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Tipping the geopolitical balance - The China-Iran deal

The future of geopolitics

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Daniel Markey I Daniel Markey is the author of China's Western Horizon: Beijing and the New Geopolitics of Eurasia and a senior research professor in international relations at the Johns Hopkins School of Advanced International Studies.

This summer, Iran might finally have provided China a viable solution to its "Malacca Dilemma." In the process, Beijing finds new geopolitical leverage with Washington, writes Daniel Markey.

For at least the past two decades, Chinese leaders and strategists have viewed the Strait of Malacca and the other narrow maritime passageways linking the Indian Ocean to the South China Sea as critical strategic liabilities. As of 2017, 80% of China's maritime oil imports flowed through Malacca, a congested waterway that reaches only 1.7 miles across at its narrowest point. Passage through the strait can be slowed by shipwrecks and disrupted by terrorism or piracy. In 2003, however, Chinese president Hu Jintao famously pointed out another threat keenly felt by Beijing: that "certain powers have all along encroached on and tried to control navigation through the strait." By "certain powers," Hu meant the United States, which to this day holds important geopolitical leverage over China because the U.S. Pacific Fleet can threaten to squeeze China's principal lifeline for energy and trade.

To better secure its shipping lanes, Beijing has invested in a significant expansion of its own navy, building new ships, submarines, and even a port facility and base in Djibouti at the mouth of the Red Sea. Equally important, China has diversified its energy supply portfolio to include overland suppliers in Russia and Central Asia. President Xi's signature "Belt and Road Initiative," is designed, at least in part, to improve China's overland trade and transit options across continental Eurasia to the Middle East and Eastern Europe by a web of new roads, rails, and pipelines.

Still, the Malacca Dilemma persists; China cannot entirely secure or diversify its way out of trouble. China's People's Liberation Army has made remarkable strides in implementing a military strategy designed to create problems for the U.S. Indo-Pacific Command and other forces operating close to Chinese shores, but that is a far cry from being able to secure China's shipping lanes end to end from Africa and the Middle East. And for now, shipping cargo overland across Asia costs far more than shipping by sea. The infrastructure investments required to transform Eurasia into a real East-West superhighway will not happen overnight, hampered as they are by the region's vast, forbidding terrain and fractious politics.

That's where Iran comes in. In early July, word leaked of a twenty-five year "comprehensive partnership" deal being negotiated between Tehran and Beijing, in which the two would join forces across many fronts, from energy trade and technology sharing to enhanced military and intelligence cooperation. The terms of the arrangement remain secret, unratified by Iran's parliament, and most of the specifics are clearly exaggerated for political effect and probably have yet to be decided by the two sides. That said, one of the most striking features of the pact is found in proposed Chinese investments along Iran's coast, including expansion of port facilities at Jask and Chabahar.

The location of these ports is critical. They are situated to the east of the Strait of Hormuz, astride the world's only maritime chokepoint more consequential than Malacca. Nearly a third of all seaborne oil passes through Hormuz, and nearly 80 percent of that flows on to Asian markets. If China could control over passage through Hormuz, it could directly threaten the interests of Middle Eastern energy exporters like the UAE and Qatar as well as Asian energy buyers like Japan, not to mention creating headaches for the U.S. Fifth Fleet stationed in Bahrain.

It is not hard to see how Beijing could use such leverage over Hormuz as a means to deter threats to passage through Malacca. A simple, "You squeeze us, and we'll squeeze you" message would serve as an invaluable new tool in China's kit.

Of course, the situation is not remotely that simple. For starters, China is unlikely to station its own naval forces along Iran's coast, at least not anytime soon. Unlike Djibouti, Iran jealously guards its territorial sovereignty. Yet China need not place its own forces in Iran to threaten Hormuz, because Tehran's enmity toward the United States and its Gulf Arab friends has led it to play precisely the same game. Over the years, Tehran has invested in a variety of anti-shipping weapons, from mines and missiles to attack boats and submarines. Iran's expanded partnership with China, timed as it is with the end of a United Nations-backed embargo on major weapons sales to Iran, will permit additional arms transfers. China's own investments in an array of advanced military technologies designed to deny adversaries access to its own coastal areas would undoubtedly serve Iran's purposes well.

Although Tehran has shown itself willing and able to stem the flow of shipping through Hormuz, in the past such moves have always been a double-edged sword: as an oil exporter, Iran depended on the same shipping lanes. Now, however, Chinese investment in new Iranian pipelines eastward to Jask would permit Iran's exports could bypass Hormuz entirely. These are not distant, long-range plans; such upgrades could be completed as soon as next spring.

America's Middle East defense analysts undoubtedly appreciate the implications of Iran's new, Chinese-funded energy infrastructure. Some fear it could fundamentally alter Tehran's cost-benefit analysis when it comes to closing Hormuz, creating a serious new security threat to U.S. forces charged with securing the region's shipping lanes.

Yet the potential connection to China's Malacca Dilemma seems so far to have escaped wider notice. This may reflect a general American tendency to see East Asia and the Middle East as distinct, disconnected spheres of strategic concern. Beijing, however, is now in the business of exploiting opportunities and forging new connections across all of Asia. In Tehran it has found an eager partner, desperate for Chinese support mainly because it has been backed into a tight corner by the Trump administration's "Maximum Pressure" campaign of unilateral sanctions. Had the Trump administration adhered to the nuclear deal, European investment in Iran might well have limited China's already growing economic and political influence. Now, however, that prospect has dimmed.

To be sure, there are convincing reasons to doubt that the Sino-Iranian partnership will ever mature to the fullest extent envisioned in July's leaked Iranian document. Iranian opposition political figures of all stripes, from former President Mahmoud Ahmadinejad to the exiled son of the Shah, Reza Pahlavi, have come out against pieces of the deal, playing to Iranian nationalism and fears of foreign imperialism. Practically speaking, the scale of Chinese investment in Iran will be sharply constrained by Iran's own economic weakness, corruption, and dysfunction. In addition, the threat of U.S. unilateral sanctions has so far limited the appetite for investment in Iran by major Chinese companies. Beijing has also been eager not to antagonize Gulf Arab powers like Saudi Arabia that supply greater quantities of oil to Chinese markets than Iran does, and who would prefer to check Iran's access to capital, technology, and weapons.

Yet some of these constraints on Sino-Iranian partnership may be loosening. Above all, as U.S.-China tensions worsen, Beijing appears more inclined to flex its muscles and buck American pressure. When a trade deal with the Trump administration was in the offing, Beijing preferred not to introduce new sources of friction in its relationship with

Washington. Now, facing American pressure over Covid-19, Hong Kong, and the Uighurs, and with no serious trade deal in sight, Beijing could easily calculate that the added costs of partnership with Iran are only marginal. In addition, a glutted global oil market guarantees that Chinese buyers enjoy such leverage over oil-supplying nations like Saudi Arabia that they cannot dictate the terms of Beijing's relationship with Tehran.

In short, Beijing finds itself well-placed to capitalize on Tehran's desperation for outside assistance and longstanding hostility to the United States. This is a relatively narrow geopolitical advantage, and should not be mistaken for a wholesale displacement of the U.S. superpower from its longstanding position of influence in the Middle East. It is, however, one more indicator—among many—of the waning of American power. Nor should it be read as a Chinese decision to privilege Iran exclusively over the region's other energy suppliers. No, Beijing will continue to buy, trade, and invest in them as well. As evidence of Beijing's diplomatic promiscuity in the region, it has also recently assisted Saudi Arabia's nascent nuclear power program, widely viewed as a possible precursor to a weapons program.

The widely-observed lesson for the United States is that backing Iran into a corner led it straight into China's arms. That, in turn, seems likely to create new strategic headaches in the Strait of Hormuz and give Iran's repressive regime a new, Chinese-sponsored lease on life. These are troubling developments to be sure, but they may even understate the potential implications of the Sino-Iranian deal. Viewed through a wider geopolitical lens, the pact could also help China solve a strategic dilemma over Malacca that has bedeviled Beijing for the past two decades. Extrapolating further, the deal demonstrates how China's opportunistic approach to relationships with countries like Iran can deliver unanticipated new forms of leverage in its competition with the United States.

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