

Statement of

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**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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Mr. Chairman and Commissioners, thank you for inviting me to share with you my views on the multifaceted China-Iran relations. In preparing this testimony, I have closely followed the four questions provided by your staff.

The first question was the most important one, since it covers the gamut of strategic issues involving China and Iran. So, in Section (1) below, I discuss a number of broad themes involving these two countries, some recent developments in those themes, and their implications for the United States. As intricate as the Sino-Iranian ties have been over the past two decades or so, there is nothing inevitable about their continued progress. Iran remains available for comprehensive negotiations with the United States that would resolve all outstanding conflicting issues. I expound, in Section (2), on the modalities of China-Iran energy ties. There is little doubt that Iran needs China's military technology and know-how as much as China needs Iranian oil and gas. In section (3), I focus on China's veto power as a shield against the imposition of harsh economic sanction imposed by the UNSC, an option that the Bush administration is currently seeking. In addition, the mutuality of Sino-Iranian interests includes cooperation for the evolution of a multipolar global order where the political clout of the United States is considerably lessened. In section (4), I deal with China's enthusiastic support of Iran in the Shanghai Cooperation Organization (SCO). Such a measure is aimed at, inter alia, enhancing the global visibility and prestige of that entity. From Iran's point of view, its membership would be a major step toward its long-cherished goal of increasing its presence in Central Asia.

(1) China-Iran Relations: Broad Themes

China-Iran ties go as far back as the Second Century BCE, when the Han Dynasty opened the Silk Road. That avenue became an important trade route between the Han

and the Parthian empires. Even after the conquest of the Parthian empire by the Sassanids in the Third Century CE, the Silk Road remained an important avenue, not only for the promotion of trade, but also for cultural exchanges between the Persians and the Chinese, for many centuries. Today, the shared heritage of the Silk Road continues to serve as an historical link among Iran, China, and the Central Asian republics, which became independent after the implosion of the Soviet Union in 1991.

Ancient historical ties are important in the sense that they serve as critical sources of reference for the leaders of China and Iran—two countries that are bastions of two of the most ancient civilizations of the world. Historical linkages are also significant in the sense that they remind the present leadership of China and Iran of a common experience of maltreatment by Western powers.

China considers itself a victim of Western aggression and conquest, as well as the later Japanese invasion and subjugation. The collective sense of victimization has played an important role in the resolve and commitment of the Chinese leadership to make their country a vibrant economy and a major military power.

By the same token, the sense of persecution also played an important role in Iran's current determination to become a regional power. This objective was important when Iran was a monarchy. The Shias perceived themselves as victims of Sunni "shenanigans" that deprived Ali—the first cousin and son-in-law of the Prophet, Mohammad, as well as the first *Imam* (spiritual leader) of the Shias—from succeeding the Prophet upon his death. In the contemporary context, Iran considers itself a victim of the Anglo-American conspiracy that ousted the democratically elected government of Dr. Mohammad Mosaddeq and brought back to power Mohammad Reza Pahlavi as ruler of that country through a coup in 1953. "The American Shah," as the Iranians pejoratively refer to Mohammad Reza Pahlavi, ruled their country for another twenty-five years. He was finally ousted as a result of the Islamic revolution of 1978-1979. However, a profound sense of victimization remains an important rhetorical reference in the collective thinking of Iran's current leadership.

China and Iran also share a sense of systematic exclusion from the regional or global power politics by the great powers. China, as a communist nation, should have been part and parcel of the Soviet bloc and a player in the global tug-and-pull. However, because of the great ideological split of the 1960s between the two communist countries, China carved its own niche for confronting the Soviet Union and the United States in the late 1960s and early 1970s, and sought the leadership of the bloc of non-aligned nations. It only became a direct and important player of great power politics when President Richard M. Nixon decided to engage China beginning in 1972. Nixon's trip to the PRC that year—which was aimed at exploiting the widening conflict between Moscow and Beijing to the U.S.'s advantage—played a crucial role in that regard.

Iran's experience with the United States was of a significantly different nature. It became a member of America's policy of forming regional alliances in the 1950s and joined the U.S.-sponsored military alliance, the Central Treaty Organization (CENTO).

As a member of the “American camp,” imperial Iran was firmly committed to the U.S. side. It adopted anti-Soviet perspectives on the Cold War. However, it was the United States’ decision in 1969 to seek regional actors to protect its interests in different areas of the world—which was an integral aspect of Nixon’s policy of the “Vietnamization” of the Vietnam War—that enabled Iran to emerge as a *gendarme* of America’s strategic interests in the Persian Gulf.

China-Iran relations experienced their own ups and downs during the Cold War years. When the National Front formed the nationalist government under the premiership of Dr. Mohammad Mossadeq in 1951, China cheered that event as an important development in the anti-great power bloc. However, when that government was ousted as a result of a joint Anglo-American coup in 1953, that development also turned out to be a setback for China-Iran relations. After his return to power, the Shah established diplomatic ties with the government of Taiwan in 1956.

The PRC continued to envisage imperial Iran as a “puppet” of the U.S. government and a promoter of U.S. interests in the Persian Gulf region. However, the Sino-Soviet split of the 1960s enabled China and Iran to develop somewhat of a nuanced position toward each other. The Shah was suspicious and distrustful of the Soviet Union next door, and, as a balancing act, was willing to side with China in the conflict between the two communist giants.

What also was important in the 1960s was the fact that the Shah became convinced of the genuine nature of the ideological split between Beijing and Moscow, and decided to use that development as a basis for a rapprochement with China. The Chinese leaders no longer viewed imperial Iran—despite its strong pro-American strategic ties—as an enemy of the PRC. Based on this rapprochement, Iran supported China’s entry into the U.N. in 1971.

The Islamic Revolution of 1979 that brought an end to the monarchy in Iran was viewed by the PRC as a positive development, in the sense that the succeeding Islamic government was stridently anti-American. Beijing immediately recognized the new government and welcomed it within the ranks of the non-aligned (substantially anti-Western) governments. The Islamic Republic of Iran, like its predecessor, remained pragmatic toward China. It ignored the fact the Uighur Muslims were being persecuted by the communist rulers. By the same token, the Chinese leaders disregarded the continued persecution of the Tudeh (communist) party of Iran under the new regime.

Iran’s sense of exclusion from regional power politics was intensified with the Islamic Revolution. That was also an occasion after which U.S.-Iran ties could never be reestablished. The United States continued to envision Iran as a leading “rejectionist state”—a country that, along with Syria, Libya, and Iraq, rejected the peaceful resolution of the Arab-Israeli conflict. Iran remained highly suspicious of the United States. The Reagan administration’s decision to lean toward Iraq during the Iran-Iraq war of the 1980s further convinced the Ayatollahs that the United States remained committed to see an end to their rule.

China provided weapons to both belligerents during the Iran-Iraq war (1980-1989). Then it became fully involved in the post-war reconstruction of Iran, when that country did not have many Western sources at its disposal.

The 1989 Tiananmen Square massacre created intense anti-Chinese feelings in the West. In fact, that country was given the status of a “pariah state,” a depiction with which the leaders of Iran were only too familiar. Consequently, both countries found ample reason to get closer than before.

The contemporary Iranian leaders have watched—and even studied—the emergence of the PRC as a nuclear power and one of the most vibrant economies in the world. There is little doubt that, as they continue their nuclear program and strive to revitalize their largely statist economy, China will serve as a model for their economic development and military power. However, there is a world of difference between aspiring to adopt a Chinese developmental model and adopting active measures in that direction. In this regard, Iran has a long way to go.

According to one source, “Iran's economy is marked by a bloated, inefficient state sector, over reliance on the oil sector, and statist policies that create major distortions throughout. Most economic activity is controlled by the state. Private sector activity is typically small-scale--workshops, farming, and services.” Even though Iran is reporting a 2006 foreign exchange reserve of \$40 billion due to prevailing high prices of oil on the global market, its economic hardship has not eased significantly, because of the high rate of unemployment (11.4 percent estimates in 2004) and because of its leadership's decision to devote a high degree of investment in building nuclear reactors and missile development programs.

Military

The 1990s—the first post-Cold War decade—became a time when the Sino-Iranian rapprochement continued to evolve. An important ingredient of this rapprochement is China's growing significance for Iran as a source of transfer of military wherewithal. There is no doubt, ideally speaking, that Iran wishes to have access to U.S. military technology, whose qualitative edge over the Russian and Chinese military technologies was conclusively proven during the Gulf War of 1991. However, given the fact that it has no chance of having access to U.S. military wherewithal anytime soon, its second preferred source is Russian military technology. The most welcomed aspect of Chinese military technology from the Iranian viewpoint is that it is customarily free from political constraints and preconditions, which have remained a *sine qua non* of Western technology. Besides, Chinese military technology, although it is not high quality, is considerably cheaper than Russian military platforms.

In the 1990s, the PRC became a major source of Iran's military assistance. The United States watched this aspect of Sino-Iranian ties with utmost interest for two reasons. First, Iran is a country that has never accepted America's presence and strategic

dominance of the Persian Gulf region as an irreversible reality. In fact, Iran has remained singly focused on undermining the objectives of the Bush administration to stabilize Iraq soon after the toppling of the regime of Saddam Hussein. Second, Iran shares with the PRC the notion that the present unipolar global order should be transformed into a multipolar one.

There is no suggestion here that either China or Iran envisions a military conflict with the United States as one of the tactics to bring about such change. On the contrary, both of them remain highly interested in working for the evolution of a multipolar global order without a military confrontation with the U.S., which they know they cannot win. However, the ostensibly adversarial posture of Iran and the potentially adversarial posture of the PRC, force the United States to carefully watch the modalities of weapons transfer between China and Iran.

China's military supplies to Iran include tanks; armored personnel carriers; artillery pieces; surface-to-surface, air-to-air, battlefield, cruise, and ballistic missile technology; anti-tank missiles; fighter aircraft; and small warships; as well as NBC know-how. China has delivered "dozens, perhaps hundreds of missile guidance systems and computerized tools to Iran." It has also transferred solid fuel missile technology to Iran. Russia, despite its commitment to the Missile Technology Control Regime (MTCR), has been helping Iran develop missiles. In fact, Russia's help enabled Iran "save years in its development of the Shahab 3," according to a 2000 CIA report.

U.S. intelligence reports that China also has supplied nuclear knowledge to Iran to manufacture nuclear weapons. It has been training Iranian nuclear engineers. In addition, Chinese nuclear experts have traveled to Iran to help that country build uranium conversion facilities. The PRC has helped Iran build a large missile factory at Isfahan and another factory and a test range near Tehran. It also has been a source for the transfer of guidance technologies and precision tools to Iran and has helped to develop its Zelzal-3 (1000 km range) missiles with solid fuel technology, gyroscope, and guidance.

Iran has spent huge sums of money building infrastructures to indigenously build ballistic and cruise missiles. It has purchased the technology to build Scud-Bs, Scud-Cs, and Nodong ballistic missiles from North Korea, which is generally considered as "Iran's offshore missile development site."

Iran has been developing short-range artillery rockets and its own version of Scud-Bs and Scud-Cs, called Shehab-1 and Shehab-2, respectively. It also has indigenously produced North Korea's Nodong missiles as Shehab-3 (1300 km range), which is capable of reaching Israel. That test was successful on October 20, 2004. Shehab-3 is currently issued to the Iranian Revolutionary Guard. There have been unconfirmed reports about Iran's development of even longer-range Shehab-4 and Kosar, an ICBM. If North Korea perfects its ICBM (or space launch vehicle--SLV) capabilities, Iran is likely to get that technology within the span of five years or so.

There is little doubt that the overall purpose of Iran's fixation with acquiring military weapons and nuclear or biological capabilities is "... to deter opponents and to gain influence in the Persian Gulf and Caspian Sea regions. The acquisition and creation of these various weapon systems can also be seen as a response to Iran's own experience as a victim of chemical and missile attacks during the Iran-Iraq War." In the case of a conflict with the United States, Iran envisions blocking the Persian Gulf as a major aspect of its warfighting strategy, and targeting U.S. naval vessels. For that reason, it is expected to make heavy use of anti-ship cruise missiles and anti-submarine missiles.

China uses weapons transfer as a source of influence on Iran. The fact that the Western military wherewithal is not available to Iran also helps China use arms trade as a guaranteed access to Iran's vast energy reserves. Being an important source of military supplies for Iran also serves China's national interest in the sense that Beijing uses it as leverage in negotiating with the United States. For instance, any time China does not like the modalities of transfer of military weapons from the U.S. to Taiwan, it goes back on its own promise for not supplying sensitive weapons technologies to Iran.

Iran's nuclear aspirations are the chief concern of the United States. The most frustrating aspect of China's activities in this realm is that it insisted that reports of nuclear cooperation with Iran were "groundless" and "preposterous." In 1991, Beijing finally admitted the existence of such programs, but still maintained that those programs were purely for the peaceful use of nuclear energy. The main apprehension for the United States regarding Iran's nuclear activities is uranium conversion and enrichment, for which China might have provided crucial assistance. In 1995, the PRC conceded that it was selling the uranium enrichment technology to Iran. Despite U.S. insistence that China scrap that program, China eventually agreed to sell the blueprint of the UF₆ conversion plant to Iran. The role of Dr. A. Q. Khan, Pakistan's rogue nuclear scientist, in transferring knowledge for the development of nuclear weapons to Iran is not fully known.

Energy

China and Iran have a profound commonality of interests on the issue of energy. As U.S. economic sanctions remain intact against Iran, it finds China as an enthusiastic seeker of Iranian energy sources. In fact, it can be argued that China needs Iranian energy sources as direly as Iran needs China's military technology and know-how. Thus, both sides have been successful in basing their mutual ties in the pursuit of their respective vital interests. This issue is discussed later in this essay.

U.S.-Iran Ties

While China and Iran are busy developing a multifaceted strategic relationship, the United States and Iran have maintained a profoundly adversarial one. Iran envisions the United States as a hostile superpower bent on bringing about regime change.

The United States considered the Shah as its formidable ally. The demise of his regime was a major shock to the administration of President Jimmy Carter. U.S.-Iran ties plunged to a new low when American diplomatic staff members were held hostage for 444 days. That was Iran's new rulers' response to the decision of President Carter to let the Shah enter the United States for medical treatment. U.S.-Iran relations never recovered from that humiliating hostage crisis.

When the Iran-Iraq war broke out in September 1980, there were expectations that the Islamic regime would collapse. However, the Islamic rulers of Iran responded to the Iraqi attack with surprising speed by mobilizing the remnants of the Shah's army. The United States opted to support Saddam Hussein in that war as the lesser of two evils, and even supplied intelligence to Iraq on the movement of Iranian forces. The United States also began escorting the reflagged Kuwaiti oil tankers through the Persian Gulf. And the U.S. Navy fought the Iranian forces on several occasions, thereby increasing the Iranian sense of encirclement.

Even after the death of Ayatollah Rouhollah Khomeini, the United States and Iran could not patch up their deep differences. Iran continued to defy the U.S. by rejecting a peaceful resolution of the Arab-Israeli conflict. It made its powerful presence felt in Lebanon in the early 1980s, when U.S. forces entered that country as peacekeepers. No one in the United States will ever forget the carnage of 241 U.S. Marines in Lebanon in 1983 as a result of a suicide bombing.

Even the end of the Cold War did not lead to a U.S.-Iran rapprochement. Iran continued its defiance of the U.S. domination in the Persian Gulf. The Iran-Iraq war taught Iran the bitter lesson that it should develop indigenous missile and chemical warfare capabilities. The Iranian rulers revised their earlier decision not to develop nuclear technology. In the post-Cold War world, the U.S. lumped Iran in with its list of "rogue states"—countries that were seeking weapons of mass destruction and were sponsoring terrorism. Iran never lowered its aspirations to acquire ballistic and cruise missile technologies and chemical and biological warfare capabilities. Regarding nuclear technology, however, the rulers of Iran consistently maintained that they were only seeking it for peaceful purposes and have no desire to develop nuclear weapons. The administration of President George W. Bush, however, never believed Iran's explanations, and insisted that its real intentions were to develop nuclear weapons.

In the post 9/11 era, Iran faces a world where the Bush administration operates on the premise of "either you are with us or you are with the terrorists." As such, Iran feels threatened, since the United States depicts it as a "regime that sponsors terrorism," and also as part of "axis of evil" (North Korea being the other remaining part of that alleged axis). From this perspective, it is reasonable to conclude that Iran, like North Korea, would develop nuclear weapons. What is not in Iran's favor at this point is that it simply does not have the capabilities to develop nuclear weapons. Consequently, it behooves Iran to insist that it has no intention of developing such weapons, while continuing its uranium enrichment program, or even plutonium development program.

In the meantime, it hopes to negotiate a deal whereby the Bush administration would provide guarantees against military action, as it is willing to do for North Korea.

What is in Iran's favor, however, is that the United States is facing a near civil war situation in Iraq, where its forces have been bogged down. In addition, even though NATO's ISAF forces are in charge of major military operations in Afghanistan, the resurgence of al-Qaida and the Taliban has created a condition whereby the security situation in that country may even worsen. Under these circumstances, the U.S. might not be inclined to take military action against Iran in response to its prolonged refusal to abandon its uranium enrichment program. However, there is that possibility of limited military action against Iran—limited air attacks targeting its nuclear facilities, etc. Even that option carries incredible risks for the United States, since Iran's retaliatory response might emerge in the form of blocking the Strait of Hormuz. Another Iranian countermeasure is likely to be intensification of civil war in Iraq, thereby plunging the neighborhood in "rivers of blood," as the Iranian leaders have frequently threatened to do, if attacked by the U.S.

Despite these complexities, Iran has frequently expressed its strong desire to engage in a comprehensive dialogue with the United States that would include iron-clad security guarantees, cessation of all activities and nullification of all existing legislation aimed at bringing about regime change, and access to cutting-edge civil and military technology. In return, Iran would abandon its uranium enrichment program and make its nuclear activities fully transparent and available for the inspection of the IAEA. Through comprehensive U.S.-Iran dialogue, Washington may also succeed in persuading Iran to drop its opposition to a negotiated solution of the PLO-Israeli conflict and stop its military support of Hezbollah in Lebanon.

(2) China-Iran Energy Relations

An oil exporter until 1993, China now consumes all its domestic production, which is steadily diminishing. The general expectation is that China's energy reserves would be depleted around the year 2020. In 2005, its domestic production of oil was around 3.6 million barrels per day (bbl/d), while its oil consumption for the same year was around 6.9 million bbl/d. More than 40 percent of China's energy needs are being met from foreign oil. China entered the club of major energy consumers when, in 2005, it overtook Japan as the world's largest consumer of petroleum, after the United States. Thus, it is aggressively seeking foreign oil suppliers.

Iran sits on the second largest natural gas reserves (971 trillion cubic feet) after Russia and third largest oil reserves (132.5 billion barrels) after Saudi Arabia and Canada. Iran is likely to become the second major source of oil to China soon.

China and Iran also share the goal of remaining free of U.S.-sponsored routes for oil pipelines from the Caspian Sea and from Central Asia. Last December, the state-owned China National Petroleum Corporation (CNPC) inaugurated the Kazakh-China pipeline, which runs from Kazakhstan to northwestern China. The CNPC and the Kazakh energy

company, Kazmunaigaz, jointly developed this 960-kilometer (590-mile) pipeline. “It is designed to transmit 20 million tons of oil a year, 15 percent of China’s total crude oil imports for 2005.” Washington was not pleased about two outcomes stemming from the creation of this pipeline. First, wittingly or unwittingly, it undercut the geopolitical significance of the highly touted U.S.-backed Baku-Tbilisi-Ceyhan (BTC) oil pipeline. Second, the development of this pipeline was also based on cooperation among China, Russia, and Kazakhstan. It came about at a time when both China and Russia were maneuvering to lower the presence of American forces in Central Asia.

In February 2006, China and Iran signed a three-year contract to repair and maintain the Alborz semisubmersible drilling rig in the Caspian Sea. The estimated cost of that deal was \$33 million. China’s involvement in the southern Caspian Sea oil business is a deft move on the part of Iran, since the oil reserves in that area are contested by five littoral states—Iran, Kazakhstan, Russia, Azerbaijan, and Turkmenistan. Three out of five littoral states—Kazakhstan, Russia, and Azerbaijan—want to divide the seabed based on a median line. That would give Iran only 12-13 percent share of the Caspian Sea oil. Iran and Turkmenistan, on the other hand, want to divide it in five equal parts. Such a division would give Iran 20 percent of the littoral share. By involving China in the Caspian Sea oil business, Iran hopes to put political pressure on Russia and Kazakhstan to soften their opposition and to accept the Iranian formula for dividing the Caspian oil.

There is little doubt that China needs Iranian oil and gas, at least as much as Iran needs China’s military technology. This mutuality of interest is the strongest link in the chain of their strategic relations. Iran has demonstrated a Machiavellian attitude of offering favorable terms for oil and gas agreements to countries whose technology and friendship promote its vital interests. In this sense, as long as China continues to serve as an unhindered source of cutting edge military technologies, it is likely to have special access to Iran’s oil and gas reserves on a long-term basis. However, that is also an area where a potential U.S.-Iran rapprochement may turn out to be a major setback for China, since Iran eminently prefers American technology and comprehensive ties over any other global power.

(3) The “Other” China-Iran Strategic Interests

As the Iran-U.S. dispute over Iran’s nuclear program remains unresolved, Iran needs China’s veto power in the UNSC as a shield against the imposition of harsh economic and other sanctions, which the Bush administration currently seeks. China, along with Russia, has maintained that no harsh sanctions be imposed on Iran, and a negotiated solution to this conflict be found. In the post-9/11 era, when there is no global power that could deter the United States from taking military action (à la the former Soviet Union during the Cold War years), such Chinese support—and especially the potential use of its veto—is of great value to Iran.

China and Iran, along with Russia, are very much interested in cooperating for the evolution of a multipolar global system where the political clout of the United States is considerably lessened. However, neither country wishes to take any action that would

trigger a military response from the United States. Still, there are avenues that both China and Iran have available that they can use to frustrate the United States. For instance, on the U.S.-North Korea nuclear dispute, while Beijing is interested in playing a visible role in resolving it, leaders in China are not likely to take harsh measures to force Kim Jong Il to resolve the current impasse; something that the Bush administration desires. It behooves China to let this conflict face an impasse. Such a condition would be one reason why the United States would want China's visible role in its possible resolution.

By the same token, Iran's growing influence in Iraq and Lebanon is a reality that the United States has begrudgingly accepted as fact. Iran hopes the next step would lead to negotiations with the lone superpower on a *quid pro quo* basis. Iran would be open to lowering the destabilizing aspects of its role in Iraq and Lebanon, if the U.S. were to be similarly forthcoming about providing security guarantees and access to technology, and about resolving the conflicts in Lebanon and Palestine.

(4) Chinese Support Affecting Iran's Diplomatic Standing

Iran needs China's support and its veto in the U.N. That is a top priority for Iran, since it is worried about possible harsh economic sanctions or even potential U.N.-sponsored military action from the United States related to its refusal to abandon the uranium enrichment program. In addition, China has been enthusiastic about providing membership for Iran in the Shanghai Cooperation Organization (SCO), whose other members include China, Russia, Kazakhstan, Uzbekistan, Tajikistan, and Kyrgyzstan. China and Russia are cofounders of that entity, and they hope that it would someday gain the political and military status of NATO. Given the rising political clout of Iran in the Persian Gulf and in the Middle East, its membership in the SCO would broaden its political stature and influence. That is one reason why both China and Russia used the SCO forum to put pressure on President Islam Karimov to expel U.S. forces from the Karshi-Khanabad (K-2) Air Force Base in Uzbekistan in July 2005. Of course, Karimov had his own reasons to expel the U.S. from his country. The fact that the SCO framework was used to garner political momentum for that development definitely enhanced the global visibility of that organization. It should be noted that, at the present time, there is no comparison between NATO and the SCO as military alliances. However, China is doing everything to enhance its world standing. Russia is very much supportive of that development, since its own ties with the U.S. are currently at a low point. Iran would have no problem adding its own influence and clout by joining the SCO. However, if there is a U.S.-Iran rapprochement in the coming months, Iran would still join the SCO, but would not attach much significance to its membership.