

THE IMPACT OF THE SINO-IRANIAN STRATEGIC PARTNERSHIP

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Hearing on “China’s Proliferation to North Korea and
Iran, and Its Role in Addressing the Nuclear and Missile Situations in
Both Nations”

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Chairman Wortzel, distinguished members of the Commission:

It is a privilege to appear before you today. Thank you for inviting me to discuss the strategic partnership between the People’s Republic of China and the Islamic Republic of Iran.

It is a topic of utmost importance. Today, Iran’s nuclear ambitions have emerged as a cardinal challenge for the United States and its allies. Over the past four years, the Islamic Republic’s concerted quest for a nuclear capability has catalyzed a widening international crisis.

Tehran’s intransigence in this stand-off has been made possible in part by its strategic partnership with Beijing. Since the start of international negotiations with Iran over its nuclear program some three years ago, China has worked actively to dilute the effectiveness of any global response. It has done so initially through its vociferous opposition to Iran’s referral to the United Nations Security Council, and more recently by its resistance to the imposition of multilateral sanctions against Tehran.

THE LOGIC BEHIND SINO-IRANIAN COOPERATION

China’s obstructionism on the Iranian nuclear issue has been driven by two primary considerations.

The first is energy. China's runaway economic growth has brought with it a voracious appetite for energy. In 2003, the PRC surpassed Japan to become the world's second largest consumer of oil and petroleum products. Since then, China's oil consumption has continued to grow at an unprecedented rate; oil demand is now projected to reach 7.4 million barrels daily this year—a half-a-million barrel per day increase over 2005 levels.¹ By 2020, according to some estimates, Beijing's energy deficit could top eight million barrels per day.²

All of this has made Tehran an indispensable energy partner for the PRC. Home to approximately 10 percent of proven world oil reserves and the world's second largest reserves of natural gas, Iran is a *bona fide* energy superpower. Beijing's engagement with—and investment in—the Islamic Republic has reflected this reality. In 2004, the two countries came to terms on two massive accords, estimated to be worth some \$100 billion over the next twenty-five years, granting Chinese firms extensive rights to develop Iranian oil and natural gas reserves.³ A flurry of additional deals has followed, and today Tehran and Beijing boast an energy partnership valued at some \$120 billion or more.⁴

The results have been dramatic; Iran has become China's single largest oil supplier, and as long ago as 2002 already accounted for more than 15 percent of the PRC's annual oil imports.⁵ This degree of economic dependence, moreover, is poised to deepen considerably as energy projects now underway between the two countries begin to come online over the next several years.

The benefits of this partnership are hardly one-sided, however. Iranian officials remember well the experience of the late 1990s, when low world oil prices and international isolation brought their country's economy to the brink of collapse. As a result, the Islamic Republic has embarked upon an ambitious effort in recent years to diplomatically and economically engage foreign nations, more often than not through its chief export commodity: oil. The burgeoning partnership between Tehran and Beijing is a testament to its successes on that front.

While energy represents the primary driver of contemporary cooperation, mutual opposition to America's primacy in world affairs serves as an important secondary force. In the post-Cold War era, officials in Beijing have expressed their commitment to a multi-polar world in which American influence is diluted, and have pursued partnerships with nations antagonistic to the United States as part of this effort. As numerous observers have noted, China today has embraced a "balancing" strategy designed to frustrate U.S. policy through robust international diplomacy.⁶ While it is

doing so most directly in Asia, the Chinese government has increasingly sought Middle Eastern partners for this venture as well. Cooperation with Iran, the emerging geopolitical center of gravity in the post-Saddam Hussein Middle East, has consequently emerged as a major point of political focus.

These sentiments have been echoed in Tehran. Ever since the Islamic Revolution of 1979, the regime in Tehran has viewed the United States as its principal enemy. For just as long, Iran's ayatollahs have sought external partners for their anti-American regional and international policies. This focus, moreover, has deepened dramatically since the start of the War on Terror. The U.S.-led campaign against the Taliban in Afghanistan in 2001, and the subsequent removal of Saddam Hussein's regime in Iraq two years later, may have eliminated Iran's chief ideological and military adversaries. But it also raised fears among Iran's ayatollahs of a dangerous encirclement—and of the possibility of a similar U.S.-driven transformation in their country. Iran has responded by seeking to strengthen its international partnerships, with China emerging as a major area of Iranian attention. As one conservative Iranian paper put it following then-president Mohammad Khatami's landmark visit to the PRC in the year 2000, “the strengthening of the Tehran-Beijing axis is of great importance” in the context of “confronting the unipolar world being considered by America.”⁷

These trends have found their expression in an increasingly robust proliferation partnership, and in the integration of Iran into Chinese-dominated security structures.

FROM CHINA, WITH ARMS

Beginning in the early 1990s, the Chinese government launched a series of steps to alleviate mounting international concerns about its proliferation practices. In 1992, it acceded to the Nuclear Nonproliferation Treaty (NPT). Two years later, in a joint statement with the United States, the Chinese government pledged to abide by the Missile Technology Control Regime. Then, in 1996, it signed the Comprehensive Test Ban Treaty (CTBT) and independently announced a moratorium on nuclear testing. The following year, it officially joined the Zangger Committee (NPT Exporters Committee). Most recently, in 2004, China became a member of the Nuclear Suppliers Group (NSG). In tandem with these measures, the PRC has repeatedly issued “white papers” and communiqués pledging greater unilateral restrictions on the sale of missile and WMD-related technologies abroad.⁸ But as a practical matter, China's record of proliferation to Iran is poor—and getting worse.⁹

Conventional arms sales

Over the past decade-and-a-half, the Islamic Republic of Iran has been engaged in a sustained, multi-spectrum modernization of its military, and China has played a big part in these plans. For the period between 1993 and 1996, Chinese arms sales to Iran stood at approximately \$400 million. Between 1997 and 2000, that number had risen to \$600 million.¹⁰ (Numbers for 2000 through 2006, though preliminary, appear to be more modest.) The goods provided by the PRC have included anti-ship cruise missiles, surface-to-air missiles, combat aircraft, and fast-attack patrol vessels, as well as advanced technology designed to expand the versatility of Iran's burgeoning cruise missile arsenal. These supplies have contributed significantly to what has become the central element of Iran's military rearmament—a revitalization of its naval forces. As a direct result, U.S. intelligence agencies now estimate that Iran has the ability to shut off the flow of oil from the Persian Gulf for brief periods of time, even with a Western military presence in the region.¹¹

Ballistic missiles

Despite its commitment to abide by the guidelines of the Missile Technology Control Regime, China remains an active missile partner of the Islamic Republic. The U.S. intelligence community believes that Chinese entities continue to provide substantial assistance to the Islamic Republic's ballistic missile program, and have assisted the Iranian regime in erecting an indigenous production capability for its strategic arsenal.¹² In particular, American officials have expressed concerns that Chinese firms have aided in the development—and subsequently the enhancement—of the centerpiece of Iran's ballistic missile arsenal, the 2,000-kilometer range *Shahab-3*.¹³

China has also provided Iran with sophisticated cruise missile technology. Beginning during the Iran-Iraq War (1980-88), large quantities of Chinese-origin "Silkworm," C-801 "Eagle Strike," and C-802 cruise missiles found their way to the Islamic Republic.¹⁴ Iran, in turn, has wasted no time in transferring this technology to its terrorist proxies. A recent example took place in July, during the month-long war between Israel and Hezbollah in Lebanon, when an Israeli warship, the INS Hanit, was hit and disabled by an Iranian variant of the C-802 "Silkworm"—a missile that Israeli officials previously did not know the Shi'ite militia possessed.¹⁵

Chemical weapons

Iran's efforts to acquire chemical weapons (CW), like its ballistic missile program, began during the Iran-Iraq War, when the Iranian leadership launched a national effort to develop a response to Iraqi chemical weapons attacks on Iranian troops. During the mid-1990s, this effort received a substantial boost from foreign suppliers, including China, who provided the Iranian regime with critical precursor chemicals and key weapons know-how.¹⁶ The results have been dramatic; since the mid-1990s, the U.S. government has termed Iran's CW program to be the "most active" in the

developing world—encompassing nerve, blister, choking and blood agents, as well as “a stockpile of at least several hundred metric tons of weaponized and bulk agent.”¹⁷ And, despite its status as an original signatory of the 1993 Chemical Weapons Convention, Chinese firms still appear to be actively engaged in the transfer of “dual-use CW-related production equipment and technology” that could assist in this effort.¹⁸

Nuclear assistance

China’s most active WMD assistance to Iran, however, has been in the nuclear sphere. Preliminary nuclear contacts between the PRC and the Islamic Republic began in the mid- to late-1980s. The two countries are known to have signed nuclear accords in 1989, and again in 1991, paving the way for what would become a vibrant and multifaceted atomic partnership.¹⁹ By 1996, in a manifestation of the strength of this collaboration, the Pentagon had officially designated China as a “principal supplier of nuclear technology to Iran.”²⁰

A decade on, this aspect of the Sino-Iranian strategic partnership is still going strong, despite the threat of U.S. sanctions. China has reportedly been a major focus of Iranian procurement activities, with Iranian front companies successfully acquiring nuclear-related materials from the PRC in recent years.²¹ Iranian opposition elements have also charged that Chinese experts are employed at multiple nuclear facilities inside Iran, including the Saghand uranium mine and a uranium centrifuge facility outside Isfahan.²² Beijing’s most important support, however is moral; through its resistance to U.S. and European efforts to hold Iran accountable, Beijing has bought Tehran valuable time to forge ahead with its nuclear program.

SHANGHAI CALLING

Iran is likewise expanding its links with the premier security bloc in the “post-Soviet space,” the China-dominated Shanghai Cooperation Organization (SCO).

Established in June of 2001, the SCO is an expansion of the “Shanghai Five,” a regional grouping begun in 1996 with the purpose of strengthening the common security of its member states: Russia, China, Kazakhstan, Kyrgyzstan and Tajikistan. By contrast, both the membership and the mission of the SCO are substantially broader. Ostensibly, the purpose of the new bloc, which now also encompasses Uzbekistan as a full member and Mongolia, Pakistan, India and Iran as observers, is to expand regional economic, cultural and counterterrorism cooperation.²³ Iran’s involvement, however, increasingly underscores the bloc’s unstated purpose: the diminution of American influence in the “post-Soviet space.” As Iranian observers have made clear, “[t]he national interests of Iran and China are in clear contradiction

to the presence of the American military forces in [C]entral Asia, and the support of China for Iran's membership... should be seen within that framework.”²⁴

Indeed, Beijing appears to be receptive to Iranian efforts to expand its role in this grouping. Iran’s radical president, Mahmoud Ahmadinejad, was a guest of honor at the SCO’s most recent summit in June 2006, delivering a public address that called upon the group to play a greater role against “the threats of domineering powers”—a thinly-veiled reference to the United States.²⁵ Beijing has also sent positive signals to Iran regarding its quest for full blown membership in the six-country bloc (though so far stopping short of directly lobbying for the Islamic Republic’s full inclusion in the forum).

Such a union, however, would have major benefits for both sides. Iran, facing a looming confrontation with the United States over its nuclear program, is eager to obtain a measure of collective security. China, meanwhile, has a vested interest in securing its most important energy partner against external threats. And while Iran’s immediate membership is not likely as a result of both institutional and political constraints,²⁶ the potential of such an expanded bloc, if and when it does materialize, will be immense. As David Wall of Cambridge University has explained, an SCO incorporating Iran “would essentially be an OPEC with bombs”: an energy-rich geopolitical alliance stretching from the Taiwan Strait to the Strait of Hormuz.²⁷

TROUBLE AHEAD

With the expiration of the United Nations-imposed August 31st deadline to cease uranium enrichment, the international crisis over Iran’s nuclear program has entered a new and dangerous phase. World attention is now focused on available punitive measures against the Islamic Republic, sanctions chief among them.

China has a decisive vote in this process. By virtue of its permanent seat on the UN Security Council, China has the ability to stymie the UN’s implementation of multilateral measures against Iran. And, despite repeated U.S. entreaties, Chinese officials have done just that, steadfastly refusing to back sanctions against Iran on the grounds that they would be “counterproductive.”²⁸

Beijing’s resistance is logical. Sanctions against Iran threaten to undermine an increasingly important element of the PRC’s economic construct. China requires steady supplies of oil in order to maintain its current economic momentum, and can ill afford a supply interruption—particularly from an energy source as important as Iran. By way of comparison, the impact for China of Iran going “offline” as a result of

sanctions would be roughly equivalent to the effect a sudden cessation of oil supplies from Saudi Arabia would have on the U.S. economy. It has likewise not been lost on Chinese officials that a likely result of sanctions could be an escalation to military action against Iran, and the possible loss of a major Chinese ally to U.S.-supported regime change.²⁹

Iran is well aware of China's calculus. As one Iranian analyst recently put it: "The dimensions of the historical, religious, economic and commercial cooperation between Iran and China are numerous, and it seems that China has always considered very seriously the dilemma of choosing either Iran or the United States, and it is hoped that in the end, it is going to choose that option which will safeguard the long term interests of China."³⁰

None of this is to say that Chinese officials are not cognizant of the dangers of Iran's atomic drive. In recent months, China has joined with the other permanent members of the UN Security Council in pressuring Iran to abandon its uranium enrichment activities. But, in keeping with its internal economic imperatives, the PRC has insisted on "diplomacy" as the sole means of resolving the Iranian nuclear impasse.³¹

China's stance has far-reaching implications. So far, the Bush administration has focused on international diplomacy as the primary means by which to curb Iran's nuclear ambitions. However, it is becoming increasingly clear that China's political and economic priorities militate strongly against a constructive role for Beijing in the peaceful resolution of this crisis.

NOTES:

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² Matthew R. Simmons, presentation at the Camden Conference on China, Camden, Maine, February 11, 2006, <http://www.simmonsco-intl.com/files/Camden%20Conference%20on%20China.pdf#search=%22chinese%20oil%20demand%202015%20iea%22>.

³ Robin Wright, "Iran's New Alliance with China Could Cost U.S. Leverage," *Washington Post*, November 17, 2004, A21.

⁴ Gal Luft, Statement before the U.S.-China Economic and Security Review Commission, July 21, 2005, http://www.uscc.gov/hearings/2005hearings/written_testimonies/05_07_21_22wrts/luft_gal_wrts.htm.

⁵ Jin Liangxiang, “Energy First: China and the Middle East,” *Middle East Quarterly* XII, no. 2 (2005), <http://www.meforum.org/article/694>.

⁶ See, for example, Yuan-Kang Wang, “China’s Grand Strategy and U.S. Primacy: Is China Balancing American Power?” Brookings Institution Center for Northeast Asian Policy Studies *Working Paper*, July 2006, <http://www.brookings.edu/fp/cnaps/papers/wang2006.pdf>.

⁷ “Evaluation of President’s Trip to China,” *Abrar* (Tehran), June 29, 2000.

⁸ Shirley A. Kan, *China and Proliferation of Weapons of Mass Destruction and Missiles: Policy Issues* (Washington: Congressional Research Service, July 2006), 1-2.

⁹ During the Clinton administration, Chinese entities were subject to proliferation-related sanctions 17 times. During the first term of the Bush administration, that number rose to 50, in part due to more stringent monitoring requirements contained in the 2000 Iran Nonproliferation Act. See Daniel A. Pinkston, testimony before the U.S. China Economic and Security Review Commission, March 10, 2005, <http://cns.miis.edu/research/congress/testim/pinkston.pdf>.

¹⁰ Richard F. Grimmett, *Conventional Arms Transfers to Developing Nations, 1993–2000* (Washington: Congressional Research Service, August 2001), 28.

¹¹ Defense Intelligence Agency Director Lowell E. Jacoby, “Current and Projected National Security Threats to the United States,” statement before the Senate Select Committee on Intelligence, February 24, 2004, <http://intelligence.senate.gov/0402hrg/040224/jacoby.pdf>.

¹² U.S. Central Intelligence Agency, *Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 July Through 31 December 2003*, November 2004, https://www.cia.gov/cia/reports/721_reports/pdfs/721report_july_dec2003.pdf; U.S. China Economic and Security Review Commission, *2005 Report to Congress*, November 2005, 128.

¹³ “Pentagon Fears Russia, China Helping Iran Build Ballistic Missile,” *cnn.com*, July 19, 2000, <http://archives.cnn.com/2000/US/07/19/iran.missile.test/index.html>.

¹⁴ Once in Iran, these missiles were reverse-engineered as part of an Iranian effort to produce indigenous variants of foreign rockets. They were also deployed by the regime’s clerical army, the *Pasdaran*, on naval vessels and patrol craft, as well mounted on coastal batteries along the Strait of Hormuz. “C-802 / YJ-2 / Ying Ji-802 / CSS-C-8 / SACCADE,” *globalsecurity.org*, n.d., <http://www.globalsecurity.org/military/world/china/c-802.htm>.

¹⁵ Alon Ben-David, “Hizbullah Hits Israel’s INS Hanit With Anti-Ship Missile,” *Jane’s Defence Weekly*, July 18, 2006, http://www.janes.com/defence/news/jdw/jdw060718_1_n.shtml.

¹⁶ See, for example, “CW Deliveries From China,” *Iran Brief*, July 6, 1995.

¹⁷ Michael Eisenstadt, *Iranian Military Power: Capabilities and Intentions* (Washington: Washington Institute for Near East Policy, 1996), 26; Norman Schindler, “Iran’s Weapons of Mass Destruction Programs,” Statement before the Senate Governmental Affairs Committee

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¹⁸ U.S. Central Intelligence Agency, *Unclassified Report to Congress on the Acquisition of Technology Relating to Weapons of Mass Destruction and Advanced Conventional Munitions, 1 July Through 31 December 2003*.

¹⁹ Herbert Krosney, *Deadly Business: Legal Deals and Outlaw Weapons* (New York: Four Walls Eight Windows, 1993), 250–51.

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²¹ Glenn Kessler, “Group Alleges New Nuclear Site in Iran; Facility Said to Be Used to House Equipment to Enrich Uranium for Use in Weapons,” *Washington Post*, February 20, 2003, A31.

²² *Ibid.*

²³ Shanghai Cooperation Organization, “Declaration on Establishment of Shanghai Cooperation Organization,” June 15, 2001, <http://www.sectsc.org/html/00088.html>.

²⁴ *Sharq* (Tehran), August 19, 2006.

²⁵ Oliver August, “Iran in Talks to Join Alliance Against West,” *Times of London*, June 16, 2006, <http://www.timesonline.co.uk/article/0,,13509-2228233,00.html>.

²⁶ See, for example, “The Limits of the Shanghai Cooperation Organization,” *Radio Free Europe/Radio Liberty Press Report*, August 7, 2006, <http://www.rferl.org/releases/2006/08/428-070806.asp>.

²⁷ As cited in Michael Mainville, “Central Asian Bloc Considering Iran for Membership,” *Washington Times*, June 5, 2006, <http://www.washingtontimes.com/world/20060604-103052-2402r.htm>.

²⁸ “Chinese PM Dismisses Iran Sanctions as ‘Counterproductive,’” IRNA (Tehran), September 7, 2006, <http://www.tehrantimes.com/Description.asp?Da=9/7/2006&Cat=2&Num=014>.

²⁹ *People’s Daily* (Beijing), April 13, 2006, as cited in John J. Tkacik, Jr., “Confront China’s Support for Iran’s Nuclear Weapons,” Heritage Foundation *Webmemo* no. 1042, April 18, 2006, <http://www.heritage.org/Research/AsiaandthePacific/wm1042.cfm>.

³⁰ *Sharq* (Tehran), August 19, 2006.

³¹ “Major Powers Warn Iran on Nuclear Programme,” *Times of London*, March 30, 2006, <http://www.timesonline.co.uk/article/0,,3-2111093,00.html>.