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Related Categories: Democracy and Governance; International Economics and Trade; Resource Security; China; Middle East; Pakistan; Southeast Asia

CHINA BETS ON IRAN FOR BELT AND ROAD SUCCESS IN MIDDLE EAST

On July 11th, the *New York Times* released details of a pending China-Iran deal that would establish a strategic partnership between the People's Republic and the Islamic Republic. If enacted, the deal would guarantee \$400 billion of Chinese investment over 25 years, making Iran the new crown jewel of China's One Belt, One Road (OBOR) initiative. Because of Iran's unique geopolitical real estate, it offers Beijing strategic gains along both OBOR's land and sea routes. The agreement reflects this advantageous position, encompassing projects in everything from transportation and telecommunications infrastructure to port access, particularly at Jask and Chahbahar. In return for its investments, China would receive discounted petroleum shipments from Iran over the next quarter-century.

Of additional note is the potential for full-spectrum military cooperation between Beijing and Tehran, ranging from joint exercises and intelligence sharing to cooperative research and weapons development. Port access for the People's Liberation Army Navy in the Strait of Hormuz underscores the geopolitical significance of the deal. If ratified and implemented, the Chinese Navy will be operating in concert with Iranian (and possibly Russian) forces within close proximity of the U.S. Fifth Fleet, which is stationed in Bahrain. China, moreover, appears intent on moving ahead with the agreement despite the significant risk of sanctions against Chinese companies for partnering with their Iranian counterparts. (*New York Times*, July 11, 2020)

FIVE EYES CONSIDERS ECONOMIC PACT, EXPANDING MEMBERSHIP

As governments around the world grapple with the economic fallout of the coronavirus pandemic, the Five Eyes alliance - a highly secretive multilateral agreement among the United States, Britain, Canada, Australia, and New Zealand - is already making plans to expand the scope of its activities, and possibly its membership as well. Political leaders in Australia have suggested a trading bloc among member-states to lessen collective dependence on China for personal protective equipment (PPE) and rare earth minerals. The former harkens to China's hoarding of PPE in the initial months of the pandemic, and the latter reflects heightened sensitivity about Beijing's willingness to leverage economic production for geopolitical ends. A parallel discussion within Five Eyes, meanwhile, involves expanding its membership to include Japan. Japanese Defense Minister Taro Kono floated this idea in July, indicating that Japan would welcome an invitation to join the Five Eyes, and Tom Tugendhat, Chairman of the UK's Foreign Affairs Committee, publicly supported the idea. Whether Japan will receive full membership remains unclear, given the high integration of intelligence sharing, military training, and joint deployments among current member states - integration that took decades to inculcate. Even so, the group's effort to form a Beijing-free trade bloc dovetails with Tokyo's parallel initiative to entice Japanese companies to exit China. (*London Guardian*, July 29, 2020)

MALAYSIA ECHOES U.S. POLICY, REJECTS CHINA'S TERRITORIAL CLAIMS

Last month, the United States formally rejected China's extensive claims to the South China Sea, represented by the infamous "nine-dash line." Australia quickly followed suit, but Malaysia's response on July 29th is of particular importance. Ever since China began constructing artificial features throughout the Paracel and Spratley Islands in 2013, Southeast Asian nations have faced a difficult strategic conundrum: balancing economic reliance on Beijing with military protection afforded by Washington. Until recently, Malaysia had opted for quiet diplomacy due to its acute dependence on China for its industrialization plans, and demurred from criticizing China's excessive claims, which threaten Kuala Lumpur's exclusive economic zone. In fact, Malaysia initially responded to Washington's announcement in July with a call for all parties to avoid "military posturing." However, Malaysia followed this caution with a pointed rebuke of Beijing, submitting a note to the United Nations last month that echoed language from Washington and Canberra, claiming that China's South China Sea gambit "has no basis under international law." (*South China Morning Post*, July 30, 2020)

PAKISTAN-CHINA PARTNERSHIP FACES INSURGENT OPPOSITION

The China-Pakistan Economic Corridor (CPEC), China's flagship project in OBOR, is yielding troubling results for Beijing and Islamabad - namely, uniting separatist and militant groups within Pakistan to target the project. In late July, the Baloch Raji Ajoji Sangar (BRAS) and the Sindudesh Revolutionary Army (SRA) announced an alliance to defend Sindh and Balochistan - Pakistan's two southernmost provinces - from Chinese "expansionist" and "oppressive" actions.

While the alliance is unlikely to derail CPEC projects, as China is willing to pay the cost of defending its workers, the BRAS-SRA coalition highlights two important trends for Beijing. The first is the importance of winning local support for OBOR projects. The second is the growing need to manage the geopolitical implications of non-state actors along the Belt and Road. Up to now, China has exported its labor pool to service OBOR construction projects, to the frustration of many local populations. Separatist groups can be expected to increasingly play on these nationalist tropes for their own purposes. (*Nikkei Asian Review*, August 1, 2020)