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China's Other Viral Crisis: African Swine Fever and the State Effort to Stabilize Pork Prices

By John Dotson

Introduction

Since January, much of the international news coverage surrounding the People's Republic of China (PRC) has been dominated by the story of the COVID-19 outbreak—a previously unknown coronavirus that first manifested in the central Chinese city of Wuhan in early December, and which has since rapidly proliferated throughout China and many other countries throughout the world (China Brief, January 29; Johns-Hopkins University, ongoing). The COVID-19 pandemic has largely crowded out international attention to another viral outbreak that Chinese authorities and farmers have been battling for eighteen months: African Swine Fever (非洲猪瘟, *Feizhou Zhuwen*), which throughout 2018 and 2019 devastated pig populations in both the PRC and surrounding countries. The virus has caused major disruptions to both supplies and the cost of pork, the primary staple meat in Chinese society. As such, it has had a significant impact on the Chinese economy, and has also given senior officials of the ruling Chinese Communist Party (CCP) reason to fear the potential impacts on "social stability" (社会稳定, *shehui wending*)—the CCP's perennial overriding domestic concern.

Image: In an area on the outskirts of Beijing affected by African Swine Fever, workers spray disinfectant on passing vehicles (November 2018). (Source: Caixin)

African Swine Fever Devastates China's Domestic Pig Population

African Swine Fever (ASF) is a highly-contagious hemorrhagic viral pathogen, with a rate of lethality that often runs near 100 percent among infected domesticated pigs. The virus is harmless to humans, although humans may act as a biological vector (i.e., carrier) of the virus. Other routes of transmission include: contact with infected pigs; ingestion of contaminated material (such as food waste, feed, or garbage); and ticks of the genus *Ornithodoros.* The virus is difficult to eradicate, as it possesses the ability to survive for long periods in feed products, porcine flesh or bodily waste, and vehicles and facilities used to transport or house pigs (OIE, undated; USDA, May 22, 2019).

ASF first appeared in China in August 2018, with near-simultaneous outbreaks at multiple locations in central-eastern and northeastern China. The means by which the virus entered China remains a mystery; however, contaminated imported pork products, pig smuggling, contaminated feed, and tick bites have all been offered as potential explanations (Yicai Global, August 23, 2018; American Farm Bureau, September 7, 2018). ASF outbreaks have occurred in recent years in Eastern Europe and Russia (to include Siberia), with wild boar populations providing the primary vector of transmission—thereby making contact with migrating feral pig populations another plausible theory (CDC, April 2018).

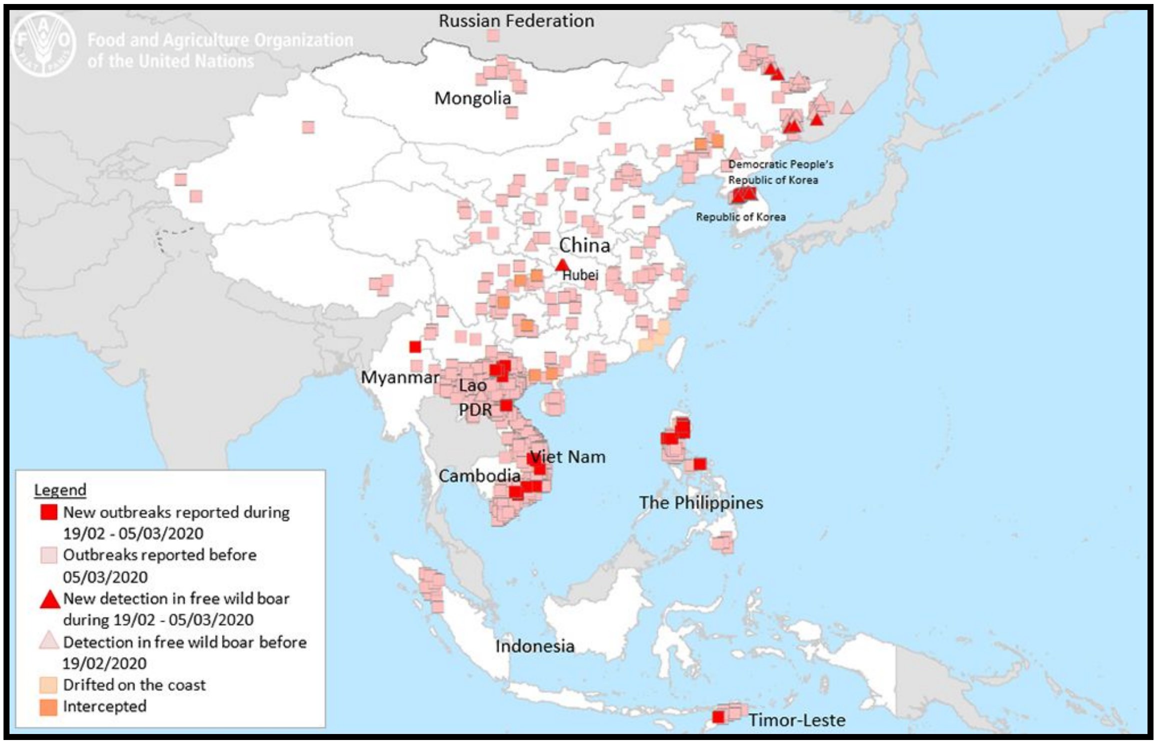

Image: A map showing the distribution of outbreaks of African Swine Flu throughout China and surrounding countries in Asia since August 2018. (Source: Food and Agriculture Organization of the United Nations, March 5). The disease has devastated domestic pig populations, leading to a sharp rise in pork prices—as well as concerns on the part of PRC officials for potential impacts on "social stability."

Whatever the cause, the disease proliferated rapidly throughout 2018 and 2019, devastating China's pig herds (often estimated to be half the global total). In April 2019, researchers with the Dutch firm RaboResearch predicted Chinese 2019 pork production losses of between 150-200 million pigs, or 25-35 percent of the country's overall production (RaboResearch, April 2019). This massive figure is approximately one-and-a-half times that of overall annual U.S. pork production. **[1]** In December 2019, an English-language PRC press outlet indicated that "pork production declined at least 20 percent year-on-year" compared to 2018 (China Daily, December 31, 2019).

The Economic Impacts of African Swine Flu

As early as the end of August 2018, CCP propaganda authorities had reportedly begun to issue directives to media outlets and social media managers to refrain from further reporting on the ASF epidemic (China Digital Times, August 27, 2018). As with information restrictions regarding the COVID-19 outbreak in Wuhan (China

Brief, January 17; China Brief, January 29), such restrictions likely facilitated the spread of the virus in its critical earlier stages. Other factors also played a part: many local administrations likely hid news of outbreaks for fear of negative economic impacts; and regionalized differences in market prices incentivized farmers to transport pigs (in some instances, infected pigs) to other areas, thereby further spreading the disease.

The massive fatalities among pig herds caused by ASF created an attendant rise in the cost of pork. In April 2019, the PRC's official consumer inflation index hit a six-month high, due in part to a spike in pork prices—which, per official figures, had risen 14 percent since 2018, and more than 9 points in March 2019 alone (Yicai Global, May 9, 2019). Pork prices saw a particularly high spike in summer 2019: rising 17 percent in July, 46.7 percent in August, and 69.3 percent in September (Yicai Global, October 29, 2019). Although difficult to quantify, the rise in pork prices (as a prominent part of an increase in food prices overall) has likely further contributed to the broader macro-level slowdown in China's GDP growth.

The ongoing COVID-19 crisis has also further exacerbated shortages of pork and other staple meats. As of mid-February, large-scale shipments of imported frozen pork, beef, and chicken—many of them coming from suppliers in North and South America—were reportedly backing up at port facilities, due to the fact that quarantines and transport restrictions were complicating normal routes and schedules for delivery (Bloomberg, February 17).

Pork Prices and the CCP's Concerns for "Social Stability"

In autumn 2019, state propaganda authorities apparently decided that a more proactive response was necessary, and began to promote positive news stories to reassure the public about the availability and affordability of pork. In October, the Shanghai University of Finance and Economics issued an optimistic report indicating that—thanks to government actions—the price of pork would decline in 2020, and lower the consumer price index for foodstuffs along with it (Yicai Global, October 29, 2019). In late December, state media announced that, effective January 1, tariffs would be reduced for certain imported foodstuffs—to include frozen pork—as part of "efforts to moderately increase the import of daily consumer goods that are relatively scarce in the country… to better meet people's needs" (Xinhua, December 23, 2019). Albeit speculative, it is quite likely that the need for increased pork imports played at least a contributing role in the PRC's willingness to sign a phase one trade deal with the United States in January.

At the turn of the calendar New Year, state media ran optimistic articles about the recovery of pig herds and a drop in pork prices between November and December. State media also promised that supplies would be abundant for the Lunar New Year holiday season set to commence on January 25 (China Daily, December 31, 2019; China Daily, January 1). In the first two weeks of January, state officials released large-scale supplies of frozen pork onto the market, offering a total of 50,000 tons for public sale (China Daily, January 7). This was followed a month later by the announcement that a further 10,000 tons would be released for sale after February 7 (PRC Merchandise Reserve Management Center, February 4). These steps echoed measures taken in late September—just ahead of the October 1 ceremonies to commemorate the 70th anniversary of the PRC—when 30,000 tons of frozen pork were released onto the market to hold down prices at a politically "sensitive" time (China Daily, January 1).

These messages were largely crowded out by the COVID-19 pandemic, which dominated both domestic and international news about China throughout the month of February. However, this narrative was picked up again beginning in late February, with announcements on February 27 and March 5 of new market releases of 20,000 tons of frozen pork scheduled to take place in each of the following weeks (PRC Merchandise Reserve Management Center, February 27 and March 5). This was accompanied by optimistic state press articles predicting a rapid recovery of herd sizes and meat production in 2020 (China Daily, March 5); as well as announcements of a drop in the country-wide price index for pork, due to the government's "multi-pronged measures to boost supply, including increasing subsidies to restore hog production, releasing frozen pork reserves and expanding pork imports" (Xinhua, March 10).

Conclusion

The wildfire spread of African Swine Fever in 2018-2019 has not carried the tragic human toll of the COVID-19 coronavirus, but it still reveals much about the PRC's governance model. Both viral outbreaks were almost certainly made far more severe by government-mandated restrictions on the disclosure of information to the public, which inhibited efforts to combat the diseases in their critical early stages. The response to the ASF crisis also provides yet another demonstration of how the ruling CCP seeks to manipulate economic forces to its own advantage—and how far China is from being anything close to a true market economy. Finally, it demonstrates the CCP's continuing obsession with "social stability"—to the extent that even the price of pork dumplings is a matter of anxiety for the regime.

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Notes

[1] Per the U.S. National Pork Producers Council, a trade association representing pork farmers, average U.S. production is 115 million hogs, with a value of approximately $20 billion; and U.S. annual exports of pork and pork-related products total approximately 2.2 million metric tons annually (26 percent of overall production). See: U.S. National Pork Producers Council, "Pork Facts" (undated). https://nppc.org/pork-facts/.

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Disposing of "Zombies": Why the Reform of Non-Performing State-Owned Enterprises Has Gotten Even Harder

By April Herlevi

Introduction

Normally at this time of year, the Chinese Communist Party (CCP) and the People's Republic of China (PRC) government would be holding the large plenary meetings known as the "Two Sessions" (两会, *lianghui*). China watchers would be monitoring these meetings to assess whether and how the CCP is achieving its 2020 goal of achieving a "moderately prosperous society" (小康社会, *xiaokang shehui*). However, the COVID-19 outbreak (China Brief, multiple dates) has not only halted key meetings (National People's Congress, February 27), but has also put into question many of China's economic goals. This includes key goals discussed at the Central Economic Work Conference (CEWC) held in December 2019, which focused on "three categories of risk: financial, environmental, and external" and "identified six areas of priority for China's 2020 economic policy agenda" (China Brief, December 31, 2019).

The 2019 CEWC meetings identified at least 10 distinct issues to be pursued in order to move China on the path towards a more balanced economy (Xinhua, December 12, 2019). This article will focus on one aspect of China's efforts to achieve "high-quality development" (高质量发展, *gao zhiliang fazhan*): the dismantling of "zombie firms" (僵尸企业, *jiangshi qiye*). CCP efforts to deal with non-performing and debt-ridden "zombies" has been an ongoing effort since at least 2015. The inclusion of policies to reduce non-performing state-owned enterprises (SOEs) in the economy follows official guidance set forth in 2016, and several policy actions taken since.

First, this article will discuss what "zombie firms" are, and why they are a drag on the economy; second, it will summarize the key policies intended to dismantle zombie firms. It will then examine why zombie firms are so difficult to dismantle, and conclude by noting that the COVID-19 outbreak and the resulting economic losses due to quarantines are likely to further disrupt the ability of provincial governments to deal with non-performing firms and accumulating debt. As a result of these factors, zombie firms are likely to linger for some time to come.

Zeroing in on Zombies, Part I: What is a Zombie Firm?

Zombie companies are not unique to the Chinese economy. The term "zombie firm" grew out of stagnation in the Japanese economy in the 1990s, and was used to describe non-performing enterprises reliant upon unsustainable lending practices. Economist Takeo Hoshi wrote about this phenomenon in the context of delays to the restructuring of Japanese banks in the 1990s. Along with co-authors Ricardo Caballero and Anil Kashyap, these economists describe how "unprofitable borrowers" were kept alive, and how "the banks allowed them to distort competition throughout the rest of the economy." **[1]**

In China, there has been long-standing cooperation between banks and SOEs, and since 2007 the amount of debt has been increasing. As stated by Nicholas Lardy of the Peterson Institute for International Economics (PIIE), "China's problem is not so much a high aggregate level of domestic debt but the misallocation of credit to a subset of the least efficient, loss-making state firms" (i.e., zombie SOEs). **[2]** In China, "the State Council defines zombies as companies that suffer three consecutive years of losses." According to firm-level analysis from the mid-2000s, it is possible that approximately "15 percent of all industrial firms should be classified as zombies and that state-owned enterprises had the highest proportion of zombies." **[3]**

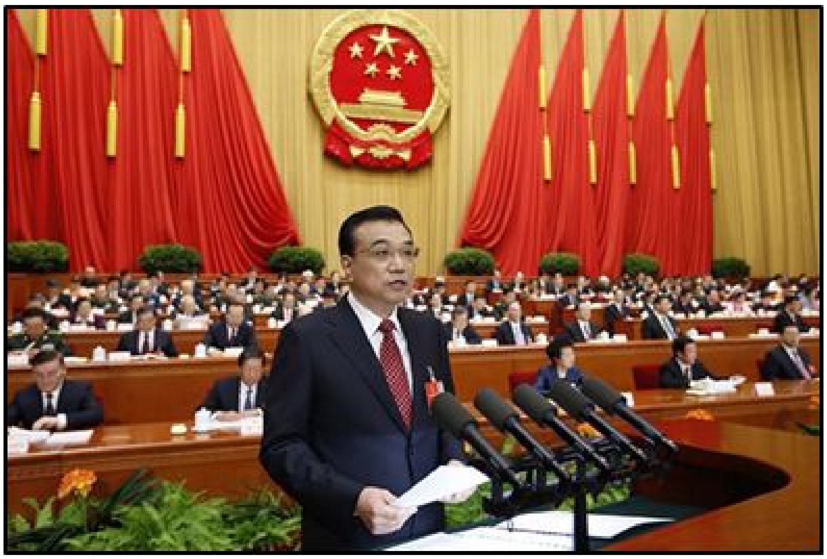


Image: PRC Premier Li Keqiang delivering the government's annual work report at the plenary session of the National People's Congress in March 2016. In his address, Li vowed that the government would deal "proactively yet prudently" with the problem of zombie firms through measures such as mergers, reorganizations, and managed bankruptcies—steps that have often proven difficult to implement due to the political connections of state-owned enterprises. (Image source: China Daily)

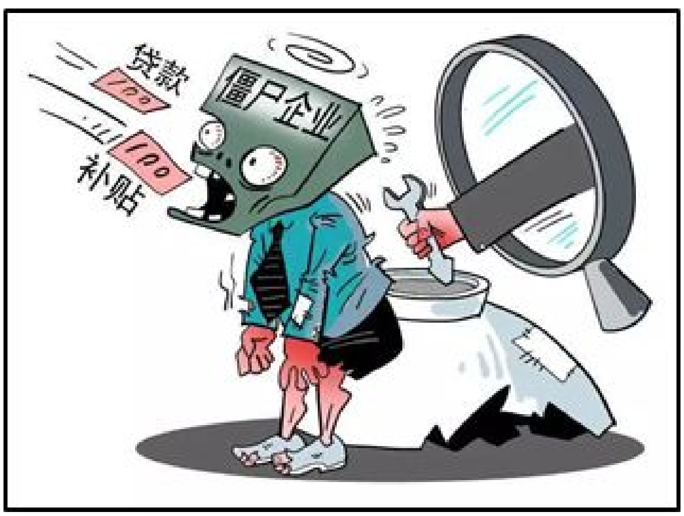
Zeroing in on Zombies, Part 2: Policies to Reduce Zombies

As the Chinese government sought to reduce excess capacity in 2016, zombie firms became a focus of effort. The 2016 National People's Congress (NPC) work report identified the problem of dismantling zombie firms as a necessary step to reduce overcapacity and improve business performance. To address "zombie enterprises" the work report stated that the government needed to "proactively yet prudently" deal with the firms through "mergers, reorganizations, debt restructurings, and bankruptcy liquidations" (PRC 2016 Government Work Report, March 5, 2016).

Mergers and acquisitions are one method for altering the structure of non-performing firms, but doing so runs the risk of allowing firms "to operate indefinitely while generating returns far below the social cost of capital." **[4]** As such, bankruptcy may be a more effective means of dealing with the drag on the economy that zombie firms create—and indeed, bankruptcy cases in China have increased “roughly fivefold between 2015 and 2018.” However, many bankruptcies have not been completed because of “the power of banks, local governments, and the political connections of the zombie enterprises themselves” (PIIE, August 23, 2019).

In late 2018, the PRC National Development Reform Commission (NDRC), along with several other ministries, issued the “Notice on Steps to Deal with Zombie Firms and Dispose of Enterprise Overcapacity.” The regulations for reducing these firms—known better by their shorthand as “clearance orders” (出清令, *chuqing ling*)—describe “disposal” (处置, *chuzhi*) principles, methods, scope, sequencing, and time limits. Many of the principles and methods outlined in this regulation are consistent with earlier calls to deal with zombies, albeit with somewhat more detail. The NDRC order also states that “all disposal work should be completed by the end of 2020” (原则上应在2020年底前完成全部处置工作, *yuanze shang ying zai* 2020 *niandiqian wancheng quanbu chuzhi gongzuo*) (NDRC, December 4, 2018).

In 2019, the State Council announced another series of market reforms, and one component of the effort highlighted the need to “perfect state-owned enterprise reform mechanisms.” Given the lack of progress on clearing away zombie firms, the 2019 guidance stated that “all relevant parties must not hinder the exit” (各相关方不得以任何方式阻碍其推出, *gexiang guanshi bude yi renhe fanshi zu’ai qi tuichu*) of these zombie enterprises, and noted that government offices should not use subsidies (补贴, *butie*) to keep these firms alive (PRC State Council, July 16, 2019).



Images: Two cartoons from Chinese media depicting the problem of “zombie firms” (僵尸企业, jiangshi qiye). *At left, a zombie firm devours “loans”* (贷款, *daikuan*) *and “subsidies”* (补贴, butie) *while awaiting reform. (Source: Sina) At right, a broom labeled “disposal”* (处置, chuzhi), *symbolizing promised efforts to reform state-owned enterprises, sweeps aside zombie firms. (Source: Zhihu)*

Zombie Longevity: Why Are Zombies So Hard to Kill?

Zombie firms are difficult to dismantle for two main reasons: concerns over employment and implementation challenges. These two challenges are related but distinct, and tend to further compound the difficulties of dismantling zombie firms—especially in provinces reliant on heavy industry. The 2016 NPC work report explicitly called for "addressing the overcapacity in the steel, coal, and other industries" (NPC, March 17, 2016). Altering the economic fundamentals of localities with a heavy reliance on the natural resource sector will not be easy. "Innovative, high-quality" development is a moving target (CEWC, December 12, 2019), and firms that have long relied on local finance for their existence may not have the right personnel, resources, or incentives to shift to a new operating paradigm.

In terms of employment, dismantling zombie firms is difficult because there is a human cost. Firms remain open to provide local employment, and local officials do not want laid-off workers unemployed because of concerns about "social stability" (社会稳定, *shehui wending*). If zombie firms are non-performing and need to be shut down, as the national-level "clearance order" policy indicates, then employees lose jobs—and given current economic realities, jobs may not be readily available in those same locations. Spatial mismatch (the technical term for the problem of workers not residing in the same locations as jobs) will only be further exacerbated by quarantines and travel restrictions related to the COVID-19 outbreak (China File, February 26). Given the importance of "social stability" in CCP economic planning (China Brief, March 22, 2019; China Brief, December 31, 2019), local officials will want to reduce stability risks as much as possible.

In terms of implementation, there are at least three interrelated challenges. According to a February 2019 Xinhua article, the problems for government officials include: problems with starting the process, enacting the measures to dispose of firms, and then eventually exiting from the implementation measures. The article describes some of the difficulties faced in dismantling zombie enterprises in the coal and steel sectors of Shaanxi, Henan, Hebei, and Heilongjiang Provinces, but asserts continued strong "support for structural adjustment policies" (扶持结构调整政策, *fuchi jiegou tiaozheng zhengce*) on the part of the government (Xinhua, February 1, 2019).

The central government wants to speed up "survival of the fittest" (优胜劣汰, *yousheng lietai*) for SOEs (Xinhua, February 1, 2019), but this policy rests on the premise that at least some firms are salvageable. Those firms with the strongest entrenched interests will most certainly use their connections to stay alive rather than shift resources to potentially more productive uses. **[5]** However, evaluating the zombie clearance process requires data and this has been difficult to verify. Data on local debt in China is, to quote one economist, "like a mystery wrapped inside of an enigma"—and "neither the Chinese authorities nor investors have a uniform way of defining local government debt [and therefore] there are no comprehensive records or reliable data" (BNP Paribas, undated).

Conclusion

At the end of 2020, we can assume that PRC official announcements will claim that many, if not all, of the Central Economic Work Conference goals announced in December 2019 were successfully achieved. During his New Year's Day speech in January, Xi Jinping already announced that, in 2020, China "will finish building a moderately prosperous society in all respects and realize the first centenary goal" of China's revival under the CCP (Xi Jinping, December 31, 2019). What is less clear is to what extent debt will have been reduced; whether non-performing firms will truly have been closed down; or how the economic effects of COVID-19 will play out for the remainder of 2020. In fact, given the current challenges facing the Chinese national and provincial leadership, it is unclear whether dismantling non-performing zombie firms will even remain a priority. Thus, many of those zombie enterprises that have made it this long are likely to endure—decaying and undead, but persistently present and hungry for financial support.

April A. Herlevi examines China's political economy and foreign economic policy using multi-method approaches to educate and inform policymakers and scholars. Dr. Herlevi earned her PhD in international relations and comparative politics from the University of Virginia. She currently serves as a research scientist at CNA, a nonprofit research organization in Arlington, Virginia. This work represents her own views, and should not be regarded as representing the opinions of either CNA or its sponsors. See more of her work at: https://herlevi.weebly.com/.

Notes

[1] Ricardo Caballero, Takeo Hoshi, and Anil Kashyap, "Zombie Lending and Depressed Restructuring in Japan," *American Economic Review* (Volume 98, No. 5), 2008.
[2] Nicholas R. Lardy, *The State Strikes Back: The End of Economic Reform in China?* (Washington, DC: Peterson Institute for International Economics, 2019), p. 22.
[3] *Ibid.*, p. 113. Note that Lardy's quote on this point is based on analysis by: Tan Yuyan, Yiping Huang, and Wing Thye Woo, "Zombie Firms and the Crowding-Out of Private Investment in China," *Asian Economic Papers*, 2016, Volume 15, No. 3: 32-55.
[4] Lardy, *The State Strikes Back*, p. 117.
[5] *Ibid*., p. 117.

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Limited Payoffs: What Have BRI Investments Delivered for China Amid the Coronavirus Outbreak?

By Johan van de Ven

Introduction

The coronavirus outbreak, now declared to be a pandemic by the World Health Organization (WHO, March 11), offers a prism through which to assess how China interacts with the rest of the world in a time of crisis—one that was at first confined to China's borders, but has since become a global emergency. Some commentaries on the connection between the COVID-19 coronavirus outbreak and the Belt and Road Initiative (BRI) have portrayed Xi Jinping's centerpiece foreign policy program as a dangerous vector enabling the pandemic—even though China was engaged in international trade and transportation prior to the commencement of the BRI in 2013 (Foreign Policy, January 24).

For its part, state media in the People's Republic of China (PRC) has linked BRI relationships to support for China amid the initial stages of the crisis, citing positive examples of support from media outlets in South Africa, Russia, and Pakistan (People's Daily, February 20). More recently, as the spread of the disease has abated in China and increased elsewhere, Chinese authorities have sought to illustrate their support, via the "warmth" of the Belt and Road, for current hotspots such as Italy and Iran—while also criticizing the U.S. response to the crisis (Zhejiang News, March 12). Such developments in China's foreign relations amid the coronavirus outbreak offer a window to assess the effectiveness of the BRI in one of its central goals: namely, expanding the soft power available to the PRC.

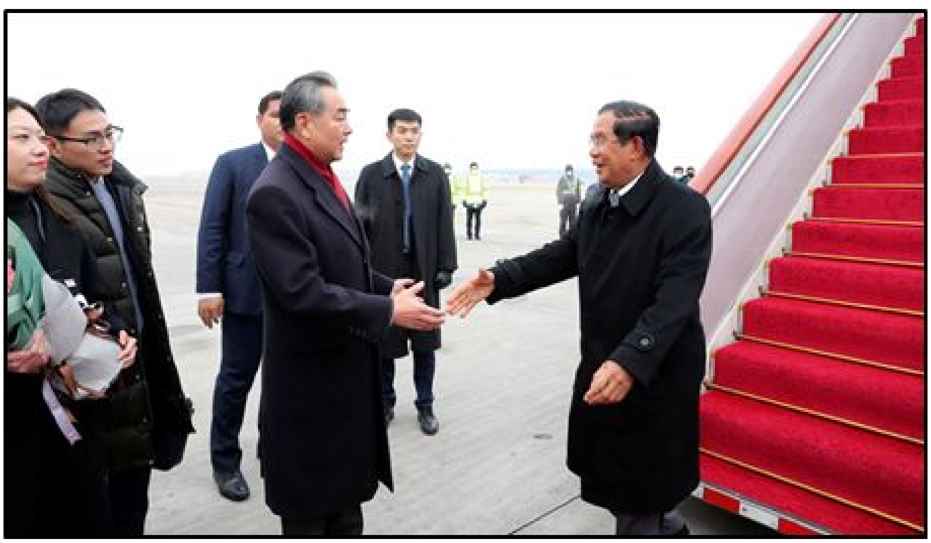

Image: PRC Foreign Minister Wang Yi (center) *greets Cambodian Prime Minister Hun Sen* (right) *as the latter arrived in Beijing for an official visit on February 5. Hun Sen pointedly made the visit even as many other countries were implementing travel restrictions to China, and throughout the visit offered effusive praise for the Chinese government's response to the COVID-19 pandemic. (Source: China Daily)*

Applying an understanding of soft power as a state's ability to induce other states to take actions favorable to its own interests, available evidence across domains related to the initial phases of the COVID-19 pandemic—such as the issuance of evacuation orders, and restrictions on public transportation—indicates that BRI investments have had only modest success in building China's soft power. International support for China was piecemeal and rhetorical, leaving China economically and politically isolated. Demonstrating the lack of soft power available to Chinese authorities, the state tabloid *Global Times* demanded on February 12 that countries that "have completely cut off traffic communications with China" should "reconsider and revoke these practices" (Global Times, February 12).

Decisions Regarding Passenger Transportation

Amid the shutdown of international air services to China in January and February, a significant proportion of suspensions were accounted for by airlines from countries that have not received Belt and Road funding—including British Airways, Air Canada, and the primary U.S. carriers offering flights to China (Delta Airlines, American Airlines, and United Airlines). However, airlines from countries that have received significant loans from Chinese policy banks, or other forms of investment or development assistance, have also suspended service to China. A partial list of these airlines includes Egyptair, Kenya Airways, and Rwandair (all of which are fully- or partially-state-owned)—despite governments in these countries receiving funding from the Export-Import Bank of China and the China Development Bank for ongoing infrastructure projects. This decision-making indicates that China's provision of subsidized lending is far from a guarantee that it will accrue asymmetric political influence in the recipient countries.

Despite these suspensions, influence yielded by the Belt and Road Initiative may have impacted the decision-making of other airlines. On January 31, Pakistan International Airways initially elected to suspend service after local authorities ordered the cancellation of all flights to and from China (Anadolu Agency, January 31). Just three days later on February 2, Pakistani aviation authorities lifted all restrictions—before reimposing them on February 24 (The News). Similarly, despite coming under public criticism, Ethiopian Airlines has also continued to operate scheduled service to China, with airline chief Tewolde GebreMariam commenting that "it will not be morally acceptable to stop flying to China today" (South China Morning Post, February 11). As of March 5, the airline was still operating services to China (CGTN, March 5). It is not a coincidence that both countries are listed in a Center for Global Development ranking of countries with the greatest sums in their "BRI lending pipeline" (Center for Global Development, March 4, 2018).

Taking on large sums of Chinese development finance has not precluded other countries from placing heavy restrictions on transport links with China. Initially, however, Russia announced the closure of its borders with China to passenger traffic, and the grounding of all bilateral air travel other than services to Moscow's Sheremetyevo International Airport. These restrictions were subsequently tightened, with the announcement that PRC nationals would temporarily be barred from entering Russian territory effective February 20, with the exception of transit passengers (Moscow Times, February 18). These steps were taken despite the fact that

Chinese financing plays a major role in many of Russian President Vladimir Putin's economic revitalization projects, including the development of gas production plants in the Russian Arctic. While the decisions taken by Pakistani and Ethiopian aviation authorities can be ascribed to soft power developed by China via the Belt and Road Initiative, Russia's decision to halt border crossings shows that Beijing's economic influence cannot reliably trump the self-interest of recipient states (China Brief, February 28).

Image: Passengers arriving on a flight from China are greeted and interviewed at Islamabad International Airport by WHO official Dr. Zafar Mirza (white mask, center), February 2. [Source: Express Tribune (Pakistan)]. Pakistan, a major recipient of BRI investment, has continued to operate flights to and from China even as many other countries have halted or restricted flights amid the COVID-19 pandemic.

Evacuation Orders

While many BRI partner countries suspended bilateral air travel and repatriated their citizens from Wuhan, these governments have also sought to maintain close relations with Beijing in ways that do not harm their own citizens. Countries including Liberia, Sierra Leone, and South Korea have issued statements of support (CGTN, February 7). Moreover, according to the Chinese government's *Belt and Road Portal*, countries including Bangladesh, Japan, Thailand, South Korea, Malaysia, India, Kazakhstan, Pakistan, Germany, the United Kingdom, France, Italy, Hungary, Belarus, Turkey, Iran, the United Arab Emirates, Algeria, Egypt, Australia, New Zealand, and Trinidad and Tobago have all provided some form of material assistance to China in response to the outbreak (Yidaiyilu.gov.cn, February 13). While it cannot be known how these countries would have responded were it not for the Belt and Road Initiative, there is a logical connection between the large sums of money China has provided for projects in these countries with their decisions to provide aid to Beijing in its time of need.

However, the provision of material aid is only part of the story. According to statistics released by the PRC National Immigration Administration (NIA) on February 10, as many as 128 countries have imposed some form of immigration restriction (ranging from entry bans to temperature checks) on travelers from China since the outbreak began (NIA.gov.cn, February 10). Of the 115 countries that Chinese authorities list as "international cooperation partners" of the Belt and Road Initiative, at least 91 rank among those disclosed by the NIA as having implemented entry restrictions against Chinese nationals. The choice taken by large numbers of BRI-affiliated countries to impose border checks on Chinese nationals is an indication of the seriousness with which they regard the public health threat posed by the coronavirus outbreak. Some countries made this choice due to a lack of confidence in their own public health systems: among others to cite this factor was Kenyan President Uhuru Kenyatta (National Public Radio, February 10). Deliveries of material aid to China represent an effort to offset the damage done to their relations with Beijing, but the perception by BRI-affiliated countries of this as an acceptable approach (versus maintaining open access for Chinese nationals) suggests that the soft power and influence accrued to Chinese authorities by the Belt and Road Initiative may not be as great as is widely assumed.

China to the Rescue?

As the announcement of new cases in China has slowed down, PRC authorities have moved to show that the BRI—at least in terms of *terra firma* project implementation—can get back on track quickly (Xinhua, March 6). However, Beijing has also attempted to engage Belt and Road countries as a provider of public health knowledge: for instance, the Ministry of Foreign Affairs organized a video conference with relevant officials from countries in the "17+1" grouping of Central and Eastern European countries (PRC Foreign Ministry, March 13).

In a potential sign of the PRC government's future plans for the Belt and Road Initiative, there have been rumors that government-connected scholars have sought to build track-two support for a Beijing-led alternative to the U.N.-affiliated World Health Organization (WHO); however, on March 9 the Chinese Ministry of Foreign Affairs announced a $20 million donation to the WHO to support anti-coronavirus efforts (Xinhua, March 9). In a phone call with United Nations Secretary-General António Guterres, President Xi said that Chinese authorities had shared insights from their experience in fighting COVID-19 with counterparts from other countries, who together with China form a "community of mankind that suffers and succeeds together" (Yidaiyilu.gov.cn, March 13).

Xi's remarks followed a statement by the PRC Ministry of Foreign Affairs, which stated that China would (among other points) send medical teams to countries in high need, provide drugs to any countries that need them, and strengthen technological cooperation with the international community (Yidaiyilu.gov.cn, March 12). Likewise, Vice Foreign Minister Ma Zhaoxu told a press conference that China had provided coronavirus-related support to South Korea, Iraq, Cambodia, Myanmar, and Sri Lanka (Xinhua, March 6). The effort to position Beijing as a magnanimous provider of global public goods is not limited to public health:

China's e-commerce marketplaces have been cited by government-linked sources as an avenue that international businesses can use to mitigate the virus-related economic downturn (Yidaiyilu.gov.cn, March 11).

In addition to highlighting the assistance Beijing has provided, Chinese authorities have also sought to paint a contrast with what it describes as efforts by "some in the United States… [who] are trying to shift the blame and politicize humanity's common challenge by stoking pernicious anti-Chinese sentiments" (Xinhua, March 9). However, whether Beijing's assistance will make a substantive impact on international opinion remains to be seen.

Conclusion

In a fiery February 12 commentary, the *Global Times* charged that "it is completely irrational to implement inter-country isolation to prevent the spread of the disease. It is unscientific and also violates the interests of all countries." While the contagiousness of the coronavirus casts doubts over the scientific foundations of the state tabloid's claim, it is nonetheless useful as an insight into the reaction of PRC authorities to the widespread imposition of restrictions on the international travel of Chinese nationals. Disappointment in Zhongnanhai is likely to be deepened by the vast sums spent in recent years under the Belt and Road Initiative, aimed at increasing China's international influence and soft power.

Within the context of the coronavirus outbreak, the payoffs from BRI have been extremely limited: while Ethiopian authorities continue to permit flights to China, as many as 91 of the 115 countries listed by Chinese authorities as Belt and Road "international cooperation partners" have imposed border restrictions on Chinese nationals. Within the context of this crisis, this suggests that the soft power and influence accrued by BRI is not as extensive as others have posited. In that sense, the coronavirus outbreak is much more than what the *Global Times* has called an "occasional bump in the road" for the Belt and Road Initiative (Global Times, February 19). Nonetheless, messaging from Beijing following the abatement of new cases in the PRC suggests that it will seek to use its response to outbreaks overseas to enhance its international reputation.

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The Illicit Wildlife Trade in China and the State Response Following the Coronavirus Outbreak

By Leo Lin

Introduction

Since the outbreak of the COVID-19 coronavirus (新型冠状病毒, *xinxing guanzhuang bingdu*) in the People's Republic of China (PRC), wildlife trade and consumption have become a top issue in the country. The disease, which has caused 3,215 deaths in China and over 6,500 total deaths worldwide (per official figures, as of March 15), has been identified as a zoonotic virus (i.e., one originating in an animal species) with a possible point of origin in the Huanan Seafood Market in Wuhan, Hubei Province (China Brief, January 17; WHO, February 28; Johns-Hopkins University, ongoing). China, as well as many other countries, suffered from the outbreak of Severe Acute Respiratory Syndrome (SARS) in 2003. **[1]** SARS was also zoonotic in nature: its origin was traced to civet cats (CDC, January 13, 2004), which are considered a delicacy among some mainland Chinese citizens.

Seventeen years have passed since the SARS epidemic, and it seems that history repeats itself. Experts in the field of infectious disease have warned that governments should take measures to regulate (or ban outright) the trade and consumption of many wildlife species. The Chinese government has taken several measures to reduce the spread of COVID-19, including a ban on the trade in wild animals—both those that are hunted or captured in wilderness areas, and those that are farmed by people. What lessons have the ruling Chinese Communist Party (CCP), and the Chinese public, learned about the potential consequences of the wildlife trade? This article examines the Chinese government's policy response towards the wildlife trade in the wake of the COVID-19 pandemic, and what this might portend for the future.

The Illicit Wildlife Trade in China

Black market wildlife trafficking is a major illicit business sector in the PRC—and while the PRC revised its *Wildlife Protection Law* in 2018, the outbreak of COVID-19 has demonstrated lax enforcement involving wildlife trafficking and smuggling (China News, March 2). A government-sponsored report has valued wildlife trade and consumption in China at 520 billion *renminbi* ($74 billion), involving a workforce of 14 million people (South China Morning Post, February 26). For the past ten years, Chinese customs authorities have recorded more than 390 wildlife trafficking and smuggling cases (an average of one case every nine days). The period with the highest level of recorded activity was between 2013 and 2017, with an average of 40 to 60 cases per year. Among all the provinces, Guangdong Province appears to have the highest level of trafficking in wildlife (or wildlife parts): bear paw, bear bile, tiger skin, ivory, and bats are all popular in the trafficking markets (Beijing News, February 29).

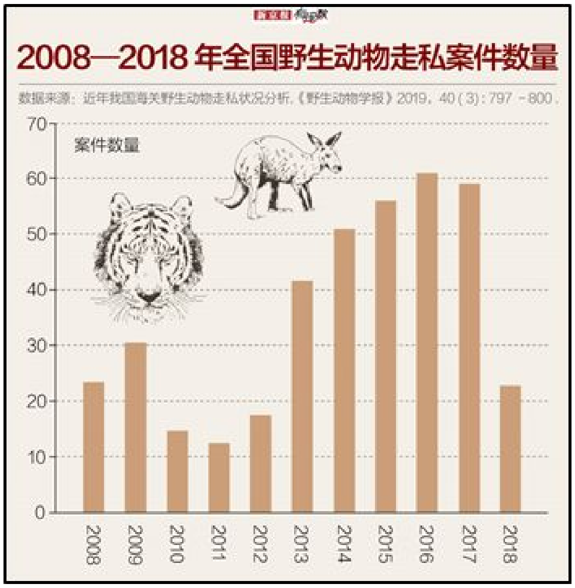

Figure: Official figures from PRC state media regarding cases of wildlife smuggling in China, 2008-2018. (Source: Beijing News)

Among different types of wildlife, the single-most trafficked animal in the world is the pangolin, and China is the primary market. Pangolin scales are valued for their claimed medicinal properties, and their meat is considered a valuable delicacy. However, pangolins are also suspected of being an intermediate host of the COVID-19 virus. **[2]** Between 2007 and 2016, China authorities recorded 209 pangolin smuggling cases, including 2,405 live pangolins and 11,419 dead pangolins (Xinhua Net, January 18, 2017).

Image: Seized illegal animal parts at Hong Kong Customs, January 2019. The bags contain pangolin scales seized from a shipping container originating in Nigeria. Pangolin scales are prized as an ingredient in traditional Chinese medicine, and pangolin meat is considered a delicacy among some in China and other parts of Asia. (Image source: Quartz)

Many believe that this is only the tip of an iceberg. In one case from 2018, a group of Chinese citizens reported pangolin illicit trading activities to the Chinese authorities through a public account on WeChat, a popular instant messaging app. According to this report, the smuggling market price of a five-kilogram pangolin from overseas into China is 700 *renminbi* ($101) per kilogram; after re-sale within China, the market price soared to 4400 *renminbi* ($635) per kilogram. The price of a prepared pangolin dish on the table could be as high as 22,000 *renminbi* ($3174) per kilogram. To make more profits, Chinese smugglers sometimes use various unscrupulous means to increase the weight of pangolins—to include injecting foreign substances (such as flour, paint, cement, limewater) and chemical additives (sedatives, stimulants, and preservatives). The smugglers could increase the weight of a pangolin by up to 20% using the above methods. These notorious practices have posed threats to the health of Chinese citizens who consume pangolin products (Xinhua Net, February 24).

The CCP Leadership Directs a Crackdown on the Wildlife Trade

In a speech presented to the CCP Politburo Standing Committee on February 3, CCP General Secretary Xi Jinping stated that the coronavirus has posted a significant challenge to the "Chinese state governance system and capability" (国家治理体系和能力, *guojia zhili tixi he nengli*). Xi pointed out that the "game meat industry" (野味产业, *yewei chanye*) is still a huge market and a potential hazard to public health (Qiushi, February 15). Xi asked relevant departments to combat the illicit wildlife trade—with responses that can be divided into three categories, as seen in the chart below:

Legal Aspects	• Strengthen the implementation of the laws (加强法律实施, *jiaqiang falu shishi*) • Strengthen the establishment of the rule of law (加强法治建设, *jiaqiang fazhi jianshe*) • Evaluate the revision and improvement of laws and regulations, such as the “Law on the Prevention and Control of Infectious Diseases” and the “Wildlife Protection Law” (评估传染病防治法及野生动物保护法, *Pinggu Chuanran Bing Fangzhi Fa ji Yesheng Dongwu Baohu Fa*)
Policy Aspects	• Tighten market supervision (加强市场监管, *jiaqiang shichang jianguan*) • Ban and crack down on illegal wildlife markets and trade (取缔和打击非法野生动物市场和贸易, *qudi he daji feifa yesheng dongwu shichang he maoyi*) • Control major public health risks at the source (从源头上控制重大公共卫生风险, *cong yuantou shang kongzhi zhonda gonggong weisheng fengxian*)
Social Aspects	• Eliminate the habit of eating wild animals (革除滥食野生动物的陋习, *gechu lan shi yesheng dongwu de louxi*)

(Source: Compiled by the author, based on information from the CCP journal Qiushi)

The CCP has moved quickly since receiving Xi's instructions. On February 24, the National People's Congress (NPC) Standing Committee approved a "comprehensive ban" (全面禁止, *quanmian jinzhi*) on illegal wildlife trafficking and the consumption of wild animals. The move has several goals and associated slogans, including "completely ban the eating of wild animals," "eliminating the bad habits of eating wild animals," and "cracking down on the illegal trade in wildlife."

On the policy front, Li Zhanshu, chairman of the NPC Standing Committee, urged rigorous implementation of the ban in order to provide a legal foundation for safeguarding public health, preserving China's natural ecology, and improving the country's image (Global Times, February 25). In regards to the legal aspects, the NPC Standing Committee has listed the *Wildlife Protection and Animal Epidemic Prevention Law* (动物防疫法, *Dongwu Fangyi Fa*) as an immediate legislative priority for this year's legislative session. Furthermore, the NPC Standing Committee has also indicated plans to fast-track a *Biosecurity Law* (生物安全法, *Shengwu Anquan Fa*). This latter law was submitted to a bimonthly session of the NPC Standing Committee for deliberation on February 21 (Xinhua Net, February 24).

Since the announcement of the comprehensive ban on February 24, the Chinese authorities have inspected at least 350,000 markets, restaurants, and hotels nationwide, and have seized almost 40,000 wild animals. The Chinese government has further closed around 17,000 on-line stores and accounts, and has deleted more than 750,000 online messages involving the wildlife trade (Beijing News, February 29).

Image: A February 24 cartoon from the official Xinhua News Agency promoting a "comprehensive ban" (全面禁止, quanmian jinzhi) *on the illicit wildlife trade. Here, "use in cooking"* (食用, shiyong)*, "trading"* (交易, jiaoyi), *"transportation"* (运输, yunshu), *and "hunting"* (猎捕, liebu) *are all ordered to desist, while a pangolin labeled "wild animal"* (野生动物, yesheng dongwu) *makes its escape. (Source: Xinhua Net)*

Underlying Challenges

The trading and consumption of wild animals in China is a multibillion-dollar industry, and merely announcing a ban and introducing new legislation has proved to be inadequate. One key issue is to more effectively enforce existing laws against wildlife trade and consumption. Under the PRC's *Wildlife Protection Law*, the provisions of Article 30 have already prohibited the consumption of "nationally protected wild animals" (国家重点保护野生动物, *guojia zhongdian baohu yesheng dongwu*). However, enforcement of this law has been problematic: for example, the pangolin is one of the "nationally protected wild animals," but the estimated total consumption of pangolin scales was 26,600 kilograms between 2008 and 2015. It is difficult for authorities to trace the source of smuggled animals and animal parts, whether it is from cross-border smuggling or from game hunting (Daily Headlines, January 23).

A second serious challenge lies in raising public awareness of the problems associated with wildlife consumption. Eating wildlife products is an element of traditional Chinese culture that has existed for centuries. Many Chinese people not only consider wild game meat to be a delicacy on dining tables, but also believe that eating wildlife parts is an important element of, or supplement to, traditional Chinese medicine (食补中药, *shibu zhongyao*). Although laws have prohibited such consumption, continued demand is likely to push the wildlife trade back into black markets. The outbreak of COVID-19 has revealed both the fragility of the Chinese public health system, as well as low public awareness regarding the risks of the wild animal trade. It remains to be seen how successful the Chinese government will be in educating its people and raising public awareness in the long run.

Conclusion

Since the outbreak of COVID-19, the Chinese government has been striving to preserve its national image by tightening internal control over the wildlife trade. It is still early to judge how effective the measures of the "comprehensive ban" will be. The critical points remain law enforcement at the local and community level, and changing people's traditional cultural conceptions regarding precious wild animals. China has long been the world's largest market for wildlife trade and consumption. If the Chinese public has learned a lesson this time, there is a chance that the whole illicit industry will go down. However, if there is still a substantial domestic demand in China—even under tightened measures pushed by the central government—the illicit market price of wildlife will only rise in the future, and the trade will continue.

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Notes

[1] Susan M. Puska, "SARS 2002-2003: A Case Study in Crisis Management," *Chinese National Security Decision-Making Under Stress* (Scobell and Wortzel, eds.), U.S. Army War College (Sep. 2005), pp. 85-100. https://publications.armywarcollege.edu/pubs/1726.pdf.

[2] Pangolins have not been conclusively identified as the species through which COVID-19 transmission to humans occurred, but this is a prominent theory under discussion among scientists. For one example, see: Zhang Tao, and Wu Qunfu, and Zhang Zhigang, "Probable Pangolin Origin of 2019-nCoV Associated with Outbreak of COVID-19," *Current Biology* (Feb. 2020). https://ssrn.com/abstract=3542586.

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China-Iran Relations: The Not-So-Special "Special Relationship"

By John Calabrese

Introduction

Over the years, unremitting hostility between the United States and the Islamic Republic of Iran has created opportunities as well as dilemmas for the People's Republic of China (PRC). The Trump administration's unilateral withdrawal from the Joint Comprehensive Plan of Action (JCPOA) in May 2018, and the subsequent adoption of a "maximum pressure" campaign against Iran, presented mixed challenges and opportunities for the PRC. Beijing has sought to exploit the rift between Washington and Tehran without further fueling Sino-American tensions.

For the past year, Washington and Tehran have been locked in an action-reaction cycle of escalation. This dangerous spiral reached new heights with the January 2 U.S. drone strike that killed Iranian Islamic Revolutionary Guard Corps Quds Force commander General Qasem Soleimani, which was followed by retaliatory Iranian missile attacks on two coalition bases in Iraq that injured dozens of American troops. Although both sides managed to pull back from the brink of war in early January, underlying tensions remain—as does the possibility of a more direct military confrontation.

In what manner and to what extent has the current unstable situation affected China's interests in, and relationship with, Iran? What is the likelihood that, as this latest round of high-stakes poker between Washington and Tehran continues to unfold, Beijing will seize it as yet another opportunity to profit from America's entanglements in the wider Middle East?

China's Not-So-Special "Special Relationship" with Iran

During the 1990s, China's growing energy needs, and Iran's abundant oil and gas resources, formed the basis of a partnership that has since broadened and deepened. In the early 2000s, China's relations with Iran began to mature, thanks largely to U.S. pressure on Europe, Japan, and Russia to reduce their trade with (and investments in) Iran. Cut off from the West, Iran adopted a "Look East" economic strategy of which China became the principal beneficiary, emerging as Iran's most important economic partner (Radio Farda, August 3, 2019). Chinese companies tapped into the underserved Iranian market and played key roles in expanding Iran's refining capacity, injecting capital into its extractive industries, and developing its transportation infrastructure.

The launch of President Xi Jinping's ambitious Belt and Road Initiative (BRI) has boosted Iran's potential value to China as a critical nodal point in an evolving regional transport network. As a Caspian Sea littoral state whose southern flank lies at the narrowest point of the Persian Gulf, connecting the Arabian Sea and the Indian Ocean, Iran is poised to become a link in a contiguous China–Europe rail route that bypasses Russian territory. Iran is also situated to become the hub of the International North–South Transit Corridor (INSTC) (China Brief, December 10, 2019). In the wake of Iranian Foreign Minister Mohammad Javad Zarif's August visit to Beijing, one petroleum industry publication characterized the September 2019 revision of the Sino-Iranian strategic partnership as "a possible seismic shift in the global hydrocarbons sector" (Petroleum Economist, September 3, 2019).

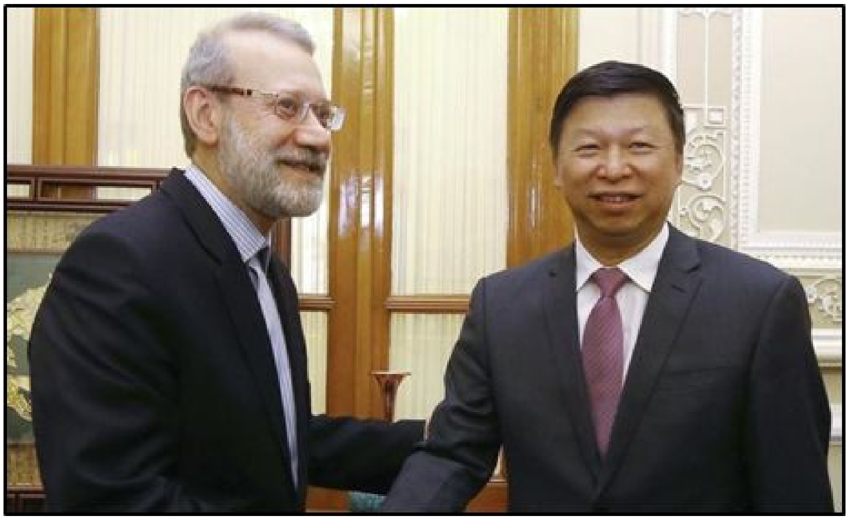

Image: Iranian Speaker of Parliament Ali Larijani (left) *meets in Tehran with Song Tao* (right), *head of the CCP International Liaison Department (July 30, 2019). Larijani used the occasion to comment that "Consultations between Iran and China, and the cooperation of certain friendly countries, can help counter U.S. animosity and neutralize its consequences." (Source: Radio Farda)*

For these reasons, and because Iran has also served as a point of leverage against the United States—the principal geopolitical and military competitor for both Iran and China—some Western commentators have accorded the country an outsized importance in PRC foreign policy. **[1]** However, these claims seem misplaced. To be sure, Beijing has come to regard the Middle East as part of its extended periphery—for better and for worse—and no doubt considers Iran as a valuable regional partner. Nevertheless, the Western Pacific and China's immediate neighbors remain its highest priorities. Furthermore, China's relationship with the United States, though fraught, far surpasses in significance its partnership with Iran. The United States' concurrent pressure on China and Iran can be said to have supplied Beijing with an opportunity to cooperate with Tehran in countering the United States—though not at the risk of countenancing a confrontation that could prove disastrous for China's global interests, which extend far beyond its relationship with Iran (Al-Monitor, May 13, 2019).

China's "special relationship" with Iran is actually not so special. Its "comprehensive strategic partnership" agreement with Iran parallels similar agreements with many other countries—to include Saudi Arabia and the United Arab Emirates (UAE), states with which Iran is sharply at odds (Project on Middle East Political

Science, March 2019; CNTV, January 20, 2016; SCMP, July 21, 2018). Moreover, there is no evidence that China privileges its relations with Iran over those with the Gulf Arab states. In economic terms, the Gulf Cooperation Council (GCC) countries are arguably more attractive trading partners for China than a revisionist Iran. **[2]** Saudi Arabia is now China's top oil supplier, and Chinese firms have committed $123 billion in investments and construction contracts to the Gulf Arab countries since 2013 (Foreign Policy, May 16, 2019). China has a large expatriate population in the UAE, further increasing the costs of a potential conflict (The National (UAE) , July 31, 2019). Furthermore, the PRC's investments in Iran pale in comparison to those made in Pakistan, which hosts the China-Pakistan Economic Corridor (CPEC), arguably the crown jewel of China's entire BRI program (China Brief, July 31, 2015; China Brief, January 17).

Although some of the grand strategic interests of China and Iran overlap, they have divergent ideological orientations and approaches to regional and international issues. Iran's repeated threats to close the Strait of Hormuz have sounded alarms in Beijing. Iran's support for religious insurgencies is also a source of consternation for Chinese leaders—who claim to face Muslim terrorist threats within their own borders, and cite alleged Islamic militancy as the justification for repressive "de-extremification" measures in the PRC's western province of Xinjiang (China Brief, April 24, 2019). Iran's possible development of nuclear weapons capability—even if it were to act as a check on U.S. influence—is also sharply at odds with the PRC's official non-proliferation stance and overriding interest in regional stability. Finally, Iran's regional ambitions seem to stretch beyond simply advancing Silk Road integration, and may not necessarily be congruent with Chinese aims in the long-term.

Dividends Deferred

The fact that China has never acceded to U.S. pressure to "isolate" Iran reflects an overriding concern in Beijing to avert a situation in which either Iran implodes, or in which the current regime is rendered so desperate that it lashes out. Both scenarios would destabilize the Middle East and obstruct China's access to regional energy markets. On past occasions when Iran's relations with the U.S. sharply deteriorated, Beijing showed itself willing to assume a modest level of risk. During the period 2010-2016 (i.e., prior to the signing of the JCPOA), China did not ban all energy trade with Iran (Congressional Research Service, November 29, 2017). When Iran was blocked by sanctions from accessing foreign exchange, China settled the trade balance in goods rather than hard currency (Middle East Institute, May 9, 2018).

When the JCPOA was implemented, the PRC was the least hesitant of Iran's foreign economic suitors to restart trade relations (SCMP, December 1, 2017). During a January 2016 visit to Tehran, Chinese Communist Party (CCP) General Secretary and PRC President Xi Jinping sketched out a plan with his counterpart, President Hassan Rouhani, to broaden relations and increase bilateral trade to $600 billion within a decade (China Brief, March 7, 2016). The next month, following the old Silk Road trading route, the first container train of commercial goods from China entered Iran through the border town of Sarakhs. Iran's future and that of China-Iran relations looked more promising than they had in decades.

However, two years can make a dramatic difference. With President Trump's May 2018 announcement of U.S. withdrawal from the JCPOA, China-Iran relations reverted to a familiar pattern. China continued to buy crude oil from the Islamic Republic even after the Trump administration ended sanctions waivers for all Iranian customers, although Chinese purchases were sharply reduced (SP Global, January 10). Sanctions have taken a toll on China-Iran commercial relations. Trade between both nations plummeted by 34.3 percent between 2018 and 2019 (Financial Tribune (Iran), January 26). Key Chinese state-owned enterprises have pulled backed from their investments in Iran (MarketWatch, October 6, 2019). Meanwhile, Chinese companies have hedged against the dangers of overreliance on Iranian oil shipments by expanding their partnerships with other suppliers within and beyond the Middle East. In 2019, China's purchases from Saudi Arabia and Russia, its top two oil suppliers, rose by 4 percent and 9 percent, respectively (Reuters, January 30).

Following an August 2019 visit to Beijing by Foreign Minister Zarif, the two countries reportedly agreed to update the "comprehensive strategic partnership" to include an unprecedented $400 billion of investment in the Iranian economy, in return for Chinese firms maintaining first right of refusal to participate in any and all petrochemical projects in Iran (Tasnim News, September 17, 2019; China Brief, November 1, 2019). However, this reported $400 billion bonanza has yet to materialize.

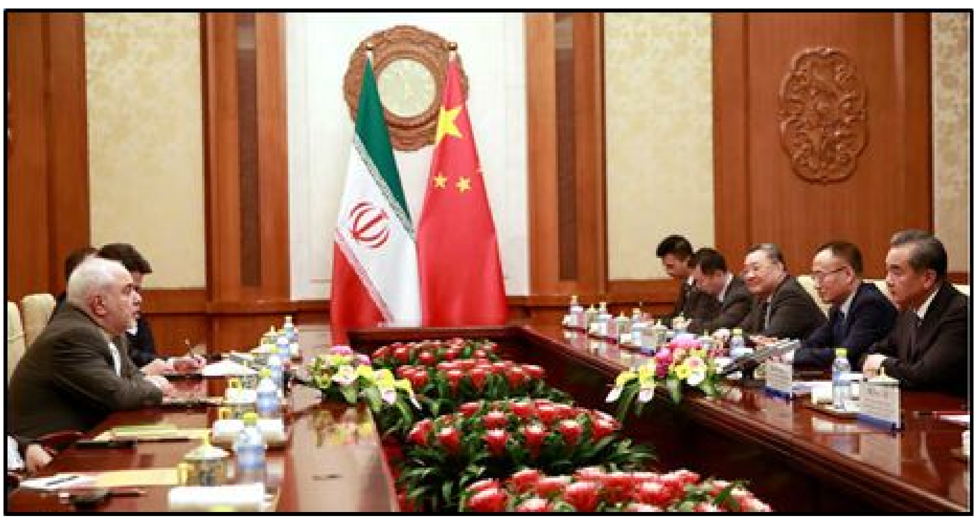

Image: Iranian Foreign Minister Mohammad Javad Zarif (left) and Chinese Foreign Minister Wang Yi (far right) conduct discussions at the Diaoyutai State Guesthouse in Beijing (August 26, 2019). Zarif's visit produced pledges to upgrade the "comprehensive strategic relationship" between the two countries. (Image source: Al-Monitor)

The Trump administration has not yet penalized the People's Bank of China or energy giant Sinopec for doing business with Iran—presumably to retain some leverage over Beijing, or to avoid a further deterioration of the bilateral relationship. Nevertheless, Washington's crackdown on Chinese tankers carrying Iranian oil (as well as other entities found to have breached U.S. sanctions) has continued apace (SCMP, July 23, 2019; SCMP, September 26, 2019). It is perhaps telling that the recently concluded Phase 1 U.S.-China trade agreement contains a Chinese pledge to buy over $50 billion more in U.S. oil and related products (SCMP, January 14).

The war of words between Washington and Beijing has continued unabated in the wake of the signing of the Phase 1 trade deal. China slammed the latest sanctions against Iran and called for the United States to "immediately correct the wrong approach" (VOA (Iran), September 26, 2019). For its part, the United States accused China of siding with Russia to block a U.N. Security Council resolution condemning an attack by pro-Iranian militia groups on the American Embassy in Baghdad in December (Reuters, January 6). In a 25 January interview, U.S. Special Representative on Iran Brian Hook charged China with "funding Iran's terrorism through oil purchases" (SCMP, January 25).

During a meeting with Iranian Foreign Minister Zarif in Beijing last May, Chinese State Councilor and Foreign Minister Wang Yi (王毅) stated that China "supports the Iranian side to safeguard its legitimate rights and interests" (China Daily, May 18, 2019; PRC Ministry of Foreign Affairs, May 17, 2019). However, since then Beijing's actual support has not amounted to much. Amid heightened tensions between the United States and Iran, the PRC made a point of downplaying the significance of its participation in December 2019 joint naval drills with Russia and Iran in the Gulf of Oman —as if to underscore its determination not to be drawn into Middle East conflicts (Xinhua, December 26, 2019; China Brief, January 17). Foreign Minister Wang Yi criticized the U.S. strike that killed General Soleimani as a "military adventurist act"—and later, meeting with his Iranian counterpart in Beijing, Wang called for the two countries to "stand together against unilateralism and bullying." However, Wang accorded top priority to the nuclear issue, strongly urging Iran to remain in the nuclear deal (SCMP, January 1).

Conclusion

While China's engagement with Iran has become more extensive over the past two decades, the relationship has been continually tested. The two sides have alternated between reaping the rewards of their burgeoning partnership, and finding themselves in the crosshairs of U.S. policy. When U.S.-Iran tensions briefly ebbed, Western companies were reluctant to rush back to Iran—which left their Chinese counterparts in an advantageous position. However, for the most part the chronically embattled Islamic Republic has been a troublesome partner for Beijing. China's recent efforts in regards to Iran can be summed up as consisting mainly of: providing assurances of its continued commitment to strengthening the relationship with Iran; urging both the United States and Iran to remain calm and exercise restraint; and vowing to support diplomatic initiatives aimed at preventing conflict. Amid all of this, Beijing has encouraged efforts, however unlikely, to rescue the remnants of the 2015 Iran nuclear deal to which China was a co-signatory (SCMP, January 8).

For Beijing, the task of balancing competing interests has become ever more complex: its relationship with the United States has grown more contentious, and in the Gulf Region the Saudi-Iran rivalry has become more toxic. Beginning in the period prior to the signing of the JCPOA (and continuing since the deal began to unravel), Beijing has offered both diplomatic support and an economic lifeline to Tehran. However, China is not, nor does it aspire to be, Iran's security guarantor—a fact that Iranian leaders perforce are keenly aware of, and which could partly explain Tehran's cultivation of a network of regional proxies and partners.

The 2017 *U.S. National Security Strategy* designates China as one of two "revisionist powers," and identifies "strategic competition" with China in all domains as a driving factor of American foreign policy. The same document refers to Iran as a "menace" to the region it inhabits, and asserts that a core objective of the Trump administration's Middle East strategy is "systemic change in the Islamic Republic's hostile and destabilizing actions" (NSS, 2017). These two separate strands of U.S. policy are inextricably intertwined. Whatever the outcome of the November 2020 American presidential election, a U.S. policy reversal in either case is implausible. Absent a fundamental change in Iranian foreign policy behavior or in the regime itself, Sino-Iranian relations will continue to be conditioned by U.S. policy—and constrained by it.

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Notes

[1] For example, in a 29 June 2019 op-ed published in the *New York Times*, author Robert Kaplan stated provocatively: "Iran is the key to China's plans, just as China's plans are key to Eurasia's destiny." (Robert Kaplan, "This Isn't About Iran. It's About China." *New York Times* (June 26, 2019), https://www.nytimes.com/2019/06/26/opinion/trump-iran-china.html). Similarly, a recent article in *The Diplomat* referred to Iran as "indispensable to China's BRI calculations." (Bonnie Girard, "China's Iran Dilemma," *The Diplomat* (January 11, 2020), https://thediplomat.com/2020/01/chinas-iran-dilemma/).

[2] See: "After Aramco Attacks, China's Middle East Interests Are At Stake," Jonathan Fulton, *Atlantic Council IranSource Blog*, September 20, 2019. https://www.atlanticcouncil.org/blogs/iransource/after-aramco-attacks-chinas-middle-east-interests-are-at-stake

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