China and Iran: A Major Chinese Gain in “White Area Warfare” in the Gulf

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The most important news this weekend may have had nothing to do with Covid-19 or most media headlines. China may well have made a major new strategic gain in the Gulf on Saturday, and one that gives it great influence in the MENA region as well as major new leverage in competing with the United States. The New York Times reported on March 27, 2021, that China’s Foreign Minister Wang Yi and Iran’s Foreign Minister Javad Zarif signed the investment agreement with Iran.¹

The terms of the agreement were not made public, but it seems to be largely economic.² It seems to call for Chinese investment of $400 billion in Iran over a 25 year period in return for lower Iranian petroleum export prices. An earlier draft called for Chinese investment akin to some 100 projects, and the New York Times reported that they would include key infrastructure programs like airports, high-speed railways and subways, free-trade zones in Maku in northwestern Iran; projects in Abadan, where the Shatt al-Arab river flows into the Gulf, and on the island Qeshm in the Gulf. The agreement also may lead to a major Chinese investment in Iran’s petroleum sector, both to modernize existing facilities and to expend oil and gas production.

Even if the agreement has no immediate military impact, it represents a major shift in strategic attitudes and lays the groundwork for such cooperation in the future. Foreign Minister Wang made it clear during his meeting with Iran’s President Hassan Rouhani that, “China firmly supports Iran in safeguarding its state sovereignty and national dignity.” He also called for the U.S. to remove all sanctions on Iran, as well as to “remove its long arm of jurisdictional measures that have been aimed at China, among others.” Zarif, in turn, described China as a “friend for hard times.”

Some reports also do indicate that the negotiations at least discussed the need for new forms of military cooperation in areas like military assistance, military training, and intelligence-sharing. The UN agreement that prevented Chinese and Russian arms exports to Iran also has now expired. This opens up the potential for joint military exercises and future major arms transfers, and it does so at a point where China’s new weapons, missiles, and aircraft are making Chinese arms exports a far more attractive arms exporter than in the past.

Yet, even if China does not build on the agreement to create a major new military role, such an economic agreement would still be a major new step in what might be called China’s “white area warfare.” Like so many other aspects of China’s “belt and road” economic measures, it would give China at least as many strategic advantages as would overt military actions, new military bases, or new arms sales.

Even a purely economic agreement gives China a major new role in the entire Persian/Arab Gulf. It sharply undermines U.S. efforts to use economic warfare to put “maximum pressure” on Iran, and it instead turns such U.S. efforts into ways that allow China to gain a steadily greater economic and strategic presence in Iran.

At a minimum, it also gives China massive new strategic leverage in the Gulf region and in the area that controls 20% of the world petroleum supply, which is most critical to Asia’s petroleum imports. No Arab Gulf state can ignore the fact that it expands China’s influence in ways that give China far more potential military leverage over the Gulf as well as the potential to link its interests to an expanded new role in Iraq and new links to Russia and Syria.
No Gulf state – or outside power – can now ignore China’s growing role in the Gulf, and no Arab state can deal with China without considering the risks that China can expand its military ties to Iran. No Arab Gulf state can ignore the fact that the agreement was signed after Wang visited Turkey and Saudi Arabia, but before Wang visited Bahrain, the UAE, and Oman; or the fact that the agreement is talking about a Chinese role in reshaping the JCPOA and having China play a greater role in negotiating an agreement between Israel and the Palestinians.

No regional state can ignore the fact China has acted at a time when the U.S. was cutting its military presence in the Gulf region, and when U.S. force cuts were raising serious questions regarding America’s future military ties to its Arab strategy partners.

The agreement gives China potential access to Iran’s new port and naval base at Jask, which is located outside the Gulf on Iran’s Indian Ocean coast. It counters India’s efforts to develop Iran’s port and new petroleum pipeline and oil export facilities at Chabahar, and it hinders India’s role in helping Iran create better road and railroad access to Central Asia.

A greater Chinese role in Iran gives China a stronger potential role in exploiting its ties to Pakistan and in its investments in Pakistan’s ports and transport routes to Central Asia and China – countering the “Quad” in the process. It gives China more ability to exploit the new naval base and port facility that it has established in Djibouti on the Southern coast of the Red Sea as well as to exploit what it has learned about power projection though its role in the anti-piracy force outside Somalia.

Moreover, unlike American and Russian power projection in the region, this form of “white area warfare” allows China to expand its influence at a profit. China may well gain at least as much as it spends from its investments in Iran, the lower oil prices, and its gains from any Arab Gulf efforts to create incentives for China to limit its military ties to Iran.

Most importantly, China has changed the strategic chess board on a global as well as a regional level. The U.S. is now focusing on direct military confrontation with China in the Pacific. China is playing at a global level, and it has just shown that it can exploit the narrow way that some in the U.S. focus on actual fighting in one part of the world. There also is no clear way to know how far this particular move will affect the game in the future. It may stay largely economic, but it opens up many new future military moves in the future. Put simply, it is a serious warning that China may be playing three dimensional chess while the U.S. is attempting to win at checkers.

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