

China and Iran: A Case Study in the Failure of American Overreach

By: Niko Pittore

Niko Pittore is a Masters of International Affairs candidate at the Bush School of Government and Service. His primary research interests include American security policy, Iranian security policy, the future of NATO, and naval strategy.

On July 11, The New York Times detailed a sweeping agreement between Iran and China, covering many aspects of economic and security cooperation. It involves billions of dollars in Chinese investments in Iranian sectors, energy being the most notable, showcasing a complete Chinese rejection of the Trump Administration's attempt to isolate Iran from the rest of the world.¹

The 18-page agreement details China's presence in several sectors of Iran's economy, including banking, telecommunications, energy, and manufacturing. Reportedly, China will invest \$280 billion in Iranian energy sectors and another \$120 billion in manufacturing sectors. In exchange, China would receive heavily discounted Iranian oil for the next twenty-five years. On average, it would be a 12% discount on the rolling six month mean price of "comparable benchmark products" and another 6-8% discount for "risk-adjusted compensation."²

In the security realm, the agreement calls for joint Sino-Iranian military exercises, joint research and weapons development, and intelligence sharing to halt the spread of human and drug trafficking in the region in addition to counterterrorism cooperation.³ This further expands China's military presence in a region dominated by the U.S. for the past thirty years.

Where does this cooperation stem from?

An agreement of this magnitude between two states who emphasize their rejection to outside influences begs the question of how this all came about. The most obvious answer to point toward is Washington and the hawkish nature of the Trump Administration toward both Tehran and Beijing. The Trump Administration has administered a "maximum pressure" campaign against Iran since it took office in January 2017. This campaign includes the U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA, or Iran Nuclear Deal) executed by the

¹ Fassihi, Farnaz, and Steven Lee Myers. "Defying U.S., China and Iran Near Trade and Military Partnership." The New York Times, The New York Times, 11 July 2020, www.nytimes.com/2020/07/11/world/asia/china-iran-trade-military-deal.html.

² Yang, Si. "China, Iran Approach Major Accord Amid Deteriorating US-China Relations." Voice of America, 20 July 2020, www.voanews.com/east-asia-pacific/china-iran-approach-major-accord-amid-deteriorating-us-china-relations.

³ Farnaz and Meyers, "Defying U.S., China and Iran Near Trade and Military Partnership."

P5+1 in July 2015, re-imposition of sanctions on Iran, crippling its economy, and cutting off any diplomatic conversations.⁴

With China, the Trump administration halted a comprehensive trade agreement negotiation which would have committed China to buying vast quantities of U.S. products, leading to a lower trade deficit and more jobs for American workers.⁵ Moreover, Washington imposed sanctions on China for the brutal mistreatment of their Muslim Uighur minority population, and the veracity of the accusations notwithstanding, President Trump blames China for the tens of thousands of deaths in the United States related to the COVID-19 pandemic.⁶

By attempting to isolate both states, the Trump Administration is drawing these two closer together. They have historic ties but for Iran, especially, to potentially sacrifice its autonomy and its “Neither East nor West” mantra famously uttered by its first Supreme Leader Ruhollah Khamenei, in pursuit of a strategic partnership with a state much more powerful than it is, reveals a fundamental miscalculation with Washington’s foreign policy.

For years, since Washington’s “unipolar moment” began with the fall of the USSR, the United States has been able to exercise its gunboat diplomacy across the world with impunity because no state at the time had anywhere close to the wherewithal, economic or military, to resist.⁷ Now, thirty years after the fall of the Berlin Wall and the end of the Cold War, the world is not the same as it was then. China is much more powerful now and has the ability and confidence to flex its muscles across East Asia and the South China Sea and now the Middle East.

Trump’s hardline stance on Iran has emboldened the conservative wing of Tehran, including the Supreme Leader, IRGC (Iran’s leading paramilitary group) and Majlis, their Parliament. Almost four years into the first term of President Trump, Iran has a complete disregard for Washington and has pursued, with vigor, any foreign policy strategy which angers and/or hurts Washington.

Security implications for Washington

While it has yet to be finalized, a potential agreement between China and Iran has three important implications for Washington. First, China has a permanent seat, and by default a veto, on the United Nations Security Council. This means any resolution the United States tries to

⁴ Wallsh, David. “The 'Maximum Pressure' Campaign Undermines Trump's National Security Strategy.” Atlantic Council, 12 Feb. 2020, www.atlanticcouncil.org/blogs/iransource/the-maximum-pressure-campaign-undermines-trumps-national-security-strategy/.

⁵ Bordoff, Jason. “Trump's China Trade Deal Is as Dead as Can Be.” *Foreign Policy*, 22 May 2020, foreignpolicy.com/2020/05/22/trump-trade-deal-china-dead-coronavirus-pandemic/.

⁶ Psaledakis, Daphne, et al. “China Says It Will Hit Back against New U.S. Sanctions over Uighur Rights.” Reuters, Thomson Reuters, 10 July 2020, www.reuters.com/article/us-usa-china-xinjiang-sanctions/china-says-it-will-hit-back-against-new-u-s-sanctions-over-uighur-rights-idUSKBN24A2GA.

⁷ Krauthammer, Charles. “The Unipolar Moment.” *Foreign Affairs*, 1990, www.foreignaffairs.com/articles/1990-01-01/unipolar-moment.

bring through the Security Council which has a negative effect on Iran would be rendered useless by a Chinese veto, which would almost assuredly be used more often with the extension of the Sino-Iranian alliance. This has already been seen even before the agreement with the US wish to extend the arms embargo on Iran with China (and Russia) blocking it.⁸

Second, the United States has been the dominant power in the Middle East for the last thirty years. Expanded Chinese presence in the region, particularly military, could put up major obstacles for the US to operate in the region directly or indirectly in such areas as Syria, Iraq, and Yemen (places where Iran has substantial security interests).

Third, such massive Iranian-Chinese cooperation on energy issues could force the United States to believe it has to keep substantial forces in the region to impede a potential Chinese monopoly on oil in the region. While unnecessary, even a brief survey of US foreign policy in the Middle East reveals a lack of rationality.

Strategies to Combat a China-Iran Alliance

There are several strategies Washington could take toward China and Iran to combat this growing alliance. First, on the hawkish side, they could choose to impose sanctions on Chinese firms doing business with Iran. Second, they could impose sanctions on the Central Bank of China. However, China would undoubtedly retaliate with its own trade war against the US, which has already been ravaged by its initial trade war with China.⁹ Moreover, China holds a large amount of U.S. debt, with the U.S. Treasury Department claiming it's over \$1.1 trillion.¹⁰ China could refuse to continue to buy American debt, which would put massive strains on Washington's already dire fiscal crisis.¹¹

On the more restrained side, a couple options remain. First, Washington could re-establish the JCPOA with the P5+1 and Iran then return to the old strategy of containment.¹² Iran has reacted so fiercely against Washington because of US pressure on the regime, which has backfired. An attempt to bring Iran into the global fold could potentially help assuage Iran and convince them to change aspects of their highly revisionist foreign policy.

⁸ "China & Russia Block US's Arms Embargo Against Iran At UNSC." Eurasian Times, 4 July 2020, eurasianimes.com/china-russia-block-uss-arms-embargo-against-iran-at-unsc/.

⁹ Boehm, Eric. "Trump's Trade War Has Hurt American Manufacturers More Than It Helped Them." *Reason Magazine*, Reason Foundation, 27 Dec. 2019, reason.com/2019/12/27/trumps-trade-war-has-hurt-american-manufacturers-more-than-it-helped-them/.

¹⁰ "Major Foreign Holders of Treasury Securities ." Treasury International Capital (TIC) System, U.S. Department of Treasury, June 2020, ticdata.treasury.gov/Publish/mfh.txt.

¹¹ Gordon, Phillip H. "Has Trump Driven China and Iran Together?" *War on the Rocks*, 21 July 2020, warontherocks.com/2020/07/has-trump-driven-china-and-iran-together/.

¹² Gordon, Phillip H. "What Should Come After Trump's Failed China Policy?" *War on the Rocks*, 6 July 2020, warontherocks.com/2020/07/what-should-come-after-trumps-failed-china-policy/.

Second, Washington could attempt to re-negotiate the trade deal being discussed in January which would, among other things, lift certain tariffs on Chinese goods. Washington signaling to China they are prepared to institute better trade deals would be a starting point to repairing relations among the two and hopefully ameliorate the current bitterness between Washington and Beijing.

Conclusion

While Washington's response to the growing China-Iran alliance, especially with a presidential election on the horizon in less than four months, is unclear, American policymakers ought to be concerned. This could have massive security and economic implications for Washington and if they do not play their hand correctly, it could end in a definitive and stalwart anti-American partnership between China and Iran.