

BOOK REVIEW

China and Iran Readjust Relations: Economic Implications of the Suspended Nuclear Deal

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There is a debate as to whether Donald Trump's decision in 2018 to withdraw the US from the Joint Comprehensive Plan of Action (JOCPA) actually managed to delay Iran's race toward developing nuclear weapons. Yet, there is more agreement among policy watchers that his move wreaked havoc on the Iranian economy. Much of this fairly persuasive and well-written book is dedicated to the ways and means China positioned itself to become an indispensable trade partner for the Islamic Republic before and after Trump's decision. Drawing mainly on Western sources, as well as a valuable spattering of Farsi and Chinese ones, Azad offers seven more-or-less thematically constructed chapters, starting in 2005 when the Iranian nuclear programme became a "hot button" issue of international politics.

Chapter one sets the stage for Iran's predicament before and after JOCPA. In chapter two, the author focuses on major changes to the Sino-Iranian crude oil trade, arguing that China continued to import oil from Iran despite the sanctions including through subterranean methods. Chapter three is broadly about banking arrangement between China and Iran, where the author describes Chinese performance as mixed. In chapter four, Azad shows Chinese investment in Iran in recent years has been diminishing. On the other hand, in chapter five he shows an uptick in technological transfers from China to Iran in some sectors. Chapter six explores the increasing role of Chinese automakers in Iran in recent years but argues that many critics of that role remain in Iran. In chapter seven, the author finally argues that Iran's non-oil exports to China have remained modest.

In 2018, Trump's unilateral decision was rebuked by even the UK and Japan. It was tipped that as a result Sino-Iranian relations would get "turbocharged," but as Azad shows these relations in effect became "lopsided" (p. 8). So, despite the 25-year strategic agreement signed between Beijing and Tehran in 2021, there was alarm in some quarters in Iran about growing dependence on Chinese auto parts (pp. 31, 34). The JOCPA era for example saw a diminished presence of the Chinese car industry in Iran, but that changed during the Trump era (p. 10). This was not least because Iran's purchasing power had dropped significantly during the Trump era, as Azad notes.

What needs to be stressed to readers more robustly is that when JCPOA was signed in July 2015 it had a dramatic positive effect on the oil trade between Tehran and Beijing. Here (p. 19), it would have been beneficial to mention the "Asianization" literature that explains how East Asia as a whole has become reliant on Middle East – including Iranian – oil.

However, China is less vulnerable (p. 20) than Iran because it can import large quantities of oil from Saudi Arabia, Angola and when need be – or when prices are down – from Russia too. On the other hand, in 2021 almost 26 per cent of Iranian oil ended up in Chinese ports (p. 25). This is why perhaps bartering Iranian crude oil for Chinese commodities has become very important in recent years (p. 31).

Circumnavigating sanctions by Iran has also become important, for example by selling steel to China through a third country, wiring the proceeds to a bank account registered in China and then transferring the accumulated funds to Iran using “intermediaries” outside China (p. 47). The Chinese Bank of Kunlun has become notorious for such transfers. More broadly, China and Iran have varying degrees of interest in pushing back against the “bully” (*sic*) US dollar (pp. 54, 57). In this context, John Kerry went as far as declaring the US dollar would cease to be world currency if the US walked away from JCPOA.

As Azad notes, the Chinese have been investing in Iran cautiously, the 25-year agreement notwithstanding. Xi’s Belt and Road Initiative announced in 2013 accelerated Chinese investment in Iran on paper; investment was then materially boosted only by announcement of the JCPOA in 2015 (pp. 69–70). The total value of Chinese investment contracts with Iran then plummeted from US\$3.1 billion in 2019 to only US\$57 million in 2021 (p. 72).

At present, as the author argues, the Chinese are waiting for a major breakthrough in the multi-lateral nuclear negotiations with Iran before they resume large scale investment (p. 75). What is worth remembering here is that Jiang Zemin back in 1997 had given up Chinese assistance to Iran’s nuclear programme in return for improved ties with the US (p. 85). Earlier, in 1991 the Chinese had quietly provided the Iranians 1.8 tons of uranium ore (p. 87). Yet, American pressure on China to constrict its dealing with Iran increased in the Trump era, with sanctions on ZTE and Huawei a particular case in point.

Despite the ban on Iranian oil exports during the Trump era, Azad argues that imports of Chinese auto parts, mobile phones and home appliances rose due to their affordability (p. 96). Indeed, during the Trump era, the Iranian car industry morphed into a “Chinese garage”, even though Chinese automakers had only 15 years of operational history in the region (p. 104). To be sure, many Western, Japanese and Korean brands left the Iranian car market altogether.

When the JOCPA was signed Chinese cars proved very unpopular. But as the author notes, the stringent sanctions later touched off joint ventures between Iranian and Chinese automakers (p. 110). The decision to buy Chinese-made, semi-Iranian-built cars in the Iranian market was driven by the high price of Western alternatives like Peugeot (p. 115), and also by the fact that Chinese models offered availability of spare parts despite the sanctions, as well as post-sale service. On the other hand, as Azad shows, some vocal critics of Chinese cars in Iran blamed them for a low quality that was resulting in high road-accident death tolls (pp. 116–117).

If the Trump sanctions resulted in increased Chinese exports to Iran (e.g. mobile phones, cars, house appliances), fewer non-oil Iranian products (e.g. carpets, dried fruit) were now sold to China (p. 130), the author argues. In that sense, the Chinese have a leg up over their Iranian trade partners.

In summary, this volume makes for a coherent analysis of the political economy of China–Iran relations over the last few years. This is based on interesting though fairly rudimentary data. The volume will likely interest academics and students. It is a solid contribution to the literature on China’s relations with the Middle East.