

China-Iran Trade Relations: Analyzing the US Factor

By

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Abstract:

As for as oil politics is concerned in the Middle East, it is one of the main sources for economic growth as well as improving the energy demands of the financial sector. So, oil has become the main theme of international economy in its particularity. Henceforth, the great nations established their diplomatic ties with oil rich countries in the Arabian Peninsula and other Middle Eastern nations for seeking oil reserves such as USA, France, UK and China. Furthermore, Beijing has settled its diplomatic relations with Tehran in accordance with the political, social and economic spheres on different times and occasions in the region. Thus, oil is the main generating tool of the industries, factories, land and aerial transportation. By virtue of digital age, the demand for oil resource is entirely boomed in global financial market. Not surprisingly, this era is considered as the period of dependency in the world politics. Any nation cannot get improvement without oil reserve in national economy particularly and in international economy generally. Therefore, oil resource is the juggernaut of the world economies. The Peoples Republic of China is keenly interested to make its presence in Tehran to import oil as well as to supply its products through the Strait of Hurmoz to the African states.

Keywords: Oil resource, Oil politics, Built and Road Initiative, USA, Germany, China, Iran, July Accord.

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Introduction:

Oil is the main and very important natural resource in the world. It is the dire need of the industrialized and digitally based nations. Henceforth, oil was discovered in 1908 in the Middle East by US explorers. Therefore, Middle East is considered as the most oil rich region in the globe. By dint of huge oil reserves in the Middle East, it can play its vital role in the world politics. In addition to it, the major powers are keenly interested in making their availability in the Middle Eastern sphere as early as possible. (Howard, 2015)

Since the First World War was fought (1914-1918) between great powers, it has entirely changed the map of world politics from its real shape. Thus, the developed and strong nations of the world wanted to make the poor nations their colonies to exploit their natural resources for boosting their national economy so that era was defined as the era of militarization and colonization in the world politics.

Accordingly, the power politics was introduced in the globe. Not surprisingly, Middle East has become very valuable region in the eyes of great powers as it is the richest natural resource area in the world as it is discussed as the center of gravity for its geographic and geopolitical location in the world. (Howard, 2015)

As for as oil is concerned, it is the main theme of national economy, particularly, and for international economy generally. So, the major nations are making their settlement with Middle Eastern nations in accordance with their interests. Thus, their engagements can create the atmosphere of political corruption in the region. Eventually, another world war was fought among great powers as called the second Great War (1939-1945) in world politics. (Council on Foreign Relations, 2016)

Both these wars that changed the political as well as geographic shape of the world were fought to impose the supremacy of their respective ideologies upon the others. Besides, these two wars were also aimed at controlling and exploiting the energy resources of the world. Though, oil was not the domineering factor that triggered the war, but the refusal of the Soviet Union in 1945 after the Allied victory to leave the oil wells of Iran bears testimony to the fact that energy resources were a crucial factor in waging these wars. (Council on Foreign Relations, 2016)

The major powers intervene into the internal affairs of developing nations to control their economic policies in accordance with their economic stances

so on the other hand their economic system are of two entirely different types such as the capitalist block and the communist or socialist block. Interestingly, both the blocks have their own economic mechanism to control world economy.

By dint of the new era of economy boosting race great nations changed their controlled based stances over developing countries to introduce the economic imperialism in the international economy. (Esfandiary, 2018)

Whatsoever, Middle East is never ignored by superpowers, therefore, their economy is running by virtue of oil. Eventually, oil has emerged as the pushing tool for digitalized era. Not surprisingly, after the Second World War the major powers changed their foreign policies to make their national economy very strong.

So, they started interference into the internal affairs of developing nations such as in Tehran when Mossadegh the leader of Iran nationalized Iranian oil in 1951. Gradually, other Middle Eastern nations adopted the nationalization policies such as the Arab leader Jamal Abdul Nasir nationalized the famous canal Suez Canal which connects African continent with Europe and it was also main route of trade in the world. Really, the super powers did not want to bear up the nationalization policies so the Arab Israel war of 1967 was fought on account of the external influences in the region. (Esfandiary, 2018)

In addition to, the era of dependency was entirely changed the diplomatic method of world politics. So, the period of modern political philosophy is about to cement ties with natural resource nation on developing its needs.

Thus, People Republic China was also put its heel into that political terminology to strengthen its ties with Middle Eastern region on account of modern diplomacy. Firstly, China settled her diplomatic relations with Cairo in 1956. They changed the shape of their diplomatic ties on account of face shaping of world political atmosphere. (Howard, 2015)

Henceforth, Saudi Arabia became a diplomatic friend of Beijing in 1990. The main theme of establishing diplomatic ties of China with Middle Eastern nations is to gain energy security. According to a Chinese scholar 60% of Beijing is depended on oil resource.

With the passage of time the global political scenario changed its policies. By dint of 9/11 incident the political atmosphere became in turmoil situation. So, the major powers are never wanted to see other developed

nation in rich natural resource region. Thus, Beijing wants to counter the presence of White House in the Middle eastern region on account of to achieve its energy demands to fulfill its economic needs. (Esfandiary, 2018)

The main agenda of China diplomacy to make available its presence in the Middle Eastern region. On the other hand, Washington is already made her availability in that region. So, White House is also present in South Korea. But the diplomatic relations between China and Middle Eastern nations divided into phases.

The first phase started from 1949 to 1955 in that era Beijing remained neutral over Turkey and Syrian issues. Thus, the second phase opened from 1956 to 1966 in that time Jamal Abdul Nasir of Egypt introduced the Nationalization policy of Suez Canal in 1956 so that was considered as the anti-west based policy in the region. (Esfandiary, 2018)

Thus, his nationalization stance was fully supported by China. Furthermore, in 1958 USA intervened in Lebanon and on the other hand UK disturbed the internal affairs of Jordon so China opposed as such steps in the regional politics. Therefore, Beijing termed Israel as the tool of imperialistic policies.

The third era of diplomatic ties dawned from 1966 to 1976 so that time was called the era of culture revolution. Thus, the diplomatic wheels of Beijing jumped with outside world. The last era is called as the ongoing period it would be defined as less ideological and much modernized time in world politics. (Baylis, 2005)

History of China-Iran Relations:

The Sino-Iran relations are not something new to the world. They were also on good terms in the ancient world. The ancient silk route had brought them together and Chinese merchants used this route to establish contact and trade with the ancient Persia.

With the passage of time and amid the rise and fall of different empires and dynasties in China and Persia, the relations gradually faded and they remained dormant for centuries. However, the relations again saw a bright side in the modern times, especially after the Second World War. The real booster in the mutual ties was seen in 1979.

The diplomatic relations of China with Iran are of ancient nature due to the ancient silk route. However, the modern relations started in the wake of the

Islamic Revolution of 1979. It must not be surprising that the Islamic revolution of one country can inspire China to establish diplomatic ties; in fact, the main reason behind the start of these relations was the hostage crisis of 1979. (Smith, 2007)

The hostage crisis of 1979 in which the students from the University of Tehran kept the officials within the US embassy hostage for 444 days which culminated in the permanent cut off of the diplomatic ties between USA and Iran was the focal point of start of Chinese interest in this country. (Smith, 2007)

Trade Relations:

From 1974 onward, China had started to gradually switch its economic reliance from coal to oil. Therefore, the oil needs bumped during the 1990's which drove these countries even closer for Iran could supply China with the required demands. (Buzan, 2006)

The trade relations at the starting point were normal as the bilateral trade volume was 1.6 billion dollars during the 1980's, but it began to grow fast. In 2001, the trade volume was 3.3 billion dollars, but by 2015 it had reached up to 45 billion dollars. The economic sanctions did affect the economy of Iran, but the trade continued. (Jaffe, 2018)

China, in the current time, has extended political and economic support to Iran since the US sanctions were imposed and has stood by Iran on all the political and diplomatic platforms around the globe. Oil has been and will remain as the major area of their relationship, but China has so far proven a cordial and trusted partner. (Jaffe, 2018)

Impact of BRI on Trade Relations:

The Belt and Road initiatives are the new phase of economy growing policies in the world politics these days. So, each nation wants to make its approach to the Belt and Road initiatives. Henceforth, Tehran is interested to be a part of this new economy improving phase to build up her economic strategies with international politics.

Thus, it will boost up economic power in the region. On the other hand, People Republic China is entirely wished to gain empowerment at the global market by dint of Belt and Road initiatives. This economic partnership both the nations can create major opportunities in the region particularly. (Peter, 2015)

Whatsoever, USA is decreasing its oil reliance on the region. So, White house is already made its presence in the region. It is the main ally of Saudi Arabia and Israel in the Middle Eastern region. In addition to, China is the main importer of Tehran oil. Iran is located at the main and attractive part of the region. By dint of her geographic location Tehran connects Europe via Turkey. Thus, it will be an open door to Belt and Road initiatives to other regions. (Anderson, 2013)

China is one the major powers that want to cement its trade diplomacy and ties with Iran on account of improving its economy. So, Beijing is a nuclear power and also a veto power in the UN Security Council while Tehran is a resource rich state in the world. Both the nations want the policy of win-win progress so it will be possible by virtue of regional stability and mutual cooperation between them. (Journal of Contemporary China, 2019)

Chinese representatives have endeavored to draw linkages between the BRI and Vision 2030 plans, in spite of the fact that worries over murky Saudi government guideline may confine Saudi-Chinese participation. Additionally, the Trump organization's evident ability to introduce a nuclear manage the kingdom likewise may have made an influence point to support America. (Foley, 2018)

US Withdrawal from JCPOA:

The United States of America changed her policies on Iranian nuclear program in 2015, thus, extended sanctions on Iran for a decade on December 1, 2016. On the other hand, Tehran termed USA that approach as the violation of JCPOA (Joint Compressive Plan of Action) which was signed by six major powers. The Trump administration presented new methods on Iran to count Iran and her business partners in the region.

So, white House has threatened other companies do not import and export with Tehran. But on the hand Iran is looking at the other side of the world to develop her diplomatic, economic, political and military relations with China. Not surprisingly, Beijing is the main part of economic competition race in the competitive global market therefore China has become friend of Iran.

In accordance with this research from 2000 to 2014 export leaped from 4% to 49 that was mostly crude oil and import jumped from 5% to 45% between them. (Young, 2017)

Gradually, Washington is enlarging its sanctions on Iran and also announced that any nation should not buy anything from Tehran after 1 May. So, Beijing is the world largest oil importer and also a major buyer of Tehran oil. (South China Morning Post, 2019)

The major powers are keenly interested to solve this issue through negotiations. But the Trump administration wants to build up threats on Iran on account of her nuclear program in the region. Henceforth, White House has witnessed more and more disturbances and also internal opposition from its population.

Recently, Beijing has brought about its own network of financial channel and institution that could allow the Chinese to pay Iran in its currency than Yuan. (Jaffe, 2018) So, the western based approach declared that the Iranian nuclear program is not about electricity purpose. But Tehran rejected their stances on nuclear agenda so Iran often announces that her nuclear program is about electricity purpose.

Thus, China wishes to resolve this problem peacefully through dialogue and negotiations. Furthermore, the policies of sanctions and military means will not fundamentally address the issue. So, it is the dire need of time to resume talks and to create friendly atmosphere in the region. (Maostafavi, 2012)

In spite of the fact USA has renounced this deal, all the other powers who were involved in the deal like the veto powers plus Germany do not see eye to eye with USA. Germany has not called off its trade with Iran and Russia and China have defended the Iranian case against a US veto in the Security Council. (Jaffe, 2018)

What USA does not realize is the fact that its egoistic and imperialistic designs are not favorable to the other countries. For instance, when the deal was negotiated successfully, many European banks and private investors invested heavily in Iran. Now that USA has renounced the deal and imposed fresh sanctions on Iran, these companies and banks have much of their investment in Iran wasted if they withdraw their money, but they refused to withdraw their money. European and Asian investors are refusing to oblige with USA for their stakes will be at grave peril. (Jaffe, 2018)

China-US Trade War:

The rapidly fast growing economic growth of China has worried USA since the fall of the Soviet Union. China with all the potential to become a superpower is the second largest economy and with this rapid pace, it is just

a decade away from surpassing USA to become the largest economy of the world. USA initiated this trade war with blame over China that it was infringing upon its intellectual rights by violating the Section 301 of the US Trade Act of 1974. (Fortune, 2018)

United States believes that, first, certain Chinese laws counteract intellectual property rights by forcing foreign companies to engage in joint ventures with Chinese companies, in which their new Chinese partners are granted access and permission to use, improve, or replicate their technologies. Secondly, the United States argues that China is not compliant in recognizing legitimate patents and that their policies discriminate against foreign imported technology. (Fortune, 2018)

This trade war proved the last nail in the coffin of the US-China tolerance toward each other since both of them have the potential of supremacy, therefore, they are demonstrating it. However, this trade war has helped Iran gain the confidence of China toward it. Iran was heavily under sanctions which have left the economy into a serious instability. When the trade war began with China, Iran gained the sympathy of China by demonstrating the fact that USA is bent upon knelling down both these countries, therefore, they have to align toward it. (WTO, 2018)

Future Prospects of China-Iran Trade:

In spite of the fact that the US and China are at daggers drawn, the relations of the latter are improving with Iran and the future prospects of their bilateral relations as well as trade appear to be bright.

China is also dependent on the oil producing countries for running its giant industries. Therefore, China has established very deep and cordial ties with Iran. China has played the oil diplomacy very well and countered the propaganda mongering element while also keeping the other major powers like USA, India and Saudi Arabia at bay.

Rebuilding its economy is directly beneficial for China to grab a new market for its furnished products, economic restructuring and infrastructural development is to create a soft image among the government and the public while working on improving its strategic communication and diplomacy is to prepare it to avoid foreign influence and tilt more toward China. The strategic communication means education and upgrading the democratic values.

In this case, a virtually dual concern exists for China. On one hand, it wants to tackle the though low intensity religious unrest of Sinkiang before it

magnifies, on the other hand, in order to ensure the successful operation of the CPEC and the successful linkage of the Central Asian Republics to the CPEC, a peaceful and politically stable Iran is must. It believes in the liberalist approach of paving the way for economic ventures through political dialogue and constructing political stability. (Jeffrey, 2016)

The connection between states is very essential so it is the dire need for the betterment of economic development of any country to integrate and cooperate through institutions. The states can connect with other states and as well as with the world through institutions. However, it was very necessary for China to bring all the states together under the shadow of common interests. So it was essential for China to expand its ambitions. (Kimivaki, 2014)

Conclusion:

An exhaustive and thorough analysis of the article, hence, reveals that China being a giant economic power of the world with its gigantic industrial chain is starving in terms of energy resources; therefore, it is seeking greater cooperation from the oil rich countries, especially, Iran. The reason why Iran and China have become spontaneously cordial toward each other is the swiftly changing political complexity and the nature of their interests.

US rivalries with China over the global supremacy and their growing animosities in the South China Sea region have driven China against USA. On the other hand, more rather similarly, US demonstration of aggressive postulations against the Iranian nuclear program (though a deal was finalized to settle the political disputes and remove the US sanctions against Iran in the July Accord of 2015, but to no avail as Donald Trump with his ascendancy to the presidency of USA renounced the deal) has pushed Iran against the wall.

Therefore, China and Iran are natural allies since both need each other. Iran needs the support of a strong regional power (China being a veto power is a plus point for Iran), on the other hand, China needs an oil rich ally, especially, in the Persian Gulf so it can quench the energy thrust of its giant industries.

The affirmative angle of the given relations is the Built and Road Initiative of China which is a string of 6 major economic corridors around the three major continents, Asia, Africa and Europe. These corridors serve to establish land and marine routes for opening trade of China with the world.

As a matter of fact, China is endeavoring to use one of these corridors, CPEC corridor to establish a trade route with Iran.

One of the main initiatives in the China Pakistan Economic Corridor is to build an oil refinery in Gawadar. The corridor also contains a project to lay a pipeline from Iran's Chahbahar to Nawab Shah of Sindh. Both these projects demonstrate that China is keenly interested in importing maximum level of its oil imports from Iran and the refinery at Gawadar is getting established for the very purpose to refine the imported oil there and then transport it to China.

Hence, it is proven that their relationship is natural and spontaneous and the US policies are responsible for bringing them together. However, the facts cannot be rooted out that their growing relationship will leave deep imprints on the politics of the region, especially, in South Asia with India who does not want to see the deep infiltration of China in the oil rich Persian Gulf and Saudi Arabia in the Gulf region who does not want to see a strong and politically vibrant Iran in its neighborhood.

However, it yet remains to be seen on the part of India and Saudi Arabia that how they respond to this relationship, though, Pakistan has warmly welcomed it and perceives it necessary for the success of CPEC. Thus, China-Iran mutual dependence and cordiality of the ties are a good omen for us which can help transform CPEC truly into a game changer.

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