West in the Middle East. An unofficial triple partnership might be emerging among Russia, China, and Iran.

In the longer term, Russia might be worried that all the lucrative investment opportunities in Iran will be taken by Chinese companies, but this is not a serious impediment to China-Russia ties.

It is true that the Iran-China deal gives Beijing a geopolitical edge, but it can be argued that its advantages are, for the moment, more rhetorical than practical. The deal will not be easy to implement, and China appears to have various strategic exits in place to safeguard its investments and commitments. Following the signing ceremony, Chinese FM spokesperson Zhao Lijiang said that "the plan focuses on tapping the potentials in economic and cultural cooperation and charting a course for long-term cooperation. It neither includes any quantitative, specific contracts and goals nor targets any third party, and will provide a general framework for China-Iran cooperation going forward." This suggests that the agreement is more of an umbrella without agreed specifics, and indicates that the \$400 billion figure is speculative.

Analysts may be trying too hard to see the China-Iran agreement in superficial grandiose terms. After all, Iranian government spokesperson Ali Rabiei said the agreement is “not an international treaty or agreement and does not require parliamentary approval under this legal interpretation.” The pact could be seen as largely aspirational and might even be labeled a road map, much like others that China has signed with countries across the Middle East. Over the past several years, Beijing has inked cooperation deals with Iraq, Saudi Arabia, and the UAE. Why should the agreement with Iran be any different?

Even if the pact has no immediate military impact, it might still represent a major strategic shift. India and the US should be the most worried. Delays in the China-Pakistan Economic Corridor (CPEC) projects in Pakistan may have propelled China’s growing interest in infrastructure investments in Iran. Pakistan’s Gwadar port, which China manages, provides it with a shorter sea route for oil imports from the Gulf vis-à-vis the Malacca Strait. Beijing sees Chabahar port in Iran as complementary to Gwadar and perhaps as a part of its “string of pearls” in the Indian Ocean. India should be concerned because in the longer term, it could find itself either pushed into a corner or shut out entirely from major projects in Iran. As the agreement will likely give China access to Iran’s naval base at Jask, outside the Persian Gulf, Beijing will be able to constrain India’s plans to develop Iran’s port and build railroad access to Central Asia.

For the US, the effects of the agreement are not yet entirely clear. What is undeniable is the fact that China has acted at a time when the US is winding down its presence in Middle East and America’s ties with Arab states have come into question. This is also a time when neither Russia nor Europe can play a decisive role in the region, either politically or economically. China has this potential, as well as the aura of an evenhanded broker in a region beset by rivalries and heightened sensitivities toward former imperial powers.

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