

**IRAN-CHINA RELATIONS SINCE
THE
ISLAMIC REVOLUTION**

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DECLARATION

I declare that the dissertation entitled "Iran-China Relations since the Islamic Revolution" submitted by me in partial fulfilment of the requirement for the award of the Degree of Master of Philosophy has not been previously submitted for the award of any degree of this university or any other university. This is my original work.

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LIST OF ABBREVIATIONS

CENTO: Central Treaty Organization

CIA: Central Intelligence Agency

CITIC: Chinese International and Investment Company

CMEIC: China Machinery Equipment Import and Export Company

CNOOC: China National Offshore Oil Corporation

CNPC: China National Petroleum Corporation

COSL: China Oilfield Services Limited

COSTIND: Commission on Science, Technology and Industry for National Defence

CPC: Communist Party of China

CROS: Caspian Republics Oil Swap

ENRC: Esfahan Nuclear Research Centre

EU: European Union

FDI: Foreign Direct Investment

IAEA: International Atomic Energy Agency

ILSA: Iran Libya Sanctions Act

INF: Intermediate Nuclear Forces

IRI: Islamic Republic of Iran

ISA: Iran Sanctions Act

LNG: Liquefied Natural Gas

MTCR: Missile Technology Control Regime

NATO: North-Atlantic Treaty Organisation

NCA: Nuclear Cooperation Agreements

NDC: North Drilling Company

NIE: National Intelligence Estimate

NIOC: National Iranian Oil Company

NMDS: National Missile Defense Shield

NORINCO: China North Industries Corporation

NPT: Nuclear non-Proliferation Treaty
NSG: Nuclear Suppliers Group
PEDEC: Petroleum Engineering and Development Company
PRC: People's Republic of China
SCO: Shanghai Cooperation Organisation
SIPRI: Stockholm International Peace Research Institute
TMD: Theatre Missile Defences
UNSC: United Nations Security Council
US: United States
USSR: United Soviet Socialist Republic
WTO: World Trade Organisation

CHAPTER 1

INTRODUCTION

The historic roots of Iran-China relations can be traced to a century before Christ when the first recorded interaction took place between the Arsacid Parthians of Iran and the Han dynasty of China. This resulted in a formal agreement between the two. Since then both the societies have been maintaining and pursuing political, economic and cultural relations for centuries. During the rule of the Sassanid dynasty in the third century, there was a deepening and diversification of Iran's relations with China. This was followed by a number of visits by Chinese envoys to Iran and vice-versa. Iran sought Chinese help against the Turks and the Arabs in the sixth and seventh centuries respectively. Due to its Middle Kingdom attitude, however, China never gave any military aid or assistance to Iran. Following the invasion of Iran by Chingiz Khan in 1220, there was an end to any active intercourse between the two. Despite this civilisational ties figure prominently in the historical narratives of both the countries. That both were great kingdoms in ancient times and were exploited by foreign aggressors shaped their attitude towards one another. The national humiliation faced by both has frequently been used to explain the desire to befriend the other.

While the linkage between the two countries continued in the modern era, during the reign of Reza Khan in the 1920s, there was an additional need. Iran sought legitimacy among the comity of nations by entering into political, economic and cultural relations with the independent nations of Asia. A seven-point Treaty of Friendship between the Kingdom of Iran and the Republic of China was signed in Rome in 1920 and was ratified in 1922, thus making Iran the first country in West Asia to establish diplomatic relations with China.

The establishment of the People's Republic of China (PRC) in October 1949 raised immediate problems for Iran. One was regarding the recognition of the Communist regime and the other was the emergence of "two Chinas"- by way of the Nationalist Chinese government shifting to Taiwan. Iran was also increasingly coming under American influence and pressure that eventually culminated in dependency. The

threat of communism, rise of the USSR, nationalisation of the Iranian oil industry by the nationalist President Mahmoud Musaddiq, in 1951, and its fallout pushed Iran firmly into the US camp. These resulted in Iran seeking the US-backed anti-communist military-economic-political security arrangements. As part of its anti-western policy, China had condemned the US-backed coup against Musaddiq (Abidi, 1982: 30-31).

Driven by the Cold War policy, Iran sided with the US over China's membership of the United Nations and adopted a negative posture. It was quite wary of the PRC due to the communist threat. During the Bandung Conference in April 1955, China adopted a conciliatory approach towards Iran but by then Iran had joined the Baghdad Pact, later christened as Central Treaty Organization (CENTO). The PRC, however, did not lose hope and indicated its interest in developing diplomatic ties with Iran even while the latter's relations, especially on the economic front, with Taiwan were growing.

Their shared concern vis-à-vis the Soviet Union gradually brought about a shift in their worldview. Both were quite apprehensive of the USSR and had deep-seated grievances and latent suspicions about the Soviet Union, especially regarding their borders. Moreover, Iran was sceptical of close Iraqi-Soviet ties and interpreted it as a move to pressurise it. Likewise, the Indo-Soviet ties made China apprehensive of the USSR. These shared concerns vis-à-vis the Soviet Union motivated both the countries to develop closer relations with each other. Thus, the international environment, foreign policy orientations, and domestic compulsions facilitated the process of reappraisal and rapprochement between them. This resulted in the normalization of relations between the two countries in August 1971.

This development was followed by a number of high profile visits between the two countries. John Garver (2006) lists various visits with the initial ones being by the sisters of the Shah to the PRC in 1971. This was followed by a visit by the Chinese Foreign Minister Ji Pengfei in June 1973. During Hua Guofeng's visit, in August 1978, neither he nor the accompanying officials acknowledged or expressed any sympathy for the emerging anti-Shah revolutionary forces.

The Islamic revolution in Iran in 1979 posed new challenges to both countries. By February 1979, China had swiftly recognised the newly formed Islamic Republic of Iran. The latter was drawn towards China since it needed an ally as it was wary of the prevailing bipolarity due to the Cold War. At the same time, there was a lot of mistrust in Iran regarding China, because the latter was supportive of the Shah during the last years of the monarchy. Hence, China was clubbed with the US, Israel and the USSR, while projecting them as having a negative influence upon Iran just prior to the Islamic revolution. China supplying Iraq with the T-69 tanks in early stages of the Iran-Iraq war did not improve the situation either. Military ties with Iraq during the war made it difficult for China to make Iran accept its assistance and help. In the middle of all these events, China maintained an official position of neutrality over the Iran-Iraq war. There were instances of China supplying Iran with Silkworm missiles, but the supply was stopped following opposition from the US. On the question of attacks on the neutral shipping area in the Gulf, China had condemned Iran and had supported the Security Council resolution 552 on the same. China was afraid that the war would escalate into an Iran- US war and would establish American hegemony in the region.

After the end of the Iran-Iraq war, China found for itself another important role to play. It helped Iran to upgrade its military and defence equipment, in addition to being a supporter of Iran in the major international forums like the United Nations Security Council. After the end of the cold war, Iran displayed a pragmatic approach towards the outside world. The fall of the USSR had made the international system imbalanced in favour of the US and this made China and Iran aspire for a multi-polar world. But there was a caution in China towards developing closer relations with Iran, as it did not want to earn the reputation of being an irresponsible state.

The US question is an important one for bringing together both the countries and it was instrumental in China getting closer to Iran. China supported Iran by way of nuclear assistance, missile programmes and modernising its military. At the same time, its relations with Iran brought difficulties for China vis-à-vis the US. At times, China also benefited from the American desire to isolate and economically cripple Iran. For instance, Iran Libya Sanctions Act (later renamed as Iran Sanctions Act),

ironically enabled China to enter into closer economic ties with Iran. Thus, Iran does view China as a balancer to the US in furthering its interests.

Furthermore, China occupies an important place in Iran's desire to forge an Asian bloc to further regional cooperation as well as to counter western pressures. In 1996, Iran had called upon China and India to counter the US policies in the Asian region. Another area of cooperation is the Shanghai Cooperation Organisation (SCO) where Iran has an observer status. If Iran is included as a full member of this organization, it would realise the energy trade, investment and economic development it hopes to achieve. The US-imposed sanctions which have stifled Iran's potential for economic growth would make the SCO membership important for overriding these restrictive sanctions.

Military assistance given by China to Iran started during the Iran-Iraq war. During this period China was the most important foreign supplier of munitions to Iran. China did not enter into direct sales, rather used North Korea as an intermediary. Chinese firms were also willing to transfer technology and manufacturing equipment to Iran. But, China did not want to appear too close to Iran over supplying it with military equipment lest the Arab countries take offence. After the war with Iraq was over, Iran's military budget fell sharply. According to the Stockholm International Peace Research Institute (SIPRI), from 1982 to 2004 China supplied US \$3.8 billion worth of conventional weapons to Iran (Garver, 2006: 171).

In recent years, nuclear ambitions of Iran have gained considerable importance. The Chinese assistance to this programme started in 1985, when it helped Iran with the Esfahan Nuclear Research Centre (ENRC) and, until 1997, China remained Iran's major, though not the only, nuclear partner. In 1997, China abandoned its nuclear assistance to Iran under intense US pressure. The nuclear relation between both the countries was publicly acknowledged only in 1991, after being denied for six years. After disengaging from Iran's nuclear programme, China found new ways to demonstrate its support for it. It believes that Iran has every right to develop peaceful nuclear programme as it is a signatory to the Nuclear Non-Proliferation Treaty (NPT), and that referring the issue to the Security Council has complicated matters further.

Thus, Iran seeks and somewhat enjoys China's understanding even though the latter had not encouraged Iran to pursue the nuclear option.

Since the early 1990s, China helped in the reconstruction of Iran's economy. This was evident in the assistance given to housing construction sector and in the supply of various capital goods. It has helped Iran in developing infrastructure in areas like reconstruction of its cities, the Tehran Metro project, and building roads and other public utility projects. The long and harsh sanctions imposed by the US forced Iran to seek help from China. Economically, Chinese goods proved to be much cheaper than those supplied by other countries, especially from the Western world. China's share in Iran's total foreign trade increased from just one percent in 1978 to two percent by 1991 and reached eight percent by 2003. These figures, however, do not include the arms transfers from China.

Oil occupies an important place in the economic relations between the two countries. After the Iran-Iraq war, China assisted Iran in repairing the war damaged refineries and offshore oil platforms. In 1993, China became a net importer of oil and this added a new dimension to its policy towards the West Asian region. Because Iran possesses the second largest proven oil reserves in the world and third largest proven gas reserves, friendship with it became important to China. By 2006, Iran overtook Saudi Arabia and became the leading supplier of crude oil to China (Liangxiang, 2005). Thus, oil became a major component of Iran-China economic relations and, in recent years, China has become the largest importer of crude from Iran surpassing Japan to become Iran's top oil export market. Thus, it serves Iran's interests to have closer economic and energy ties with China. In 2006, China started developing the Yadaravan oil field in Iran, thus taking the relationship a step further. The deal is estimated at over US \$70 billion (Lanteigne, 2007: 7).

Culturally, the two countries share ancient ties. There have been instances of Persian language and culture being widespread in ancient China and even Zoroastrianism had followers in China. During the time of the Shah, in the 1970s, there were a number of exchanges of medical professionals, teachers, sportspersons and students to promote friendship between the two countries. Coming to the contemporary period, Islam brings about a cultural closeness between the two countries. The Xinjiang region of

China has, since long, been home to the Hui and Uighur groups and they constitute more than 20 million of the Chinese population. Thus, the relations between the Islamic Republic of Iran with People's Republic of China are multi-faceted and pose a number of challenges.

Review of the Literature

Iran's interactions with other nations have been directed by demand of the times. These have changed over the period from an attitude devoid of any democratic values, as in Reza Khan and his son's rule before the Islamic revolution, to a more reform-oriented and pragmatic one, which Iran adopted after the end of the war with Iraq (Ramzani, 2004). After Khomeini's demise in 1989, the confrontationist attitude was abandoned and Iran sought a cooperative relationship with its neighbours and countries beyond the region. It is against this backdrop that the relations between China and Iran are being examined. This would be understood in different themes, namely of political, military, economic, energy and cultural ties.

Political Relations

The political ties between Iran and China can be subdivided into two time periods namely, prior to the Islamic Revolution and the post-1979 phase. With regard to the pre-1979 period, Yitzhak Shichor (1979) offers a background analysis when he discusses the Chinese policies towards the West Asian region until the demise of Mao Zedong. His basic premise is that even though China had been unwilling or unable to increase the level of its influence in the region, it did not mean that the region was not important to China in its foreign policy calculations. Another work which deals with the pre-1979 period is by A. H. H. Abidi (1982) which examines the interaction between the Arab countries and China over Iran. He traces the historic relations between China and the monarchic Iran and paves the way to understand how Iran's policy on China changed after the Islamic revolution in 1979.

Initially, Iran was very sceptical about China as the visit of Foreign Minister Hua Guofeng during the dying days of monarchy created suspicion in the minds of the new leaders (Garver, 2006). In terms of China's perception of Iran after the 1979 revolution, Maryam Daftari (1997) explains a dualism. Chinese leaders, on the one hand, praised the revolution as an anti-imperialist movement and, on the other, were

wary of its consequences on the regional stability and security. Further, he elaborates that Iran was drawn towards China because it saw China as an independent, non-aligned, developing country. Their mutual strategic concern vis-a-vis the Soviet Union brought them together (Zimmerman, 2008). But following the revolution, the mistrust between Iran and China grew because of China supplying arms to Iraq during the 1980s.

After the war with Iraq and Khomeini's demise, Iran needed an ally which could help rebuild the nation. China fitted in well with Iran's plans as it was ready to help in the reconstruction of the cities and revive its economy. Iran made efforts to upgrade its military and defence equipments after the war with Iraq ended (Calabrese, 1994). China also helped augment the defence capability of Iran after the war and these were instrumental in making China a very important partner for Iran. Iran also, needed an ally that could support it on the world stage and China emerged as a favourable choice. There were common political and economic interests which benefited both. Further, as Daniel Zimmerman (2008) has described, both countries shared national experiences and political interests. The crux of their present relationship rests on the strategic motivations of each other.

Another major factor that brought Iran closer to China was the anti-US sentiment within Iran and China's ability to capitalise on it by way of supporting Iran in the Security Council. Discussing about the triangular relationship between the US, China and West Asia, Jon B. Alterman and John Garver (2008) highlight the importance of the West Asian region for both China and the US. At the same time, though Iran considers China to be an important ally, the same cannot be said about China vis-à-vis Iran.

Military Relations

There are two subdivisions of the military ties between Iran and China. One relates to the assistance given during the Iran-Iraq war and the other with the nuclear issue. China was Iran's major supplier of arms during the war with Iraq. Barry Rubin (1999) deals with the Sino-Iranian military relationship which was initiated during the Iran-Iraq war. John Garver (2006) gives an account of arms transferred by China and how, over time, the necessity of military assistance got reduced. For Dennis Van Vranken

Hickey (1990), China stepped up its arms supply to Iran during the Iran-Iraq war partly due to threats posed by the USSR. After the Reagan administration had imposed arms embargo on Iran in 1983, China thought that the only other option left for Iran would be to turn towards the Soviet Union.

Further, after the end of the Iran-Iraq war, China even supported domestic arms production inside Iran. Thus, Daniel Zimmerman (2008) emphasises that Iran looked at China as its most reliable defence supplier. During the 1990s, Iran was perceived to be threatening the region's stability. This has been explained by Kenneth Katzman (1996) and Anthony Cordesman (1996) who discuss how Iran was viewed as a major source of tension in the region during that time. These threats were basically a pointer to the weapons stockpiled by Iran after the war with Iraq was over. Also, the missiles deal with China made the region apprehensive. These fears in turn partly contributed to Saudi Arabia seeking military supplies from China during the 1980s (Shichor, 1989).

Chinese policies regarding non-proliferation and arms control while dealing with the countries of West Asia have been discussed by Gerald Steinberg (1999). He explains the link between China's political and economic interests in the region. On the nuclear front, China's responsibilities lay in being a signatory to the Missile Technology Control Regime (MTCR) as well as the Nuclear Non-Proliferation Treaty (NPT). John Calabrese (1998) says that the proliferation activities of China with respect to Iran have been a major bone of contention between the US and China. Thus, China has to weigh its relations with Iran while dealing with the US.

The basic rationale for China's support for Iran's nuclear programme, as analysed by Manojeh Dorraj and Carrie L. Currier (2008), is that China sees its partnership with Iran as a strategic one for seeking energy security. Srikanth Kondapalli (2009) reasons why China supports Iran on the nuclear issue and explains that it is because of Iran's importance as a major energy supplier to China.

Taking into account the various events between Iran and China, John Garver (2006) has discussed that China was not the sole foreign nuclear partner during the 1985-1997 period, though it was by far the most important one. He further argues that, in 1985, China helped Iran develop the Esfahan Nuclear Research Centre (ENRC),

which was declared to be a nuclear facility in 2002 and sealed by the International Atomic Energy Agency (IAEA). Because China is a close ally of Iran, it is often believed that it would extend full support to Iran even on the nuclear issue. But, this is not the case as is explained by Therese Delpuch (2006). She argues that China's intention is not to encourage Iran develop any sort of venture, but to let the negotiations drag indefinitely, without any strong and decisive decision at the Security Council.

This dilemma of China, regarding how to take a stand on Iran's nuclear issue, has been explained by Dingli Shen (2006), who attributes this to the economic ties China shares with Iran. He further elaborates that China's relationship with US must be kept in mind too. The attempt by China to build a light water reactor in Iran in 1997 did not materialise due to US pressure. Thus, the US plays an important role in the way China deals with Iran (Garver, 2006).

Economic Relations

Meaningful economic cooperation between the two countries started in 1982 (Garver, 2006) and increased markedly after the end of the Iran-Iraq war. China assisted Iran in repairing the war-damaged refineries and offshore oil platforms. The housing construction sector was another area in which China helped Iran. Iran also imported various capital goods, including machinery and electrical appliances, textiles, mineral and chemical products, etc., from China. Its exports to China primarily consist of crude oil along with some mineral and chemical products. Alidad Mafinezam and Aria Mehrabi (2008) also explain how China views Iran and vice-versa. They say that China is Iran's leading trading partner and the cooperation has expanded in fields ranging from oil and gas and nuclear research to tourism and a broad array of industrial joint ventures. Thus, the economic relations between the two nations have kept on increasing.

To support the importance of Iran for China, John Calabrese (1998) has argued that there were talks of an agreement being reached in 1997 under which an oil refinery to process the sour crude oil of Iran would be set up in China. This made it clear that China was taking its oil trade with Iran quite seriously. Further, Yitzhak Shichor (2006a) argues that Chinese companies have invested heavily in Iran including a car

assembly line and also other infrastructural projects like roads and even the construction of the airport at Tehran.

There have been many infrastructural projects between Iran and China. John Garver (2006) elaborates on the various sectors where this has been happening including dam construction, hydro and thermal electricity production, and irrigation. China assisted Iran in modernising its oceanic fleet and in establishing new railway lines, thus making way for improvements in Iran's transport sector. A large number of Iranian technicians and engineers are being trained in China or by Chinese experts. This illustrates the deepening economic ties between the two countries and how Iran has come to rely on China in improving its economy and capabilities of its workforce.

Energy Relations

Oil is one of the main reasons for China to have an increased interest in Iran because it has the second largest known oil reserves. China hopes to engage Iran for the exploration and refining of oil. The recent Yadaravan oil field deal is an example and is estimated at over US \$70 billion as is the investment in North Pars gas fields (Lanteigne, 2007). Since the 1990s, China has been actively engaged in oil and gas exploration and has even built pipelines in Iran, from Neka to the refineries in Tehran and Tabriz (Shichor, 2006a). Also, the share of China in the oil exports of Iran has increased over time and now Iran is China's second largest oil supplier after Saudi Arabia. For Iran, China is the number one destination for its oil exports (Garver, 2006). Further, Matthew Brummer (2007) has argued that because China has surpassed Japan to become Iran's top oil export market, China's interests are becoming quite intertwined with Iran's. In the context of the SCO, if Iran is accepted as a full member from the observer status it enjoys now, the entwined interests of both states would then be exploited to their fullest potential.

A major factor for bringing China closer to Iran over the energy front was the help by China in advancing Iran's Caspian Republics Oil Swap (CROS) project. This project would generate large revenues for Iran (Garver, 2006). So, for China, Iran remains the best solution for the transportation of the Caspian oil and gas to the open sea and that emphasises the geo-strategic importance of Iran (Tonchev, 1998-99).

In 2005, China's 40 percent oil supply was imported and it is expected to rise to 70 percent by the end of 2015 (Alterman and Garver, 2008). They have discussed the strategy of China with regard to procuring oil from abroad. Plamen Tonchev (1998-99) has discussed that the idea behind China's oil trade with Iran was to invest in the oil and gas supplies of the overseas nations rather than just procuring them through open market. For its part, Iran needed a reliable buyer for its oil and gas and also a supplier of military equipment and weapons. China had been willing to fulfil these demands adequately. Thus, Manochehr Dorraj and Carrie L. Currier (2008) have explained that Iran was an alluring market for China's arms in exchange for oil.

Cultural Relations

As far as the cultural relations are concerned there have not been many interactions in the recent periods. During the ancient times there were lots of cultural linkages between the two countries and there have been accounts of Persian books and other study material being found in modern day China as described by Abidi. In addition to this, there were also certain Iranian style buildings which were excavated in Tibet in 1950, which highlighted the close cultural ties shared by both in the ancient times. During the period of the Shah in the 1970s, there were many delegations of sports persons and teachers and other professionals from Iran to China. Further, Maryam Daftari (1997) has discussed that there was the spread of Zoroastrianism from Iran to China in the 6th century B.C., thus signifying the cultural influences from Iran on China. Religiously, the region of Xinjiang is Muslim dominated with the Hui and Uighur groups constituting 20 million of China's total population (Garver, 2006). Iran tried to incite the Islamists there after the 1979 revolution, but China made it very clear that if Iran wants cooperation on any front, then it must not interfere in China's internal matters. Thus, Iran has since moved on to conducting visits by its president and religious leaders under supervision of Chinese authorities and China's desire to win Iran's goodwill has led to it decreasing the repression in Xinjiang.

However, most of the literature on the subject is from the Chinese perspective and there is a paucity of materials that focus on Iran and its interests and relations with China.

Rationale and Scope of Study

This study focuses on Iran's relations with China after the 1979 Revolution because this area has been rarely studied. Apart from A. H. H. Abidi (1982) and John Garver (2006), there have not been any other significant works on this theme. The basic questions are focused on the political, military, trade, and cultural relations between the two countries and the direction the relations have taken in these spheres. This is especially relevant because most of the existing literature on the subject is from a Chinese perspective of Iran. Very less literature has focused on the Iranian view of China.

The study is limited to 2009, as it marks 30 years of the Islamic revolution. The primary questions were: how the relations were shaped, what were the critical and deciding factors in Iran-China relations, and what have been the trends in the relations over time.

Research questions

- What has been the nature of relations between Iran and China following the Islamic Revolution?
- What are factors that have contributed to the improvements in Iran-China relations?

Hypotheses

- In political terms, Iran sees China as a potential counterweight to the US.
- Energy has emerged as a principal factor in Iran-China relations.

Research Method

The approach towards the research has been analytical. The primary material used here includes the UN Security Council resolutions and the International Atomic Energy Agency reports on Iran. These have been used to understand China's position regarding the nuclear controversy. In addition to this, some foreign ministry statements of China and Iran have been used. Apart from these, rest of the material

were secondary and included articles from various scholarly journals and books which were available in this university and other institutions as well as major think-tanks.

The second chapter (*Factors Shaping the Iran-China Relations*) focuses on the various determinants for the bilateral relations between the two countries. Iran and China have shared a deep friendship after normalising their relations after 1971. The revolution in Iran in 1979 had been a temporary roadblock in relations, but the Iran-Iraq war, which began in 1980, served as a major factor in bringing the two countries closer together. In addition, the year 1993 saw China become a net importer of oil and this has made Iran vital for its search for energy security. Further, the US factor as an important link in the Iran-Sino ties has been highlighted.

The third chapter (*Political and Military Relations*) discusses the various issues on which the political interactions have taken place between the two countries, including the Soviet factor in the 1970s and the rise of US pre-eminence after the end of the Cold War. In addition, it examines the role of China's military assistance to Iran and aid for Iran's nuclear programme. Moreover, it has traced how China has emerged as a potential counterweight to the US for Iran.

The fourth chapter (*Economic and Cultural Relations*) examines the economic and cultural ties between the two countries, including the Xinjiang factor. Energy ties have been discussed extensively as they form a major segment of the bilateral relations. The emergence of trade and the importance of energy as a major component of that cannot be overlooked. Hence, in this chapter, the intertwining of the economic with the cultural and the political has been highlighted.

The final chapter (*Conclusion*) summarises the findings and answers the hypotheses that were being tested in the study.

CHAPTER 2

FACTORS SHAPING THE IRAN-CHINA RELATIONS

Iran and China have shared deep ties since the ancient times. These ties comprised of trade and cultural ties and of military assistance at a later stage. Politically, both the kingdoms had recognised each other and had pursued diplomatic relations even during that period. According to Srikanth Kondapalli, during the reign of the Han dynasty in China in the second century BC, there were interactions with Iran. Chinese traveller and historian Zhang Qian has given an account of the contacts between the two nations, though they were quite sporadic in nature. Chinese emperors had provided refuge to Iranian kings in times of trouble. There has been historical evidence by way of Iranian coins in several parts of China, which has indicated the establishment of erstwhile trade contacts between the two. This was facilitated by the four silk routes, specifically the southern route which connected western areas of China with Sassanid Iran. The Tang dynasty period is said to have further consolidated relations between the two empires with mutual influences in poetry, magic, religious and cultural aspects (Kondapalli, 2009: 75).

However, as the nationalist narratives in both the countries contend, during the 18th-19th centuries, colonial policies of the West not only intruded into these societies, but also made these societies weaker and inward looking. These nationalistic historical narratives have provided some kind of a political link to these countries, as they find themselves in difficult position vis-à-vis the western countries (Kondapalli, 2009: 75). John Garver has further explained this closeness which the two countries feel in the form of a “civilisational rhetoric”. This becomes pertinent in understanding the contemporary dealings between the two countries as being an important part of lubricating the process of their cooperation (Garver, 2006: 3).

In spite of so much emphasis being given on this rhetoric of shared civilisational ties, it was the common concrete interests of both countries which primarily motivated them to cooperate with each other. Since the revolution, these interests spanned from containing the Soviet Union (USSR) during the Cold war to countering the hegemony of the United States (US) after the end of the cold war period in the early 1990s. This

was intertwined with the common interests of Iran taking China's assistance during the Iran-Iraq war of the 1980s. This was so when China had officially maintained a neutral stance on the matter. Since the end of the war, Iran was finding in China a partner in its post-war reconstruction efforts.

The 1990s brought with them a period of fast economic growth for China and Iran was in need of a stable purchaser of its oil exports. The two countries found in each other a collaborator which fulfilled their interests. Iran had started taking China's technological assistance in rebuilding its military capability after the war. China had found an oil supplier with which it could have long-term energy trade contracts without worrying for its growing energy needs. Further, the US dominance in the period after the collapse of the Soviet Union had created a lacuna in the international system. The US was assuming the role of a hegemonic power in the absence of any challenger. Thus, Iran and China moved closer to each other over the issue of countering the hegemonic rise of the US. The other factors, which included economic cooperation, stem primarily from the energy exports by Iran to China. Apart from energy, cooperation also existed in other sectors like metals, chemicals, mining, etc. In recent years, China has invested heavily in Iran's energy sector- both oil and gas- and these make Iran very vital for the Chinese interests.

For West Asian countries, China is of key importance and Iran is no exception to that. According to Li Shaoxian and Tang Zhichao, this is because, firstly, China is the biggest market in the world and also the second largest energy consumer and a major oil importing country. China is becoming an important investor in overseas countries. Secondly, instead of "Washington consensus", the "China pattern" or "Beijing consensus" is favoured by West Asian countries. Thirdly, China would serve as an important force for the West Asian countries in achieving equilibrium between major powers in West Asia (Shaoxian and Zhichao, 2007: 30).

Julian Madsen is of the view that Iran-China partnership does not represent an alliance, rather it is a constellation of mutual interests (Madsen, 2007: 25). John Calabrese however differs with this view and believes that the affinities shared by Iran and China have never been potent enough to drive the relationship forward or to insulate it from the impact of divergent strategic outlooks or priorities (Calabrese,

2006: 2). But, Calabrese also maintains that it has been China's "natural advantages" which have facilitated the development of Iranian-Sino ties. Unlike other "Great Powers" active in the West Asian region, in the past as well as present, China has had no imperial legacy to overcome. Its armed forces have neither occupied nor threatened the region or its periphery (Calabrese, 1992-93: 473). Likewise, Marc Lanteigne believes that the expanding economic and diplomatic contacts present important opportunities to significantly shape future West Asian policies for both the West and East (Lanteigne, 2007: 9).

This chapter would deal with such issues of convergence of interests which brought Iran and China close to each other over the thirty year period, the time frame of this research.

Prior to 1979

Iran and China had established diplomatic linkages in 1971. Since then both countries have experienced revolutionary change in the intervening decades and their continued relation demonstrates that both countries value political pragmatism, strategic imperatives and economic trade above differences in ideology and religion (Douglas et al., 2007: 2).

The reason for the distancing of both prior to 1971 was that, since 1949 the People's Republic of China (PRC) had adopted a communist model of governance. For its part, Iran, being a part of the US camp during that period, was hesitant to establish any ties with China. Siding with the US, Iran had voted against the membership of China for the United Nations. Indeed, Iran had started cooperation with Taiwan and that was another factor which inhibited the normalisation of relations between Iran and China. The first non-official visit between the two countries took place in 1971 when Iran's princess Ashraf visited Beijing. This was followed by another visit by her sister Fatema two weeks later. Following these visits, in August 1971, both countries recognised each other. From the Chinese side, the first high-ranking official to visit Iran was Foreign Minister Ji Pengfei in June 1973. The key theme of his visit was to strengthen ties with small and medium sized Third World countries for their common interests and to oppose the imperialist and expansionist forces of aggression (Garver,

2006: 48, 50). **Table 2.1** lists the various visits in the subsequent years of the Iranian and Chinese officials to either country.

Table 2.1: Political Visits

Date/ Month of Visit	Name of Official	Purpose of Visit
February 1981	Ayatollah Mohammad Khamenei to the PRC	Clarify stance regarding war with Iraq
September 1983	Iran's Foreign Minister Ali Akbar Velayati to China	Talks with Chinese Foreign Minister Wu Xueqian
June-July 1985	Majlis Speaker Rafsanjani to China	MoU on economic and nuclear cooperation, met Deng Xiaoping
August 1987	Chinese Deputy Foreign Minister Qi Huaiyuan to Iran	Talks regarding the Persian Gulf situation
October 1989	Chinese Foreign Minister Qian Qichen to Iran	Talks regarding Iraq
September 1990	Iranian Vice President Qafuri-Fard to China	For Asian games
July 1991	Chinese Prime Minister Li Peng to Iran	_____
April 1992	Iran's Foreign Minister Ali Akbar Velayati to China	Talks regarding Bush's "new world order"
September 1992	Iran's President Rafsanjani to China	_____
March 1994	Chinese Foreign Minister Qian Qichen to Iran	Talks with Iranian Foreign Minister Ali Akbar Velayati
May 1995	Iranian Vice President Hamid Mirzadeh to China	8 th session of Joint Committee
March 1998	Iran's Foreign Minister Mohsen Aminzadeh to China	Talks with Chinese Foreign Minister and Vice Foreign Minister

Date/ Month of Visit	Name of Official	Purpose of Visit
November-December 1999	Iranian Vice President Mohammad Hashemi to China	10 th session of Joint Committee
February 2000	Chinese Foreign Minister Tang Jiaxuan to Iran	Agree to regular political consultations
June 2000	Iran's President Mohammad Khatami to China	Joint communiqué signed
January 2001	Chinese Vice President Hu Jintao to Iran	_____
April 2002	Chinese President Jiang Zemin to Iran	First visit by a paramount leader since 1978
August and November 2003	Iran's Foreign Minister Kamal Kharrazi to the PRC	Talks with Hu Jintao, Li Zhaoxing and Wu Yi regarding nuclear issue
November 2004	Chinese Foreign Minister Li Zhaoxing to Iran	Supports on nuclear issue before the IAEA and met Iran's President Khatami

Source: Graver (2006)

During the Shah's regime, Iran looked to China for support in the political arena. China did not have much to offer Iran economically. Technologically, China was quite behind western technology, which was readily available to Iran and the products China exported were of the same quality produced indigenously in Iran. Thus, at that time Iran did not need China's assistance in any area other than political support. As China was quite powerful politically, in the late 1960s and early 1970s, the Shah used Iran's relations with China as leverage with the Soviet Union. China's relations with the Soviet Union had deteriorated in the 1960s and for Iran this was an opportunity to forge close ties with China. Soviet Union had always been anti-Iran, as presumed by

the Shah. This was largely because of the USSR's history of military intervention in northern Iran and primarily due to its support for anti-Shah, anti-monarchy groups, especially the communist led-Tudeh party. Throughout the 1970s, the Shah was deeply concerned about the growing Soviet presence in regions around Iran like Iraq and Yemen. He was worried that the Soviet presence on Iran's land borders in the north might be accompanied by naval presence in the south, encircling Iran (Garver, 2006: 32, 33). Thus, the start of Iran's relations with China was a signal to the USSR that if the Soviet ties with Iraq went too far, the Soviet Union would be confronted by a China-Iran-US bloc.

In addition, China had apprehensions over the USSR's growing position in Asia in the late 1960s till the 1970s. The decade spanning the Cultural Revolution, from 1966 to 1976, saw China slide into chaos and internal strife. The Soviet military forces concentrated on China's borders, and the end of 1968 witnessed militarised borders and tensions escalating along those frontiers. War was avoided, but China became fearful of the growth of Soviet Union's power in areas adjacent to China. The policy of detente by the US towards the USSR in early 1970s was severely criticised by both Iran and China. This was because both feared the policies would lead to an arrangement of the sphere of influence of both superpowers in a way which would result in increased pressure by the USSR and lessened US support.

Another reason for both Iran's and China's opposition to the USSR was that it had established treaties of friendship with India, in 1971, and Iraq, in 1972. The Soviet Union was the major arms supplier of both the countries. The USSR's relations with India threatened China and Iran both as the treaty was meant to isolate Pakistan. Pakistan was a close ally of Iran and China and both had convergent interests in supporting Pakistan. Iran and Pakistan were members of the Central Treaty Organisation (CENTO), and China had always been a supporter of Pakistan to counter India's rise in South Asia. The Soviet Union's treaty with Iraq was even more threatening to Iran. This was due to the fact that under the treaty USSR started providing Iraq with military assistance, building up its armed forces. Iran was the major target of Iraq's growing military strength. The relations between Iran and Iraq deteriorated following the 1958 revolution in Iraq, which overthrew the monarchy

(Garver, 2006: 40-44). Iran was, thus, firmly with the US and Iraq became a close ally of the Soviet Union.

Another major factor leading to gradual deepening of ties between Iran and China in the 1970s was the rapprochement between China and the US. For China, it was a small step to counter the Soviet Union's expansionism. But, for Iran it had an even greater impact and was more decisive. For Iran, China-US rapprochement meant that the improved Iran-China ties would not be at the expense of Iran-US ties. Thus, had the breakthrough in China-US relations not taken place, there would not have been much headway in Iran's relationship with China. The China-US rapprochement removed a crucial barrier for Iran.

From 1979 Till the End of Cold War

The Iranian revolution was one of the profound social revolutions of the twentieth century. Street demonstrations against the Shah and his regime grew in size and militancy during the second half of 1978. Numerous groups and factions took part in those demonstrations. Even secularists and Marxists joined the Islamicists in demanding an end to the Shah's westernised regime. The Shah briefly considered ordering the army to repress the demonstrations, but ultimately decided against such a course. On 16 January 1979, the Shah flew into exile under strong US pressure and on 1 February Ayatollah Khomeini returned to Iran. China too had been a product of profound social upheaval and was a state dedicated to the destruction of the previous social order. But, by 1979, the passions and utopian visions fuelling China's revolution had burned out. Institutions and values established by the Chinese Revolution were still in place, but the quest had shifted to a pragmatic one of economic improvement.

During the final stages of the monarchy, China had given considerable support and comfort to the Shah's government. The visit of Foreign Minister Hua Goufeng to Iran in 1978 had added fuel to the resentment and mistrust towards China in the aftermath of the Islamic Revolution in Iran. Reports of China supplying T-69 tanks to Iraq in 1983 further led to a chasm between Iran and China, with Iran alleging Chinese support to Iraq as being anti-Iran. In the light of these setbacks, Lillian Craig Harris argues that China started adopting a new focus with an alignment to an astonishing

extent with the US policy goals and encouragement to the US to adopt a more forceful anti-Soviet position in the West Asian region (Craig-Harris, 1980: 365).

During this period of profound ideological differences between China's Communist rulers and Iran's new theocratic rulers, common national interests brought the two countries together. The Iranian side took a practical decision in the face of the war with Iraq which pushed ideologically reluctant leaders toward renewal of ties with China. Once interactions with China began, Iran's new clerical rulers recognised China as not only a significant power, willing and able to assist Iran in the war, but as a major non-western civilisation, like Iran, struggling to develop along non-western lines and resentful of the west's global domination, interference, and attitude of superiority (Garver, 2006: 59). In fact, as Dennis Van Vranken Hickey has argued, China was more than willing to supply Iran with weapons in the course of the war with Iraq. This was for the reason that Iran was no longer able to procure American military supplies due to the arms embargo. China, then, thought that Iran might turn to the Soviet Union for military equipment. Thus, it was possible that China increased the quantity of its arms exports to Iran in an attempt to prevent it from turning towards the Soviet Union. Politically, the consideration to contain the Soviet influence in Iran was a factor in arms exports to Iran and also in bolstering the power of an anti-Soviet regime in the West Asian region (Hickey, 1990: 21).

During this period Iran was confronted with a series of monumental problems ranging from war and economic collapse to diplomatic isolation and it realised that China was able and willing to assist it in addressing these problems. Iran needed assistance and China could provide that by way of supplying military equipment to pursue the war against Iraq, help in creating jobs, improve and support Iran's nuclear programme and occasionally saying a few words on Iran's behalf in the UNSC. Iranian leaders soon came to see China as a friendly power which facilitated China's efforts to restore a cooperative relation with Iran. But, China's alignment with Iran against the US-led West ran counter to China's basic foreign policy formulated in 1978.

Under Deng Xiaoping, China's was trying to shed the kind of revolutionary approach Iran had recently acquired. China did not want to get too close to Iran lest it undercut normalizing its own international role. China had to try befriending Iran without

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developing overtly close association with it. Thus, China's constraints on its relations with Iran had to be conveyed with appropriate diplomatic subtlety and indirectness. It would not have served China's interests had it angered or alienated Iran's new leaders.

Iran is situated in the new power axis developing in the zone between the Caspian Sea and the Persian Gulf, a fact of indisputable geo-strategic importance. After the 1979 revolution, Iran has tried forging a working relation with all major players both in its vicinity and on a global scale. This transition has been driven both by economic factors and a distinctive desire to enhance Iran's regional prominence (Tonchev, 1998-99: 489, 491).

China had decided to have close relations with Iran in the 1980s because of its new assessment of the international system. Soviet Union had begun to wane and China realised that the gravest threat to its security and stability in West Asia was the pre-eminence of a singular hegemon - US (Douglas et al., 2006: 8). Relations between Iran and China have always reflected domestic changes, regional security perceptions and global strategic dynamics. According to Gawdat Bahgat, there are three reasons why China attracts Iran. First, China is a major source of armament to Iran. Second, China is a permanent member of the UNSC. Third, the so-called 'Chinese model' (a combination of central political authority and economic liberalisation) appealed to many Iranian leaders and they surmise that this model had enabled China to maintain its political system and achieve an impressive growth rate (Bahgat, 2005: 23). Daniel Zimmerman further adds that Iran recognises the importance of long term cooperation with China for Iran's national interest and wants to refrain from any measure that would endanger it (Zimmerman, 2008: 22).

Soviet Concerns

The concerns which inspired China to seek close ties with Iran during the Shah's period did not dissipate with the formation of the Islamic Republic of Iran (IRI), but became worse. The same geopolitical interests that had brought China into alignment with the Shah's Iran helped bring it into alignment with the IRI. Manochehr Dorraj and Carrie L. Currier argue that, in the 1980s, the Iranian foreign policy was in defiance of both the Soviet Union and the US under the slogan 'neither East, nor

West'. This fit in admirably with China's global political agenda. Thus, the two nations, using ideological themes of anti-imperialism and Third World solidarity, forged closer ties (Dorraj and Currier, 2008: 69).

After the 1979 revolution, China tried very hard to find ways to be useful to the IRI. China's government issued a public apology regarding Hua Guofeng's 1978 visit to Iran, stating that it was not an official visit, but a brief stopover for refuelling. Starting from 1979-80, China had started a close association with the US which was a serious problem with its relation with the IRI. The PRC and the US had an anti-Soviet partnership which deepened rapidly through the 1970s resulting in normalization of PRC-US relations in 1979. The PRC-US anti-Soviet cooperation even touched directly on Iran. From the perspective of Iran's new leaders, China appeared an ally of the US and its cooperation with the US was a major theme of Soviet propaganda towards revolutionary Iran (Garver, 2006: 64-65).

On the issue of the seizure of the US embassy by revolutionary Iranian youth on 4 November 1979, China tried to walk a middle course between Iran and The US, but that failed to assuage Iran. China formally announced that it considered that the internal affairs of each country should be managed on its own, without interference by any other country. But, it also said that principles guiding international relations and accepted diplomatic immunities should be universally respected. Following this, when the UNSC voted in July 1980 to condemn the IRI seizure of US diplomats, China abstained. In addition, some have pointed out that China refused to support UN arms embargo against Iran (Dorraj and Currier, 2008: 69).

China was afraid that the Soviet Union might take advantage of the US embassy seizure in Tehran. Iran already had strained relations with the US and faced internal unrest following the revolution. These gave the Soviet Union a golden opportunity to "fish in troubled waters" (Garver, 2006: 66). For China, it would not have done any good if the stalemate between the IRI and the US continued, as Soviet forces were already occupying Afghanistan at that time. Thus, China wanted the IRI to negotiate with the US and resolve the crisis. That, though, did not materialise as the Iranian clergy were against the idea.

China criticized the US response of imposing economic sanctions against the IRI and the US use of military force in April 1980 to rescue the hostages. China considered the US sanctions and military option as being against Iran's territorial integrity and sovereignty and instead of being helpful towards a solution they were worsening the situation. This "principled-opposition" of China to US-sponsored economic sanctions had become another consistent element of China's political support for the IRI that had continued till date. In the early 1980s, China kept a low public profile in Iran and contributed periodically to relief in the aftermath of natural disasters in Iran. For example, it donated blankets and tents for flood victims in Southern Iran in February 1980.

Iran's Foreign Minister visited China only in 1983. This was in spite of cordial relations which were emerging between the two countries since the beginning of the Iran-Iraq war. A group of Iranian leaders like, President Bani-Sadr, were realists, who were more responsive to China's initiatives in the period immediately after the revolution and advocated diplomatic openings with it to further Iran's interests. They were opposed and ultimately defeated by an "idealist faction" who placed Islamic values above national purposes and favoured export of the revolution and dissociation with any country linked to the superpowers, as China was to the US (Garver, 2006: 68). Consequently, Iran's response to the PRC's overtures was held hostage to this factional struggle.

The Iran-Iraq War

The PRC's formal position on the Iran-Iraq War was neutral, combined with professing friendship and continued economic relations with both parties. China believed that the conflict was not in the interests of either of the nations and disputes between the two should be settled through negotiations. In addition, the superpowers - the US and the Soviet Union- should not intervene in the conflict and the fighting should not expand lest it threaten the peace and stability of the Gulf. In September 1980, the UN Security Council had unanimously adopted a resolution calling on Iran and Iraq "to refrain immediately from any further use of force and to settle their disputes by peaceful means". China voted for the resolution. This stance of the UNSC enraged Iran. By refusing to distinguish between the aggressor and the victim of

aggression, China confirmed many of Khomeini's negative stereotypes of China. China's policy of neutrality was partially intended to avoid spoiling China's relations with the Arab countries which mostly supported Iraq against Iran. This was because China knew that the Arab countries were rich with oil resources and were of strategic importance.

A turnaround of Iran's stance over China accrued during this period when the alienation of Iran's traditional Western military suppliers created severe problems for Iran. In order to find new sources of military supply quickly, Iran acted practically and China stepped in to fill the vacuum. Following this, in February 1981 Iran sent a delegation headed by Majilis Member Ali Hoseyn Khamenei to China (Garver, 2006: 71). Khamenei maintained that China declaring neutrality in the war did not mean it was not sympathetic to Iran. In fact, China sympathised with Iran and Iran on its part cherished China as a close friend. Both countries shared common ground in international affairs and had many common interests.

China stepped into the lacuna of the arms market in Iran and during the course of the war became Iran's largest arms supplier. It further seized the opportunity to conclude economic agreements with Iran, starting in 1983. These were critical as war sanctions and Iran's revolutionary activism isolated it from its traditional trading partners. It was here that China came prominently in the picture.

In 1982, China's foreign policy shifted and it started distancing itself from the US. It saw the US and the Soviet Union on the same plane, both being superpowers. China stressed more on the Third World. This shift showed positive results in China's ties with Iran and expedited the Iran-China rapprochement. Iran noted and was happy about China's increasing alignment with the Third World, starting from 1982.

But, it maybe that, the conjunction between China's adoption of an "independent foreign policy" and Iran-China rapprochement was pure chance. The rapprochement of Iran-China relations that flowed from China distancing itself from the US was an unintended consequence of that policy (Garver, 2006: 75). In May 1982, the IRI's first ambassador to China, Ali Khorram, took up his post. Prior to his appointment, there prevailed a negative view of China in Iran due to Hua Guofeng's 1978 visit.

But, after Khorram went to China he conveyed to Iran that China was not like the US, Britain or the Soviet Union and it identified and sympathised with the Third World.

China was urged by Iran to cooperate on many proposals for cooperation, but it did not accept all of them. These included expelling Israel from the UN and using its veto power more strongly for the Palestinian Cause. In April-May 1984, US president Ronald Reagan visited China. This visit was criticised by Iran. China was upset with the criticism and suggested to Iran that there was a chance that due to such criticism, a recently concluded billion dollar arms deal with Iran was in danger. China wanted to convey to Iran that just as the US should not attempt to dictate China's relations with Iran, Iran should not attempt to define the PRC's ties with the US (Garver, 2006: 77-78). Thus, China had established that it liked to keep its relations with various countries separate and did not entertain any interference in its dealings with one country by another.

In 1985, Majlis speaker Akbar Hashemi Rafsanjani visited China. He suggested that oppressed Third World nations should get together to oppose the superpowers. China indicated to him that while it was sympathetic to many of Iran's perspectives and ardently desired expanded cooperation, there were limits to how far China could support Iran against the US. Both countries pursued independent policies in that regard and, by 1985, a fundamental question for China was: How far it could go in aligning with Iran against the US? China's leaders concluded that it could not allow cooperation with Iran to undermine its broadly cooperative and non confrontational relation to the US (Garver, 2006: 79). James Clad has further added that during this visit of Rafsanjani, he was interested in getting management service contracts for some development projects (Clad, 1985: 45).

In relation to China's stance at the UN during the Iran-Iraq war, it balanced between the decisions of the other permanent members of the UNSC and demonstrating solidarity with Iran. China kept finding ways to differentiate itself from the other permanent five members of the UNSC by supporting an angry and isolated Iran. During the UNSC debate on resolution 598 in July 1987, which demanded an immediate cease-fire, China supported Iran to an extent while at the same time staying in step with the other permanent members of the UNSC. China was concerned about

possible US preparations to confront Iran militarily and wanted Iran to accept the resolution (Garver, 2006: 82, 87). Thus, China brokered peace and was behind the Iranian acceptance of the resolution 598.

It must be noted that by 1987-89, Iran turned frequently to China for advice and support on critical issues such as war and peace. A relationship that began as cold estrangement in 1979 had become warm and friendly within a decade of valued consultation and support. Such support was not as unequivocal as Iran desired, but it was sufficient to keep Iran happy and coming back for further consultation (Garver, 2006: 93). Therefore, China emerged as a close friend of Iran on which Iran could depend upon in the coming years.

Post-Cold War

The end of the war allowed Iran to seek greater collaboration in reconstructing its cities and its economy. China offered help in this regard. On the Chinese side, the Chinese government had crushed a massive demonstration against the Communist Party of China's (CPC) rule and that garnered great attention and criticisms from the US public. US public opinion started shifting dramatically in a negative direction from a previously held positive one. Sanctions followed criticism and China sought support from Third World friends. It was here that Iran was called upon. Iran was more than willing to join China in rebutting Western "interference in internal affairs" of non-western countries. Manochehr Dorraj and Carrie L. Currier take this point further and argue that in 1989 Iranian President Ali Khamenei visited China and assured Deng Xiaoping of Iran's commitment of expanding friendly relations between the two nations. This took the bilateral trade to newer heights, with trade figures of the 1980s increasing from US \$627 million to US \$1.627 billion (Dorraj and Currier, 2008: 69-70).

This followed the collapse of the Soviet Union in 1991 and China saw the US as the sole superpower. This was viewed as detrimental for China, as the US could easily isolate it and target it as an outcast state. Iran was dismayed at the increased strength of the US's position. Thus, China and Iran wanted the world to move towards multipolarity. Disappearance of the Soviet Union had created a seriously unbalanced international system. John Calabrese argues that the US has been the pivotal third

party in the Iran-China relations, serving as both an enabling and a complicating factor (Calabrese, 2006: 4).

China was keeping a safe distance from Iran as closer alignment with Iran had danger of earning China the tag of supporting outcast regimes. Through its support to Iran, China demonstrated its ability to confound or facilitate US objectives in West Asia. By assisting Iran, China penalised the US for its “anti-China policies” and demonstrated to the US that it needed China’s cooperation in West Asia. But, China knew that its anti-US hegemonic solidarity with Iran carried the danger of provoking a backlash from the US. China was not too keen on playing the “Iran card” with the US in 1990s, which had to be used very carefully (Garver, 2006: 99). The use of Iran as a leverage against the US by China implied the preparedness to strike a deal when the price was right. Concluding any such deal meant China’s changed relations with Iran.

Iran wanted to pursue a partnership with China because it was impressed with China’s successful development record during the 1980s and hoped to borrow China’s experience in post-war reconstruction. For China, the US arms embargo and economic sanctions against Iran were beneficial (Calabrese, 2006: 4). This was because China had been the biggest arms supplier to Iran during the course of the Iran-Iraq war. Even later, during the period of reconstructing Iran’s military sector, China was the major contributor apart from Russia. In the late 1980s, Ayatollah Khomeini issued a fatwa calling for the assassination of British writer Salman Rushdie for his book “The Satanic Verses”, which was deemed blasphemous. Iran snapped ties with the UK and its ties with the European countries were thrown into a deep chill for several years (Garver, 2006: 101). Thus, ties with China seemed quite attractive in view of Iran’s isolation.

On the issue of the 1990-91 Kuwait war, Iran and China had identical opinion. They believed that Iraq’s invasion of Kuwait was unacceptable and should be undone by withdrawal, but the US should not intervene militarily (Garver, 2006: 103). The years following the 1991 Gulf war saw the ties between Iran and China reach greater heights. China’s Premier Li Peng visited in July 1991, followed by Chinese President Yang Shangkun’s visit to Iran in October. In 1992, Iran’s Foreign Minister Ali Akbar Velayati and President Akbar Hashemi Rafsanjani visited Beijing. During his visit

Rafsanjani emphasised on the need for closer anti-hegemony cooperation. Iran envisioned a bloc including itself, China, Russia, India and Pakistan in challenging the US and rectifying the “unbalanced” international system. China, however, was not ready to follow such a course of action.

Few months after Rafsanjani’s visit, Iran and China announced an agreement to survey ways and means of establishing an organisation of Asian countries, including Russia, Pakistan and India, and eventually Central Asian countries. Though China was not interested in aligning too closely with Iran, China did formulate an agreement to provide Iran with nuclear and military development in exchange for Iranian oil (Garver, 2006: 110). Ahmad Tariq Karim has also argued that when Iran had called for greater Asian cooperation with its President Rafsanjani in 1993 calling on China and India to act as the axes for such cooperation, China’s response was subdued (Karim, 2000: 419).

US Factor

The pre-eminence of the United States in the world system became even more pronounced in the period after the end of the cold war. That was the time when the US was keeping a close watch on the happenings in the West Asian region and Iran’s missile imports and technology imports did not escape the notice of the US. That was the time of formulation of the dreaded Iran Sanctions Act (ISA, earlier it was known as Iran-Libya Sanctions Act), under which any company investing more than US \$20 million in Iran’s energy sector was liable for sanctions. This was meant to inhibit the companies willing to explore oil in Iran.

In addition, the US pressure on Iran was intensifying over importing dual-use technology, which could be used to develop chemical, biological and nuclear weapons. China stood by Iran as it believed that, as a signatory of the Nuclear Non-Proliferation treaty (NPT), Iran was entitled to peaceful use of nuclear energy. The International Atomic Energy Agency (IAEA) had till that time never found Iran in violation of its NPT obligations (Garver, 2006: 111). When Iran’s Foreign Minister Velayati visited China in March 1995, his most important goal was to counter the US policy of isolating Iran in political and economic spheres. Since China pursued a firm

policy in the face of the US's hegemonic strategy, it gave greater attention to Iran during that period. Iran appreciated China's support and called for greater cooperation between key Asian countries and Russia to counter the US domination in the period of global geopolitical imbalance (Garver, 2006: 113). But, China did not overtly extend support for any anti-US coalition as it knew that a strong US reaction would have severe consequences for its ongoing development and modernisation drive. China was, thus, willing to support Iran with declarations by Chinese officials and media commentary.

The US has been sceptical of China's approach towards oil rich countries of the West Asian region. Jin Liangxiang argues that the US fears that China might offer incentives to energy supplier nations, as it had in the past, including missile, weapons of mass destruction components and technologies in return of long-term access to energy supplies. The US worries that China might transfer arms, missile components or conventional or unconventional technology to countries sponsoring terrorism in order to safeguard its own security. Quoting Yitzhak Shichor, Liangxiang observes that such concerns are misplaced. He argues that China is a very marginal player in the West Asian arms market and, in the decade spanning the 1990s, has tried very hard to fulfil its non-proliferation commitments (Liangxiang, 2005). Abbas Maleki gives support to this by arguing that China's search for oil is making it a new competitor to the US for influence in West Asia. If not managed prudently, this competition would generate multiple points of bilateral friction and damage US strategic interests in the region (Maleki, 2007).

It is not prudent for the US to overreact to China's involvement in Iran's energy sector. John Calabrese argues that China would do business with Iran regardless of US's approval. In the short term, US must differentiate between Sino Iranian energy trade, and potentially destabilizing forms of arms trade. In the long term, US must find a solution to set US-Iran relations on a positive track (Calabrese, 2004: 17).

During 1997, China's Iran policy underwent an abrupt shift. It developed a more conciliatory approach towards the US. In the latter half of 1997, China struck a deal with the US and terminated nuclear cooperation with Iran and ended sales of anti-ship cruise missiles to Iran. On this change, Iran was disappointed with China but directed

its anger primarily towards the US. China was still willing to cooperate in areas of economic development and military modernisation with Iran. But, the 1997 change of China's policy brought Iran to appraise China and its role more realistically. Iran knew it could not rely on China for aligning against the US and China would never sacrifice its relations with the US for Iran. Thus, China's 1997 policy adjustment had a sobering effect on Iran's relationship with China (Garver, 2006: 117).

A six year long hiatus in Iran-China military exchanges began in 1998. It was in 1999 that China started repairing ties with the IRI. The February 2000 visit of China's Foreign Minister's Iran was the first by a Chinese foreign minister since 1994. This was followed by Iranian President Khatami's visit to China in June 2000. In January 2002, when US President Bush included Iran in his "axis of evil" speech along with Iraq and North Korea, China extended support to Iran. This was followed by Chinese President Jiang Zemin's visit to Iran in April 2002, which reflected rejection of the US's inclusion of Iran in the "axis of evil". On the issue of the 2003 US led war on Iraq, both Iran and China opposed it. Both countries believed that the war should have been averted and there should have been global opposition to the US's unilateral policies. Following the war, in 2004, the US started clamouring for the issue of Iran's nuclear programme to be brought before the UNSC for considerations of sanctions. China maintained that such issues should always be investigated by the IAEA instead of being referred directly to the UNSC. Flynt Leverett and Jeffery Bader are of the view that Iran believed that because China supplied arms and sensitive military technology to Iran, China might play a role again. Iran saw China's support for watering down an IAEA resolution referring Iran's nuclear programme to UNSC (Leverett and Bader, 2005-06: 94). But, it did not quite turn out as Iran expected, as China finally went along with the sanctions. Manochehr Dorraj and Carrie L. Currier explain that globally too, China as a member of the UNSC has the ability to provide Iran with a security blanket as Iran has come under great pressure from the US and its allies for uranium enrichment (Dorraj and Currier, 2008: 70). In addition, China has always maintained that, instead of UNSC sanctions being put on Iran, the issue should be resolved peacefully. R. D. Fisher has explained that China's unwillingness to pressure Iran over its nuclear ambitions is in part explained by its growing reliance on Iranian petroleum to sustain its economic growth (Fisher, 2006: 26).

On the nuclear issue, where the US has been trying hard to impose sanctions on Iran, China has relented by voting alongside the other permanent members of the UNSC. Abbas Maleki is of the view that, when the UNSC initially threatened to impose sanctions against Iran, China opposed resorting to sanctions or use force against Iran. Its resistance to using economic sanctions against Iran reflects its long-held principles of non-intervention in internal affairs of other countries. China believes that sanctions would only provoke Iran unnecessarily. China's emphasis on a peaceful solution to Iran's quest for nuclear power benefits all, instead of only protecting its own energy interests. But Abbas Maleki argues that it has to be kept in mind that China has to think of the impact of its endorsement of or failure to block economic sanctions against Iran. Siding with Western powers against Iran because of concerns about its pursuit of nuclear technology could set a dangerous precedent that could damage China's relation with the developing countries (Maleki, 2007). John Keefer Douglas and others believe that Iran views its friendship with China as vital to its continued ability to resist pressure from the West and endure sanctions. It has worked to expand its relationship with China to include military assurances, for which China has shown little interest (Douglas et al., 2006: 4).

Because its economic relationship with China was quite important, Iran had expectations that China would not go along with any punitive measures on the nuclear issue in the UNSC. John Hill has argued that it was not clear whether any clear link between economic deals and political objectives would materialise. Iran had expected that some political benefits would accrue to it as it thought China would favour it in the UNSC in return for the Liquefied Natural Gas (LNG) deal with China's Sinopec. But, China's support for UNSC sanctions on Iran showed that China may have been signalling Iran not to count on it to block any action (Hill, 2005: 46).

In December 2006, China voted to pass UNSC Resolution 1737, which imposed sanctions on trade of all items, materials, equipments and technology that could contribute to its uranium enrichment programme. The passing of this resolution did not deter Iran's energy cooperation with China. Iran however overestimates China's ability and desire to safeguard Iranian interests by confronting the US and west. China has resisted comprehensive sanctions against Iran's oil and gas sector, thereby providing Iran time to settle the nuclear crisis on its own terms. If China concludes

that Iran has a determined interest in undermining the international economic and political system in which China has risen, then China would be more interested to prevent an Iranian nuclear programme (Douglas et al., 2007: 10). So, while China has taken measures to decrease its military exports to Iran, its position on Iran is very controversial as far as the US is concerned. The Iranian nuclear crisis, which had unfolded in slow motion, escalated in January 2006 when Iranian officials broke the IAEA seals on equipment in the Natanz facility in order to restart prohibited uranium enrichment activities. After that, China has been in a dilemma. It wants to develop relations with Iran for strategic and economic reasons but does not want to strain the Sino-US relations too much in the process (Yetiv and Lu, 2007: 213).

China hopes that its close relationship with Iran would help rein its own restive Muslim minority in Xinjiang province where separatist activities threaten stability in the region (Dorraj and Currier, 2008: 70). On this point, Thomas Parker further argues that China views the Uighurs, majority inhabitants of Xinjiang region, as a national security problem. Among China's concerns are activities of Iran which include Iran offering scholarships in the region without always going through the state sponsored China Islamic Association. China has been alienated by Iran's practice of approaching Muslim students individually instead of generally inviting students for scholarships (Parker, 2000: 239).

It should be pointed out that even though China wants to maintain close relation with a West Asian regional power, it cannot do so at the expense of its relation with the US or at the cost of being labelled a supporter of a rogue state. The scope and trajectory of China's behaviour concerning Iran's nuclear programme and Iran-China relations are best seen as an example of the PRC's balancing act in pursuing economic and political advantages without upsetting the international community and prevent international isolation. Iran is only one strand in a number of energy relationships China is currently involved in (Douglas et al., 2007: 4). Thus, Marc Lanteigne concurs that any attempt by China to expand its relation with Iran into security areas would probably sour valuable Sino-American links and adversely affects China's policy of maintaining good relations with as many developed and developing states as possible (Lanteigne, 2007: 8).

It can be said that China's policy of engaging Iran was and/ or is at odds with the US policy of containment. Calabrese believes that the US policy on Iran is not based on multilateral institutional arrangements to which China is a party and there has not been a strong regional and international consensus in favour of isolating Iran. For these reasons, China has enjoyed a comparatively freehand in strengthening its relations with Iran. China's policy to engage Iran has been catalysed because China views US policy of containing Iran as a unilateral initiative designed to ensure its predominance in the Gulf and impose its will on others. China thinks that US policy on Iran is unhelpful for regional stability. China's relation with Iran is conditioned but not determined by the 'US factor' (Calabrese, 1998: 361-62).

But, according to Steve A. Yetiv and Chunlong Lu, the US is far more important to China than Iran, because China can achieve economic growth without Iran's oil but not without US support. Oil can be imported from other places as global oil market is fluid, but it would be very difficult for China to replace the massive growth benefits that accrue from its relationship with the US (Yetiv and Lu, 2007: 214). Yitzhak Shichor further adds that Iran has become more of a liability than an asset as it has become a source of instability in West Asia, which runs contrary to China's fundamental interests. If ever China has to choose between Iran and US, China would abandon Iran in order to avoid antagonising the US and, if necessary, would veto neither the UN sanctions nor proposals to use force against Iran (Shichor, 2006a: 64-65).

Energy

China became a net oil importer in 1993. In the preceding decade China had been an exporter of oil. So, Iran did not really need China as an economic partner in the 1980s. Iran had always been an exporter of oil and during the period of the Shah the US assisted Iran in oil exploration and refining. But, after the revolution of 1979, the US was ousted along with the Shah from Iran. This, coupled with the 1980-88 Iran-Iraq War, left Iran with a very fragile oil sector. Iran did not have any access to any new technology for refining its crude petroleum. China came in as a partner to help Iran in the reconstruction of its economy after the war. It helped build infrastructure and a few refining projects. But, with China's technology not being that advanced as of the Western countries, Iran has not been able to refine and export that much of petroleum

as it could have had it got the latest technology. According to the International Energy Agency, revamping the oil sector in Iran would require investment of about US \$160 billion over the next 25 years. It does not possess such a cash surplus and is, thus, at the mercy of foreign investors like China (Dorraj and Currier, 2008: 74-75).

China, after becoming a net oil importer, needed energy sources which it could bank upon so as to fuel its economic growth. Iran presented itself as a very reliable energy provider in the 1990s after the Iran-Iraq war was over. It served Iran too, as it could garner the much needed foreign exchange required to rebuild its economy destroyed by the war. China proved to be a vital partner and became Iran's largest trading partner as well as the country to which Iran exported the most of its oil. Iran took China's assistance in the exploration of both oil and gas. This led to the various deals being signed between Iran and a choice of Chinese oil companies. The details of these deals have been dealt with in the fourth chapter. It should be kept in mind though, that it is China which is Iran's largest trading partner and not the other way around. China has the option of going to any other county in the Gulf for its oil demand if there is any friction between China and the US over the Iranian nuclear issue.

In 2005, China consented to Iran's accession to the Shanghai Cooperation Organisation (SCO) as an observer, thus adding to the geostrategic dimension of its energy-led cooperation with Iran. Abbas Maleki says that for Iran, SCO has been an excellent forum where it can court international support for its nuclear programmes. Thus, Iran views SCO as a vehicle to promote its position on its nuclear programme and the official stance adopted by the forum calls for the dispute to be settled in the IAEA (Maleki, 2007). So, according to Douglas and others, the SCO is a very public forum where Iran and China have opportunity to work towards common economic, political and military goals (Douglas et. al., 2006: 4). Iran hopes to use SCO as an avenue for studying better cooperation in exploration, extraction, transportation, transformation and improved and joint exploration of energy (Douglas et al., 2007: 5). Iran has made its case many times to become a full-fledged member of the SCO. Ariel Farrar-Wellman has explained that Iran submitted a request to join SCO as a member in 2008. Iran also supports one-China policy which rejects the possibility for a separate or independent Taiwan (Farrar-Wellman, 2009).

There has been a widening of the institutional ties between Iran-China. An example, according to John Calabrese, would be the Economic Cooperation Organisation (ECO), in which Iran has tried breathing new life in recent years and China holds observer status (Calabrese, 2006: 7).

Conclusion

Iran and China had come together on a range of issues which served their common interests. These ranged from the Soviet Union and the US from the time of normalisation of their relations in 1971, to energy and military assistance as the 1990s came up. China had become a net importer of oil and Iran provided it with a source of energy. Thus, both the countries served a mutually beneficial purpose by aligning with each other over economic interests. There had been support of China over the Iranian nuclear issue, but China never vetoed any of the UNSC resolutions, on the contrary voting for all of them. Thus, Iran's relations with China have gone through a big change for the better, over the last thirty years, although there have been instances where China did not support Iran whole heartedly. China has always tried balancing its relationship with Iran with its relationship with the US and can never, at any cost, take Iran's side and spoil its relations with the US in the process.

Thus, it can be said that there are limits on Iran getting cooperation from China over US related issues. China has provided Iran with a degree of support against US pressure, but at the same time has limited its commitment to Iran to minimise the adverse impacts of such ties on China's links with the US and Arab and European states. Thus, according to John Garver, the anti-US fragment of Iran's friendship with China is two-fold. First, both view the US as a hegemonic bully bent on dominating West Asia and both feel that things would improve if the US withdrew altogether from the region. Second, Iran counts on its importance to China to secure a degree of China's support and insulate its ties with China from US pressure to some extent. It is within this framework that Iran expected China not to go along with sanctions against itself, but in reality China went along with every single one of them (Garver, 2006: 127). This was because, as Julian Madsen argues, China cannot isolate itself in the face of unified international opinion on the issue of Iran's nuclear programme. But, at the same time, China recognises that its internal stability is contingent upon economic

growth and development which are associated with rising energy demands (Madsen, 2007: 25). Moreover, China views Iran as a key partner in counter-balancing US hegemony and the drive toward a multi-polar world. Thus, China's strategy appears to be a balancing act of engaging Iran while simultaneously not alienating the United States (Lin, 2009). Hence, in spite of US pressure, Iran-China ties have only increased in intensity over the years.

CHAPTER 3

POLITICAL AND MILITARY RELATIONS

This chapter is divided into two parts. The first one deals with the political relationship between Iran and China, tracing the relationship from the Islamic revolution up to 2009. It touches upon various factors of the relationship which brought Iran and China closer. These include the Soviet factor in the initial years and later on, the US factor as an important ingredient in the relationship between Iran and China. China's support to Iran following the US embassy hostage crisis and the period of Iran-Iraq War was the time when China came closer to Iran. This has been dealt with by explaining the war situation and how China was one of the few countries willing to support Iran in the UNSC.

Further, the Shanghai Cooperation Organisation (SCO) is discussed and how Iran hopes to move from being an observer to a full-fledged member. This has posed serious problems for the US, which has hoped that Iran would be isolated following the disclosures over its nuclear programme, but it has been continuously getting support from China and Russia. SCO membership for Iran would undermine the US's control over events in the Asian region. Then the chapter examines as to how Iran has started viewing China as a potential counterweight to the US at major international forums, like the United Nations Security Council (UNSC) and the International Atomic Energy Agency (IAEA), over its nuclear programme. Xinjiang as a political issue between the two countries has been dealt with. The issue of oil has emerged as an important factor in the dealings of the two states.

The second part of the chapter deals with the military relations which the two countries shared. The peak in this trade was at the time of the Iran-Iraq War of 1980-88. The war had provided China with immense opportunities to sell weapons to both the warring countries. China sold arms in exchange for Iranian oil. After the end of the war, China helped in improving the weapons and equipments of Iran and provided it with technology to indigenously produce weapons. These included missiles which were a major concern to the neighbouring states and to the US because these were ballistic in nature and posed a threat to the balance of power in the already fragile

region. Apart from missiles, the other weaponry imported included aircrafts and tanks. China helped Iran with “reverse engineering” which helped the latter in making spare parts for many of these weapons.

Another issue relating to the military cooperation between the two concerns the Iranian nuclear programme. First, the rationale behind the Iranian nuclear programme is discussed giving various viewpoints on the subject. China has been a very old and important partner for Iran in developing its nuclear programme. The basic issue which is of present concern is the weapons capability of Iran and the residual material of the nuclear plants being used for weapons. This has resulted in many sanctions being imposed on Iran and upon certain Chinese companies. Though China was supportive of Iran’s right to peaceful civilian nuclear fuel, it did not veto any of the UNSC resolutions and went along with the other permanent members of the UN Security Council.

At the end of the chapter, there is a table giving details of the military relations and of the various weapons and equipments China had sold to Iran over the period. The second table deals with the nuclear programme of Iran and China’s assistance regarding the same.

Political Relations

China’s links with Iran are both political and economic. They began during the Shah’s regime and result, in part, from the perception that Iran could serve as a safeguard against perceived Soviet expansionist aims towards the Persian Gulf. These links have continued after the Islamic revolution and during the Iran-Iraq War, China was one of Iran’s closest international partners (Steinberg, 1999: 145).

China has always been strongly opposed to isolating Iran. China’s resolutely independent foreign policy has made it a close ally for Iran. Ahmad Tariq Karim points to the fact that Iran had called for greater Asian cooperation, with its President Rafsanjani in 1993 calling on China and India to act as the axes for such cooperation. China’s response to it though, was subdued (Karim, 2000: 419). The high importance that Iran attaches to its relations with China can be testified to by the fact that Presidents Khamenei, Rafsanjani and Khatami and other senior leaders have made official visits to China. Chinese senior officials have made reciprocal visits to Iran.

Both countries share a similar outlook on a number of important issues, which include the US's plans for National Missile Defense Shield (NMDS). Both vehemently oppose the NMDS plan, viewing it as eventually disrupting the fragile stability in the world's security system. On the Persian Gulf issue, China leans towards Iranian stand that the safeguarding of the Persian Gulf should be the responsibility of the countries of the region. This is in keeping with China's own aversion to internationalising regional issues. Another issue of convergence between Iran and China has been their stand on terrorism and drugs. Both sides showed concern about the increasing drug cultivation, processing, trafficking and distribution and have called for international cooperation to curb them. They shared similar concern on the danger to regional security posed by the spread of terrorism. The two countries have supported each other on human rights questions in the international forums. A joint communiqué at the end of Khatami's visit in 2000, which mentioned the importance of respect for human rights, linked it with respect for history, culture and religions of each country in developing and defending human rights and fundamental freedoms (Karim, 2000: 420-21).

It is increasingly recognised that while relations between Iran and China have been complex, China's growth as an economic power has encouraged Iran to seek a closer alliance. China has recognised and advocated for Iran to be a major international power (RFERL, 2006h). They complement each other economically, sharing a mutually advantageous demand-supply relationship based on China's need for and Iran's abundant supply of energy resources. This relationship is long-term and irreversible with Chinese state energy companies looking to secure long-term energy assets, while Iran has been hungry for foreign investment and technology in its oil and gas sector. Iran has been using energy as a political tool to secure allies.

The overlapping strategic outlook of the two countries is not identical. Iran has had a lot of domestic political constraints which include suspicion of foreign direct investment (FDI) and accusations that China is dumping products in Iran, which are some sore points in the relationship. Further, China's most important bilateral relationship is with the US, while Iran has no relationship with the US at all. If Iran's nuclear ambition is a military one, China would view it as a "threat to the neighbourhood" and a destabilising geo-political factor.

Background

There had been a change in Iran's perception of China following the revolution in 1979. This was because China had sent its envoy to visit the Shah in 1978, which made the Iranian clergy quite wary of China's intention after 1979. During the war with Iraq, China played an important role in trying to come close to Iran and by the end of the 1980s it had emerged as a close ally of Iran. Thus, the Iranian revolution of 1979 had brought a sea change in the relationship between the two countries. Iran's antipathy towards the US and the Soviet Union throughout the 1980's had created a major opening in bilateral relations (Mafinezam and Mehrabi, 2008: 81). China's "natural advantages" facilitated the development of Iranian-Sino ties. Unlike other "Great Powers" active in the West Asian region, China has had no imperial legacy to overcome. Its armed forces have neither occupied nor threatened the region or its periphery. The collapse of the Soviet Union had brought China and the Gulf states, particularly Iran, closer. This was partly as a way to offset the pressures inherent in a single-superpower world (Calabrese, 1992-93: 473).

The official viewpoints of the two countries had been clearly depicted by *The Tehran Times*. It reported that China's ambassador to Iran said that the two countries enjoyed "complementary" relations and the outlook for relations between the two countries were "very promising" (*The Tehran Times*, 2007). In addition, the *Iran Daily* had reported that the Iranian parliament (*Majlis*) speaker Gholamali Haddad Adel said that the independent stance of Iran and China vis-s-vis the hegemony of certain powers serves international peace and stability. He further said that the bilateral relations were not only ties between two countries but also links between two cultures and civilisations. He expressed satisfaction with the growing ties between the two countries and said that the two nations have experienced enhancement of ties, which was unprecedented in Iran's relations with other countries. He expressed the hope that the mutual ties would increase more than ever. For his part, Chinese ambassador to Iran Liu Zhentang said that his country was open to cooperation with Iran. Calling for a developed and powerful Iran, he said development of the country would be beneficial for international peace and stability. China would never make a decision which would be contrary to Iran's interests. He said that the economic investments in the oil and gas sectors of Iran by China were the basis of future relations between the

two countries. China would emerge as the biggest buyer of Iranian oil and gas and called for the expansion of cooperation between the parliaments of the two countries (*Iran Daily*, 2007).

The Soviet Factor

In the 1980s, China was seen as a potential alternate power that the regional states could use to demonstrate their independence from Soviet control, and Iran was no exception to this (Craig Harris, 1980: 363). China's policy in the West Asian region was characterised by an emphasis on the need for unity and stability. The 1978 visit by China's Foreign Minister Hua Guofeng to Iran had reduced even the small leverage they might have had in Iran after the 1979 Islamic revolution. In part of these setbacks, China started adopting policies aligned with the US policy goals with the encouragement of the latter, thus adopting a more anti-Soviet posture.

With regard to Iran, China had described it as being a "stepping stone" for Soviet efforts to dominate the Persian Gulf and the Indian Ocean. China's fear during the period just after the revolution in Iran centred on the fact that the post-Khomeini period would bring even greater chaos to Iran and opportunity for the Soviet Union. The US's retaliatory measures against Iran over the hostage issue could, in China's view, provide the USSR the opportunity to establish its military presence in Iran. In this light, China had counselled Iran and the US to exercise restraint and rejected a US request to support the January 1980 UNSC resolution to impose sanctions on Iran. In the period that followed, China had restrained its involvement in the West Asian region.

The People's Republic of China (PRC) had, in general, a critical attitude towards the countries of West Asia following its formation. The policies were formulated keeping in mind the ideological consistencies with the Soviet Union. With the collapse of the Sino-Soviet relationship in the 1960s, however, and with the increasing US presence on China's border in South-East Asia, China stepped up its diplomatic efforts to establish friendly relationships in the developing world (Gill, 1998). The Soviet Union had quite a big influence on China's policy towards the West Asian region during the later period of Mao Zedong's regime. Their policy had an anti-Soviet premise. The Soviet military force comprised the biggest threat to China. As an active

diplomacy measure for the West Asian region, China established contact with three pro-western countries of that time namely, Turkey, Iran, and Lebanon (Pan, 1997).

After Mao's demise, Deng Xiaoping had started adopting more practical and less ideological diplomacy. Thus, China did not establish relations with any West Asian state based on that state's proximity to the US or the Soviet Union. Instead, benefits to China became the basis of such decisions. Nonetheless, following the Soviet invasion of Afghanistan, China was even more concerned to strengthen its ties with Iran (Gill, 1998).

The Iran-Iraq War

This period saw Iran and China coming close to each other, after the revolution in Iran. There were many areas of convergence of interests and Iran needed China's assistance in trying to keep its economy going and to procure weapons and equipments for the war. Iran wanted to interest China in "management services" contracts in the early 1980s. Iran's Islamic constitution forbade foreign equity investment for some development projects. Iran's critical foreign-exchange position meant they were only offering counter-trade (oil-for-trade or oil-for-capital) deals. Apart from the trade and civil contracts, Rafsanjani (the Iranian parliament speaker) on his visit to China was supposed to make a strong pitch regarding increased arms sales including anti-aircraft missiles for reducing Iran's vulnerability to air attacks by Iraq. Thus, Iran managed to get support from China for both trade as well as military (Clad, 1985: 44-45).

There have been varied views as to why China chose to supply arms to Iran during the period of the war. There has been considerable evidence suggesting that the PRC had started supplying arms to Iran as a measure to counter Soviet influence in the West Asian region. After the Sino-Soviet relations soured in the early 1960s, both countries had been competing for influence in West Asia. Responding to this perceived challenge and threat from the Soviet Union, China reacted by trying to increase its influence in West Asia. Further, during the war it started exporting arms to both Iran and Iraq. China supplied Saudi Arabia with missiles which it had hoped would strengthen its efforts to normalise relations with Riyadh. Arms sales, thus, provided China a means to increase its influence in the region. Strengthening military ties with

regional actors was on its list of priorities. It has further been argued that, particularly in the case of Iran, the US administration had put an arms embargo on it which had a significant impact on its ability to purchase arms. Thus, it appeared to China that once Iran was no longer able to procure American military supplies, it might turn to the Soviet Union for the same. Thus, it was possible that the PRC increased both the quantity as well as the quality of its arms exports to Iran in an attempt to prevent it from turning towards the Soviet Union. Politically, the consideration to contain the Soviet influence on Iran was a factor in its arms exports to Iran and to bolster the power of an anti-Soviet regime (Hickey, 1990: 20-21).

China's interest in building closer ties with Iran during the 1980s and early 1990s had as much to do with strategies and political considerations, as with profit-making (Gill, 1998). Iran's revolutionary policies and strong stand against outside influence meshed well with China's policies of the 1980s of maintaining independence from the super powers while building Chinese regional influence. However, with the changing international environment in the early 1990s, much of the strategic rationale for strong Iran-China ties, changed. China's arm trade with Iran diminished, but it continued to provide Iran with sensitive weapons and technologies.

This military relationship between Iran and China can further be explained as a symbiotic business arrangement. Iran needed the arms and China needed the money. It was not surprising then that China opposed the US-sponsored UNSC resolution banning arms sales to Iran and offered few constructive suggestions for bringing the Iran-Iraq War to an end. Thus, it can be said that after considering the enormous profits generated by the war, China probably had mixed feelings about a possible cessation of hostilities (Hickey, 1990: 23). Further, China found its best customers in the form of Iran and Iraq during the course of the Iran-Iraq war. The superpowers meanwhile unknowingly expanded China's window of opportunity. Their common interest in forestalling an escalation of the war, and the US aim of preventing an Iranian victory, contributed to a military stalemate. At the same time, arms control agreements involving one or more superpowers (that is the Intermediate Nuclear Forces-INF- agreement in effect and the Missile Technology Control Regime-MTCR-Guidelines by design) barred their signatories from transferring ballistic missiles to

the Gulf. China, which was not a party to either of these agreements, did not honour them and continued selling weapons to Iran (Calabrese, 1992-93: 473).

So, it can be seen that throughout the 1980s, diplomatic exchanges between the two countries intensified. During the year prior to the Iran-Iraq cease fire in 1988, China acted as a go-between, hosting high-level delegations from Iran and Iraq in an effort to resolve differences between the two combating parties. In spite of the end of hostility between Iran and Iraq in 1988, there was a steady development of Iran's relationship with China (Gill, 1998).

Thus, even though the US was opposed to China selling arms to Iran, especially the anti-ship cruise missiles dubbed as the 'Silkworm', China did not bow down to the US's demand and continued selling arms through third parties. China had, in fact, displayed a very balanced official stance towards the war and had not shown any overt support to any one party. But, as has been discussed, China did arm Iran and it had its own interests in doing so.

China's UN Conduct

It is important to keep in mind that in the late 1950s, China perceived the UN as well as its Security Council as tools of "imperialism" used by the superpowers to further their ends. Yitzhak Shichor has argued that the PRC maintained that the western powers tried promoting their interests and gain strategic, political, economic, and even territorial advantages at the expense of the Third World. Hence, on account of these reasons, China repeatedly insisted that the UN should not interfere in the internal affairs of states on the purported grounds of maintaining international peace and security (Shichor, 1991: 256).

China had displayed its ambiguity in voting patterns in both the Security Council and the General Assembly of the UN on resolutions pertaining to the West Asian region. There were two main reasons for such mixed voting record vis-a-vis West Asia. Firstly, voting for or against a resolution implied taking sides in a controversial issue over which there was disagreement amongst Arab states. To avoid antagonising these Arab states and losing ground to its adversaries, notably the Soviet Union, China chose to bail out of such predicament by abstaining from the voting process. Secondly, as China perceived most of the Security Council resolutions as products of

Soviet-US manipulation aimed at promoting their own interests in the region, it was instinctively opposed to those resolutions. Since there was no way for China to bring itself to support such resolutions, the only way out for it was not to participate at all.

It was only after Mao Zedong's death in 1976 that China began to reconsider its role at the UN. This sudden change was a result of China's reassessment of its foreign policy in 1981-82. It adopted an "independent foreign policy" consisting of steering away from too close an association with the US, exploring options of reconciliation with the Soviet Union and aligning itself with the Third World. Taking on a more active role in the UN, China had steadily believed that it should contribute more to international peace, security and stability because of its independence of foreign policy, its opposition to hegemony and its exceptional relations with non-Western countries. China started regarding itself as the spokesperson of the Third World, unlike other members of the UN, with whom it categorically refused to identify. In order to be taken seriously in the international arena, China had to clarify its stand on international violence. This was in addition to China being in favour of settlement of international disputes by peaceful means and on a fair and reasonable basis.

China's stance on various resolutions relating to Iran over the years has to be seen in this light. In the 1980s, it had opposed the US-sponsored UNSC resolution banning arms sales to Iran and offered few constructive suggestions for bringing the Iran-Iraq war to an end. On the other hand, the recent resolutions relating to Iran's nuclear programme have seen China go along with the other permanent members of the UNSC, though not before it tried to make Iran see reason to comply with the IAEA's Additional Protocol. Thus, even though Iran enjoys China's support, China does not want to portray itself as a supporter of Iran's nuclear programme. This is in keeping with the calculations which China has made of its relationship with the US trumping over relations with any other country. It is in this background, and the issue of SCO and Iran wanting to be a member, that China has come out openly and said that such a move is not being considered in the near future. It has to maintain a delicate balance with the US and Iran needs to come to terms with this notion and not bank upon China as being its all-weather friend.

Iran had made an announcement that it intended to join the SCO. This could complicate Western efforts to curb Iran's nuclear ambitions. Iran has been an observer of the SCO and hopes to become a full member. This might bring Iran extra support from SCO's two key members- Russia and China. Both of them have already given Iran crucial support in the UN debate over its controversial nuclear programme. Both had resisted pressure from the other three permanent members of the UNSC to formulate a UN draft resolution which could impose economic sanctions or even military intervention unless Iran stopped work on the nuclear fuel cycle. For China, access to Iran's vast energy resources is essential and to bring Iran into the SCO would ensure that access (RFERL, 2006e).

China as a Potential Counterweight to US

China has shown that it is a close ally of Iran by supporting its right to clean nuclear energy and by contesting the sanctions being put on Iran by the UNSC. This has shown Iran that China can be a potential counterweight to the US pressure. With regard to Iran, China and the US share a common set of interests. The first is stability in West Asia. Peace and stability of Iran and in other parts of the region are a common economic, security, and strategic interests of both US and China. This is because majority of oil imports of both nations come from the region. Ensuring stable and reasonable energy supply from West Asia is indispensable for the economic and strategic security of the two countries. Second, non-proliferation of weapons of mass destruction is an already established common interest of both. The US and China, view the spread of nuclear weapons to be a long-term threat to the international community. With regard to Iran, they feel its possessing nuclear weapons would heighten existential risks in unstable conflict situations (Chu, 2007).

But, it is clear that China and the US seem to have more differences than a consensus over their views and policies towards Iran. China and the US have widely differing perceptions about the threat or "potential threat" posed by Iran, including possible nuclear weapons. China has had serious reservations about the US intelligence about Iran and the 2007 National Intelligence Estimate (NIE) report reinforced such perceptions that US intelligence is not reliable. China might go along with some sanctions on Iran, but that would only be when Iran would have walked away and

refused to come back to the negotiating table of the six-party talks. Before that, China believes, every opportunity should be seized for resolving the issue peacefully.

Apart from the nuclear issue, China has not heeded to the US formulated Iran Libya Sanctions Act (ILSA) (presently renamed as Iran Sanctions Act) as there are many Chinese companies which have invested over the US \$20 million limit set by the US. There have been major oil and gas deals between Iran and China with Chinese companies investing over billions of dollars and there have not been any report of any sanctions by the US on those companies. This clearly indicates that China is not afraid of the US and is willing to flout the ISA for its economic interests. Iran does not have to worry about being isolated and has an ally in the form of China which does try and advocate Iranian interests in the IAEA and the UNSC. But, China knows it very well that it cannot support Iran at the cost of appearing to support “rogue states”, as Iran has been described sometimes. It wants the international goodwill and it cannot put its relationship with the US in jeopardy over Iran. China has its own interests which are more vital than always supporting Iran in international forums.

Xinjiang Issue

China's Xinjiang region, in its north-west, has a majority of the population following Islam. It is mostly populated by Uighurs and not ethnic Han Chinese. There are views by some scholars that the Chinese government's alleged ill-treatment of these Muslims might impact Iran-China ties adversely. But so far it has not been vindicated. During the period of the Tiananmen incident in June 1989 and the reported suppression of Muslim separatists in China's Xinjiang province, it was thought that the relations of China with West Asia might suffer. But, these events did not adversely affect China's ties with the region. There was no impact on the economic relations between China and Iran. The two countries signed a wide-ranging economic agreement following the Tiananmen incident. This was partly because both civil unrest and repression have been common features of the West Asian political landscape (Calabrese, 1990: 874).

Further, it has been argued that the instances of rioting in Xinjiang province of China have always had a risk of spoiling China's relations with states in West Asia, including Iran. This has not happened so far because the main bases of Xinjiang's

Muslim separatists are not located in Iran, but in the countries neighbouring China. Civil wars in Tajikistan, Afghanistan and even Kashmir offered opportunities to move arms across borders, including into China (Pan, 1997). Iranian officials have been to the Xinjiang region and, even during the Iranian President Muhammad Khatami's visit in June 2000, China's Foreign Ministry officials took him on a tour of Beijing's Ox Street mosque and Xinjiang where he met with government-backed Muslim leaders. Khatami agreed to embrace these officials, declaring that Xinjiang could serve as a "bridge connecting greater China....with the Muslim world". In return for this, China has got Iran's largely silent response to the Chinese government's crackdown on the Uighurs. Thus, for Iran, the financial and military deals trump the 'plight' of Chinese Muslims (Blumenthal, 2005). But, it has to be noted that China does not approve of Iran trying to interfere in its internal issues, including Xinjiang. It has made it clear to Iran to keep out of the area, though it is Muslim dominant and constitutes around 20 percent of China's total population. Iran has so far abided by China's directive so as to keep its relations stable and not let any confrontations spoil the ties with its important ally (Garver, 2006: 137-38).

Oil Factor

For China, Iran is an important oil exporter from the West Asian region and more importantly its primary importer of oil and gas. This relationship has political overtones. The year 1993 saw China becoming a net oil importer which led many Chinese to call on their government to pay special attention to relations with the oil exporting countries and to make unceasing efforts to ensure an expanded petroleum supply from the West Asian region (Pan, 1997). China's policy towards West Asia has, therefore, become more active in the past decade. For securing oil and gas to fuel its economic growth, China has been actively cultivating its relations with Iran as well as Saudi Arabia. The Chinese government has gambled that embracing Iran as well as Saudi Arabia in lucrative oil and weapons deals would buy it some protection from their export of political Islam (Blumenthal, 2005).

Military Relations

Until the 1990s, West Asia served a very marginal purpose to China and economics was used as a means to promote other ends, primarily political, ideological, and strategic. Until the late 1970s, China had been an insignificant arms supplier to West

Asia. Since the early 1980s, Iran and Iraq had engaged in a war which consumed weapons worth hundreds of millions of dollars. These developments created a rare and brief window of opportunity for China to penetrate the West Asian arms market for the first time and to upgrade its significance for China (Shichor, 2006a: 46). The Iran-Iraq War made both these West Asian countries the largest recipients of Chinese arms in the 1980s (Bitzinger, 1992: 87). From 1982-89, China supplied 22 percent of Iran's armaments and it became Iran's largest arms supplier with an estimated value of the sales at US \$3.3 billion in the seven year period. Further, it has to be noticed that during the Iran-Iraq war, China was a major arms supplier to both the countries (Kemp, 2006: 72). Iraq bought Chinese arms through Jordan and Egypt, while Iran had obtained Chinese arms through Pakistan and North Korea. These were instances of China not having any control over its weapons once they were sold to a buyer country. This had led to serious disturbances in the Sino-US ties. China had acknowledged the fragility of the balance of power in the West Asian region and had reiterated its promise to not sell advanced arms in the region which might wreck the same. Most dramatic was China's sale of medium-range strategic missiles to Saudi Arabia in the mid-1980s (which was motivated, on the Saudi side, by the US refusal, because of Israeli objections, to provide fuel tanks for Saudi F-15s) (Pan, 1997).

During the Iran-Iraq War, though China had supplied arms to both parties, it officially maintained a neutral position. In the case of the 1991 Iraq-Kuwait war, China again abstained from voting in the UNSC. This was in line with China's policy towards the West Asian region, which centred around two principles. The first one was to avoid getting involved in crises and, second, keeping normal relations with all states of the region (Pan, 1997).

During the Iran-Iraq war, Iran's isolation by other major powers made it an attractive market for China. According to a 1997 Central Intelligence Agency (CIA) report, China had provided a tremendous variety of assistance to Iran's missile, nuclear and chemical warfare capabilities. Further, growing oil purchases by China from Iran had increased China's incentives for balancing trade through weapons' supplies. China had given assistance to Iran to build long-range missiles that would pose an even greater threat to more distant countries. China had, thus, violated its commitments under the MTCR by supplying sensitive technologies to Iran. China had negotiated

means to supply Iran with equipment and technology useful for making nuclear weapons, despite having signed the NPT (Rubin, 1999: 111).

Further, during 1987-88, China had reportedly assisted Iran in the construction of the infrastructure needed to design, built and test ballistic missiles and to extend their range. In 1989, Iran purchased several dozen CSS-8 surface-to-surface missile (a converted SA-2 surface-air missile) from China, and the two countries signed an agreement for M-9 missiles (based on the Chinese DF-15, also known as CSS-6, with a range of 600 km), though these were never delivered. China reportedly provided materials, components (such as gyroscopes and accelerometers), space engineering assistance and missile test technology to Iran and had assisted Iran in the development of several short range solid fuel missiles, which could also be used in longer range systems (Steinberg, 1999: 151). (For a detailed understanding of military assistance in the form of anti-ship cruise missiles and surface-to-surface ballistic missiles refer to **Table 3.1**)

Table 3.1: Chinese Military Assistance to Iran

Missile System	Characteristics	Areas of Reported Chinese Assistance to Iran
Anti-Ship Cruise Missiles (1987 sale of cruise missiles to Iran enacted US sanctions against China)		
HY-2 (Variations include HY-2A, HY-2B, HY-2G) (called Silkworm, Seersucker, C-201, CSSC-3)	Range: 95 km Payload: 513 kg Liquid propellant; Infrared or active radar guidance Air-, ship-, and coast-launched versions	Transfer of complete HY-2 missiles from China to Iran (1986-1989) Production technology for HY-2
C-801	Range: 40 km Payload: 165 kg Solid propellant; Inertial and active radar guidance Ship- and coast- launched versions	Transfer of complete C-801 missiles from China to Iran (1987-) Production technology for C-801

Missile System	Characteristics	Areas of Reported Chinese Assistance to Iran
C-802	Range: 120 km Payload: 165 kg Turbojet engine Inertial and active radar guidance Air-, ship-, and coast-launched versions	Transfer of complete C-802 missiles, some of which are mounted on Chinese Hudong FACs (1993-1997) 150 of 400 C-802s were transferred until deal was cancelled under US pressure China supplied Iran with production technologies for C-802 C-802 uses Microtube S.A. (France) engines called the TR-61; sold to China in 1987 specifically for use in this missile
Surface-to-Surface Ballistic Missiles		
M-7 (known as: CSS-8; 8610)	Range: 160 km Payload: 190 kg Solid propellant booster with liquid propellant main engine Based on HQ-2 SAM May be primarily anti-ship	Secret direct transfer of M-7 missiles from China to Iran (1992-1994) Extensive production and assistance for M-9 testing including transfers of guidance and propulsion technologies
M-9	Range: 600 km	Discussions of possible direct transfer of M-9 missiles from China to Iran (1987-

Missile System	Characteristics	Areas of Reported Chinese Assistance to Iran
(known as: CSS-6; DF-15)	Payload: 950 kg Solid propellant	1992); deal was cancelled under US pressure
M-11 (known as: CSS-7; DF-11)	Range: 300 km Payload: 800 kg Solid propellant	Discussions of possible direct transfer of M-11 missiles from China to Iran (1989-1992); no transfer occurred
Scud-B	Range: 320 km Payload: 985 kg	Possible Chinese assistance with Iran-130 program and provision of production technology (1989) Possible Chinese assistance with the development of a 200 km range version, the Mushak-200; details unknown
Shahab-3 (Iranian version of Nodong)	Range: 800-1240 miles	North Korea provided the missiles and Russia provided materials and technology to upgrade these systems (1998); Chinese guidance and control technologies for short-range missile might have been used to improve the accuracy of the Shahab-3

Source: NTI (2003, b)

For China, its defence sales comprised a major component of its national exports. In its new relations with Iran, they formed a solid base for expanding further cooperation between the two countries. Following the end of the Iran-Iraq War, the stage was set to further expand relations. Some of the missile technology was passed on to Iran via the North Korean route (Karim, 2000: 423). Various analysts have deliberated about the upgrading of armaments by Iran since the end of the war with Iraq. It had not only been adding to its arms inventory, but also been improving its arsenal. China, Russia and North Korea had been the main suppliers. The military modernization had been concentrating on advanced aircraft and naval systems with less emphasis on ground force equipment. The major elements of Iran's military upgradation programme had corresponded with its political and military objectives. This was evident in the manner in which Iran was looking at countries to exchange arms for oil so as to be well prepared with better military equipments to be able to defend itself against any enemy and not let another situation like the Iran-Iraq War arise (Katzman, 1996: 197-98).

There had been reports of Iran buying sophisticated mines from China, Russia, and North Korea which it could have used to block the Strait of Hormuz. While Russia had been instrumental in selling Kilo-class submarines to Iran in the early 1990s, China was not far behind. It had sold Huodong patrol boats, though without the surface-to-surface missiles the boats were capable of carrying. For furthering its naval capacity, Iran had also discussed the expansion of the Chah Bahar naval base (Calabrese, 1994: 40). Iran was seen as a state between two prisms; one, of a state moving away from the ideological extremism of a charismatic religious leader towards pragmatism and an acceptance of the need for more stable relations with its neighbours and trading partners; and the other of a state caught between the uncertain process of revolution whose future political and strategic character might remain unstable. Iran's imports of arms fell substantially after the war with Iraq was over. From 1986-1989, US \$2.7 billion worth of arms were imported which by 1990-93 came down to less than half or US \$1.1 billion (Cordesman, 1996: 211,221).

As mentioned earlier, the end of the war did not entirely stop the arms transactions from China into Iran. It merely reduced the amount of the equipment imported by Iran. There have been missiles, technology to build missiles, aircrafts, tanks, etc., which have been exported by China. Iran had purchased short-range M-9 and M-11

missiles from China (refer **Table 3.1**), the deliveries of which were not confirmed at that time (Katzman, 1996: 201). In addition to these, in 1996, the CIA had concluded that the Chinese government had sold a wide range of equipment to Iran including missile technology and components for an advanced radar system; gyroscopes, accelerometers and test equipment used to build and test missile guidance components; and advanced radar guided C-802 anti-ship cruise missiles (Gaffney, 1997).

Since the early 1990s, the Chinese government has adjusted its policy towards arms control and disarmament from one of “detachment” to “active participation” and had joined a dozen major international treaties. Talks between China and the US had resulted in China’s agreement to abide by the MTCR, which restricted the numbers and capabilities of sales to West Asia (Pan, 1997). In 1993, evidence surfaced of Iranian production of Scud-C missiles, apparently with Chinese assistance. Thus, China still had not accepted the revised guidelines and annex of the MTCR. China had limited its pledge to ‘the primary parameters of the MTCR’, which may be seen as applicable to Category 1 items (direct production facilities), and not to dual-use technologies. If that was the case, the US received very limited returns for lifting sanctions on China. The US had agreed to lift them in return for an explicit pledge by China to not export surface-to-surface missiles ‘featuring the primary parameters of the MTCR’. In 1996, China delivered telemetry equipment to Iran for sending and collecting data during flight tests. Evidence suggested that Iran was developing short-range ballistic missiles as part of a joint programme with China involving rocket motors and test equipment. The missile programme involved Iran’s use or acquisition of Chinese X-ray equipment, which was used for examining solid fuel missile casings. In September 1992, the Iranian embassy in China announced an agreement for the purchase of 500 M-11 missiles. However, this agreement was cancelled, modified, or postponed, apparently under US pressure. As a result of the Chinese export policy, there was increasing pressure from the US government for sanctions and other actions designed to force China to reduce or end those transfers. In 1996, US sources reported that Chinese firms were involved in providing technology to Iran’s chemical weapons programme, and China was Iran’s principal source of chemical weapons precursors as well as production technology. In November 1996, the CIA had reported that China

had exported nearly 400 tonnes of chemicals for possible use in producing nerve agents. In May 1997, the US government imposed sanctions on Chinese companies for selling weapons, equipment and materials to Iran (Steinberg, 1999: 153-54).

China has been an early supplier of missile technology to Iran, with the first known transferred solid-fuel technology dating back to 1985. Iran built several families of artillery rockets, including the 200-km range Zelal-2 and the 150 km range Nazeat-10, with Chinese assistance and using Chinese solid-fuel propellant technology. During the 1980s, Iran purchased chemicals to produce solid fuel like ammonium perchlorate on the international markets, including from the US. To avoid increasingly intrusive Western customs efforts to shut down this trade, Iran had asked China to build solid-fuel propellant plants in Iran. Iran had then become self-sufficient in basic chemicals needed for those propellants (*The Iran Brief*, 1997). In the years that followed, China became a supplier of subsystems, guidance kits, and telemetry equipment for Iran's long-range missile projects: the Shahab-3 and Shahab-4 (refer **Table 3.1**). Both missiles used liquid-fuel and had been developed primarily with Russian assistance. Those missiles had ranges of 1,300 km and 2,000 km, respectively, and had brought for the first time Israel, along with North Atlantic Treaty Organization (NATO) bases in Turkey and US forces in Saudi Arabia, within striking distance of Iran (*The Iran Brief*, 1997).

In April 1997, a German intelligence report on Iran's unconventional weapons programme had listed China as being the major supplier in all areas ranging from nuclear, chemical, to biological and missile technology support. It had singled out China's support for long-range solid-fuel ballistic missile projects which after completion would have been comparable to Western systems. Iranian purchases of manufacturing equipment had clearly demonstrated its intention to manufacture large quantities of solid rocket fuel for the future. Further, the same report had stated that China had stood out as being Iran's most important partner in that project. While China had not delivered complete weapons systems to Iran, it had sold to Iran essential knowledge regarding the manufacture of solid rocket fuel. Using the aforementioned technology, by 1997, Iran had started developing an entire family of solid-fuel propelled long range missiles which were capable of reaching targets in Europe and the Eastern seacoast of the US. The newer missiles had ranges of 4,500

km to 10,000 km and had incorporated technology purchased from Russia as well. Though Iran had a close relationship with China over the missiles programme, it depended more on Russia as Chinese technology was not indigenous and China had imported many components, machine tools and even chemicals for its own solid-fuel technology (*The Iran Brief*, 1997).

Mohan Malik argues that despite China's participation in the non-proliferation regime, it continued to sell "dual-use technology, hardware and expertise, which were not always explicitly controlled under the multilateral control regimes". Further, some reports suggested that during Chinese Foreign Minister Tang Jiaxuan's visit to Iran on February 2000 the first high-level bilateral exchange between the two countries since 1994 military cooperation in the areas of nuclear and missile technology was discussed. He further argues that it seemed that China had perfected the art of proliferation of clandestine nuclear and missile technology transfers as a tool of its national security policy. Bilateral relations between China and US had deteriorated because of issues like the US bombing of Chinese embassy in Belgrade in May 1999, Taiwan, US plans for theatre missile defences (TMD) in East Asia and negotiations over China's accession to the World Trade Organisation (WTO). China had retaliated by suspending bilateral dialogue with the US on non-proliferation and arms control issues and by stepping up its transfers of nuclear and missile technology to countries hostile to the US (Malik, 2000: 34). China's strategic decision to move closer to Iran after the 1990-1991 Gulf War was part of China's main strategy objective to limit US global dominance. This it hoped to do by building up its defence cooperation as a counterweight to US influence in West Asia.

China's missile exports and assistance to Iran have generally been in two areas: the provision of anti-ship cruise missiles and related technology, and technical assistance for ballistic missile program, as well as some exports of complete ballistic missiles. The US has been concerned that Chinese ballistic and cruise missile exports and assistance to Iran could provide the material and technical base for Iranian development and deployment of missiles that could be used in the delivery of weapons of mass destruction. Iran's growing military capability, of which the missile programme forms an important part, could raise regional tensions in the Persian Gulf, and directly threaten US interests in the region, especially the safe passage of oil

tankers, as well as the security interests of US allies in the region, such as Israel. Thus, disputes over Chinese missile exports and assistance to Iran have impeded bilateral relations and undermined the bases for US-China cooperation in other areas of mutual and global concern (NTI, 2003b).

In reaction to the US pressure, China took specific steps to stem its missile exports and assistance to Iran, including suspension of sales of the C-801/802 cruise missiles (refer **Table 3.1**). This development coincided with the US-China summits in 1997-1998. To a large extent, these initial concessions by the Chinese were part of a broader strategic thrust where compromises in these issue areas were intended to pave the way for achieving significant results in others. In the past, China implicitly linked its MTCR commitments to issues of increasing salience to its own security concerns, namely, ballistic missile defence and US arms sales to Taiwan. However, in the last few years, China's increasing acceptance of international arms control and non-proliferation norms, and growing dependence on imported energy has made it increasingly concerned about the stability of West Asia.

China has its own security concerns regarding various non-proliferation regimes, which are reflected in its positions on MTCR compliance and missile transfer issues. China has primarily expressed concern about three critical issues (NTI, 2003b). First, the regime's discriminatory nature regarding controlled items and its failure to address the demand side of missile proliferation. China had argued in the past that ballistic missiles per se are not weapons of mass destruction, rather delivery vehicles just like high-performance fighter aircraft, which are also capable of carrying nuclear, biological, and chemical weapons. Indeed, the Chinese have not considered missiles with conventional warheads as inherently destabilizing, as they are not as effective as high-performance strike aircraft in terms of accuracy, ability to hit mobile targets, etc. Chinese officials had suggested previously that the MTCR should be revised to cover the latter as well.

Second, China has been critical of a double standard in the MTCR implementation, arguing that the regime did not prohibit missile proliferation between member states. The US missile defence plans have only reinforced China's views in this regard. China viewed US's intention to incorporate Japan and Taiwan into its missile defence

system as a form of missile proliferation, since it is difficult to distinguish between defensive and offensive application of the missile technology. Finally, China's regional security concerns, in particular the opposition to arms sales to Taiwan and missile defences to Taiwan and Japan, have convinced its leadership that the US cares only for its own absolute security without consideration of others' interests. Chinese officials have previously complained that it has already made a number of concessions, such as suspending nuclear cooperation with Iran and stopping delivery of C-802 cruise missiles, but has received little in return from the United States (NTI, 2003b).

Iran's appetite for weapons from China is far from sated. The Chinese government has sold Iran surface-to-surface cruise missiles and provided assistance in the development of long-range ballistic missiles. Repeated sanctioning of Chinese firms for proliferating missiles and missile technology to Iran have so far not stopped the practice (Blumental, 2005).

In an effort to strengthen its air force after the Iran-Iraq War Iran had sought to purchase Chinese-manufactured combat aircraft. An unspecified number of Chinese F-7s had been added to the Iranian inventory. In February 1992, Iranian officials, for the first time, confirmed the deployment of these aircrafts. Iran had reached an agreement with China to purchase 100-150 Soviet-designed aircraft, the payment for which would be made in Iranian oil. Thus, within the first three years of Rafsanjani being president, Iran had built an air force consisting of approximately 300 aircrafts which was backed by about a 100 Chinese war planes. In addition, Chinese reverse engineering proved to be particularly valuable in Iran leading to manufacturing of spare parts for its F-4 and F-14 combat planes (Calabrese, 1994: 39, 42).

From 1980-1991, Iran had acquired from China at least 540 Main Battle Tanks (MBTs) and 300 Armoured Personnel Carriers (APCs). China is believed to have assisted Iran in developing its "reverse engineering" skills, to enable the latter to indigenously develop and manufacture some other defence equipment. As a result of this, Iran now produces a newer version of the Zolfaqar battle tank, lighter and more manoeuvrable than its previous version and fitted with laser guided aiming system. It has introduced home-built combat helicopter (Shabaviz 2061), and a light transport

aircraft. Further, Iran had launched its first indigenously produced mini-submarine, the Al-Sabehat-15. All these have been major breakthroughs in Iran's determined attempts to indigenise its defence productions (Karim, 2000: 422-23).

In the past decade or so, supply of Iran's defence equipment from China has reduced, but has not ceased entirely. West Asia's strategic significance to China has been directly linked to the trajectory of China's economy. China has been opportunistic in seeking to engage those whom the US has sought to isolate, and willing to "barter for safety" by offering preferential loans and other financial inducements. Presently, China seems to be focusing on flexible partnerships and issue-specific tactical alignments. The greater danger is that China might trade certain weapons or technologies for access to energy. Here, China's past practices are not reassuring as it had previously declared it had stopped sales of such weapons and technologies, but had not done so in reality (Calabrese, 2005).

China still exports some arms and munitions to several West Asian countries, including more advanced weapons systems. Iran is China's largest arms client in the region. Recent arms sales to Iran have included 40 TL-10/C-701 anti-ship missiles and six air surveillance radars, delivered between 1998 and 2004. In addition, China sells kits for a weapon system that the Iranians are licensed to assemble locally. These include approximately 280 C-802/CSS-N8/Saccade anti-ship missiles, approximately 1,000 QW-1 Vanguard portable surface-to-air missiles, and, most recently, C-801/CSS-N-4/Sardine anti-ship missiles. Some of these arms sales to Iran run counter to China's interest in reducing military risks to shipping in the Persian Gulf, but they reflect countervailing imperatives to maintain good relations with a leading energy supplier and growing trading partner (Alterman, 2009: 63).

China has emerged as a big player in supplying weapons to various countries in the recent years. There have been reports that Iran is considering buying a number of the J-10 aircrafts manufactured by China. These are a cousin to the Israel produced Lavi (upon which is it loosely based) and their capabilities are equivalent to the US F-16. Another marketable product which has been reportedly sold to Iran by China is the C-701 short-range anti-ship cruise missile (Bitzinger, 2009). Overall, it can be said that

in the recent times Iran has emerged as one of the prominent buyers of China's weapons in the West Asian region.

Nuclear Issue

On the question of whether Iran has a non-military basis for developing nuclear power plants, the view is divided amongst scholars. Some believe that the country's vast oil and gas reserves negate the need for or an economic rationale for nuclear power. Iran, on the other hand, argues that it consumes a significant share of its gas domestically and wants to expand its foreign exchange earnings by putting a greater part of its energy assets on the international market. Thus, it would need a power source for its domestic purposes. By building nuclear power plants to supply its domestic market, increasingly valuable natural gas would be freed for export (ICG, 2003: 9).

Still, Iran's claim on economic grounds has been questioned. Other means of reducing domestic consumption of natural gas, oil and petroleum products exist which are both less expensive and less controversial than nuclear power. Of course, even weak economic rationale would not prove a military purpose. Nuclear power presents an attraction for many countries, not least as a potent symbol of national pride and a guarantor of self-reliance. Iran, which considers itself a regional power, may feel that possession of nuclear energy is a key to being regarded and treated as such. The technologies required for obtaining the means to develop enriched uranium and plutonium, for both civil and military use, are basically identical. So, it is difficult to distinguish what is the intent of the technology.

The US government's position on the Iranian nuclear issue has always been that Iran would not limit these programmes to just peaceful purposes, but would try developing weapons. Inside Iran, according to M. Ehsan Ahrari, the supporters and opponents of the nuclear option have based their positions on political, economic, and technological grounds. Proponents of the political ground have argued that Iran needs to develop nuclear weapons because it is located in a hostile neighbourhood. The domestic opponents on political grounds are wary of the potential US military retaliation if Iran develops nuclear weapons. The bombing of Iraq's Osirak nuclear reactor by Israel in 1981 serves as a precedent. Considering the fact that the US can take pre-emptive military strikes against Iran, this scenario is quite plausible. The opponents on

economic grounds have based their arguments largely on the opportunity cost and its negative implications for Iran's overall conventional-force modernisation. The current depressed state of indigenous technical knowledge in Iran makes it difficult, if not impossible, to adopt the nuclear option. The kind of technical knowledge required to develop nuclear weapons is seriously lacking in Iran. That might be the reason why Iranian technicians have reportedly received training in Russia as well as China (Ahrari, 2001: 457).

Further, some scholars have raised the issue that if Iran wants nuclear technology for civil power generation purposes, why was it in such a hurry to resume uranium conversion activities, in August 2005, in the absence of any industrial requirements? Why did it refuse to examine the European proposal to replace the heavy-water reactor¹ by a proliferation-resistant pressurized water reactor? Why did it refuse, on several occasions, to take advantage of enrichment services provide by Europe and Russia? And lastly, why did a large proportion of Iran's imports or attempted imports during 1985-2002, and beyond were not counted as part of its civil nuclear energy programme? (Delpech, 2006: 9).

Iran has hoped to have the support of non-aligned countries by insisting on the "inalienable" right of the signatories of the NPT to benefit from nuclear energy for peaceful purposes. During his trip to France in April 2005, President Khatami said, "giving up nuclear energy for peaceful purposes would be unacceptable". Iran has neglected to mention that this right was linked to his compliance with articles I and II of the NPT, stipulating the non-diversion of nuclear activities for military purposes. It has neglected to mention that the right to use nuclear energy for peaceful purposes can be fulfilled without enrichment or reprocessing capabilities. And lastly, it has avoided responding to one of Europe's principal arguments, that there could be no economic justification for fuel cycle activities given Iran's current energy and industrial circumstances (Delpech, 2006: 18).

From a legal point of view, if Iran had been genuine in its support of non-proliferation, China would support its right to civilian nuclear energy based on the

¹ The heavy water reactors produce large amounts of plutonium and are therefore very useful if Iran pursues the plutonium route to make the bomb.

principle of sovereignty. Further, Dingli Shen has argued that, China believes that no state is involuntarily banned from developing nuclear weapons as part of their national defence. As a member of the NPT, China is obliged to support the non-proliferation of nuclear weapons. It has committed not to transfer nuclear weapons to non-nuclear-weapon states and non state actors, not to assist any non-nuclear-weapon states and non state actors in developing nuclear weapons, and to discourage or even oppose the acquisition of nuclear weapons by non-nuclear-weapon states (Shen, 2006: 59-60).

China believes that the emergence of a regional nuclear power in West Asia would destabilise the region and undercut its pursuit of energy security. Thus, as China's economy continues its rapid growth, its interest in West Asia is expanding. It needs a smooth and predictable relationship with West Asia. The risk of the transfer of nuclear technologies by Iran is a major concern and a cause of worry for China.

Although Iran is an energy source that China cannot refuse and the protection of its energy relationship is of vital importance, it has to balance its relationship with the US, which is its largest economic partner.

Sino-Iranian Cooperation Since 1985

Iran's nuclear programme had begun under the reign of Shah Reza Pahlavi in the 1960s when the US was the country's principal supplier of nuclear technology and research assistance. In 1974, Iran entered into a commercial agreement with France for purchasing enriched uranium. After the 1979 revolution, the French authorities did not transfer any enriched uranium to Iran as promised to the US (ICG, 2003: 3). In the initial years, cooperation between Iran and China on the nuclear issue had started from the time of Majlis speaker Rafsanjani's visit to Beijing in 1985, when it was reported that a secret agreement on nuclear cooperation was included. Evidence came in the form of delivery of a small calutron in 1987 and training of Iranian nuclear technicians in China in 1989 (*The Iran Brief*, 1997).

Chinese nuclear assistance to Iran accelerated after 1991 when a second agreement was signed. This was in view of the fact that Iran's major nuclear suppliers of that time- India and Argentina- had decided to cancel a series of contracts to build nuclear facilities as a result of intense US pressure. On 21 January 1990, an agreement was

signed between the Minister of Defence of Iran and the deputy director of China's Commission on Science, Technology and Industry for National Defence (COSTIND). This was to build a 27 megawatt plutonium production reactor in Isfahan. (For a detailed understanding of China's assistance to Iran's nuclear programme, refer to **Table 3.2)**

Table 3.2: Chinese Assistance to Iran's Nuclear Programme

Nuclear Technology/Activity	Relevance to Nuclear Weapons Programme	Reported Area of Chinese Assistance to Iran
Isfahan nuclear complex (1984-)	Training of Iranian nuclear scientists General nuclear research Site of other nuclear activities of concern	Possible Chinese assistance with construction and operation of the Isfahan site (mid-1980s) Chinese training of Isfahan nuclear engineers (1988-1992) Provision of nuclear technology used at the Isfahan site (see other entries)
Miniature (27 kW) subcritical neutron source reactor, located at Isfahan site	General nuclear research and training; no known direct connection to nuclear weapons programme	Supplied by China to Iran (1990)
Heavy water zero-yield training reactor, located as Isfahan site	General nuclear research and training; no known direct connection to nuclear weapons programme	Supplied by China to Iran (1990)
Small calutron, located at Isfahan site	Calutrons can be used to enrich uranium for weapons fuel, but the IAEA found that the Isfahan calutron was too small to enrich uranium and did not appear to be part of a weapons programme	Supplied by China to Iran (1987, 1992)

Nuclear Technology/Activity	Relevance to Nuclear Weapons Programme	Reported Area of Chinese Assistance to Iran
20 MW research reactor, to be located at Isfahan site	<p>Possible use for the production of nuclear weapons fuel material</p> <p>The IAEA found that the 20 megawatt reactor would be too small to pose a proliferation threat</p> <p>US experts disagreed, saying the facility could produce 6 kilograms of plutonium per year, enough for one bomb</p>	China agreed to provide the reactor to Iran (1991), but China cancelled the deal, apparently due to US pressure (1992)
HT-6B Tokamak nuclear fusion reactor, located at Azan University	No known direct connection to weapons program	Facility built and tested in cooperation with China (1993)
300 MW pressurized water power reactors (PWR) (2), to be located in southern Iran	Reactors and associated technology could be used to produce fuel rods, which can be used to make fissile material for weapons	<p>China agreed to provide the first reactor to Iran (1992-1993), but negotiations stalled and the deal was eventually frozen in 1995, apparently due to some combination of technical and financial difficulties, disagreements over the final site, and US pressure</p> <p>China promised in October 1997 to cancel the reactor deal and all future nuclear cooperation with Iran in exchange for the implementation of the US-China nuclear cooperation agreement</p>
Uranium hexafluoride (UF ₆) conversion plant, to be located at Fasa	Conversion of milled uranium ore into UF ₆ gas is a key step in the uranium enrichment process; after the ore is	<p>In 1994, China agreed to supply Iran with the UF₆ plant</p> <p>The deal lapsed temporarily under US pressure in 1995 and was finally cancelled after the October 1997 summit. The cancellation</p>

Nuclear Technology/Activity	Relevance to Nuclear Weapons Programme	Reported Area of Chinese Assistance to Iran
(Possibly two plants - one to convert ore into gas, another to convert gas back into metal. The second plant may be located in Shiraz.)	<p>converted into gas, the gas can be converted back into metal and shaped into bomb cores</p> <p>Considered an especially likely signal that Iran is pursuing a weapons program, since enriched uranium for civilian reactors can be purchased on the international market at a lower cost</p>	<p>of the project facilitated the US non-proliferation certifications which were necessary for the US-China nuclear cooperation agreement to be implemented</p> <p>The CIA verified the cancellation of this project in a July 1998 report to Congress</p>
Calutron, located at Karaj	Could be used to enrich uranium for weapons fuel	Supplied by China to Iran (1992)
<p>Assistance at other stages of the nuclear fuel cycle, including:</p> <p>Uranium mining</p> <p>Uranium milling</p> <p>Fuel fabrication</p>	<p>Development of indigenous fuel cycle facilities enhances Iran's ability to indigenously produce weapons-grade nuclear material</p> <p>Many of these activities have civilian or commercial applications</p>	China has reportedly provided technical assistance to Iran in all these areas

Source: NTI (2003, a)

A report by the *International Crisis Group* has further pointed out that, in September 1989, Iran announced the discovery of uranium deposits near Saghand, in the eastern province of Yazd, and at several other sites. Domestic production was to begin in 1990. An IAEA team visited Saghand in February 1992 and saw uranium being mined, but no processing was noted. Nonetheless, Iran's five-year plan for 1989-1994 included funding to construct a "uranium bullion" plant. Iran entered into a US \$18 million contract with Argentina for construction of the plant. As a result of US pressure, Argentina halted its assistance by end of 1991. US officials suspected that China may have subsequently completed the facility and constructed a uranium hexafluoride manufacturing plant at Fasa (refer **Table 3.2**). Several Iranian officials paid visits to the former Soviet Union, raising suspicion that they might have attempted to buy enriched uranium (ICG, 2003: 3).

Central to Iran's nuclear programme was the Bushehr nuclear power plant. This project had begun in the early 1970s with West German help but was halted due to the 1979 revolution. The partially constructed facility was further damaged in air strikes in the Iran-Iraq War and Germany subsequently refused to complete the contract. Russia stepped in and has been working to complete the light water reactor under an US \$800 million contract. Russia has given mid-2010 as the tentative time for the Bushehr plant being operational.²

It has been argued that after the chemical weapon attacks by Iraq, Iran decided to step up the nuclear research efforts. It signed a nuclear cooperation agreement with Pakistan in 1987. Specialists from Iran's Atomic Energy Organisation began to train in Pakistan and A.Q. Khan, who was behind much of Pakistan's nuclear programme, visited Tehran and Bushehr in February 1986 and January 1987. In addition to this, Iran had strengthened its nuclear research ties with the PRC. Iranian nuclear engineers had undergone training in China, and China had transferred nuclear research technology or research construction and other projects to an Iranian facility in Isfahan. On 4 November 1991, China stated that it had signed commercial cooperation agreements with Iran in 1989 and 1991, and that it would transfer an electromagnetic

² *The Tehran Times* had reported Russian Prime Minister Putin saying that the Bushehr nuclear power plant, which Russia is building in southern Iran, would come online by summer 2010 and the physical launch of the station was scheduled for July (*The Tehran Times*, 2010).

isotope separator (Calutron) and a small nuclear reactor for “peaceful” and “commercial” purposes (Cordesman, 1996: 279-80).

Iran had sought much larger reactors from China. On 10 September 1992, Rafsanjani was reported to have finished negotiations to buy one or two 300-330 megawatt reactors from the PRC during his visit. The sale of one such reactor was announced by Iran’s Minister of Defence during that visit, and this had led to immediate US protests. The reactor sale had been deferred and on 4 July 1994, Iran and the PRC announced they had signed an agreement for the PRC to build a 300-megawatt reactor near Tehran from which, in 1997, the US again made the PRC withdraw. According to Nuclear Threat Initiative, a combination of factors had led to China's suspension of its nuclear reactor deal with Iran. While some have suggested that consistent US pressure had persuaded China to stop the project, others pointed out it might have been the result of Iranian inability to finance it or due to Russian competition. In addition, while China is not a member of the Nuclear Suppliers Group (NSG), it had promulgated domestic nuclear export control decrees and regulations and published a control list identical to that maintained by the NSG. This development had allayed but not completely removed US concerns. Chinese suspension of the sale and renewed pledge not to provide new nuclear assistance enabled the Clinton administration to certify China's compliance with US non-proliferation laws and paved the way for the activation of the 1985 US-China agreement for nuclear cooperation. However, it is not clear whether China has completely terminated all its nuclear assistance programs with Iran (NTI, 2003a).

Related to the different perspectives on Iran, there have been disagreement between the US and China on nuclear transfers and nuclear non-proliferation. China has insisted that its nuclear cooperation agreements (NCA) with Iran were for peaceful purposes only and that China had pledged to cease all nuclear transfers and/or assistance to foreign nuclear facilities not subject to IAEA inspection. In addition, since all known Iranian nuclear facilities are under IAEA monitoring, China views US demands of suspending all its nuclear cooperation programmes with Iran as unreasonable and contrary to Article IV of the NPT. However, the US is concerned with the indirect assistance Iran could receive and is concerned that it is probably

covertly seeking the construction of uranium conversion and enrichment facilities, other technical know-how, and technicians.

In 1992, following intense American pressure, a spokesman of the Chinese Foreign Ministry denied reports that China was involved in building an enrichment plant in Iran. He declared that China had never exported any sensitive reprocessing, uranium enrichment or heavy water production technology or equipment. He stated that there was not any nuclear cooperation between China and Iran that was not under the safeguards of the IAEA (Steinberg, 1999: 147). In 1997, China had agreed to halt all military equipment sales and nuclear cooperation with Iran at the behest of the US. After this, the US had agreed to supply China with civilian nuclear power plants. But, in spite of the pledge made by the Chinese President Jiang Zemin to the US, there was no surety that the Chinese weapons manufacturers would actually cut off ties with Iran as they had a lot of stake in Iran's weapons programme. This was because China had repeatedly taken such pledges in the past and broken them subsequently (*The Iran Brief*, 1997).

The problem posed by the 1997 pledge made by China revolved around the technical interpretation. China had argued that uranium milling and conversion plants were not subject to IAEA safeguards nor was the sale of technology which could be useful to uranium enrichment programme, unless it was actually installed in a declared enrichment facility. Thus, if Iran had any facilities which it considered clandestine, it would obviously not disclose them to the IAEA inspections. One school of thought believes that Iran is a status quo state whose principal aim in producing a nuclear option is deterrence. The other school, which regards Iran as a revenge exacting state bent on dominating the region and implacably hostile to the US, believes that once Iran possesses nuclear weapons it would brandish them in an effort to neutralise the US army presence in the West Asian region to intimidate its neighbours (Calabrese, 2003). In 2004, the IAEA had stated that there was no hard evidence of an Iranian military nuclear programme, but the circumstantial evidence that surfaced had assumed increasingly damning proportions. The IAEA had noted that Iran had repeatedly violated its commitments under the NPT Safeguards Agreement and that its dealings with the IAEA frequently lacked transparency (ICG, 2004: 16).

In addition, the *International Crisis Group* in its report further described that there has been evidence that the A.Q. Khan network of Pakistan and other illicit suppliers had provided instructional material. Iran's involvement with the A.Q. Khan network reportedly went as far back as the 1980s when there were rumours of Iranian-Pakistani nuclear cooperation. Khan allegedly provided assistance on centrifuge technology throughout the 1990s, funnelling components through a sophisticated global network of European and other front companies, while Russians and Chinese supplied the rest (ICG, 2006: 24). It has also been argued that, in 1995, Iran acquired a blueprint for a more efficient machine than Natanz from the Khan network and it is still not known what Iran did with it between 1995 and 2002. In May 2004, Iran acknowledged that it had purchased magnets for the centrifuges at Natanz from Asian suppliers (Delpech, 2006: 10). The most important aspect, which has been disconcerting, of the nuclear power plant construction aid China has given to Iran is that if Iran makes any attempt at developing nuclear weapons subsequently, China would not take any responsibility on that front in spite of being the provider of the technology. Instead, China has sought to shift the responsibility for ensuring the peaceful use of its nuclear technology to Iran and the IAEA (Calabrese, 1992-93: 483).

Recent Developments

China has been negotiating with Iran to build twenty nuclear power stations in Iran over the next decade. With no control over the spent fuel, Iran would have plenty of material to build hundreds of bombs. This view was supported by the report of the official Iranian state news agency, the Islamic Republic News Agency. It had reported the meeting between the Chinese ambassador to Iran and the Iranian Energy Commission head to set up twenty nuclear power plants. According to the Washington-based Iran Policy Committee, such cooperation by China would risk the creation of weapons-grade plutonium which could be extracted from new Chinese made plants and could be used to make plutonium-based nuclear weapons. This would allow Iran to pursue a complementary path to obtaining the bomb, in addition to its uranium enrichment programme. Another threat posed by the new plant could be that Iran could use them as a cover for transfer of sensitive technology that would normally be prohibited. A further threat is that the knowledge gained by Iranian

scientists working at such plants would further Iran's nuclear weapons programme (Lappin, 2009).

The US is engaging China in discussions to persuade it to accept international control over the spent fuel generated by such plants, if it goes ahead with plans to set up such plants in Iran. It has been argued, in this regard, that China does not have the capability to produce such number of nuclear plants and it was just a part of China's struggle with the US, which is tied in some way or the other to the latter's decisions to arm Taiwan. China is dissatisfied with US's conduct over Taiwan and is hoping to respond through Iran. It was still not clear whether there was any Chinese connection to the nuclear power plant construction in Iran. But, Iranian statements have been released in the past which talk about plans for building quite a few nuclear power stations over the next ten years. This would mean that Iran is trying to create legitimacy for its uranium enrichment activity (Lappin, 2009).

Pressure for Sanctions

According to a report by the *International Crisis Group*, in order to dissuade other states from aiding Iran's nuclear programme, the US had a policy of pressurising third parties. As a part of this effort, in 2000 the US Congress passed the Iran Non-Proliferation Act, which authorised sanctions against states, entities and individuals that aided Iranian efforts to develop or acquire missile technology or weapons of mass destruction (ICG, 2003: 21). Adding to this, China's support for sanctions on Iran in the UNSC over its nuclear issue could damage China's energy ties with Iran. China believes that conflicts should be resolved through a political and consultative manner, considering the legitimate interests of all concerned parties. It did not consider the UNSC the appropriate place to resolve the dispute of Iran's nuclear programme (Shen, 2006: 63).

The vote on UNSC Resolution 1696, which provided for possible sanctions against Iran in response to its nuclear activities, had reflected a failure and disappointment for China. China had strongly advocated apolitical and diplomatic settlement outside the UNSC framework. Iran had not responded positively to the requests of the IAEA Board of Governors and the Council. These actions by Iran provided China with the justification it needed to put some distance between the two countries. China has been

concerned with Iran's Islamic radicalism that, at least in the past, tried to meddle in its internal affairs, primarily in Xinjiang. In addition, China's support for the sanctions had shown that it had real concerns about Iran's nuclear weapons aspirations. China believes that no matter how the Iranian nuclear crisis develops, a nuclear bomb must not come into existence. Further, China has not been very fond of Ahmadinejad, who it regards as irresponsible. Under his leadership, Iran has become a source of instability, not only in West Asia but also worldwide, contrary to fundamental Chinese interests. China's terminology on the nuclear debate has been remarkably consistent, reiterating that it would not support "the arbitrary use of sanctions" nor "approve the use of force" against Iran, China never claimed it would oppose them. It did not ultimately prevent the submission of Iran's nuclear case to the UNSC, although it had vowed to "strongly oppose" such a possibility. Its Iran policy is determined by its sensitivity to the US's views and its ties with US take precedence over its ties with Iran. China has never vetoed any UNSC proposal to impose sanctions on Iran. It prefers good relations with Iran and the avoidance of sanctions and force against Iran. But, when choosing between the US and Iran, it is a no-contest, as it is more important for China to avoid worsening its relations with the US (Shichor, 2006b: 1-2).

China's relations with Iran reflect the shared continuities, primarily in politics. It can further be added that China has indeed become a considerable economic factor in the West Asian region, both as a customer and as a supplier. But its ability and willingness to provide political support and backing on a bilateral and multilateral level is extremely limited. Although as a permanent member of the UNSC the PRC could have used or at least threatened to use its veto power to prevent or deter the proposal to impose sanctions on Iran in 2006, it did not display any signs of doing so. This evasiveness is typical of China's time-honoured West Asian policy. China still prefers not to be directly or even indirectly involved in regional conflicts so as to avoid alienating any side and undermining its own interests in the process (Shichor, 2006a: 40-41).

In June 2006, a group of countries including Russia, China, US, Germany, Britain, and France had agreed to seek a UNSC resolution that would make suspension of enrichment mandatory. Iran's refusal was seen by the US and the European Union

(EU) officials as an instance of it miscalculating its support from Russia and China (Cooper, 2006).

The group of six nations said that it could stop the UNSC resolution anytime provided Iran suspended its uranium enrichment. The US had set the suspension as a condition for holding direct high-level talks with Iran. Should the issue of non-compliance arise, the group of six countries had come up with a list of possible sanctions. These included travel restrictions on Iranian officials, a ban on cultural exchange and visas for Iranians, financial restrictions, political sanctions and even oil embargoes, though the last was seen as rather unlikely as it could further rattle the global markets at the time. Incentives presented to Iran, if it complied with the demands, included access to light-water nuclear reactors, support for its entry into the WTO, lifting a ban on selling aircraft and parts to Iran and other economic measures. Dingli Shen has further argued that as if the UNSC sanctions on Iran were not sufficient, the US had also imposed sanctions on Iran. In October 2007, it enacted its harshest sanctions against Iran since the seizure of the US embassy in Tehran in 1979. The US launched financial sanctions against banking institutions and the Islamic Revolutionary Guards Corps and its associated companies, which was the first instance of sanctions against foreign armed forces (Shen, 2008: 92).

The escalation of the UN and the US sanctions was a reminder that the sanctions imposed were not meeting the expectations. Iran had not taken the UNSC resolutions and the US financial sanctions seriously. It kept on pushing its uranium-enrichment programme forward, and some of its cooperation with the IAEA under the terms of the Additional Protocol was still suspended. It had openly challenged the legality of the sanctions resolutions and has even threatened to sue the Western countries imposing sanctions.

There were a few reasons for these sanctions having minimal effect on Iran. Even though Iran had violated international law for failing to meet its reporting obligations, no solid evidence had till then established that Iran was developing nuclear weapons. This had undermined the sanctions' perceived legitimacy. Both the IAEA and the US government had publicly ruled out the likelihood that Iran was developing nuclear

weapons at the time of sanctions.³ Even though the US National Intelligence Council concluded that Iran worked on nuclear weapons programmes prior to late 2003, most countries would only take published US intelligence estimates as a reference and depend more heavily on IAEA data for decision-making. Thus, such sanctions are truly controversial. As long as Iran was found not to have developed weapons, it had full rights to carry out an independent civilian nuclear energy programme with its own nuclear fuel cycle. The world community could be wary of the true nature of Iran's "civilian" programme, but that concern should not deprive Iran of its legitimate right to peaceful uses of nuclear energy. The most balanced approach to this would be to allow Iran's enrichment programme while closely monitoring its operation.

Another aspect with regard to the sanctions is how Iran's nuclear development would hurt other nations if it went unsanctioned. Enrichment, done peacefully, would certainly harm no state, assuming Iran did not develop weapons capability later on. If Iran was building a weapons programme, some states could be affected and they might want to strike a balance of power in the West Asian region by developing their own deterrent. This would provide justification for those states that wish to pursue their own nuclear weapons to go ahead. Further, as regards the strength of the sanctions, it can be said that so far they were weak and targeted only Iran's nuclear and missile programmes. They were limited and focused in order to prevent Iran from quickly developing weapons from its nuclear capabilities. Yet, given Iran's energy resources, the international community had been unwilling to impose any sanctions that would hurt energy trade between Iran and them. Many countries would not have embraced a comprehensive punitive package that undermines their overall economic partnership with Iran. The sanctions so far have not threatened Iran's core interests and most crucial and vulnerable sector, the export of oil and gas (Shen, 2008: 92-93).

³ Iran had been stealthily building another nuclear power plant in Qom, the disclosure of which was made to the IAEA in September 2009. Iranian nuclear Chief Ali Akbar Salehi's statement came with a hard-line message that Iran would not give up its ability to produce nuclear fuel. This undermined IAEA's authority and efforts to try and inspect Iran's nuclear programme for allaying fears of the Western nations regarding Iran's bomb building capability. Iran's revelation had, though, raised international concerns that other secret nuclear sites might exist as well because it built this plant covertly.

On the issue of sanctions, China's perspective has changed overtime. Historically, China has asserted that exerting pressure on a state constitutes an acceptable approach to resolving international disputes. China considers sovereignty to be a sacred idea, which deserves to be safeguarded. From a political standpoint, China believes that sanctions render nations unequal and tend to suppress less developed countries. Given its own experiences with foreign intervention in its affairs, China tends to find international sanctions objectionable. It has developed its own nuclear weapons and missile capability according to the argument that development of such weapons is a sovereign decision. However, China presently considers its commitments to regional stability and international non-proliferation regimes to be its high priorities. In a time of globalisation, China's economic and security interests have become intertwined with securing a stable peripheral environment and a peaceful world. Consequently, China has had to adjust its traditionally held value of abstract and absolute sovereignty (Shen, 2008: 97).

Sanctions on Chinese Companies

The US had not imposed any sanctions on Chinese companies doing business in excess of US \$20 million under the ISA but had imposed sanctions on those companies which had done weapons technology trade with Iran. Chinese companies had been exporting large amounts of weapon equipment to Iran in the early 1990s. In the face of all these transactions between Iran and China, the only action US administration took was in May 1997 when it imposed sanctions on eight Chinese government-run companies that it accused of exporting chemical weapons to Iran. Under the terms of the Chemical and Biological Weapons Control and Warfare Elimination Act of 1991, these corporations were prohibited from doing business in the US or with American firms (Gaffney, 1997).

In 2005, the US imposed penalties on eight Chinese companies for transferring ballistic missile technology to Iran (Calabrese, 2005). Further, the extent of China's involvement in the Iranian nuclear programme is unclear, but suspicion over technology transfer from China to Iran has long centred on uranium enrichment and ballistic missile technologies. In 2004 and again in 2007, the US government imposed sanctions on several Chinese companies for allegedly selling dual-use technologies to Iran. Furthermore, attempts by the West to constrain Iran's ballistic missile ambitions

were hampered by China and Russia, both of which have interests in Iran's ballistic missile and space programme (Alterman, 2009: 69).⁴

China has opposed terrorism but it has always rejected sanctions as an effective measure to prevent terrorist activities. It has always opposed the Iran-Libya Sanctions Act (ILSA, later changed to the Iran Sanctions Act) which punishes companies which invest in Iran, arguing that persons or organisations can be labelled as terrorists, but not a country or a state (Pan, 1997). Thus, it can be concluded that China wants to safeguard its access to Iranian oil and gas and protect its ability to invest in Iran and would not support sanctions under the ISA.

UNSC Referral

In the context of the controversy over the Iranian nuclear programme in 2003, China said that the Iranian nuclear issue should be handled in a pragmatic and prudent manner so as to create favourable conditions for the resolution of the issue. Iran had failed to report the import of natural uranium in 1993 from China. Most disturbing was that there were indications that Iran had introduced enriched uranium into a nuclear site without notifying the IAEA first (ICG, 2003: i).

After the disclosure by Iran of its secret facilities at Natanz and Arak in 2003, which it had failed to report to the IAEA, and the non-reporting of uranium hexafluoride from China in 1991, the non-proliferation experts viewed these Iranian-Chinese links with scepticism. In 1994, Iran had obtained at least one copper laser from China for its Ibn-e-Heysam research laboratory complex. Thus, China as a member of the NPT had exported nuclear material to Iran and assisted in developing Iranian expertise (Sultan, 2005: 126).

In January 2006 Iran's top nuclear negotiator, Supreme National Security Council Secretary, Ali Larijani had gone to Beijing to secure China's support in a growing diplomatic storm over the nuclear programme. Iran did not want the matter to be

⁴ Ariel Cohen has argued that China and Russia are actually partners in the Iranian ballistic missile and space programmes, which they view as both geopolitically desirable - to dilute US influence - and lucrative. Even though China is not a part of the MTCR, Russia is. So, it becomes imperative for the US to put pressure on Russia to abide by the MTCR regime, if it wants to stop Iran's missile programme.

brought before the UN Security Council which it feared would impose sanctions and the general impression was that China was either going to veto the sanctions or would find some ways of avoiding sanctions. This was primarily because China's thinking was centred on energy. These assumptions suggested that China would not be willing to go along with the US wishes for a referral to the UNSC (RFERL, 2006a).

China had supported a Russian proposal to allow Iran to enrich its uranium in Russia, and it opposed any sanctions on Iran over its nuclear programme. The Chinese Foreign Ministry spokesperson said that such a proposal could help resolve the impasse. He further said that the Chinese government would appeal for the issue to be resolved diplomatically (RFERL, 2006b).

China urged Iran to cooperate with the IAEA. The Chinese decision to side with Western states in the IAEA to send Iran issue before the UNSC was in accord with its basic principle of maintaining a nuclear non-proliferation regime. Iran had notified the IAEA on 4 February 2006 that it was resuming uranium enrichment in response to the IAEA's vote to report it to the UNSC. The IAEA board told the delegates that Iran had failed to dispel fears that it might be using its nuclear programme to develop nuclear weapons (RFERL, 2006d).

According to a report by the *International Crisis Group*, after Ahmedinejad became president in 2005, there was a marked shift in Iran's nuclear strategy. Ali Larijani replaced Rowhani as the Secretary of the Supreme National Security Council. Rowhani and his team were interested in achieving both the fuel cycle and avoiding a UNSC referral whereas Larijani's team was concerned only with the fuel cycle. Under Larijani, in November 2005, Iran's parliament overwhelmingly approved the outline of a bill requiring the government to block international inspections of its atomic facilities and resume enrichment activities in case of a UNSC referral. The bill sought to compel the Iranian government to stop voluntary and non-legally binding measures and implement its scientific, research and executive programmes if the Iranian issue was referred to the UNSC (ICG, 2006: 6).

On 16 May 2006, Russia's Foreign Minister Sergei Lavrov said that both Russia and China were not in support of the use of force against Iran over its nuclear programme. China further said it supported Europe's initiative to resolve the standoff (RFERL,

2006f). On the part of the US, its State Department spokesman said in London, in May 2006, that they had not reached any final agreement and more meetings with the other P5+1 members were likely, though some good progress was made. Further, he said that Iran had sought bilateral talks with the US, but the US administration was firm in its multilateral approach aimed at persuading Iran to abandon its nuclear programme and would not enter bilateral dialogue (RFERL, 2006g).

Thus, it can be said that China had adopted a position of delicate balancing over the Iranian nuclear issue vis-à-vis its political relationship with the US. Against the backdrop of growing economic ties with Iran and also a residual solidarity with a third world country, it was discomfiting for China to side with the US. China has been Iran's most important nuclear supplier since the early 1990s and had reduced its cooperation as a result of the US pressure. Chinese officials have maintained a cautious view in public on the issue of enrichment (ICG, 2006: 13). However, in spite of China lending support to Iran, it was not able to stop the matter from going to the UNSC.

UN Sanctions and China's Stand

In contemporary international relations, sanctions are used as a means of attaining specific policy objectives and settling disputes. They are often employed to reflect the displeasure of certain states of the international community over domestic or international conduct of other states. In these cases, economic and political sanctions are designed to deliver enough harm or at least threaten the state to compel it to refrain from objectionable behaviour or actions (Shen, 2008: 90).

In 2002, it became known that Iran had two nuclear facilities. Although its nuclear capabilities were not fully developed, and it was entitled to undertake a full range of fuel cycle development, including uranium enrichment to fuel nuclear power reactors for civilian purposes. Iran had developed the programme without reporting it to the IAEA. It had, thus, failed to honour its obligations to the NPT. Various IAEA resolutions were passed to urge Iran to be cooperative. Since these failed to spur cooperation from Iran, on 4 February 2006, the IAEA brought the issue to the UNSC. The UNSC had passed three sanctions resolutions against Iran, namely Resolution 1737 (23 December, 2006); Resolution 1747 (24 March, 2007); and Resolution 1803

(3 March, 2008).⁵ These were intended to coerce Iran to immediately suspend or stop its ongoing uranium-enrichment programmes until its past nuclear history was cleared up (Shen, 2008: 91-92).

The UNSC resolution 1737 had brought about a distinct change in the stance of China over the Iranian nuclear debate. As the vote in favour of the resolution showed, China had not been able to adopt an independent policy on Iran vis-a-vis the US. China has never shown any support for a nuclear capable Iran (Kumaraswamy, 2007). Thus, under Resolution 1737, Iran was to suspend proliferation-sensitive nuclear activities without further delay. Until Iran complied, this resolution banned the supply of nuclear-related technology and materials, froze the assets of key individuals and companies related to enrichment programme, and called upon countries to report travel into their territory by Iranian officials involved in that programme. Resolution 1747 had incrementally tightened the aforementioned sanctions and also imposed a ban on arms sales. Resolution 1803 further added financial sanctions to additional entities and also imposed travel bans to additional persons. It called upon member states to inspect cargo bound to or from Iran and urged countries to be cautious in providing trade incentives and guarantees to Iran (Shen, 2008: 92).

Throughout the years, as China scoured the world for oil and gas, it sought to keep politics and energy as separate as possible. This task was no longer feasible as the interests collided over Iran's nuclear aspirations (Vakil, 2006: 55). China had to take a firm stance over Iran's nuclear issue. Since China considered Iran's emergence as a regional military power a positive development toward the evolution of a multi-polar international system, Iran hoped, it would go to any extent to assist Iran (Ahrari, 2001: 462). China's support to Iran over the nuclear issue has been unwavering, but that does not mean that China would be prepared to encourage any form of Iranian venture. China's interest is rather for the negotiations to drag on indefinitely, without any decision being reached as to whether to act at the UNSC. There have been additional reasons for an Iranian-Chinese alliance apart from energy. In the long term, Iran might play a still unforeseen role if the conflict flares up between China and the

⁵ A fourth one, Resolution 1929, was adopted on 9 June 2010. This however is beyond the purview of the dissertation and hence is excluded.

US over Taiwan, especially if by that time Iran has a nuclear deterrent capability (Delpech, 2006: 47-48).

On the contrary, a commentary in *The Tehran Times* reflected the prevailing thinking in Tehran. According to it, China believes that Iran's nuclear programme is peaceful and it defends Iran's right to nuclear energy for peaceful purposes. China hoped that the standoff over Iran's nuclear issue would be resolved soon so that Iran could focus all its efforts on the economic development and enhancement of the living standards (*The Tehran Times*, 2007). Moreover, Chinese Foreign Minister Yang Jiechi, during his November 2007 visit to Tehran, had said that "China stands for the maintenance of the international non-proliferation system and supports a peaceful solution to Iran's nuclear issue through diplomatic negotiations" (Zambelis, 2007). It is certain that China's energy and economic interests would be highly vulnerable to any economic shocks or military conflicts arising over Iran's nuclear programme. At the same time, Iran's role as a key source of oil and gas would not diminish in the course of it acquiring a nuclear capability, as its energy exports would be vital to sustain its economy in the decades to come.

In September 2008, China had urged Iran to cooperate with the IAEA but distanced itself from calls for sanctions following a report that Iran was stalling scrutiny of its nuclear activities. China said it hoped that Iran and the IAEA would cooperate to resolve the unsettled issues as early as possible. China became the focus of diplomatic efforts to overcome the long-running standoff. China had backed the past UNSC resolutions imposing limited sanctions on Iran, but it had been reluctant to consider steps that would threaten energy and economic ties with Iran (RFERL, 2008).

It has further been argued that China wishes to maintain good relations with all of the oil-producing Gulf States. However, China does not have any interest in imposing trade sanctions on any country, having suffered them after the Tiananmen Square incident. But, in Iran's case, China is not ready to isolate itself by showing support for Iran's nuclear programme. It would support modest sanctions against Iran and would generally do what it can to soften or delay such sanctions. However, this has brought out a worrisome trend in Iran's behaviour (Sokolski, 2008: 4). Iran has started believing it can continue to defy UN resolutions calling suspension of nuclear fuel-

making activities which can bring Iran within days and weeks of acquiring bombs without having to pay a high price economically or diplomatically.

In addition, Chinese leaders have not been completely content with the US's management of regional security affairs in West Asia and have sometimes pursued policies that undermine US efforts. At the same time, they have avoided challenging US predominance or major policy initiatives. In response to the US pressure, China has curtailed certain arms sales to Iran and supported the UNSC efforts to encourage Iran to suspend its uranium enrichment program (Alterman, 2009). Thus, it can be said that China has adopted a balanced position on Iran's nuclear issue. It has not sided with Iran as that would lead to it being isolated by the international community and has tried reasoning with Iran to follow the dictates of the resolutions of the UNSC.

Conclusion

Iran and China have had a long history of political relations and they have been cooperating in regional organisations like the SCO. Military assistance was the basic reason which brought Iran close to China during and after the Iran-Iraq War. This relationship has seen Iran view China as an indispensable ally and it hopes that China would continue with its support. China became the most preferred partner for the nuclear programme of Iran. Iran looked to China as a nation with which it has common interests and which would be an important player in the international system and help Iran against the US led sanctions in the international forums like the UNSC. This has, thus far, not been true as China has not vetoed any one of the sanctions imposed on Iran and had in fact voted for all of them. Hence, China would not always be supportive of Iran in the various international forums as per Iran's expectations. It serves China's own interests to go along with the US-led countries against Iran. For this reason, it would benefit Iran if it ends its dependence on China with regard to seeking support for its nuclear programme. China has been a willing political and military partner as has been discussed. In conclusion, it would suffice to say that China's political relations with Iran are motivated by its economic interests.

CHAPTER 4

ECONOMIC AND CULTURAL RELATIONS

This chapter has been divided into two sections, the first deals with the economic relations between Iran and China, including the energy ties, and the second section deals with the cultural ties shared by both the countries. The basic rationale of dealing with these two aspects together is that the two are quite intertwined. When the commercial interests are being looked at there is an automatic interchange of the cultures aspects. From the ancient times, goods trade had also brought with it an element of a different culture to the host country. Thus, with the passage of time, there are cultural ties which are formed in addition to the economic ones established initially.

In the economic part, the emergence of trade between the two countries is traced and various reasons which brought the two countries closer are discussed. The trade has been of two types, namely energy and non-energy trade. In energy trade, oil and gas are the two components. Among them, oil had been the primary component of Sino-Iranian trade. During the Iran-Iraq War, China traded weapons for oil with Iran. After the war, China helped in reconstruction of Iran's economy. It invested in many infrastructure projects and assisted Iran with manpower and technology. Further, China started signing various deals with Iran for the development of Iran's oil and gas fields. Cooperation has been noticed in the areas of pipeline construction and oil refineries. In addition, China has also had a firm stance in supporting Iran against the US led United Nations Security Council (UNSC) sanctions. It believes that economic sanctions would not help in a brokering deal over the nuclear issue and that the International Atomic Energy Agency (IAEA) and not the United Nations (UN) is the right body to settle the issue. Iran believes China to be its close ally, but does not realise that for China, the US is the paramount economic trading partner and Iran's share in trade with China is very miniscule. Also, in the context of the Shanghai Cooperation Organisation (SCO), Iran's bid for full membership is seen as an attempt to make inroads into the Central Asian countries. This would bring immense benefits for the Iranian economy.

On the cultural front, Iran and China share deep ties going back to ancient times. Since the Islamic revolution, these ties did not see much emphasis. There have been instances of interactions among sports persons and academics, etc., of both the countries, but it has not led to any substantial deepening of the already existing ties.

Economic Relations

Background

Iran and China have had trade relations since ancient times. This has been continuing since the last two millenniums and evidence of it has been the 'Silk Road'. This route was called so because most probably the main item transported by this route during those times was the famous and most important of Chinese goods- silk (Abidi, 1982: 13). Iran-China trade has changed a lot over time from the ancient period. The early part of the 20th century saw Iran and China formally acknowledging each other. But after the World War II, China saw the ascendance of the communist party in the state and Iran developed a close alliance with the United States. This drew the two nations apart, though there were some attempts at getting the commercial relations restarted during this time. The 1960s saw many political events which were instrumental in bringing back economic cooperation between the two countries. Iran has been importing a variety of products from China. These comprise machinery and electrical appliances, vehicles and aircrafts, textiles, plastic and rubber goods, vegetable products, mineral products, chemical products, and antiques, etc. (Garver, 2006: 247).

Trade ties between Iran and China got better in the 1960s. The anti-Soviet sentiments in both countries brought them together. This climate was instrumental in both nations accelerating the bilateral trade; the trade in the 1960s was 20 times higher than the previous decade. Initially, China viewed Iran as just an ally to counter the Soviet threat in the Persian Gulf, but alongside that it also saw in Iran a viable potential trade partner and energy provider. Iran, owing to its part, saw China as a good counterbalance to both the United States and the Soviet Union and hoped that its relations with China would lend it some leverage in the international political arena. As Manochehr Dorraj and Carrie L. Currier have explained, after the normalisation of relations between Iran and China in 1971, there was a spate of increase in mutual trade, evidence of which was that the 1978 trade figures were 20 times greater than

those of 1971. (For a detailed understanding of Iran's trade with China, refer to **Table 4.1** and **Table 4.2**)

Table 4.1: Iran's Export to and Import from China 1979-2000 in Millions of US Dollars

Year	Exports	Imports
1979	29	40
1980	53	133
1981	2	179
1982	81	45
1983	—	294
1984	—	170
1985	7	92
1986	—	26
1987	4	53
1988	16	36
1989	43	48
1990	39	321
1991	18	322
1992	155	369
1993	282	443
1994	165	292
1995	206	306
1996	351	439
1997	543	395
1998	350	655

1999	771	613
2000	1612	85

Source: Direction of Trade Statistics Yearbooks, IMF (1986, 1992, 1997, and 2000)

Table 4.2: China's Exports to and Imports from Iran 2001-2007 in Billions of US Dollars

Year	Exports	Imports
2001	0.88	2.42
2002	1.39	2.34
2003	2.31	3.30
2004	2.55	4.49
2006	4.48	9.95
2007	7.28	13.30

Source: China Statistical Yearbook (2003, 2005, and 2008)

The Islamic Revolution of 1979 in Iran had its impact on the trade ties as the volume of bilateral trade suddenly dropped from US \$118 million in 1978 to US \$68 million in 1979. This was largely due to domestic situation in Iran and its growing regional isolation. The 1980s saw mutual trade rising from US \$627 million to US \$1.627 billion. In addition, post-war Iran provided China with an opportunity to step in for the reconstruction of the war-ravaged country. Further, Iran's strained relations with U.S. and Western world, following the war, resulted in Iran looking to China as an attractive market. It was during this time that China had begun on the path for its economic growth and that made it look out for newer sources of energy and investment markets. Iran needed a reliable buyer for its oil and gas and a supplier of military equipment and weapons systems. So, Iran's emergence as a major player in West Asia and the global oil market was helpful to China's political and economic interests in the region (Dorraj and Currier, 2008: 70)

Iran hoped that its relations with a global economic power like China would attract business from other countries wary of Iran's outcaste status. Iran began to look to the People's Republic of China (PRC) to counter the US-led economic sanctions in the UNSC and elsewhere in response to Iran's nuclear programme. According to Iran, what is good for it is also in the best interests of the PRC.

Iran is unwilling to question the strength of its relations with China. This is because Iran recognises that there is little value in criticising Iran-China relations. China is Iran's best supporter, for better or worse. Iran seems to be overestimating China's ability to safeguard Iranian interests by confronting the US and the West. As discussed earlier, China has never vetoed any UNSC resolution relating with West Asia and the PRC has, in fact, always voted with the majority in the UNSC over the Iranian nuclear issue. In spite of these developments, Iran still is not ready to criticise China's role in acceding to UNSC pressure and has reserved its ire for US and Europe (Douglas et. al, 2006: 9).

Energy

Energy is one of the main factors that comprise the economic relations between Iran and China. Until 1992, Domestic oil and gas reserves were sufficient to provide for China's domestic energy needs. But, in 1993 China became a net oil importer and, from 1992 to 2005, China went from self sufficiency to import dependency for over one-third of its total oil consumption. It is the second largest consumer of energy in the world and, in 2004, surpassed Japan as the world's second biggest oil importer. This sharp rise in China's energy demand, along with Iran's vast oil and gas reserves, make the energy connection one of the most significant pillars of Iran-China relationship.

Iran has world's second largest reserves of natural gas and third largest reserves of oil. This makes it very attractive to China. In fact, after Saudi Arabia, it is Iran which is China's second largest oil supplier. Oil comprises 80 percent of Chinese imports from Iran. This shows that energy security is very important to China's continued prosperity and Iran has so far emerged as a reliable supplier and that, in return, provides China with a lucrative market for investment and also for its consumer goods (Dorraj and Currier, 2008: 70-71). In 2005, Iran supplied 14 percent of China's oil

imports. (For a detailed understanding of Iran's oil exports to China, refer to **Table 4.3**) Iran's proven oil reserves are 125.8 billion barrels or 10 percent of the world reserves. Iran's proven gas reserves are 940 trillion cubic feet, 16 percent of the world reserves. These indicate clearly that China's interest in Iran stems primarily from its ability to export energy to China. In the coming years, China would need more and more energy to fuel its economic growth. It hopes to get a significant part of it from Iran. As far as Iran is concerned, it is good that China imports the largest share out of the total oil imports as very large amount of revenues accrue to Iran. Thus, Iran needs China as its oil buyer.

Table 4.3: Iranian Oil Exports to China 1977-2005

Year	Million barrels per year	Source
1977	2.2	Dorraaj and Currier: 71
1982	7.5	Dorraaj and Currier: 71
1989-90	15	Dorraaj and Currier: 71
1990	2.2	Liangxiang
1992	0.84	Liangxiang
1993	0.47	Jaffe and Lewis: 7
1994	0.50	Liangxiang
1995	6.78	Jaffe and Lewis: 7
1996	16.87	Liangxiang
1997	20.07	Jaffe and Lewis: 7
1998	26.43	Liangxiang
1999	28.83	Jaffe and Lewis: 7
2000	51.10	Liangxiang
2001	81.3	Xu: 2
2002	77.60	Liangxiang

2003	92.9	Dorraaj and Currier: 71
2005	107.04	Shichor, 2006a: 52

Ali Akbar Saheli, Iran's former representative to IAEA said that the two countries "mutually complement each other. They have industry and we have resources" (Madsen, 2007: 27). In 2004, former Iranian Petroleum Minister, Bigan Zandaneh, had said in a visit to China that "Japan is our number one energy importer due to historical reasons, but we would like to give preference to exports to China". Iran became China's top oil supplier in 2006, overtaking Saudi Arabia, though that did not last long (Maleki, 2007).

Energy cooperation is the backbone of Iran-China relations, though in other areas also economic ties have been established. For Iran, there is a mixture of motives to engage China in its oil sector. The main commercial motive is to access the much required foreign investment capital and technology. These objectives are mixed with strategic imperative of being in an economic partnership with a major world power which holds a permanent seat in the UNSC. But, the political support derived from such economic cooperation though significant, is neither open ended nor necessarily permanent (Calabrese, 2006: 8).

Interests

For China, the West Asian region did not hold much economic importance until 1990s and was of marginal economic importance. Economics served more as a means to promote other ends including political, ideological and strategic (Shichor, 2006a: 41). China's policy to access overseas supplies of oil and gas through investment rather than through purchases on the market alone has made it pursue a very huge network of partnership with as many energy providers as possible and Iran is receiving China's increased attention (Tonchev, 1998-99: 486).

For China, "energy security" is defined in terms of guaranteeing oil supplies to China's continued economic growth and modernisation. The Iran-China relationship has developed substantially due to the gridlock in the Iran-U.S. relations. This is especially true in the energy sector where American companies are barred from doing

business and Chinese state firms compete with other foreign companies for access (Calabrese, 2004: 7). According to Ali Akbar Vahidi Ale-Agha, Deputy Managing Director of Iranian Petroleum Engineering and Development Company (PEDEC), “China and Iran are perfectly matched for each other... China has world’s biggest market of customers and no secure resource for energy. We have a lot of energy and we need foreign currency. And they have a lot of money to invest. It’s a win-win situation” (Maleki, 2007).

According to John Calabrese, as quoted by Radio Free Europe/Radio Liberty in one of their reports, while relations between Iran and China are complex, China’s growth as an economic power has encouraged Iran to seek a closer alliance. China recognises and advocates for Iran to be a major international power. They complement each other economically as well, sharing a mutually advantageous demand-supply relationship based on China’s need for and Iran’s abundant supply of energy resources. This relationship was long-term and irreversible with Chinese state energy companies looking to secure assets for the long-term, while Iran is hungry for outside investment and technology in its oil and gas sector. Iran is using energy as a political tool- as an allure to get allies. The overlapping strategic outlook of the two countries is not identical. Iran has a lot of domestic political constraints which include suspicion of foreign direct investment (FDI) and accusations that China is dumping products in Iran, which are some sore points in the relationship. China’s most important bilateral relationship is with the US while Iran has no relationship with the US at all (RFERL, 2006h).

China had started importing oil from Iran as early as 1960, but it was in the late 1980s that trade picked up substantially. Initially Iran-China trade relations were not based on energy. By 1990s, China was the fourth largest importer of Iran’s goods. The long-term nature of the energy contracts underscores the fact that Iran and China both perceive benefits in continuing their relationship (Zimmerman, 2008: 8). Energy cooperation is the backbone of the economic and trade cooperation between China and West Asian countries and Iran is no exception. Bilateral trade between Iran and China is basically complementary, so there is scope for increasing cooperation (Shaoxian and Zhichao, 2007: 28).

After becoming a net importer of oil in 1993, it was even more important for China to turn to natural gas electricity generation as air pollution in China had become an increasingly serious problem, particularly the burning of polluting fossil fuels. This increased its interests in gaining access to long-term gas deals with West Asian countries, including Iran (Kemp, 2006: 73). Thus, after 1993, international partners were needed to deal with a growing domestic energy shortfall which is again set to increase as China continues on its modernisation drive. China chose Iran out of the West Asian countries because of the obvious reasons as Iran had been isolated from the West which eliminated major competition for China (Lanteigne, 2007: 7).

It has been further argued that, after 1993, China has become increasingly dependent on imported oil and gas. It is then perhaps natural, as a part of the globalisation of China's economy and limited domestic prospects, that Chinese oil companies look abroad for investment opportunities in oil and gas exploration and also in production. China's entry into the international oil scene has occurred in a climate of heightened global competition for oil and gas resources. This has made China's foray in international oil market as a potential producer and deal maker for oil and gas a big threat to the Western companies and governments.

The fact that almost all major Chinese oil companies are state owned has added to the international concern. These companies are seen to enjoy active government support in their commercial dealings using diplomatic influence, official aid programmes, a home market, and favourable financing. At the same time, Chinese oil companies are constrained by the government on petroleum product pricing and other domestic measures. This has served to reinforce the impression that Chinese oil companies are instruments of state policy rather than free-market competitors. China's oil service industry has become increasingly competitive in international contracting. China offers a large and growing domestic refining market to oil-producing countries. Thus, unlike other countries in the past, China has arrived at the international oil market with a running start and is, hence, seen as more threatening, even without taking the political considerations into account. Iran is a primary target for Chinese activities abroad to secure future oil and gas supplies. China can use its diplomatic influence as a permanent member of the UNSC to shield Iran from what it considers overly aggressive international sanctions over Iran's nuclear programme.

Although China is a major importer of Iranian crude oil, its attempts to take advantage of Iran's international isolation by becoming a major investor-operator in the Iranian oil and gas fields have not met with much success. This is largely due to Iran's commercial unreasonableness and intransigence, enabled by steep rises in oil prices in recent years. It is not clear whether China's use of soft power in this case has resulted in any commercial advantages in Iranian oil deals. China did hope that in the aftermath of the steep drop in global oil price since July 2008, it would be rewarded with more generous terms under Iran's so-called buyback contract terms (Chow, 2009: 91-93).

In 1994, Iran accounted for just one percent of China's total oil imports but less than a decade later, China purchased US \$2 billion worth of oil from Iran, representing more than 15 percent of total oil imports in 2002. Trade with China maybe significant for Iran, but the opposite is not true as Iran-China trade accounts for only 0.6 percent of China's total trade (Liangxiang). China is concerned, on one hand, about Iran's potential influence over China's oppressed Muslim minorities while, on the other, Iran constitutes a solid anti-American base in West Asia and also a source of energy and money. For China, Saudi Arabia is a definite substitute for Iran's oil if for any reason the Iranian nuclear issue does not get resolved with the IAEA or Iranian actions are not in sync with the international views. It is not only that China needs West Asia but it is the other way around too. West Asian countries like Iran need China not only in political and economic terms but also as a model of fast economic development without democratisation (Shichor, 2006c: 677-681).

Major Oil and Gas Deals

Chinese officials were as energetic in fostering economic relations with the revolutionary Iran as they were in courting the Shah. Chinese officials took care to execute contracts on time, offer products at competitive prices, and devise or accept flexible terms of payment and exchange (Calabrese, 1992-93: 473). As result, China has expanded its imports of Iranian crude oil and petroleum products since the 1990s, and Chinese companies have concluded a number of high-profile deals in Iran. Overall, projected Chinese investments in oil and exploration and production, petrochemicals and natural gas infrastructure in Iran could exceed \$100 billion over

the next quarter-century (Gouda and Korayem, 2007: 416). (For a detailed understanding of Iran's Oil and Gas Deals with Chinese Firms, refer to **Table 4.4**)

Table 4.4: Iran's Oil and Gas Deals with Chinese Firms

Date	Field	Investing Firm	Value of Deal in US Dollars	Output/ Goal
May 2002	Masjed-i-Suleiman (oil)	China National Petroleum Company (CNPC)	80 million	25,000 bpd
January 2004	Azadegan (oil)	CNPC	1.76 billion	260,000 bpd
October 2004	Yadavaran (oil)	Sinopec	2 billion	300,000 bpd (by 2011)
June 2006	Garmsar block (oil)	Sinopec	20 million	————
July 2006	Arak Refinery expansion	Sinopec	959 million	————
December 2006	North Pars Gas Field (Pending)	China National Offshore Oil Co.	16 billion	3.6 billion cfd
January 2009	North Azadegan	CNPC	1.75 billion	75,000 bpd
March 2009	Phase 12 South Pars (gas). Including LNG Terminal Construction (Pending)	China-led consortium; project originally subscribed in May 2007 by OMV (Austria)	3.2 billion	20 million tonnes of LNG annually by 2012
February 2010	South Pars: Phase 11	CNPC	4.7 billion	————

Source: Katzman, 2010: 16-18

China has entered into the development of both oil and gas projects in Iran. This is proven by the high levels of investments undertaken by China in Iran. It has been the most important foreign player in the energy sector in Iran and has also taken up many projects involving the furthering of oil exports to it by Iran. It has cooperated with Iran in both the upstream and downstream development of the energy sector. Participation by Chinese companies in such projects is part of the internationalisation of Chinese business operations and of their global effort to obtain equity stakes in production, thereby enhancing long-term energy security. The following are some of the major oil and gas-related developments between Iran and China:

- In January 2000, China's Sinopec signed a contract with National Iranian Oil Company (NIOC) for the exploration of oil in Zavaneh and Kashan (Calabrese, 2004: 9). The Sinopec and NIOC had signed a contract to upgrade Tehran and Tabriz refineries and to build an oil terminal port in the Caspian Sea. In penetrating the upstream sector in Iran, China faced certain legislative obstacles and contractual hardships. Iran has a policy of 'buyback' as the legal means to conclude contracts with international investors. Under this arrangement, contractors are required to take full commitments of investment and receive capital interests and rewards of services after cost recovery upon production. The operating rights would then be transferred to NIOC by the contract. Under such arrangements, contractors are forced to sacrifice any long-term returns that might be available from their projects. While any additional cost is the responsibility of the contractor, NIOC would fill the loss if world oil prices go on a decline (Xu, 2002: 8).
- In August 2000, China National Petroleum Corporation (CNPC) won its first drilling contract in Iran (to drill 19 gas wells in southern Iran) which was the first project of its kind put on the international tender since the Islamic Revolution (Calabrese, 2006: 8).
- In 2004, China's Tianbao Energy renewed a contract to buy 80,000 tons of fuel oil a month from the state-owned NIOC under a contract lasting through March 2005 (Daly, 2004).

- Sinopec, in 2004, signed a US \$1 billion deal to develop oil production in Yadavaran for an estimated period of 33 years. This could be worth US \$70-100 billion (Maleki, 2007).
- Iran negotiated the sale of up to US \$20 billion worth of Liquefied Natural Gas (LNG) to China over the next 25 years under terms of a memorandum of understanding (MoU) that the NIOC signed on 3 March 2004 in Beijing. The agreement could be the largest Iranian energy deal since 1996. The MoU envisions the start of LNG supplies in 2008, when Beijing's government-sponsored oil trading company, Zhuhai Zhenrong Corporation, would begin importing 2.5 million metric tons of Iranian LNG annually. Beginning in 2013, imports would increase to five million tons per year (Daly, 2004).
- In 2005, China signed a deal under which US \$20 billion worth of LNG was to be imported over a period of 25 years with 10 million tons annually. The Sinopec signed another deal to explore Iran's onshore Garmsar block for oil and gas located in central Iran (Maleki, 2007).
- In June 2005, the CNPC won a bid to develop the Khoudasht oil block in western Iran (Calabrese, 2006: 8).
- In 2006, the China National Offshore Oil Corporation (CNOOC) announced that it had signed a preliminary deal with Iran to develop Iran's offshore North Pars gas field in the Gulf with US \$1 billion Chinese investment (Jiang, 2007).
- In July 2006, Iran and China signed a US \$2.8 billion contract to expand the refinery at Arak in Iran.
- In December 2006, CNOOC signed a US \$6 billion deal to develop Iran's North Pars gas field and to build plants to liquefy natural gas. The project would take eight years to complete and CNOOC would receive 50 percent of the gas produced (Madsen, 2007: 26).
- In March 2007, the CNPC agreed to double its investment in one of Iran's most prominent energy fields. The CNPC would spend US \$150 million to

upgrade Iran's Masjed-i-Suleiman oil field. Once complete, the project would yield around 25,000 barrels per day for China (Madsen, 2007: 26-27).

- In the latter half of 2007, CNPC held discussions with NIOC to develop the Kish gas field in Gulf (Jiang, 2007).
- In July 2008, Iran's Pars Oil and Gas Company and CNOOC announced an agreement to exploit the North Pars gas field and introduce this gas into international market (Chang, 2008).
- In March 2009, an agreement was signed between the two countries worth US \$3.2 billion for building gas pipelines by a Chinese-led consortium to transport liquid gas from South Pars Gas Field.
- In June 2009, the CNPC signed an US \$85 billion gas deal with Iran to develop Iran's South Pars Gas Field (Farrar-Wellman, 2009).
- In July 2009, the Iranian Charge d'affaires to China, Saeed Shabestari, said that increasing volume of trade between Iran and China had made China Iran's leading trade partner, which highlighted the importance of bilateral economic ties. In the same month, China offered to construct ten offshore jack-up drilling platforms, seven land drilling rigs and two float cranes totalling US \$2.2 billion (Farrar-Wellman, 2009).
- In August 2009, China agreed to expand Abadan and the Persian Gulf refineries at the cost of US \$3 billion (Farrar-Wellman, 2009).

These energy-related developments come against the background of various US imposed economic sanctions on Iran since 1980 and deterioration of Iran's oil industry, namely, exploration, refining and downstream production. In 1996, the Clinton administration had signed the Iran and Libya Sanctions Act (ILSA) (later renamed as Iran Sanctions Act or ISA) into force under which tough penalties are to be imposed upon foreign companies and individuals who are found to be investing more than US \$20 million in oil and gas development in Iran. This hampered Iran's ability to modernise and expand its production capabilities but it proved to be a boon for China (Dorraj and Currier, 2008: 72). The policy of containment by the US after

the end of the Iran-Iraq War and unilateral implementation of ISA had led to a slowdown of foreign investment in Iran in the 1990s. At the same time, these measures provide opportunity for non-US companies to penetrate the sanctioned states. Thus, because of ILS, Iran has a large amount of room to entice non-US companies to enter its market (Xu, 2002: 6).

Moreover, the effects of ILSA have been mixed. Without sanctions there would have been more companies willing to invest in Iran to develop its oil and gas fields. At the same time, the US \$30 billion (approx.) investment in Iran's energy sector from 1996-2004 shows that sanctions did not deter foreign investment totally (Bahgat, 2005: 33).

As regards China, it supplies Iran with refined petroleum due to Iran's inability to refine crude oil. Under the ISA even these companies have to stop trading with Iran. But, China has not heeded to this directive and its firms supply up to one-third of Iran's total petroleum imports. In March 2010, some of the major suppliers said they would stop supplying petroleum to Iran under the ISA. Iran's remaining gasoline suppliers include the three Chinese companies: China's state-run Zhuhai Zhenrong Corp., ZhenHua Oil, and CNPC. Thus, the Chinese companies rather take the ISA lightly. Further proof of this is the fact that China has invested billions of dollars in the development of the various oil and gas fields in Iran, especially after 2002.

China needs Iran not only to keep an open flow of oil from the Persian Gulf, but also to serve as a node in the new 'energy Silk Road' connecting the Persian Gulf, Caspian Sea and Central Asia to China. In what has been coined as an Asian Energy Security Grid, China needs Iran in a series of pipelines such as the Iran-Pakistan (IP) pipeline and the interconnection between Iran and Turkmenistan, with an eventual direct land link between Iran and China (Lin, 2009). Moreover, China has helped Iran in the construction of pipelines which are the backbone of its energy sector. The Neka-Sari pipeline built by the Sinopec and CNPC carries Russian crude from Caspian port of Astrakhan and Volgograd to Iranian port of Neka, further into Iran. This had been completed in 2003. Another pipeline built with Chinese participation would carry oil from Neka to a refinery on the outskirts of Tehran to the municipality of Ray. China has an interest in expanding Iran's oil/gas pipeline network quite separate from whether or not its own firms help to build those (Calabrese, 2006: 9). Iran and China

also have plans to construct a 386 kilometre pipeline to take Iranian oil to the Caspian Sea, enabling linkages to another Chinese-Kazakhstan pipeline under construction (Madsen, 2007:27).

Investments

During the reign of Mao, China was not very active in overseas investments. It was only in the late 1970s and early 1980s that it became active in this field. China's interest in energy had begun by the mid-1990s as it fuelled its accelerated economic growth. Within a few years Chinese involvement in energy exploration, production, and shipment spread all over the world. This made China one of the most important energy players especially in the case of Iran (Shichor, 2006a: 53).

For Iran, engaging with the Chinese companies in joint ventures stemmed from a mixture of motives. The main commercial objective was access to much-needed foreign investment capital and technology. This was dovetailed with the strategic imperative of locking in an economic partnership with a major world power. The commercial benefits can be seen by the July 2006 deal between North Drilling Company (NDC) of Iran and China Oilfield Services Limited (COSL), a CNOOC subsidiary. The COSL had signed an agreement to manage, repair, and maintain the Alborz semi-floating platform being built by the Iranian Offshore Industries Company (Calabrese, 2006: 8).

China is an active player in Iran's attempts to bring Caspian oil and gas through pipelines to southern Iranian ports for shipping to European and Asian markets. The US has tried opposing this initiative, but China remains undeterred by the negative US reactions. In fact, China has become Iran's largest trade partner with its bilateral trade increasing by 27 percent in 2007 to US \$15 billion (Dorraj and Currier, 2008: 73). Iran remains the best option for transporting Caspian Sea oil resources to the open sea. The Iran-China rapprochement includes two main forms of oil cooperation; Iranian oil exports to China and Kazakh oil being transported to China via Iran. Iran has made the most of both its own reserves and also its strategic position in the area between Persian Gulf and the Caspian Sea (Tonchev, 1998-99: 489).

Another area of cooperation is upgrading of Iran's oil refineries and enhancing oil recovery. For instance, oil production in the Masjed-i-Suleiman field increased on a

buyback contract with China. In addition, both countries have been working to augment their capacity to handle the increased volume of oil, gas and refined products. For instance, for increased imports of LNG, China has started building receiving terminals at Guangdong, Shanghai and Fujian. Also, China's main shipping enterprises like Dalian Shipping Industry Corporation and China Shipbuilding Trading Company Ltd., have won contracts to supply Iran with oil tankers. This penetration of Iranian market by Chinese shipbuilding firms is part of China's broader efforts to compete internationally. Both also cooperate in metallurgy, manufacturing and transportation. The Chinese International Trust and Investment Corporation (CITIC) was awarded a US \$953 million engineering, procurement and construction (EPC) contract for South Aluminium Corporation (Salco) aluminium smelter at Bandar Abbas. China's Metallurgical Construction Company, along with its local partner Greco, bid for a US \$300 million contract to build the new Arfa steel plant at Ardakan near Yazd in Iran. In partnership with the Khodro Group, Chery Automobile Company Ltd. has opened its first overseas production plant in Iran in February 2003. This plant manufactures 30,000 Chery cars annually (Calabrese, 2006: 10).

China's defence of Iran over the nuclear issue is largely due to it being a strategic partner of Iran. This strategic relationship is tied to its energy security and, hence, national security. While China has the necessary capital, it currently lacks the technological capability to substantially upgrade and modernise Iranian oil infrastructure in order to expand Iran's oil exports. Much of the technology is in the hands of American and Western European companies. According to the International Energy Agency (IEA), Iran needs to invest about US \$160 billion over the next 25 years to expand its output substantially. It does not possess such a cash surplus and is, thus, at the mercy of foreign investors like China (Dorraj and Currier, 2008: 74-75).

Broadly speaking, the West Asian region is neither an important market for China's exports, nor a main supplier for China's imports, despite the increasing reliance of China on oil from the region (Gouda and Korayem, 2007: 411). As can be seen, though oil dominated the trade between Iran and China during the 1990s, the two countries have also negotiated important commercial deals on the side. From 1984 to 1989, Iran contracted with Chinese companies for US \$67 million worth of projects, including hydroelectric plants, atomic energy, dams, geological and mining ventures,

non-ferrous metals production, light industries, and fisheries. Chinese foreign direct investment expanded in the 1990s, reaching the Iranian minerals sector, space technology, agriculture, medical and pharmaceutical industries and also railway construction. The 1992 contract given by Iran to the CITIC for building a metro system was a gesture from both the countries to show China's desire to support industrial expansion in West Asia (Zimmerman, 2008: 12). (For a detailed understanding of China's Turnover of Economic cooperation with Iran, refer to Table 4.5)

Table 4.5: China's Turnover of Economic cooperation with Iran 1998-2007 in Millions of US Dollars

Year	Total	Contracted Projects	Labour Services	Design Consultation
1998	178.87	168.87	0.54	11.46
1999	205.82	200.12	0.25	5.45
2000	368.05	360.29	1.63	6.13
2001	215.32	199.62	14.03	1.67
2002	382.75	382.08	0.27	0.4
2003	337.17	328.44	4.42	4.31
2004	385.85	371.95	4.3	9.6
2006	770.75	748.86	—	21.89
2007	1139.34	1041.22	—	98.12

Source: China Statistical Yearbook (2000, 2001, 2003, 2005, and 2008)

However, it has to be noted that the trade relations between Iran and China have not always been smooth. Iranian citizens have tended to favour Western products, which in general surpass Chinese goods in terms of quality. Prior to 1999, Iran regularly had a trade deficit with China, whose exports of manufactured capital goods exceeded its imports of Iranian natural resources. Since 1999, the situation has reversed, and now it is China which must consider what the increasing domestic demand would mean for

their energy-driven trade deficit and overall cooperation with Iran. Further, Iranian officials have been displeased with China's exclusive focus on heavy industry investment which has ignored low-level business creation. Whatever attention China has given to this sector has mostly been in the form of cheap consumer goods, which tend to irritate local businessmen. Overall, however, the relative inexpensiveness of Chinese goods, China's no-strings-attached approach to trade, and its willingness not only to trade goods but also provide engineers and technology to facilitate domestic production capabilities have brought the two countries closer economically. Trading with China has helped Iran to enhance its industrial plants and build up its high-tech, value added, heavy industry sector (Zimmerman, 2008: 13).

In exchange for manufactured capital and consumer goods China supplies to Iran, it procures crude oil. China supplies machinery, technology, and equipment for Iran's industry, mining, transportation, construction and energy sectors. In 2003, 47 percent of Iran's imports from China consisted of machinery, electrical appliances, equipments, vehicles, and instruments. Another 28 percent was made up of textiles, plastic and rubber goods and chemical products. As against common perception, there are a large number of projects in Iran of Chinese companies which are unrelated to the oil sector. For example, in March 2006, Engineering and Construction Company announced winning a bid to build an aluminium mill kiln for US \$998 million in Bandar Abbas, an Iranian port located on the strategic Strait of Hormuz. Chinese companies are involved in capital, technologies, commodities and services. Cooperation also exists in the field of railway, electrified railway, locomotives, wagons and power plants. The growing economic ties between Iran and China have been driven by their complementary trade patterns. Chinese companies, like the large conglomerate China North Industries Corporation (NORINCO), provide Iran with machinery and consumer electronics and also build power stations, highways and mass transportation infrastructure in exchange for Iranian oil and gas.

The Iranian economic planners fear that cheap imports from China would threaten the country's production of such similar goods. Iran strives for self-sufficiency, indigenous industrialisation and job creation for its growing and young population. Its imports of Chinese goods and technology increases Iran's industrialisation and job creation in industrial sector. Thus, Chinese capital goods sold to Iran are cheaper and

easier to operate than western ones (Maleki, 2007). China has participation in supplying materials for electricity industry in the city of Arak and also in the service sector of Iran. It includes construction of new lines for the Tehran underground (Soto, 2006: 2).

Following the Iran-Iraq War, there was a substantial increase in the bilateral trade between Iran and China. In 1980, it was just US \$200 million (Maleki, 2007). The period from 1990-1993 saw Iran-China trade rising from US \$314 to US \$700 million (Rubin, 1999: 110). Bilateral trade had only risen in the coming years and climbed to US \$1.2 billion in 1998, US \$10 billion in 2005 and US \$14 billion in 2006 (Madsen, 2007:27). Bilateral trade in 2007 was US \$9.5 billion (Chang, 2008) and, in 2008, reached US \$27 billion, showing 35 percent growth over 2007 (Farrar-Wellman, 2009).

As regards oil, in 2002, Iran exported 10.73 million tons of oil to China (Calabrese, 2004: 2-3). It exported 408,000 barrels per day of oil in 2008 valued at US \$15.8 billion (Farrar-Wellman, 2009). Thus, oil as a commodity has been increasing in total volume of trade and the share of Iran's oil in total oil imports of China had peaked in 2002 and since then had reduced with other countries like Saudi Arabia and Sudan taking a lead in exporting oil to China. Iran's oil share declined from 15.3 percent of the total oil imports in 2002 to 13.8 percent in 2003 and to 11 percent in 2005 (Shichor, 2006c: 677).

Iran's share in China's total foreign trade has been miniscule ranging from 0.7 percent of the total volume of China's foreign trade in 2003 to 0.6 percent in 2004 (Shichor, 2006 c: 679). China had invested US \$20.56 million in seven enterprises in Iran up to 2002, and the same year saw these increased to nine enterprises with an investment of US \$16.24 million for the two additional enterprises. (Shichor, 2006a: 56). FDI by China in Iran was US \$560,000 in 1998 but increased to US \$4.2 million in 2004 to US \$7.4 million in 2007. There had been periods when the FDI had decreased also, like in 2000 it was just US \$ 200,000 and in 2002 it went down further to US \$80,000. This would mean that China had kept on investing in Iran, but the volume of investment had not been increasing consistently. (For a detailed understanding of China's Foreign Investment utilised by Iran, refer to **Table 4.6**)

**Table 4.6: China's Foreign Investment utilised by Iran
1998-2007 in US \$10,000**

Year	Foreign Direct Investment
1998	56
2000	20
2001	99
2002	8
2003	55
2004	429
2006	640
2007	745

Source: China Statistical Yearbook (2000, 2001, 2003, 2005, and 2008)

Major Economic Deals Since 1979

In August 1991, Iran and China signed a new trade agreement. Several months later, President Yang Shangkun led a Chinese delegation to Iran. This visit yielded a US \$2.6 million agreement whereby China agreed to provide engineering plans and extractive equipment to mine Iranian coal. There was a preliminary discussion about Chinese investment in development of the free port at Qeshm. These avenues of cooperation arose from Iran's aim of boosting non-oil exports. Overtures to China not only reflected Iran's reconstruction priorities, but also its unstable and at times antagonistic relationship with the West. Despite these favourable developments, the trade relations between the two countries were plagued by their common deficiency of foreign exchange. Each preferred a balance of trade to its own advantage, and cash payment rather than counter-trade (Calabrese, 1992-93: 480).

In 1995, the two countries signed a US \$2 billion trade deal and China tripled its oil purchases to 60,000 barrels a day and agreed to build a joint oil refinery in China and cooperate in oil exploration. It also built power plants, cement factories and joint

shipping lines in Iran (Rubin, 1999: 110). China signed a deal worth more than US \$30 million in January 2005 for operational maintenance of Alborz oil platform in Caspian Sea, so as to allow Iran to prospect in deeper waters and drawing China deeper into the Caspian Sea oil affairs (Soto, 2006). In May 2009, at a joint economic conference in Tehran, Iran and China signed a number of economic cooperation agreements totalling around US \$17 billion. Iran agreed to build a new trade centre in China's Muslim majority Xinjiang province (Farrar-Wellman, 2009).

Another prominent area of cooperation was the post-war reconstruction in Iran. During the early 1990s, Iran faced pressing economic reconstruction needs, compounded by an acute foreign-exchange crisis and a severe deficiency in the level of domestic investment. To meet this challenge, it introduced limited economic reforms that, among other things, facilitated the growth of low-cost imported industrial inputs. Meanwhile, Iran increased its oil production, generating much-needed export revenues, though at the cost of deepening the economy's dependence on oil. On the international front, by the mid-1990s, Iran's attempts to extend its presence and influence in Central Asia had proved largely unsuccessful and its relations with Western Europe sharply deteriorated. The net effect of these developments was to reinforce Iranian efforts to look to East Asia for business partners and for political support. During the same period, China became a net oil importer. Chinese firms, eager to expand exports of household appliances and capital goods, began to penetrate West Asian markets, and US-China relations frayed reaching a low point over the 1995-1996 Taiwan Strait crisis. These developments drew China and Iran closer (Calabrese, 2006: 4).

China took advantage of Iran's need to explore its vast oil reserves and rebuild its war-torn and decrepit oil infrastructure and offered to rebuild the facilities and engage in joint venture exploration and development of new oil and gas fields. It aimed to lock into the Iranian oil market for the long haul. In 1997, there was an agreement which was signed between the two countries for cooperation in prospecting and exploration. In 1999, vast reserves of oil were discovered in Azadegan in Iran worth US \$2.6 billion. Iran decided to hand over exploration rights to Japan and to prevent a rift with China, the NIOC granted CNPC a US \$85 million contract to drill 19 wells in existing natural gas fields in southern Iran. This was followed by a US \$13 million oil

contract between the two in 2001. A combination of US pressure and reluctance, due to Iran's nuclear ambitions, caused Japan to miss the deadline for reaching a conclusive agreement with Iran. Soon after, Sinopec expressed interest in taking over the Azadegan exploration and development. Japan did sign the deal, but with an escape clause to cease cooperation if Iran and IAEA came to any confrontation over the nuclear issue. Thus, under relentless US pressure, Japan's INPEX Holding Inc. pulled out of all but 10 percent of the stake in Azadegan oil field. In 2004, Iran and China reached an agreement of US \$20 billion under which Iran was to sell China 2.5 million metric tons of LNG annually over a 25 years period starting in 2008. Some months later, Sinopec and NIOC signed another contract allowing China to buy 250 million tons of LNG over 30 years. This deal was estimated at around US \$70-100 billion. In addition, CNPC was given the right to invest in exploration of Yadaravan oil field in exchange for right to purchase 150,000 barrels per day at market price once the field is operational (Dorraj and Currier, 2008: 72-73).

There is more to the relation between Iran and China than simply buying and selling of energy. China has supplied equipment and technology for hundreds of major industrial projects in Iran since the end of the Iran-Iraq War. Every year numerous Iranian delegations tour China scouring for machinery, equipment, technology and production methods that could upgrade Iran's economy (Maleki, 2007)

China and US Sanctions

It is important to emphasize that over the years, the US has been the pivotal third party in Iran-China relations, serving as both an enabling and a complicating factor. The US arms embargo and economic sanctions against Iran have indirectly benefited China. Pressure by the US on its Western allies and the possibility that they might one day accede to it has reinforced Tehran's inclination to "Look East" for both commercial and strategic partners. The prohibition on US companies from doing business in Iran has created space, particularly in the energy sector, for which Chinese enterprises along with other foreign firms (e.g., BP, Royal Dutch Shell, and ENI) have competed with one another. As the Iran-China relationship has advanced, the Chinese economy has also become deeply enmeshed with that of the United States, complicating Beijing's relationship with both countries. By seeking to expand and

protect its economic interests, China has run afoul of US efforts to isolate Iran (Calabrese, 2006: 4).

Iran views China as a powerful ally among the world's leading nations- a country that, because of a shared interest in stemming the dominance of the United States, will advocate on its behalf. Iran hopes that its relationship with a global economic powerhouse like China will attract business from other countries wary of Iran's pariah status (Douglas, et. al, 2006: 8). In 2002, after Hu Jintao became the general secretary of the Communist Party of China, China opted for a "going out" policy that encouraged its three main national oil companies to look for opportunities to invest in overseas exploration and production projects. Thus, China's energy driven penetration of West Asia provides an alternative foreign policy and trading partner for a country like Iran, which the US policy is bent on punishing and isolating. As an emerging global power, China has its own distinct global interests, which at times are at odds with those of the US. Chinese leaders see partnership with Iran as a strategic relationship tied to its energy security and, thus, to its national security.

While China has requisite capital, it lacks technological capability to substantially upgrade and modernise Iranian oil infrastructure in order to expand energy exports. Much of that technology is in American and European hands. A combination of unattractive business climate and contractual terms, sometimes with political strings attached, keeps potential investors away. Thus, after opening its oil and gas sector to foreign investment, Iran has attracted only US \$15-20 billion in Japanese and European investments. With the UN having imposed sanctions on Iran in 2006, 2007 and 2008 and the possibility of further sanctions being put in the future, there is additional pressure on potential investors not to invest in Iran. The National Intelligence Estimate (NIE) report of 2007 resulted in some European companies relaxing their financial restrictions on Iran and these developments may provide Iranian government with the breathing space and necessarily financial assets to expand its production capacity (Dorraj and Currier, 2008: 75). Due to US pressure, some European oil companies have reduced their trade with Iran or totally withdrawn their investment. Royal Dutch Shell and Repsol of Spain withdrew in 2007 and in 2008 French energy company, Total, pulled out of investment in Iran's South Pars

Gas Field. In this process, the Chinese companies have stepped in to fill the gap and take over the oil and gas business in Iran (Chang, 2008).

Iran is China's second-largest provider of oil from West Asia after Saudi Arabia, and despite the US's displeasure, Sinopec has been actively lobbying in Tehran for oilfield contracts. Though the Bush administration had tried to dissuade the oil giant, a senior Sinopec official observed, "Sinopec is paying no attention to the US request" and "will do its utmost to carry on its bidding for an exploitation project in an Iranian oilfield". According to Sinopec's management, officials at the US embassy in Beijing contacted the company with a request that Sinopec withdraw from the bidding. Iran's Oil Ministry's Vice Minister, Seyed Mehdi Mirmoezi, invited multinational oil companies to bid for exploitation rights in the 16 oilfields, part of 51 prospective areas identified by the NIOC. China has been interested in the three fields in northern and southern Azadegan and Kushkhosseineh, which Iran has opened to foreign investment (Daly, 2004).

China is likely to do business with Iran whether the United States approves of it or not. While this might displease US officials, holding China to a different standard from that of the US's principal European allies and Japan is difficult to justify. In the short term, the US could differentiate clearly between the Iran-China energy trade (which is not inherently threatening) and potentially destabilizing forms of arms trade (Calabrese, 2004: 17). For the US, China's energy quandary presents more of an opportunity than a threat, provided that the US officials are prepared to think of it that way and act accordingly. China's diplomatic and business activity in the Persian Gulf, which is part of a broader effort to carve out niches in the global energy market, is driven mainly by an economic imperative. For China, sustaining its economic growth depends on the success of these efforts. Thus, it would do China good to support the efforts of the US policy of integrating it into the international system as it is becoming an increasingly important economic partner for the US and should not indulge in any way to thwart such efforts (Calabrese, 2004: 19).

Apart from the investments in the oil sector in West Asia, China has invested in other sectors as well (Gouda and Korayem, 2007: 415). During his visit to China in September 1992, President Rafsanjani expressed interest in connecting the Iranian

national rail system with China's Xinjiang rail service via Kyrgyzstan and Tajikistan (Calabrese, 1994: 91). The two countries have collaborated in jointly exploiting coalfields in Iran. Iran obtained Chinese technology in the power sector, especially for setting up several hydroelectric and thermal power plants. Chinese companies have participated in the construction in Iran of five cement factories, the Bafq zinc mill, the Bander Abbas Ferro-alloy mill, and in the Khatounabad copper mill. For its part, Iran has offered its participation in Xinjiang's economic development and in the exploitation of its vast hydrocarbon resources (Karim, 2000: 425).

The NORINCO helped expand the Tehran subway system while a Chinese fibre optic manufacturer has helped build a broadband network and Chinese automobiles and television manufacturers have opened factories. These investments are meant to bolster China's image in Iran from a strategic viewpoint as a long-term customer for Iranian oil and gas at a time when Iran's options for international cooperation are limited by its poor political standing with the US (Leverett and Bader, 2005-06: 192)

Infrastructure projects also draw Chinese companies' cooperation like constructing dams and power plants to urban mass public transport systems. For instance, Taleqan reservoir dam, located south of the Alborz Mountains, was built and financed jointly by Chinese and Iranian companies. In December 2001, China's Eximbank extended a loan to the China Machinery Equipment Import and Export Company (CMEIC) and Shanghai Electric Group to support construction of an electric power plant in Iranian Azerbaijan (Calabrese, 2006: 10).

Iran had opened negotiations with two Chinese groups, China Railway Engineering Corporation and CITIC Group, to construct a rail link from the north-eastern city of Mashhad, down to Chabahar Port on the Arabian Sea. This is a 1,100 kilometre line which would be built at a cost of US \$2 billion. China's willingness to exploit the opportunities in Iran is likely to bring it further rail work. These would include new lines in the south-west of Iran which it would like to develop. China is eager to finance and build these projects and the Iranian government is eager to move some large projects forward (Tomlinson, 2009: 22) China has expressed interest in expanding its industrial projects into south-eastern Iran having titanium deposits (Farrar-Wellman, 2009).

Moreover, China's growing ties with Iran provide it with a kind of insurance in the event of deteriorating relations with India and/ or Japan. For Iran, which is being increasingly isolated by the US and Europe, China offers it an outlet to the world. Further, Iran which is currently an observer in the SCO, is seeking full membership. The US sees the SCO as a largely Sino-Russian grouping to contain US's growing presence in Central Asia. Similarly, the SCO is a concern for Iran as it borders US supported Pakistan and Afghanistan. Iran prefers greater Chinese and Russian involvement in the affairs of the region rather than the US's participation (Madsen, 2007:28). Thus, Iran views the SCO as a tool for expanding energy exports (Douglas, et. al, 2006: 12).

Cultural Relations

Culturally, there have been numerous interactions between the two, starting from the period of the Parthian empire of Persia and the Han Empire of China in 139 BC (Garver 2006: 13). This was mainly a period of diplomatic activities towards formulating trade ties between the two kingdoms. The main route which the trade relations followed was the Silk Road. This was the instrumental factor which allowed for not only trade, but also culture and art, philosophy and religions to be exchanged between the two. Maryam Daftari has argued that the interactions between the two were a result of the cultural and religious exchanges, official envoys, religious men, traders and travellers who handled a variety of merchandise and agricultural products. Iranians also travelled to China during the Tang and Song dynasties in China and, in many cases, acted as middlemen between the Chinese and western traders. Further, there were many Iranians belonging to various professions who went to China and engaged in crafts like designing, weaving and making pottery (Daftari, 1997: 182)

There have been many religious interactions between Iran and China. There have been records of about six religions which found their way into China through Iranians namely Buddhism, Zoroastrianism, Manichaeism, Mithraism, Nestorian Christianity and Islam. The kingdom of Kushan in the Oxus region had a heavy Persian influence, which served as the main centre of transmission of Buddhism into China from the second through the fourth centuries. It is worth mentioning that the first translator of Buddhist sutras into Chinese was a Parthian prince from Kushan. After Buddhism,

Zoroastrianism was the major religion which was transferred from Iran to China during the sixth and seventh centuries (Garver 2006: 14). During the same period, there was an influx of the other religions- Manichaeism, Mithraism, and Nestorian Christianity. Islam was also carried to China by the Iranians. It was during the period of the Abbasid Caliphate that Islamic missionaries were sent to China and it was only in the Tang and Song dynasties that Islam penetrated China and then reached its peak in the Yuan era (Daftari 1997: 182). After the invasion of Iran by the Arabs, there was a massive influx of large number of Zoroastrians to India and China, and a major cultural-religious encounter took place between Iranian Zoroastrians and the Chinese with whom they came in contact. It has to be noted that Zoroastrianism was recognised as a state religion in China in the seventh century as the number of people practicing this faith had reached very high levels.

Apart from religious influences, there were also other cultural interchanges which took place between Iran and China. There have been instances of Persian pottery influencing China's Tang dynasty's pottery. There were also certain Persian magic routines which were highly appreciated in China. In addition to this, the game of polo came from Persia and found great favour in Chinese imperial courts (Garver 2006: 14). Also of interest to the Chinese people was the Persian cuisine which influenced Chinese cooking as well. In China, in the first half of the eighth century, there was a great demand for all Iranian things ranging from food stuffs, clothing, furniture, music and dancing.

After the invasion of Iran by Chingiz Khan in the 13th century, there was further closeness between Iran and China. Their knowledge of each other became much deeper. From the Persian side alchemy, mathematics, Euclidean geometry, medicine and pharmacology was transmitted to China, while Chinese astronomical instruments and knowledge, printing and paper money were transferred to Persia. There were also important artistic exchanges which took place. Large quantity of blue and white Chinese ware was exported to Iran. The famous blue pigment of this China ware has been attributed to have come from Iran.

Both countries attach considerable importance to promoting cultural and sports diplomacy to complement traditional diplomatic exchanges. Chinese coaches have

trained Iranian athletes in shooting, badminton, diving, and table tennis, while Iran had provided coaches for soccer and wrestling (Karim, 2000: 425-26).

It is important to note what the president of Iran had to say on his visit to China in June 2000. President Mohammad Khatami said in Beijing that the East is the fountainhead of human civilizations, noting China and Iran are two important cradles of civilizations. He stressed that the cultural ties between the two peoples predates recorded history, whose traces are observed in the realms of legends and mythology. As to Iran-China historical and cultural links, he said

Here we observe the amazing similarities between the Iranian epic tragedy of Rostam and Zohrab and the legend of Li Ging and Li Noga in Chinese literature. Hardly can we close our eyes to spiritual bonds existing between the two nations. Should we simply rely on historical documents, we can still demonstrate the existence of uninterrupted historical links between China and Iran as early as the third century BC, though some authentic researches link such ties as far back as the sixth century BC (IRNA, 2000).

On the importance of the Silk Road, he said, over centuries, the Silk Road was not only a mere trade route but also a channel for expansive cultural and artistic dialogue along with intellectual and spiritual interchanges. He stressed that the Chinese and Iranian schools of arts could not have achieved the current lofty status single-handedly without complementing each other. He further said that the Chinese outlook has been instrumental in opening up the way to the fruitful and constructive historical discourses throughout the ages due to its emphasis on the intellectual over the political in an attempt to epitomize wisdom, temperance and parsimony. Thus, he added, the interlocution between the civilizations of Iran and China has been invariably modelled on an age-old and common eastern mentality and similarity of attitudes rather than on profit-seeking motives and short-term interests (IRNA, 2000).

There was a recent visit to Iran by Head of the Communist Party of China (CPC), Central Committee Publicity Department, Liu Yunshan in November 2008. Here, he conferred with the Iranian Minister of Culture and Islamic Guidance, Mohammad Hossein Saffar Harandi, on expansion of cultural ties between the two countries. At the meeting, the two sides called for expansion of cultural cooperation between Iran and China.

Thus, Iran and China have taken steps to resume the cultural ties which they shared during the past as they enable the two countries to come closer to each other politically as well as economically.

Conclusion

It would be inaccurate to ascribe all that has been accomplished between Iran and China solely on the Chinese initiative. On the contrary Iranian officials have taken determined, consistent and effective steps to woo China (Maleki, 2007). Trade with Iran represents a very small fraction of China's overall trade. In contrast, China is Iran's second leading trade partner after Japan. This reveals that the needs and priorities of the two countries are very different. For China, there are certain hurdles in doing business in Iran, like bureaucratic hurdles and political roadblocks and also the complicated bidding procedures and delays in sales and purchase agreements. Thus, restricted trade practices in Iran limit foreign companies' role (Calabrese, 2006: 16).

Because of Iran's continuing isolation from Western countries, and China's rapidly growing energy needs, Iran-China relations seem destined to grow further in the years ahead. Iran's position is especially valuable to China because Iran borders the energy-rich Caspian Sea region, in which China has made massive investments (Mafinezam and Mehrabi, 2008).

Further, the cultural ties have existed over the period of time and have again got a boost with officials of the two countries making efforts to come closer in this sphere. This would result in, Iran hopes, a closer relation with China in the political as well as the economic sphere. Thus, Iran hopes to intertwine the political, economic and cultural interests of the two countries so as to get benefits from China.

CHAPTER 5

CONCLUSION

Any study of the bilateral relations between two countries centres on the areas which are common to both. There are also areas on which there are divergence of views and interests. The case of relations between Iran and China is no exception to this general trend. In fact, Iran and China shared a close relationship after the 1979 Islamic revolution, while at the same time differing on some critical issues.

It can be said that the factors which were instrumental in bringing Iran and China closer after the 1979 Islamic revolution in Iran have changed over the last thirty years. This has been mainly due to the dynamic nature of the international political system. The military ties which were so important to Iran during its war with Iraq have considerably dwindled. China came to the aid of Iran during the war primarily because it considered the Soviet Union a threat and did not want the latter to expand its influence over Iran. But, after the demise of the Soviet Union, China and Iran did not face the Soviet threat anymore and both countries found new reasons to forge closer ties.

China began cooperating with Iran in the reconstruction of its economy after the war was over. It always had an economic interest in Iran stemming from the oil and gas resources being abundant in the Gulf region. After China became a net oil importer in 1993, it needed a reliable supplier to fuel its growth and Iran, in return, needed a stable market that would result in critical foreign exchange for the rebuilding of its war-ravaged economy. Hence, both countries found in each other a partner to serve their needs. China has since then been a major investor in Iran's oil and gas sector, largely disregarding the Iran Sanctions Act (ISA) imposed by the US Congress. China has also extended support to Iran over the nuclear issue, though it has not gone so far as to veto any resolution in the United Nations Security Council (UNSC).

Consequently, Iran started looking towards China with the expectation for support at those instances when the international community was trying to isolate it. During the period of the Iran-Iraq War, China was against the imposition of any economic sanctions upon Iran. In addition, China had played an important role in trying to get

Iran to agree to a ceasefire as demanded by the UNSC resolution 598 of 1987. Iran frequently turned to China for support and advice on critical issues and gradually China emerged as a close friend on which Iran could depend upon. Around the same time, Iran's relations with the US were deteriorating, especially following the hostage crisis. As a result, Iran started banking upon China as its close ally and started expecting China to take its side whenever any confrontation ensued with the US. However, China has not been able to deliver on all of Iran's expectation and, due to the changing world order there were instances when Iran's desire for support was not fulfilled by China.

An important aspect of Iran's relationship with China is that it has been interspersed with the emergence of closeness of ties between China and the US. This has posed a lot of difficult questions on the equations between Iran and China. The latter has risen as a superpower in its own right, but still needs some degree of US backing for further progress. The US is China's most important trading partner and that is a relationship which China would like to maintain. China would not want to jeopardize that equation vis-à-vis the US. China's primary interests and concerns revolve around keeping its relations with the US on an even keel and not to spoil them.

Seen within this wider context, supporting Iran's nuclear programme is a strategy which China has used to try to get the US to do as it wants. The US has armed Taiwan over the years and China does not see eye to eye on that issue. So, to make the US not repeat its actions in future, China tries to use the "Iran card" as a bargaining chip.

Therefore, in spite of Iran thinking that China has Iran's best interests when giving support in various international forums like the International Atomic Energy Agency (IAEA) or the UNSC, in reality China is only trying to secure its own interests. China has in no way emerged as a potential counterweight to the US pressure which Iran faces. It has given support to Iran by trying to get the nuclear issue resolved within the IAEA and initially was not in favour of referring the matter to the UN Security Council. At the same time, when the issue was eventually referred to the UNSC, China did not veto a single resolution and, in fact, voted for all of them. Hence, there are limits to what China is prepared to do for Iran, especially over the nuclear

controversy. China's reluctance to take risks or choose sides diminishes the prospects of it emerging as a counter-weight to the US, as Iran expects.

At the same time, China has built and maintained a strong economic relationship with Iran over the last two decades, and both countries have mutually benefited from the relationship. The energy sector has emerged as the major component of economic and trade ties. Both the countries see each other as complementary. Iran has extensive reserves of petroleum and natural gas that feed the Chinese economy, while China provides technical assistance and consumer goods for the Iranian market. China has emerged as Iran's largest trading partner, offering cooperation and help in infrastructure, manufacturing and electronics sectors in exchange for natural resources. China is also a major investor in the Iranian energy sector, which has been reeling under various American sanctions and restrictions. Therefore, it would be fair to conclude that energy has emerged as the principal factor in Iran-China relations. Through partnership and investments China has prevented Iran from being isolated internationally, as intended by various Western economic sanctions.

As a consequence, when Iran and China talk of cooperation in the present scenario, it is evident that they draw upon the experiences of the past which they had shared. The two countries had found in each other an ally which had similar interests. This was evident especially during the 1970s, in relation to the expanding power of the Soviet Union and during the period of the rise of the US after the end of the Cold War in the early 1990s. Politically, China has not needed Iran as an ally to reinforce its image in the post-Cold War era. However, Iran has on all stages required China's support to counter pressure from the US led coalition of Western countries. Thus, in many ways China is much more important to Iran than Iran is to China. At the same time, the latter's need for energy imports and its desire to limit US and Russian influence in Central Asia make Iran an important ally.

Culturally too, both countries have a shared history. Both have relations going back to the second and third century B.C. The silk route had been an important means of trading between the two and the Iranian kingdom of the West Asia and Middle Kingdom of China had recognised each other and formed ties during those ancient times.

Iran and China have an important, mutually beneficial and multi-layered relationship, but on the Chinese side there are limits. China is not prepared to back Iran in its most militant and aggressive policies, nor is it prepared to sacrifice its good relations with other Arab countries or with Israel, to concur with Iranian wishes. In the face of mounting demands from the US and its allies for more pressure on Iran, China has expressed regret, even as it continues to trade with Iran. Yet it was prepared to dilute, not block, various US moves or compensate Iran for the costs of confrontation with the West led by the US.

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