

The Iranian Nuclear Dilemma: A Comparative Analysis of Chinese and US Strategy

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Abstract

The Iranian nuclear energy program has remained a contested issue since the early 1990s, dividing international community into two opposing camps. On the one side, the US and its major partners argue that Iran's nuclear program is not for peaceful purposes and if Tehran insists on nuclear development, punitive action must be taken. On the other side, China and Russia maintain that a difference between nuclear technology for civilian and military purposes must be made. Thus, they argue, whereas all nuclear proliferation activities by non-nuclear countries must be prevented, states should be allowed to acquire nuclear technology for peaceful purposes. China, a major power in the opposing camp and Iran's largest energy partner, emphasizes that nuclear proliferation activities must be separated from trade in energy and that a rules-based mechanism must be set up to deal with the Iranian nuclear issue. This paper offers a comparative analysis of the US and Chinese policy toward Iran's nuclear energy program, attempting to shed light on the features of the two distinct approaches to what it calls the Iranian nuclear dilemma. It maintains that the disagreement stems from China's principle-based and economics-driven Persian Gulf strategy which conflicts with US hegemony-based and security-driven policy to the region. It holds that while the Iranian nuclear dilemma requires China to take steps to safeguard its energy interests in the Persian Gulf, it also provides Beijing with the opportunity to promote its vision of international governance based on harmony and mutual respect.

Keywords: *Iranian nuclear crisis, China, Iran, United States, energy security, Persian Gulf*

1. Introduction

Nuclear energy development creates a dilemma between security and trade policies of competing states.¹ This research argues that Iranian nuclear energy policy has critical implications for China-US relations.² It is maintained that both Iran and the US have been entrapped in a historical entanglement in the Persian Gulf. The three-decade long hostility between the US and Iran has pulled Beijing into the Iranian nuclear issue because of its economic and political relationship with Tehran, which has continued unhampered in spite of US continuous pressure. Two factors weigh heavily in the existing policy discord. First, Beijing and Washington have structurally different approaches to the ways and methods of international governance. Second, Iran is of a strategic value for China both as a provider of oil and as an asset to check on the US dominance in the Persian Gulf. Hence, Beijing is not likely to participate fully in the US-led security regime against Tehran at the cost of its established foreign policy practice and strategic interests. If the nuclear crisis puts the Chinese and US policy in further discord, this will inevitably create greater tension between the two major powers in their relationship in the Middle East.

Three interrelated developments have led to the existing China-Iran energy nexus in the Persian Gulf. First, ever since Beijing overhauled its foreign policy doctrine in the Middle East from one of Third World solidarity to principle-based and economics-driven engagement in the early 1990s, it has worked to build relations in the Middle East on the ideas of non-interference and mutual benefit. China's renouncement from the policy of export of ideology convinced the conservative Iranian leadership to seek better relationship. Hence, China-Iran relations developed along economic and political lines. Second, China's ever growing energy consumption and stagnant domestic production obliged the country to seek oil abroad by negotiating directly with the governments some of which have been ostracized from the international energy regime, including Iran. Finally, the mounting Western sanctions over Iran's nuclear energy program have stimulated Tehran to seek energy partnership with Beijing. As a result, it has offered China's national oil companies (NOCs) exploration and production rights that have not been readily available in other regional markets long appropriated by powerful Western multinationals.

The United States, on the other hand, has had no direct diplomatic, military and economic engagement with Iran since 1979. Thus Iran-US energy relations have been non-existent for the past three decades. Furthermore, US dependency on the Middle East for its energy import has been in decline for over ten years now and, in about two decades, the North America region will achieve near self-sufficiency from the Middle Eastern oil (IEA, 2012). This

is in stark contrast to China, which is projected to rely on the Middle East for over 70 per cent of its total oil import by 2030. Thus, the lack of political and economic engagement with Iran renders it much easier for Washington to sanction Tehran although it has thus far refrained from a direct military action since such a move would still threaten US political and economic interests once the region is destabilized due to a war.

As it appears, contrary to the predictions that the US would be militarily disengaged from the Persian Gulf as it achieves greater energy self-sufficiency (Downs, 2006; Friedberg, 2005), it is now more involved due to enduring geopolitical considerations – primarily to maintain dominance in the region in order to prevent any regional or outside power to gain foothold, to provide protection for the countries positioned inside its alliance network, and to keep the strategic Gulf of Hormuz open for international energy trade and thus ensure price stability. The hegemonic nature of the US policy could be best observed in the recent military build-up in the Persian Gulf amidst growing tension vis-à-vis Iran's nuclear energy program (Auken, 2012). On the other hand, China's political and economic engagement in Iran is of a principled nature in which trade in oil is separated from nuclear proliferation. Thus China has continued energy trade with Iran even when it meant digressing from its traditional policy in the Middle East. This strategy has been best observed in the Syrian Crisis which could not be thought of in isolation from the Iranian nuclear issue. China has been firm in its support of the Syrians' right for self-determination without outside interference and vetoed several US-led UN resolutions against Damascus (Stea, 2012).

In this study, the Iranian nuclear issue is discussed comparatively from the US and Chinese perspectives. For this purpose, it first offers an historical account of US-Iran and China-Iran relations with a focus on the post-Cold War period. Second, it looks at the divergent strategies of China and the US vis-à-vis the Iranian nuclear program and explores the underlying logic in the two countries' strategies. Third, it provides an analysis of the China-US policy discord in the Persian Gulf and its implications for their bilateral relations. Finally, it sums up the analysis with a note on further research.

2. Iran's Nuclear Energy Program

Iran's nuclear energy program dates back to the early 1950s. Throughout the Shah era, Iran has primarily cooperated with Germany, France and the United States to kick-start an ambitious nuclear energy strategy under which it planned to build about 20 nuclear power reactors by 1994. In 1957, the Shah signed a civilian nuclear cooperation agreement with the US. In the same year, Germany and France began to build two nuclear power units each. In the meantime, Iran made certain efforts to demonstrate that it did not pursue

nuclear proliferation. As a sign of good faith, Tehran joined the International Atomic Energy Agency (IAEA) in 1958 and signed the Nonproliferation Treaty (NPT) in 1968 (Leverett & Leverett, 2013). It also offered to the UN General Assembly a draft resolution, calling for establishing a nuclear-free zone in the Middle East as early as 1974 (Kerr, 2012; Reardon, 2012).

The 1979 revolution brought a short-lived change in Iran's nuclear energy strategy. On certain religious and moral grounds, the new government adopted a highly skeptical posture toward the acquisition of nuclear technology. The nuclear hiatus is also attributed to the considerable loss of brainpower in the aftermath of the Revolution which led to a large scale flight of educated Iranians from the country. However, from the mid-1980s onwards, Tehran's nuclear energy program went through another major transformation as it moved from anti- to pro-nuclear energy (CIA, 1988). This change in policy was partly due to the use of chemical and biological weapons against Iran by the Iraqi Army during the Iraq-Iran War. The failure of the Western powers to address the issue forced Tehran to reconsider its strict anti-nuclear energy approach (Chubin, 2006: 7-10). Throughout the 1990s, Tehran's nuclear program remained a consistent but low-scale concern until an exiled opposition group revealed the existence of secret nuclear facilities in Iran. The revelation caused a major international backlash and under growing pressure, Tehran agreed to expanded safeguards and inspections by the IAEA. However, consistent differences of opinion between the West and Iran prevented a final deal on nuclear enrichment (Reardon, 2012: 15).

In 2006, the P5+1 Group, the permanent five members of the UN Security Council (UNSC) plus Germany, offered comprehensive proposals to Iran. Tehran's initial reaction was positive and in September of the same year, the sides were about to reach a tentative deal. But, due to the proposed deal's requirement that Iran suspend all enrichment-related activities, Tehran rejected the offer. Successive failures in the negotiations on the nuclear issue and the inability of the sides to reach a consensus enabled the US to rally the UNSC to vote for the first sanctions resolution against Iran (Resolution 1737) in 2006. Although much weaker than planned by the US due to Russian and Chinese reservations, R1737 prohibited many forms of civilian nuclear and ballistic missile cooperation with Iran, imposed financial sanctions on several Iranian entities tied to the nuclear program, and set a deadline for Iranian compliance. The Security Council passed the second resolution when Iran failed to meet the February 2007 deadline. The new measures extended financial sanctions to more state entities and banned Iran from exporting arms. About one year later, in March 2008, a third Resolution (R1803) came into effect, prompting more stringent measures against Tehran. Finally, the UNSC passed Resolution 1929 in June 2010. However, none of the sanctions lived up to the US expectations mainly because China and Russia blocked the inclusion of clauses that, as

was argued by the opponents, might do more harm to civilians than force the political elite to change opinion. Still, the US managed to establish a legal framework to initiate unilateral sanctions. Following this, in 2011 and 2012, the United States and Europe enacted extensive sanctions on the Iranian finance and energy sectors, including placing foreign firms doing business with the Iranian Central Bank on the blacklist (Reardon, 2012: 18-25).

In November 2013 a major development took place at the P5+1 meeting in which the sides reached a first step agreement on Iran's nuclear program. Under the deal, Iran agreed to halt enrichment above 5 per cent and neutralize its stockpile of near-20 per cent uranium. Tehran also promised to allow inspectors from IAEA to its strategic enrichment facilities. However, later, conflicting statements from the sides have clouded the early optimism and suggested that the parties might have serious differences in their interpretation of the agreement. Furthermore, the US went ahead with its fresh sanctions on Iran's economic interests, drawing angry comments from the Iranian side (Peterson, 2013). Obviously, at this point, the Iranian nuclear issue is far from being concluded and major differences of opinion and clash of interests among the primary actors still exist.

3. United States: From Friend to Foe

US engagement with Shah-era Iran was composed of two major components: energy cooperation and anti-communist alliance (Speedie, 2012). On the energy front, in 1953, the CIA worked with the British secret service to restore the Shah Reza, who advocated extensive privatization of the energy sector, by overthrowing the elected government of Musaddeq, who sought to re-nationalize the oil industry. The US benefitted greatly from the shift in energy policy in Tehran and maintained close relationship with the regime. With the redistribution of the British production shares, eight private US companies were awarded 40 per cent of the Iranian oil. On the ideological front, the Shah helped Washington in its anti-communist efforts in the Middle East. Tehran served as a forward base for clandestine operations on the border of the Soviet Union against "the expansion of communist influence and [as] a counterweight to the pro-Soviet Arab regimes and movements" (Katzman, 2012: 6).

This two-pronged strategy came to an abrupt end in 1979 when the anger toward the two-decade long oppressive rule and growing anti-Western sentiment led to an Islamic revolution and the overthrow of the Shah regime in Iran, apparently taking then Carter administration by surprise.³ As in many other newly established countries of East Asia in the post-World War II era, anti-colonialism created a popular discourse of resource nationalism among the Iranian masses who demanded full nationalization of the oil sector. Also, the new Iranian government became a firm advocate of non-alignment

while it opposed firmly the Soviet communism, as well. In consequence, economically, Washington lost a reliable energy partner and, strategically, it lost an ally that used to function as an ideological proxy in the Middle East. From that point on, US-Iran bilateral relations deteriorated quickly. The US government imposed first sanctions on Iran during the Embassy Hostage Crisis in 1979.⁴ Mutual hostility escalated further in 1984 when the US added Iran to the list of countries that support terrorism. Yet, of all the issues of contention, Iran's nuclear energy program has become the most controversial mainly due to its potential implications for regional security and the balance of power (Sanger, 2012).

Concerned that nuclear proliferation would lead to instability, increase the likelihood of a nuclear war and give nations "a sense of greater independence", various US administrations took cautious steps in providing Iran assistance in nuclear technology (Burr, 2009: 21). Nevertheless, soon after the Shah's assumption of power, Washington signed a civil nuclear cooperation agreement. Under the deal, it promised Iran technical assistance and cooperation on research on nuclear technology (Poneman, 1982: 84). Hence, as part of the agreement, the US supplied about 6 kg of enriched uranium to Iran for fuel in a research reactor in September 1967 (NSA, 1980). In fact, Washington was so confident of Tehran's peaceful intentions that, in March 1975, the Energy Research and Development Administration classified Iran as one of the least likely candidates to seek nuclear weapons (Cahn, 1975).⁵ Thus almost a year prior to the Iranian Revolution, the two sides signed an agreement for the provision of eight reactors by the US.

However with the sudden fall of the Shah regime, Iran's Western-backed nuclear program collapsed entirely as well, and the political and strategic delinking of Iran from the international system shifted the country's status from a friend to a foe. Following geopolitical fault lines, Tehran's nuclear energy program soon turned into a potential threat to regional and global security in the eyes of US policy makers. Thus, a first set of anti-nuclear sanctions came in 1982 during the Reagan administration in which, along with 62 other countries, Iran was put on a nuclear watch list (Benjamin, 1982). A second round of sanctions against Iran came into force in 1995. The law stipulated that any foreign company investing over \$40 million to the development of petroleum resources in Iran would be penalized. These efforts seemed to pay off until fresh revelations showed that Tehran's quest for nuclear technology remained unchanged in the early 2000s. This development gave way to the process of multi-party negotiations that have been ongoing until this day.

It follows that post-Revolution US-Iran relationship has been dominated by mutual antagonism and distrust except for brief moments of limited interaction. At the core of this is a struggle between two different sets of values, one promoted by Iran as a country aspiring for regional great power status

and the other by the US as an established unilateral hegemon (Bill, 1999: 44-46). Iran's geostrategic significance as the gatekeeper of the strategic Gulf of Hormuz (EIA, 2011) further motivates US administrations to consistently seek to prevent Tehran from rising as a regional powerhouse. Iran's nuclear energy program has become a crucial aspect of this struggle.

The United States has attempted to contain Iran through alliance diplomacy and military build-up in the Persian Gulf, hoping to keep Tehran's economy from developing, marginalize its regional standing and isolate it in international organizations. For these purposes, first, it has built a formidable military presence in the Persian Gulf, including a carrier battle group in Bahrain. Second, it has sought to weaken regional actors such as Iraq and Syria, thereby preventing a regional bloc from emerging. Third, it has maintained an implicit patron-client relationship with anti-Iranian governments such as Israel, Saudi Arabia and other Gulf monarchs (Bill, 1999: 44-46). Finally, it has fortified these clients militarily through arms sales, logistical help and training.

At the centre of the US Iran policy is the concern that a nuclear Iran would be a major regional power with an international posture more defiant of the established rules and norms. Nuclear proliferation would drastically change the regional balance of power that currently favours the US allies including the Gulf States and undermine US military dominance. Beyond the Middle East, Tehran's nuclearization would have a ripple effect across nations that identify themselves with the non-aligned grouping. Furthermore, Washington worries that Tehran may share its nuclear experience with other rogue or untrusted states such as Venezuela, Syria and North Korea. Finally, the US is concerned about Israel's safety in the event that Iran achieves nuclear deterrence capability (Kerr, 2012: 2). Washington fears that if Iran acquired nuclear weapons, this would erode Israel's overwhelming military superiority in the region and disrupt the existing balance of power.

4. China: The Act of Strategic Balancing

Due to growing Western pressure on Iran's nuclear energy policy, China-Iran relations shifted from the contentious arms' sales and key technology transfers during the 1980s to more neutral trade in oil in the late 1990s. Overtime, energy has become the main axis around which the Sino-Iranian economic partnership revolves. In 2012, Iran became China's fourth largest supplier of crude oil (10-12 per cent of its total import), and currently China is Iran's largest trade partner.⁶

Beijing established full diplomatic relations with the Shah's Iran in 1971 and since then the two countries have developed peaceful economic, military and political relationships. China and Iran shared a vision of non-alignment, and economic and political sovereignty; ideas that were largely

derived from the two nations' respective historical experience: The fact that China and Iran had no history of war and that both had been subject to the humiliating experience of colonialism reinforced the mutual social and political identification. Although relations remained rather limited in the aftermath of the Chinese Revolution because of China's cooperation with Russia and Iran's vehement opposition to Soviet expansionism, by the mid-1960s and particularly after the Sino-Soviet split, the two countries started to establish more substantial ties. As a result of the warming relations, in 1969, Tehran declared support for the PRC's UN bid to replace Taiwan. Political rapprochement soon translated into greater economic cooperation: For instance, bilateral trade volume during the 1960s reached at levels 20 times higher than the previous decade (Mackenzie, 2010; Huwaidin, 2002; Dorraj and Currier, 2008).

Today, cooperation in energy constitutes the backbone of the Sino-Iranian economic relations (Calabrese, 2006). Apart from a partnership that results almost by default from China's ever-increasing energy needs and Iran's vast amounts of hydrocarbon resources, US sanctions against Tehran have further encouraged more comprehensive ties between the Chinese and Iranian industries. Indeed, as Iran has been forced into deeper isolation from international energy markets, China has gradually become the dominant external player in country's economy (Mackenzie, 2010). China-Iran bilateral trade, initially centered on arms sales, has over time become almost completely energy-driven. The structural shift in China-Iran economic relations coincided with the emergence of Iran's nuclear energy program as a focal point of greater international concern.

It appears that just as Iran's foreign policy objectives and domestic political situation lead the US to become involved more deeply in the Persian Gulf both militarily and politically, the overwhelming US presence leads the Iranian leadership to not give up altogether on its nuclear development program. Facing such a vicious cycle of mutual antagonism between Iran and the US, the Chinese policy-makers seek ways to avoid getting entangled in this power struggle while remaining relevant in the region's geopolitics and economy. Thus, Beijing considers Iran's geographic location as an important asset for China's regional strategy to balance the United States and secure energy resources. Indeed, Iran occupies a key location in the Persian Gulf, the most vital energy route in the world, and has the ability to effectively control the Strait of Hormuz, a chokepoint that connects the energy rich Persian Gulf and the Indian Ocean (EIA, 2012).⁷ Also, to its north Iran borders the Caspian Sea, which is at the centre of the energy-rich Central Asian region. Hence, Beijing views the military developments in the Persian Gulf as one of a potential threat toward the security of the trade routes and the stability of the energy rich trade partners, including Iran (Mackenzie, 2010).

All in all, China-Iran interaction is multi-leveled as it centres not only on overlapping energy interests but also on significant historical ties and geostrategic balancing against the US (Harold and Nader, 2012). Hence, the defining character of the bilateral relations is mutual geopolitical and economic concerns that enable the two nations, regardless of their divergent ideologies, to sustain a principle-based pragmatic relationship (Casting and Fite, 2012). China finds supporting Iran in the international stage to be strategically viable since Tehran is the only country to meaningfully counterbalance US dominance in the Persian Gulf (Lin, 2010). It is China's interest to have Iran as an ally both for its energy supply and for a certain degree of control in a volatile but strategically vital region (Harold and Nader, 2012: 12; Kemenade, 2009). In a sense, Iran's unwavering posture in the face of Western pressure appears to find an echo among the Chinese strategic circles who adopt the *realpolitik* of counterbalancing the US and promoting the Chinese vision of international governance based on universally applicable rules and norms (Shambaugh, 2011).

As is seen in many visits made by high level officials from both sides over the past decade, Tehran, too, desires to maintain strategic and economic ties with Beijing. As Iran is heavily sanctioned and isolated from the international economic system, China offers Tehran the much needed breathing space in the form of energy deals and other economic transactions. Consequently, since the end of the Cold War, both China and Iran have been regarded by the Western strategists as both prospective challengers of the international regime led by the US and aspirants for great power status (Garver, 2006).

China-Iran relationship involves strategic competition, as well, and at times the two sides find their geopolitical interests at odds. First and foremost, Beijing's growing strategic clout in Pakistan and a possible militarization of the Port of Gwadar leads the Iranian government to seek partnerships to balance China in the Arabian Sea and the Persian Gulf. In this respect, Iran hopes to gain leverage against Beijing by cooperating with India. For this purpose, it aims to increase energy cooperation with New Delhi by working together on the development of its strategically-located Port of Chabar. China's energy interests in Central Asia and Russia are also potential points of competition between the two countries. As China deepens its energy cooperation in the region, Iran finds itself being marginalized as an energy provider. Nevertheless, Iran continues to elicit considerable political support from Beijing for its civilian nuclear energy program.

China's approach to the Iranian nuclear issue has been quite consistent ever since the country terminated all nuclear-related cooperation with Iran in 1997 (ICG, 2010). Still, China-Iran energy relations continued to create tension between Beijing and Washington. As the US effort toward Iran's nuclear program has grown in scope, it began to involve other non-nuclear realms such as Iran's financial institutions and the Central Bank. The US has

frequently argued that China's energy relations and technology-sharing with Iran weakened the sanctions regime. In the face of frequent and persistent criticism from Washington, China has actively pursued a strategic balance: On the one hand, it has taken a firm position against Iran's possession of nuclear weapons (or any other non-nuclear states, for that matter) and the prospect of a closure of the Gulf of Hormuz in the event of a military confrontation in the region (Kasting and Fite, 2012: 22). Beijing has, on the other hand, formally opposed any unilateral US or European sanctions on Iran that would do more harm to the civilian population than to the government (Wines, 2012).

Broadly speaking, China's post-1997 nuclear diplomacy rests on three fundamental principles: First, Beijing has adhered to the long-held tenet of non-interventionism. Second, it has worked to ensure that nuclear proliferation would be prevented in the Middle East and no country would have a military superiority over the others (e.g., maintaining a balance of power), fearing that a major power disparity would lead to an arms race and further destabilize the region. Finally, Beijing has expressed support for the idea that sea routes and chokepoints must be kept open and no disruption to the flow of goods and commodities should be tolerated. As part of its balancing strategy, the Chinese leadership emphasized Iran's rights and obligations as a signatory to the NPT and member of the IAEA (Zhenqiang, 2005). Thus, Beijing backed Iran's sovereign right to have nuclear technology and produce nuclear energy for peaceful purposes (Calabrese, 2006: 10). This way, Chinese leadership has strived to both avoid the risk of being associated with either side and protect its stakes in the Iranian energy sector (Kasting and Fite, 2012: 4).

The China-Iran partnership on nuclear technology dates back to the mid-1980s (Calabrese, 2006: 9). In the early 1990s, Beijing agreed to sell Iran nuclear research equipment, (NTI, 2011: 516-519; Reardon, 2012: 13). However, deepening ties between Beijing and Tehran drew a succession of criticisms from Washington. Growing international concern ultimately prompted Beijing to announce that all nations receiving nuclear technology from the PRC needed to accept the IAEA safeguards. However, US-China tension over the Iranian nuclear energy program continued throughout the 1990s even after China promised in a confidential letter sent to then-Secretary of State Madeline Albright to cease all nuclear cooperation with Iran in 1997 (Reardon, 2012: 14). As a result, since 2001, numerous Chinese entities have been sanctioned by the US government under the Iran Nonproliferation Act (Kan, 2012: 71-77).

To avoid direct confrontation with the US over Iran's advances in nuclear technology with Chinese assistance, Beijing took the economic route. Thus, from the early 2000s, the centre of contention between China and the US shifted from China's material assistance for Iran's nuclear program to Beijing's energy trade with Iran and the political support it offered to Tehran at the Security Council and other platforms (Calabrese, 2006: 10). It has been

often stated that China's diplomatic shield for Tehran has greatly affected the prospects of the US efforts to isolate Iran and push for a change in its nuclear policy. China, in this regard, has come under dual pressure: On the one hand, Washington tried to convince China to join in the US-led efforts with respect to nuclear proliferation, investment in trade and energy, and arms sales. On the other, Iran pursued Chinese support by presenting itself as a viable and reliable partner in energy and investment. Unwilling to strain relations with both Iran and the US, China strived to maintain relatively stable relations with both countries (Kasting and Fite, 2012: 4). To ensure this, Beijing has not squarely objected but delayed the passage of each Security Council resolution and watered down several UN sanctions, making them voluntary rather than mandatory, to mitigate their impact on Iran's civilian energy sector and China's investment in the country (Garver, 2011: 76).

China abstained from endorsing fully the US-led sanctions that it considers as unilateral and internationally non-binding (Garver, 2011: 81). Cui Tiankai, China's ambassador to the US, told reporters at a briefing in Washington in February 2012 that, "We voted for these [Security Council] resolutions and we have been enforcing them most strictly. But we do have reservations on unilateral sanctions and this is nothing new." Talking on the same issue, Foreign Ministry spokesman Liu Weimin indicated that "China opposes placing domestic law above international law and does not favor unilateral sanctions against other countries." Consequently, China has continued to defend its principled position on Iran's nuclear energy policy as compliant with international law, separating trade in energy and other commodities from cooperation on nuclear technology.

Chinese officials have reiterated Beijing's position frequently on different platforms. In January 2012, on the same day when then US Treasury Secretary Timothy Geithner met former Chinese Premier Wen Jiabao and Vice President Xi Jinping amid escalating international tensions over Iran's nuclear program, foreign ministry spokesman Liu Weimin defended China-Iran oil trade, arguing that "Beijing's energy needs do not have anything to do with the Tehran's nuclear issue and should not be affected" (Ying, 2012). This position on the nuclear issue has therefore required Beijing to seek a balance between the two policy extremes of Iran and the US. However, China's principle-based balancing strategy has increasingly clashed with US security-driven strategy, leading to the Iranian nuclear energy dilemma.

5. The Iranian Nuclear Energy Dilemma

Essentially, Iran's uranium enrichment activity is consistent with its Non-proliferation Treaty (NPT) commitments and International Atomic Energy Agency (IAEA) safeguard obligations (Huntley, 2006: 730). However, Tehran

has thus far failed to convince the larger international community of its peaceful intentions. Washington's major concern has been that should Iran achieves nuclear enrichment technology, this might dilute international counter-proliferation activities, undermine its strategic network in the Middle East and, in the long run, strengthen Chinese and Russian positions. Overall, a nuclear Iran with an adamantly independent foreign policy would have a negative impact on the US dominance in the region (Dueck and Takeyh: 2007: 189).

Although the outline of a nuclear deal between the P5+1 and Iran is well-understood⁸ and an agreement is "readily at hand", the US administration remained unwilling to endorse it (Dreyfuss, 2013). According to Chinese observers, the disagreement stems from the US and its allies' interpretation of the workings of the non-proliferation regime. According to the Western view, international agreements, including the NPT, are goal-oriented rather than rules-based. China, on the other, favours a rules-based approach in which international regulations "are created through the consent of independent, sovereign states and are to be interpreted narrowly" (Leverett and Leverett, 2013). The repeated criticism by Beijing of US unilateralism and interference in the sovereignty of weak nations originates from this divergence of interpretation (Bridge, 2010).

Obviously, China has a greater leverage on Iran than other parties that are involved in the debate over Tehran's nuclear energy program because of its principle-based and more stable foreign policy not tainted with a history of mutual antagonisms. Such leverage, however, has a major drawback: it could be China that would lose economically the most if more punitive sanctions were imposed on Iran and a major disruption occurred to the flow of oil from the Persian Gulf in the event of a military confrontation (Shen, 2006). Iran is a major supplier of crude oil and Chinese firms have considerable investment in Iran's energy, infrastructure, transportation and telecommunication sectors. The United States, on the other hand, has no economic or diplomatic relations with Iran and has little to lose in terms of energy acquisition even in the event of a closure of the Strait of Hormuz by Iran since both the US and Europe have "strategic oil reserves and could get some Persian Gulf oil through Red Sea pipelines" (Krauss, 2012). Also, US dependency on foreign oil, and primarily on the oil from the Middle East, has declined considerably. Indeed, according to various studies, "dependence on overseas oil has decreased from 60 per cent of US consumption in 2005 to a little less than half now" (Eland, 2011; Crooks and Fifield, 2013).

However, this is not to say that decreasing energy dependency on the Persian Gulf grants the US a full immunity from the negative effects of a crisis in the Persian Gulf. First of all, as a major customer of oil from international markets, the US economy is vulnerable to price increases. Thus even zero reliance on the Middle East would be of little meaning in the face

of a crisis that would push the global spot prices up. Therefore, the US has to maintain a firm military and political presence in the Persian Gulf and ensure that oil flows unhindered and prices remain stable. Also, as a global hegemon, the US would not willingly empty an important region to others since such a move would be perceived as abandonment by not only its traditional ally, Israel, but also by the Gulf monarchs whose regime survival relies largely on Washington's line of support. Furthermore, a power vacuum created by a US withdrawal would invite other major powers, including China, to assume leadership.

By effectively controlling the Persian Gulf, the US enjoys a strategic check on Beijing. Indeed, the Chinese Navy is still behind the US in terms of force projection capability in high seas. In the event of a crisis, the US Navy can effectively halt the flow of strategic commodities from the Persian Gulf in order to force China into compliance. Finally, powerful interest groups in Washington have so far advocated Israel's vital interests. Given the strength of these lobbies in the Capitol Hill, it is almost impossible for any US administration to dramatically alter its Iran policy and seek full political rapprochement. For all these reasons, energy independency will not likely result in a meaningful realignment of US strategy in the Persian Gulf.

There is no doubt that successive governments in China have worked hard to uphold and promote the nation's principled model of international governance, economic interests and sovereign foreign policy making capability over the past decades. Whereas Iran's large reserves of oil and natural gas have thus far contributed to China's program for sustained economic development, its international isolation offered Beijing an opportunity to extend its influence across the Middle East. In the final analysis, a stronger and more confident Iran would be a check on US dominance over the Persian Gulf, and an increased US military presence in the region would drain its resources and hamper its militarized containment strategy in the Asia-Pacific (Garver, 2011: 77; Harold and Nader, 2012: 2).

By keeping Iran relatively weak and the US preoccupied, a persisting crisis in the Persian Gulf presents China with great geopolitical benefits as well. Indeed, a stronger and more confident Iran might pose a serious challenge to China's interests in the Middle East. Thus a dual strategy of making use of the US and its allies to check on Iran and using Iran to balance the US would be to the advantage of Beijing as long as the *status quo* in the region remains unchanged. Nevertheless, although it is too early to speak optimistically of a breakthrough, with recent successful negotiations on Iran's nuclear program at P5+1 meeting, there is now a chance that the nuclear deadlock might be overcome in the foreseeable future. If that happens, it will mean that China's long held position on Iran's nuclear energy development is confirmed.

6. Conclusion

It is understood that although their relations are not overtly conflictual, China and the US have important policy disagreements over Iran's nuclear energy program. Essentially, the disagreement stems from China's rules-based strategy, which conflicts with US' unilateral approach. As is seen, Beijing, on the one hand, wants a distinction to be made between trade in energy and cooperation on nuclear weapons technology and, on the other hand, it argues that the international nuclear energy regime must be rules-based, multilateral and indiscriminate. To this end, it argues for a principled approach to the Iranian nuclear crisis based on non-interventionism and mutual respect for sovereignty. Washington, to the contrary, considers any trade with Iran as a breach of the sanctions regime and seeks to mobilize the NPT selectively and, if consensus is lacking, unilaterally (Mbanje and Mahuku, 2012). Furthermore, it resorts to punitive actions such as destructive cyber-attacks on Iran's nuclear facilities in a clear breach of the rules of national sovereignty.

Obviously, a number of strategic and ideational factors inform China's policy toward Iran. Firstly for China, Iran is an important energy and investment partner. Due to the lack of presence of Western multinationals, Iran offers Chinese firms a more viable business environment. Secondly, Beijing considers Iran as a strategic asset to check and counter US dominance in the Persian Gulf. As long as the US is engaged in a conflict with Iran, the Persian Gulf will not fall under total US control (Mackenzie, 2010: 18). Thirdly, a perpetual crisis and instability obliges the US to maintain a large military presence in the region, impairing its ability to fully concentrate on East Asia where the US sets out to engage and contain China. Fourthly, Beijing's firm opposition to the use of coercive power in international relations enables it to draw a distinction from the Washington Model and promote its negotiation and consent-based approach (the Beijing Consensus) as an attractive alternative (Calabrese, 2006: 11). Finally, and more practically, the Chinese leadership understands that too much pressure and rigidity in negotiations with Tehran would lead to an eventual failure of the entire process and a likely collapse of the non-proliferation regime as a whole.

It appears that the Iranian nuclear dilemma will continue to be a point of contention between China and the US. Divergent regional concerns, understandings and strategies of the two countries may fall even further apart if the civil war in Syria leads to a unilateral military campaign against Damascus. Hence, as it unfolds, the Iranian nuclear energy issue will have broader implications for US-China relations. Noticing that the traditional punitive measures and counter-measures have proven to be largely futile, emphasis must be made on the distinct features of China's principled approach as a viable alternative model for international governance and conflict

resolution. For it is clear that the US hard-handed approach has thus far failed to produce the desired outcomes.

The Iranian nuclear dilemma has been unfolding and, because of the nature of the conflict that obliges major parties to maintain a certain degree of strategic ambiguity, conditions on the ground might change dramatically without clear warning signs. Any research on this issue, therefore, needs to keep this fact in mind and adopt a comparative method to bring more voices into the study of the Iranian nuclear dilemma. In this respect, further research should adopt a multi-party analysis and look at it from the unique perspective of other actors within the P5+1. Especially the viewpoints of Russia and France would be of great importance in understanding the power balance within the grouping. Such a study would certainly shed further light into the future course and prospects of the Iranian nuclear crisis.

Notes

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1. I thank the anonymous readers at *International Journal of China Studies* for their thorough review and highly appreciate the comments and suggestions which contributed significantly to improve the quality of the manuscript. I am also thankful to my colleague Janet Tan for her insight on the earlier versions of this article at the workshop we held in NCCU's International Doctoral Program in Asia-Pacific Studies (IDAS). I also wish to thank Academia Sinica for the generous financial support during the conduct of this research.
 2. Iranian nuclear energy development refers to Tehran's nuclear enrichment activities. Iran holds that its nuclear program is solely for peaceful purposes and consistent with the International Atomic Energy Agency (IAEA) safeguards and Non-proliferation Treaty (NPT) obligations whereas the US and its major partners argue that Tehran has been seeking nuclear weapons capability.
 3. In his visit to Iran in the early days of 1978, President Jimmy Carter described Iran as "an island of stability in a turbulent corner of the world." Less than a year later, students stormed the US Embassy.
 4. The Embassy hostage crisis became the critical watershed moments, signaling an important shift in US-Iran relations.
 5. The list included India, Taiwan, South Korea, Pakistan, and Indonesia.
 6. Although Iran remained China's third largest supplier of oil for the most part of the previous decade, due to the latest round of financial sanctions on the companies that do business with the Iranian Central Bank, it slid to the 4th place in 2012.

7. The Strait of Hormuz is the world's most important oil chokepoint due to its daily oil flow of about 17 million bbl/d in 2011, up from between 15.7-15.9 million bbl/d in 2009-2010.
8. In sum, the agreement calls for a Western recognition of Iran's right to nuclear enrichment in return for Tehran's acquiescence of more comprehensive and intrusive monitoring of Iran's nuclear facilities by the IAEA.

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