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Report – Panel Discussion

“China-Iran Deal: Prospects for Pakistan”

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The Centre for Afghanistan, Middle East & Africa (CAMEA) at the Institute of Strategic Studies Islamabad (ISSI) hosted a Panel Discussion on ‘China-Iran Deal: Prospects for Pakistan’ on June 10, 2021. The panel of experts included: Dr. Syed Qandil Abbas, Assistant Professor, School of Politics and International Relations, Quaid-i-Azam University Islamabad; Dr. Ali Ahmadi, Tehran based scholar and analyst of Economic Statecraft and US Foreign Policy in the Middle East; and Dr. Talat Shabbir, Director, China Pakistan Study Centre (CPSC), ISSI. In addition to these panellists, Ambassador Aizaz Ahmad Chaudhry, Director General, ISSI and Ambassador Khalid Mahmood, Chairman Board of Governors, ISSI also took part in the discussion.

Ms. Amina Khan, Director Centre for Afghanistan, Middle East & Africa (CAMEA), ISSI, opened the session. She mentioned that signing the ‘Comprehensive Strategic Partnership’ is a major milestone in China-Iran bilateral relationships. It came at a particularly difficult strategic moment for both countries as they navigate tensions with the United States. While the contents of the document of the deal have yet to be made public, it is believed that the clauses are similar to the previously leaked draft. According to the 18-page long document, the multibillion-dollar deal encompasses cooperation in diverse fields such as banking, agriculture, industrial & infrastructure development, defence and telecommunications. Proposed projects also include free trade zones in northwestern Iran, she highlighted.

Probably the most crucial aspect of the deal appears to be the proposed defense cooperation framework, which includes cooperation through joint trainings, research & development, and intelligence sharing, she said. Meanwhile, in an effort to secure its cyberspace from recurrent Israeli and American intrusions, Iran has also agreed to China’s proposal to establish Chinese supported 5G telecommunication network infrastructure in the country. In return, China will benefit from a secure and constant supply of Iranian oil at discounted rates for the next quarter century, she emphasized.

Iranian leadership has termed China as a friend of difficult times, and now, when Iran is struggling to respond to economic pressures in the face of continued US sanctions, China’s decision to up-grade the relationship presents an economic lifeline. She said that it is needless to say, the latest expansion of the multi-billion-dollar Belt and Road Initiative (BRI) will give enough relief to a downtrodden Iranian economy while providing China with a strong foothold in

the Middle East. She concluded her remarks by saying that while the whole world closely follows the progress in expanding China-Iran ties, no one is more eager than neighbour to both Iran and China — Pakistan, which has direct political, economic and security interests, and will also be the country benefitting most from the expanding cooperation in its immediate neighbourhood.

Ambassador Aizaz Ahmad Chaudhry, Director General, ISSI said that very little is known about this deal. Strategically, it appears as a natural partnership between Iran and China based on their shared relations with the United States and their prospective collaboration in energy and investment exchanges. While talking about the impacts of the deal on Pakistan, he mentioned that instability in Afghanistan and the friction between US and parties of the deal will also affect the arrangement. Given the requirements of China- Pakistan Economic Corridor (CPEC), it is important to focus on the Baluchistan province which will help and give impetus to business activities not only between Pakistan and China, but with Iran as well. In addition, Pakistan also can be a strategic partner in this deal as China and Pakistan are already engaged in multiple projects. Further, Iran and Pakistan have many areas of interest and cooperation yet to be explored and materialized on priority basis.

Dr. Syed Qandil Abbas presented his overall analysis of the recently signed China-Iran deal. He acknowledged the China-Iran deal as a major milestone. He outlined how China is increasing its foothold in the Middle East both economically and diplomatically. He mentioned that China's trade volume with the Middle Eastern countries has significantly increased from \$227 to \$294.4 billion since 2018 to 2019. In this broad strategic backdrop, this deal of \$400 billion can be considered as a bailout economic package for Iran. Moreover, it will support the Iranian economy and it will also help lessen the negative effects of US sanctions and pressure from salient European countries. He added that China is advancing its BRI vision and China Pakistan Economic Corridor (CPEC) routes may easily connect Iranian borders, coastlines and maritime infrastructure. Further, this potential trilateral framework will lessen the momentum of Indian hegemonic designs in the region. Hence, peace and economic prosperity will be an immediate outcome of this deal.

While giving his overall analysis about the deal, Dr. Ali Ahmadi said that the deal includes many things, ranging from health sector to defence. Although, the deal will take years to be materialized because of many impediments, but the business-to-business relationship can speed up multidimensional engagements, he added. He opined that Iran is pushed into a corner by American pressure, which has led Iran to look towards East and finally it found common ground with China. Now, it is better for both countries to set their priorities for materializing the full potential of the deal, he said.

Dr. Talat Shabbir also gave his overall analysis about the deal. He said that the China-Iran deal is a significant development in the region. It has both economic and security components. He was of the opinion that three major aspects of the deal in the US viewpoint are; first, this deal is signed between two US adversary states and it will have security implications in times to come. Second, US and China are trying to increase their sphere of influence in the region, particularly in the Middle East. Third, China is helping Iran to come out of the adverse economic situation and security environment which the US itself has created.

Dr. Ali Ahmadi responded the question about US sanctions on Iran and the prospects for the revival of JCPOA in the light of the reaction and warning of U.S. State Department that China would be “undermining its own stated goal of promoting stability and peace” by defying U.S. sanctions and doing business with Iran. He opined that no doubt US is not only against this deal, but it also undermines China’s BRI vision. Furthermore, Iran is a target of US in the Middle East; therefore, it will act in coordination with its regional allies. Contrary to this situation, China has the potential to play its role at different forums to undermine the significance of US sanctions on Iran reciprocally.

Dr. Syed Qandil Abbas described some of the prospects for Pakistan from this deal. He said he foresees China-Iran-Pakistan working more closely together particularly through a possible trilateral framework resulting and excluding India from this emerging relationship. He pointed out that potential trilateral partnership can enhance the chances of cooperation and this will ultimately challenge Indian hegemonic designs in the region. He was of the view that Chinese engagement will bring prosperity to the region and can help in conflict resolution. He suggested that Pakistan’s priority should be having progress on Iran-Pakistan gas pipeline project from both

sides. The presence of Chinese interest in the region will help to facilitate its completion. He pointed out that border security along Iran-Pakistan and India-Pakistan borders is very crucial in this regard, when China is bringing a very huge amount of investment in both countries. So that terrorist networks could not hurt the speed of progress of many projects. He concluded that both the global and regional order is pushing China, Iran and Pakistan to have a certain trilateral framework for advancing their economic interests.

In the light of growing China-Iran relations, Dr. Talat Shabbir reflected on how this deal will affect Indian investment in Iran overall and particularly at Chabahar port. He said that Gwadar and Chabahar ports are sister ports and will complement each other, if China-Iran-Pakistan consider the opportunity of having a trilateral framework. Further, China can develop Chabahar port as an important and strategic commercial port similar to Gwadar port. At the same time, India is realizing that its broad regional objectives are being undermined by the comprehensive shared understanding of China, Iran and Pakistan. So, it will not remain silent he emphasized

While expressing his opinion upon the possible regional dynamics of the Middle East and likely reaction of GCC countries on this deal, Dr. Ali Ahmadi said that although GCC countries are generally aligned with the US, but they cooperate in many aspects with Iran and vice versa. Further, China is also putting its efforts to calm down the tension between the regional powers. That is why Iran is (somehow) more of a natural partner of China than GCC countries, where China also has very huge investments, he compared. Despite having very deep relations with Iran, India also belongs to US camp. He mentioned that Chabahar port will be an issue for India, because this deal will ultimately undermine India's influence, as many investments which were promised from the Indian side have not yet materialized. So, the compromised behaviour of India does not fit with economic vision of Iran. Therefore, India is less likely to be taken serious at this stage.

Dr. Syed Qandil Abbas responded to the question relating to greater collaboration between Iran and China particularly in post-US-withdrawal from Afghanistan. He stated that the Afghanistan issue was prolonged by non-regional players and they are continuously dominating and exploiting the situation. The issue can be resolved "only" at a regional level. Iran has good relations with Persian speaking population and Northern Alliance and Pakistan has contacts with

Pashtun regions. Further, China has established good relations and economic ties with the Government in Afghanistan and brought many projects there. So, here again the trilateral cooperation will help to bring composite international pressure for bringing peace in Afghanistan and urge the foreign forces to leave the region, he emphasized.

Dr. Talat Shabbir was of the opinion about China is going to replace Western sphere of influence in the Middle East. He said that shift in sphere of influence cannot be observed overnight. It takes time, as US took time almost equal to a half century since WWII. Further, such kinds of influence include political, economic, diplomatic, and technological in nature, but factually China is mostly bringing economic and technological investments in the region. Therefore, it might not be right to say that China is replacing US in the Middle East, but China is creating competition between regional and global powers to share their influence in the target region. He added that the deal is not an easy task for China itself, because Iran is either partially surrounded by war torn countries and US has its defence infrastructure there or Iran is surround by US influenced states in the region. Further, internationally sanctioned Iran might create some problems for China, because it has to go out of the way while engaging Iran at regional and global arena.

Dr. Ali Ahmadi was of the view about possible mediating role of China as it has investments in both KSA and Iran. He mentioned that China is generally less likely to be inclined towards mediation between Iran and Saudi-Arabia, which might be because of the complex regional security architecture of the Middle East. He added that China has already declined the invitation for playing its key role in the Syrian and Yemeni crises. Contrary to these facts, it has capacity to calm down the hostilities through engaging (at least) these countries in economic cooperation and creating maritime dependencies upon each other, he mentioned.

While commenting upon the Chinese interest in completing the Iran-Pakistan pipeline, Dr. Syed Qandil Abbas said that China has the will and capacity to complete it. He added that the gas pipeline project is not only in the interest of Iran and Pakistan, but China also wants to bring the pipeline at Chinese borders. Further, Chinese efforts for having multiple alternate routes for energy supply, communication networks and transportation mechanisms can also be fulfilled by avenues of CPEC and this futuristic gas pipeline project(s). The problem is that parties of the

project(s) are hesitant because of US sanctions on Iran. If, Iran could revive the JCPOA in coordination with the new US administration, this could be finest opportunity for all players to get fruits of these game changer projects, he believed.

Speaking about whether the proposed military cooperation between China and Iran might lead to the possibility of Chinese military presence in Iran, Dr. Talat Shabbir was of the opinion that China does not behave like US. The deal itself carries a portion of content regarding bilateral security cooperation. Then, the deal can find many alternatives and substitutes against the option of having Chinese military base in Iran, he mentioned. In his response to a similar question, Dr. Ali Ahmadi fully endorsed the comments of Dr. Talat Shabbir and added that the military presence of China in Iran is not acceptable to the people of Iran, but that does not rule out bilateral military cooperation. Iran-Russia military cooperation for resolving Syrian problem can be taken as an example of a similar cooperation. Further, China is not worried about US military presence in the region, because it is not proactively hurting Chinese interests there, except rising hostilities in the Pacific region and South China Sea. Even, this issue can be resolved through organizing military exercises and promoting arms trade, he said.

With the US sanctions in place, Dr. Syed Qandil Abbas described the future prospects for Iran-Pakistan bilateral trade. He mentioned that upcoming elections in Iran, the possible revival of JCPOA, and likely lifting US sanctions on Iran can play as some of the determinants of this vision. He was of the view that US has learnt that sanctions did not limit the role of Iran, but it extended its possible problematic presence in the entire Middle East. So, lifting sanctions mean, limiting the revolutionary political role of Iran. Then, the future of bilateral trade will be bright and China also can be included in this engagement, he emphasized. Dr. Ali Ahmadi agreed with the comments of Dr. Qandil and he added that possible revival of JCPOA will not lift all sanctions from Iran. Further, bilateral trade in US dollars and the critical role of IMF are challenges for Iran, but things will take their way if Iran really gets out from a large number of US sanctions, he believed. Dr. Talat Shabbir added his views upon the same issue. He emphasized that lifting sanction is really a determinant for Pakistan. Furthermore, both China and Iran did a lot of homework before signing this deal. Therefore, Pakistan can find 'some' opportunities in great power competition (between China and US), but must be ready to face some challenges at the same time, he added.

In the presence of CENTCOM and US naval infrastructure in the Gulf and North Arabian region, Dr. Ali Ahmadi opined about the future of peaceful maritime patrolling. He said that it is difficult to say because Obama Administration turned the American focus towards Pacific and East Asian regions, but Trump Administration revived the great power competition almost on all fronts. Hope Biden Administration will (likely to) limit this friction and priorities some of the areas of competition with China, or there might be other Gulf states take an advantage and prepare a new framework for lifting (at least) trade related barriers, he mentioned.

While giving answer to the question about pressure of new US Administration over Iran because of signing deal with China, Dr. Qandil Abbas emphasized that Biden administration has soft perspective towards Iran. So, the signs for possible revival of JCPOA, organizing secret meetings and opening track II channels for convincing Iran to enter in the world politics (rather than further isolating it), and tilt of GCC countries for normalizing their relations with Iran, are signals of limiting tensions from all sides, but the emerging conflict of interests and upcoming alternatives are hurdles to make it happen, he highlighted.

Dr. Talat Shabbir opined about Iranian gas pipelines passing through CPEC routes to China. He said that it is another important aspect of CPEC, where other countries are going to directly invest in Pakistan based infrastructure development. So, this aspect of BRI will encourage more countries to invest in mutually beneficial sectors. In reply to the question about security and slow progress in CPEC projects, he mentioned that open international opposition to these projects and terror financing of India is no longer hidden to anyone. Despite many challenges, our armed forces and other law enforcement agencies are doing their best job for overcoming the existing and emerging security challenges. Further, Chinese pace of working is very fast and exemplary, so (while working and moving forward) we (Pakistan) are in the learning process (too) and doing our best efforts to build our capacity to meet the possible deadlines, he emphasized.

Speaking about chances of Iran to be member of SCO Dr. Qandil Abbas said definitely it will have its impact on the target development, because Iran is speedily fulfilling the recommendations of the organization. If this happens, then these countries would have opportunities to have a very comprehensive trilateral framework at one of the most effective

international forums. Further, the declining significance of SAARC organization and increasing frustration of India will benefit China more and Pakistan (and to some extent Iran) for lessening the impediments of counter forces of BRI. Here Dr. Ali Ahmadi endorsed the comments and views of Dr. Qandil Abbas and he added that this possible development have long lasting positive impact on (at least) likeminded countries.

Dr. Talat Shabbir spoke about the supposed paradox that Chabahar port could be a competitor to Gwadar Port in near future. He said that we should see them as complementing each other rather than raising needless competition between two brotherly countries. Dr. Ali Ahmadi agreed with the constructive remarks of Dr. Talat Shabbir. He added that both ports strengthen our bilateral to trilateral relationships. Dr. Qandil Abbas also agreed with the positive views of both panellists. He also added that it is India and West, which project and propagate this conflictive perspective that both ports are in competition with each other. He emphasized that both ports are neither far from each other nor there is an obstacle between economic visions of any of these countries to stop them complementing each other.

While giving his concluding remarks in the session, Ambassador Khalid Mahmood, Chairman, Board of Governors of ISSI, appreciated the constructive remarks, productive discussion, and very interesting views of the panellists. About the deal, he cautioned against over-enthusiasm regarding the deal. He viewed it as a comprehensive road map for the future, which includes open-ended scope of economic, political, diplomatic and security cooperation between target countries. He added that some of the perception managers opined that Chinese presence in the Middle East tried to create a balance with US by disengaging herself from US allied (and US applied) forces to drag (and retain) China in South China sea and in the Pacific region (only). He emphasized that we should not focus upon just this bilateral deal, but we must consider some other deals of China signed with Arabian Gulf countries including Saudi Arabia, UAE etc. He further said that he did not expect China to play a proactive role in regional politics particularly mediation between Iran and Saudi Arabia, but keep it limited to the economic cooperation.

He added, I believe that this deal would enable better Iran-Pakistan ties by upsetting Indian influence in the region. He welcomed the China-Iran deal and envisioned better prospects for all three countries- China, Iran and Pakistan.