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# Sino–Iranian Relations: History and Nuclear Proliferation Implications

by Kenneth Daines

In July 2012, the U.S. imposed sanctions against China’s Bank of Kunlun, part of the government-run China National Petroleum Corporation (CNPC), because the bank had provided “hundreds of millions of dollars worth of financial services” to at least six Iranian banks on the U.S. nuclear sanctions list (Ma, *WSJ* 2012). New York-based international lawyer John Moscow observed that Chinese banks will likely “attempt to structure their legal affairs so that they can do business with America and Iran, which means keeping secrets from the United States. The Chinese business community has not shown any sign that they accept U.S. sanctions against Iran” (Silver-Greenburg, *NYT* 2012). These tensions and concerns are further complicated by China’s history of military sales to Iran and recent allegations of China facilitating weapons development by selling particular metals to the Iranian military that can be used for nuclear warheads (Silver-Greenburg 2012).

Historically, China and Iran have had extensive interactions both economically and diplomatically. These civilizations first came into contact with each other in 139 BC when the Han court sent envoy Zhang Qian to Persia in search of allies against the Xiongnu. From this point forward, the Han and Persian empires began trading through what was later called the Silk Road. While their trade with each other was significant, the Persians were also important facilitators of China’s trade with the West. Sino–Iranian interactions became particularly close after the Mongols conquered both of their empires in the thirteenth century and as they began to share scientific, medicinal, and mathematical findings with each other (Garver 2006, 13–15). This economic and cultural exchange was largely continuous up through the modern era, making the Sino–Iranian interchange a deep-rooted relationship.

As historically great empires that were both eventual victims of Western aggression and humiliation, China and Iran are sympathetic to the same perceptions of Western injustice and hegemony, Western nations' perpetual ambition to keep them both weak, and the need to restore their prior greatness. These shared commonalities and ancient history of cooperative relations are critical diplomatic talking points of unified background, understanding, and purpose (Garver 2006, 5).

While China and Iran generally continue to behave as economic partners, many in the international community have questioned the true future course of their relationship since China has recently been reluctant to publically support Iran. Though not an official member of the Shanghai Cooperation Organization, Iran currently has "observer" status and is theoretically cooperating with China in its commitment to eliminate terrorism and Islamic fundamentalism. This collaboration further complicates the picture of Sino-Iranian relations.

Because of China's ever-increasing dependence on foreign oil, Iran has become an even more strategic economic partner to China. Consequently, China has made a calculation to not boycott Iranian oil to the extent that the U.S. has requested, making it impossible for the UN Security Council to impose crippling sanctions to halt Iran's nuclear program. This pattern of Chinese defiance of Western international pressure against Iran has a historical parallel; China supported Iranian nuclear development during the 1980s and into the mid '90s, with much of this assistance being provided without the knowledge of the International Atomic Energy Agency (IAEA). Accordingly, from a nuclear disarmament perspective, the strength of the Chinese-Iranian relationship may continue to be one of the most critical in determining the effectiveness of international pressure and sanctions on Iran's weapons program. Should China continue to disregard international pleas for heightened sanctions, it will not only anger the U.S. and other Western powers but also could provide Iran enough support to allow its nuclear program to continue to progress, thereby indicating China's approval of the advent of an Iranian nuclear state.

### **Recent Historical Development of Sino-Iranian Relations**

In the early 1980s, after China had commenced Reform and Opening, relations with Iran became particularly advantageous for both sides as China needed hard currency to help further its economic growth and Iran needed weapons that China could supply for its war with Iraq. Robert Sutter notes that "Beijing continued to gain both economically and politically from active arms sales [to Iran], notably during the Iran-Iraq war" (300). China was a natural fit to sell weapons to Iran, first because the U.S. had placed sanctions on Iran earlier and second because of China's contrasting "non-interventionist 'no-strings-attached'" policy toward trade relations (Currier and Doraj 2010, 50). Additionally, as concerns of American and Soviet hegemony heightened for both China and Iran, they were drawn closer together in the common

cause of power balancing. In seeking to support so-called "Third World states" in their revolutionary movements against the U.S. and the U.S.S.R., China provided military aid, training, and other support to many resistance groups; Iran then benefitted greatly from this assistance (Sutter 2012, 299). Further, Iran at that time knew China's UN Security Council position made Beijing a potentially influential ally in protecting Tehran from diplomatic pressure (Currier and Doraj 2010, 50). As the U.S. perceived an emerging Sino-Iranian relationship, it took quick action to dissuade China from its support of the revolutionary Islamic regime, which had little success initially. Sino-Iranian economic and diplomatic relations would not only endure but also greatly influence the future of international politics.

After the Tiananmen Square massacre, diplomatic isolation compelled China to strengthen relations with Middle Eastern authoritarian regimes including Iran. In the 1990s, China demonstrated its loyalty to Iran by taking a strong public stance against the U.S. and its allies for its economic sanctions against Iran. Beijing's main motivation behind such a position was to preserve oil imports and trade opportunities, especially when China became a net importer of oil in 1993 (Sutter 2012, 300). Furthermore, in 1996, China took a major step to counter American influence in central Asia by organizing the Shanghai Five, which included Russia and Kazakhstan. As the organization developed, it was renamed the Shanghai Cooperation Organization and included Iran as an observer nation with the idea that Iran could eventually become a full member when relations with China improved (Burman 2009, 10).

China's support for Iran eventually made it more difficult for it to stay on good terms with the U.S., even as China became more economically and diplomatically dependent on the West. A strategic shift began to take place with China's 1997-98 summit meetings with the U.S., when China's leaders agreed to "stop cooperation with Iran on nuclear development, to halt sales of anti-ship cruise missiles to Iran, and to halt support for Iran's ballistic missile development" (Burman 301). Consequently, as China entered the twenty-first century and was more concerned with demonstrating to the world its willingness to accept international standards and peacefully develop, the Chinese government became more hesitant to publically support Iran (Burman 298-299).

China's leaders still determined that they needed open access to Persian Gulf oil, but they also did not want to anger the United States. Consequently, China began to turn more toward Saudi Arabia, as evidenced by Jiang Zemin's visit in 1999 to Saudi Arabia, where the Strategic Oil Cooperation Agreement was signed, opening Saudi markets to China (306). In signing this agreement, China did not want to appear to be challenging U.S. supremacy or influence in Saudi Arabia (305). Recognizing the tensions of Saudi Arabia and Iran's relationship, China had to proceed cautiously. In this position of conflicting interests, Beijing opted to balance relations with all three powers (U.S., Iran, and Saudi Arabia) and continued to receive over half

of its oil imports from the Middle East, with Iran and Saudi Arabia being by far its largest contributors (Leaverett and Bader 2006, 187). Chinese trade with Saudi Arabia grew tremendously since that visit, with Sino-Saudi Arabian trade exceeding \$42 billion per year in 2009, making China the world's largest importer of Saudi oil.

China's energy needs were significant enough to increase trade notably with Iran in a 2004 agreement, where the Chinese government committed to purchase large amounts of Iranian natural gas over the next twenty-five years and help build an Iranian oil field (Sutter 307). By 2009, Iran provided 15 percent of China's annual oil imports, making Iran China's third-largest oil provider and an indispensable energy provider for the Chinese (Berman, *NYT* 2011). Though oil remains the main product of trade, China has 250 companies in Iran with everything from sugar refineries to paper mills (Burman 2009, 113-14). Consequently, Iran now trades more with China than any other country.

China's importance to Iran has increased since 2005 when Mahmoud Ahmadi-nejad took over as president of Iran (Heydarian, *Asia Times* 2012). Furthermore, China's increased dependence on Iranian oil, particularly within the last five years, has been arguably the most important reason China has been so reluctant to agree with Western pressure to sanction Iran's nuclear program (Sutter 307). Beijing and Tehran continue to make routine high-level visits between their nations a priority, leading them to develop an even friendlier relationship in recent years (Yuan 2006, 2). Beijing's consequent decision to protect Tehran from Western sanctions has been, and will likely continue to be, a major stumbling block for international efforts to blunt Iran's development of nuclear weapons development capabilities.

### **China's Support of Iranian Nuclear Development**

After 1978, Chinese suppliers of nuclear materials and services discovered that many Middle East countries like Iran had interest in purchasing these goods. Because China's central government regulation of such transactions was minimal, negotiations were based chiefly on economic desires to obtain foreign currencies rather than diplomatic calculations. However, China soon began to recognize the need to cooperate with U.S. demands of committing to Iranian nonproliferation to secure America's civilian nuclear power generation capabilities for China. This realization led China in 1984 to embrace global nonproliferation and the IAEA's agenda. By 1992, China also accepted the Non-proliferation Treaty and began to decrease its shipments of nuclear technology to Iran (Garver 2006, 141-143).

Despite China's verbal acceptance of these international nuclear norms, it deliberately and secretly helped Iran set the wheels of its nuclear program in motion. Recognizing the threat of Iraq's use of nuclear weapons against Iran, the Ayatollah Khomeini in the early 1980s ordered Iran's previously suspended nuclear programs to be resumed. Then in 1985, China and Iran secretly met and agreed to coordinate

the building of the Esfahan Nuclear Research Center (ENRC) for peaceful uranium enrichment in Iran, which was not brought to the knowledge of the IAEA until 2003 (Garver 143). China's role in facilitating this enrichment was central as it "supplied the fissile material for all four reactor cores" at ENRC. Though these reactors did not produce enough plutonium to pose a significant threat, they provided Iranian scientists with the necessary principles to later build larger facilities capable of producing plutonium (Garver 144). It is now clear that, prior to China's signing of the NPT, China also agreed to provide the ENRC with a calutron machine capable of producing fissile material (Garver 145). According to John Garver, after China's signing of the NPT, China continued to supply Iran "with an unknown quantity of tributylphosphate, a chemical used for extracting plutonium from depleted uranium. At the same time, China may have supplied Iran with technical data on plutonium separation. Later, China reportedly sold Iran anhydrous hydrogen fluoride that can be used in production of uranium hexafluoride (Garver 152). Apparently, China was well aware of Iran's covert nuclear activities though it remains unclear to what extent it was involved in Iran's heightened centrifuge enrichment of the late 1990s. Regardless, China never directly transferred nuclear weapons to Iran, which has led many Chinese to retrospectively justify their support of Iran as having been peaceful and in harmony with IAEA demands (Garver 161).

With the pivotal 1997 Sino-U.S. agreement, China began to abandon much of its support for Iran's nuclear program and to comply with IAEA standards (Garver 144, 153). China's withdrawal of support caused a substantial strain in Sino-Iranian relations. Iran denounced the Sino-U.S. agreement, asserting that "America's effort to pressure China into stopping peaceful nuclear cooperation with Iran is interference in other countries' international affairs," and the Americans were perpetuating "false propaganda" against it (Garver 155). China made a calculated decision that if Iran went nuclear and China was deemed responsible for facilitating that, China's reputation and essential relationship with the U.S. would be in serious jeopardy (Garver 162). Additionally, China was motivated by its strengthening relationship with Israel (which lobbied China intensely to give up its support for Iran's nuclear program), as well as by China's realist calculation that nuclear weapons proliferation weakened its relative power and status it enjoys as one of only five members of the world's nuclear club (235).

Though China shifted away from its direct support of Iran's nuclear program, China continued to resist U.S. attempts to punish Iran. Beijing proved to be highly adept in helping Tehran have room to continue to build its centrifuge and enrichment capabilities, and allowing for China to "sell technology and capital goods to Iran. When Beijing capitulated to U.S. pressure in one area, it found other areas in which to be useful to Tehran" (236). Thus, China had once again effectively managed to appease the international community while protecting, though not directly supporting, Iran's nuclear program.

### **China's Role in Limiting International Sanctions' Effectiveness**

China continues to stand with Iran in resisting so-called crippling sanctions, even in the face of heightening international pressure (Heydarian 2012). On January 2006, in response to increasing U.S. pressure to sanction Iran's program, China's Foreign Ministry spokesman Kong Quan upheld China's support for Iran by saying, "We oppose the habitual use of sanctions, or threats of sanctions, to solve problems. This only complicates problems" (Yuan 2006, 2). Additionally, China emphasized that this disagreement over Iran's uranium enrichment "should be resolved within the IAEA framework through negotiation . . . and that member states to the Nuclear Nonproliferation Treaty are entitled to peaceful use of nuclear technology, so long as they comply with the nonproliferation provisions" (Yuan 2). Such resistance to heightening international pressure has been commonplace in Chinese negotiations with both IAEA and the UN Security Council over the past decade. When Foreign Minister Li Zhaoxing was asked about China's position on Iran during the heated IAEA debates of 2004, he responded that China trusts that Iran's nuclear program will only be used for peaceful purposes. In the same year, Ambassador Liu G. Tan argued that Iran had an "absolute right" to pursue peaceful nuclear power (Garver 163). These patterns of Beijing's trust and support for Tehran in the face of internationally mounting pressure clearly manifest China's desire for perpetuating strong relations between the two nations.

China has argued quite effectively that uranium enrichment is not necessarily a precursor to nuclear weapons development and that Iranian enrichment by itself is not banned by the NPT (Xinhua 2004). While China encourages full Iranian participation with IAEA demands, China also opposes America's demand for Iran's nuclear program to be addressed primarily by the IAEA instead of the UN Security Council. As China's IAEA board member Zhang Huazhu said, "The IAEA Board of Governors is the proper venue and place to settle the Iran nuclear issue [and there is] no necessity for the issue to go anywhere else" (Garver 164). Perhaps most importantly, China has effectively opposed American efforts to level sanctions against Iran, pushing instead for peaceful resolution through negotiation. Foreign Minister Li Zhaoxing again insisted in 2004 during his time in Iran that "the Chinese government is against any threat and hegemony on the international scene" (164). Though China has not explicitly guaranteed Iran that it would use its veto power on the UN Security Council regarding measures to halt Iran's nuclear program, China's rhetoric has thus far been boldly supportive of Iran.

China has also issued demands for Iran to assume a greater role in securing peace. For instance, in June 2012 President Hu Jintao stated, "China hopes the Iranian side can weigh up the situation, take a flexible and pragmatic approach, have serious talks with all six related nations [the permanent five members of the UN Security Council plus Germany], and enhance dialogues and co-operation with the International

Atomic Energy Agency so as to ensure the tensions can be eased through negotiations” (Heydarian 2012). Despite these demands, opposition to UN Security Council sanctions, especially on China’s economic partner in the Middle East, remains a hallmark of Chinese diplomacy. Beijing has cooperated extensively with Russia to ensure that overbearing sanctions are not imposed on Iran (Sutter 106). Indeed, China remains the only country both friendly to Iran and powerful enough to challenge the U.S. diplomatically and militarily (Burman 2009, 108).

While in this past year China has not increased trade or transactions to help Iran compensate for America’s severe sanctions that have been leveled this year, China continues to play a central role in preventing the UN Security Council from imposing crippling sanctions on Iran. While Russian policymakers were vague in their recent discussion of how far Iran’s nuclear program would have to develop before sanctions would be appropriate, China was much less willing to consider the possibility of imposing international sanctions. In October, a Chinese Foreign Ministry spokeswoman responded to the same question by asserting, “We believe that sanctions and exerting pressure are not the way to solve problems” (Lasseter 2012). Thus, the Obama administration’s previous hopes of a unified UN Security Council effort to impose crippling sanctions on Iran’s nuclear program seem to be diminishing as China continues to demonstrate firm resolve in opposing them.

### **Future Course, Implications, and Conclusion**

China is truly at a crossroads in its relationship with Iran (Heydarian 2012). This year the U.S. has increased pressure on China to an unprecedented level by imposing sanctions against Zhuhai Zhenrong Corporation (China’s largest importer of Iranian crude oil) and the Bank of Kunlun Corporation. Chinese Foreign Ministry official Qin Gang reacted angrily, stating that Sino–Iranian business in energy and trade “have nothing to do with Iran’s nuclear plans,” are “not in violation of UN Security Council resolutions,” and China is “firm and consistent” in its nonproliferation stance (Ma 2012). When rumors began to spread that the China National Petroleum Company (CNPC) would remove its latest Iranian offshore gas field project because of these sanctions, CNPC officials responded by asserting that those projects will proceed forward on schedule as planned, showing that China continues to provide economic support for Iran on the one hand while also purporting to oppose Iranian nuclear proliferation on the other (Ma 2012).

Economic realities seem to suggest China and Iran will maintain friendly relations. The University of Michigan’s Transportation Research Institute projected that car ownership in China will rise from 2.4 percent of the total population to 40 percent of China’s population by 2050, leading to an average increase of 3.5 percent per year in Chinese oil consumption (Burman 2009, 114). As Edward Burman puts it, China will continue to prioritize its relationship with Iran, because China “clearly needs



oil now and in the future, and lots of it" (Burman 113). He further argues that because many economists project a 10 percent decline in world oil production by 2015, China's increasing demand for oil will drive it toward an alliance with Iran (Burman 136). Additionally, if Iran successfully joins the nuclear club, and as controversy subsides with that reality eventually becoming more accepted in the international community, Iran's transition to permanent member status (rather than observer status) in the Shanghai Cooperation Organization (SCO) would be a likely benefit that would follow (Burman 10) (Iran applied for membership status in the SCO in 2008 but was denied because no nation under U.N. sanctions can be admitted). SCO membership would be a major Chinese endorsement and consequent boost to both Iran's legitimacy and Sino-Iranian relations.

The implications of China's future dependence on and friendship with Iran, however, would be profound for nuclear proliferation and relations with the United States. China's demonstrable recent pattern of increased assertiveness in defending Iran against America's push for nuclear sanctions, especially in contrast with China's bowing to U.S. pressure in the late 1990s, illustrates China's confidence in its rising relative economic and military power. This growing confidence could allow China to move again toward Iran as it did in the 1980s, perhaps calculating that the U.S. is too dependent on Chinese trade to impose severe sanctions (or worse) on China. Further complicating this scenario is the rise of Russia with its mounting animosity toward America, as well as Russia's increasing likelihood of also tilting toward Iran and China to effectively balance U.S. influence. Such a tilt would further impair the UN Security Council's ability to come to unified decisions on matters related to nonproliferation in the Middle East, leading eventually to a heightened East vs. West split in international affairs. Though China would not likely seek to defend Iran to the point of war with the U.S., it would certainly exercise as much economic leverage as possible to maintain its vital access to Persian Gulf oil, even if it means breaking with the terms of the NPT. If China's historical patterns are any indication of the future, China will be much more loyal to its perceived essential economic interests over any commitments to international organizations or signed treaties.

Clearly, Sino-Iranian relations are likely to profoundly shape the future course of the world, especially because of the priority attention that both Iran and China receive in the international discourse. Strengthening Sino-Iranian relations not only increase the likelihood of a future nuclear Iran but also of generating stalemate and division within the UN, as well as weakening relations between the U.S. and China because of differences with respect to Iran. In evaluating its future commitment to Iran, China must, however, consider whether such a course is truly an economic necessity.

Before deciding that loyalty to Iran is inevitable because of increasing oil dependence, China must reconsider the negative long-term implications of deepening ties with Iran and resisting the UN Security Council's majority will in forthcoming

deliberations. Besides angering the U.S. and its allies, China's support for Iran also risks alienating Iran's competitor, and China's top oil supplier, Saudi Arabia. Though Iran has a stronger military than Saudi Arabia, the U.S. still abides by the Carter Doctrine, and will not allow Iran to dominate Persian Gulf oil markets. Saudi Arabia's importance as an oil importer for China will remain long into the future. Consequently, instead of preserving the status quo, China should consider a two-step alternative approach: First, move closer to the U.S., its Western European allies, Israel, and Saudi Arabia by increasing isolation and sanctions against Iran to end its nuclear program and second, diversify China's oil imports by trading more with Central Asian, African, and Latin American countries (Kenny 2004, 36). By diversifying oil imports through turning to Central Asian, African, and Latin American markets, China will begin to reduce its dependence on Iran and not feel economically pressured to continue supporting this widely unpopular regime. Furthermore, Saudi Arabia could help China make up for some of its lost oil trade with Iran. China will also be better off by avoiding further sanctions and tensions with the U.S. and by improving its reputation with Western allies. China showed signs of willingness to favor the U.S. over Iran when it signed the 1997 Sino-U.S. agreement. In terms of realistic diplomatic and economic calculations, China would be wise to follow the same course today, tilting in the short run toward the West in approving sanctions against Iran's nuclear program and in the long run trading with oil-rich countries other than Iran to diversify China's markets.

In conclusion, China and Iran have a significant history of close economic and political relations built on a common foundational heritage of imperial greatness, cultural correspondence, economic cooperation, and subsequent humiliation at the hands of Western imperialism. Over the past few decades, China's economic support of Iran has offered it a cushion that has allowed Iran to comfortably continue to pursue nuclear enrichment. Certainly China's purchasing of Iranian oil and selling Iran weapons and nuclear technology has strengthened their relationship overall despite periods with tensions and mistrust. With the international community becoming increasingly apprehensive about Iran's developing nuclear capacity, China faces a defining juncture that will shape the future of international relations. Beijing can choose to continue to stand with Tehran (and by implication against the West) by allowing the Iranian regime to pursue nuclear power, or it can tilt away from Tehran, further diversify its oil imports, and allow the UN Security Council to impose more effective sanctions on Iran. The future of Sino-Iranian relations will not only influence whether or not Iran gets a nuclear weapon, it will profoundly affect the strength of Sino-U.S. relations and the UN Security Council's ability to address the challenges of the Middle East for decades to come.

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