Bringing China to Punish Nuclear Proliferators

Taehwa Hong

Along with its rapid rise in global stature, China has become a key actor in the global nonproliferation regime. Striving to present an image of a responsible superpower, Beijing has largely sought to keep rogue states from acquiring weapons of mass destruction. However, when it comes to denuclearizing regimes that have already reached nuclear capacity, China has proved to be a relatively unreliable enforcer of the international sanctions regime. How does China provide hedging space for Iran and North Korea, and which key factors affect Beijing's calculations? This essay contends that China is motivated primarily by threats to its own economic interests and the risk of military confrontation.

Keywords: China, North Korea, Iran, nuclear proliferation, secondary boycott, great power rivalry

Along with its rapid rise in global stature, China has become a key actor in the global nonproliferation regime. Indeed, China has used the nuclear issue in Iran and North Korea primarily to strengthen its image as an influential powerhouse. This imperative is particularly strong regarding North Korea, as China traditionally considers Northeast Asia in its sphere of influence. It chaired six rounds of Six Party Talks since 2003 August, and of international actors, arguably exercises the greatest influence over North Korea.[1] As North Korea's only ally and its top trade partner, China virtually controls North Korea's economic – and to some extent political – survival, and thus holds the strongest leverage vis-a-vis Pyongyang.[2]

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China, therefore, has closely monitored North Korea's adventurism, partly to preserve its image as a responsible power.

In the negotiations on Iran that led to the 2015 Joint Comprehensive Plan of Action, China was not on the main stage, while the United States, Russia, and the EU dominated the dialogue. China was largely seen as collaborating with Russia on contentious issues, protecting Iranian interests when they aligned with its own. As Iran's top oil export destination, Beijing strongly favors preserving Iran's production and export capacity, which was severely hit by international sanctions. Nonetheless, Beijing shares the international community's concern with nuclear proliferation, and subscribes in principle to US-led global sanctions on Iran's nuclear program.[3]

China's Motives

The rivalry between the United States and China on several issues is a dominant factor in Chinese foreign policy, and North Korea and Iran – two of America's toughest security challenges – are no exception. Xi Jinping's "Chinese dream"[4] rests on the strong foundation of "new great power relations,"[5] which in turn hinges on China's standing in the world as a respected player. China's contribution to resolution of the two nuclear quandaries provides leverage in dealing with the US on other core foreign policy issues, such as Taiwan or trade relations. China also wants to maintain an optimum environment for its Belt and Road Initiative projects in both East Asia and the broader Middle East, and it sees stability and peace as facilitating commerce and investments. In East Asia, a North Korean nuclear threat could spark an arms race among regional countries such as Japan and South Korea. China also wants to prevent Pyongyang and Tehran's nuclear weapons from falling into the hands of non-state entities or terrorist groups. To that end, China has generally sided with the US and its allies in pressuring the two proliferators to give up their nuclear programs. Similarly, its role as a mediator enhances Beijing's strategic importance as a key player. Concerned countries need to consult Beijing before making major moves, rendering Chinese input an indispensable component of any resolution.

At the same time however, Beijing does not want to subordinate its own interests to American concerns. With regard to North Korea in particular, China is apparently pushing its own broader agenda forward – weakening the US-Korea alliance, and bringing both Koreas under its own influence. North Korea canceled high level North-South meetings in March 2018,

citing Operation Max Thunder, a joint US-ROK military exercise.[6] This unexpected move came despite Kim's earlier explicit acceptance of joint drills, which was communicated to the South Korean envoys,[7] precipitating fears that China may be playing behind the scenes, given China's historical aversion to US-South Korea military cooperation.[8] It is no coincidence that China is using the diplomatic momentum between Pyongyang and Washington to renew its demand that South Korea withdraw America's Terminal High Altitude Area Defense system (THAAD) from the peninsula; Beijing sees that as a symbol of American military hegemony in the region. China would like to see American presence in the region decline, either as a quid pro quo for North Korea's denuclearization or as a byproduct of America's unilateral move on North Korea against the will of its allies in Seoul and Tokyo.

Similarly, China would like to see the US bogged down in the Gulf, in order to divert its attention from the South China Sea.[9] America's Iran problem is an indirect advantage for China, which increasingly sees the bilateral Sino-American relationship as approaching a zero-sum game. Particularly with other JCPOA signatories agreeing that Iran is complying with the agreement, China sees less reason to align itself with US policy toward Iran. The UK, Germany, and France set up a special payments system as an alternative to SWIFT, which is subject to US regulations, with fellow JCPOA signatories China and Russia.[10] The system is expected to function as a "clearing house" connecting Europeans and Iranians for business, directly undermining President Trump's goal to renegotiate a deal with renewed sanctions as leverage. Just as a loosened American alliance system in Asia will promote China's ambitions for regional hegemony, a more independent European foreign policy could allow China to "play the US and Europe off against each other."[11] In the 19th Party Congress, Xi Jinping observed that the "trend of global multipolarity" is helping China's rise; the Iranian arena could be its opportunity to erode US leadership.[12]

> China is a highly calculating entity, and is relatively free to exercise full pragmatism. Unlike the US, which is sometimes restrained by its liberal values and intricate alliance systems, China makes key decisions based almost totally on material interests.

Regarding both North Korea and Iran, China genuinely sees the United States as a source of instability. In Beijing's view, Pyongyang and Tehran's obsession with nuclear weapons fundamentally stems from the threats they

face from an overwhelmingly powerful US. Against this backdrop, China has emphasized "fairness and reciprocity," accusing the US of pursuing regime change in North Korea and Iran, with denuclearization as a pretext. By contrast, China adopted parallel concepts of "mutual trust, mutual benefit, equality and coordination"[13] (Iran) and a "phased, synchronized approach"[14] (North Korea) in the process of denuclearization, arguing for a staged approach that gives time to clear away distrust. Although such an approach historically allowed North Korea to resort to "salami tactics"[15] – reneging on its promises after reaping sanction relief or economic aid – China continues to maintain that the proliferators deserve fair treatment from Washington and its Western allies. Hence, China's stance on North Korea and Iran should be interpreted in light of its own interpretation of the status quo.

Double Dealing

Over the last few years, China has clearly shown a willingness to prolong negotiations to its own advantage. Beijing frequently provided hedging room for both Iran and North Korea, exploiting loopholes in the international sanctions regime to continue trading with both. With both North Korea and Iran, it has resorted to a dual strategy of pressure and protection.

During the nuclear negotiations with Iran starting in 2013, China increased its purchase of fuel oil, which was technically not covered by US sanctions.[16] Chinese companies leveraged American sanctions to discount the price of Iranian fuel oil and then configure refineries to process the fuel oil into more valuable fuels. China's record purchase of Iranian oil coincided with the US suspending its effort to intensify Iranian sanctions in order to sustain the spirit of the Geneva talks. With respect to North Korea, China continued to assist North Korea's energy needs with piped oil, and frequently turned a blind eye to illicit financial transactions through its institutions.[17] To this day, Chinese vessels are involved in mid-ocean cargo swaps to evade the eyes of American and allied surveillance.[18] China has also actively violated the "spirit of sanctions" while abiding by their letter, dramatically increasing trade in areas that are not explicitly targeted in the codified UN sanctions to make up for the reduction in trade of banned products. By continuing to trade with proliferators, China reduced their incentives to engage in serious nuclear negotiations, thereby slowing down the pace of those negotiations.

China also provided diplomatic cover for Pyongyang and Tehran, acting on behalf of those regimes on the international stage. Keeping an eye on North Korea's drastic energy needs, China historically demanded exemptions on oil supplies to the country, citing humanitarian needs. Moreover, United Nations Security Council Resolution 1929, which authorized the most "sweeping" sanctions against Iran, was passed only after it was watered down "to protect China's economic interests and to reduce damage to Iran's overall economy."[19] Chinese representatives insisted that the sanctions should be imposed under Article 41, which explicitly rules out military measures; the Security Council therefore agreed that "nothing in the resolution compels States to take measures exceeding the scope of this resolution, including the use of force or the threat of force." China also adjusted the wording of the resolution to call upon nations to abstain from doing business with the IRGC "only when there are reasonable grounds to believe that the transaction could contribute to Iran's nuclear program."

In the same vein, China provided insurance to the proliferators in case negotiations break down. China has shown a notable tendency to propose alternatives to American-led resolutions. Following the re-imposition of US sanctions on Iran, China willingly provided investments and assistance, ramping up infrastructure development deals and agreements. While European companies are quietly assessing the cost and benefits of challenging Washington's wish to continue trading with Tehran, Beijing and Moscow have increased their trade volume to pre-sanctions level.[20] Chinese investments in Iran also continue to expand, with China's national oil company poised to take over the development of the South Pars field from France's Total.[21] Although the US hoped to reduce Iranian exports to zero by November 2018, China began processing futures trading and oil imports in yuan to extricate itself from US dollar deals.[22]

Similarly, Kim Jong-un's three visits to China in 2018, after opening himself up to dialogue with the US and South Korea, prompted speculation that Xi Jinping may have promised support for North Korea regardless of the outcomes. China views the American alliance system as just as hazardous as North Korea's nuclear program − if not more so − and would like to see it weakened in the process of the denuclearization talks.[23] President Trump repeatedly blamed China rather than North Korea for sabotaging talks, speculating explicitly that the Chinese want to use North Korea as leverage to gain an upper hand in trade negotiations.[24]

Negative Incentives for Beijing

Against this backdrop, when and why China chose a more stringent approach to proliferators is important. The first watershed moment came in 2006 when Pyongyang conducted its initial nuclear test, directly undermining China's effort to create a facade that "everything is under control" after a slow follow-up to the September agreement the year before. The Chinese leadership was reportedly outraged, as seen in China's refusal then to veto the most powerful UN Security Council sanction on North Korea. While such fury is deeply rooted in China's view of North Korea as its junior partner, should Iran somehow significantly humiliate China – which now seems highly unlikely – Beijing could shift its stance, at least temporarily.

Risk of Armed Conflict

China is most incentivized by the risk of an armed conflict and the threat of secondary boycott on its own companies. Since the Clinton administration considered bombing the Yongbyon nuclear facility in 1994,[25] successive US governments have refrained from overtly discussing a preventive strike on North Korea. However, President Trump hinted in 2017 that North Korea would be met with "fire and fury" if Pyongyang continued to make threats against the US.[26] Unconfirmed reports claim that the administration directed the Pentagon to prepare a strike plan in early 2018. Then-US Ambassador to the United Nations Nikki Haley also commented that the President hinted at the possibility of an attack on North Korea in order to elicit Chinese and Russian support at the UN Security Council.[27] Trump's unorthodox approach to North Korea undoubtedly helped bring North Korea to the table, not only by unnerving Kim but also by changing Beijing's calculus.

China does not want a military confrontation in the Korean peninsula; it wants to avoid a humanitarian disaster on its border, and does not want a buffer state to collapse into the hands of American and its allies. It is no coincidence that China's pressure on North Korea intensified most following the dangerous escalation in the summer of 2017, when North Korea threatened to "envelop Guam with fire." Starting in the first quarter of 2018, China dramatically reduced its imports and exports to North Korea, contributing to the international sanctions regime at an unprecedented level. China's imports and exports to North Korea in March 2018 amounted to $12 million and $143 million, respectively, indicating respective drops of 89 percent and 56 percent from the previous year.[28]

Until early 2018, the Trump administration allegedly prepared plans to target North Korean leadership as part of a regime change operation,[29] and Beijing nervously persuaded Pyongyang to put forward at least some semblance of denuclearization. At the same time, China has visibly relaxed sanctions on North Korea in recent months following the detente, as the risk of war significantly declined. With a peace treaty in the Korean peninsula at least under discussion, a recent UN report highlights a "massive increase" in fuel shipments to North Korea from China and Russia, a renewed influx of North Korean workers into China, and rebounding Chinese tourism to North Korea.[30]

Iran's economic reliance on China is minimal compared to that of North Korea, and Beijing's leverage on Iran is therefore weaker to start with. However, a credible military threat on Iran is highly likely to force Beijing's hands as well, since it is averse to a costly war in the Gulf that could disrupt its commercial activities. Furthermore, given the Trump administration's well-known aspiration for regime change in Iran, China may fear that Tehran's forced denuclearization could lead to the removal of the Iranian regime: Tehran has turned increasingly pro-China in recent years and Beijing will not want to lose a useful partner in the region. There is little literature on China's stance following Russia's suspension of the S-300 delivery to Iran,[31] which left the regime even more vulnerable to a potential Israeli airstrike. Although the system was delivered to Iran later in 2016, Iranian generals acknowledged they were genuinely afraid that an attack was imminent. While previous analyses have scrutinized Iran's increased willingness to engage in dialogue in conditions of such vulnerability, it remains unclear how much Beijing was unnerved by such circumstances. A substantial shift in China's attitude toward the sanctions regime, if uncovered, could explain how a potential of military conflict influences China's calculation. As we see further radicalization of the Iranian regime by the religious factions under Ayatollah Khamenei's influence, a military standoff could be less implausible.

Secondary Boycott

Secondary boycott also proved to be an effective tool of persuasion. China views American secondary sanctions as harming the principles of non-interference and sovereignty. However, direct consequences for major Chinese companies that refuse to comply with international sanctions could force Beijing to subscribe to American policies. Secondary boycotts have

been working on two different levels. First, they limit Chinese companies' access to the US-led global financial and banking system. Second, they pit Chinese businesses against the government, as interest-driven companies lobby the central government to do its part in solving the problem so that they can safely deal with North Korean or Iranian entities.

On Iran, the US Treasury Department imposed sanctions on Chinese companies and individuals for selling dual-use items that could contribute to Iran's missile and nuclear programs. However, Washington traditionally toned down its measures to respect Chinese interests in Iran. For example, Section 1245 of the 2012 National Defense Authorization Act (NDAA) issued bi-annual exemptions to China to reward Beijing's "significantly reduced" imports of Iranian oil.[32] On North Korea, the intensity of economic coercion was much higher, targeting key Chinese financial assets in institutions such as Shandong Bank, HSBC, and Banco Delta Asia at the risk of a diplomatic showdown.[33] While the extent of a secondary boycott did not dramatically expand since President Trump's inauguration, Washington's unprecedentedly hawkish stance regarding Beijing's trade practices became a key lever to force China to put more pressure on North Korea. The Trump administration's decision not to label China a currency manipulator in October 2017 was widely seen as influenced by the then-delicate situation in North Korea.[34]

Conclusion

Ultimately, China is a highly calculating entity. The leadership in Beijing views neither North Korea nor Iran as a true friend. Xi Jinping himself allegedly despises the young North Korean leader, and Beijing shares little historical or cultural attachment to Iran. In fact, China's faithful observance of the sanctions regime is at least partly motivated by the desire to maintain its bilateral advantage over the proliferators. China is often described as "punishing" North Korea for going against its will by imposing more sanctions, to ensure that Pyongyang properly respects Chinese interests.

Unlike the US, which is sometimes restrained by its liberal values and intricate alliance systems, China makes key decisions based almost totally on material interests. China is relatively free to exercise full pragmatism. China's position in nuclear negotiations, especially with Iran, is likely to remain fluid, affected by its overall foreign policy design. The trajectory of denuclearization in both North Korea and Iran is likely to continue fluctuating in the near future. With American unilateral sanctions mounting

significant pressure on the Iranian regime,[35] Israel should prepare a plan that enlists China's cooperation in case Iran leaves the JCPOA.

First, Israel needs to bolster the partnership with the US, to pressure China if necessary. It would be in Israel's interest to persuade Washington to increase pressure on Chinese businesses that continue to deal with Iran and ensure that a secondary boycott by the US on Chinese firms is on the table as part of the contingency plan. Further, Israel should work with the US to assess China's intentions and stakes in Iran by asking, "How important is China's relationship with Iran relative to its broader goals in the region?" and, "How far is China willing to go to defend Iran from Western pressure at the expense of its own interests elsewhere?"

Israeli officials also need to discuss Beijing's core interests directly with their Chinese counterparts. In turn, they must make a convincing case that Iran's nuclear program will not only dim the prospects for the Belt and Road Initiative in the broader Middle East, but also drive a wedge between China and other regional countries threatened by Iran, such as Saudi Arabia and the United Arab Emirates. To that end, Israel could pursue a common diplomatic front with relevant parties – many of which can help reduce China's reliance on Iranian oil – to help bring China on board. Ultimately, growing commercial and technological ties between Israel and China should be a two-way street instead of a vehicle for one-sided advantage for Beijing. China seeks Israel's location for trade connectivity, as demonstrated by its investments in the Haifa port;[36] Israel should exploit China's ambition to precipitate more profound cooperation in countering Iran. In the most dire circumstances, Israel should also remind Beijing that a military approach remains on the table in order to convey the gravity of the situation.

Overall, Israel should appeal to China's intention to remain a stakeholder in the region. Xi Jinping's foreign policy leadership suffered a significant setback due to a costly trade conflict with the US. The Belt and Road Initiative is already facing global cutbacks. China does not want any more foreign policy debacles that can undermine its great power status; what it certainly would like to avoid is to be singled out as an accomplice of the Iranian regime's pursuit of nuclear weapons, as it has been in the case of North Korea.

Notes

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