

China's Iran Policies

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John W. Garver, Professor
Sam Nunn School of International Affairs
Georgia Institute of Technology

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Several Clusters of Chinese Policies

The complex of Chinese activities in Iran since early 2003 when the Iran nuclear issue intensified, can be disaggregated into six major policies. These are:

1. Cooperate with the United States on the Iran nuclear issue to the extent necessary to convince the U.S. that China is not a peer competitor or a strategic rival, but is a responsible stake-holder and strategic partner.
2. Support the Islamic Republic of Iran (IRI) diplomatically and politically against U.S.-led international pressure over the Iran nuclear issue. Help the IRI win time to push forward with its nuclear programs.
3. Expand economic cooperation with the IRI especially cooperation in the energy sector, and guard this cooperation against infringement by sanctions arising over the Iran nuclear issue.
4. Allow the flow of a wide array of sensitive dual use technologies to Iran to continue, rejecting U.S. and other countries “national,” extra-Security Council restrictions.
5. Cooperate with Iran to strengthen its military capabilities.
6. Use China's good offices to mediate U.S.-IRI conflict seeking a compromise over the Iran nuclear issue.

China is attempting to balance important but partially conflicting interests with the United States and the IRI.¹ The activities constituting these six policies are, in fact,

part of a complex negotiation between Beijing, Washington, and Tehran, and disaggregation into six distinct polities is artificial --- but analytically useful.

Several of China's Iran policies contradict one another. One cluster of policies embodies cooperation with the United States. Another cluster of policies entails opposition to the United States over the Iran nuclear question. Voting for Security Council sanctions in support of clear demands on Iran to cease enrichment and reprocessing does not mesh with expanding investment in Iran's energy sector as the oil firms of other nations exit that sector. Proclaiming support for upholding the NPT does not mesh with blocking hard-biting economic sanctions against an Iran that the IAEA has determined is in violation of its NPT obligations. Cooperating with the U.S. to pass repeated Security Council resolutions does not fit with sustained efforts to water down and delay passage of those resolutions. Helping Iran hone its military capabilities against U.S. threats does not fit with a policy of seeking strategic partnership with the United States. Most of all, attempting to mediate U.S.-IRI conflict does not square with Beijing's refusal to use China's considerable economic and political leverage with Tehran to press it to confirm to the international community that it is not seeking nuclear weapons. This paper examines the contradictions between China's support for U.S. sanctions on the one hand, and between China's support for Iran against U.S. sanctions on the other, and explores two plausible explanations of that discrepancy, bureaucratic politics or strategic deception.

It is tempting to conclude that Beijing is following a secret and long term strategy of convincing Washington that China is a partner on Iran, while simultaneously conniving at U.S. defeat in the form of a nuclear armed Iran that will substantially

diminish the U.S. ability to dominate the Persian Gulf region. Iran would thus be grateful to China for its assistance in foiling U.S. efforts to deny Iran nuclear weapons, while Washington would be grateful for China's cooperation in trying to prevent that outcome.

While embrace of such a strategy of deception probably does characterize the thinking of some sectors of China's foreign policy elite, especially the People's Liberation Army (PLA), bureaucratic politics offers a simpler explanation that fits well with what we know of China's highly fragmented decision making process. This paper will first review China's six major Iran policies and then explore the probable bureaucratic origins of this mix of seemingly inconsistent policies.

Cooperation with the United States

Throughout the intensified post-2002 debate over Iran's nuclear programs, China declared its support for the Non Proliferation Treaty, its opposition to the spread of nuclear weapons, and its non-support for Iran's acquisition of those weapons. Chinese representatives pointed out that Iran had assured China and the international community that the IRI was not pursuing nuclear weapons. Implicit in this stance was the idea that China's ties with Iran might be adversely affected by Iranian declaration or testing of nuclear weapons.

China translated its rhetorical support for the NPT regime into support for U.S.-inspired actions in international organizations. In February 2006 China voted "yes" in the International Atomic Energy Agency (IAEA) for the "report" of the Iran nuclear issue to the United Nations Security Council. China then voted "yes" in March 2006 in

support of a Security Council Presidential Statement calling on Iran to suspend uranium enrichment and plutonium reprocessing. China further voted “yes” in support of four Security Council resolutions between July 2006 and July 2010 --- threatening and then applying sanctions against the IRI for its refusal to comply with Security Council demands. China also agreed to modest increases in scope and severity of sanctions levied by successive Security Council resolutions. All of these Chinese actions were done in response to U.S. lobbying of Beijing. Beijing also urged the IRI to seriously consider Security Council proposals (along with European Union and/ or Russian, proposals) for resolving the nuclear standoff. Beijing urged Tehran to show flexibility, be ready to compromise, and earnestly seek to restore the trust of the international community that Iran’s nuclear programs were of a non-military nature.

Chinese representatives apparently did not believe that many of these U.S.-inspired moves were wise or would succeed. Transfer of the issue from the IAEA to the Security Council, then the passage of Resolutions and sanctions in that body, were not conducive to the settlement of the issue via diplomatic means, Chinese representatives said. Sanctions would only make the issue more complex, increase tensions, and make compromise more difficult. And yet China went along with many U.S. proposed actions.

The major Chinese interest under-lying the policy of cooperation with the United States seems to have been ensuring a continuing favorable international macro-climate for China’s economic development drive by fostering comity in the vital relation with the United States. Since the mid-1996 bilateral effort to re-normalize US-PRC relations after the confrontations of the previous seven years, Washington has stressed non-proliferation as an area where the two countries had common interests and could, thus, cooperate. One

key American idea was that greater cooperation in areas of common interest would make divisive issues less dangerous. Throughout the second Clinton Administration, the George W. Bush, and the Barak Obama Administrations, U.S. officials, from the President down, repeatedly lobbied Beijing for greater cooperation on non-proliferation issues, especially North Korea and Iran where China was deemed by Washington to have considerable influence. Successive U.S. Administrations put Persian Gulf issues, including Iran, near the top of their foreign policy agendas. For Beijing to have refused to respond positively to U.S. lobbying could have done serious injury to the PRC-US relations and thus endangered the positive marco-climate for China's development effort.

Supporting the IRI against U.S. Pressure

In the debates in the IAEA and Security Council, China gave Iran considerable support. It supported Iran's claim to a "right" to the "peaceful use of nuclear energy," playing a role, along with Europe, in the U.S. acceptance of this "right." Beijing was willing to accept at face value Tehran's professions of non-military intentions behind its nuclear programs, and rejected use of intelligence casting doubt on those professions but collected by "national" (i.e. mostly U.S. or Israeli) means rather than by IAEA inspectors. Beijing rejected any threat of use of force, let alone actual use, and condemned U.S. insinuations of possible use of military force (e.g., "all options are on the table"). Beijing secured deletion of what it deemed to be harsh language from various Security Council resolutions --- insisting, for example, on the use of "report" rather than "referral" to describe IAEA transmission of the Iran nuclear case to the Security Council. "Referral,"

Beijing said, implied that the Iran nuclear issue was a threat to international peace and security, which hinted at possible use of force, and was thus, unacceptable.

Beijing also delayed international efforts to pressure or sanction Iran. Chinese actions at the beginning and regarding the most recent international moves to sanction the IRI illustrate this well. In November 2003 the IAEA determined that Iran had violated its obligations under the NPT to report nuclear activities. IAEA rules required rapid report of such findings to the Security Council, and the United States began pushing for such report. It occurred only in February 2006, after a delay of twenty-six months. China was not the only country responsible for this delay; but it was one. Similar delay occurred with each of the Security Council resolutions. With the most recent Resolution, 1929 adopted by the Security Council in June 2010, for example, in mid December 2009 the Obama Administration began pushing for a fourth round of Security Council sanctions after concluding that Tehran would not respond adequately to Washington's overtures over the previous ten months. China did not agree to begin discussing this matter until the end of March 2010, about three and a half months after the U.S. proposal. It then took another nine weeks to reach agreement on what became Resolution 1929. China's lethargic approach helped delay Security Council action by several perhaps six months. All together Beijing's delaying tactics probably gained several years of time for Tehran. This occurred in a situation in which Washington was urging that time was running out for a peaceful settlement and as Tehran pushed forward vigorously with its nuclear efforts.

Beijing also worked to weaken sanctions embedded in Security Council resolutions. During the negotiations over what became Resolution 1747 in March 2007,

China resisted restrictions on governmental loan guarantees for firms doing business in Iran. The U.S. strongly supported such measures.² Resolution 1747 contained no such provision, calling, rather, for states not to grant “financial assistance and concessional loans” to the *government* of Iran.³ (Emphasis added.) Beijing insisted that sanctions target only individuals and entities verifiably and directly linked to Iran’s nuclear programs. It sought to limit the number of Iranian individuals and entities targeted. It sought to make sanctions voluntary rather than mandatory. Most importantly, Beijing sought to ensure that sanctions would not interfere with normal commercial transactions, trade, investment, and economic cooperation, especially in the energy sector that produced most of Iran’s foreign currency revenues.

Beijing also supported the IRI by continuing robust, high level, and multi-dimensional interactions during a period when the IRI was becoming increasingly ostracized by the United States and its Western allies. According to China’s annual diplomatic almanac, there were six high level Chinese and Iranian official exchanges in 2003, eleven in 2004, fourteen in 2005, ten in 2006, seventeen in 2007, twelve in 2008, and ten in 2009.⁴ Figure 1 outlines the high-level interactions between the PRC and the IRI between 2003 and 2009. The breadth of these high-level exchanges is also notable: transportation, agriculture, environmental protection, ship building, training of diplomats, information technology, labor and social security, internal security, and military industry. The nuclear issue was a frequent topic of discussion during these interactions, with China’s position paralleling its stands in U.N. debates.

Figure 1: High Level PRC-IRI Interactions, 2003-2008

IRI admission as an Observer to the Shanghai Cooperation Organization (SCO) in June 2005 was another manifestation of Chinese support. Iran's SCO role thereafter gave President Mahmoud Ahmadinejad a stage he used nearly every year to propound Iran's views. In June 2006 Ahmadinejad attended the SCO summit in Shanghai where he held talks with Presidents Hu Jintao and Russian's Vladimir Putin, addressed the conference and called for transforming the SCO into a strong anti-U.S. organization, and held a press conference. In 2008 Ahmadinejad attended the SCO summit in Kyrgyzstan and again held talks with Presidents Hu and Putin. Also in 2008 Ahmadinejad attended the Beijing Olympic Games and again held discussions with Hu Jintao. In 2009 Ahmadinejad again meet Hu Jintao at a SCO summit, this time in Russia. Hu proposed and Ahmadinejad "fully agreed with," a four-point proposal for expanded cooperation and exchanges. Two different Iranian first vice presidents visited China, one in April and another in October. China's special envoy for the Middle East Wu Sike visited Iran in August, while in November the Assistant Foreign Ministers held the eighth round of political consultations. The IRI had other friends around the world --- Venezuela, Syria, North Korea, Hezbollah in Lebanon. But none of those friends had the status and influence of China. Beijing, for its part, made clear its desire for deep and varied partnership with the IRI, and its determination that the Sino-Iran relation would continue to develop in spite of U.S. unhappiness.

Expanding Economic Cooperation: China Fills the Vacuum Created by U.S. Pressure

As the confrontation over Iran's nuclear programs escalated during the 2000s, and as U.S. sanctions targeting firms that invested in Iran's energy sector became steadily

sterner, European and Asian companies --- other than Chinese ones --- became hesitant. As illustrated by Figures 2 and 3, Chinese energy firms seized the opportunity. Figure 2 indicates that during 2009 Chinese firms entered into eight new energy deals, many of which had been abandoned by Western firms under fear of U.S. sanctions. Table 3 summarizes in bar-graph form the data from Figure 2. Together the two Figures show clearly that by 2009 China had become Iran's major energy partner. In July of that year, Iran's deputy oil minister put Chinese participation in Iranian oil at US\$48-50 billion, with 35-40 percent of that involving contracts signed and under execution.⁵

Figure 2: Major Foreign Investment in Iranian Energy Sector, 1999-2009

Figure 3: Foreign Investment in IRI Oil and Gas, 1999-2009, as Bar Graph

The premise for China's "filling the vacuum" in Iran's energy sector was China's relative policy independence from the United States. Beijing was less willing than the European countries and Japan to follow U.S. policy advice on Iran or to bow before U.S. unilateral actions penalizing non-U.S. firms for involvement in Iran's energy sector. Beijing's greater independence from Washington served China's interest in penetrating Iran's energy sector. China's support for Iran over the nuclear issue and against U.S. pressure also inclined Tehran to see China as a relatively reliable and like-minded partner.

Western governments were targeting Iranian gasoline imports by 2010, and China was stepping in to help Iran off-set that Western pressure. By early 2010 Chinese

companies were supplying one third of Iran's imported gasoline.⁶

In sum, despite the relative technological backwardness of China's petroleum technology, within a very few years China was able to seize the opportunity presented by the withdrawal of Western and Japanese oil firms from Iran, persuade economic nationalist Iranian officials to grant commercially attractive terms to Chinese firms, and establish Chinese majors in a leading position in a country with vast, unexploited energy resources. Of course, the flight of European and East Asian oil majors from Iranian projects left Iran with few choices other than Chinese firms.

But no sooner had Chinese firms filled the vacuum in Iran's energy sector in 2009, than they began hesitating about moving forward with their various deals --- many of which were only MOUs. CNOOC cancelled just before the signing of a contract the \$16 billion deal initialed in May 2007. CNPC reportedly halted in mid-2010 work on the South Azadegan project agreed to only the previous August. CNPC also delayed drilling at the South Pars gas field agreed to in March 2009. These moves were in line with a mid-2010 instruction from China's government to slow down implementation of the recently concluded deals in Iran.⁷

Shifts in China's oil imports during 2008-2010, outlined in Figure 4 also suggest China has slowed the growth of energy cooperation with Iran over the past year. In 2008 and 2009, Iran supplied 11.9 percent and 11.3 percent respectively of China's total crude imports. In 2010 a 7.9 percent fall in imports from Iran reduced Iran's share of total imports to 8.9 percent. Equally interesting was a growth in Chinese crude imports from countries friendly to the United States. In 2009 and 2010 Chinese imports from Saudi Arabia grew twice as fast as imports from Iran. Oman's sales leaped by 35.2 percent in

2010, while Iraq's grew by 56.9 percent. It is possible that China's diversification of oil imports away from Iran is governed by growing risk of disruption by war or sanctions. But it is also possible, and likely in this analyst's judgment, that China's go-slow and pull-back approach to energy cooperation with Iran was apparently related to Sino-U.S. bargaining.

Figure 4: China's top Oil Suppliers, 2008-2010 (millions of tons)

Three factors tied to the United States were in play. First, the United States was implementing more comprehensive and stringent sanctions on non-U.S. firms dealing with Iran, combined with the fact that Chinese oil firms had subsidiaries listed on U.S. stock exchanges and otherwise vulnerable under new U.S. law. Second, negotiations between Beijing and Washington over Iran were underway, with Washington apparently proposing increased Chinese access to U.S. and U.S.-allied energy markets in exchange for China's drawback from Iranian energy projects.⁸ Third, having advanced boldly to become Iran's major energy partner in 2009, Beijing felt it prudent to go slow for a while to palliate Washington's reaction.

Tehran was reportedly furious with the lethargy of China's oil majors. Oil Minister Masoud Mirkazemi and the director of the National Iranian Oil company traveled to Beijing in August 2010 to secure more vigorous implementation. Vice premier Li Keqiang promised Iran's representatives that China would carry through on the projects it had agreed to⁹

Continuing Flow of Sensitive, Dual-Use Technologies

Between 2002 and 2009, nearly forty Chinese entities were sanctioned seventy-four times by the United States under U.S. legislation and Executive Orders. The annual incidence of these U.S. sanctions is shown in Figure 5. Many of these Chinese entities were large, politically well connected state-owned enterprises. Interestingly, however, none of China's oil majors were among the Chinese firms sanctioned,¹⁰ in spite of those firms vigorous entry into Iran's energy sector in the late 2000s, and in spite of the apparent applicability of U.S. sanction laws to those firm's investment in Iran's energy sector. In discussions with Senate foreign relations staffer Frank Januzzi in March 2008, the Director General of China's Ministry of Foreign Affairs (MFA) Arms control Department, Cheng Jingye, said that China's energy cooperation with Iran was unrelated to the Iran nuclear issue. Beijing had made clear to the United States China's need for energy resources, Cheng said, and that China's cooperation with Iran on energy had nothing to do with the Iran nuclear issue. The U.S. Congress needed to understand this point, Cheng said. Specifically, the threat of sanctions against Sinopec was a very serious issue, Cheng emphasized. Sinopec is very important to China, Cheng said, and he "can't imagine" the consequences if the company was sanctioned by the United States.¹¹ Beijing was willing to tolerate U.S. sanctions against Chinese equipment and technology suppliers, but not against China's oil majors. Beijing apparently succeeded in deterring U.S. sanctions against its oil firms.

Figure 5: Chinese Entities Sanctioned by the United States, 2002-2009

One can infer two Chinese decisions here. One: not to comply with U.S. lobbying for Chinese compliance with U.S. legislation and instead allow Chinese firms to continue normal commerce with Iran, even while those firms encountered occasional U.S. sanctions if and when their commercial transactions came to U.S. attention. Two: to draw the line at Chinese investments in Iran's energy sector and threaten that U.S. sanctions in that area would cause serious damage to PRC-U.S. relations.

From Beijing's perspective, "unilateral," "national" decisions cannot bind third parties; the United States cannot regulate China-Iran relations. To argue otherwise, as the United States did, was a manifestation of arrogant, hegemonist mentality. The application of U.S. law beyond the sovereign territory of the United States to the territory and nationals of other countries is a modern day variant of the extra-territoriality that humiliated China in the hundred years after the Opium War. As a sovereign state, China alone has the rightful power to regulate its ties with other countries. U.S. law and Executive Orders do not over-ride China's sovereignty. If China's government agrees to regulate China's ties with Iran, perhaps via agreement to Security Council resolutions or via bilateral agreements with the U.S. government, China will scrupulously abide by those regulations and restrictions. In lieu of agreement voluntarily assumed by China's government, China's ties with Iran are unfettered. This is Beijing's general view of the situation.

Stress on China's sovereignty dovetailed with recognition of energy imports as a potential bottleneck for China's development. Cramping China's machinery and technology exports would not fundamentally threaten endanger China's continued

growth. China's exports to the IRI are a tiny percentage of China's global exports. Not so, China's imports of IRI oil. Undermining China's efforts to secure the imported energy it needed might well hobble China's continued development.

Beijing probably lobbied hard in Washington over this point and the pattern of non-sanctioning of Chinese oil majors suggests an understanding has been reached in this regard.

Strengthening Iran's Military Capabilities

Throughout the 2000s, in a situation in which both Beijing and Tehran believed Iran faced increasing threat from the United States, China assisted IRI efforts to improve its military capabilities. According to the Arms Transfer Database of the Stockholm International Peace Research Institute (SIPRI) presented in Figure 6, China supplied US\$ 664 worth of arms to Iran during 2002-2009, ranking only behind Russia in this regard. Iran was the second ranking recipient of Chinese munitions during the 2005-2009 period, behind only Pakistan.¹²

Figure 6: International Supply of Arms to Iran (US\$ millions)

According to SIPRI, China's munitions sales to Iran during the 2002-2009 period centered on anti-ship and anti-aircraft missiles. These included hundreds of anti-ship missiles for Fast Attack Craft supplied by China in the 1990s, helicopter launched anti-ship missiles copied from an Italian design, and over a thousand portable surface-to-air

missiles.¹³ Many of these weapons were specifically developed by the former Soviet Union, Russia, and/or China to deal with U.S. air and naval forces.¹⁴

In 2004 the deputy director of China's Committee on Science, Technology, and Industry for National Defense (COSTIND), Zhang Wenmu, visited Iran. COSTIND is the heart of China's military-industrial complex and oversees China's military modernization drive. In August 2005 the commander of China's Nanjing Military Region, Lieutenant General Zhu Wenquan visited Iran for talks with the chief of joint staffs of the Iranian military. The IRI pushed during that visit for the establishment of a joint technical committee to expand bilateral cooperation in the realm of military training and research.¹⁵ The Chinese response to this Iranian proposal was equivocal; General Zhu merely "welcomed" the Iranian proposal.

Other more innocuous appearing mechanisms existed for sensitive Sino-Iranian cooperation in missile development. In October 2005 Iran joined the China-led Asia Pacific Space Cooperation Organization (APSCO) designed to facilitate cooperation in space and satellite technologies.¹⁶ Within APSCO China assisted Iran develop ballistic missiles capable of launching satellites.¹⁷ Reports by the U.S. intelligence community stated that there had been continuous assistance by "Chinese entities" to Iran's ballistic missile programs.¹⁸

From Beijing's perspective, cooperation in the military area is part of normal state-to-state relations which is unobjectionable. Still, the fact remains that China continued to serve as Iran's second ranking arms supplier as tension over the Iranian nuclear issue mounted and as U.S. officials periodically stated that "all options remained on the table," a euphemism for a possible military strike if Iran refused to come to terms.

The first movement of actual military forces within the IRI-PRC relationship came in October 2010 when Iran opened its air space and allowed four Chinese Su-27 and MiG-29 combat aircraft to land and refuel at Iranian bases on their way to and from Turkey for joint exercises with the Turkish air force. This was the first time the IRI had allowed foreign warplanes to refuel at Iranian air bases.¹⁹

China's Effort to Mediate Iran-U.S. Conflict

Beijing's policy of watering down and delaying U.S. proposed Security Council sanctions generated suspicions in the U.S. that Beijing was conniving to ensure that those sanctions failed. China's Iran policies suggested to some Americans that China was, after all, a peer competitor. Nor was Iran happy with China's balancing approach. In June 2010, shortly after China supported Security Council Resolution 1929, President Ahmadinejad visited Beijing in association with the Shanghai World Expo. Shortly before Ahmadinejad's arrival in Beijing, the head of Iran's nuclear program, Ali Akbar Salehi, slammed China's weak support at the United Nations. Speaking to the Iranian media, Salehi said: "There was a time when China branded the U.S. as a paper tiger. I wonder what we can call China for agreeing to this resolution." Beijing had "double standards," supporting North Korea even though it has abandoned the NPT, while sanctioning Iran even though it adheres to the NPT.²⁰

China's balancing approach satisfied neither Washington nor Tehran, and was injuring China's relations with both. This reality seems to be the origin of Beijing's 2009 attempt to mediate the U.S.-IRI conflict. A solution to the dual erosion of Sino-Iranian and Sino-American trust via an attempt to mediate U.S.-IRI relations was offered in a

2006 article in China International Studies, a journal of the MFA's think tank, by China's ex-ambassador and long-time Iran hand Hua Liming. In that article Ambassador Hua argued:

Since the major difficulty in resolving the Iran nuclear issue lies in the antagonism between the United States and Iran and the only way for its resolution is to conduct direct talks between the two countries, then why cannot China act as a mediator between them? ... as the United States and Iran distrust each other due to long estrangement and accumulated rancor, there must be an influential big country to mediate and shuttle between them and put forward plans for settlement for them to bargain on. China can and should play this role.²¹

Ambassador Hua gave several reasons why a mediation effort would serve China's interest. It would strengthen China's reputation as a responsible great power. It would have a positive impact on Sino-US relations. Iran too would be grateful for China's help in extricating it from growing isolation and pressure, while preserving and gaining international legitimacy for Iran's purely non-military nuclear energy programs. Thus, China would consolidate its important ties with both Iran and the United States.

The tone of Chinese communications with Tehran and Washington during 2006-2007 suggests that China's was urging both sides to moderate their respective demands and compromise. More conclusive evidence that China's MFA used its good offices to mediate Iran-U.S. ties came from documents in the 2010 collection of documents divulged by Wikileaks. These documents make clear that during 2009, Barak Obama's

first year as President, when Obama reached out to Tehran in overtures he hoped would lead to a redefinition of US-Iran relations, China actively attempted to mediate U.S.-IRI conflict. In March 2009 the Deputy Director of the MFA's West Asian Department's Iran Division, Xu Wei, told a political officer of the U.S. embassy in Beijing that China was willing to facilitate dialogue between the U.S. and the Islamic Republic of Iran.²² China valued its bilateral relations with Iran, Xu said, but Iran should not take for granted its economic relations with China. China had urged Iran to respond positively to U.S. overtures, Xu said, but the U.S. should expect the initial rounds of direct talks with Iran to be difficult.

In September 2009 Vice Foreign Minister He Yafei gave advice to Deputy Secretary of State James Steinberg on how to handle talks with Iran. The U.S. should not reject Iranian attempts to broaden conversation. Nor should the U.S. create the impression that talks were not making progress, He urged. The crux of the issue, according to He Yafei, were clear benchmarks, monitoring, and supervision to ensure that Iran's nuclear programs did not target nuclear weapons. Meanwhile, Vice Foreign Minister He hoped that domestic pressure in the U.S. would not force the U.S. to seek a new Security Council resolution.²³ Beijing also lobbied Tehran. On the sidelines of a Shanghai Cooperative Organization meeting in Beijing in October, Premier Wen Jiabao urged Iran's first vice president Mohammad Reza Rahimi to move forward with direct talks with the United States and offered PRC support to do so. (Emphasis added.) Wen reiterated that Iran had a right to peaceful nuclear technology, but stressed China's opposition to Iranian development of nuclear weapons. In conveying this information to a political officer of the U.S. embassy in Beijing, Deputy Director of the MFA's Iran

Desk, Ni Ruchi, stressed that there was an influential constituency within Iran that advocated flexibility on the nuclear issue, but that the IRI government would need any negotiations to deliver benefits to Iran given the strength of the conservative camp.²⁴

China's 2009 mediation effort indicates that Beijing is not inextricably wedded to the balancing approach to reconciling its conflicting interests with Iran and the United States. Rather, it is experimenting to find a path that better serves China's multiple interests. An active approach that seeks to use China's influence to reconcile Tehran and Washington is one that recognizes the impact of China's growing status in the world and manifests a desire to use that growing influence to make peace --- even between the United States and its adversaries.

Strategic Deception or Bureaucratic Politics?

There are two plausible explanations of the contradictory jumble of Chinese policies toward Iran: strategic deception and/or bureaucratic politics. With the first explanation, China would support U.S. efforts to prevent Iranian acquisition of nuclear weapons to the extent necessary to convince Washington that China is a responsible strategic partner. Simultaneously, however, China would work to ensure the failure of U.S. efforts and increase the likelihood of Iranian success. From this perspective, China's over-riding objective is to maintain the favorable macro-climate for China's development drive by maintaining U.S.-PRC comity, and Beijing will do whatever necessary to guarantee continuing comity. But, from this perspective, Beijing also recognizes that a strong anti-U.S. Iran is and will be a significant obstacle to realization of U.S. dreams of global hegemony, and China should do what it can, quietly and

stealthily, to defeat U.S. efforts to subordinate Iran.²⁵

The bureaucratic politics perspective sees the various clusters of China's Iran policies as reflecting the perspectives and interests of influential Chinese organizations, specifically the Ministry of Foreign Affairs, the PLA, state-owned oil firms such as CNPC, Sinopec, and CNOOC, and Chinese firms producing high-tech dual use goods ---- firms often closely linked to the PLA, and. Academic research centers may also play a role, although not equal to the heavy-weights like the PLA, the MFA, and oil firms. The policy preferences and prescriptions advanced by these organizations would then be mediated by a handful of China's top leaders, probably several members of the Standing committee of the Politburo whose major concerns have to do with building domestic support by satisfying as many organizations as possible.

Let me be frank. I do not know which explanation is most true. Confident judgment in this regard would require access to information about China's most sensitive decision making processes. But it seems to me that, *ceteris paribus*, the most simple explanation is best. That points toward the bureaucratic politics explanation. This explanation also fits well with what we know of China's highly fragmented policy process.

China's formal, all inclusive "policy" toward Iran (and most other countries, for that matter) is to expand friendly cooperative relations in various fields on the basis of common interest, mutual respect, trust, and understanding. China's cooperation with various countries does not threaten any third country, is not linked to any other issue, or under the control of any third country no matter how powerful. Within this very broad "principled" framework, various powerful Chinese organizations pursue their own

objectives.

A “bureaucratic politics” explanation of China’s Iran policies, *based solely on informed speculation*, looks something like this. The MFA is the immediate recipient of U.S. solicitations of increased cooperation. It also has first hand exposure to U.S. Congressional views and anger, and has greater understanding of the role of the legislative branch in the U.S. policy process. The MFA, having a deeper understanding of the United States, is less inclined to embrace sinister theories of U.S. seeking to stifle China’s rise, contain or encircle it. It is also more inclined to see international regimes as viable mechanisms for regulating conflict among nations, including the PRC and the U.S. The MFA is less inclined to see the Sino-U.S. relation in terms of a hard balance of power, and inclined to place greater stress on soft power such as the positive reputation that can be gained by using China’s growing influence to make peace among nations and genuinely uphold the NPT regime. The MFA is responsible for balancing competing demands from Washington and Tehran and is sensitive to both the difficulty and the political costs to both Sino-Iranian and Sino-U.S. relations of the “balancing” approach. These perspectives translate into advocacy of greater cooperation with the United States, while giving some support to Iran against U.S. pressure, and to an effort to mediate U.S.-IRI conflicts.

PLA representatives probably view MFA perspectives as idealistic and naïve. PLA leaders tend to perceive the United States as deeply hostile to China’s rise as a global power beyond U.S. control. The U.S. is using all sorts of tricks to stifle China’s rise: arming and ganging up with India, Japan, Australia, and Vietnam; organizing “color-revolutions” in Central Asia; preventing the unification of Taiwan; denying

advanced technologies; allying the Southeast Asian countries to collectively challenge China in the South China Sea; and instigating internal dissent in China via radio, the internet, and “civil society building” programs. The way to counter these nefarious and often duplicitous U.S. schemes is to confront the U.S. with real power. A nuclear armed Iran would do this. So too would further strengthening of Iran’s military capabilities. A nuclear armed Iran would thwart the U.S. drive for hegemony over the Gulf and its oil resources, would divert and tie down U.S. military strength in a region thousands of miles from China, and would offer a partner willing to tell the American’s to go to hell and continue supplying China with oil in the event of a U.S.-PRC clash. The MFA mediation effort of 2009 must have seemed like incredible folly to China’s military hardliners. In response to MFA charges that support for a nuclear armed Iran would injure China’s reputation, the PLA prescription is probably to obfuscate and camouflage Chinese support for the IRI.

China’s oil majors seek to seize the current, rare opportunity to establish themselves upstream and downstream in Iran’s exceedingly rich energy sector. These oil firms understand that a degree of Chinese support for Iran in its struggles against Washington makes China an attractive energy partner for Tehran, while keeping a degree of independence from U.S. policy is a precondition for expanded Sino-Iranian energy cooperation in the face of escalating Iranian-U.S. conflict. China’s oil majors also appeal to a long-standing Chinese energy security policy in which China seeks to insulate its oil-supply relations by wrapping that relation in layers of political and security cooperation. Chinese support for Iran against the U.S. thus helps insulate from political or economic shocks China’s oil import relation with Iran. But China’s oil majors also

have major stock issue, financial, and corporate subsidiary relations in the United States which are vulnerable to U.S. legislation. They are also alert to other energy supply opportunities that are available via cooperative ties with the United States. (e.g. in Iraq, Canada, the United States, or Saudi Arabia). These interests could bring China's oil majors down somewhere between the MFA and the PLA, but also point toward camouflage and obfuscation of any Chinese support for Iran's nuclear effort.

China's top leaders, probably the paramount leader and two or so other members of the Politburo Standing Committee and perhaps foreign policy advisor Dai Bingguo, have to mediate among these competing interests and approaches. The incumbent paramount leader and his successor, whether designated (as is Xi Jinping as of fall 2010 or undesignated (as Xi was before 2010), would seek to demonstrate to the PLA that they were tough minded enough to lead China. Softness or a seeming unwillingness to stand up to the United States could undermine vital PLA support for these top leaders. All top CCP elite participants in the policy debate would view as vital the PLA role in maintaining social stability and, ultimately, keeping the CCP in power. China's top leaders would pay close attention, and probably not reject outright, hard-security arguments about the balance of power advanced by PLA representatives. But China's top leaders would also be attentive to the dangers to the vital Sino-U.S. relation outlined by the MFA. Those arguments would carry heavy weight because collapse of comity with the United States could endanger China's development push and, thus, social stability. The gains to China's soft power qua international reputation to be had by working with the U.S., as laid out by the MFA, would also be attractive to Chinese leaders desirous of being deemed good managers of China's vital relation with the United States, in the

lineage of Deng Xiaoping and Jiang Zemin.

A compromise policy of cooperation with Washington plus simultaneous support for Tehran, with a hefty amount of obfuscation on both sides of that balancing act, could well have arisen out of these bureaucratic alignments. This is, perhaps, the best explanation currently available for China's contradictory jumble of Iran policies. The PLA may indeed favor a policy of strategic deception, but the MFA and oil majors are wary of alienating Washington over Iran. The over-riding considerations of China's top leaders probably have to do as much with domestic considerations as constructing a balance of hard power in the Gulf denying the United States world hegemony. From this perspective, China's inconsistent Iran policies arises not from a central decision for strategic deception, but from a bureaucratic compromise of leaders much concerned with expanding and maintaining their domestic power base.

NOTES

¹ I use this "balancing" model to explain Iran-China-U.S. relations in Moving (Slightly) Closer to Iran: China's Shifting Calculus for Managing Its 'Persian gulf Dilemma', John Garver, Flynt Leverett, and Hillary Mann Leverett, Asia-Pacific Policy Papers Series, Edwin Reischauer Center, Nitze School of Advanced International Studies, John Hopkins University, October 2009. (Monograph, 56 pages.) http://www.sais-jhu.edu/bin/y/v/moving_slightly-closer.pdf

² "Key nations split over Iran sanctions," China Daily, 12 March 2007. World News Connection, <http://wnc.dialog.com>. Hereafter cited as WNC.

³ Resolution 1747 (2007). United Nations Security Council. S/RES/1747(2007).

⁵ "Deputy –minister on Planned Chinese Investments in Iran Oil Sector," Jomhuri-ye Eslami Online, 30 July 2009. WNC.

⁶ "China Takes Over From West as Iran's Main Economic Partner," AFP, 15 March 2010. WNC.

⁷ Chen Aizhu, “China slows Iran oil work as U.S. energy ties warm,” Iran Focus, 28 October 2010. <http://www.iranfocus.com>. Justin Lin, “Chinese investment in Iran: one step forward and two steps backward,” East Asia Forum, 3 November 2010. <http://www.eastasiaforum.org>

⁸ Chen Aizhu, op. cit. Justin Lin, op. cit.

⁹ “China, Iran pledge to carry out cooperation projects,” Xinhua, 6 August 2010. WNC.

¹⁰ The study by Dubowitz and Grossman sourced in Figure 5 identifies the specific Chinese firms targeted.

¹¹ Beijing embassy to State Department, 08BEIJING1141, 26 March 2008. Wikileaks documents. <http://cablegate.wikileaks.org/tag/CH-0.html>

¹² “Trend Indicator Value of arms exports from China, 2005-2009.” <http://www.sipri.org>

¹³ “Transfer of Major Conventional Weapons, Sorted by supplier, China to Iran, 1995-2009.” SIPRI.

¹⁴ Richard Fisher, Jr., “China’s Alliance with Iran Grows contrary to U.S. Hopes,” International Assessment and Strategy Center, 20 May 2006. <http://www.strategycenter.net>

¹⁵ “Iranian, Chinese Military Officials Hold More Talks,” and “Iranian, Chinese Armed Forces to Form Joint Technical Commission,” both Mehr News Agency, 20 August 2005. WNC.

¹⁶ Richard Fisher, “China’s Alliance,” op cit.

¹⁷ “Aerospace official Says Iran Building Satellite-Carrying Missiles,” Iranian Student News Agency, 15 March 2005. WNC.

¹⁸ Ibid.

¹⁹ “Chinese warplanes refueled in Iran enroute to NATO exercise in Turkey,” World Tribune TV, 12 October 2010. <http://www.worldtribute.com>

²⁰ “Ahmadinejad starts China trip,” AFP, 11 June 2010. Lexis Nexis.

²¹ Hua Liming, “The Iran Nuclear Issue and China’s Diplomatic choice,” China International Studies, Winter 2006, no. 5, p. p. 92-103.

²² Beijing embassy to State Department, 4 March 2009. 09BEIJING560. Wikileaks. http://cablegate.wikileaks.org/tag/CH_0html

²³ Deputy Secretary Steinberg's Meeting with Vice Foreign Minister He Yafei, 29 September 2009. Wikileaks..

²⁴ Beijing embassy to State Department, 22 October 2009. 09BEIJING2932. Wikileaks.

²⁵ For a good overviews of Chinese perceptions that the United States is striving to weaken and hem in China and abort its "rise," see, Ye Zicheng, Inside China's Grand Strategy, University of Kentucky Press, 2011, pgs. 93-105.