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Dissertation Title:

Iran Sanctions in US – China Relations

American Guarded Engagement vs. Chinese Soft Balancing

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The Iran Factor in US – China Relations: Disputes over Sanctions on Iran

Abstract

Throughout the nuclear dispute, the United States actively engaged with world powers and the trade partners of Iran to make sanctions effective in pressuring Tehran. Most trade partners of Iran reduced trade with this country either voluntarily as alignment with the United States, or under pressures from Washington. The role of China as the first trade partner of Iran and as a veto power in the U.N. Security Council was controversial. In practice, China continued and even expanded trade with Iran; and the Chinese companies somehow filled the void of the absence of European and Asian rivals. This dissertation plans to answer the question that why the United States could not make China follow sanctions similar to other trade partners of Iran. It studies U.S. policy to make China follow sanctions on Iran, China's response, and the limitations of Washington in dealing with Beijing. Reviewing the events through process-tracing method, shows that the Obama administration implemented a guarded-engagement strategy to make China join sanctions and reduce trade with Iran. The United States diplomatically engaged with China and considered Chinese economic and energy interests and security concerns in the region. On the other hand, Washington pressured Beijing through different channels such as sanctions against Chinese companies and banks. In response, China followed a soft-balancing strategy. This rising power did not directly stand against the United States to safeguard grand interests in relations with America and the West. China eventually voted for all the UN Security Council resolutions after some modifications on the texts to secure China's interests. On the other hand, China practically continued and even expanded trade with Iran and refrained voluntary cooperation to make sanction costly and abortive in order to thwart U.S. domination over the energy-rich Middle East, and to prevent U.S. concentration on East Asia where China's core interests are located. The United States faced limitations in making China follow Iran sanctions similar to what other trade partners of Iran did. These limitations can be categorized in economic and political boundaries. Sanctions against China, as the first trade partner of the United States, would endanger U.S. economic interests and might antagonize China to join anti-American coalitions and to stand against the United States in other issues. Keeping close relations with China and other major economies is essential for America to safeguard the role of U.S. dollar as the world reserve currency. Despite the threatening American rhetoric, Washington never imposed serious sanctions on major Chinese energy companies dealing with Iran. Neoclassical realism theory provides a flexible framework by considering both the structural position of states in the anarchic international system, and the domestic factors concerning the key role of the policymakers, and the complex interactions between them. The findings of this study show that decades of exceptional economic growth has placed China in such a position that U.S. power tools such as threats, sanctions and pressures are either too costly and risky, or less productive in making China follow American policies.

Key Words:

US-China Relations, Iran Sanctions, Guarded Engagement, Soft Balancing, Neoclassical Realism Theory

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Chapter 1:

Introduction

1-1) Background

Since Deng Xiaoping era in 1978, China's rapid economic growth has continuously elevated the position of this country in the international system. Today China is not limited in its own borders, and this rising power has a stake in every major international issue such as the Syrian crisis and the disputes over the nuclear program of Iran. The rise of China inevitably poses challenges to American policies. China is neither an ally nor an enemy of the United States. Unlike the European powers and Japan, China is not placed among Western democracies and it does not align with the United States in most international issues. Similarly, unlike the Soviet Union, China is not an adversary of the United States, and does not follow expansionist and confrontational policies. Rather, as a major trade partner¹ of the U.S. and the West, this rising power cooperates on many common economic and security interests and concerns; and concurrently, it assertively follows China's economic and strategic interests, which are not necessarily in tandem with those of the United States.

¹ In 2017 US-China bilateral trade exceeded 636 billion. China is accounted for 14 percent of US total trade. The United States as the first and richest market for China's export-based economy is accounted for 18 percent of China's total trade (US Census Bureau, March 18, 2018).

The Iran factor stood among top issues in U.S. – China relations from 2005, when Iran resumed nuclear program, to 2015, when Iran and the P5+1 signed the nuclear agreement JCPOA. Generally, Washington and Beijing have different perceptions of Iran and its nuclear program. According to the declared policies of American presidents George W. Bush, Barack Obama, and Donald Trump, Iran has stood among the top concerns of Washington even after the nuclear deal. They have frequently threatened Iran with “all options on the table” (Trump, 2017; Obama, 2015; Bush, 2006). American authorities have repeatedly claimed that Iran’s nuclear program “threatens the security of the United States and allies,” “endangers the balance of power in the volatile Middle East” and Iran may “transfer” nuclear technology or weapons to U.S. enemies and “the terrorist groups such as Hezbollah and Hamas” (Ibid). In response, Iran has frequently rejected the claims and has called its nuclear program to be “peaceful, and in the framework of international regulations” and as an “absolute right,” and the Iranian authorities have repeatedly claimed the nuclear issue to be a “constructed crisis” and a “pretext for imperialistic purposes” (Rouhani, 2015; Ahmadinejad, 2012).

China does not share most of American concerns about Iran and its peaceful nuclear program. China and Iran have had peaceful relations throughout their long history of interactions. Furthermore, significant economic and strategic interests link Tehran and Beijing; and the prospect of confrontation between the two nations is far and unexpected (Garver, 2006; Pieper, 2013; Sell, January 4, 2018). Iran is a great energy exporter and China is a major energy importer in a relatively close geographical distance. For China, the most daunting challenge is a probable confrontation with the United States. Many American and Chinese scholars and politicians view such confrontation as quite probable and not too far (Carter, 2016; Baodong, 2010; Mearsheimer, 2010; Phillips, 2017; Graaff & Apeldoorn, 2018). In the case of confrontation between the two great powers, access to energy can be China’s Achilles heel as most energy exporting countries in the Middle East are American allies which are expected to side with Washington (Mearsheimer, 2010, p. 395). In that probable scenario, Iran as a major energy exporter and as an independent regional power can be a great opportunity for China, making it less dependent in American allies

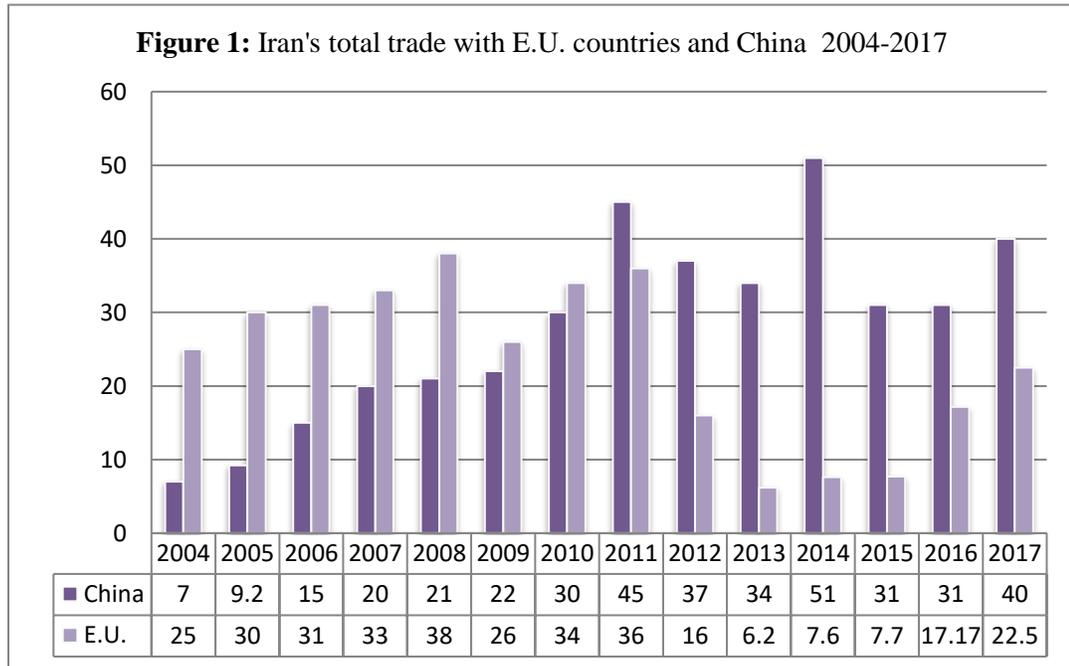
(Mousavi & Khodaei, 2013; Mousavi & Khodaei, 2016; Izadi & Khodaei, 2017). Nevertheless, in the case of regime change in Iran, or joining of Tehran to the Western block, U.S. full domination over the flow of energy from the Middle East can make China more dependent in the United States for its growing energy imports. In that condition, Washington may use China's increasing energy dependency to leverage pressures on Beijing and control its behavior in many other areas of their complicated relations (Ibid).

Furthermore, as long as, there is a resistant and defying Iran in the Middle East, the United States cannot fully concentrate on East Asia where China's core interests are located (Garver, 2011, p. 79). Events such as 9/11 terrorist attacks and the nuclear program of Iran have made U.S. foreign policy entangle in the Middle East away from East Asia where China is rising and prospering to be the main rival of the United States in the twenty first century (Haass, 2013; MacKinnon, 2011; Layne, 2008). Practically, the United States "under-invested in Asia due to its preoccupation with the war on terror" (Sanger, 2012, p. 412). Above all, Mideast challenges have made the United States dependent in China for cooperation in dealing with these challenges giving Beijing a leverage to secure interests in relations with the United States and to expand its influence and credibility in the Middle East and worldwide (deLisle, 2011; Izadi & Khodaei, 2017; Mousavi & Khodaei, 2016).

1-2) Statement of the Problem

After the referral of the nuclear dossier of Iran to the U.N. Security Council in 2006, most trade partners of Tehran withdrew or reduced trade either under U.S. pressures, or voluntarily as alignment with American policies. However, China did not draw back from Iran; rather Chinese companies used the opportunity of the absence of advanced European and Japanese companies to backfill their position. They showed up in most sections of the Iranian economy, from oil import and investment in energy industries, to construction projects such as the metro system in Tehran

and road building projects. In 2007, the year after the referral of Iran to the UN Security Council, China exceeded Germany and Japan to stand as the first trade partner of Iran (International Trade Center, 2014). The following diagram depicts the total trade of Iran with E.U. countries and China from 2004 to 2015.

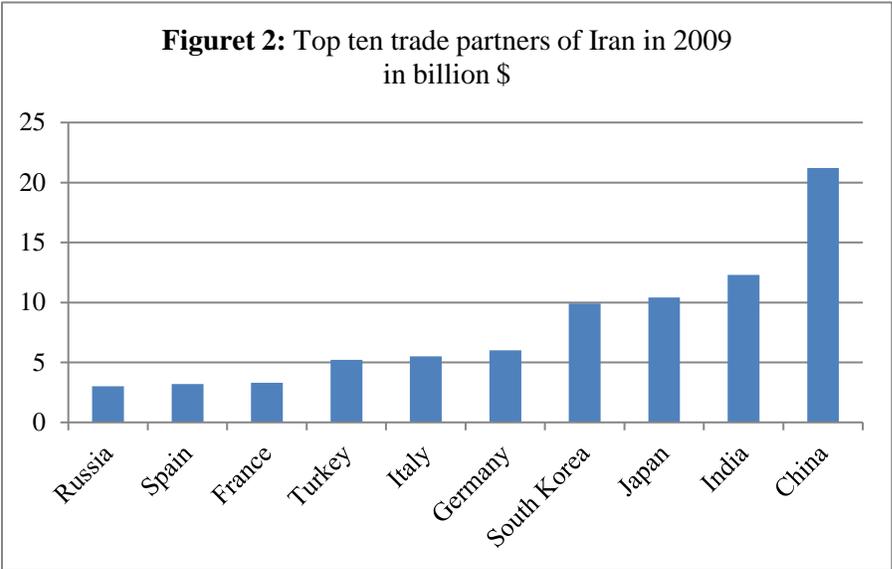


Source: data extracted from (European Commission, 2018)

U.S. policy of sanctions against Iran expanded by President Obama in 2011-2015. Many trade partners of Iran reduced trade with this country. Yet, China continued and even expanded trade with Iran. As the above diagram depicts, in 2011 China exceeded the total E.U. trade with Iran despite intensified pressures from the Obama administration, and while the Congress had just ratified the Comprehensive Iran Sanctions and Divestment Act (CISADA) to impose sanctions on trade partners of Iran.

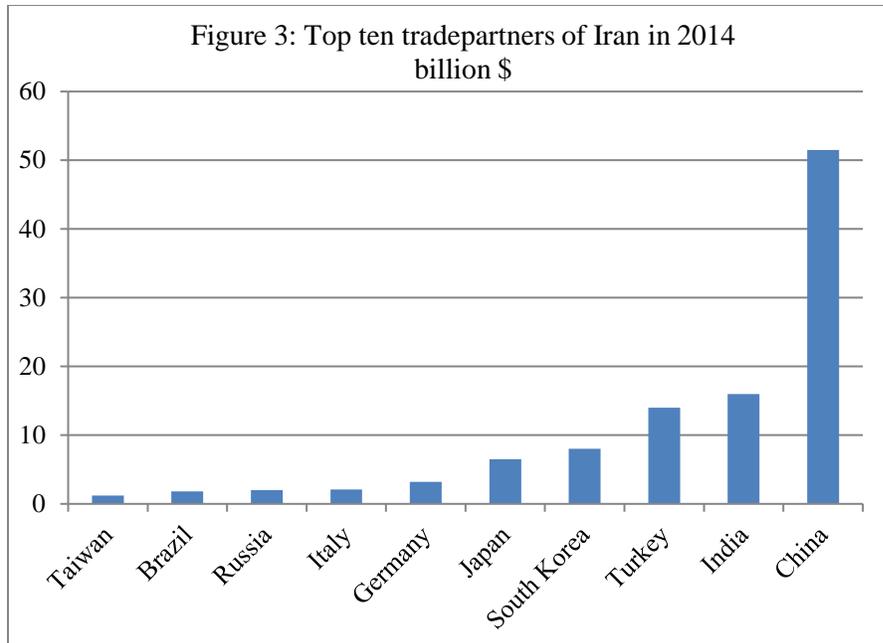
The United States desperately needed cooperation from all major trade partners of Iran to make sanctions effective in pressuring Tehran. The role of China as the first trade partner of Iran, as a veto power of the U.N. Security Council, and as the main rival of the United States in the 21st

century was extremely defining in sanctions against Iran. The following figure illustrates Iran's top ten trade partners in 2009, the first year of President Obama's administration.



Source: data extracted from the International Trade Center

Most trade partners of Iran gradually reduced trade with this country since 2009, either voluntarily and as alignment with Washington, or under pressures from the United States. Despite pressures from the Obama administration, China kept on close relations with Tehran and challenged the Western sanctions against Iran. Figure 3 depicts top ten trade partners of Iran in 2014, the year before the nuclear deal between Iran and the P5+1.



Source: data extracted from (International Trade Center, 2015)

Comparing Figures 2 and 3 shows that the United States under Obama administrations could make most trade partners of Iran reduce trade with this country. However, during the same period, China continued and even expanded trade with Iran. Why? This dissertation plans to uncover the events that shaped the behavior of Washington and Beijing in disputes over sanctions against Iran.

Despite limitations and sanctions, China continuously maintained highest trade record with Iran up to the interim deal in 2013 and the eventual nuclear deal in 2015. During this period, China's oil imports from Iran ranged between 555000 barrels per day in 2011, to 439000 barrels per day in 2013, when Iran faced the worst sanctions and bank limitations (EIA, 2015, p. 13). In response to the opponents of Iran nuclear deal in the Congress, President Obama and the Secretary of State Kerry referred to the U.S. limitations and difficulties in making some trade partners of Iran, particularly China keep the sanctions regime.

According to John Kerry, continuation of sanctions against Iran was too difficult and costly for American interests; and it did not have cooperation from other countries because it was "costing

them billions of dollars” (Kerry, Sep 2, 2015). According to President Obama, without the nuclear deal, the United States would have to “cut off countries like China from the American financial system” to keep the sanctions against Iran. and “since they happen to be major purchasers of our debt, such actions could trigger severe disruptions in our own economy and, by the way, raise questions internationally about the dollar’s role as the world’s reserve currency” (Obama, 2015).

1-3) Research Questions

This dissertation plans to study US – China relations in the case of sanctions against Iran before the nuclear agreement or the JCPOA, and answer the following three major questions.

1. What strategy did the Obama administration pursue to make China follow sanctions against Iran? How did this administration use U.S. power tools to make China cooperate with sanctions on Iran?
2. How did China respond to the US-led sanctions against Iran? What strategy did Beijing follow in the international disputes over sanctions on Iran?
3. Why did the Obama administration fail in making China significantly reduce trade with Iran (similar to most other trade partners of Tehran)? In other word, what were limitations of Washington in making Beijing follow sanction against Iran?

For each of the three major questions, a corresponding hypothesis is presented according to the logic of the theoretical framework discussed in the following pages.

More Questions:

In order to answer the above major questions, this dissertation will deal with the following minor questions as well:

- ✓ How did the issue of sanctions against Iran affect other aspects of relations between Washington and Beijing?
- ✓ How did U.S strategies toward China and Iran affect each other in disputes over the nuclear program of Iran and sanctions against this country?
- ✓ How did China use the nuclear dispute of Iran to follow its grand interests?
- ✓ Considering China’s resistance to sanctions against Iran, what role did China play in forming the Iran nuclear deal JCPOA?

1-4) Theoretical Framework

Theories concerning U.S. – China relations, stand between the two extremes of liberal cooperation and realist confrontation. According to the liberal perspective, the rise of China is not an intrinsic threat against the United States and both powers may engage and cooperate on many common security and economic interests. Some liberal scholars believe that China is getting more cooperative and responsible, because as China's involvement in international system gets deeper and broader, its behavior is controlled more by international institutions and regimes; therefore, China gets more cooperative with the dominant international system (James & Seters, 2014; Keohane & Nye, 1997). According to John Ikenberry, "the United States can make the liberal order so expansive and institutionalized that China will have no option but to join and operate within it" (Ikenberry, 2012, pp. 348-349). Other liberal scholars believe that U.S. engagement with China will lead to the prosperity of the Chinese economy and eventually will bring about a thriving middle class in the Chinese society. This middle class as the engine of democracy will gradually move this country toward a democracy; and Beijing will align with Washington in international issues similar to other democratic nations such as France, Germany and Japan (Bell, 1995; Fukuyama, 2012; Nathan, 2016).

Realist scholars reject the above notions as naïve and too optimistic views. They believe that the rise of China is an inherent threat against the United States, because it jeopardizes the unique position of America in the international system (Mearsheimer, 2010; Zakaria, 1999). They argue that if China does not follow confrontational policies today, it does not mean that in the future it will not. According to Fareed Zakaria, history shows that "as states grow increasingly wealthy they build large armies, entangle themselves in politics beyond their borders and seek international influence" (Zakaria, 1999, p. 3). Realist scholars believe that states are concerned about their own national security and focus on relative interests rather than absolute interests, to keep the balance of power and prevent the rise of other states (Waltz, 2008; Shahidani & Vladimirovich, 2014). According to Robert Gilpin, history has proved that a "hegemonic war"

between the hegemon and the second power is inevitable (Gilpin, 1981, p. 16). John Mearsheimer believes that the United States is expected to follow a containment policy toward China, similar to the same policy against the Soviet Union during the Cold War (Mearsheimer, 2010, p. 390).

Realist views are criticized for ignoring differences between the Soviet Union and China. Unlike the Soviet Union, China does not follow expansionist foreign policy and does not intervene in the domestic affairs of its neighbors. Therefore, American allies in the Cold War do not feel threatened the same way toward China and are not expected to rally round the flag of containment of Beijing. Rather, they have huge economic interests in keeping and expanding relations with China. Thus, in this new probable Cold War, America may stand alone unable to form a powerful coalition against the rising China (Tellis, 2014). Furthermore, due to economic interdependence, the United States and China have a lot of common interests and concerns; so confrontational policies undermining China's economy may affect the United States as the first trade partner of this country (Reichwein, 2015). Realists are also criticized for ignoring the increasing role of international institutions in removing misunderstandings and providing a background for cooperation among states (Pollack, 2001). Moreover, realism is criticized for expecting confrontation between Washington and Beijing; because this expectation by itself can lead to self-fulfillment and be a cause for conflict by providing the mentality of war (Schildt, 2006).

Each of the extreme realist containment and pure liberal engagement perspectives may explain certain aspects of US – China relations. They simplify complicated international issues to be explainable within the general logic of liberalism or realism. However, both extreme approaches of containment and engagement are unable to explain the complicated relations between the United States and China in the twenty first century. It seems that relations between the great powers in the 21st century go beyond downright liberal cooperation and pure realist confrontation of the Cold War era.

1-4-1) Neoclassical Realism

Most Scholars who have studied U.S. – China relations, believe that neither engagement/cooperation nor containment/confrontation approaches can explain the complicated relations between Washington and Beijing in the real world. Rather, American and Chinese policy makers have followed strategies which may have elements of both perspectives (Logan, 2013; Schildt, 2006; Ikenberry and Kupchan, 2004; Li, 2015; Art, 2012; Tellis, 2014; Pape, 2005; Paul, 2005; Ferguson, 2012; Graaff & Apeldoorn, 2018).

These scholars use different terms to describe U.S. policy toward China. Justin Logan calls it “congagement”, which is formed from the two terms of “containment” and “engagement” (Logan, 2013). Ikenberry and Kupchan have preferred the term “liberal realism” for U.S. policy toward China (Ikenberry and Kupchan, 2004). Christopher Schildt prescribes “guarded engagement” as the best strategy in dealing with China (Schildt, 2006). Robert J. Art describes U.S. strategy as “selective engagement” (Art, 2012). Graaff and Apeldoorn have preferred the term “coexistence” to explain U.S. grand policy toward China (Graaff & Apeldoorn, 2018). On the other hand, Scholars who have studied China’s policy toward America, have used the term “soft balancing” which practically stands between the two extremes of realist cooperation and liberal confrontation (Pape, 2005; Paul, 2005; Ferguson, 2012). These studies primarily through realistic views focus on the role of power in explaining relations between the United States and China. However, they pragmatically contribute to the defining role of American and Chinese leaders who make decisions according to their own perceptions and calculations.

Gideon Rose (1998) used the term “neoclassical realism” for the works of a group of foreign policy scholars such as William Curti Wohlforth, Stephen G. Brooks, Thomas J. Christensen and Fareed Zakaria who considered both international and domestic factors in their studies. Neoclassical realism, as one of the latest endeavors of realism, tries to combine both the structural factors and the role of policy makers to explain relations between states.

According to neoclassical realism theory, the position of a state in the international system (in accordance to its relative power), is the independent variable in defining its foreign policy behavior which is the dependent variable. The key role of policymakers, as the intervening variable, is translating the relative power to foreign policy behavior. They make decisions according to their own perception of the relative power or position of the state in the international system (Rose, 1998). Figure 4 depicts three types of variables in neoclassical realism theory in the case of the United States.

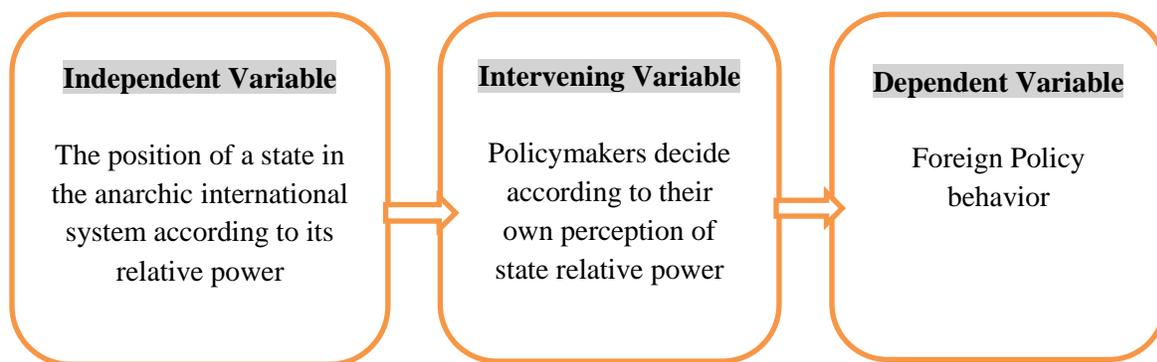


Figure 4: Independent, intervening, and dependent variables in neoclassical realism theory
Source: provided by the author, according to (Rose, 1998)

Adherents of neoclassical realism argue that “Innenpolitik” theories such as classical realism and constructivism ignore the role of structural factors and limit their vision to domestic factors such as political and economic ideology, national, character, partisan politics, psychology of leaders and domestic political pressures (Christensen, 1996; Rose, 1998). According to neoclassical realism “if there is any single, dominant factor shaping the broad pattern of nations’ foreign policies over time, it is their relative material power vis-a-vis the rest of the international system this is where analysis of foreign policy should begin” (Rose, 1998, p. 150).

On the other hand, neoclassical realists further criticize structural theories such as neorealism, and offensive and defensive realism for ignoring the domestic factors such as the role of leaders and domestic political pressures. According to neorealism theory, the anarchic structure of the international system is the main factor in defining the behavior of states, which struggled for security (Waltz, 1979). Offensive Realism assumes that international anarchy is generally

Hobbesian and security is scarce and states try to achieve it by maximizing their relative advantage (Mearsheimer, 1994). Defensive realism, in contrast, assumes that international anarchy is often more benign, and security is often plentiful rather than scarce (Snyder, 1991). Neoclassical realists argue that a theory of foreign policy should not be limited to systemic factors. This theory tries to clarify how systemic pressures are translated through unit-level intervening variable such as decision makers' perception and the domestic politics; because foreign policy outcomes are shaped by both international and domestic politics.

Neoclassical realism stands in the middle ground to revive realism in explaining the new world. According to Friedberg, a rising power such as China, naturally wishes to change the status quo to establish new arrangement that reflect its own conception of its place in the world. However, Chinese leaders are faced to many limitations from the internal and external environment. Of course, there are tendencies for confrontation between the United States and China, but conflict is not an inexorable law. Whether the two powers confront in East Asia, depends in policy makers in the United States, China and other actors in this part of the world (Friedberg, 1996).

Neoclassical realism, also stands somewhere between structural theories and constructivism. According to structural realists, there is a direct link between the systemic constrains and the unit-level behavior; while constructivism deny that any objective constraints exist at all, arguing that reality is socially constructed and "anarchy is what states make of it" (Wendt, 1992). Neoclassical realists recognize the role of structural factor and position of states in the international system as the independent variable. They further believe that political leaders as the intervening variable make decisions according to their own "perception" of reality and relative power of their state. Therefore, anarchy is "neither Hobbesian nor benign, rather murky and difficult to read" (Rose, 1998, p. 152).

According to Rose, neoclassical realism does not provide a general theory on international politics. Rather, it tries to explain the foreign policy behavior of a specific state. Neoclassical realism offers a framework in which a precise picture of any country's foreign policy can be

obtained (Rose, 1998, p. 145). This theory does not repeal the general tenets of neorealism perspective of Waltz, Gilpin, and others, who view the anarchic structure of the international system as the defining factor in foreign policy. It neither revoke the views of classical realists such as Morgenthau, Kissinger, and others who believe in the defining role of domestic factors including the decision makers of foreign policy. Neoclassical realist such as Rose and Wohlforth argue that foreign policy is primarily driven by the position of a state in the international structure. However, the system cannot directly influence foreign policy behavior, because systemic pressures must be translated through intervening levels at the unit level (Omar, 2013).

1-4-2) Theoretical Questions

According to the theoretical framework of neoclassical realism, the position of U.S. and China in the international system (in accordance to their relative power) is the independent variable in defining their foreign policy behavior as the dependent variable. American and Chinese policy makers, as the intervening variable, translate the relative power to foreign policy behavior. Policymakers decide according to their own perception of the relative power or position in the international system. Neoclassical realism theory particularly contemplates on impacts of changes in relative power of states on their foreign policy behavior. This issue matters profoundly in relations between the rising China and the United States in the new world where the undoubtable increase of the relative power of the first certainly has effects on the latter. The major three questions of this dissertation can be placed in the following theoretical question:

- ✓ According to the considerations of neoclassical realism theory, how did the American and Chinese policymakers (as the intervening variables) translate the relative power of their own states (as the independent variable) in determining their policies (as the dependent variable) in the case of differences over sanctions against Iran? In other words, how did the position of U.S. and China in the international system (according to their relative power), and the policymakers shape the foreign policy behavior of U.S. and China in disputes over sanctions against Iran?

- ✓ How did the increase in the relative power of China affect the foreign policy behavior of Washington and Beijing in the struggles over sanctions on Iran?

The following figure depicts the theoretical questions according to the concepts of neoclassical realism.

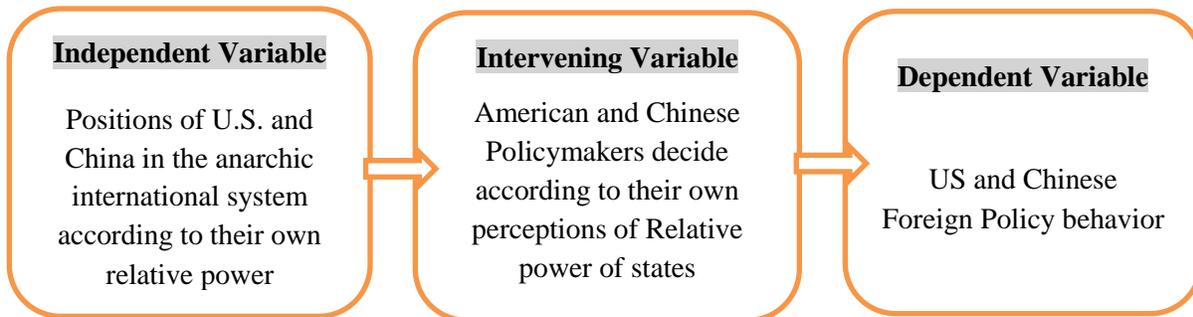


Figure 5: Independent, intervening and dependent variables of this dissertation

1-5) Hypotheses

In answer to the three major questions of this dissertation, the following hypotheses are framed according to the theoretical framework of neoclassical realism.

1-5-1) Guarded Engagement

Generally, according to the realist considerations of neoclassical realism, the United States is expected to pursue the realist objective of preventing China threaten US position in the system. However, according to the secondary considerations of this theory, American policy makers, as the intervening variable, calculate risks, costs and outcomes of confrontation or containment of China. Unlike the Soviet Union, China is a major trade partner of the United States; jeopardizing these economic interests can have great consequences on U.S. economy (Logan, 2013). The United States also needs China's cooperation on different issues (Izadi & Khodae, 2017; Mousavi & Khodae, 2016). Downright realist containment may alienate China to join political coalitions challenging U.S. policies around the world. Furthermore, as China does not follow expansionist policies, American allies in the Cold War do not view China as a security threat and are not

expected to actively join in a new Cold War against Beijing; rather, they have great economic interests in keeping and expanding relations with China (Tellis, 2014).

This does not mean that American policymakers abandon realist objectives or follow liberal policies and let China endanger U.S. position in the international system. Rather, according to neoclassical realism, U.S. policy makers are expected to calculate costs, risks and interests to find a third way beyond engagement and containment in order to build a strategy to prevent China threaten U.S. position in the system and at the same time enjoy the benefits of engagement with Beijing in economic and other international issues. Some scholars have called this strategy as “guarded engagement” (Papayoanou & Kastner, 1999; Rielly, 1999; Schildt, 2006; Izadi & Khodae, 2017; Mousavi & Khodae, 2016). According to this strategy, the United States engages and cooperates with China on common interests, and at the same time, it prepares to use American higher hand and broader power sources as sticks when necessary to make China follow American policies (Schildt, 2006, p. 233). So, in answer to the first major question of this dissertation, according to the logic of neoclassical realism, the first hypothesis is framed in the following term:

Hypothesis 1

The United States implemented a guarded engagement strategy to make China follow sanctions against Iran and reduce trade with Tehran. The Obama administration used diplomacy, respected China’s interests and concerns, and engaged with China; on the other hand, Washington threatened and pressured Beijing through different channels to make China follow sanctions against Iran.

1-5-2) Soft Balancing

According to the theory of neoclassical realism, the position of a state in the international system is the independent variable in determining its foreign policy behavior as the dependent

variable. An increase in the relative power of a state (such as China), will eventually elevate its position in the system leading to a “corresponding expansion in the ambition and scope of a country’s foreign policy activity (Rose, 1998, p. 167). But unlike Gilpin (1981), scholars of neoclassical realism don’t claim that this tendency will necessarily lead to confrontation between the rising state and the first power; because policymakers as the intervening variable translate the relative power into foreign policy and make reasonable decisions based on their own perception of the relative power of their own state (Rose, 1998).

According to the primary considerations of neoclassical realism, China is expected to balance against the United States and try to replace its position in the system. However, according to the secondary considerations of this theory, the Chinese policymakers, as the intervening variable calculate risks and costs to make decisions according to their own perceptions of China’s relative power. They know that direct confrontation against the United States is too costly and risky, and the prospect of victory is too slim and too far, because the United States is economically and militarily more powerful and has much more allies around the world.

However, it does not mean that the Chinese policymakers put away the realist consideration, succumb to the United States, and follow American policies. Rather, neoclassical realism expects the Chinese decision makers to find or build a third way to pursue the realist objectives of expanding China’s relative power to elevate its position in the international system at the expense of the United States, and at the same time, avoid the risks and costs of confrontation and enjoy the benefits of engagement with Washington. In other word, China does not stand directly against the United States, but it refrains from voluntary cooperation and tries to make U.S. policies costly and abortive. Scholars of neoclassical realism have called this policy as “soft balancing” strategy (Pape, 2005; Paul, 2005; Ferguson, 2012).

In answer to the second major question, according to the logic of neoclassical realism, the second hypothesis is framed in the following terms:

Hypothesis 2

Without directly standing against Washington, China followed a soft-balancing strategy to make Iran sanctions abortive and costly in order to prevent US hegemony over the Middle East. In other words, China did not directly stand against the United States to safeguard its grand interests in relations with Washington, and under U.S. pressures, China eventually voted for the U.N. resolutions against Iran. On the other hand, Beijing refrained from voluntary cooperation with sanctions and continued trade with Iran to make sanctions abortive and costly, and to prevent U.S. domination over the Middle East.

1-5-3) Guarded Engagement vs. Soft Balancing

Neoclassical realism theory particularly contemplates on impacts of changes in relative power of states on their foreign policy behavior. This issue matters profoundly in relations between Washington and the rising Beijing in the new world where the increase of the relative power of China certainly has impacts on the position of the United States. Disputes over the nuclear program of Iran and the subsequent American sanctions - that involved China - provides a good case to study the struggle between the complicated strategies of American guarded engagement and Chinese soft balancing. In answer to the third major question, the third hypothesis is framed in the following words:

Hypothesis 3

Decades of rapid economic growth, has increased China's relative power and has placed this power in such a position that U.S. power tools, such as bargaining, threats, sanctions, and pressures are either less productive or too costly for Washington to

make Beijing follow American policies. These limitations acted as one of the causes in making the Obama administration seek a nuclear deal with Iran.

1-6) Methodology

This dissertation plans to use case study as the research strategy, and process tracing as the methodology, to study cooperation and non-cooperation in U.S.-China relations in the case of sanctions against Iran. Case study is one of the most common qualitative procedures used in social sciences. A case study is a “research strategy based on the in-depth empirical investigation of one, or a small number of phenomena in order to explore the configuration of each case, and to elucidate features of a larger class of similar phenomena, by developing and evaluating theoretical explanations” (Ragin, 2000, p. 64).

In a case study, the researcher should have a clear research plan and define, delimit and describe the case; because cases are not waiting out there to be studied (Vennesson, 2008). Case studies may require qualitative and quantitative methods such as content analysis, interviews, observation, historical analysis and process tracing to collect and analyze data. The researcher must gather and store multiple sources of evidences comprehensively and methodically, in formats that can be referenced and stored (Soy, 1997).

In case studies, the most important problem is providing a research policy, which can distinguish between suggestive correlation and causal relation between variables by closely testing the mechanism (George & Bennett, 2005). Process tracing method is very useful in this regard. This dissertation uses process tracing to answer the main question and examine the hypotheses.

1-6-1) Process Tracing Method

Historians and social science scholars have used different terms for what is now called process tracing; terms such as “genetic explanation”, “sequential explanation”, “a chain of causal explanation”, “narrative explanation”, “model of continuous series”, and “colligation” (George & Bennett, 2005). In 1985, Alexander George and Timothy McKeown provided the earliest

definitions of process tracing in political science as a method within case analysis to evaluate causal processes. They described process tracing as “a method to investigate and explain the decision-making process by which various initial conditions are translated into outcomes and attempts to uncover what stimuli the actors attend to” (George & McKeown, 1985, p. 35).

Since then, many scholars have worked on this method to make most common conceptions of process tracing more standardized. According to George and Bennett “process-tracing method attempts to identify the intervening causal process – the causal chain and causal mechanism – between an independent variable (or variables) and the outcome of the dependent variable in a particular case in a particular historical context” (George & Bennett, 2005, p. 206). According to David Collier, process tracing in political science, focuses on causal mechanisms linking causes with outcomes to evaluate and develop theories and test hypotheses based on a qualitative data (Collier, 2011).

Generally, Process tracing is a method to move beyond correlation toward causal inference about why certain behaviors and policies are conducted (Lyall, 2014). This method can be compared to what a detective does to disclose a crime. “The maid said this; the butler said that; and the suspect was seen at the scene of the crime on Tuesday, just prior to the murder... these facts are relevant to the central hypothesis - that Jones killed Smith...” (Gerring, 2009, p. 173).

However, despite similarities, process tracing is different from historical narrative of storytelling. First, process tracing is focused and selectively deals with certain aspects of the phenomenon. Second, process tracing is structured, because the investigation is based on the theoretical framework of the research plan. Third, process tracing ultimately tries to provide a narrative explanation of causal path, which leads to specific outcomes (Vennesson, 2008, p. 235). Historical narrative and chronology provide a sequence of events rather than explaining how particular events have formed; But process tracing, when properly conducted, can establish a standard plan which can explain relations between events (Mahoney, 2004).

1-6-2) Causal Mechanism

The main question that process-tracing method tries to answer is how to distinguish between correlation and causal relation between events. The researcher begins his work with an observable correlation, and then he goes after the causal mechanism that links variables in the complicated chain of phenomena of the social world. Process tracing is very helpful in dealing with the problem of “selectivity and omitted variable” which seriously hurts the credibility of most studies of social sciences (Mahoney, 2004). This problem darkens the outcome of many studies because they cannot distinguish between feigned correlation and real causal relation. For example, a liberal theory claims that a powerful middle class is a necessity for the stability of a democracy (Fukuyama, 2012). In order to examine this hypothesis through a case study strategy and process tracing method, the causal mechanism should be examined to show whether the relation between a democracy and a powerful middle class is a feigned correlation or a real causal relation links the two phenomena.

“Causal mechanism” is a key concept in process tracing method. However, this concept can be confusing because there is no clear consensus in the literature on what constitutes a mechanism (Shaffer, 2014). Some scholars have tried to provide further details on causal mechanism of process tracing. Punton (2015) has used the following “black box” analogy to describe it.

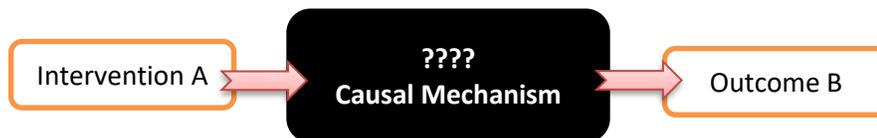


Figure 6: the black box of causal mechanism in process tracing (Punton, 2015, p. 3)

Process tracing method tries to open up this black box to discover the causal mechanism inside it. In physics for example, gravity theory explains why a ball falls down after dropped in the air. In social and political world much more factors are involved to show –for example– how a powerful middle class can lead to a stable democracy. Beach and Pederson conceptualize causal mechanism as being made of parts, composed of entities (for example, people, organizations,

systems, etc.) that engage in activities such as researching, protesting, campaigning, etc. (Beach & Pedersen, 2013).

In international relations, where a state tries to influence the behavior of another, this causal mechanism may be understood by studying power tools such as diplomacy, pressure, sanctions, economic concessions, bargaining and military force. That is exactly what this dissertation plans to do. This dissertation uses process-tracing method to clarify the causal mechanism that has shaped the foreign policy behavior of the Chinese and American policymakers in the case of sanctions against Iran.

Process tracing method is particularly compatible to neoclassical realism theory, which is the theoretical framework of this study. According to neoclassical realism, the independent variable is the position of a state in the international system in accordance to its relative power; and the foreign policy behavior is the dependent variable. The key role of policy makers as the intervening variable, is translating the relative power to foreign policy behavior. They make decisions according to their own perception of the relative power or position of the state in the international system (Rose, 1998).

Process tracing method focuses on historical events, and how the causal mechanism and the chain of events lead to certain foreign policy behaviors by decision makers. Gideon Rose as the main founder of neoclassical realism theory recommends case study strategy and process tracing method for studies done in the theoretical framework of neoclassical realism (Rose, 1998, p. 166 footnote). According to Rose:

“A distinct methodological perspective flows from neoclassical realism's theoretical argument: analysts wanting to understand any particular case needs to do justice to the full complexity of the causal chain linking relative material power and foreign policy outputs.... Neoclassical realists therefore, think that neither spare game-theoretic modeling, nor pure “thick description” are good approaches to foreign policy analysis. They favor beginning intellectually at the systemic level but then taking care to trace precisely how, in actual cases,

relative power is translated and operationalized into the behavior of state actors” (Rose, 1998, pp. 165-166).

Process tracing studies usually use “Event-structure analysis” diagrams to provide an observable framework as a map, which helps the researcher focus on causal relations rather than getting drowned in numerous details of the social world (Griffin, 2007). Figure 7 presents the Event-Structure Diagram and the primary causal mechanism that this dissertation is planning to examine².

² This diagram is just a primary map; here the claims are not supported by citations and references. The event-structure diagram will be discussed extensively in this dissertation.

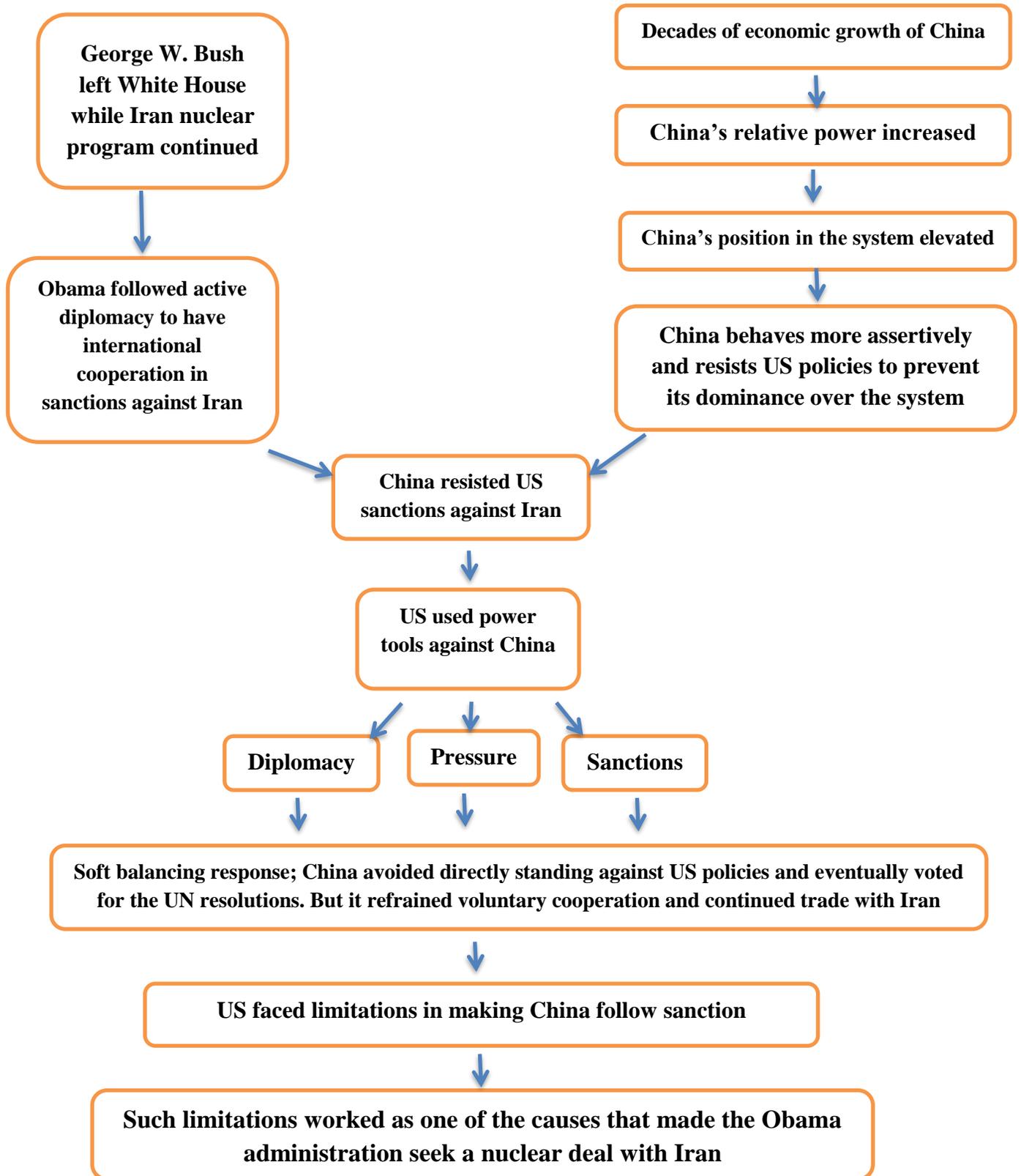


Figure 7: Primary event-structure analysis model of this dissertation

1-6-3) Testing Causal Mechanisms in Process Tracing

What a researcher of process tracing does is very similar to the job of a detective. How can we judge and rely on the causal relations between events in process tracing? Scholars working on process tracing (Punton & Welle, 2015; George & Bennett, 2005) have proposed the following four level tests to judge and categorize causal relations between events and to examine hypotheses.

Straw in the wind test (low certainty) is the weakest test and can not support the hypotheses of causal relations. For example John shot Merry because he discovered her having an affair. Straw in the wind test does not prove the hypotheses that John is the murderer. This test provides good information in favor of the hypothesis. But it doesn't provide sufficient criterion for confirming or rejecting the hypothesis.

Hoop test (high certainty but requires confirmation) does not significantly raise the confidence of the investigator that the hypotheses is true. John lacks a good alibi for the night of the murder; for example, he claims he was alone. But if this test is not passed, we can be sure that the hypothesis is not true. If John has a good and reliable alibi for the night of murder, we can be confident that he didn't shoot Mary. Hoop test is used to eliminate alternative hypotheses.

Smoking gun test (sufficient to confirm hypotheses) The investigator can be confident that the hypotheses is true. For example John was found holding a smoking gun over Mary's body. If this test is passed, the investigator can claim that the hypothesis is true. However, the claim may be challenged by alternative hypotheses. If this test is not confirmed, it doesnot eliminate the hypothesis.

Doubly decisive test (very high certainty) We can be confident that the hypotheses is true, and that all alternative hypotheses are false. John did indeed shoot Mary because John was caught on a high-resolution, tamper-proof CCTV camera committing the crime (Punton & Welle, 2015).

Here another example is presented to show how the causal mechanism is planned to be judged through process tracing method in this dissertation: in the early 2010, tensions peaked between the United States and China over a new round of U.N. sanctions against Iran. On 30 January 2010, President Obama expressed his decision to sell \$6.4 billion weapon to Taiwan (CNN, 30 Jan 2010), and in less than three weeks later he met Dalai Lama the spiritual leader in exile of the people of Tibet (Cooper, Feb 18, 2010). Hypothesis: President Obama decided to sell weapons to Taiwan and to meet Dalai Lama in order to pressure Beijing to vote for the UN Security Council 1929 against Iran.

Straw in the wind test: Right at those days the United States needed China to support the 1929 resolution or at least not to veto it. Therefore, US pressured over Beijing through arms sales to Taiwan and the issue of Tibet. Straw in the wind as the weakest test, has low certainty, and can not support the hypotheses of causal relations.

Hoop test: President Obama traveled to Beijing in December 2009. According to the spokesman of US Department of State making China cooperate with the sanction policy against Iran was central in this visit. At the joint conference of President Obama and President Hu Jintao at the ending day of the formal visit, the Chinese President expressed China's opposition to further sanctions against Iran (Foster, Nov 17, 2009). Obama returned home empty handed. One month later President Obama expressed his decision to sell billions of weapons to Taiwan and three weeks later, he met Dalai Lama to show US power and how this administration would pressure against China. Hoop test has high certainty but requires confirmation and does not significantly raise the confidence of the investigator that the hypotheses is true.

Smoking gun test: On 29 January 2010, (One month after President Obama's failure in his trip to Beijing) Secretary of State, Hillary Clinton threatened China with "international isolation and economic insecurity" if it did not sign on to tough new sanctions against Iran (Landler, Jan 29, 2010). Right the day after Hillary Clinton's threat remarks, President Obama expressed his decision to sell billions of weapons to Taiwan and three weeks later, he met Dalai

Lama to pressure Beijing and to make practical the threat remarks by the Secretary of State. Smoking gun test is sufficient to confirm hypotheses and the investigator can be confident that the hypotheses is true. However it's claim is challengable.

Doubly decisive test: This kind of documents are rarely in access to scholars of political science. In addition to previous proofs of the previous tests, imagine several years later the researcher will find reliable films and documents which clearly show that President Obama's decision in selling weapons to Taiwan and his meeting with Dalai Lama were part of the American plan to Pressure Beijing to make it cooperate with the US sanction policy against Iran³. Doubly decisive test has very high certainty and we can be confident that the hypotheses is true, and that all alternative hypotheses are false. Process tracing tests are helpful in categorizing the criteria and the evidences to examine the causal relations in the complicated social world.

1-7) Chapter Outline

This dissertation plans to study U.S.-China relations in the case of sanctions against Iran through in-depth empirical investigation. After this introduction, the second chapter reviews the existing literature on relations between the United States and China with focus on the Iran factor and the issue of sanctions. The third chapter reviews U.S. sanctions against Iran since the 1979 Islamic Revolution to the 2015 when Iran and the p5+1 signed the nuclear deal. Each of the three chapters four, five, and six deals with one of the three major questions of this dissertation. Chapter 4 studies U.S. policy to make China follow sanctions against Iran. Chapter five analyses China's response to the U.S.-led sanctions against Iran. Chapter 6 studies U.S. limitations in making China follow sanction on Iran. Finally, the concluding chapter addresses the three major questions of U.S. policy to make China follow sanctions on Iran, China's response, and limitations of the United States in dealing with China.

³ This issue is extensively discussed in chapter Four.

Chapter 2:

The Iran Factor in US-China Relations: Cooperation and Noncooperation Perspectives

2-1) Introduction

Due to China's rapid ascendance to a great power status, relations between this rising power and the United States has become a major question for scholars of international relations. Relations between the first two great powers of the 21st century, is important not only for both countries, but also for the rest of the world, because the rules governing the international system are mostly determined by relations between great powers (Ikenberry, 2008; Vogel, 1997).

The Iran factor stood among top issues in U.S.-China relations throughout the nuclear dispute 2005–2015. The role of China as the first trade partner of Iran, and as a veto power in the U.N Security Council, was controversial in disputes over sanctions on Iran. Some scholars believe that despite some resistance, Beijing eventually sided with Washington and cooperated with sanctions, because in 2006, China voted for the referral of Iran from the International Atomic Energy Agency (IAEA) to the U.N. Security Council. Then, this power voted for all the U.N. Security Council resolutions and did not veto any of them; rather, as a responsible stakeholder, China earnestly demanded Iran to cease uranium enrichment and cooperate fully with the IAEA (Small, 2008; Han, 2016).

Other scholars argue that China did whatever it could to make sanctions fruitless and ineffective in pressuring Tehran (Garver, 2011; Kemenade, 2010; Harold & Nader, 2012). China

(aligned with Russia) delayed the passage of each resolution, “gaining perhaps several years for Tehran” (Garver, 2011 p. 76). Moreover, Beijing used diplomacy to “water down U.N. sanctions by negotiating over the text of the resolutions and making them voluntary rather than mandatory” (Ibid). Furthermore, China continued and even increased trade with Tehran; and when Japanese and European companies voluntarily withdrew from Iran due to U.N. sanctions, Chinese companies moved to seize the opportunities offered by Iran to backfill the previous position of E.U and Japan to be the first trade partner of Tehran (Harold & Nader, 2012; Kemenade, 2010).

This chapter studies the perspectives on cooperation and noncooperation in U.S.-China relations; then, it will review the existing literature on cooperation and noncooperation in dealing with Iran nuclear program and sanctions against this country.

2-2) Cooperation and noncooperation in U.S.-China Relations

Studies on cooperation and confrontation in U.S. – China relations, stand between the two extremes of realist and liberal perspectives. Realist scholars have a pessimistic view toward cooperation among nations; because states are concerned about their own security, and focus on relative interests rather than absolute interests to keep the balance of power and prevent rising of other states (Shahidani & Vladimirovich, 2014; Waltz, 2008). Liberal scholars have optimistic views toward cooperation and peace among nations. According to the liberal perspective, states may realize absolute gains instead of seeking relative gains because the interests of international actors not only include power, but also encompass economic and cultural effects as well (Powell, 1991; Keohane, 1984). Most scholars have argued that the United States and China have followed pragmatic strategies that combine elements of both realist noncooperation and liberal cooperation (Logan, 2013; Schildt, 2006; Li, 2015; Art, 2012; Tellis, 2014; Pape, 2005; Paul, 2005; Ferguson, 2012; Ikenberry & Kupchan, 2004; Graaff & Apeldoorn, 2018).

2-2-1) Realist noncooperation

According to the realist perspective, the rise of China is an inherent threat against the United States; because it endangers the position of America in the international system (Mearsheimer, 2010; Zakaria, 1999). Realists believe that international anarchy fosters competition and conflict among states and prevents cooperation even when there are common interests. They argue that international institutions are “unable to mitigate anarchy’s constraining effects on inter-state cooperation among states” (Grieco, 1988).

Robert Gilpin argues that “a hegemonic war” between the rising power and the hegemon is inevitable. The winner will create the new system according to its preferences; and “the more decisive a victory is after the hegemonic war, the more stable the new system will be” (Gilpin, 1981, p. 16). According to Gilpin, England in the 19th century and the United States in the 20th century as hegemon powers made the international system stable. Whenever the hegemon power gets weaker and fails to lead, the international system loses its stability. So a hegemonic war is required for the emergence of a new hegemon which can effectively lead the system to stability and when the new hegemon weakens and fails to manage affairs, the cycle will repeat and a new hegemon will replace it through a hegemonic war. Gilpin agreed with the basic assumptions of neorealism of Kenneth Waltz that nation-states are the main actors and follow their national interests in the anarchic international system. But he rejected Waltz’s notion that a balance of power determines the international system. Gilpin believed that great powers seek domination over the system and through a hegemonic war one of them stands as the hegemon power and leads the international system and sets laws and regulations according to its own national interests and commits itself to the stability of the system (Gilpin, 1988). Charles P. Kindleberger in his 1973 book *The World in Depression: 1929-1939*, argued that the Economic Depression between the two World Wars was the result of the absence of a world hegemon to lead the international system (Kindleberger, 1986).

Realist scholars argue that states can never be certain on the intentions of other states; if China does not follow expansionist policies today, it doesn't mean that in the future it won't. According to Fareed Zakaria "as states grow increasingly wealthy they build large armies, entangle themselves in politics beyond their borders and seek international influence" (Zakaria, 1999, p. 3). Mearsheimer argues that the United States in the 19th century through the Monroe Doctrine tried to push away the European powers from the Western Hemisphere. Why shouldn't China do the same policy against the United States? "Are they more principled than the Americans? More ethical? Are they less nationalistic than the Americans?" So the United States is expected to follow a containment strategy similar to the same containment policy toward the Soviet Union in the Cold War (Mearsheimer, 2010, p. 390).

According to Mearsheimer the Middle East plays a major role in U.S. strategy toward China, as this rising power is increasingly dependent to the oil from the Middle East where the United States is the dominant power. "while the Americans and the Soviets competed actively in Europe, Asia, and the Middle East, China and the United States are likely to compete in only the latter two regions." The role of Iran in this competition is very important as one can imagine Iran "asking Beijing to station Chinese troops on its territory" (Mearsheimer, 2010, p. 392).

Realist views are criticized from different fronts:

- 1- Realism expects war between the United States and China. This expectation by itself may lead to self-fulfillment and be a cause for conflict by providing the mentality of war (Rose, 1998; Schildt, 2006). According to Jie Dalei and Jared McKinney, the realist logic goes like this: "American military primacy should be maintained at all costs, China's rise threatens this primacy, so the U.S. should work to "balance" against – or, broadly, contain – a rising China by surrounding it with powerful American military capabilities, creating a NATO-like adversarial alliances, isolating it economically, and, most recently, "imposing costs" when it does things the U.S. does not like" (Dalei &

- McKinney, 2015). What will be China's response to these offensive policies, except for war?
- 2- Liberal scholars criticize realism for ignoring the role of international institutions as new actors which try to provide the background for cooperation among states by removing misunderstandings (Pollack, 2001). According to neoliberal institutionalism, these institutions generate expectation for cooperation rather than war; and reduce costs and risks of interactions by minimizing misunderstandings. For example, each round of GATT resolved many procedural problems that did not have to be revisited in subsequent rounds, making cooperation easier and more likely (Stein, 2008).
 - 3- Realism discounts the role of the unprecedented complex economic interdependence among the states. This quality provides a background for cooperation and makes decision makers avoid endangering economic and security interests (Keohane & Nye, 1997).
 - 4- Realists ignore differences between China and the Soviet Union. The Soviet Union followed expansionist policies, stood against the Western bloc, and intervened in the internal affairs of others to expand the communist bloc. But China behaves differently; it doesn't intervene in the domestic affairs of other countries, rather it has established economic ties with neighbors. So, American allies in the Cold War do not feel threatened the same way toward China and are not expected to join the policy of containment of Beijing; rather they have interests in keeping and expanding relations with China. So in this new probable Cold War, America may stand alone unable to form a powerful coalition against the rising China (Tellis, 2014).

2-2-2) Liberal Engagement

Liberal scholars do not view the rise of China as an intrinsic threat against the United States, rather both powers may engage and cooperate on common interests. They believe that as a state's involvement in the international system gets deeper and broader, its behavior is expected to

be controlled by international institutions and regimes and it will cooperate with others (James & Seters, 2014; Keohane & Nye, 1997).

According to this perspectives, integration of China into the global economy reduces the threat of a belligerent China; therefore, they advocate U.S. engagement with Beijing. According to John Ikenberry “United States can make the liberal order so expansive and institutionalized that China will have no option but to join and operate within it” (Ikenberry, 2012, pp. 348-349). Some liberal scholars believe that U.S. engagement policy and integration of China in the global economy will lead to the prosperity of the Chinese economy and will eventually bring about a thriving middle class in the Chinese society. This middle class as the engine of democracy will gradually move this country toward a democracy. On the other hand, according to the democratic peace theory, democracies don’t fight wars with other democracies, so China will emerge as a friend of the United States. Democracies are economically and culturally dependent and therefore are more likely to resolve issues diplomatically. Furthermore, citizens in democracies are less likely to think of citizens in other democracies as enemies because of shared values (Keohane, 1998). So, Beijing will align with Washington in international issues similar to other democratic nations such as France, Germany and Japan (Nathan, 2016; Bell, 1995; Fukuyama, 2012).

The liberal scholar Robert O. Keohane argues that cooperation among states in the international system may be enhanced by the hegemon power primarily for its own interests. However, it doesn’t mean that after the decline of the hegemon, states won’t cooperate on common interests; rather states may try to keep regimes and institution even after the hegemon. According to Keohane, “although hegemony may facilitate cooperation, it is neither a necessary nor a sufficient condition for it”. He argues that we need to distinguish between common interests and cooperation. There may be many common interests without leading to cooperation; we also need regimes and institutions to reduce uncertainty and limit asymmetries in information. The realist “state of war” is incompatible with the real world as we can see increasing cooperation among

states on trade, health, telecommunication and environmental protection in the 1980, when the United States seemed to be in decline (Keohane, 1984).

The liberal approaches are also criticized from different fronts.

First, realist scholars argue that historical experience shows that common interests and economic interdependence cannot prevent wars and promote reliable cooperation among great powers; as in the First World War in 1914, European economies were heavily interdependent, but this could not prevent the war (Coker, 2015; Einstein, 2017).

Second, despite international institutions, states are the main actors in the international system. Institutions are created by the strongest powers to follow their own interests and not the common interests of all members (Grieco, 1988).

Third, history has showed that a rising power willingly and unwillingly poses challenges to the position of the dominant power and these struggles have usually led to cold or warm wars (Mearsheimer, 2010; Gilpin, 1988).

2-3) Pragmatic Strategies

It is difficult to label most studies on U.S.-China relations as liberal or realist studies, because they are usually concerned on pragmatic explanations, which may have elements of both perspectives (Logan, 2013; Schildt, 2006; Li, 2015; Art, 2012; Tellis, 2014; Pape, 2005; Paul, 2005; Ferguson, 2012; Ikenberry & Kupchan, 2004; Graaff & Apeldoorn, 2018). Some of the major works on pragmatic perspectives are reviewed here:

2-3-1) Liberal Realism

The United States cannot sustain current power asymmetries and needs international cooperation to lead the world. John Ikenberry and Charles Kupchan (2004) criticize the Bush administration for ignoring the liberal realism guidelines governing over the U.S. foreign policy

since World War Second. According to liberal realism, the United States should wield its superior strength in concert with other powers, instead of inviting their balancing behavior. Liberal realism rests on multidimensional understanding of power to re-establish America's bona fides as a benign hegemon. The ultimate objective for the United States should be to channel rising powers into cooperative partnership. The legitimacy of the United States rests on its ability to command and respect other countries. The Bush Administration's disregard for legitimacy has had devastating consequences for U.S. position in the world (Ikenberry & Kupchan, 2004).

2-3-2) Engagement with a Responsible Stakeholder

In 2005 U.S. Deputy Secretary of State Robert Zoellick through a major address on foreign policy, called China to be a “responsible stakeholder”. His address sparked many discussions both in the United States and China. According to Zoellick, China is expected to influence the world in the years ahead. For the United States this is an essential question: How will China use its influence? China clearly needs a benign environment for its peaceful rise. But how China's actions are perceived by others? uncertainty over China's behavior may lead to a hedging strategy from the United States and other powers. Zoellick argued that Iran nuclear program would be a good test to reveal the seriousness of China's commitment to non-proliferation to be a responsible stakeholder or not (Zoellick, 2005).

Blumenthal (2007) argued that being a “responsible stakeholder” entails a broader interpretation of China's national interests and will require domestic political change. In response, Bates Gill (2007) countered that responsible stakeholder is not a scorecard for the United States to measure China’s behavior; rather mutual accommodation and dialogue on overlapping interests (Gill & Blumenthal, 2007).

According to John Lee (2016), the United States planned to manage rising china according to the experience of Japan: “an economically powerful and cooperative ally”. However, realizing that China is different, the “responsible stakeholder” approach was designed to achieve “the next

best thing”. According to responsible stakeholder approach China is committed to actively uphold and preserve the existing U.S.-led order. However, this approach has failed for a number of reasons: 1- It has confused means with ends. Washington has earnestly assumed that it can shape strategic goals and the foreign policy of China; while China suspects American intentions and has consistently tried to develop its military capabilities. 2- According to the responsible stakeholder approach the United States has assumed political reforms are concomitant to China's rise making it more cooperative to American policies; while in practice China is governed by a single Communist party which is assertively following a bolder foreign policy. 3- A “corporate state” dominates China's political economy not a liberal economy that the United States expected. State Own Enterprises or SOEs have increasingly made the Communist state more secure making China to follow a mercantilist rather than free-market view toward global trade. China instead of being a responsible stakeholder has emerged as a strategic competitor to the United States undermining the global role of the United States (Lee, 2016).

2-3-3) Soft Balancing Strategy

According to Kenneth Waltz the unipolar international system is very unstable; because even if the dominant power acts benevolently, the secondary powers cannot be sure about its future intention and policies in the absence of checks and balances (Waltz, 2008). But after the Cold War the United States emerged as the only superpower, and the secondary powers didn't act in a way to balance against it. Some realist scholars tried to explain the unexpected situation. Robert A. Pape and T. V. Paul argued that U.S. pre-eminence has not been balanced because it exhibited non-aggressively without seeking to challenge the sovereign existence of others rather promote security and autonomy for all. However, as American unilateralism increased during George W. Bush especially after 2003 invasion of Iraq, secondary powers such as Russia, E.U. and China pursued balancing against Washington (Pape, 2005; Pape, 2005).

Later, soft balancing as a strategy was developed by Stephen Brooks and William Wohlforth. According to this strategy, secondary powers avoid direct balancing against the

dominant power, but try to frustrate, and increase the costs of the unilateral policies of the superpower to make its policies costly and abortive (Brooks & Wohlforth, 2008). In other words, secondary powers use “non-military tools to delay, frustrate, and undermine aggressive unilateral U.S. military policies” (Pape, 2005, p. 10).

Soft balancing is particularly explainable by neoclassical realism theory. According to the realist base of this theory, powers such as Russia and China are expected to balance against America, the dominant power. Yet, according to the secondary considerations of neoclassical realism, the policymakers of these powers as the intervening variable, calculate costs, risks and interests and try to find a third way to challenge the policies of the superpower to make them costly and ineffective without directly standing against it.

2-3-4) Guarded Engagement

In practice, neither the realist containment nor the liberal engagement policies can explain U.S. policy toward China. Christopher E. Schildt proposes “Guarded Engagement” strategy which has components of both cooperative and competitive policies. According to Guarded Engagement strategy the United States engages with China to safeguard huge interests in relations with Beijing; and at the same time, it prepares for using the sticks of pressure, threat, sanctions and confrontation if necessary (Schildt, 2006).

Guarded engagement is particularly a relevant concept for this dissertation as it explains how the United States behaved when China resisted more sanctions against Iran. Guarded engagement strategy is also compatible with neoclassical realism as the theoretical framework of this study. According to the primary consideration of neoclassical realism, the United States is expected to follow realist policies to balance against China and prevent Beijing threaten the unique position of the United States in the system. However, as the containment policy is risky, costly and impractical for China. Therefore, American policymakers are expected to calculate costs, risks and interests to find a third way beyond engagement and containment to build a strategy to prevent

China threaten U.S. position in the system and at the same time enjoy the benefits of engagement with Beijing. Christopher Schildt has defined this strategy as “guarded engagement”

2-3-5) Congagement

Justin Logan poses the same criticism toward the dual liberal/realist perspectives in studying U.S. policy toward China. He believes that both the right and left halves of the U.S. foreign policy have come to the conclusion that they should combine elements of both theories. That’s why Washington’s foreign policy community supports the policy of “congagement” which combines economic engagement with military containment. According to Logan, for all interests and purposes, congagement has been American policy toward China since at least the end of the Cold War (Logan, 2013).

However, Logan criticizes the “congagement” approach, because it is built on contradictory policies. “Washington must engage China in order to balance against it, and balance against it in order to engage it”. U.S. Engagement with China will make Beijing more powerful and militarily less containable. “Congagement borrows problems from both schools of thought and creates a new problem: free riding” (Schildt, 2006, p. 22) which helps China enjoy the merits of engagement to be more powerful and to stand more firmly against U.S. policies.

Historical analogies of realist approaches are dangerous and wrong because history never repeats exactly. That’s why one cannot be sure of a new world war between China and the United States. Christopher Coker (2015) argues that the world today is very different, and globalization has made war even more unimaginable than it was in 1914. Sino-American war could be the most ruinous war that the world has ever witnessed because both are nuclear powers. The costs of war have risen while the pay-offs have decreased. Coker also criticizes the liberal approach as complexity does not remove the possibility of war; it merely complicates it. Interdependence between economies cannot prevent war as it couldn’t in 1914. The liberal rational choice model is also unreliable to prevent war because human being is not rational in all cases. War will never

disappear, unless we address its causes. According to Coker, the principal cause for war has always been competition. It is doubtful whether the Chinese military is as independent as the German army in 1914. And China does not follow a socialist Darwinist mindset. Coker criticizes the Obama administration's pivot to Asia and prefers "responsible stake-holder" of President Bush in preventing war. However, both powers should take the threat of war serious to prevent the "improbable War" (Coker, 2015).

2-3-6) Selected Engagement

Which one of the following policies is the best strategy for the United States in the 21st century: "dominion, global collective security, regional collective security, cooperative security, containment, isolationism, and selective engagement". Robert J. Art argues that selective engagement is the best option because it correctly understands America's interests and because it most effectively uses American military power to protect them. According to Art, American top national interests are: 1- preventing an attack on the American homeland. 2- Preventing great power wars. 3- Maintaining secure oil supplies at stable prices, in large part by keeping Persian Gulf reserves divided among the oil-rich Persian Gulf states. 4- Preserving an open international economic order; 5- fostering the spread of democracy and respect for human rights. 6- Protecting the global environment. Art argues that selective engagement is the "middle course between an isolationist, unilateralist course, on the one hand, and a world policeman, highly interventionist role, on the other... Selective engagement seeks both realist and liberal goals and can therefore be termed a "realpolitik" plus strategy" (Art, 2012).

What Robert Art prescribes as the best strategy, is what the United States has followed in practice since 1945. But can it work in dealing with China in the 21st century? Engagement with Beijing will make it more powerful; how can the United States engage with China and at the same time keep U.S. primacy? Contradiction between the elements of realism and liberalism is the main question in U.S. policy toward China. These middle course strategies may work in keeping peace,

but cannot prevent the rise of other powers. This is because the key to rise and fall of states, is within the realm of internal politics of states.

2-3-7) Balancing without Containment

Both the former Soviet Union and today China have threatened the global primacy of the United States. But there are differences that make containment policy impractical in dealing with China. China is deeply integrated into the global economy, and does not follow expansionist policies. It means that U.S. allies in the Cold War, are not threatened by China, and are not expected to join the policy of containment against Beijing. So, the United States may stand alone in the new struggle. Ashley J. Tellis (2014) proposes the policy of “balancing without containment” in dealing with the threat of rising China.

The strategy of “balancing without containment” has four main elements: 1- the United States should bolster the neighbors of China to constrain China’s behavior and limit its capacity for aggressiveness; 2- Washington should selectively deepen globalization. “Trans-Pacific Partnership and the Transatlantic Trade and Investment Partnership, which promise increased relative gains to the United States and its allies vis-à-vis China”. 3- Washington should invest in improving U.S. power projection capabilities to “bolster U.S. military power” 4- America should emphasize labor force renewal, promote disruptive technological innovations, increase efficiency in production “to reinvigorate the U.S. Economy” (Tellis, 2014).

Unlike the guarded engagement, conengagement, and selected engagement, the strategy of “balancing without containment” does not combine its realist base with liberal policies; so, it doesn’t suffer from internal contradiction. But it seems that this strategy suffers from the following shortcomings: 1- This strategy ignores the fact that the United States needs cooperation from China on many different issues such as terrorism, sanctions against Iran and trade issues. 2- This strategy ignores the China’s response to U.S. bolstering policy in the neighborhood of China; China today is in a position that it may attract its neighbor too. Only the countries in the region may benefit

from this competition between China and the United States. 3- This strategy truly considers development of U.S. economy and military as major factors in balancing against China, and presents suggestions; but ignores the fact that over-investment in military may contradict with economic development, as the Soviet Union faced the same crisis due to military competitions with the United States. 4- The policy of military development may eventually lead to military competition between China and the United States.

2-3-8) Offshore Balancing

According to Christopher Layne (2008), America should refrain deploying military power abroad when it faces no direct threat to American interests. An “offshore balancing strategy” requires the United States to base economic relations with China according to strategic trade rather than free trade. Second, the United States should abandon attempts to liberalize China; because Washington lacks sufficient leverage to transform China domestically. The policy of liberalization of China may destroy U.S.-China relations. The final element of offshore balancing strategy is relying on the dynamics of balance of power in the multipolar global order in the twenty first century. According to Layne the United States should use the natural rivalry between great powers in Asia, namely, Japan, Russia, and India to balance against China. The United States is geographically far from the Chinese border and protected by its formidable military including nuclear capabilities. So it is reasonable for Chinese neighbors to assume risks and costs of preventing China from attaining regional hegemony (Layne, 2008).

2-3-9) Hedging Strategy

In economics, hedging is defined as any technique designed to reduce or eliminate financial risk; for example, taking two positions that will offset each other if prices change. Some scholars have used “hedging strategy” to describe the policies of the United States and China toward each other (Hemmings, 2013; Roy, 2005; Salman, Pieper, & Geeraerts, 2015; Goh, 2005). In international relations, states hedge or diversify their strategies to prepare for the future

uncertainties. It is, literally, a way of protecting, controlling, or limiting something by having multiple options. It can be defined as a middle ground between balancing and bandwagoning or engagement and containment (Roy, 2005). When hedging, states seek to “cultivate a middle position that forestalls or avoids having to choose one side at the obvious expense of another” (Goh, 2005).

Relevant studies on hedging strategy can be divided in two main categories: U.S. hedging against China (Tian, 2011; Florio, 2012; Hemmings, 2013; Goh, 2005), and China hedging against the United States (Tunsjø, 2010; Salman & Geeraerts, 2015; Foot, 2006). Furthermore, Wyn Bowen and Matthew Moran have studied the Iranian policy as a hedging strategy in pursuing nuclear programs (Bowen & Moran, 2014); and Mohammad Salman, Moritz Pieper and Gustaaf Geeraerts have studied the policies of both China and the United States as hedging strategy in the Middle East (Salman, Pieper, & Geeraerts, 2015).

John Hemmings argues that Obama’s policy of pivot to Asia is not a containment strategy; rather it is a hedging strategy. Because the United States is not certain about the future intention of China. “Uncertainty” on the rise of China is “structural”; even the Chinese policy makers are not sure about how China will behave in the future. Furthermore, “China’s regime type makes it a particularly difficult state to read; its foreign policy-making system is comparatively opaque. Contrast this with the United States, where foreign diplomats can access U.S. policy intentions by spending time in Congress, visiting think tanks, reading free media, and so on” (Hemmings, 2013).

Øystein Tunsjø argues that China has followed a hedging strategy to manage its oil dependency and achieve energy security without falling in the hot struggles in the Middle East. Hedging strategy offers “a more nuanced framework for analyzing energy security. Such a step provides a new perspective on China’s energy security policy that goes beyond conventional thinking and incorporates the complexities that characterize China’s energy security policy in a dynamic and volatile world energy market” (Tunsjø, 2010).

2-4) Cooperation and Noncooperation in Dealing with Iran

Views on Iran sanctions in US-China relations, can be put in two categories according to whether the scholars focus on the interests/concerns and policies of Washington or Beijing.

2-4-1) the View from Washington

Before the nuclear agreement between Iran and the P5+1, most Western studies on Iran sanctions, focused on U.S. policies to make China cooperate with sanctions. They usually assumed Iran nuclear program as a threat against the interests of United States and allies including Israel, and a real danger against the balance of power in the energy-rich Middle East (Chubin, 2010; Kroenig, 2012; Litwak, 2016; Tarock, 2016; Hoadley, 2017; Harold & Nader, 2012; Downs & Maloney, 2011).

According to Scott Harold and Alireza Nader, from the RAND Corporation, winning China's cooperation, would be the most critical element in sanctions against Iran. China is economically, diplomatically, and to some extent militarily important for Iran. For China, Iran is a reliable source of energy and a strategic partner to leverage against the United States. As the United States cannot change the interests of either China or Iran, relations between the two countries will continue in the future. These relations will change only in the case of regime Change in either Beijing or Tehran. U.S. policies to reshape China's relations with Iran is limited in the long term. However, Washington has some levers to make sanctions pressure Iran. According to the authors, these policies can be categorized in positive and negative groups. The United States may use diplomacy and bargain with China over disputes such as currency reevaluation and Taiwan to make this power cooperate with sanctions against Iran. Also support from Saudi Arabia to replace the Iranian oil can be a useful inducement to get China on board. But, if carrots are out, what about the stick? The United States may pressure China through sanctions and diplomatic

pressure. If Chinese leaders come to perceive the risks of conflict between Iran and the United States is serious, they may cooperate with the sanction policy. And as tensions between China and U.S. grow, China may seek to improve relations with Washington at Iran's expense (Harold & Nader, 2012).

“China's policy toward Iran depends on the state of its relations with the United States”. Lounnas Djallil argues that China uses Iran to promote its own global interests including access to energy supply and the Taiwan issue. During the 1990s, China acted as the main nuclear partner of Iran; but in 1997 the Clinton administration and China bargained over their concerns. The United States withdrew from its policies in Taiwan, and in return, China drew back from nuclear cooperation from Iran. In 2010, President Obama announced his decision to sell \$6.4 billion advanced arms to Taiwan in order to pressure China to vote to the 1929 resolution against Iran. But after negotiations, once again the two power bargained over Iran and Taiwan. China voted for the U.N. Security Council resolutions after some dilutions in in the text, and the Obama administration withdrew from selling some advanced weapons to Taiwan (Djallil, 2011).

China resisted new U.N. sanctions against Iran in 2009-2010. However, Beijing eventually voted for the 1929 resolution against Tehran. Why did China ultimately withdraw from its primary position? According to Joel Wuthnow (2011), five factors influenced China's decision to vote for resolution 1929: First, Iran's intransigent posture increased pressures over Beijing. Second, the United States made concessions, which reduced the risks of new sanctions on China's energy interests in Iran. Third: The Obama administration actively used diplomacy to clarify that Iran nuclear program would threaten “core interests” of the United States. Forth: Russia withdrew gradually and China was isolated among the P5. Fifth, other powers such as Germany and France supported new sanctions and along with Saudi Arabia and Israel pressured China to vote for the new U.N. sanctions against Iran (Wuthnow, 2011).

Erica Downs, a Senior Analyst of China's energy policies, recommends the following policies to make China cooperate with sanctions: 1- Sustained pressure from multiple sources can

help persuade Beijing to support sanctions against Iran because China does not want to be isolated. 2- The more Chinese oil companies invest in the United States, the less they may challenge the policy of sanctions against Iran. 3- The prospect of war over the nuclear program of Iran may make China cooperate with the sanction policy, because China regards instability in the Persian Gulf a threat to its oil security. 4- The United States should try to protect some economic interests of China in Iran to make cooperation with sanctions less costly and more practical for this country (Downs, 2012).

According to Brandon Fite (2012), If Washington is to be successful in weakening the ties that bind China to Iran, the United States must recognize China's energy security as the cornerstone of this relations. The United States should persuade China that Iranian oil is too costly, and the alternative is safer and more viable. Fite suggests the following four interrelated guidelines:

- 1- Promote energy alternatives and stress the cost of cooperation. Washington should leverage its relationships with other oil producers to wean China away from Iranian oil and thus diplomatic support.
- 2- The United States should continue to explore every means available to fully integrate China into the present global system. This will make nations like Iran be increasingly less desirable partners.
- 3- The United States should take steps through sanctions or otherwise to prevent Iran develop its capability of production of oil. If though internal or external investment, Iran can increase its energy production to its true potential, this country will potentially be an irresistible partner for China.
- 4- Accentuate existing cleavages between Iran and China. For example, the Iranian media denounces Chinese products as beneath the dignity of Iranian consumers; or they condemn the undemocratic condition of Muslims in China. Beijing has proven itself not easily affected by rhetoric, but all means should be taken to exploit instances of public incivility and growing divisions on the domestic level (Fite, 2012).

Erica Downs and Suzanne Maloney (2011) believe that “getting China to sanction Iran” under certain condition is possible. They criticize the Western perception that views relations between Iran and China as ironclad. Because for Beijing, keeping relations with Washington is the most important bilateral relations. And Iranians are not as satisfied of relations with China as it is understood by outsiders. But Beijing and Tehran have powerful incentives to deepen bilateral relations in the international environment created mostly by the United States. So, first of all the United States should not view China as a secondary power on sanctions against Iran, rather it should follow an active diplomacy to get China on board.

Second, the United States should consider the existing energy interests of China to prevent new upstream investment in Iranian oil and gas industry. For Chinese company, ignoring all the interests may be too costly but a tradeoff is something Beijing expects to get from Washington. Third, the U.S. government should encourage Chinese companies to invest in the United States instead of Iran. The authors criticize the Congress reaction to derail the 2005 bid by the Chinese company CNOOC to buy the California-based Unocal. Forth, the U.S. Congress should refrain from penalizing legislations which are interpreted from Beijing as a threat to the security of its oil supply. Finally, the United States and allies should maintain a united front in dealing with Tehran. China does not want to be isolated on major global issues (Downs & Maloney, 2011).

Flynt Leverett and Hillary Mann Leverett argue that the United States is a declining power because it hasn't followed a sound grand strategy after the Cold War. There are two competing models that have pulled American policy in opposite directions in dealing with more powerful states that threaten American interests: The Leadership Model and the Transformation Model. According the Leadership Model, “American policymakers should seek to manage evolving distributions of power, in key regions and globally, to accommodate the core interests of rising states alongside those of established powers”. According to the Transformation Model the United States must remake domestic politics in strategically important parts of the world, “to create states inclined toward integration into US-led order”. This model advocates expanding American

hegemony over other powers. While hegemony may seem nice in theory, it is not attainable in the real world; Imperial overstretch is the natural outcome of this policy and will undermine effectiveness of American foreign policy.

According to Flynt Leverett and Hillary Mann Leverett, transformation model has been dominant over American foreign policy after the Cold War; while the leadership model presents a more effective background for American grand strategy. Sino-American rapprochement during President Nixon can be studied in this model. This proposition is applicable on American posture toward the Middle East (with focus on the Persian Gulf) and Asia (with focus on China). As the US guaranteed oil supplies from the Persian Gulf to Europe and Japan in the past, today America should choose to play a similar role with respect to China and other emerging Asian economies. In this regard the most crucial step is pursuing a genuine rapprochement with Iran to reverse the ongoing decline of America's international position (Leverett, 2012).

2-4-2) the View from Beijing

Chinese scholars and policy makers usually do not share most of Western concerns about Iran and its nuclear program; rather they focus on China's economic and strategic interests in the struggle between Iran and the United States. Many Chinese scholars argue that the historical experience of Western sanctions against Iraq showed that sanctions eventually led to a full-scale war and regime change in Baghdad. From this point of view, the same sanction policy might ultimately lead to a full-scale war and regime change in Iran, leaving U.S. enjoy full domination over the energy-rich Middle East making China more dependent in the United States (Kemenade, 2010; Liu & Wu, 2010; Jung, 2015; Zhen, 2009; Jin, 2008).

Liu Jun and Wu Lei from Yunnan University in China reviewed the Western and Chinese concerns over the nuclear program of Iran. The authors particularly discussed China's position on

Iran nuclear program and a diplomatic resolution to differences between Iran and the West. Iran nuclear program should be studied impartially and from the economic and environmental point of view; as Iran is a major consumer of energy and nuclear power and “nuclear power makes no contribution to global warming through the emission of carbon dioxide”. “China should not be blamed for the failure of sanctions against Iran”. The main obstacle to resolving the issue has been “US insistence that it will not agree to take part in face-to-face talks on the nuclear issue until Iran suspends its nuclear enrichment”. However, despite improvement of relations between Iran and China, their long-term interests may diverge; an example is that “Iran’s clerical establishment issued its condemnation of China’s actions in the July 2009 Uighur Riots”. (Liu & Wu, 2010).

According to the *International Crisis Group*, unlike Western countries, China does not view Iran nuclear program as an immediate threat. Interviews of the Crisis Group with Chinese analysts show that they are not convinced that Iran may produce nuclear weapon in the near future. They believe that the West should provide concrete proofs of Iran’s military nuclear program. According to these Chinese scholars, the policies of the United States are driven from hegemonic intentions; and China and Iran share common interests in balancing U.S. influence in the Middle East and the Central Asia. These Chinese scholars argued, “China suspects that the U.S. effort to sanction Iran’s leaders over the nuclear issue is linked to a strategy of regime change in Tehran” (International Crisis Group, 2010).

In-depth interviews with 40 Chinese political scholars show that most of them disagreed with the proposition that China’s cooperation with the U.S. policies in the Persian Gulf, would secure the flow of oil. Rather they tend to believe that U.S. policies of sanctions as well as threat of using force as in the case of Iraq War in 2003, pose the primary dangers to the flow of oil from the Persian Gulf, rather than Iranian policies (Garver, 2011, p. 80). The same study argues that Chinese scholars remember that China itself was the target of Western sanctions in the past, because it resisted U.S. domination; so they believe that if Iran arms itself, it does so in response to U.S. arrogant and aggressive policies (Ibid, p. 78).

Jiang Zhen, from the Institute of Middle Eastern Studies of Northwest University in China, reviews differences between the United States and China over the nuclear program of Iran. These differences go back to their different understandings on Iran's revolution 1979. For the United States, this revolution toppled down an important ally and later through the hostage crisis ended diplomatic relations with the new Iran. However, according to the Chinese point of view, this revolution was an anti-imperialist movement similar to the Communist revolution of China, and brought independence to Iran. Chinese scholars and policy maker do not view this revolution as a struggle between religion and secularism; rather it was a competition between democracy and autocracy. After their anti-imperialist revolutions, Both Iran and China had to struggle with Western sanctions. Furthermore, China has learned from the experience of Iraq that economic sanctions will eventually lead to military invasion and hegemonic domination of the United States on the expense of China and other importers of energy. That is why China resists sanctions against Iran. According to Zhen, acceptance of Iran as an observer member in the Shanghai Cooperation Organization shows the long-term policy of China and Russia in undermining US hegemony and influence in the region (Zhen, 2009).

After the referral of Iran nuclear dossier to the UN Security Council, the Iran factor emerged as the "third factor" in Sino-US relations. According to Wang Jin and Wang Hongg, the Bush administration placed Iran in the "Axis of Evil" and followed a confrontation policy toward Tehran; while Beijing viewed Iran as a normal state with many common interests especially about energy. Furthermore, Iran has the capacity to be a strategic partner for China. If the US fulfills plans to control Iran, China may be the biggest loser of the game and "the effective natural defense in West of China will disappear, then US can threaten China by sea, through the Indian Ocean and through Iran, and Central Asia (Jin, 2008, p. 39). The authors warn about the outcomes of possible US military actions against Iran for China's interests in Iran, Middle East, Central Asia and even the security of China's borders (Ibid).

Following Deng Xiaoping's doctrine of “keeping low profile”, China was cautious not to spoil its image as a responsible great power. However, this power is conveying a more assertive foreign policy and no longer hides its strategic interests. According to Moritz Pieper (2013), China's policy toward Iran is determined by three factors: Domestically, ensuring stable supply of energy for its economy, regionally maintaining peaceful environment with neighbors, and internationally portraying a responsible power. The author argues against the claim that China actively stood against U.S. policy in the issue of sanctions against Iran. Rather he believes that China's behavior can be explained by the same Deng Xiaoping's doctrine of “keeping low profile”. China's resistance to Western sanctions should be explained by the growing energy dependence of Beijing. China has supported U.N. resolution 1929 trying to balance a pragmatic–commercial approach to business in Iran and mollifying Western security concerns related to the Iranian nuclear program (Pieper, 2013).

According to Hua Liming, the former ambassador of China in Iran, the nuclear program of Iran posed a severe test in relations between China and the United States. He believed that “the adversarial relations between the United States and Iran are the fundamental reason for Iran's firm determination to have nuclear”. What China favored was that Iran give up military nuclear program without damaging China's interests in Iran and the region. However, suspicions of the United States over China's intention may damage Sino-U.S. relations negatively and impose obstacles to resolve the Iran nuclear problem (Liming, 2010).

Where does China stand in the nuclear struggle between Iran and the United States? According to the Kemenade, the Chinese scholar, energy may seem to be the primary motivation in China's policy toward Iran, but growing strategic interests have increasingly linked both nations. Although opposition to sanctions is a core principle in Chinese foreign policy, China does not want to stand against the United States to be labeled as enabler of Iran becoming the tenth nuclear weapons power. Kemenade closely studies the sanction policy of President Obama against Iran, and how the United States negotiated and pressured over Beijing for cooperation in this regard.

President Obama extensively negotiated with China and used different tools including allies such as Israel and Saudi Arabia to make China cooperative. Through the Israel card, the Obama administration reminded Beijing that the only substitute to Israel-Iran war would be sanctions against Iran. On the other hand, the United States used the rivalry between Iran and Saudi Arabia to make Riyadh and other oil producing Arab countries to produce more oil to compensate the probable absence of Iranian oil in the global market. Washington used the traditional rivalry between Tehran and Arab neighbors to increase oil production in the Middle East in order to pave the way for cooperation from China and other major oil importing countries with the sanction policy against Iran (Kemenade, 2010).

A large body of the existing relevant literature have focused on China's energy relations with Iran and the Middle East. After the Cold War, many scholars analyzed the "new world order" and its impact on energy security of other powers in the Persian Gulf (Brown, 1992; Kellner, 1992; Herrmann, 1991; Kubursi, 1993). Studies conducted on Chinese energy security in the 1990s assumed that Chinese energy dependency would continue due to lack of substitute of oil for Chinese rapid economic growth (Peng, 1996; Rubin, 1999; Dutta, 1998) and the importance of Iran and the Persian Gulf energy would continually increase in Chinese energy security (Lieber, 1992; Tyler, 1992; Calabrese, 1998).

Chinese energy dependency is the main pillar of this relation with Iran and other countries in the Middle East. In 1998, John Calabrese reviewed expanding relations between China and the Persian Gulf countries in three areas of economic, political and military. Politically China did its best to prevent crises in the Persian Gulf When Iraq invaded Kuwait in 1991. China did not support military intervention and preferred diplomacy to sanctions, and sanctions to the use of force. On the other side, China avoided challenging the United States alone and joined France and Russia in protesting against America's unilateral policies. However, the most problematic issue in China's Persian Gulf relations in the eyes of Americans has been in military dimension. Although China provided a written pledge to refrain from engaging in new nuclear cooperation with Iran of any

kind. Yet, about ballistic missiles, anti-ship missiles and other conventional military relations it was not so simple. The author concludes that it is impossible for China to keep its relations toward the Persian Gulf states away from its bilateral relations with the US. As China expands its economic engagement toward the Persian Gulf countries, it may face more political risks (Calabrese, 1998).

China's foreign policy behavior has been influenced by growing energy dependence and this vulnerability has led China toward cooperation with rival oil consuming countries. According to Charles E. Ziegler "China has not pursued energy security through strategies that result in conflict as the realist theory has predicted" and energy dependency has reinforced the cooperation aspect of Chinese foreign policy. More than half of Chinese oil import comes from the Persian Gulf. Fluctuation of oil prices because of instability in the Middle East threatens Chinese energy security. "America's strategic domination of the Middle East makes China more vulnerable." Compared to Japan and South Korea, China has great advantages because of its huge coal reserves. However, China has less than two percent of the world total oil reserves and only about one percent of proven natural gas reserves. Unlike Japan and South Korea, China has no strategic reserves (Ziegler, 2006). Despite China's attempt to diversify its energy import, the Persian Gulf remains the first place as its supplier of crude oil for indefinite future. Russia and Central Asia may seem to be alternatives; but this area has less than ten percent of the world reserves compared to the Middle East which controls two third of global reserves. Ziegler concludes that the liberal perspective of international relations accurately describes China's energy security. Securing reliable and diversified energy supplies is central to China's security and it is predicted that condition will continue in the coming decades. Energy factor has been the driving factor to make Beijing move beyond regionalism and move toward being a global power (Ziegler, 2006).

2-5) Conclusion

The Iran factor stood among top issues in U.S.-China relations during disputes over the nuclear program of Iran and the U.S.-led sanctions against this country. Both powers had wide political or economic interests/concerns in regard to Iran. It is difficult to label relations between the two powers as cooperative or confrontational in this international challenge. China's conflicting interests in this struggle make it difficult to analyze its behavior through a simple lens of realism or liberalism. On the other hand, there was a lot at stake for Washington to use realist policies to pressure China as a member of the U.N. Security Council, as a major trade partner of America, and as a great power that its cooperation is needed in many other international issues.

Disputes over the U.S.-led sanctions against Iran, provides a great opportunity to examine relations between the United States and China in the twenty first century as the rise of the latter desperately has wide implications on the position of the first.

The complicated relations between the United States and China, makes it difficult to explain their behavior in differences over issues such as sanctions against Iran. Most scholars who have studied U.S.-China relations combine elements of both realism and liberalism. In practice, American and Chinese policymakers have behaved in a way that has elements of liberal engagement and realist containment. What U.S. Deputy Secretary of State Robert Zoellick proposed as "engagement with a responsible stakeholder" provides a framework that the administrations of George W. Bush, Barack Obama, and Donald Trump have declared toward China. Despite different rhetoric during Presidential election, American administrations have followed similar paths toward China and have avoided risking the status qua. This isn't the case in other domestic and foreign issues such as climate change or the nuclear program of Iran.

China's response to the U.S.-led sanctions on Iran, cannot be explained through the perspective of economic rationalism. China's trade with the United States and allies is too much and is not comparable to its limited economic relations with Iran. However, China did not

withdraw from Iran and did not welcome the idea of replacing the Iranian oil with the oil from Saudi Arabia and other Arab oil-exporting countries. That's why most scholars believe that political ambitions played a major role in dealing with sanctions on Iran. A resistant Iran in the middle East, prevents U.S. hegemony over the region and thwarts U.S. attempts to use the oil weapon against rivals such as China, or focusing on East Asia and Chinese borders. Yet, China did not directly stand against the United States and eventually voted for the U.N. Security Council resolutions against Iran. That's why soft-balancing strategy is proposed to explain China's practical response to the sanctions against Iran.

The Nuclear Deal JCPOA never could remove hot differences between Iran and the United States; and the Iran factor remains as a major difference between Washington and Beijing. This dissertation plans to add to the existing literature by studying cooperation and confrontation in U.S.-China relations in the case of sanctions on Iran during the administration of President Obama.

Chapter 3:

Iran Sanctions

3-1) Introduction

The United States lost one of the most important allies in the Middle East in the 1979 Islamic revolution in Iran. Since then, relations between Iran and the United States has never improved. Iran explicitly stands against American hegemonic policies in the Middle East and is considered as the main barrier in the way of U.S. domination over the strategic Middle East and the energy-rich Persian Gulf. Iran does not recognize Israel and challenges the policies of the United States and allies in Palestine, Lebanon, Iraq, Yemen, Syria and other countries (Chubin, 2014; Blight, 2012).

The emergence of the nuclear programs of Iran deteriorated the already bitter relations between Tehran and Washington to the point that the risk of military confrontation seemed very probable. According to the Western perception, a nuclear Iran or even an Iran with peaceful nuclear technology can change the balance of power in the expense of the US and allies in the Middle East. Furthermore, according to the dominant Western discourse the nuclear programs of Iran posed the most serious threat against the security of the United States and its allies in the post 9/11 era. Both President George W. Bush and President Obama considered the nuclear Iran as “a risk to global security” and as a threat against the security of the “United States, allies and the balance of power in the volatile Middle east” and “a bridge to transfer nuclear weapons to the terrorist groups” (Obama, 2015; Bush, 2006). Iran has frequently responded that the nuclear crisis is a “constructed crisis” and a “pretext for imperialistic purposes,” and its nuclear program to be “peaceful, and in

the framework of international regulations” and as an “absolute right” (Rouhani, 2015; Ahmadinejad, 2012).

Generally, the United States has had three major imaginable options in dealing with Iran: diplomacy, military attack and economic sanctions (István, 2010). The Bush administration didn't recognize any nuclear right for Iran even under the IAEA supervision and did not seriously follow the diplomacy track (Parchami, 2014). Considering the second option, Washington was not in a position to launch a new war while the wars of Iraq and Afghanistan have not yielded to acceptable results. However President Bush repeatedly claimed that “all options are on the table” (Bush, Jun 19, 2007); later president Obama used the same words frequently (Obama, 2015). Even after the nuclear deal, President Trump threatened Iran with “all options on the table” (Trump, 2017). However, as an Iranian general responded this option “was just good to be on the table” not in practice because the United States and allies never were in a position to deal with the risks and consequences of a war against Iran (Jafari, 2013).

The Bush administration was heavily under the pressures of criticisms from the international community as well as inside the United States for entering into two costly and unnecessary wars. How could the US launch a new war with a more powerful Iran? Furthermore Iran might close the Strait of Hormoz to which the world is dependent for the flow of oil, American forces in Iraq would be in danger from Iran and Iraqi groups close to Iran and the security of Israel would be in danger from Iran and Iranian allies such as Hezbollah (Utley, 2007; Kemp, 2014). While the first two options were not practical, the United States focused on the third option, economic sanctions. Russia and China as permanent members of the UN Security Council resisted against transferring Iran dossier from the IAEA to the UN Security Council. In 2006 under US pressures and when Iran insisted on continuing uranium enrichment, Russia and China withdrew and the dossier moved to the UNSC under chapter 41 of the article 7 of this council according to which Iran could be exposed to international sanctions (Sciolino, Feb 4, 2006).

This chapter reviews sanctions against Iran to clarify how they were formed prior to the nuclear agreement or the Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1. Iran sanctions can be categorized in three groups: U.S. sanctions, U.N. sanctions, and sanctions from other actors including the European Union. However, the United States played the central role in forming sanctions.

3-2) US Sanctions against Iran

3-2-1) President Carter

Since the 1979 revolution, sanctions have always been a major component of U.S. policy toward Iran. This revolution overthrew the regime of Shah, a major ally of the United States in the Middle East, and established the Islamic Republic, which openly undermined U.S. influence and power in the region.

On October 22, 1979 the Carter Administration permitted the exiled shah to enter the United States for apparently medical treatment (Altman, Oct 25, 1979). Admission of Shah to the United States intensified anti-American sentiments among Iranians who remembered the 1953 US-backed coup against Mohammad Mossadegh, the democratically elected nationalist Prime Minister and re-installed Shah to power. Once again in October 1979, US admission of Shah spawned rumors of another US-backed coup and re-installation of the shah regime. In response, a group of Iranian students took over the American embassy in Tehran and held 52 Americans as hostages, to pressure against the United States in the case of another probable intervention (Kinzer, 2008). For Iranians who remembered the 1953 US-backed coup against Mossadegh, the seizure of the U.S. embassy was a defensive strategy; but for Americans who “looked at the hostage crisis on their TV screen, it seemed as a purely barbaric act of the Orient” (Shoamanesh, 2008, p. 3).

In response to the Hostage Crisis, President Carter issued the Executive Order 12170 and called for freezing of all Iranian government assets held within the United States. He ordered the

Secretary of the Treasury to “employ all powers granted to [the President] by the International Emergency Economic Powers Act (IEEPA) to carry out the provisions of this order” (Executive Order 12170, Nov. 14, 1979). During the 444 days that the hostage crisis lasted, President Carter issued executive orders 12205 (April 7, 1980) and 12211 (April 17, 1980) to put more sanctions including a ban on oil import from Iran, and prohibition of US citizens from traveling to Iran. Finally, the crisis was resolved through the “Algiers Accord”, on January 20, 1981, Iran released hostages, and the United States lifted most sanctions. President Carter through the Executive Order 12282 revoked the provisions of executive orders 12205 and 12211 “to begin the process of normalization of relations between the United States and Iran” (Executive Order 12282, January 19, 1981). However, most provisions of the first executive order (12170) never revoked and the assets of the government of Iran have been blocked by the US government even decades after the hostage crisis. In 1989 David D. Newsom, then undersecretary of state estimated the Iranian assets frozen since 1979 at between \$10 billion and \$12 billion (Newsom, 1989).

3-2-2) President Reagan and President George H. W. Bush

On January 23, 1984, following the bombing of the U.S. Marine barracks in Lebanon, the Reagan administration accused Iran and designated this country as a “state sponsor of terrorism”. This designation triggers substantial sanctions on any nation so designated. President Reagan through the Executive order 12613, prohibited import and export of any goods from Iran (Executive Order 12613, 1984). This order was signed in the midst of Iraq-Iran war throughout which Iran was under arm embargo from the United States and allies.

On August 1990, Iraq invaded Kuwait which resulted in the seven-month-long occupation of this country and led to direct military intervention by US-led forces in the Gulf War. Later, on April 8, 1992 President George H. W. Bush signed into law the “Iran Iraq Non-Proliferation Act” which imposed sanctions on entities that helped Iran and Iraq “acquire weapons of mass destruction”. This act “declares that it is U.S. policy to oppose any transfer of goods or technology to Iraq or Iran whenever there is reason to believe that such transfer could contribute to that

country's acquisition of chemical, biological, nuclear, or advanced conventional weapons” (Iran-Iraq Arms Non-Proliferation Act, 1992).

3-2-3) President Bill Clinton

In respond to Iranian nuclear program, and support for Hezbollah, Hamas, and Palestine Islamic Jihad, President Bill Clinton expanded sanctions extensively. In March 1995, he issued the executive order 12957 prohibiting any American firm or individual from investing in or developing Iranian oil industry. The order was issued under the authority primarily of the International Emergency Economic Powers Act (IEEPA) which gives the President authority to regulate trade with a foreign country when a “state of emergency” (IEEPA, October 28, 1977). Two months later, in May 1995, President Clinton issued the Executive Order 12959 and expanded sanctions further to prevent total U.S. trade and investment in Iran. This order superseded the previous Executive Order (12957 of March 15, 1995) barring U.S. investment in Iran’s energy sector (Executive Order 12959, 1995). Following the end of Iraq-Iran War, trade between Iran and the United States had grown. The Executive Order 12959 ended these economic relations abruptly.

On September 1996, the U.S. Congress passed the “Iran and Libya Sanctions Act” (ILSA) which for the first time put restrictions on non-American companies that provided investments over \$20 million for the development of petroleum resources in Iran. According to ILSA those companies would be imposed two out of the following seven possible sanctions:

1. denial of Export-Import Bank of the United States assistance
2. denial of export licenses for exports to the violating company
3. prohibition on loans or credits from U.S. financial institutions of over \$10 million in any 12-month period
4. prohibition on designation as a primary dealer for U.S. government debt instruments

5. prohibition on serving as an agent of the United States or as a repository for U.S. government funds
6. denial of U.S. government procurement opportunities (consistent with World Trade Organization obligations) and
7. a ban on all or some imports of the violating company (Iran and Libya Sanctions Act, 1996).

“Iran and Libya Sanctions Act” for the first time targeted trade partners of Iran and raised a lot of criticism among other countries especially the European powers. Despite US attempts to enforce ILSA, relations between Iran and the European and Asian powers expanded especially when the reformist Mohammad Khatami came to power in Iran. Europeans continued trade and investment in Iran and threatened “counter action” if the United States would sanction their companies. Finally the Clinton Administration withdrew, and in April 1997, the United States and the EU formally “agreed to try to avoid a trade confrontation over it” (Katman, 2007, p. 3). The United States agreed to waive the energy sanctions in exchange for European commitment to “cooperate in preventing Iran develop weapons of mass destruction” (Samore, 2015).

In response to international noncooperation with sanctions, particularly from the European countries, and President Khatami’s détente policy, the Clinton Administration withdrew from implementing some other restrictions to normalize relations with Iran. In 1999 the U.S. government permitted American traders to export food products and drugs from Iran (Shenon, April 29, 1999). In November the same year, the Boeing Company was exempted from sanctions to provide services to airplanes previously sold to Iran. Improvement in US-Iran relations moved further to the point that U.S. Secretary of State Madeleine Albright regretted American involvement in the 1953 coup against Mohammad Mossadegh and said that the US intervention in the internal affairs of Iran was a “setback for democratic government” (Albright M. , 19 April 2000).

3-2-4) President George W. Bush

Following some improvements in relations with Iran, some members of the U.S. Congress debated against renewal of ILSA. They argued that ILSA hindered improvement in bilateral ties. However, in August 5, 2001, this debate ended as the Congress voted for the renewal for another five-years period, and the new President George W. Bush signed it into law (Fayazmanesh, 2003).

In response to the 9/11 terrorist attacks, President George W. Bush issued the Executive Order 13224 which authorizes U.S. Treasury to designate and block the assets of foreign individuals and entities that commit or threaten “significant risk” of terrorism (Executive Order 13224, September 23, 2001). Following this order, the final list included dozens of Iranian individuals, organizations, and financial institutions.

On January 29, 2002, President George W. Bush in his State of Union address called Iran, Iraq, and North Korea as the “Axis of Evil” and accused them of supporting terrorism and seeking weapons of mass destruction. He stated that Iran “aggressively pursues these weapons and exports terror, while an unelected few repress the Iranian people's hope for freedom” (George W. Bush, January 29, 2002). This speech was not only a blow to the normalizing course of US-Iran relations which had been initiated during President Khatami and President Clinton, but also it damaged cooperation with Iran in the fight against Al Qaeda. According to Crocker and other senior U.S. State Department officials, following the 9/11 attacks, for several months, Iran cooperated on capturing Al Qaeda operatives in the region and fighting the Taliban government in Afghanistan. The “Axis of Evil” speech “hardened Iranian attitudes toward cooperating with the United States” (Filkins, 2013).

The emergence of the nuclear program of Iran was a landmark point in U.S. sanctions against this country. On August 2002, the spokesman of the Mujahedin Khalq or MEK (an Iranian armed dissident group officially considered to be a terrorist organization) in a press conference exposed two nuclear facilities in Natanz and Arak (Jafarzadeh, August 14, 2002). The International

Atomic Energy Agency immediately asked for access to these sites. In the IAEA General Conference in September 2002 in Vienna, Iran responded to the accusations that it was pursuing a “long term plan” to construct “nuclear power plants and the associated technologies such as fuel cycle” facilities (Albright & Hinderstein, 2002).

The United States and allies accused Iran of following nuclear weapon plan and violating the Nuclear Nonproliferation Treaty, and threatened to refer Iran to the U.N. Security Council for economic sanctions and other measures (Collins, September 12, 2003). However, in November 2004, following negotiations between Iran and the EU3, through the Paris Agreement, Iran signed an additional Protocol as a voluntary, confidence building measure and agreed to act “as if the protocol was in force, and suspend uranium enrichment during the course of negotiations with the EU3 (Solana, Nov 15, 2004).

In February 2004, U.S. Department of Treasury ruled against editing or publishing scientific articles from Iran, and stated that U.S. scientists collaborating with Iran could be prosecuted. The American Physical Society, the American Association for the Advancement of Science, and the American Institute of Physics (AIP) refused to comply, saying that ban on publishing goes against freedom of speech (Brumfiel, February 19, 2004). But, the Institute of Electronic Engineers (IEEE) temporarily stopped editing articles from Iran and asked OFAK to clarify guidelines in this regard. OFAK responded that no licenses were required for publishing articles from Iran and they were exempted from sanctions (Miller, April 7, 2004).

On June 28, 2005, President George W. Bush issued the Executive Order 13382 which aimed to freeze “the assets of proliferators of weapons of mass destruction and their supporters, and isolating them financially” (Executive Order 13382, June 29, 2005). Eight Iranian entities were in the sanctioned list.

On 17 June 2005, Mahmoud Ahmadinejad was elected as the President of the Islamic Republic of Iran. A few weeks later, on 8 August 2005, Iran resumed the conversion of uranium

at the Isfahan facility, under IAEA safeguards, but did not engage in enrichment of uranium until the new president installed his government. On April 11, 2006: Ahmadinejad announced that Iran had enriched uranium to reactor-grade using 164 centrifuges (Brumfiel, April 13, 2006). In response, the IAEA reported Iran's non-compliance to the Paris Agreement to the U.N. Security Council. Despite some resistance from China and Russia, in April 28, 2006, Iran nuclear dossier was referred to the UN Security Council.

On 8 September 2006, U.S. Treasury Department prohibited any U-Turn transaction with Iranian bank Saderat. "U-turn transactions allow U.S. banks to process payments involving Iran that begin and end with a non-Iranian foreign bank" (Kessler, September 9, 2006). The United States claimed that the Iranian bank Saderat had provided funds to Hezbollah. By prohibiting U-turn and all other transactions with Bank Saderat, the bank was denied all direct and indirect access to the U.S. financial system (US Department of Treasury, Sep 8, 2006). Two years later on November 6 2008, the United States extended U-Turn prohibition on all Iranian banks (US Department of Treasury, Nov 10, 2008).

On September 30, 2006, the U.S Congress passed the Iran Freedom and Support Act or (IFSA). President George W. Bush signed it into law and lauded the Congress for "demonstrating its bipartisan commitment to confronting the Iranian regime's repressive and destabilizing activities" (White House, September 30, 2006). IFSA appropriated \$10 million, and directed the President of the United States to Spend the money in support of pro-democracy groups opposed to the Iranian government. IFSA was criticized as an intervention in the internal affairs of Iran, and as a first step towards a US-led invasion of this country (Kucinich, Apr 29, 2006; Sheehan, 2006).

3-3) U.S. Sanctions during President Obama

In accordance to his "change policy", President Obama used a different literature toward Iran at the beginning of his administration. On March 2009, he sent a Nowruz Message and congratulated the New Year and addressed the Iranian people and leaders with these words: "We

have serious differences that have grown over time. My administration is now committed to diplomacy that addresses the full range of issues before us, and to pursuing constructive ties among the United States, Iran and the international community” (Obama, 20 March 2009). However, Following post-presidential election uproars in Iran, many things changed as the Obama Administration supported the protesters and condemned the government of Iran for “suppressing the demonstrators” (Cooper & Sanger, June 23, 2009).

In July 2009. While Iran was heavily involved in post-election uproars and the Western media was earnestly publishing scenes of protests in the streets of Tehran, President Obama in the G20 summit in London used the opportunity to achieve international cooperation in pressuring Iran. He warned that if Iran wouldn’t “enter negotiations on the issue”, world leaders would review the situation again in the G8 summit in Pittsburgh on September (Spetalnick, Jul 10, 2009). In his speech in the G8 summit, President Obama exposed satellite photos which accused Iran of secret Uranium enrichment near the city of Qom “breaking rules that all nations must follow” and called the international community for “strict decisions including sanctions against Iran” (Spetalnick, Sep 24, 2009).

President Obama actively engaged with world powers for a new comprehensive sanction against Iran in the UN Security Council. In this dissertation, Obama’s policies in making China support new UN sanctions, will be extensively discussed. Despite resistance from Russia and particularly China, the UN Security council eventually issued the resolution 1929 which compared to previous resolutions put far more new restrictions on Iran and gave legitimation to unilateral and multilateral sanctions from powers such as the United States and the European Union (Resolution 1929, June 9, 2010).

3-3-1) Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA)

Two weeks after the UN Resolution 1929, the U.S. Congress passed the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA), and president Obama signed it into

law on July 1, 2010 (Baker, July 1, 2010). According to CISADA the U.S. government should impose sanctions on companies that make an investment of more than \$20 million in one year in Iran's oil industry. CISADA triggered significant limits on foreign financial institutions access to U.S. financial and banking system if they engage in specific relations with Iran. It expanded sanctions and widened restrictions to target all aspects of Iranian economy including the banking system of Iran, foreign investment in Iranian oil industry, energy export and gasoline import. (CISADA, July 1, 2010). According to Economist, U.S. sanctions through the CISADA moved beyond "smart sanctions" which targeted certain Iranian identities to "comprehensive sanctions" which targeted the Iranian economy in general and effected the life of ordinary people (Economist, August 18, 2012).

CISADA 2010 and ILSA 1996 are the two major Congress acts which have a lot in common. ILSA was later retitled the Iran Sanctions Act (ISA) when it terminated sanctions against Libya in 2006. ISA was the first major "extra-territorial sanction" against Iran—a sanction that authorizes U.S. penalties against third country firms transacting with Iran. Both Congressional Acts of CISADA and ILSA targeted Iranian economy in general and threatened to sanction foreign companies trading with Iran. According to ISA, the U.S. government was required to impose of two of a menu of six sanctions on foreign firms. The Iran Freedom Support Act (2006) added three new possible sanctions and required the U.S. government to impose at least three out of the nine against violators. CISADA increased limitations and added three more sanctions to the ISA menu and required imposition of at least 5 out of the 12 sanctions (Katzman, 2017).

Due to lack of cooperation from the Europeans and other industrial powers during the 1990s, ISA had minimal impacts on Iranian economy. However, CISADA had negative impacts on Iranian economy as escalating tensions over the nuclear program of Tehran and post-elections uproars in Iran changed the international environment against Iran and the Obama administration actively used the new atmosphere to achieve international cooperation in implementing new sanctions.

In order to make sanctions implementable and prevent damages to American interests both ISA and CISADA gave waiver authority to the President. According to ISA the President could ignore some trade interactions if the parent country of the violating firm joined the sanctions regime against Iran. CISADA presented a more detailed standard and provided a six-month waiver if doing so is “vital to the national security interests” and if a parent country is “closely cooperating” with the U.S. efforts against Iran (CISADA, July 1, 2010, p. 14).

On March 2012, and in accordance to the waiver authority, the Obama Administration announced the first group of 11 countries exempted as they had voluntarily reduced trade with Iran. Belgium, the Czech Republic, France, Germany, Greece, Italy, Japan, the Netherlands, Poland, Spain, and Britain (Mohammed & Quinn, Mar 21, 2012). These exemptions were all renewed (for 180 days) on September 14, 2012, and again on March 13, 2013 (Gardner, Mar 13, 2013).

On June 2012, the Secretary of State, Hillary Clinton announced that waivers were granted seven more countries based on reductions of oil purchases from Iran of about 20 percent: India, South Korea, Turkey, Malaysia, South Africa, Sri Lanka, and Taiwan (Gardner & Cornwell, June 11, 2012). All seven exemptions were renewed on December 7, 2012 for another six months. On June 28, 2012, the Obama Administration announced that waiver was granted to the first trade partner of Iran, China based on considerable reduction of its trade with Iran (Gladstone, June 28, 2012).

On September 2010, President Obama issued the Executive Order 13553 blocking the property of certain persons allegedly responsible for “human rights abuses” related to the post-presidential election of 2009 in Iran (Executive Order 13553, September 28, 2010).

On November 2011, President Obama through the Executive Order 13590 expanded sanctions on Iranian petroleum industry by identifying the following activities as sanctionable acts: the provision of goods, services, or technologies above 1\$ million (a far lower

threshold than under ISA or CISADA) that could help Iran develop its petroleum resources (Executive Order 13590, November 20, 2011).

On November 2011, the Obama Administration took further steps to isolate the Iranian banking system by identifying this country as a “jurisdiction of primary money laundering concern” under Section 311 of the USA Patriot Act. The Department of the Treasury determined that Iran’s financial system, including the Central Bank, constitutes a threat to governments or financial institutions that do business with these banks (U.S. Department of Treasury, November 21, 2011). The designation of the Central Bank was, in part, justified by the Administration as implementing recommendations of the Financial Action Task Force (FATF) – a multi-lateral standard-setting body for anti-money and combating the financing of terrorism (AML/CFT). The FATF characterized Iran as a high-risk and non-cooperative jurisdiction (Katzman, 2017).

3-3-2) National Defense Authorization Act for Fiscal Year 2012

The National Defense Authorization Act for the Fiscal Year 2012 (2012 NDAA), section 1245 imposed sanctions against foreign banks that transact with the Central Bank of Iran. In accordance to CISADA, this act also authorized the President to waive sanctions if the bank’s home country significantly reduced its purchases of Iran’s oil every 180 days (NDAA, December 14, 2011).

NDAA 2012 requires the President to block all property of Iranian banks that falls within US jurisdiction. The effect of this act is similar to listing all Iranian financial system as Specially Designated Nationals (SDNs). “Although American financial institutions were previously not allowed to conduct any transactions with Iranian banks, this provision goes even further by blocking their property” (Steptoe & Johnson, 2013). In fact, the 2012 NDAA was planned to force every country to choose between significantly reducing purchase of Iranian oil or having its banks shut out of the international financial system (Lee & Johnson, January 4, 2012).

The Obama Administration in response to the provision of the 2012 NDAA, warned that it could lead to a rise in oil prices and might eventually benefit Iran. However, the Administration accepted the legislation. In the signing statement on the bill, President Obama indicated that he would implement the provision in a way to prevent damages to U.S. relations with partner countries. The E.U. embargo on purchases of Iranian oil, announced on January 23, 2012, facilitated implementation of the provision (Katzman, 2017, p. 20).

3-3-3) Iran Threat Reduction and Syria Human Rights Act

On August 2012, President Obama signed into law the Iran Threat Reduction and Syria Human Rights Act (ITRSHA), which imposes penalty on any U.S. company which its foreign subsidiary knowingly engages in any transaction with the government of Iran or any designated Iranian person. ITRSHA was an extension of ISA and CISADA list of regulations against Iranian financial system and petroleum industry. It added the following actions to the sanctions list: “(1) Participating in certain joint ventures that may benefit Iran’s petroleum sector. (2) Providing goods, services, technology or other support that could contribute to the maintenance and enhancement of Iran’s ability to develop domestic petroleum resources, refined petroleum production, or petrochemical products production (with certain transaction value thresholds). (3) Transporting crude oil from Iran to another country; (4) concealing the Iranian origin of crude oil or refined petroleum products transported on vessels” (Steptoe & Johnson, 2013).

Compared to ISA and CISADA, Under ITRSHA the President has less authority to grant waiver to firms that violate regulations when necessary to U.S. national interests. According to ITRSHA, the President is required to impose five out of twelve available sanctions; whereas CISADA required him to impose three out of nine provisions, and ISA required the President to put in effect two out of six provisions (Katzman, 2017).

3-3-4) Iran Freedom and Counter-Proliferation Act 2012 (IFCA)

On January 2, 2013 President Obama signed into law the FY 2013 National Defense Authorization Act (FY 2013 NDAA), a large legislative package which included the Iran Freedom and Counter-Proliferation Act of 2012 or IFCA. This law originally drafted by Senator Robert Menendez and Senator Mark Kirk imposes at least five provisions out of the 12 ISA sanctions (as of July 1, 2013, 180 days after enactment) on entities determined to have engaged in certain transactions with Iran (Steptoe & Johnson, 2013).

IFCA expands extraterritorial sanctions against Iran's energy, shipping and shipbuilding sectors. It provides ISA type sanctions against non-U.S. insurers who conduct services to activities related to Iran. This law imposes sanctions on entities determined to have engaged in the transactions such as Energy, Shipbuilding, and Shipping Sector, Insurance for Related Activities, Dealings in Precious Metals and Dealings in U.S. Bank Notes. IFCA codifies some elements of the Executive Order 13622 blocking U.S.-based property of individuals or firms determined to have helped Iran trade in U.S. bank notes or to have provided financial support to the Central Bank of Iran or Iranian oil companies NIOC and NICO (Katzman, 2017).

3-3-5) President Obama's Executive Orders on Iran in 2012-2013

President Obama issued five Executive orders on sanctions against Iran in 2012. During this year, US sanctions against Iran picked as Obama Administration implemented Congressional acts such as CISADA, ITRSHA and 2012 NDAA through executive orders which overlapped with each other and with Congressional acts.

On February 5, 2012, the Executive Order 13599 implemented the National Defense Authorization Act (NDAA) of 2012 which requires the President to block (i.e. freeze) the property of any Iranian financial institution in the United States or held by US persons. This Order also

blocked the properties of the Government of Iran, including the Central Bank of Iran within the jurisdiction of the United States (Executive Order 13599, February 5, 2012).

On April 23, 2012, President Obama issued Executive Order 13606 “Blocking the Property and Suspending Entry into the United States of Certain Persons with Respect to Grave Human Rights Abuses by the Governments of Iran and Syria via Information Technology”. CISADA 2010 prohibits U.S. government trade with foreign companies that sell technology that Iran could use to monitor or control Iranian usage of the internet. According to Katzman (2017), The provisions were directed, in part, against Nokia (Finland) and Siemens (Germany) for reportedly selling Internet monitoring and censorship technology to Iran in 2008 (Rhoads, June 22, 2009).

Less than ten days later, on May 1, 2012, Executive Order 13608 “prohibiting certain transactions with and suspending entry into the United States of foreign sanctions evaders with respect to Iran and Syria”. According to this Executive Order, the Department of Treasury should identify and sanction the foreign persons who help Iran evade sanctions. On January 10, 2013, the Department of the Treasury’s Office of Foreign Assets Control issued an Advisory to highlight use of hawalas to evade financial sanctions (OFAC, January 2013). However, along with issuance of the order, no such persons were designated to be cut off from the U.S. market (Krauland, et al., 2012).

On July 30, 2012, President Obama issued the Executive Order 13622 blocking U.S.-based property of individuals or firms determined to have helped Iran trade in U.S. bank notes or to have provided financial support to the Central Bank of Iran or Iranian oil companies NIOC and NICO (Executive Order 13622, July 30, 2012). On October 9, 2012, President Obama issued the Executive Order 13628 Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Threat Reduction and Syria Human Rights Act of 2012 and Additional Sanctions. According to this order, the Department of Treasury is authorized to block the properties of persons/firms determined to have committed the censorship, limited free expression, or assisted in jamming communications.

On June 3, 2013, President Obama issued the Executive Order 13645 “Authorizing the Implementation of Certain Sanctions Set Forth in the Iran Freedom and Counter-Proliferation Act of 2012 and Additional Sanctions” against Iran. This order goes beyond limitations over Iranian oil industry to include other parts of Iranian economy including the automotive (cars, trucks, buses, motorcycles, and related parts) sector. Furthermore, it Blocks U.S.-based property and prohibits U.S. bank accounts for foreign banks that conduct transactions in Iran’s currency, the rial, or hold rial accounts (Executive Order 13645, June 3, 2013). This provision mostly affected banks in countries bordering or near Iran. According to Steptoe and Johnson LLP, this order targeting of the Iranian automotive industry, as the second-largest sector of Iran’s economy, was a notable step, as it might “signal the start of a trend in which the U.S. adopts more sanctions programs directed at frustrating business with Iran’s largest industries” (Steptoe & Johnson, July 1, 2013).

3-4) U.N. Sanctions Against Iran

Compared to the U.S. provisions, U.N. sanctions are limited and rarely involve Iranian civil economy. However, due to their international dimension, UN sanctions are very important as they provide the background for international cooperation over pressures against Iran, and legitimize unilateral and multilateral sanctions from the United States, European Union and other countries.

Despite some resistance from China and Russia, On February 2006, IAEA board of Governors eventually voted for the referral of Iran to the U.N. Security Council. About six months later, The U.N. Security Council adopts Resolution 1696 by a vote of 14-1. This resolution didn’t impose any sanctions over Iran. It demanded that Iran “suspend all enrichment-related and reprocessing activities, including research and development, to be verified by the International Atomic Energy Agency (IAEA)” (UN Resolution 1696, July 31, 2006).

About five months later, on December 2006, the second U.N. Resolution 1737 made mandatory for Iran to suspend enrichment-related and reprocessing activities. This resolution for the first time, imposed sanctions that demanded “blocking the import or export of sensitive nuclear material and equipment and freezing the financial assets of persons or entities supporting its proliferation sensitive nuclear activities or the development of nuclear-weapon delivery systems” (Resolution 1737, December 23, 2006). This resolution also demanded that all countries prevent the supply or sale of equipment and technology that would help Iran’s nuclear program.

On March 24, 2007, U.N. Security Council Resolution 1747 banned Iran’s arm exports and imposed a freeze on the financial assets of 28 individuals and entities related to Iran nuclear activities (Resolution 1747, March 24, 2007). A year later, on March 2008, UN Resolution 1803 Extended the asset freezes and called upon states to monitor the activities of Iranian banks, inspect Iranian ships and aircraft, and to monitor the movement of individuals involved with the program through their territory. On 27 September 2008, the UN Resolution 1835 reaffirmed the preceding four resolutions. This resolution was the only one of the seven not to invoke Chapter VII of the United Nations’ Charter. Chapter VII allows the Council to "determine the existence of any threat to the peace, breach of the peace, or act of aggression" and to take military and nonmilitary action to "restore international peace and security" (U.N.Charter, 1945).

On June 9, 2010, U.N. Resolution 1929 extended sanction more than any other resolution. Some of the most important provisions of this resolution are:

1. Iran is prohibited from investing in sensitive nuclear activities abroad, like uranium enrichment.
2. States are prohibited from selling or in any way transferring to Iran eight broad categories of heavy weapons (battle tanks, armored combat vehicles, large caliber artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems).

3. Iran is prohibited from undertaking any activity related to ballistic missiles capable of carrying nuclear weapons and States are required to take all necessary measure to prevent the transfer of related technology or technical assistance.
4. Iran is subject to a new regime for inspection of suspicious cargo to detect and stop Iran's smuggling. States should inspect any vessel on their territory suspected of carrying prohibited cargo, including banned conventional arms or sensitive nuclear or missile items. States are also expected to cooperate in such inspections on the high seas.
5. States are called upon to prevent any financial service -- including insurance or reinsurance -- and freeze any asset that could contribute to Iran's proliferation.
6. States are called upon to prohibit on their territories new banking relationships with Iran, including the opening of any new branches of Iranian banks, joint ventures and correspondent banking relationships, if there is a suspected link to proliferation.
7. Forty Iranian companies and one individual will be subject to an asset freeze. The individual – the head of a critical nuclear research program – will also be subject to a travel ban (Resolution 1929, June 9, 2010).

On June 2011, the UN Resolution 1984 extended the mandate of the panel of experts that supports the Iran Sanctions Committee for one year. Each of the similar U.N. resolutions on 2012, 2013, and 2014, all renewed the mandate of the Iran Sanctions Committee's Panel of Experts for one year. Following the nuclear agreement of Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1 on July 14, 2015, UN resolution 2231 endorsed the JCPOA and terminated sanctions imposed by seven past Security Council resolutions.

3-5) E.U. Sanctions against Iran

During the 1990s, European powers were reluctant to sanction Iran and resisted U.S. unilateral policies in this regard. However, after the emergence of Iran nuclear program, U.S. and European approaches on Iran converged. Unlike the United States, European countries were close trade partners of Iran when disputes over nuclear program started. In 2005, EU-Iran bilateral trade surpassed \$ 30 billion, three times more than total Iran-China trade (International Trade Center, 2015). However, in 2014 total E.U.-Iran trade reduced to \$7.6 billion, while the same year, China-Iran trade exceeded \$51 billion, about six times more than the total trade between Iran and the European Union (European Commission, 2016).

Since the emergence of Iran nuclear program in 2003, the European powers played a major role through negotiations between Iran and the EU3 (France, Germany, and the U.K.). After the nuclear dossier of Iran was referred to the UN Security Council in 2006 and especially after the passage of the U.N. resolution 1929 in 2010, European Union actively joined the sanctions regime, reduced trade with Iran, and imposed restrictions against Tehran. The European Union accounted for about 20 percent of Iranian oil export in 2011; most of the remaining exported oil would go to the Asian countries such as China, India, Japan and South Korea (Marcus, January 23, 2012).

In accordance with U.S. pressures against Iran, EU sanctions peaked in 2012 when the European Council decided to embargo the Iranian oil, and declared freezing the assets of held by the Central Bank of Iran, banned trading of precious metals and petrochemical products from Iran, and banned insurance and reinsurance of Iranian ships and companies (Greene, January 24, 2012). In 2012, EU sanctions against Iran were almost as extensive as those of the United States. EU sanctions had negative impacts on Iranian economy because European countries were close trade partner of Iran, while the United States had cut economic ties with Iran since the Islamic Revolution of 1979.

On March 2012, the European Council decided to disconnect all Iranian banks from the SWIFT or (Society for Worldwide Interbank Financial Telecommunication) electronic banking. It was for the first time that SWIFT, a consortium based in Belgium and subject to European laws, had taken such a “drastic step”, which made serious problems in transferring the money from the sale of oil and other exports” (Gladstone, March 15, 2012). According to the Nuclear Agreement JCPOA, all nuclear-related economic and financial EU sanctions were lifted (European Council, January 16, 2016).

3-6) International Response to Iran Sanctions

Aside from the United States and the European countries, Sanctions against Iran, involved many other countries, especially trade partners of Tehran.

3-6-1) China and Russia

China and Russia as independent powers, which are not considered as U.S. allies, imposed only the provisions of the U.N. resolutions in relations with Iran. However, as permanent members of the U.N. Security Council, they considered their own interests in drafting those resolutions. The role of China as the first trade partner of Iran will be extensively discussed in this dissertation. In 2011 China’s average oil import from Iran was about 555,000 barrels per day. At the peak of sanctions in 2012-2013, this figure reduced to 435,000 barrels per day (EIA, 2015, p. 13). This amount of reduction is not considered as a substantial reduction compared to other major trade partners of Iran.

Russia has been the main source of military trade with Iran for decades and the first nuclear partner of Tehran since 1997 when China withdrew from nuclear cooperation with Iran. On 2007 Russia agreed to sell S-300 defense system missiles to Iran. But in the shadow of the nuclear disputes and under U.S. pressures it didn’t happen although the deal was signed in 2009. On June

2010, Russia and China eventually voted for UN resolution 1929 which banned the sale of heavy weaponry to Iran. Although the resolution did not ban supply of defensive systems, President Medvedev cancelled delivery of S-300 Missiles to Iran (Sputnik, September 22, 2010). Iran protested and President Ahmadinejad criticized Russia for kowtowing to the United States (Ahmadinejad, November 3, 2010). However, After the nuclear agreement JCPOA, Russia delivered S-300 Missile systems to Iran (Roth, May 10, 2016).

Following the Syrian disputes, and especially after the Ukraine crisis, differences between the United States and Russia peaked leading to improvements in Iran-Russia relations. On 2014 while negotiations between Iran and the P5+1 was moving forward, Iran and Russia agreed on a deal of exchanging 500,000 barrel per day of Iranian oil for Russian goods (Saul & Hafezi, January 10, 2014). Following the nuclear agreement JCPOA, trade barriers on Iranian oil export lifted and the arrangement was not implemented.

3-6-2) India

India began reducing economic ties with Iran in 2010, when India's Central Bank ceased using the Asian Clearing House in Tehran in transactions with Iran (Mehdudia, December 31, 2010). On April 2011, India imposed additional sanctions on Iran related to the latter's nuclear and missile development program, and enacted a ban on the export of all items, materials, equipment, goods, and technology that could contribute to Iran's nuclear program (The Hindu Business Line, April 1, 2011). In July 2012, in accordance to U.S. sanctions, India didn't approve the necessary insurance for Iranian ships barring them from entering Indian waters (Mehdudia, July 27, 2012).

In January 2012, Iran and India agreed that 45% of Iran's oil sale be settled by India's local currency, the rupee mostly used to buy Indian rice, wheat, pharmaceutical, sugar, soybeans, auto parts and other products (Mishra, January 23, 2012). In 2008, Iran was accounted for 16 percent of Indian oil import; while in 2013 Iran supplied about 6% of India's oil import (Katzman, 2017).

3-6-3) Japan and South Korea

During the sanction period, Asian countries were accounted for most of the Iranian trade including export of oil. In 2011, Japan and South Korea accounted for 26% of Iranian oil exports (BBC, January 12, 2012). However, as allies of the United States, both countries cooperated with US sanctions cut imports of Iranian oil after 2011. On September 2010, Following the UN Resolution 1929, Japan imposed sanctions which went beyond those imposed by the UN Security Council. This country put a ban on transaction with some Iranian banks, investment with Iranian energy sector, and asset freezes against individuals and entities involved with Iran's nuclear program (BBC, September 10, 2010). On March 2012, Japan announced that it had already shrunk by 40 percent of oil import from Iran over the past five years and pledged to cut further. The South Korean government announced a similar pledge (Dawn, May 30, 2012).

3-6-4) Turkey

The economies of Iranian neighbors such as Turkey, Pakistan, Iraq and Persian Gulf countries were also involved through the years of sanctions. Turkey is a significant buyer of Iranian oil. Turkey's oil imports from Iran averaged about 200,000 barrels per day in 2011. In response to U.S. sanctions, In March 2012, Turkey announced that this country would reduce oil import from Iran by about 10%-20% and it was exempted from U.S. unilateral sanctions for two six months periods in 2012-2013 (Gardner & Cornwell, June 11, 2012). Turkey is also the main customer of Iranian gas via a gas pipeline constructed in 1997. Some press reports accused Turkey of settling much of payments to Iran for its oil and natural gas through delivering gold to Iran (Taner, March 29, 2013). However, on May 2013 U.S. officials testified that much of the gold going to Iran was transferred by the Iranian private citizens who purchased Turkish gold to hedge against the value of rial (Clark, Ziemba, & Dubowitz, May 13, 2013).

3-6-5) Pakistan

Iran – Pakistan gas pipeline project is one of the most important energy project for both countries. The United States on several occasions warned that it would be subject to ISA sanctions (the News, January 29, 2013; NDTV, September 16, 2011; Kronstadt, 2005). Despite the threat of sanctions, the agreement on \$7 billion project was finalized on June 2010. On March 11, 2013, in a ceremony attended by both Presidents, construction was inaugurated and both countries agreed to the completion date of mid-2014. Iran completed the pipeline on its side of the border. But Pakistan reportedly has had difficulty arranging about \$1 billion in financing for the project (Katzman, 2017). On April 2015, China announced that it would invest \$3 billion in the project (Shah, April 9, 2015). However, during President Rouhani visit to Pakistan in March 2016, this country still did not commit to complete the line (Katzman, 2017). Reportedly, Saudi Arabia has used its influence in Pakistan to prevent finalization of the project (Fazl-e-Haider, March 21, 2014; Bhutta, February 15, 2016).

3-6-6) Iraq

The 2003 Iraq war toppled the Saddam regime of Iraq, and the consequent Shiite-dominated government established close ties to Iran. Despite U.S. sanctions against Iran, Tehran and Baghdad continued close relations to follow common interests in the region. However, the Iraqi government was heavily involved in dealing with the crises of terrorism and the fight against ISIS. In July 2011, Iran and Iraq signed a \$365 million contract for the pipeline construction. On January 23, 2013, Iraq signed an agreement with Iran to 850 million of cubic feet per day of natural gas through a joint pipeline to supply several power plants in Iraq. No sanctions have been imposed on the project (Katzman, 2017). Reportedly, in May 2015, an Iraqi airline helped Iranian Mahan Air acquire nine aircrafts. In response, the United States sanctioned the Iraqi airline and other entities involved (Jones, May 22, 2015). Iran has supported Iraq in the fight against terrorist groups since the Shiite-dominated government established in this country. This support has included supplying advisors and weapons to defeat ISIS (Bakhtiari, February 17, 2015).

3-6-7) Persian Gulf Countries

Persian Gulf countries or the GCC, as American allies, supported the sanction policy against Iran despite keeping relatively normal trade with Tehran. The Obama administration used the traditional rivalry between Iran and Saudi Arabia and other oil exporting Arab countries in the Persian Gulf to substitute Iranian oil in the market. Prior to President Obama's first trip to the Middle East, in April 2009 Dennis Ross, Obama's senior Middle East advisor negotiated with Saudi Arabia and other oil exporting Arab countries on increasing oil production to keep market stability in the case of the absence of Iranian oil in the market (Clemons, April 25, 2009). Less than two weeks later, in Obama's trip to these countries, sanctions against Iran stood among top issues which he discussed with Arab leaders (CBSNews, June 3, 2009). Four months later, Saudi Arabia declared that his country was ready to compensate any oil reduction in the global market. The United Arab Emirates also announced that this country was ready to boost oil export to China from 50,000 barrels per day, to a level between 150,000 to 200,000 barrels per day (Solomon, October 20, 2009).

On January 7, 2012 the Saudi Oil Minister, Ali al-Naimi, without directly referring to the US sanctions against Iran said that Saudi Arabia, the world's largest oil exporter, was ready to meet any increase in demand (al-Naimi, January 14, 2012). In response Iranian OPEC Governor Mohammad Ali Khatibi warned that "If [Saudi Arabia] give the green light to replacing Iran's oil these countries would be the main culprits for whatever happens in the region - including the Strait of Hormuz" (Mostafavi, January 15, 2012).

Among the Persian Gulf countries, the UAE as a close trade partner of Iran, was involved more in the sanctions against Iran. Some Iranian firms located in the UAE have been sanctioned. On March 1, 2012, the UAE banned Noor Islamic Bank of transactions with Iran (Augustine & Lowe, March 1, 2012). In response, The United States praised the decision (Katzman, 2017).

3-7) Effects of Sanctions

3-7-1) Effects on the Energy Market

Iran is considered as an energy superpower controlling 10 percent of the world's proven oil reserves and 15 percent of its gas reserves (EIA, 2015). In 2008, a study by the U.S. National Foreign Trade Council anticipated that normalization of relations between Iran and the United States could reduce oil prices by 10 percent, saving the United States annually \$76 billion at the proximate oil price of \$100 barrels per day (DeRosa & Hufbauer, 2008).

During the nuclear negotiations between Iran and the P5+1, and especially after the Nuclear Agreement (JCPOA) when Iran gradually returned to the global oil market, oil prices dropped dramatically (World Bank, August 10, 2015). This shows how the United States and other oil major consumers of energy were damaged during sanctions against Iran.

In order to reduce impacts of Iran sanctions on the global energy market, the Obama Administration used traditional differences and rivalry between Iran and Saudi Arabia and other oil exporting Arab countries in the Persian Gulf to substitute Iranian oil in the market (Clemons, April 25, 2009). The 2008 International Financial Crisis which lasted for several years helped reduce oil price in the market (Ilias, 2010).

3-7-2) Effects on Iran

Sanctions had negative impacts on Iranian economy. Oil exports revenues play a major role in Iranian economy. In 2009, oil revenues accounted for 60 percent of total government revenues and 80 percent of the total annual value of both exports and foreign currency earnings (Press TV, January 1, 2010). Data published by the Iranian Central Bank in 2011, showed a declining trend in the share of Iranian exports from oil-products (2006/2007: 84.9%, 2007/2008: 86.5%, 2008/2009: 85.5%, 2009/2010: 79.8%, 2010/2011: 78.9%) (Central Bank of Iran, 2011). Iranian authorities have argued that despite damages, in long term sanctions can have some

positive impacts on Iranian economy because they create new business opportunities for Iranian companies to develop in order to fill the gap left by foreign contractors (Barden, 2011).

As sanctions expanded during President Obama's administrations, Iranian economy faced problems. In 2011, Iran produced 4.3 million barrels of oil per day. Using 1.8 million barrels for domestic consumption, Iran exported about 2.5 million barrels per day. In 2012-2013, Sanctions decreased oil export for 40% and reached 1.5 million barrels per day (EIA, 2015).

According to the International Monetary Fund (IMF), In the 2011/2012 fiscal year, Iran's oil and gas revenue was \$118 billion. Due to sanction, this figure dropped about 47% to be \$63 billion. Again in the 2013/2014 fiscal year Iran's oil and gas revenues reduced by 11% to \$56 billion (IMF, April 4, 2014). Iranian oil Minister on January 7, 2013 acknowledged the impact of sanctions. He indicated that oil sale had fallen 40 percent (Qassemi, 2013).

Sanctions also devalued rial, the Iranian currency and caused humanitarian costs on medical drugs and equipment. Illnesses such as cancer, breathing problems, thalassemia, MS faced a lot of problems because shortage of drugs due to bank restrictions. In 2013, *the Guardian* reported that 85,000 Iranian cancer patients required forms of chemotherapy and radiotherapy which were scarce because of bank sanctions. The report estimated 40,000 hemophiliacs who couldn't get blood-clotting medicines and 23,000 Iranians with HIV/AIDS who had severely restricted access to the drugs they needed (Borger & Dehghan, 13 January, 2013).

However, sanctions couldn't prevent Iran nuclear program. Prior to sanctions in 2005, Iran had about 3,000 centrifuges. Despite sanctions and pressures, this number was increased to 19,000 centrifuges in 2013. "If sanctions gave the United States more leverage, then it's also true that 19,000 centrifuges gave Iran additional leverage" (Parsi, May 14, 2014).

According to Hossein Mousavian, if sanctions were intended to hurt the Iranian people, they could achieve the goal; but if they were intended to prevent Iran from its nuclear plans, they

failed. Other non-oil sections of Iranian economy also hurt by the sanctions due to bank restrictions and especially when the European Union joined sanctions (Mousavian, May 3, 2013).

3-8) the Nuclear Agreement (JCPOA)

Following extensive negotiations between Iran and the P5+1, the Nuclear Agreement or the Joint Comprehensive Plan of Action (JCPOA) was signed on July 14, 2015. According to the deal, Iran accepted strict restrictions on nuclear programs. In return, the United States, European Union, and other countries accepted to stop nuclear related sanctions against Iran. The UN Security Council, through the resolution 2231 endorsed the JCPOA and terminated sanctions imposed by seven past Security Council resolutions. The European Union lifted nuclear-related sanctions and bank restrictions. Nuclear-related sanctions mandated by the U.S. Executive Orders were lifted, and the sanction laws of the U.S. Congress were suspended according to the authority of the president.

However, relations between Iran and the United States never improved and the nuclear agreement has experienced critical moments, particularly since Donald Trump came to power in the United States. Throughout his presidential campaign, trump called the nuclear agreement “disaster” and “the worst deal ever negotiated”. In a speech to the pro-Israel lobby group AIPAC in March, Trump declared that his “number one priority is to dismantle the disastrous deal with Iran” (Begley, Mar 22, 2016) to increase sanctions. However, on March 2017 the Trump administration pledged 'great strictness' on Iran nuclear deal (Reuters, March 7, 2017).

On 13 October 2017, President Donald Trump accused Iran of violating the “spirit” of the deal and announced that he would not make the certification required under the Iran Nuclear Agreement Review Act. Trump called on the U.S. Congress and international partners to “address the deal's many serious flaws so that the Iranian regime can never threaten the world with nuclear

weapons” (Calamur, Oct 13, 2017). In response, Iranian President Hassan Rouhani stated, getting out from the Iran nuclear deal would “carry a high cost” for the United States; and no president was allowed to “single-handedly revoke” the deal signed by the UN (Millward, 2017). After Trump declared that he “cannot and will not” recertify the nuclear deal with Iran, Theresa May, Emmanuel Macron and Angela Merkel supported the deal in a joint statement. The European Union's foreign policy chief, Mogherini said that the agreement was working well and that no one country could break the deal concluded by Britain, France, Germany, Russia, China and the European Union. She suggested a "collective process" for keeping the deal. Mogherini expressed support for the nuclear deal, saying scrapping it would do more harm than good. “Dismantling an agreement on nuclear issues that is working - as the International Energy Agency has certified nine times - would not put us in a better position to discuss all the rest, on the contrary," (Mogherini, Dec 5, 2017).

Rex Tillerson, The U.S. secretary of state, responded that pressure will continue to be applied to Iran over its commitments to the nuclear deal as the US Congress mulls over whether to re-apply economic sanctions on Tehran (Tillerson, Dec 5, 2017). It seemed that the nuclear agreement or the JCPOA was going to live on due to the sensitivities and costs of alternative plans for all sides of the agreement. Yet, on January 2018, President Trump issued a four months ultimatum to work with him to fix “the disastrous flaws” in the pact or face a U.S. exit (Holland, January 12, 2018). Iranian Foreign Minister Mohammad Javad Zarif responded on Twitter that the deal was not renegotiable and that Trump’s stance “amounts to desperate attempts to undermine a solid multilateral agreement” (Press TV, Jan 15, 2018).

Chapter 4:

U.S. Strategy to make China follow Sanctions on Iran: Guarded Engagement with Beijing

4-1) Introduction

Chapter 3 reviewed sanctions against Iran since the 1979 Islamic revolution and particularly after the emergence of Iran's nuclear program and the referral of Iran to the U.N Security Council in 2006. These sanctions peaked when President Obama came to power and particularly when the Europeans actively joined the sanctions coalition against Tehran. However, the U.S.-led sanctions needed international cooperation to be effective in pressuring Tehran. The role of China, both as a veto power in the U.N. Security Council, and as a major trade partner of Iran was so essential in this regard. This chapter studies the behavior of American foreign policy through process-tracing method to answer the first major question of the dissertation: What strategy did the Obama administration pursue to make China follow sanctions against Iran?

According to the hypothesis, The United States implemented a guarded-engagement strategy to make China follow sanctions against Iran and reduce trade with Tehran. The Obama administration used diplomacy, respected China's interests and concerns, and engaged with Beijing; on the other hand, Washington threatened and pressured China through different channels to make China follow sanctions against Iran. This chapter studies the behavior of the United States in the real world to examine the hypothesis.

4-2) Historical Background

The hostile relations between Iran and the United States has never improved since the 1979 Hostage Crisis in the post-revolutionary Iran; and Washington has increasingly tried to contain Tehran through sanctions, limitations and pressures. Throughout this period, the United States has always been sensitive over relations between Iran and the People Republic of China as two independent and non-Western regimes which have come to power through revolutions against regimes supported by the United States.

During the 8-year Iraq-Iran war in the 1980s, China supplied weapons to both sides of the conflict. As Iran was under weapon embargo from the Western and Eastern blocs, Chinese weapons were more helpful for Iran. In 1987, both Iraq and Iran used Chinese Silkworm anti-ship missiles in the war. The United States actively used “diplomatic channels” to “convince China not to sell Silkworm missiles to Iran and to use its influence to persuade Iran to remove these missiles from the Strait of Hormoz area” (Biller, 1989, p. 189). Following U.S. negotiations with Beijing, China eventually agreed to stop supplying Silkworm anti-ship missiles to Iran. However, later Iran developed the capability to manufacture such missiles itself (Wisconsin Project, Jan 1, 1997).

China was the main nuclear partner of Iran during 1985-1997 despite protests and pressures from the United States. This country took part in building the Esfahan Nuclear Research Center and helped Iran in training scientists, engineers and technicians (Melman & Javedanfar, 2007). The United States pressured China through different channels to end its nuclear cooperation with Iran. However, Beijing used nuclear relations with Iran as a source of pressure in the Taiwan struggle which Washington (Garver, 2006).

In 1992, the United States announced the sale of 150 F-16 fighter aircrafts to Taiwan. In response, Chinese Foreign Ministry announced that this country would not participate in the U.N.

Security Council negotiations on arms transfer to the Middle East, unless Washington gave up arms sales to Taiwan (Grimmett, 1993). Right after the U.S. announcement of the military deal with Taiwan, an Iranian military delegation arrived Beijing for making an arms deal. Later, the same year, China signed an agreement with Tehran on the sale of several nuclear power plants in Iran (Garver, 2006, pp. 213-214).

In 1995-1997, China-U.S. tensions over Taiwan peaked close to a military struggle. China fired two sets of missiles to send a strong signal to Taiwan's moves for independence. In response the U.S. Navy moved to the region exposing credible threats to the Chinese Navy (Risen, March 11, 1996). However, On October 1997, the United States and China eventually compromised and both sides accepted some commitments. The United States withdrew from some of its Taiwan policies and China accepted to change some policies including suspension of nuclear cooperation with Iran and never formally worked with Iran in this ground since then (Garver, 2006, p. 141; Lounnas, 2011).

The 9/11 terrorist attacks in 2001, altered the foreign policy priorities of the United States and changed its relations with the world including China and Iran. Consequently, the United States focused on the Middle East and the "War on Terror," away from East Asia where China was growing rapidly (Haass, 2013; MacKinnon, 2011; Layne, 2008). Furthermore, the United States needed China's cooperation in dealing with the new wars and crises; and China used U.S. dependency to China as a card to safeguard its peaceful rising (Mousavi & Khodaei, 2016; Izadi & Khodaei, 2017).

Throughout the War of Afghanistan, Iran cooperated with the U.S. and the international coalition against the Taliban regime. However, this exceptional status in U.S.-Iran relation was interrupted when on May 6, 2002, President George W. Bush in a landmark speech placed Iran, Iraq and North Korea in the "Axis of Evil." Considering American offensive policies in the post-9/11 context, placing Iran in axis of evil signaled probable military attack against this country. A month after President Bush's speech, the Chinese President Jiang Zemin visited Iran (Xinhua,

April 21, 2002). President Zemin's visit to Tehran at that critical date, implied China's opposition against U.S. policies on launching a new war on Iran (Davis, 2013, p. 9)

After the emergence of Iran nuclear program in 2003, China along with Russia and the European powers tried to resolve differences with Tehran through negotiations in the IAEA context. On May 2004, Hu Xiaodi, Head of the Chinese Delegation stated that "as a state party to the NPT, Iran's right to the peaceful uses of nuclear energy should be respected" (Xiaodi, May 3, 2004). On September 2004, the IAEA Board of Governors discussed referral of Iran to the U.N. Security Council. China's representative called on the international community to respect the right of Iran to use peaceful nuclear energy. According to Zhang Yan, the Chinese Envoy to UN: "uranium enrichment could be used to either generate electricity or make bombs. As such enrichment per se was not banned by the NPT" (Xinhua, Sep 19, 2004).

On November 2004, negotiations between Iran and the EU3 (France, Germany, Britain) and the European Union, led to the "Paris Agreement" according to which, Iran signed an additional protocol requested by the International Atomic Energy Agency (IAEA), and accepted voluntarily suspension of uranium enrichment (Solana, Nov 15, 2004).

During the 2003-2005, Iran nuclear program, despite sensitivities, was not regarded as a major issue in U.S.-China relations, because the United States was heavily involved in the crises of the post-war Iraq and Afghanistan. Furthermore, Iran was negotiating with the European powers and the 2004 Paris Agreement eventually reduced sensitivities. On 2004, as negotiations between Iran and the European powers came close to a preliminary agreement, China used the opportunity to negotiate investment in Iranian energy industry. On October 2004, Sinopec, the Chinese Company signed an agreement with Iranian National Oil Company according to which China bought 250 million tons of LNG from Iranian Yadavaran field for the next 30 years. The contract was estimated to worth \$70-100 billion (China Daily, Oct 29, 2004).

On June 2005 presidential election in Iran, Mahmoud Ahmadinejad was elected; and a few weeks later, on August 2005, Iran put aside voluntary suspension of Uranium enrichment and resumed nuclear programs at the Isfahan facility; and the nuclear struggle between Iran and the United States entered a new phase. In response to the resumption of Iran nuclear programs, the United States and European powers pushed for the referral of Iran dossier from the International Atomic Energy Agency (IAEA) to the U.N. Security Council (UNSC) in order to increase international pressures on Tehran. China along with Russia resisted and tried to resolve the issue in the IAEA framework. China's Foreign Ministry Spokesman Kong Qum expressed the position of this country in these words: "we believe that further applying diplomatic efforts, and diplomatic means to resolve the Iranian nuclear issue, remains a relatively suitable and better option" (NTI, Jan 17, 2006). And according to the Chinese Foreign Ministry, China opposed to "impulsively using sanctions or threat of sanctions to resolve the problem" (Economist, Jan 27, 2006).

However, after negotiations, Russia eventually signaled its consent for the referral of Iran to the UNSC (Linzer, Jan 12, 2006). So, Western pressures focused on China as the only remaining veto power in the Security Council. According to a U.S. official, Russian decision to support referral of Iran, was a victory for U.S. diplomacy and "they would spend the next several weeks lobbying China for a similar commitment" (Linzer, Jan 12, 2006). After negotiations and lobbying, China eventually agreed to support the referral of Iran to the U.N. Security Council. So, in February 2006, IAEA Board of Governors voted for reporting Iran to the U.N. Security Council (IAEA, Feb 4, 2006). The referral of Iran to the U.N. Security Council, was not an end to the differences between the United States and China over Iran, rather it was a beginning to a complicated international challenge and competition between the two powers.

On April 2006, Hu Jintao, the Chinese President visited Washington for the first time in his administration. Iran was among top issues which both sides discussed. After the visit, President Bush reported that he had discussed U.N. actions that would range from economic sanctions to military strike against Iran and "he hoped that Mr. Hu would join him in sending a message that

the international community is “concerned about the Iranian ambition.” On the other hand, President Hu reported that “Both sides agreed to continue their effort to seek a peaceful resolution” (Kahan & Hauser, Apr 20, 2006).

Following the referral of Iran to the U.N. Security Council, the Bush administration extensively engaged with world powers to impose international sanction on Iran through U.N. resolutions. During 2007-2008, three U.N. resolution imposed restrictions and some relatively minor sanctions on Iran. Compared to the U.S. sanctions, provisions of the U.N. resolution were usually limited and rarely involved Iranian civil economy. However, U.N. resolutions due to their international dimensions, legitimized further unilateral and multilateral sanctions from the United States, the European Union and other countries. Referral of Iran to the U.N. Security Council, dropped China in a dilemma. As a veto member of the UNSC, China would have to decide for each resolution. On the other hand, the United States needed support from members of this council, particularly China and Russia to pressure Iran through sanctions.

Aside from sanctions and pressures, the Bush administration repeatedly threatened Iran with the military option “on the table”. After meeting with the Israeli Prime Minister Ehud Olmert, President Bush was questioned whether military option remained an option for Iran. He replied: “My position has not changed. All options are on the table. I would hope that we could solve this diplomatically” (Bush, Jun 19, 2007). The United States and Israel used the threat of military attack on Iran as an alternative option in the case of failure of sanctions and in order to entice world cooperation on sanctions; because China and other powers would naturally prefer sanctions over the military option. In the case of a full-scale war with Iran, the flow of energy from the Persian Gulf would be in danger and it would certainly increase oil prices. In the worst scenario, Iran might close the Strait of Hormoz leading to a crisis for China that was dependent for more than 60 percent of its oil import from this region (Downs, Jun 6, 2013).

However, despite rhetoric, the United States was never in a position to launch a new war against Iran, while the bush administration was under severe criticism for an unnecessary and too

costly war in Iraq. Furthermore, in the case of military confrontation, Iran had key cards such as closing the Strait of Hormoz, using its allies such as Hezbollah against Israel, or posing vital dangers to U.S. soldiers in Iraq (Utley, 2007; Cordesman, Mar 5, 2007). In practice it seemed that the military option “was just good to be on the table” as an Iranian general responded (Jafari, 2013), and a joke as John McCain, the Republican presidential Candidate in 2008, called (McCain, Apr 19, 2007). Yet, if it is not logical to launch a new war, it doesn’t mean that a war is impossible; because humankind is not necessarily rational (Coker, 2015).

Reportedly, the military option was in its final stage when in November 2007 the National Intelligence Estimate (NIE) released a report according to which Iran had halted its “military” nuclear weapon program since 2003 (Mazzetti, Dec. 4, 2007). The NIE report dissuaded the Bush administration from military confrontation, rather to continue the sanction policy as the only practical option in the final year of his administration.

4-3) Obama’s Change Policy

Iran nuclear program was among top issues throughout the 2008 U.S. presidential campaigns. The Democratic candidates, Barack Obama and Hillary Clinton criticized the “failed” policies of the Bush administration on Iran. According to Hillary Clinton, “The Bush policy has failed. Iran has not been deterred... this administration has failed in our efforts to convince the rest of the world that that [the nuclear programs of Iran] is a danger, not only to US, and not just to Israel but to the region and beyond.” And Barack Obama stated that “I will do whatever is required to prevent the Iranians from obtaining nuclear weapons. I believe that that includes direct talks with the Iranians” (ABC News, April 16, 2008). Obama plainly specified that “I will use all elements of American power to pressure the Iranian regime, starting with aggressive, principled and direct diplomacy - diplomacy backed with strong sanctions and without preconditions” (Obama, July 16, 2008).

Compared to President Bush's hostile standpoint, President Barack Obama used a different literature and rarely talked of military attack against Iran throughout the presidential campaign and at least the first year of his administration. On March 2009, Obama sent a "Nowruz Message" and congratulated the New Year to the Iranian people and addressed Iranian leaders with the following words: "We have serious differences that have grown over time. My administration is now committed to diplomacy that addresses the full range of issues before us." He declared that his administration was ready to directly talk with the leaders of the Islamic Republic of Iran to open a new era in U.S.-Iran relations (Obama, March 20, 2009).

However, three months later, on June 2009, post-election uproars in Iran and Obama's support for the Green Movement changed many things. Consequently, Obama's peaceful literature toward Iran was replaced by the traditional confrontational policies. But China concerned about its strategic and economic interests in relations with Tehran condemned the uproar because "a destabilized Iran is in nobody's interest if we want to maintain peace and stability in the Middle East, and the world beyond" (Bhadrakumar, Jun 20, 2009).

By September 2009, European powers clearly expressed support for new U.N. sanctions and increasing pressures against Iran (Traynor, et al., 25 Sep, 2009). However, Russia and particularly China as permanent members of the U.N. Security Council, resisted against a new U.N resolution. According to the Chinese spokeswoman, more sanctions was not "conducive to diplomatic efforts" (Jacobs, Sep. 24, 2009).

The role of China as the first trade partner of Iran, and a veto power in the U.N. Security Council, was essential in this regard. So, the United States used all capacities to make Beijing support a new U.N. resolution and to decrease trade with Iran. The policies of the United States to make China follow sanctions against Iran, can be put in two distinct categories: Diplomatic negotiations or Engagement with China; and pressuring Beijing through different channels.

4-3-1) Engagement with world Powers on Pressuring Iran

The Obama administration increased diplomatic attempts to make China and other powers support sanctions on Iran. Throughout the 2009, the first year of his administration, President Obama used every opportunity to depict Iran nuclear program, not as a problem for American allies, rather as a threat against the global security to have international cooperation in pressuring Tehran. The G-8 and G-20 summits were the first platforms for President Obama to follow the suit. Denis McDonough, Obama's top foreign policy aid, reported that "The issue of Iran will be front and center" for President Obama's trip to Russia and the 35th G-8 summit in Italy (Xinhua, July 02, 2009).

On July 2009, while Iran was heavily involved in post-election uproars and the Western media were earnestly publishing protest scenes in the streets of Tehran, President Obama in the G-8 summit in Italy, used the opportunity to achieve international consensus over dealing with the nuclear program of Iran. Obama, speaking at the end of a G-8 summit in Italy, warned Iran that if Iran wouldn't "enter negotiations on the issue," world leaders would review the situation again in the G-20 summit in Pittsburgh on September (Spetalnick, Jul 10, 2009).

After the G-8 summit, the French President, Nicolas Sarkozy, and the Canadian spokesman, Dimitri Soudas reported the same provision in their own words. According to Sarkozy, "We made an effort to agree not to strengthen sanctions straightaway in order to bring everyone on board. The more reserved amongst us agreed that Pittsburgh was the time for decisions". And Canadian spokesman reported that "All G8 nations are united. There is a strong consensus at the table that unless things change soon, there will be further action" (Jarry & Mason, Jul 8, 2009). While the United States and Western allies threatened with "further action" and "strengthening sanctions", China and Russia didn't comment on Iran throughout or after the G-8 summit.

On G-20 summit in September 2009, once again Iran was in focus. On September 22, Reuters reported that in private talks with Hu Jintao, the Chinese President, Barack Obama emphasized

“the centrality of the Iran nuclear issue to US national security interests” and asked China to support further U.N. sanctions (Bohan, Sep 22, 2009). However, two day later, Jiang Yu, the Chinese foreign ministry spokeswoman, reiterated that “We always believe that sanctions and pressure are not the way out... At present, it is not conducive to diplomatic efforts” (Jacobs, Sep. 24, 2009).

On September 25, President Obama claimed that the U.S., U.K. and France provided evidences to the IAEA “showing Iran has been developing a covert uranium enrichment facility near Qom for several years without reporting to the IAEA” and accused Iran of “breaking rules that all nations must follow” (Traynor, et al., 25 Sep, 2009). President Sarkozy of France and Gordon Brown, the British Prime Minister repeated the same accusations against Iran. Dmitry Medvedev, the Russian President also blamed Iran that “constructing this enrichment plant over the course of several years without IAEA's knowledge is a cause of great concern” and continued that still “Russia remains committed to serious dialogue with Iran” (Medvedev, Sep 25, 2009).

Iran rejected the claims about disclosing the Qom enrichment center because “if it was a covert plant, we would not have informed the IAEA”. The same day, IAEA Director-General Mohamed ElBaradei announced that Iran had disclosed the existence of the plant in Qom. Also, the same day, once again, the IAEA spokesman Marc Vidricaire said Iran had stated it intended to enrich uranium at the new plant, like its Natanz complex (Spetalnick & Heinrich, Sep 25, 2009).

4-3-2) NPT Card in U.S. Diplomacy

NPT, is an international treaty whose objective is “to prevent the spread of nuclear weapons and weapons technology, to promote cooperation in the peaceful uses of nuclear energy, and to further the goal of achieving nuclear disarmament and general and complete disarmament” (NPT, 1995). Throughout the nuclear disputes, Iran as a signatory of NPT, repeatedly called peaceful nuclear activity as its unalienable right (Ahmadinejad, Sep 17, 2005; Rouhani, Sep 24, 2013). According to the NPT, “Nothing in this Treaty shall be interpreted as affecting the inalienable right

of all Parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes” (NPT, 1995, p. Article IV).

However, the United States depicted Iran nuclear program as a serious threat to the Treaty Non-Proliferation of Nuclear weapon and used the concerns and interests of major powers in this regard to make them join the international sanctions on Iran. In the G-8 and G-20 summits in 2009, President Obama actively engaged with world powers and employed the post-election uproars in Iran to persuade them that Iran nuclear program is a threat to the global security. Regardless to the fact that Iran was a member of the NPT, President Obama used the nuclear programs of Iran and North Korea in the same framework. In his speech at the New Economic School in Moscow, he said: “we should be united in opposing North Korea's efforts to become a nuclear power, and opposing Iran's efforts to acquire a nuclear weapon” (Obama, Jul 7, 2009).

In his speech on U.S.-China Relations in Washington, President Obama once again called the nuclear program of North Korea and Iran as major security threats for both countries and that Washington and Beijing “must be united in preventing Iran from acquiring a nuclear weapon, and urging the Islamic Republic to live up to its international obligations” (Obama, Jul 27, 2009). Prior to Obama’s visit to China on November 2009, Dennis Ross and Jeffrey Bader, two pro-Israel senior officials visited Beijing and warned on the security threats of Iran nuclear program and the arm race in the Middle East which might lead to wars between Iran and Israel or between Iran and Arab states and might eventually endanger the security of the flow of oil in the Middle East in which China was heavily dependent. The American diplomats suggested international cooperation on sanctions against Iran as a better alternative to arm race in the Middle East (Pomfret & Warrick, Nov 26, 2009).

According to the U.S. Secretary of State Hillary Clinton, “A nuclear armed Iran with a deliverable weapons system is going to spark an arms race in the Middle East and the greater region” (Aljazeera, May 21, 2009). In her visit to Saudi Arabia on February 2010, Hillary Clinton

called Iran a growing threat that could obtain a nuclear weapon and trigger a nuclear arms race in the Middle East (Kessler, Feb 16, 2010).

During a joint Press Conference with UK Prime Minister, David Cameron, President Obama claimed that an Iranian nuclear weapon “would trigger a nuclear arms race in the most dangerous part of the world” (CBS News, Mar 14, 2012). According to the *Carnegie Europe*, policymakers worry that an Iranian nuclear “weapon” would lead to a regional arms race. “Turkey, along with Egypt and Saudi Arabia, the most often cited as likely to develop indigenous nuclear capabilities to counter Iran” (Ülgen, Feb 15, 2012).

4-3-3) Obama’s Oil Diplomacy with China

The United States used different diplomatic sources to persuade China that cooperation on Iran sanctions is a better option for Beijing’s foreign policy. The Obama administration used China’s NPT interests and concerns and actively engaged its allies Saudi Arabia and Israel in diplomatic negotiations to make Beijing support U.N. sanctions on Iran and to reduce and replace oil import from Iran.

Iran is a major oil exporter, therefore the absence of Iranian oil in the market will increase oil prices damaging major energy importers such as the United States, China, E.U. and Japan. So the Obama administration resorted to U.S. oil exporting allies, particularly Saudi Arabia, to compensate the absence of Iranian oil in the market in order to make the sanctions less costly for trade partners of Iran and to pave the way for international cooperation in this regard (Solomon, Oct 20, 2009; Lounnas, 2011).

As a regional rival for Iran in the Middle East, and as an ally of the United States, Saudi Arabia strongly opposed Iran nuclear program to the point that reportedly, King Abdullah urged the United States to attack Iran to destroy its nuclear program (Black & Tisdall, Nov 29, 2010).

From the realistic point of view, a nuclear Iran or a nuclear capable Iran may change the balance of power in the region in the expense of U.S. allies (Downs, 2012, p. 209). Turki al-Faisal, Saudi Arabia's ambassador to Washington claimed that "the [Persian] Gulf states must acquire nuclear power if the efforts fail to persuade Iran to give up its nuclear program" (Yadlin & Golov, 2012, p. 8).

Reviewing the events through the process-tracing method shows that the Obama administration actively used the unfriendly relations between Iran and Saudi Arabia and other oil-exporting Arab countries in the Persian Gulf to substitute Iranian oil in the market and pave the way for international cooperation on sanctions. On April 2009, Obama's senior advisor, Dennis B. Ross negotiated with the Saudi Arabia to seek guarantee that it would increase oil production and supply China with more oil, in the case of sanctions against Iran (Clemons, April 25, 2009). Less than two months later, in Obama's trip to the Middle East, Iran sanctions stood among top issues which he discussed with Arab leaders (Travers, June 3, 2009).

On October 2009, Saudi Arabia declared that the country was ready to compensate any oil reduction in the global market. The United Arab Emirates also announced that it was ready to boost oil exports to China from 50,000 barrels per day, to a level between 150,000 to 200,000 barrels per day (Solomon, Oct 20, 2009). Four months later, Secretary of State Hillary Clinton visited Saudi Arabia and other oil-exporting Arab countries to ensure coordination in increasing oil production. At the same time, the top U.S. military officer Admiral Mike Mullen also kicked off eight Middle East nation to push for coordination over further sanctions against Iran. According to The Christian Science Monitor, these trips were "all about Iran" (Youssef, Feb 14, 2010).

On November 2009, Dennis Ross and Jeffrey Bader, two pro-Israel senior officials visited Beijing. According to *Washington Post* they negotiated over more sanctions against Iran, and suggested that China's oil import from Iran be gradually replaced by the oil from Saudi Arabia and other countries. They also warned that in the case of failure of sanctions, Israel might attack Iran leading to a crisis which may jeopardize the flow of oil in the region and raise the price of oil

in which China was heavily dependent for its growing economy (Pomfret & Warrick, Nov 26, 2009).

However, China didn't welcome the idea of replacing Iranian oil by the oil from Saudi Arabia and other sources (Kemenade, 2010, p. 109; Rizvi, 2010). *Haaretz* reported that China refused a Saudi-American initiative designed to end Chinese dependence on Iranian oil, which would allow China to agree to the sanction (Mozgovaya & Ravid, Nov 17, 2009). Why didn't China consent with the suggestion of substituting the Iranian oil? Politically, Iran as an independent regional power is a more reliable source of energy than Saudi Arabia that is an ally of the United States (Haass, 2013; Izadi & Khodae, 2017). Chinese authorities considered the historical experience that Western sanctions against Iraq, eventually led to a full-scale war and invasion leaving the U.S. to enjoy more domination over the energy-rich Middle East; so, the same scenario seemed to apply on Iran (Kemenade, 2010). Furthermore, there are technical and economical explanation for China's disinclination for replacing the Iranian oil with the oil from Saudi Arabia. Because of Sanctions, Chinese companies were not faced to the European, American and Japanese rivals in Iran; but in Saudi Arabia they had to compete with advanced Western companies (Rizvi, 2010). In chapter five, China's strategy toward U.S. sanctions will be studied extensively and the above question will be discussed there.

On November 2009, President Obama visited China. The media reported that major issues which President Obama would discuss the Chinese President would be "economic issues (particularly differences over the value of Chinese currency), how to deal with Iran nuclear program and climate change (Cooper, Nov. 17, 2009). However, differences over the value of Chinese currency were in the margin; and climate change didn't seem to be a serious challenge in bilateral relations. But, differences over Iran were in focus. While President Obama threatened "consequences" if Tehran "failed to show its nuclear program was peaceful," President Hu said the differences with Iran "should" be resolved "through dialogue and negotiations" (Foster, Nov

17, 2009). The *New York Times* reported that President Obama was confronted, on his first visit “with a fast-rising China more willing to say ‘no’ to the United States” (Cooper, Nov. 17, 2009).

On March 2010, Saudi Arabia directly engaged with China to persuade Beijing for joining sanctions against Iran without concerns over its energy imports. Prince Saud al-Faisal, the Saudi foreign minister, traveled to China to enlist its help in the sanctions against Iran and to lobby China to back the U.N. sanctions resolution against Iran. According to a U.S. official, this is the Saudi message to Beijing: “If you don't help us against Iran, you will see a less stable and dependable Middle East” (Ignatius, Mar 7, 2010).

China surpassed the United States by the end of 2009 as the top importer of Saudi oil (Mouawad, Mar 19, 2010). In 2010 China-Iran bilateral trade reached about \$30 billion while at the same year Sino-Saudi trade exceeded \$40 billion (Zambelis, May 17, 2010). So, the role of Saudi Arabia, as China’s biggest energy partner, should not be ignored in the calculations of Chinese policy makers.

On October 2011, U.S. officials claimed that “U.S. agents disrupted an Iranian assassination-for-hire scheme targeting Saudi Arabia's ambassador to the United States” (CNN, Oct 12, 2011). President Barack Obama claimed that “individuals in the Iranian government” were aware of the conspiracy and Tehran should be held accountable and threatened that the “toughest sanctions” would be pursued in response (Spillius, 13 Oct, 2011). Iran rejected the accusations as “fabricated and baseless allegations, based on the suspicious claims by an individual” (Khazaei, 11 Oct, 2011). President Ahmadinejad said that this alleged plot was fabricated to cause a rift between Tehran and Riyadh (Aljazeera, 18 Oct, 2011). However, Saudi Foreign Minister Prince Saud al-Faisal said that Iran was “responsible” and the kingdom would have a “measured response” to the alleged plot (Al-Arabiya, 13 Oct, 2011).

On January 2012, while the U.S. and E.U. bank sanctions made serious problems for the customers of Iranian oil, Saudi Oil Minister Ali al-Naimi announced that Saudi Arabia as the

largest oil exporter was ready to increase oil production from 10 million barrels per day to 12.5 million bpd to meet any increase in oil demand (Reuters, Jan 14, 2012). In response, Iranian OPEC Governor Mohammad Ali Khatibi responded that Iran would regard any move by neighboring oil exporters to make up for Iranian crude, as an unfriendly act. He warned that, “If (they) give the green light to replacing Iran's oil these countries would be the main culprits for whatever happens in the region - including the Strait of Hormuz” (Mostafavi, Jan 15, 2012). In reaction, Saudi Oil Minister Ali Al-Naimi expressed the country’s position in these words: “We never said that Saudi Arabia is trying to compensate for Iranian oil in the case that sanctions. We said that we are prepared to meet the increase in global demand as a result of any circumstances” (El-Tablawy, Jan 15, 2012).

On January 2012, while the Chinese Premier Wen Jiabao was to start a visit to Saudi Arabia, U.S. Treasury Secretary Timothy Geithner visited Beijing and lobbied for replacing the Iranian oil with the oil from Saudi Arabia. Geithner also visited Japan and South Korea, other major Asian importers of Iranian oil, to make them curb imports from Iran. Chinese Vice Foreign Minister Zhai seemingly rejected the U.S. demand and said that “Iran is also an extremely big oil supplier to China, and we hope that China's oil imports won't be affected, because this is needed for our development” (Hornby & Buckley, Jan 11, 2012). However, Chinese Premier Wen Jiabao in his visit to Riyadh told the Saudi Crown Prince Nayef that “Both sides must strive together to expand trade and cooperation, upstream and downstream, in crude oil and natural gas” (Buckley, Jan 14, 2012). As U.S. sanctions and European bank restrictions peaked, Iran oil export gradually reduced several months later (IEEJ, June 2012).

4-3-4) The Israel Factor in U.S. Diplomacy with China

For China security of the flow of energy is the primary interest in the Middle East (Luft, Jan 26, 2016). The United States used this concern in making china and other major oil importers

cooperate with sanctions as a safer option in dealing with Iran. Both President Bush and President Obama repeatedly threatened Iran with “military option on the table” (Bush, Jun 19, 2007; Obama, Apr 21, 2009). However, Obama used a less belligerent literature toward Iran; instead, he employed the threat of an Israeli attack and the eventual conflict in the region to lure international cooperation over sanctions as a safer option.

Throughout the nuclear dispute, Israel repeatedly threatened Iran with military strikes against the nuclear sites (Steele, 25 Sep, 2008; Lister, Nov 29, 2010; Fox News, Mar 08, 2012). Such Israeli military attacks against Muslim counties has a historical precedence; on June 1981 Israel attacked and destroyed Iraq’s atomic reactor near Baghdad (Shpler, June 9, 1981), and on September 2007, it attacked a claimed “partly constructed nuclear reactor” in Syria (Sanger & Mazzetti, Oct 14, 2007). However, such an attack seemed to be too dangerous and less probable to achieve any reasonable outcome in regard to Iran, because it would desperately endanger the security of Israel and might eventually accelerate “Iran’s military nuclear program” (Keck, Feb 9, 2015).

According to ABC News, Israeli Prime Minister Benjamin Netanyahu in his visit to Washington in May 2009, “agreed to give President Obama’s engagement policy until the end of the year to bear some fruit. After that deadline passed, Israel would feel free to take on the existential threat posed by Iran with military force if necessary”. In response, vice President Joseph Biden declared that it was the “sovereign right of Israel” to attack Iran nuclear program, but “that is not our choice” (Parker, Jul 5, 2009).

On November 2009, the Obama administration sent Dennis Ross and Jeffery Bader, two pro-Israel senior officials in the National Security Council, to Beijing to warn China on the possibility of war in the case of failure in international sanctions on Iran. According to Washington Post, they told the Chinese authorities that Israel regarded Iran nuclear program as an “existential issue and that countries that have an existential issue don’t listen to other countries.” They warned that Israel

might bomb Iran leading to a crisis in the Middle East and inevitably to the flow of energy in the region and the very oil China needed for its growing economy (Pomfret & Warrick, Nov 26, 2009).

President Obama in his November 2009 visit to Beijing, used the same logic to convince the Chinese to support strict sanctions on Tehran. Reportedly, he told his Chinese counterpart that “the United States would not be able to keep Israel from attacking Iranian nuclear installations for much longer” (Mozgovaya & Ravid, Nov 17, 2009). He demanded China’s cooperation for further pressures over Iran as a “core interest” of the United States (Crisis Group, February 17, 2010). China eventually agreed to join the condemnation of Iran by the International Atomic Energy Agency (Mozgovaya & Ravid, Nov 17, 2009); but continued opposition to further U.N. sanctions despite U.S. attempts (Xinhua, Dec 24, 2009).

Peaceful rising, Economic growth and security stand on the top of China’s grand strategy (White Paper, 2010). But why did China reject cooperation with sanctions despite the probable threat of war “in the case of the failure of sanctions”? It seems that the experience of Iraq, showed the Chinese authorities that Western sanctions would eventually lead to a full scale war similar the 2003 invasion of Iraq which expanded U.S. domination over the energy-rich Middle East; so, the same scenario seemed to be expected for Iran (Kemenade, 2010). China’s response will be studied in the next chapter.

4-3-5) Pressuring China

On the ending days of 2009, Chinese Foreign Ministry spokeswoman expressed China’s opposition to new U.N. sanctions through these words: “We have consistently insisted that the Iran nuclear issue be properly solved through diplomatic negotiations, and we think sanctions cannot solve the root issues” (Xinhua, Dec 24, 2009). On the early days of 2010, once again China rejected a new U.N. resolution against Iran (BBC, Jan 6, 2010). *New York Times* reported that President Obama was confronted, on his first visit, with a fast-rising China more willing to say no to the

United States (Cooper, Nov. 17, 2009). And according to the *Wall Street Journal*, “Obama hits the wall in his visit to China” (Weisman, et al., Nov 19, 2009). *Haaretz* reported that China refused to end Chinese dependence on Iranian oil, which would allow China to agree to the new sanction (Mozgovaya & Ravid, Nov 17, 2009). China’s resistance against further sanctions showed that diplomacy alone couldn’t make China cooperate with sanctions on Iran. But if the carrot policy is out, what about the stick policy? (Harold & Nader, 2012, p. 25)

On January 29, 2010, at a military school in Paris, U.S. Secretary of State Hillary Clinton, through an unprecedented literature, openly threatened China that it would face “economic insecurity” and “diplomatic isolation if it did not sign on to tough new sanctions against Iran;” “China will be under a lot of pressure to recognize the destabilizing effect that a nuclear-armed Iran would have” in the Persian Gulf, “from which they receive a significant percentage of their oil supply” (Landler, Jan 29, 2010). From January 2010 to June the same year, disputes over a new U.N. resolution led to serious tensions in U.S.-China relations. On June 9, China eventually voted for the U.N. resolution 1929. Studying the events through process-tracing method may clarify how the United States used its sources of power to make China vote for a new round of U.N. sanctions against Iran.

4-3-5-1) Pressures through the Taiwan Factor

On January 30, exactly the day after Hillary Clinton threatened China with “economic insecurity and diplomatic isolation if it did not sign a new U.N. resolution against Iran,” the Obama administration unveiled a \$6.4 billion arms deal with Taiwan. The sale included 60 Black Hawk helicopters (totaling \$3.1 billion), 114 advanced Patriot air defense missiles; a pair of Osprey mine-hunting ships; and dozens of advanced communications systems (Keyes, Jan 30, 2010). Moreover, sources in Washington claimed that “work had already begun on the next package of arms for Taiwan” (Dui Hua, Jan 29, 2010).

China responded furiously to the U.S. arms sale to Taiwan and bitterly denounced the decision. China's Foreign Ministry summoned US ambassador in Beijing and announced sanctions on U.S. companies involved in the arms deal with Taiwan. Chinese Foreign Minister said: "It will be unavoidable that co-operation between China and the United States over important international and regional issues will also be affected" (Branigan & Harris, Jan 30, 2010). It is clear that "important international issues" in the remarks of the Chinese Foreign Minister, included the issue of new U.N. sanctions against Iran as the hottest topic of those days.

A commentary in *China Daily*, the only official English-language newspaper published by the Chinese government, stated that "But a message has to be sent: From now on, the US shall not expect cooperation from China on a wide range of major regional and international issues. If you don't care about our interests, why should we care about yours?" (Xiangyang, Jan 31, 2010).

The Taiwan factor is the most sensitive issue in U.S.-China relations. It goes back to the early day of the Chinese Communist Revolution in 1949 when the U.S.-supported the nationalist troops retreated to the island of Taiwan. Since then, attempts by the Communist mainland China have continued to regain Taiwan and this issue has had impacts on every other aspect of U.S.-China relations (Roberts, 2016). Particularly, there is a long historical precedence which discloses connection between the Taiwan and the Iran factors in relations between the United States and China. During the 1990s, despite U.S. protests, China stood as the first nuclear and military partner of Iran (Spector, Sep 12, 1996) and used the Iran card as a source of pressure against U.S. policies in regard to Taiwan (Garver, 2006).

In 1992, the United States was about to sell 150 Block 20 F-16 warplanes to Taiwan (Richardson, Sep 4, 1992). right after the announcement, an Iranian military delegation arrived Beijing for making an arms deal; and China explicitly got involved in military and nuclear cooperation with Iran and signed a \$4.5 billion military contract with Tehran. The Chinese Foreign Ministry declared that China would not participate in the U.N. Security Council negotiations on

arms transfer to the Middle East, unless Washington gave up arms sales to Taiwan (Garver, 2006, pp. 213-214).

The Taiwan crisis intensified as U.S. and China got close to a military confrontation in 1996. China fired two sets of missiles to send a strong signal to Taiwan's probable move toward independence. In response, the U.S. Navy moved to the region exposing credible threats to the Chinese Navy (Risen, March 11, 1996). However, on October 1997, through landmark negotiations between the Clinton administration and Beijing, both sides eventually compromised (Frost, Nov 24, 1997); Washington withdrew from its policies in Taiwan, and in response, Beijing withdrew from some policies, including nuclear cooperation with Iran and never got involved in Iran's nuclear program since then (Lounnas, 2011).

On January 2010, when diplomatic attempts failed to make China support a new round of sanctions against Iran in the U.N. Security Council, once again the Taiwan factor stepped in as President Obama used the Taiwan card to pressure Beijing and announced a \$6.4 billion arms deal with Taiwan (Kemenade, 2010). Meanwhile, sources in Washington claimed that "work had already begun on the next package of arms for Taiwan" (Dui Hua, Jan 29, 2010). However, On June 2010, after lengthy negotiations and while Russia had withdrawn from its opposition to sanctions, China eventually voted for the U.N. resolution 1929. In response, the Obama administration partly withdrew from the arms deal with Taiwan including the sale of F-16 warplanes in return for China's vote for the UNSC resolution against Iran (Landler, Sep 18, 2011; Lounnas, 2011, p. 252).

4-3-5-2) Pressures through Human Rights Intervention

Differences over human rights is one of the major issues in relations between the United States and non-western powers such as China and Iran. However, this issue cannot be studied without considering the political and economic factors. On October 2009, President Obama cancelled his planned meeting with Dalai Lama, the exiled leader of Tibet. Washington Post

reported that U.S. officials had told the Tibetan representatives that the United States postponed the meeting because “they wanted to work with China on critical issues including nuclear weapons proliferation in North Korea and Iran” (Pomfret, Oct 5, 2009).

The 50-years-old feud with the exiled Tibetan spiritual leader, Dalai Lama is a major security challenge for China. For decades, the United States and European powers have pressured China in this regard. The Tibetan uprising in March 2008 aggravated the old challenge for China (Kemenade, 2010, p. 107). However, China’s coercive diplomacy with European powers succeeded in restricting Dalai Lama’s meetings with European heads of states. On November 2008, China cancelled the EU summit because the Dalai Lama would be visiting Europe at the same time (Traynor, Nov 27, 2008). When in October 2009, President Obama postponed his visit with Dalai Lama, it was regarded as an achievement for China’s diplomacy. It was the first time since 1991 that such a meeting was postponed.

However, as tensions between the United States and China mounted over new U.N. sanctions on Iran, the Obama administration used the human rights card to pressure Beijing. On February 2010, three weeks after Secretary of State, Hillary Clinton had openly threatened China with “economic insecurity and diplomatic isolation” if it did not sign a new U.N. resolution against Iran, President Obama met Dalai Lama. He expressed support for the preservation of the Tibetan’s “unique religious, cultural and linguistic identity and the protection of human rights for Tibetans in the People’s Republic of China” (Cooper, Feb 18, 2010).

China quickly protested against the meeting and accused Obama of “seriously damaging” ties between the two countries. China’s Foreign Ministry summoned U.S. ambassador in Beijing to lodge a formal complaint about the meeting at the White House (Cooper, Feb 18, 2010). The Telegraph reported that The visit could complicate Washington's efforts to secure China's help on key issues such as “imposing tougher sanctions on Iran, resolving the North Korean nuclear standoff and forging a new global accord on climate change” (Spillius & Foster, Feb 18, 2010).

However, considering the Tibetan uprising in March 2008, such a visit could go beyond symbolic acts and be considered as an interventional policy renewing an internal security issue for China.

Process Tracing Tests on U.S. Arms Deal with Taiwan and Obama's Meeting with Dalai Lama

Here a methodological question is raised: How can we conclude that Obama's January 2010 decision on arms deal with Taiwan, and his February 2010 meeting with Dalai Lama, was related to the U.S. policy in making China support a new U.N. resolution against Iran? In other words, how can we examine the hypothesis that the United States used the above policies to pressure China in order to make it join sanctions against Iran? Process tracing method offers four tests which can help us examine the hypothesis.

1- **Straw in the wind Test:** Iran nuclear program was among the most sensitive issue in U.S. foreign policy during 2010-2013. The Obama administration actively engaged with world powers to increase pressures over Iran. So, cooperation from China as the first trade partner of Iran and as a veto power in the UNSC was indispensable for this objective. But China resisted against further sanctions. As diplomatic attempts failed to make China align with the sanctions campaign, the Obama administration resorted to pressures through arms sale to Taiwan and meeting Dalai Lama to threaten Beijing that further pressures may endanger its security. Straw in the Wind Test is the weakest test and it has low certainty. It doesn't prove the hypothesis; however, it reveals probable motivations that the actors might had in its behavior.

2- **Hoop Test:** There is a long historical precedence that the United States and China have pressured each other through the Taiwan and Iran factors. In 1992, the United States announced the sale of 150 F16 fighter aircrafts to Taiwan. Just after the announcement, an Iranian military delegation arrived Beijing and signed a \$4.5 billion military contract with China. The Chinese Foreign Ministry explicitly declared that China would not participate in the U.N. Security Council negotiations on arms transfer to the Middle East, unless Washington gave up arms sales to Taiwan (Garver, 2006, pp. 213-214). On 1996-1997 tensions between the United States and China over the issue of Taiwan intensified dramatically. However, after negotiations, they compromised. The Clinton administration withdrew from some policies in regard to the independence of Taiwan, in return

China accepted some commitment including ending nuclear cooperation with Iran (Garver, 2006, p. 141).

Considering the historical precedence, once again in 2010, the Iran and Taiwan Factor were connected when the Obama administrations used the Taiwan card to pressure China in order to make it support a new U.N. resolution against Iran on 2010. That's why, when China eventually voted for the U.N. resolution 1929, the Obama administration partly withdrew from the arms deal with Taiwan including the sale of F-16 warplanes in return for China's vote for the UNSC resolution against Iran (Landler, Sep 18, 2011; Lounnas, 2011, p. 252).

Similarly, Human rights issues have always been a piece of the chessboard of U.S.-China relations. History shows that security, strategic, and economic interests have always override human rights issues in U.S. foreign policy. For example, both Democratic and Republican administrations in Washington have kept close relations with Saudi Arabia and Bahrain despite outright human rights abuses by the governments of these countries (Berg, 2015). Also, there is a historical precedence that shows the United States has used human rights as a tool to pressure China and to shape Beijing's behavior in differences such as sanctions on Iran. On October 2009, President Obama cancelled his planned meeting with Dalai Lama. According to U.S. officials, the United States postponed the meeting because "they wanted to work with China on critical issues including nuclear weapons proliferation in North Korea and Iran" (Pomfret, Oct 5, 2009). However, a few months later, as tensions with China intensified over a new U.N. resolution, President Obama met Dalai Lama and used human rights as a pressure tool to shape China's behavior in the U.N. Security Council. Hoop Test has high certainty, but does not significantly raise the confidence of the investigator that the hypotheses is true and requires more confirmation.

3- **Smoking Gun Test:** As China resisted against further U.N. sanctions on Iran, on January 2010, U.S. Secretary of State Hillary Clinton explicitly threatened Beijing with "economic insecurity and diplomatic isolation" if it did not sign a new U.N. resolution against Iran (Landler, Jan 29, 2010). Exactly the day after her unprecedented threatening words, the Obama

administration announced its decision to sell \$6.4 billion arms to Taiwan and sources in Washington claimed that work had already begun on the next package of arms for Taiwan. Less than three weeks later, President Obama met Dalai Lama.

In addition to the evidences discussed in the previous tests, Synchronism correspondence between the threatening remarks by the Secretary of State and announcing arms sale to Taiwan and Obama's meeting with Dalai Lama shows that there is a clear connection between the two sets of policies. It means that the U.S. used arms sale to Taiwan and meeting with Dalai Lama as pressure tools against China to join the sanctions campaign on Iran. Smoking Gun Test along with proof mentioned in the earlier tests, is sufficient to confirm the claim, and the investigator can claim that the hypothesis is true. However, one may challenge that probably other factors have been involved in the process.

In the cases of arms sales to Taiwan and Obama's meeting with Dalai Lama, the Smoking Gun Test doesn't claim that these decisions were made exclusively for pressuring China to make it support new sanctions on Iran. Rather, it claims that synchronism correspondence of these policies in addition to the previous documents shows that such correlations are not accidental. Of course there are other considerations such as economic deliberation in relations with a major trade partner such as China, the role of industries related to the issue and their lobby in the Congress. Furthermore, strategic considerations by U.S. authorities, and other issues such as the nuclear program of North Korea and the role of the media and public opinion should not be ignored.

4- Doubly Decisive Test: Doubly decisive test has a very high certainty, and the investigator can be confident that the hypothesis is true, and that all alternative hypotheses are false. For example in addition to other proofs from the previous tests, there a high resolution police camera that show X has shot and killed Y. In some sensitive cases of political sciences and international relations, investigators rarely have access to documents which provide Doubly Decisive Tests. U.S. policy for making China cooperate with sanctions against Iran, involves many confidential

secrets in diplomatic negotiations, bargainings, pressures and decisions made in Washington and Beijing. In the United States, National Archives and Records Administration (NARA) releases some confidential documents about 30 years later (NARA, 2017).

So, the U.S. governments may release some first-hand documents showing how the Obama administration worked to make China and other powers support sanctions on Iran. On the other hand, China may release some documents which may clarify China's response.

4-3-6) Sanctions against Chinese Companies Dealing with Iran

Since the 1979 Islamic revolution in Iran, the United States has increasingly imposed sanctions on this country. During the eight years Iraq-Iran War, Iran was under strict weapon embargo from the United States and Western allies. Even the Soviet Union aligned with Iraq in the war. But China as an independent power, sold arms to both sides of the conflict. As Iran was under weapon embargo from both the Western and Eastern blocs, Chinese weapons were more helpful for Iran. After the war, the new era of reconstruction in Iran, reinvigorated China-Iran relations. These relations ranged from economic partnership to military trade and nuclear cooperation despite protests from the United States (Dorraj & Currier, 2008). During the 1990, tensions over China's military and nuclear cooperation with Iran mounted in Washington-Beijing relations.

The 1995 Iran and Libya Sanctions Act (ILSA) for the first time targeted the trade partners of Iran and put restrictions on non-American companies that provided investments over \$20 million for the development of petroleum resources in Iran. These unilateral and extraterritorial sanctions against the third parties raised serious international criticism particularly from European powers as the first trade partners of Iran in the 1990s. Under international pressures, in April 1997, the Clinton administration eventually withdrew and formally agreed with the European power "to avoid a trade confrontation" (Katman, 2007, p. 3). Relations between Iran and European and Asian

powers expanded especially when in August 1997 the reformist President Mohammad Khatami came to power in Iran.

However, the United States continued sanctions against companies trading certain military and chemical materials to Iran. On May 1997, the United States placed sanctions against several Chinese companies and individuals reportedly selling ingredients used in chemical weapons to Iran (CNN, May 22, 1997). In response, China condemned sanctions saying “Beijing strictly enforced controls on the trade of such materials” and called such policy as “unreasonable” (Dickie, May 26, 1997).

Following the 9/11 terrorist attacks, despite the fact that even there was no related claim against Iran and no Iranian identity was involved in the attacks, the Bush administration used the opportunity to achieve international cooperation in pressuring Iran. On January 29, 2002, President Bush called Iran, Iraq, and North Korea as the “Axis of Evil” and accused them of supporting terrorism and seeking weapons of mass destruction (George W. Bush, January 29, 2002).

Following the increasing tensions and sensitivities over Iran nuclear programs in the post 9/11 era, more sanctions were imposed on Chinese corporations for “selling weapon-related goods and dual use items” to Iran. Dual-use refers to items that could be used for either weapons-related or peaceful pursuits. On May 2002, the United States announced a two-year economic sanctions against 14 companies, including Chinese firms for “selling weapon-related goods to Iran” (People's Daily, May 16, 2002). And again, On May 23, 2003, the United States imposed sanctions on Norinco, one of China’s largest state-run manufacturers for selling missile-related goods to Iran. The two-year sanctions would ban any Norinco exports to the United States (Washington Times, May 23, 2003). On April 2004, once again, the United States imposed sanctions on Five Chinese companies for transferring unspecified prohibited items to Iran (Kan, May 20, 2004). On December 2005, the Bush administration imposed sanction penalties on six Chinese government-run companies, two Indian firms and one Austrian company for “selling missile goods and chemical-arms materials” to Iran (Washington Times, Dec 27, 2005).

On June 2005, Mahmoud Ahmadinejad was elected as the President of Iran. A few weeks later, Iran cancelled voluntary suspension of uranium enrichment which had temporarily accepted under the 2004 Paris Agreement and resumed nuclear activities. In response, the United States and the European powers pushed for the referral of Iran to the U.N. Security council to impose international sanctions. Despite some resistance from China and Russia, on February 2006, IAEA Board of Governors eventually voted for the referral of Iran to the U.N. Security Council. Since then, the role of China as a major trade partner of Iran, and as a veto owner member of the U.N. Security Council was highlighted. The United States pressured China to reduce trade interactions, and at the same time, Washington needed China's vote in the UNSC.

Following the referral of Iran to the U.N. Security Council, most major trade partners of Iran including European countries, Japan, South Korea, and others gradually reduced economic interactions with Iran either aligned with the U.S sanctions on Iran, or under the pressures from the United States. In the absence of such powerful rivals, Chinese companies filled the void in the Iranian market and continued and expanded economic relations with the Islamic Republic of Iran. On 2007, the year after the referral of Iran to the UN Security Council, China emerged as Iran's first trade partner, ahead of Germany and Japan (International Trade Center, 2014). In 2009, total China-Iran trade exceeded \$21 billion, twice total Japan-Iran trade and about four times more than the total trade between Iran and Germany (International Trade Center, 2015). Throughout 2006-2008, while the U.N. security council imposed sanctions against Iran, the Bush administration despite rhetoric, didn't use unilateral sanctions against Chinese companies dealing with Iran.

Obama's Sanctions against Chinese Companies

President Obama followed a very active diplomacy on the issue of Iran in 2009, the first year of his administration. During this year, the United States engaged with world powers and didn't use the sanctions card against trade partners of Iran to achieve international cooperation in this regard. Rather, Washington pushed for comprehensive sanctions in the U.N. Security Council where desperately needed the votes of China and Russia. While Iran was heavily involved in post-

election uproars, the United States used the opportunity and engaged with world powers and pressured China as the last bulwark for a new U.N. resolution against Iran. Following serious tensions, which were discussed in this chapter, China eventually consented for negotiations over the text of the resolution and after some alteration in the text to secure its interests, China ultimately voted for the U.N. resolution 1929 on June 2010. This resolution encouraged states for further restrictions against Iran.

The U.N. resolution 1929 was just a beginning to new unilateral sanctions which heavily involved China as the first trade partner of Iran. Two weeks after the U.N resolution 1929, the U.S. Congress passed the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA), and president Obama signed it into law on July 1, 2010 (Baker, July 1, 2010). The United States through CISADA moved beyond “smart sanctions” which targeted only few Iranian people and institutions to “comprehensive sanctions” which targeted the Iranian economy in general and effected the life of ordinary people (Economist, August 18, 2012).

CISADA was basically an extraterritorial act which targeted foreign companies dealing with Iran. According to CISADA, the U.S. government should impose sanctions on companies that make an investment of more than \$20 million in one year in Iran’s oil industry. It also triggered significant limits on foreign financial institutions access to U.S. financial and banking system if they engage in specific relations with Iran (CISADA, July 1, 2010). In order to prevent damages to American interests CISADA authorized the President to provide a six-month waiver if doing so is “vital to the national security interests” and if a parent country is “closely cooperating” with the U.S. efforts against Iran (CISADA, p. 14).

On May 24, 2011, the Obama administration imposed sanctions on 16 foreign entities including three Chinese entities and one Chinese individual “because of proliferation activity involving Iran” (U.S. Department of State, May 24, 2011).

During July 2010 to March 2012, the Obama administration actively engaged with world powers and trade partners of Iran to safely and effectively implement the provisions of CISADA according to the six-month waiver provisions. During this period, President Obama issued several executive order in accordance to CISADA. On November 20, 2011, the Executive Order 13590, expanded sanctions on Iranian petroleum industry by identifying the following activities as sanctionable acts: the provision of goods, services, or technologies above 1\$ million (a far lower threshold than under ISA or CISADA) that could help Iran develop its petroleum resources (Executive Order 13590, November 20, 2011). The day after, U.S. Department of the Treasury identified Iran as a “jurisdiction of primary money laundering concern” and determined that Iran’s financial system, including the Central Bank, constitutes a threat to governments or financial institutions that do business with these banks (U.S. Department of Treasury, November 21, 2011). Designation of the Central Bank of Iran justified the Financial Action Task Force (FATF) –a multi-lateral standard-setting body for anti-money and combating the financing of terrorism– to characterize Iran as a high risk and non-cooperative jurisdiction (Katzman, 2017).

As the Obama administration was actively working with the trade partners of Iran to reduce trade transactions and report for every six-month, the Congress pushed for further sanctions against the Central Bank of Iran. These sanctions put Obama’s Executive Order 13590 in a legal framework as a section of the National Defense Authorization Act for the Fiscal Year 2012. In accordance to the CISADA, the National Defense Authorization Act for the Fiscal Year 2012 authorized the President to waive sanctions if the bank’s home country significantly reduced its purchases of Iran’s oil every 180 days (NDAA, December 14, 2011). As the Obama administration pushed for implementing new unilateral sanction, China as the first trade partner of Iran protested. Cui Tiankai, China’s vice foreign minister responsible for U.S. relations, said: “The normal trade relations and energy cooperation between China and Iran have nothing to do with the nuclear issue. We should not mix issues of different natures, and China’s legitimate concerns and demands should be respected” (Richburg, Jan 9, 2012).

On January 12, 2012, Secretary of State, Hillary Clinton announced sanctions on China's state-run Zhuhai Zhenrong Corp, for providing Iran with refined petroleum products. The sanction banned this company from “receiving U.S. export licenses, U.S. Export Import Bank financing or loans over \$10 million from U.S. financial institutions” (Quinn, Jan 12, 2012). In response, China rejected that “Imposing sanctions on a Chinese company based on a domestic law is totally unreasonable” (BBC, Jan 15, 2012).

On March 2012, the Obama Administration announced the first group of 11 countries exempted as they had voluntarily reduced trade with Iran earlier. Belgium, the Czech Republic, France, Germany, Greece, Italy, Japan, the Netherlands, Poland, Spain, and Britain (Mohammed & Quinn, Mar 21, 2012). These exemptions were all renewed (for 180 days) on September 14, 2012, and again on March 13, 2013 (Gardner, Mar 13, 2013). China as the number one oil importer from Iran rejected that “Washington had no right to unilaterally punish other nations” (Associated Press, Mar 31, 2012).

On June 2012, the Secretary of State, Hillary Clinton announced that waivers were granted to seven more countries based on reductions of oil purchases from Iran of about 20 percent: India, South Korea, Turkey, Malaysia, South Africa, Sri Lanka, and Taiwan (Gardner & Cornwell, June 11, 2012). All seven exemptions were also renewed on December 7, 2012 for another six months.

China was not among the first two group exempted by the waiver authority of the Obama administration. As the first trade partner of Iran, China was under intense pressures, and new tensions were predictable in its relations with Washington (Aljazeera, June 12, 2012). However, less than three weeks later, Hillary Clinton announced that China had accepted to reduce trade with Iran and would be exempted from sanctions (Gladstone, June 28, 2012).

On July 31, 2012, President Obama announced sanctions on China's Bank of Kunlun and the Elaf Islamic Bank in Iraq because they “facilitated transactions worth millions of dollars” for Iranian banks (Crawford, Jul 31, 2012). On February 11, 2013, the United States announced

sanctions on Dalian Sunny Industries and three other Chinese firms for supplying material and support to Iran's missile development. China protested against the decision and urged the United States to immediately correct its mistaken policy and revoke these irrational sanctions toward the relevant companies” (Reuters, Feb 11, 2013).

Following the Presidency of Hassan Rouhani in Iran in June 2013, serious negotiations between Iran and the P5+1 eventually led to an interim deal or the Joint plan of Action (JPA) on 24 November 2013; and negotiations continued towards a more comprehensive and long-term agreement. According to the interim deal or the JPA, Iran accepted a short-term freeze of key parts of the nuclear program in exchange for suspending some of the EU and U.S. sanctions including sanctions on associated insurance and transportation services, Iran’s petrochemical exports, gold and precious metals and U.S. sanctions on Iran’s auto industry (CNN, Nov 24, 2013).

4-4) Conclusion

This chapter reviewed U.S. policy in making China follow American policies in regard to Iran since the 1979 Islamic Revolution with focus on the policies of the Obama administration in making China follow sanctions against Iran before the nuclear deal JCPOA.

Throughout 2009, the first year of his administration, President Obama actively engaged with world powers including China and focused on common interests and concerns in dealing with the nuclear program of Iran. The Iran factor stood among top issues of U.S. foreign policy in the G-8 and G-20 summits in 2009 and the Obama administration tried to depict Iran as a threat against the global security and the common interests of world powers. Meanwhile, the United States used the post-election uproars in Iran to legitimize international pressures against this country.

The Obama administration used the Israel and Saudi factors in negotiations with Beijing. According to the Israel card, the United States debated that in the case of failure of sanctions on

Iran, a fight between Israel and Iran would be inevitable and this war would eventually endanger the security of the flow of the Middle East energy in which China was heavily dependent for its growing economy. According to the American diplomats, the implication was clear, international cooperation on sanction against Iran seemed the best option and a safer alternative to a full scale war. China's response will be studied in the next chapter.

The Obama administration used the traditional rivalry between Iran and Saudi Arabia and diplomatically engaged with Riyadh and other oil exporting Arab allies in the Persian Gulf to increase oil production in order to compensate the absence of Iranian oil in the market and keep energy prices low and to pave the way for international cooperation on sanctions against Iran. Then, the United States negotiated with China to gradually replace the Iranian oil with the oil from Saudi Arabia and other sources.

On the other hand, the United States pressured against China through different channels as Beijing resisted against further U.N. sanctions, and continued trade with Iran. Differences between the United States and China peaked over a new U.N. resolution in the later months of 2009 and the early months of 2010. On January 29, 2010, U.S. Secretary of State, Hillary Clinton through an unprecedented literature, openly threatened China that it would face "economic insecurity" and "diplomatic isolation" if it did not sign on to tough new sanctions against Iran" (see Landler, Jan 29, 2010). The following day, President Obama announced the decision to sell \$6.4 arms to Taiwan; sources in Washington claimed that work had already begun on the next package of arms for Taiwan. Less than three weeks later, President Obama met Dalai Lama to pressure China. Considering the 2008 uprising in Tibet, China viewed the issue as an internal security threat. China eventually voted for the U.N. resolution 1929, but after some alteration in the text to secure its economic and strategic interests in relations with Iran. Also, the United States withdrew from some elements of arms sale to Taiwan including the sale of new F-16 warplanes in return for China's vote for the UNSC resolution against Iran (see Landler, Sep 18, 2011).

Following the U.N. resolution 1929, the United States increased unilateral sanctions against companies trading with Iran. China as the first trade partner of Iran was involved more than any other country. On 2012, American and European bank restrictions made serious problems in Iranian economy and had considerable impacts on China-Iran economic relations. Despite limitations, China continued its close relations with Iran up to the interim deal in 2013 and the eventual nuclear deal or the JCPOA in 2015. Next Chapter will study China's policy and strategy on sanctions against Iran.

Chapter 5:

China and the US-Led Sanctions on Iran: Cooperation or Noncooperation

5-1) Introduction

Chapter 4 studied U.S. policies to make China follow sanctions against Iran. Washington needed cooperation from major trade partners of Iran to make sanctions effective in pressuring Tehran. The role of China as the first trade partner of Iran, a veto power of the U.N. Security Council, and as the most expectedly rival of the United States in the 21st century was controversial in this regard. The Obama administration actively engaged with Beijing and focused on common interests and concerns to make China cooperate with sanctions on Iran. On the other hand, as China resisted, Washington pressured Beijing through different channels including arms sale to Taiwan and the threat of sanctions against Chinese companies and banks.

This chapter studies China's relations with Iran and its response to the US-led sanctions. It plans to examine the second hypotheses which claims that China followed a soft-balancing strategy to make sanctions abortive and costly without directly standing against Washington.

5-2) China-Iran Relations

China-Iran relations go back to the ancient era when the Chinese Hans and the Persian Sassanid empires established friendly diplomatic and trade relations. The Silk-Road trade route (130 BCE- 1453 CE) linked China to Iran, Africa and Europe. Later, during the Islamic era,

China's peaceful relations with Iran and the Islamic world continued up to the modern age. Throughout this long history of interactions, China-Iran relations have always been peaceful. The two civilizations have repeatedly been invaded by other powers; but they have never gone to war with each other (Garver, 2006).

China and Iran have a lot in common: Both are the heirs of great ancient civilizations. Both countries have experienced historical humiliating period of the European interventions and colonialism in the 19th and 20th centuries. China was divided between Britain, France, Russia, the Imperial Japan, and the United States. Iran was also faced to humiliating interventions of Russia, Britain and the United States which diminished the geographical size of this empire and weakened it to a be third world country. The 1953 U.S. and Britain coup against the nationalist government of Muhammad Mossadegh returned the dictator Shah to power; and the U.S. military intervention in China after the 1949 Communist Revolution, led to the separation of Taiwan from the mainland China (Garver, 2006).

Both current regimes in Beijing and Tehran came to power through landmark revolutions against regimes supported by the United States and the European powers. After the revolutions both countries were faced to severe Western sanctions. Even today both Chinese and Iranian regimes do not correspond to Western values and standards and both are accused of violating human rights according to the dominant Western discourse.

Modern relations between Iran and China can be put in three distinct historical periods: A few years after the World War Second, the 1949 Communist revolution, placed China in the Eastern Communist bloc of the Cold War context. A few years later, the 1953 coup against the democratically elected Iranian Premier Muhammad Mossadegh, restored Shah to power and placed Iran among close allies of the United States and the Western Capitalist bloc. Iran as an ally of the Western bloc, did not recognize the People Republic of China; rather, it recognized Taiwan and established close relations with this island.

Following the China-Soviet border conflict, in the 1960s, Beijing stood alone and isolated looking for allies to counterbalance the Soviet Union. The Soviet-Indian Friendship Treaty made the regional balance of power worse for China facing a new source of threat in the Asian international environment. In response, Beijing showed the green light to Washington through the “Ping-Pong diplomacy.” The Nixon administration used the opportunity to normalize relations with China through an assertive rapprochement diplomacy. The new international environment paved the way for Iran to establish closer ties with China (Shariatinia, 2011).

During the 1960s and the 1970s, Iran earned considerable income from export of oil making the shah regime struggle for more independence from the US influence. China was a good opportunity to counterbalance against the influence of the United States and the threat of the Soviet Union. In 1971 Ashraf Pahlavi, the sister of Shah, visited China and diplomatic relations expanded. Later, in 1978, at the hot days of the Islamic Revolution Hua Guofeng, the chairman of the Chinese Communist Party visited Tehran. In 1978 China-Iran bilateral trade was 20 times more than 1971 (Dorraj & Currier, 2008).

Following the 1979 Islamic Revolution in Iran, China quickly recognized the new government. According to some reports, Hu Guofeng, the leader of the Communist Party went so far to apologize Iran for his 1978 visit to Tehran in the critical days of the Islamic revolution (Huwaidin, 2003; Dorraj & Currier, 2008). In accordance with the slogan of “neither East, nor West,” the revolutionary Iran stood against both the Soviet Union and the United States. This strategy was very similar to the policy that China was following in pursuit of its security. Despite fundamental ideological differences, China and Iran shared a common grand strategy for a third world solidarity against the Western and Eastern domination.

During the Iraq-Iran War, China was friendly to both sides of the conflict and acted as a source of weapon for Iran as well as Iraq. As Iran was under weapon embargo from both Western and Eastern blocs, China’s weapons were more helpful for Iran. When the war ended in 1988, the new era of reconstruction in Iran reinvigorated China-Iran relations and provided an opportunity

for the rising China to enter the Iranian market in the absence of American and most European rivals. In 1989, President Ali Khamenei visited China and met Deng Xiaoping. Bilateral trade in the 1980s increased from \$627 million to \$1.627 billion. Strained relations between Iran and the United States and Western allies provided an alluring market for China. This opportunity coincided with the period that China's economy began to grow rapidly. Iran needed China as a reliable buyer for its energy and a supplier of its military; and China needed new markets as well as new sources for its energy (Dorraj & Currier, 2008).

Following the collapse of the Soviet Union and the Eastern bloc, new security environment made Iran and China more cooperative. The shadow of U.S. hegemony as the sole superpower, and the emergence of new Central Asian countries in their neighborhood made Iran and China follow common concerns and interests. Furthermore, China's double digit economic growth made this country a net oil importer in 1992. China's economic growth continued in the 1990s and made this country more dependent in the Middle East where Iran was a major independent actor boldly resistant against U.S. domination over the region. So, both Iran and China found each other as potential allies in global affairs. Iran needed China to provide a security blanket against increasing U.S. pressures; and China needed cooperation with Iran in Central Asia, challenges in the Chinese Muslim province of Xinjiang, and secure sources of energy in the Middle East (Garver, 2006; Dorraj & Currier, 2008).

During the 1990s, serious tensions over the issue of Taiwan strained U.S.-China relations. The Clinton administration pursued offensive policies toward the independence of Taiwan. China responded boldly and used all capacities including military and nuclear relations with Iran as a source of pressure against the United States. However, following negotiations in 1997, both sides eventually bargained over arms sale to Taiwan and Iran. The United States withdrew from its policies in Taiwan; and China drew back from nuclear cooperation with Iran (Djallil, 2011).

George W. Bush won the 2000 presidential election in the United States. He used a different literature toward China and called this country a "strategic competitor" rather than a "strategic

partner” (Gill, August 3, 2001). However, the 9/11 terrorist attacks entangled Washington in new struggles in the Middle East away from East Asia where China was prospering with an extraordinary economic growth rate. The Bush administration needed cooperation from China and other powers to deal with the new crises in the Middle East (Haass, 2013; MacKinnon, 2011; Layne, 2008).

While the United States was busy with the wars in Afghanistan and Iraq, the Chinese Administrations of Jiang Zemin and Hue Jintao through the “going out” policy, used the opportunity of 9/11 to expand relations with the world including the United States and the Middle East (Zemin, Nov 10, 2004). The “going out” policy encouraged Chinese major oil companies to invest in the Middle East and Africa to secure long term access to reliable sources of energy earnestly demanded by the Chinese rising economy. This strategy involved competition with Japanese, Europeans and American corporations in the energy rich Middle East (Dorraj & Currier, 2008).

Iran as an independent major oil exporting country played a major role in Chinese energy policy. The absence of American energy companies in the Iranian oil and gas industry, made this country a profitable market for Chinese companies seeking investment in foreign countries according to the “going out” strategy. In this environment Iran nuclear program emerged in 2002 and soon stood among top international debates (Izadi & Khodaei, 2017).

5-2-1) China – Iran Energy Relations

China’s economic liberalizations and open-door policies in the 1980s led to rapid economic growth which has continued for decades. This exceptional economic growth increased China’s demand for additional sources of energy. China with about 20 percent of the world population has about 2 percent of world oil reserves and 1 percent of global gas reserves (EIA, 2015). China’s domestic oil and gas production were sufficient for domestic energy needs in the 1980s. Since 1992 China went from self-sufficiency to increasing dependence on oil import. In 2004 China

surpassed Japan to be the second oil importer only after the United States (EIA, 2005); and in 2012 China overtook the United States to stand as the world first net oil importer (Blas, March 4, 2013). The following graph depicts China’s oil production-consumption balance.

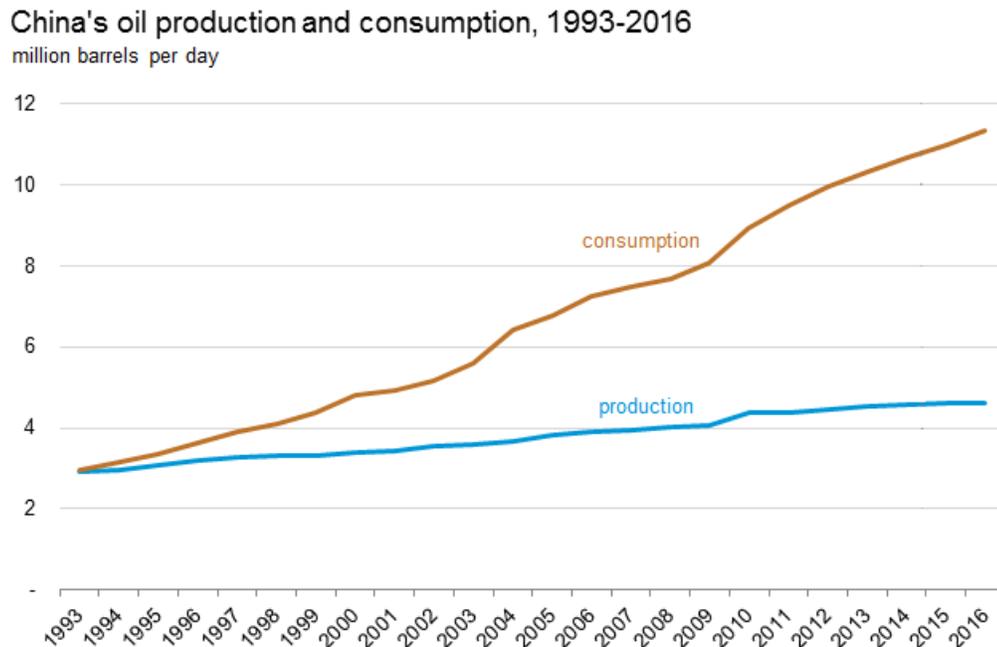


Figure 8: China’s Oil Production-Consumption Balance 1993-2016 (million barrels per day)

Source: (EIA, 2017)

China’s oil imports in 2005 reached 2.5 million barrels per day. In 2014 this figure exceeded 6 million barrels per day (EIA, 2015). Since 2005 more than half of China’s oil import has been from the Middle East where the United States has widened its hegemony. China has tried to diversify energy sources to reduce oil dependency in response to the increasing threats against its energy security (Aizhu, Apr 11, 2017).

China holds the world third largest coal reserves and is the biggest producer and consumer of coal (EIA, 2015). Despite environmental considerations, China has developed coal production as the its first source of its energy. China has also exceeded the United States and European countries in production of clean energies such as solar, hydro and wind (Forbes, 2014).

Furthermore, the share of natural gas has increased in China's energy consumption. Gas pipelines from Russia and Turkmenistan have been helpful in this regard (EIA, 2015).

On the other hand, China has increasingly used its limited oil resources to decrease dependency in foreign oil. In 2014, China stood in the fourth place of oil production after, Saudi Arabia, Russia and the United States. However, following the Nuclear Deal between Iran and the P5+1, Iran regained its position and exceeded China in oil production. Also Iraq oil production overtook China and placed PRC in the sixth position in 2016 (EIA, 2017). China has also invested in gas and oil pipelines from Russia, the Central Asia, and Asia (Myanmar) to minimize dependency from shipment of oil from the Persian Gulf and the Strait of Malacca (Zhang, 2011). Furthermore, China has tried to diversify oil import from different areas in order not to be excessively dependent in a certain geographical region to decrease vulnerability. China imports oil from Africa, Russia, Middle East, Central Asia and even America (Liedtke, 2017).

Despite China's active policies to diversify sources and to minimize energy dependency to the Middle East, rapid economic growth has dramatically increased demands. At least, more than half of China's oil import has come from the Middle East constantly since 2000 (Daojiong & Meidan, 2015). It is predicted that the Middle East will remain as China's main source of energy in the future; even the share of this region is expected to 75 percent if consumption is not curbed by 2030 (Rivlin, 2014). And Iran as an independent regional power and a major energy exporter will remain an important factor in Chinese energy policy.

Energy connection is the most significant pillar in China-Iran relations, as Ali Akbar Salehi, Iran's representative to the International Atomic Energy in 2004 stated that the two countries "mutually complement each other, they have industry and we have energy resources" (Wright, November 17, 2004). Iran with about 1% of world population has about 11% of proven oil reserves and 17% of global gas reserves. In 2015, *Oil & Gas Journal*, estimated these deposits to about 158 billion barrels of crude oil and a further 1,201 trillion cubic feet of natural gas deposits (Oil and Gas Journal, 2015). According to the British Petroleum (BP) report in 2013, Iran's gas reserves

surpassed Russia to rank first for gas reserves (Lawler & Zhdannikov, Jun 12, 2013). Given the proper amount of investment and technology Iran has the capacity to boost energy production much further. But due to economic sanctions and lack of sufficient investment since 1980, Iran's energy production has deteriorated steadily (Dorraj & Currier, 2008).

In November 1995 Iran opened oil and gas section to foreign investment (Katzman, 2008). Many European companies welcomed the decision. However, increasing U.S. sanctions risked investment in Iran. On September 1996, U.S. Congress ratified Iran and Libya Sanctions Act (ILSA) which banned all foreign companies that "provide investment over \$20 million for the development of petroleum resources in Iran" (Iran and Libya Sanctions Act, 1996). Despite U.S. sanction many companies such as Total of France, Gazprom of Russia, and Petronas of Malaysia continued Investment in Iran (Kozhanov, 1998).

In 1999 the giant Azadegan oil field was discovered. Azadegan as the world largest undeveloped oil field was estimated to have 26 billion barrels of oil. Iran wanted to diversify energy partners and was looking for a reliable partner in Asia. Which Asian economic power should receive the lucrative exploration opportunity; China or Japan? The Khatami administration preferred Japan for its more advanced technology. However, the United States pressured Japan to forgo this profitable suggestion. Later the emergence of Iran nuclear program deteriorated the condition for Japan. When in 2006 Iran nuclear dossier was referred to the U.N. Security Council, Japan eventually withdrew and through a new contract, China was substituted (Garver, 2006; Dorraj & Currier, 2008).

In 2004 China and Iran made a great historical agreement in investment and energy cooperation. The Chinese Company Sinopec and the National Iranian Oil Company (NIOC) signed a contract according to which China would buy 250 million tons of LNG from the Iranian Yadavaran oil field for the next 30 years. The contract was estimated to worth \$70-100 billion (China Daily, October 29, 2004).

Despite voting to the U.N. resolutions against Iran, China continuously maintained high trade record with Iran up to the interim deal in 2013, and the eventual nuclear agreement in 2015. During the sanctions period, China's oil imports from Iran ranged between 555,000 barrels per day in 2011 to 439,000 barrels per day in 2013, the year which Iran faced the worst sanctions and bank limitations (EIA, 2015).

5-2-2) China-Iran Strategic Relations

China-Iran Relations cannot be fully explained through economic considerations. In practice, strategic interests play a major role in relations between the two countries. Both China and Iran do not correspond with Western democratic standards; and both regimes have come to power through revolutions against U.S. supported regimes in Tehran and Beijing. Both Iran and China have experienced long-lasting and severe sanctions from the United States and Western allies (Mousavi & Khodaei, 2016).

China is dependent to the Middle East oil for more than half of its oil import (Downs, 2013). In this region all major oil exporters, except for Iran, are allies of the United States. So, the United States can use China's oil dependency to its allies as a pressure card in differences with Beijing; and in the case of probable struggle in U.S.-China relations, Arab oil exporting countries are expected to side with the United States. But, Iran as the only independent major oil exporting country in the region can be open to China. Due to its geographical location, Iran is the only major oil exporting country in the Middle East that can transfer oil and gas to China through both overland pipelines and sea shipment. Furthermore, Iranian geography connects the energy rich Central Asia and the Caspian Sea region to the Persian Gulf and the Indian Ocean.

Iran and Turkey as major regional powers have cultural and historical ties with the Central Asia and the Caucasus states. Turkey as a member of NATO and as an ally of the West cannot be a reliable partner for China in this region, but close relations with Iran can be helpful to follow China's strategic and economic interests and to counter U.S. hegemony over the region. Security

of the western borders of China is dependent to the security of Central Asian states. If Iran aligns with the Western bloc, or in the case of regime change in Iran, China will lose a reliable partner in keeping security in its Western borders. Tens of millions of Muslims live in the Xinjiang province in Western China; and this country needs Iranian cooperation to keep stability in this region (Hong, 2014).

After the collapse of the Communist bloc, U.S. hegemony expanded worldwide particularly over the ex-Soviet Muslim states in the neighborhood of both Iran and China. When the United States invaded Iraq in 1991, both powers as independent and proud countries, felt threatened; and despite ideological differences, established closer ties to face the common threat of U.S. hegemony (Garver, 2011).

Following 9/11 terrorist attacks, the United States and NATO attacked Afghanistan. While the war of Afghanistan had just ended the Taliban regime, on May 6, 2002, President George W. Bush in a speech placed Iran, Iraq and North Korea in the “Axis of Evil”. According to the post 9/11 international context, this speech tacitly signaled the world with a close military attacks on these three countries. Two months after this speech, the Chinese President Jiang Zemin visited Tehran. His travel to Tehran, right after President Bush’s “Axis of Evil” speech was a clear and firm response to Washington that China would support Iran against U.S. plans (Davis, 2013, p. 9)

Despite cooperation with Washington in the fight against Taliban of Afghanistan, China, Russia, and Iran were concerned about U.S. presence in Afghanistan and American military bases in Central Asia. In response to the threat of U.S. presence, China and Russia as key members of the Shanghai Cooperation Organization (SCO), activated this organization and pressured the United States to leave the military bases in the Central Asia including in Kyrgyzstan, Tajikistan, and Uzbekistan (Mousavi & Khodaei, 2013). The SCO expanded further, and Iran along with Pakistan and India joined the SCO as observer members in 2005. The same year, the United States which didn’t want to be absent from this organization, applied for observer membership. But this

application was rejected by the SCO members showing strategic ambitions in formation of this organization (Pikayev, 2008).

Acceptance of Iran as an observer member in the SCO, and rejection of the U.S. application on the other side, irritated the Bush administration which actively followed the policy of isolation of Iran. U.S. Defense Secretary, Donald Rumsfeld, expressed U.S. anger in the following words: “It strikes me as passing strange that one would want to bring into an organization that says it is against terrorism one of the nations that is a leading terrorist sponsor in the world – Iran” (Gordon, June 3, 2006). In response to the U.S. Defense Secretary, SCO Secretary General Zhang Deguang replied: “We cannot abide by other countries calling our observer nation, sponsor of terror. We would not invite Iran if we believed they sponsored terror” (Kimmage, Oct 5, 2006).

Iran’s observer membership in the Shanghai Cooperation Organization raised a lot of debates inside this organization and in the world polity. Some Western scholars and politician warned on the probable full membership of Iran in the SCO. A Western analyst called this organization as the “NATO of the East” in the case of membership of Iran (Weir, October 26, 2005). And according to another scholar, “An SCO incorporating Iran would essentially be an OPEC with bombs: an energy-rich geopolitical alliance stretching from the Taiwan Straits to the Strait of Hormuz.” (Berman, Sep 14, 2006)

In 2008, Iran applied for full membership in the Shanghai Cooperation Organization. According to the Realist interpretation, Probable membership of Iran in the SCO could be a blow to U.S. policy both in regard to Iran and the SCO. On the one hand, U.S. policy of isolation of Iran would fail; and on the other hand, due to the economic and strategic capacity of Iran, the SCO would emerge much stronger undermining the unique position of NATO and the United States in the international system since the collapse of the Soviet Union (Mousavi & Khodaei, 2013).

However, when Iran applied for full membership in the SCO, both China and Russia rejected the application due to the increasing disputes over Iran’s nuclear program as this country was under

U.N. sanctions. In that condition “Iran’s full membership, despite its economic and security advantages, could drag SCO into the fight between Tehran and the West” (Karami, 2012).

5-3) China’s Foreign Policy: From Idealism to Pragmatism

After the 1949 Communist revolution, idealism dominated the foreign policy behavior of China. As a member of the Communist bloc, this country stood against the United States and explicitly supported different movements against U.S. allies in many parts of the world including the Middle East. During the 1960s, differences between China and the Soviet Union led to further isolation of Beijing, and made the Mao administration revise relations with the West including the United States. China’s signals were welcomed by the Nixon administration and they established relations following the Ping-pong Diplomacy in the 1970s. Since then, China’s foreign policy gradually moved toward pragmatism.

In the 1980s Deng Xiaoping, the Chinese prominent leader abandoned traditional Communist doctrine in economy. Deng opened China to foreign investment and tried to incorporate elements of the free-enterprise system and other reforms into economy and consequently pragmatism dominated China’s behavior in foreign relations. His policies are credited with developing China into one of the fastest-growing economies in the world for several generations and raising the standard of living of hundreds of millions (Lampton, 2014).

Today, pragmatism is a determining element in China’s relations with the United States. China cooperates with the United States on common interests and at the same time it frankly follows its own strategic and economic interests which are not necessarily in accordance to American interests (Jiemian Yang, 2013). China is neither an ally nor an enemy of the United States. Unlike European powers and Japan, China is not considered as a Western democracy, and an ally of the United States. And unlike the Soviet Union, China is not an adversary of the United States, and does not follow expansionist and confrontational policies. China neither bandwagon with U.S. policies in international disputes, nor it confronts American policies. Rather, this rising

power as a major trade partner of America, cooperates on many common economic and security interests and at the same time assertively follows its own interests (Izadi & Khodaei, 2017). According to Xi Jinping, the Chinese President, “It’s natural that we don’t see eye to eye on every issue... but there have always been more common interests between China and the United States than the differences between us” (Carswell, Dec 4, 2014).

Pragmatism is also a key factor in China’s foreign policy toward Iran. Despite numerous common strategic interests of Beijing and Tehran in the Middle East and Central Asia, China does not regard Iran as a strategic ally; otherwise, it won’t repeatedly vote against Iran in the U.N. Security Council during the nuclear dispute (Shariatinia, 2011). Such an alliance with Iran would drag China in the nuclear dispute between Iran and the United States (Wuthnow, 2016; Karami, 2012). However, China has kept close relations with Iran and has earnestly followed its own interests in relations with Tehran. Iran is a major energy exporter and China is a major energy importer. Furthermore, both powers have common strategic interests in undermining U.S. hegemony; and as long as Iran challenges American policies in the Middle East, the United States cannot fully concentrate on East Asia and the Chinese Neighborhood (Izadi & Khodaei, 2017; Garver, 2011).

5-3-1) China and the Nuclear program of Iran

During the 1985-1997, China directly participated in the nuclear program of Iran despite pressures from the United States. In 1985, China and Iran agreed to coordinate in the building of the Esfahan Nuclear Research Center in providing the center with a small research nuclear reactor (Garver, 2006). The following year China and Iran signed a nuclear memorandum according to which Beijing committed to ensuring the training of Iranian scientists, engineers and technicians (Melman & Javedanfar, 2007).

During the early 1990s, China continued nuclear cooperation with Iran, including contribution in building a complete facility for the conversion of uranium in Esfahan. According

to John Garver (2006), during the 1990s, China used military and nuclear relations with Iran as a source of pressure against the United States throughout the Taiwan crisis. In 1992, the United States announced the sale of 150 F16 fighter aircrafts to Taiwan. Just after the announcement, the Xinhua News Agency announced arrival of an Iranian military delegation in Beijing for making an arms deal. On the other hand, the Chinese Foreign Ministry declared that China would not participate in the U.N. Security Council negotiations on arms transfer to the Middle East, unless Washington gave up arms sales to Taiwan (Grimmett, 1993, p. 10). On September 1992, China signed an agreement with Iran on the sale of several nuclear power plants in Iran (Garver, 2006, pp. 213-214). However, two weeks later, the agreement was suspended for no apparent reason (Djallil, 2011, p. 242).

In 1995-1996 tensions between China and the United States over Taiwan intensified and turned to a very serious crisis. China fired two sets of missiles to send a strong signal to Taiwan. In response, the U.S. Navy moved to the region exposing credible threats to the Chinese Navy (Risen, 11 Mar, 1996). However, on October 1997, following talks between visiting Chinese President Jiang Zemin and President Bill Clinton, China and the United States compromised in 1997 (China's Embassy in U.S., Oct 29, 1997).

Following the 1997 historical agreement between China and the United States, both side accepted some commitments. As a part of the compromise, Beijing accepted to suspend its cooperation with Iran in supplying missiles and nuclear technology. According to John Garver the following motives may explain China's suspension of cooperation with Iran in 1997: 1- China desired access to American nuclear technology, 2- China wanted to be recognized as a moderate and responsible power, 3- China wanted to stabilize relations with Washington, 4- China recognized its interests in safeguarding the NPT (Garver, 2006, p. 141).

Although China ceased nuclear cooperation with Iran in 1997 and never worked with Iran in this area since then, economic cooperation between the two countries has continued and expanded despite increasing U.S. sanctions and pressures.

5-3-2) Chinese Perception of Iran Nuclear Program

China and the United States have different perceptions of Iran nuclear program. These differences go back to their different perception of Iran's 1979 Islamic revolution. According to the Western discourse, this revolution "toppled the secular regime of Shah and led to an autocratic and non-democratic regime" which threatens the "world order" and "blatantly supports the terrorist groups such as Hezbollah and Hamas". This revolution "began with the hostage crisis of American embassy in Tehran" (Oren, May 24, 2013). Now, a nuclear Iran in the post-9/11 era is the "worst nightmare" for the United States and allies (Nebehay, Apr 22, 2013). According to Condoleezza Rice, U.S. Secretary of State in the Bush administration, "We may face no greater challenge from a single country than from Iran whose policies would be 180 degrees different than the Middle East we would like to see developed" (Rice, Mar 9, 2006).

But China doesn't share Western perception of the 1979 revolution of Iran and its nuclear program. According to the narrative created by the Chinese academics and media, the Iranian revolution belongs to the anti-imperialism and anti-colonialism movements in the modern history. This narrative depicts the 1979 revolution as a mass rebel with the leadership of the clerical class which toppled the authoritarian and repressive regime of the Pahlavi dynasty supported by the United States and the Western powers (Zhen, 2009). China herself has experienced Western colonialism and the great 1948 revolution against a Western supported regime. Therefore, according to the Chinese narrative, confrontation between Imam Khomeini and the Pahlavi dynasty was not a confrontation between religion and secularism, rather a battle between democracy and autocracy (Zhen, 2009, pp. 6-7).

In 2008, Professor John Garver and his colleague interviewed 40 Chinese specialists and deliberately floated the proposition that "by cooperating with Washington, Beijing could secure the flow of oil from the Persian Gulf." Only, one or two of them agreed with the idea. Most Chinese argued that this proposition was "tantamount to U.S. invitation for China to be a junior partner in American hegemonic scheme." The Chinese analysts tended to believe that "U.S. policies in the

Middle East and in regard to Iran pose the primary source of danger to the flow of oil from the Persian Gulf, not Iran” (Garver, 2011, p. 80).

China doesn't share American concerns on Iran nuclear program; because relations between the two countries are peaceful with no precedence of conflict since the ancient Silk-Road era. There are common economic and strategic interests that provide a unique background for close Tehran-Beijing cooperation. China is dependent to the Middle East energy and Iran is a major energy exporter and an independent regional power which stands against U.S. hegemonic policies in the region.

According to many Chinese and American scholars and politicians, intensifying disputes with the United States is China's most daunting challenge that is likely and does not seem too far (Carter, 2016; Baodong, 2010; Mearsheimer, 2010). About 50 percent of China's oil imports comes from the Middle East where U.S. oil-exporting allies and U.S. military bases subordinate China's interest to the American concerns. Energy dependency can be China's Achilles heel in the case of confrontation with the United States (Daojiong, 2006; Mearsheimer, 2010, p. 395). The existence of Iran as an independent regional power, and a major energy exporter, can be a great opportunity for China to make it less dependent to the United States and allies. But in the case of regime change in Iran, or joining Tehran to the U.S. allies, China would be more dependent to the United States for its growing energy imports giving America leverage to shape China's policies and to control its behavior in areas of differences.

5-3-3) China's NPT Considerations on Iran Nuclear Program

China Signed Nuclear Non-Proliferation Treaty in 1992, and as a nuclear member of the International Atomic Energy Agency, formally opposes development of nuclear weapons by any non-nuclear states (White Paper, Dec 3, 2003). China does not want its nuclear status to be diluted, and believes that additional nuclear weapon-capable countries would alter the delicate balance of power (Crisis Group, Nov 2, 2009). Furthermore, the Chinese authorities agree that “smaller

powers may not be as responsible as big powers both technically and politically in nuclear development and application” (Crisis Group, February 17, 2010).

However, according to the text of the NPT, “Nothing in this Treaty shall be interpreted as affecting the inalienable right of all parties to the treaty to develop research, production and use of nuclear energy for peaceful purposes” (NPT, 1995, p. Article IV). During the nuclear struggle, Iran as a signatory of NPT, repeatedly called peaceful nuclear activity as its unalienable right (Ahmadinejad, Sep 17, 2005; Rouhani, Sep 24, 2013). Throughout this period, on many occasions, China formally announced peaceful nuclear technology under the IAEA regulations as Iran’s legitimate right (Xiaodi, May 3, 2004; Xiaodi, May 19, 2005; Jiechi, Nov 15, 2007; Chunshan, Nov 27, 2013).

On May 2004, China’s ambassador Hu Xiaodi, Head of the Chinese Delegation stated that “Iran should cooperate fully with the IAEA, make its nuclear activities fully transparent to the Agency... and At the same time, we maintain that, as a state party to the NPT, Iran's right to the peaceful uses of nuclear energy should be respected” (Xiaodi, May 3, 2004). On September 2004, while the IAEA Board of Governors discussed referral of Iran to the U.N. Security Council, China’s representative called on the international community to respect the right of Iran to use peaceful nuclear energy. According to Zhang Yan, the Chinese Envoy to UN: “Uranium enrichment could be used to either generate electricity or make bombs. As such enrichment per se was not banned by the NPT” (Xinhua, Sep 19, 2004). And again on November 2007, while the United States pushed for the third U.N. resolution against Iran, the Chinese Foreign Minister, Yang Jiechi said: “China believes Iran has the right for the peaceful use of nuclear energy, At the same time we also stress that the international nuclear non-proliferation regime must be safeguarded” (Jiechi, Nov 15, 2007). On May 2015, while negotiations between Iran and the 5+1 was close to the comprehensive nuclear deal, the Chinese delegation reiterated that “Nuclear non-proliferation should not sabotage the legitimate right of all countries in the peaceful uses of nuclear energy” (Chinese Delegation, May 4, 2015).

Despite importance of safeguarding NPT interests, history shows that whenever non-proliferation stands in contrast to primary interests, great powers usually pick the second. They do not limit themselves by the obligations of international regimes such as NPT (Garver, 2011). A recent study shows that the United States has repeatedly ignored nonproliferation for higher priorities on other objectives (Levy & Scott-Clark, 2007). In the case of Pakistan, the United States bargained with this country over Pakistan's support for the Afghan Jihad. India is another example of U.S. compromise over nuclear weapons proliferation (Garver, 2011, p. 81).

Above all, according to reliable sources including the Arms Control Association, Israel has an estimated 80 nuclear warheads, with fissile material for up to 200, without joining the NPT and without any supervision from the IAEA (Arms Control Association, Jul 5, 2017). Surprisingly, the United States has undeniably supported this regime and has never criticized Israel for not joining to the NPT despite UN resolutions and IAEA statements calling upon it to join (Patriot, April 14, 2010; Einhorn, Mar 2, 2017). But the same U.S. authorities have called Iran nuclear program a threat against global security and have done whatever they could to prevent its nuclear programs including comprehensive sanctions on Iranian economy and have repeatedly threatened to use military forces with the words that "all options are on the table" (Trump, 2017; Obama, 2015; Bush, 2006); despite the fact that Iran has signed the NPT, and has accepted the IAEA regulations and supervision over the nuclear facilities in this country.

Even for China, NPT and non-proliferation interests stand secondary to its primary interests. In the case of Pakistan, China helped this country develop nuclear weapons and refused Western demand to disengage from nuclear cooperation with Pakistan in the 1990s (Jennifer Weeks, May 15, 1996). In 1998, following Pakistan and India nuclear tests, China blamed India and tried to distract pressures on Pakistan to keep the balance of power in the interest of Beijing; and in the case of North Korea, the issue of non-proliferation has stood secondary to China's strategic interests (Garver, 2011).

According to Professor John Garver, China has less non-proliferation interests in the Persian Gulf than the United States. Because, unlike the United States, China has “no troops, warships, bases, or allies in the Persian Gulf” (Garver, 2011, p. 80). According to the Crisis Group, China didn’t share American and Israeli sense of urgency in regard to the nuclear program of Iran; and Beijing was not convinced that Iran was on the path of nuclear weapon production. Rather, according to the Chinese perception, the West practiced a double standard on the Iran nuclear issue, and used non-proliferation as a justification to “deprive Tehran of its right to peaceful nuclear energy,” and used nuclear issue as a pretext to weaken Iran for the ultimate regime change scheme (Crisis Group, February 17, 2010).

5-3-4) China’s Conflicting Interests in U.S.-Iran Nuclear Dispute

There isn’t consensus among scholars on whether China cooperated with the U.S.-led sanctions against Iran or not. Some analysts refer to the fact that China voted for all the U.N. resolutions against Iran; they conclude that China stood with Washington in this international dispute (Small, 2008; Han, 2016). Other analysts reject the above claim and believe that China did not cooperate with the U.S. sanctions and continued and even increased economic relations with Iran despite U.S. pressures (Kemenade, 2010; Harold & Nader, 2012; Garver, 2011).

There are two sets of motives which may explain China’s behavior in dealing with the nuclear program of Iran. The first group of considerations justify China’s cooperation with the United States against the nuclear program of Iran: 1- Similar to other nuclear powers, it is not in China’s interest to see the number of nuclear powers increased. So, China supports the U.S. to prevent smaller powers like Iran from having nuclear technology, particularly because smaller powers are not technically and politically as responsible as big powers (Crisis Group, February 17, 2010). 2- A nuclear Iran may lead to a nuclear race in the Middle East, so, other countries such as Saudi Arabia, Turkey, and Egypt may follow the same path to be nuclear. This race may endanger

the security of the Middle East and the flow of energy in which China is heavily dependent (Wuthnow, June 6, 2013). 3- China finds its security interests in safeguarding the NPT, so, China stood with the United States in the nuclear struggle with Iran. 4- China's relations with the United States and allies are more important than its relations with Iran. So, China preferred alignment with Washington on the cost of Iran (Shariatinia, 2011).

The Second group of considerations justify China's non-cooperation with the United States in the nuclear struggle with Iran: 1- A nuclear Iran may keep the balance of power in the Middle East and help the world move toward multilateralism versus U.S. hegemony (Garver, 2006). 2- A powerful and probably nuclear Iran may entangle the United States in the Middle East away from East Asian where China's core interests are located (Garver, 2006, p. 79). 3- The Iran nuclear struggle keeps the United States dependent to China giving a leverage to Beijing to follow its interests in relations with the United States (Mousavi & Khodaei, 2016). 4- Many Chinese scholars believe that the nuclear struggle is a pretext to weaken Iran for the eventual military attack and regime change in Iran and the ultimate full domination over the energy-rich Middle East. They refer to the Iraq experience which Western pressures eventually led to regime change in Baghdad. If the "regime change policy" happens in Iran, or an Iranian regime aligned with Washington come to power, U.S. full domination over the Middle East will make China and other powers more dependent to the United States (Crisis Group, February 17, 2010; Zhen, 2009).

How did China manage contradictory interests in dealing with the nuclear struggle between Iran and the United States? On the one hand, China couldn't directly stand against the United States because it would endanger its grand interests in relations with Washington and allies and would threaten its international status and economic growth. Meanwhile, the Obama administration pressured through different channels. Furthermore, China didn't want to help the number of nuclear powers increased, or to see a war or a nuclear race in the Middle East threaten the flow of energy from this region. On the other hand, China had economic and strategic interests in a resistant and powerful Iran to secure the flow of energy and to counterbalance against U.S

hegemonic policies, and to make America entangled in the Middle East, far from China's borders and dependent in China's cooperation.

5-4) China's Practical Response

As studied in chapter 4, the Obama administration through a guarded engagement strategy, on the one hand, actively engaged with world powers including China and used common interests and concerns on the nuclear program of Iran to make them cooperate with sanctions on this country. The United States directly negotiated with China and suggested international cooperation with sanctions as a better option than an inevitable war with Iran which would consequently threaten the flow of energy from the region. The Obama administration employed differences between Iran and its Arab oil exporting neighbors including Saudi Arabia to increase oil production in order to substitute the absence of the Iranian oil in the market; then negotiated with China to replace the Iranian oil with the oil from Saudi Arabia and other countries. On the other hand, as China resisted pressures and continued relations with Iran, Washington pressured Beijing through different channels including arms sale to Taiwan, Obama's meeting with Dalai Lama, and sanctions against Chinese companies and banks.

China's practical response can be studied under corresponding titles which reviewed the policies of the Obama administration in the preceding chapter.

5-4-1) Diplomacy

Different diplomatic channels connect China and the United States. Both powers as permanent members of the U.N. Security Council have regular contacts on major security issues. Both countries are present in many U.N. institutions such as the IAEA Board of Governors. Regular contacts in organizations such as the G-7 and G-20 make diplomatic relations between Beijing and the United States closer and stronger. Furthermore, the two powers have established

different channels such as U.S.-China Diplomatic and Security Dialogue to remove differences on trade, securities and other issues. Regular meetings and trips by the presidents and other authorities of both countries make these relations exceptional despite wide differences on many issues. Some scholars and politicians such as Hillary Clinton and Zbigniew Brzezinski have gone beyond to talk about forming G-2 to make diplomatic relations between the two powers even deeper and more expanded (Hillary Clinton, Jan 14, 2011; Brzezinski & Scowcroft, Jan 2, 2009).

Since Deng Xiaoping era in 1979, pragmatism has overshadowed China's foreign policy and this country has tried to make peaceful relations with the world including the United States (Jiemian Yang, 2013). During Iran nuclear dispute, the United States pushed for international sanctions and threatened with the military option on the table. But since the beginning of the dispute, on many occasions, China consistently supported dialogue and negotiations as the best solution to the issue (Xiaodi, May 3, 2004; Xiaodi, May 19, 2005; Jiechi, Nov 15, 2007; Cooper, Nov. 17, 2009; Chunshan, Nov 27, 2013).

In fact, both other options (Sanctions or war with Iran) were against China's interests. Sanctions would desperately damage China's strategic and economic interests as China was the first trade partner of Tehran. And a U.S. or Israel attack against Iran, would endanger the security of the flow of energy and would certainly increase energy prices damaging China's growing economy apart from strategic consequences in the case of regime change in Iran. But continuing negotiations with Iran and resolving the issue peacefully through diplomacy seemed to be the best option for China and would lead to none of the above consequences. Furthermore, in the case of continuing dialogue with Iran, China could be a part of the solution as a major power in talks to safeguard Chinese economic and strategic interests.

Throughout the nuclear struggle, China tried to keep close relations with both the United States and Iran. On the one hand, China emerged as a responsible stake holder and eventually voted for the U.N. resolutions against Iran after talks and modifications on the texts. On the other

hand, China displayed its independence to Iranians and expanded or continued economic relations with Iran and resisted U.S. unilateral sanctions to safeguard its strategic and economic interests.

China followed an active diplomacy in the nuclear struggle between Iran and the West and actively participated in all talks and negotiations. China somehow mediated between Iran and the United States to resolve the crisis through diplomatic talks rather than increasing sanctions or a military struggle which in both cases would marginalize China and might damage economic and strategic interests of Beijing. Probably, the eventual nuclear deal (JCPOA) between Iran and the P+5 was exactly what China intended. Because this deal removed some barriers for Chinese companies to work in Iran, reduced the threat of a military confrontation and left Iran stronger to challenge U.S. policies in the Middle East.

5-4-2) China's Response to the Threat of War with Iran

China has been dependent to the Middle East for more than half of its oil import since 2005 (Arango & Krass, June 2, 2013; Daniels & Brown, Sep 08, 2015). A major war in the region threatens the security of the flow of energy from this region and will certainly increase energy prices damaging China and other major energy importer. Israel repeatedly threatened Iran with military strikes against nuclear sites (Steele, 25 Sep, 2008; Lister, Nov 29, 2010; Fox News, Mar 08, 2012). And the United States frequently threatened Iran with “all option on the table” including the military options (Bush, Jun 19, 2007; Obama, Jan 25, 2012). It was clear that Iran's response would have severe consequences for the region including Israel and would certainly involve the United States (Goldberg, Aug 11, 2012 ; Keck, Feb 9, 2015).

Keeping the security of the flow of Middle East energy is a primary interest for China. The United States employed China's concerns over a probable Israel attack on Iran as a card to make China support sanctions as a safer option with less security consequences. On November 2009, Dennis Ross and Jeffery Bader, two pro-Israel senior officials in the National Security Council, visited Beijing and warned China over a probable war in the case of failure of sanctions in stopping

the nuclear program of Iran. According to *Washington Post*, they told the Chinese authorities that Israel regarded Iran nuclear program as an “existential issue and that countries that have an existential issue don’t listen to other countries.” They warned that Israel might bomb Iran leading to a crisis in the Middle East and inevitably to the flow of energy in the region and the very oil China needed for its growing economy (Pomfret & Warrick, Nov 26, 2009). In his November 2009 visit to Beijing, President Obama used the same logic to convince the Chinese to support strict sanctions on Tehran. According to Israeli sources, Obama told his Chinese counterpart that “the United States would not be able to keep Israel from attacking Iranian nuclear installations for much longer” (Mozgovaya & Ravid, Nov 17, 2009).

According to the China’s grand strategy, peaceful rising and “ensuring sustainable economic and social development,” is a top priority for this country (White Paper, 2011). Maintaining the flow of energy from the Middle East is key to this purpose. China did not publicly respond to the threat of Israeli war against Iran. But, Beijing continued resistance against further U.N. sanctions against Iran. After his visit with President Obama, the Chinese President said, it was “very important” to “appropriately resolve the Iranian nuclear regime through dialogue and negotiations” (Cooper, Nov. 17, 2009). China explicitly rejected further U.N. resolutions against Iran in the ending days of 2009 (China Daily, Dec 24, 2009) and again in the early days of 2010 (BBC, Jan 6, 2010). In fact, President Obama, on his first visit, failed to make this country support a new U.N. sanctions against Iran (Cooper, Nov. 17, 2009; Weisman, Browne, & Dean, Nov 19, 2009).

On February 2010, Israel directly engaged with China to make Beijing support U.N. sanctions on Iran. An Israeli delegation, headed by the Minister of Strategic Affairs, Moshe Ya’alon and Bank of Israel Governor Stanley Fischer, visited Beijing and negotiated with Chinese senior officials and requested for increasing sanctions as a substitution to war in the region. According to the two major Chinese national English-language newspapers, *Global Times* and *China Daily*, the visits couldn’t change China’s position (Global Times, Mar 8, 2010; Yang & Jin, Mar 25, 2010).

Why didn't China support new sanctions despite U.S. and Israeli warnings of a probable war "in the case of the failure of sanctions"? Although no specific confirmation from the Chinese decision makers and think-tanks is available, it is unlikely that the Chinese authorities took the U.S. warning of Israeli attack on Iran seriously. Historical experience shows that such an attack would happen only when the targeted state was weakened through sanctions or internal crises and conflicts. According to some analysts, the historical experience of sanctions against Iraq during 1990-2003, showed that Western sanctions would eventually lead to a full scale war similar the 2003 invasion of Iraq which expanded U.S. domination over the energy-rich Middle East. The same scenario seemed to be expected for Iran (Kemenade, 2010; Garver, 2011). So, the Chinese authorities regarded sanctions not as a substitution for war, rather as a Western tool which would provide the background for a full scale war and invasion similar to the case of Iraq.

According to Ye Hailin, professor of international relations at the Chinese Academy of Social Sciences (CASS), "Israeli delegation will hardly have any impact on China's position" sanctions are not in line with China's interests and that the United States will not be sufficiently grateful to China for finally agreeing to impose sanctions, while "Iran will certainly hate China and the developing countries will think China has no principles". And According to Yin Gang, an expert on Middle East studies at the Chinese Academy of Social Sciences, "the US would not suffer from any economic sanctions imposed on Iran due to their weak trade ties, but for China, it will be like lifting a rock only to drop it on its own feet" (Xiaokun & Guangjin, Feb 23, 2010).

5-4-3) China's Response to the U.S Policy of Substituting the Iranian Oil

In order to pave the way for international cooperation on sanctions against Iran, the United States resorted to Arab oil-exporting allies in the Persian Gulf to compensate the absence of Iranian oil in the market by increasing oil supply. Saudi Arabia as an ally of the United States, and as a major rival of Iran, was explicitly against the nuclear program of Iran (Kaye & Wehrey, 2007). As

it was discussed in chapter 4, the Obama administration used the opportunity and engaged with Saudi Arabia and other Arab oil-exporters in the region to keep stability in the oil market (Clemons, April 25, 2009). On October 2009, Saudi Arabia declared that the country was ready to compensate any oil reduction in the global market. The United Arab Emirates also announced that it was ready to boost oil exports to China from 50,000 barrels per day, to a level between 150,000 to 200,000 barrels per day (Solomon, Oct 20, 2009). Even Saudi Arabia directly engaged with China to persuade this country to join sanctions without concern over oil imports and energy prices (Ignatius, Mar 7, 2010).

On the other hand, the United States negotiated with major oil importers including China to gradually substitute the Iranian oil with the oil from Saudi Arabia and other sources (Pomfret & Warrick, Nov 26, 2009). However, the media and analysts reported that China didn't welcome the idea of replacing oil imports from Iran (Mozgovaya & Ravid, Nov 17, 2009; Kemenade, 2010; Rizvi, 2010; Kessler, Feb 5, 2010). Later, China's behavior confirmed the above claim because this power continued normal trade with Iran and refused the American offer in practice. China constantly maintained its position as the first trade partner of Iran and kept the highest trade record with Iran up to the interim agreement in 2013, and the eventual nuclear deal or the JCPOA in 2015. During the sanctions period, China's oil imports from Iran didn't change so much. It ranged between 555,000 barrels per day in 2011, to 453,000 b/pd in 2012, 439,000 b/pd in 2013, and 555,000 b/pd in 2014 (EIA, May 14, 2015).

The following figures compare China, EU and Japan trade with Iran and Saudi Arabia during the nuclear dispute prior to the JCPOA or the Joint Comprehensive Plan of Action in 2015.

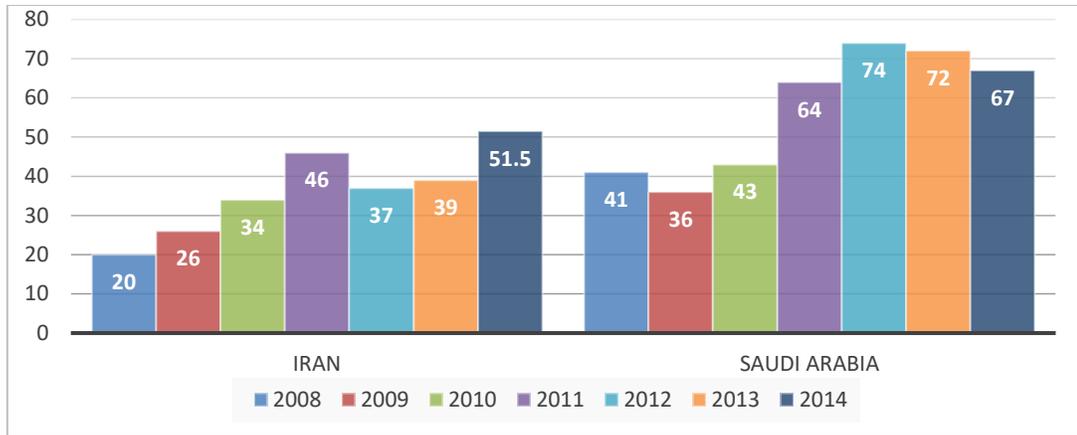


Figure 9: China's Trade with Iran and Saudi Arabia, 2008-2014; in billion US\$
 Source: data extracted from (International Trade Center, 2015)

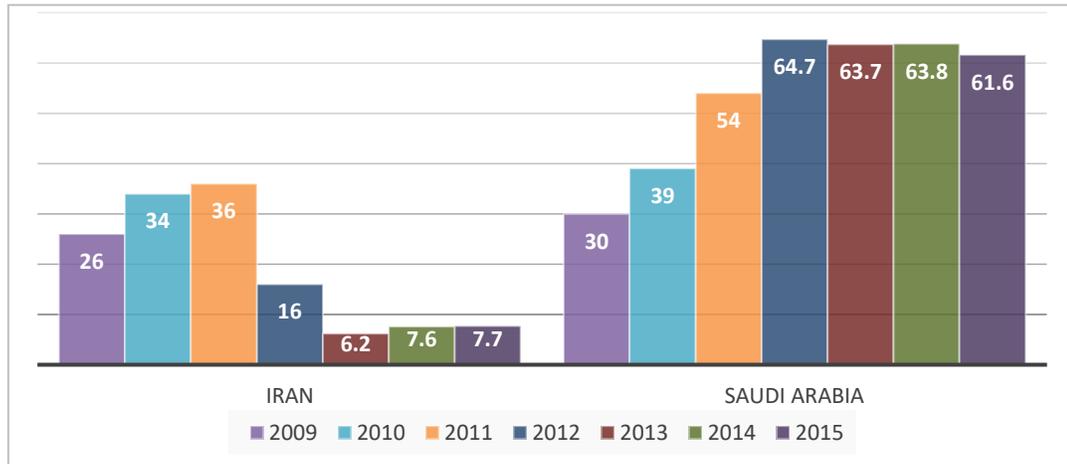


Figure 10: EU Trade with Iran and Saudi Arabia 2006-2015
 Sources: data extracted from (European Commission, Saudi Arabia, May 3, 2017)
 and (European Commission, Iran, May 3, 2017)

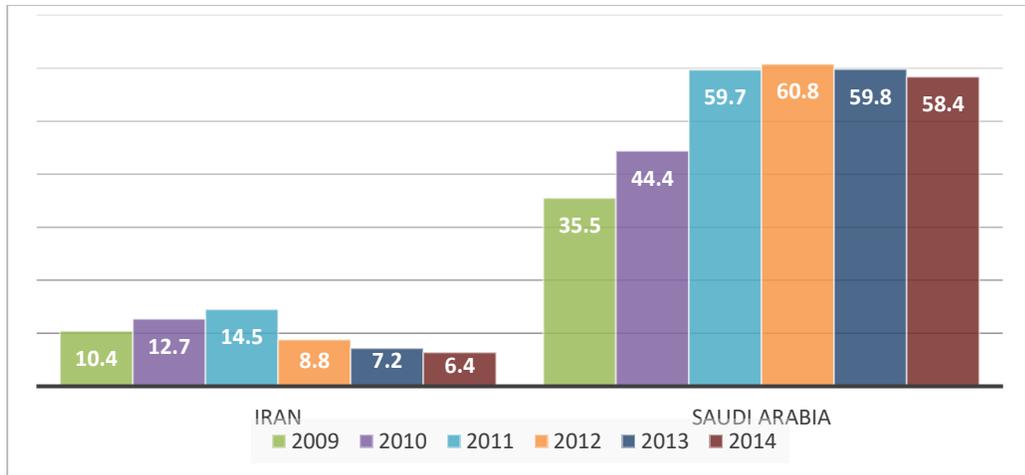


Figure 11: Japan Trade with Iran and Saudi Arabia 2007-2014

Sources: data extracted from (UN Comtrade, 2017; International Trade Center, 2015)

Comparing the trade of China, EU and Japan with Iran and Saudi Arabia in above figures, confirms that China did not welcome the idea of replacing Iranian oil with the oil from Saudi Arabia. Of course, China's trade with Saudi Arabia increased during the same period. Considering China's magic economic growth and its thirst for energy, that increase is natural. But what is unusual, is that European countries and Japan unexpectedly decreased trade with Iran and at the same increased interactions with Saudi Arabia.

Why did China reject the American and Saudi offer to replace oil imports from Iran with the oil from Saudi Arabia and other sources? The following consideration may explain China's behavior:

- 1) First, Iranian oil market was more profitable than other oil exporting countries for Chinese companies. Due to sanctions, prominent European and Japanese companies withdrew from Iran; so Chinese companies could easily win projects in the absence of their advanced Western rivals (Hong, 2014). Furthermore, as Iran was under U.S. sanctions and European pressures, this country truly valued ties with China and would provide a better and more beneficial conditions for Chinese companies.
- 2) Second, China's strategic interests would hurt in the case of replacing Iranian oil. Historical experience of sanctions against Iraq showed that Western sanctions would

eventually lead to military invasion and regime change after weakening the targeted country. China had huge strategic interests in relations with Iran. In the case of regime change in Iran, U.S. would dominate the entire Middle East making China and other major oil importers dependent to the United States. Then, the United States would concentrate on East Asia and the Chinese borders. As long as, Iran resisted U.S. pressures, the United States couldn't focus on East Asia. Furthermore, a resistant Iran would make Washington dependent to China's cooperation giving Beijing a leverage to balance against the United States. So, due to huge strategic costs and risks, China didn't welcome the idea of replacing Iranian oil.

- 3) Third, too much dependence in Saudi oil would be in contrast to the Chinese policy of diversification of oil supplies. In 2009, China overpassed the United States to be the first importer of Saudi oil (Mouawad, Mar 19, 2010). Replacing Iranian oil with the oil from Saudi Arabia would make China excessively dependent in a single source of energy. In order to achieve energy security, China has seriously followed the Policy of diversification both in regard to the kinds of fuels and the source countries (Vivoda, 2009).
- 4) Fourth, excessive dependence in U.S. allies would damage China's strategic interests (Cohen, 2007). Saudi Arabia and other Arab oil exporters in the Persian Gulf are allies of the United States. So, they are expected to side with the United States in the case of struggles in U.S.-China relations. China's too much dependence in these countries would give America a leverage to pressure Beijing in case of tensions over many difference in their complicated bilateral relations. Some of these differences are: the issue of Taiwan, trade and currency disputes, South China Sea, and China's response to U.S. policies all over the world including in the Middle East.
- 5) Fifth, technically, it was too costly and risky to transfer Chinese oil companies from Iran to Saudi Arabia and other countries. China as the first trade partner of Iran, had already made contracts and invested in its energy sector. It needed a long time to provide such a market elsewhere. Iran is a major oil exporter with huge unemployed

and first-hand oil and gas fields. But Saudi Arabia has excessively used its oil fields. It was difficult for less advanced Chinese companies to transfer to Saudi Arabia and extract oil in such second handed oil fields. The Saudi claim to fill the supply gap seemed questionable because increasing the Saudi oil production was technically impossible; nine out of 21 Saudi oil fields were declining and the largest oil field in the world, Ghawar, which produced half of Saudi Arabia's total oil production over the last 50 years, was declining (Pradhan, 2012).

5-4-4) China's Response to U.S. Pressures

Throughout 2009, the Obama administration diplomatically engaged with world powers including China to increase pressures on Iran. By the beginning of 2010, the European powers explicitly, and Russia implicitly, signaled support for a new U.N. resolution against Iran. However, it seemed that American diplomacy failed to align Beijing with new U.N. sanctions against Iran. So, on January 29, 2010, U.S. Secretary of State, Hillary Clinton through an unprecedented literature, openly threatened China that it would face "economic insecurity" and "diplomatic isolation" if it did not sign on to tough new sanctions against Iran" (Landler, Jan 29, 2010). As it was studied in chapter 4, by the end of 2009, Obama's honeymoon with China ended and tensions between the two powers peaked. Exactly the day after Hillary's threatening remarks, the Obama administration unveiled a \$6.4 billion arms deal with Taiwan and claimed that "work had already begun on the next package of arms for Taiwan" (Keyes, Jan 30, 2010); and less than three weeks later, President Obama met Dalai Lama and increased human right pressures over Beijing (Cooper, Feb 18, 2010).

China responded furiously to the U.S. arms sale to Taiwan and bitterly denounced the decision. China's Foreign Ministry announced that military exchange programs between the United States and China would be canceled. China summoned US ambassador in Beijing and

announced sanctions on U.S. companies involved in the arms deal with Taiwan (Bradsher, Jan 30, 2010).

According to the Chinese Foreign Ministry, U.S. decision to sell more weapons to Taiwan “constitutes a gross intervention into China’s internal affairs, seriously endangers China’s national security and harms China’s peaceful reunification efforts” (Bradsher, Jan 30, 2010). And Chinese Foreign Minister warned that “It will be unavoidable that co-operation between China and the United States over important international and regional issues will also be affected” (Branigan & Harris, Jan 30, 2010). It is clear that “important international issues” in the remarks of the Chinese Foreign Minister, included the issue of new U.N. sanctions against Iran as the hottest topic of those days.

A commentary in *China Daily*, the official English-language newspaper published by the Chinese government, stated that “But a message has to be sent: From now on, the US shall not expect cooperation from China on a wide range of major regional and international issues. If you don't care about our interests, why should we care about yours?” (Xiangyang, Jan 31, 2010).

Three weeks later, Obama’s meeting with Dalai Lama made relations between the two countries more strained. The two winners of Nobel Peace Prize (Obama and Dalai Lama) spoke about “democracy, human rights and the need to preserve Tibet’s religious identity and culture.” Obama expressed support for the preservation of Tibet’s “unique religious, cultural and linguistic identity and the protection of human rights for Tibetans in the People’s Republic of China.” China protested against the meeting and accused Obama of “seriously damaging” ties between the two countries. China’s Foreign Ministry summoned U.S. ambassador in Beijing to lodge a formal complaint about the meeting at the White House (Cooper, Feb 18, 2010).

Dalai Lama is the traditional religious and spiritual leader of the Tibetan Buddhists since 1959. According to Dalai Lama, he is not seeking Tibetan independence, nor separation; rather he is merely seeking greater autonomy for his Himalayan homeland (Tibet Post, 6 Apr, 2017).

However, Chinese government officials have called him a “wolf in monk's clothing” who seeks to destroy the country's sovereignty by pushing for independence. According to the *Global Times*, the major Chinese official English newspaper, the “genuine autonomy for the Tibetan people” advocated by the Dalai Lama is another term for “Tibet independence” (Global Times, Feb 20, 2010).

Considering the 2008 Tibet uprising, China was more sensitive to the international position of Dalai Lama. Beijing could successfully restrict Dalai Lama’s meetings with European heads of states. And President Obama cancelled his planned meeting with Dalai Lama on October 2009, due to Washington’s need for China’s cooperation on “critical issues including critical issues, including nuclear weapons proliferation in North Korea and Iran.” (Pomfret, Oct 5, 2009). Next month, on November 2009, President Obama visited Beijing for the first time.

However, three months later, As China boldly resisted new U.N. sanction against Iran, Obama pressured China through meeting with Dalai Lama in February 2010. There are some delicate considerations on the time and place of the meeting. Obama met Dalai Lama in the White House Map Room, not the Oval Office. If Obama “had met with the Dalai Lama in the Oval Office, that would be affording him the dignity of a head of state” (Hawks, Feb 22, 2010). Another consideration, is about the time of the meeting. It was happened during China's national Lunar New Year holiday, when Chinese government offices are closed and media coverage reduced. It is not clear whether the time chosen for the meeting was deliberately selected to limit consequences (Daily Mail, Feb 22, 2010).

On June 2010, China eventually voted for the U.N. resolution 1929 and tensions between the two powers subsided for the time being. Why did China withdraw from its previous stance and voted for the new U.N. sanctions against Iran? Can we conclude that Beijing succumbed to U.S. pressures? Here are some considerations that may answer the above questions and justify China’s cooperation in this regard.

First, keeping peaceful relations with the United States is a top priority for China's foreign policy to continue economic growth (Pieper, 2013). Second, post-election uproars in Iran during 2009-2010 damaged the international credibility of this country, and increased media and diplomatic pressures over China as Iran's first trade partner, which opposed new U.N. sanctions against Tehran. Third, China along with Russia, negotiated over the text of the U.N. resolution to alter the final text in order to safeguard economic and strategic interests. So, what was ratified in the U.N. was much different than the original text that the United States proposed (Garver, 2011; Kemenade, 2010).

Fourth, when in February 2010, Russia withdraw from its previous position and explicitly signaled its support to new U.N. pressures against Iran (France 24, Feb 15, 2010), China stood alone and more vulnerable to Western pressures. Fifth, as discussed above, the role of Saudi Arabia and Israel should not be ignored. They actively engaged with China to vote for a new resolution against Iran. Saudi Arabia agreed to increase oil production to prevent an increase in oil prices in the market (Solomon, Oct 20, 2009).

Sixth, the Obama administration partly withdrew from the arms deal with Taiwan including the sale of new F-16 warplanes in return for China's vote for the UNSC resolution against Iran (Lounnas, 2011, p. 252; Landler, Sep 18, 2011). Finally, unlike other trade partners of Iran, China continued and even increased trade with Iran despite U.S. pressures; even in 2011 China's oil import from Iran comparatively increased and reached the peak of 555,000 barrels per day (EIA, Sep 4, 2012).

5-4-5) China's Response to U.S. Sanctions on Chinese Companies

The United States has always been sensitive to China-Iran relation since the 1979 Islamic revolution in Iran. However, during the 1980s and 1990s, most of Iran's economic relations were with European powers, and China was not a major trade partner of Iran. On May 1997, for the first time, the United States imposed sanctions on several Chinese companies and individuals

reportedly “selling ingredients used in chemical weapons to Iran” (CNN, May 22, 1997). As it was studied in chapter 4, Similar U.S. sanctions against Chinese companies dealing with Iran increased after 9/11, and particularly after the emergence of the nuclear program of Iran in 2003. These sanctions peaked during the Obama administration particularly in 2011-2013 prior to the interim deal between Iran and the P5+1.

After each case of U.S. sanctions against Chinese companies, Beijing strictly protested and rejected against U.S. unilateral sanctions. On May 1997, in response to the first sanctions imposed on Chinese companies and individuals, Beijing condemned sanctions saying this country “strictly enforced controls on the trade of such materials” and called U.S. sanctions as “unreasonable” (Dickie, May 26, 1997). On May 2002, again China objected against several Chinese firms for reportedly “selling weapon-related goods to Iran.” *People’s Daily* wrote: “The United States turns a blind eye to the development of weapons of mass destruction by countries having strategic interests with itself,... while making unwarranted charges against China” (People's Daily, May 16, 2002). And again, On May 23, 2003, China responded to sanctions on Norinco, one of China’s largest state-run manufacturers for allegedly “selling missile-related goods to Iran” (Washington Times, May 23, 2003).

As China’s economic relations with Iran gradually expanded, the threat of sanctions against Chinese companies increased during the 2000s. However, these sanctions should be studied in the historical context. After the emergence of serious tensions between Iran and the United States over Iran’s nuclear program, China along with Russia and the European powers pushed for resolving the issue through diplomacy rather than sanctions. On November 2004, after negotiations between Iran and the P5+1, the Paris Agreement temporarily removed tensions. Iran signed an additional protocol requested by the International Atomic Energy Agency (IAEA), and accepted voluntarily suspension of uranium enrichment (Solana, Nov 15, 2004). When in 2005 Iran cancelled voluntary suspension of uranium enrichment and resumed nuclear activities, the European powers joined the U.S. policy of sanctions against Iran and pushed for the referral of Iran to the UN Security Council

to impose international sanctions on this country. But China along with Russia resisted to resolve the issue inside the IAEA framework. On February 2006, when diplomacy failed in resolving the struggle, they eventually voted for the referral of Iran to the UNSC. However, China continued resistance against economic sanctions and tried to soften the text of the resolution against the will of the United States and Western allies to safeguard its economic and strategic interests in this dispute.

U.S. sanctions against the foreign companied trading with Iran peaked during the Obama administration, particularly after the U.N. resolution 1929 in June 9, 2010. Three weeks later, the Congress enacted CISADA or the Comprehensive Iran Sanctions, Accountability and Divestment Act which targeted foreign companied investing in Iran. On January 12, 2012, the United States announced sanctions on China's state-run Zhuhai Zhenrong Corp, for providing Iran with refined petroleum products. According to these sanctions, Zhuhai Zhenrong Corp was banned from “receiving U.S. export licenses, U.S. Export Import Bank financing or loans over \$10 million from the U.S. financial institutions” (Quinn, Jan 12, 2012). China's Foreign Ministry spokesman protested that “Imposing sanctions on a Chinese company based on a domestic law is totally unreasonable and does not conform to the spirit or content of the UN Security Council resolutions about the Iran nuclear issue” (BBC, Jan 15, 2012).

On July 31, 2012, the Obama administration announced sanctions on the China’s Bank of Kunlun and the Elaf Islamic Bank in Iraq because they “facilitated transactions worth millions of dollars” for Iranian banks (Crawford, Jul 31, 2012). China’s Foreign Ministry Spokesman strongly rejected that the United States “is seriously violating the norms of international relations and is damaging China's interests... China has regular relations with Iran in the fields of trade and energy, which have no connection with Iran's nuclear plans” (Business Standard, Aug 2, 2012).

On February 11, 2013, the United States announced sanctions on Dalian Sunny Industries and three other Chinese firms for supplying material and support to Iran's missile development. Chinese Foreign Ministry spokeswoman, Hua Chunying responded that the new U.S. sanctions

decision “seriously violates the norms of international relations and harms China's interests... China urges the United States to immediately correct its mistaken policy and revoke these irrational sanctions toward the relevant companies” (Reuters, Feb 11, 2013).

The step-by-step sanctions plan by the Obama administration intensified pressures over China and other trade partners of Iran. Congressional acts, CISADA authorized the President to provide a six-month waiver if doing so is “vital to the national security interests” and if a parent country is “closely cooperating” with the U.S. efforts against Iran (CISADA, p. 14). National Defense Authorization Act for the Fiscal Year 2012, provided a more detailed plan. According to the NDAA, the President was authorized to waive sanctions on countries that reduce trade transactions and report every six-month (NDAA, December 14, 2011).

On February 2012, the Obama administration announced the step-by-step plan to make withdrawing from Iran gradual and less costly for trade partners and to increase pressure on those who continued trade with Iran. According to the plan, the United States would exempt a trade partner of Iran on the condition that it would reduce trade with this country and report to Washington every six months. In the first stage of the plan, 10 E.U. countries and Japan were exempted as they had voluntarily reduced trade with Iran before (Mohammed & Quinn, Mar 21, 2012). In the second step, Turkey, India, South Korea and South Africa, as close partners of Iran, accepted to gradually withdraw from Iran and were exempted (Landler, 11 June, 2012). China, as the first trade partner of Iran, was not among the first two groups. This policy increased pressures over this country. However, less than three weeks later, the Obama administration announced that China accepted to reduce trade with Iran and would be exempted from sanctions (Gladstone, June 28, 2012). Chinese authorities never confirmed or rejected the claim, however in 2012, China’s trade with Iran slightly decreased, particularly due to bank sanctions (International Trade Center, 2015).

U.S. bank sanctions against Iran, and especially elimination of Iran from the E.U. bank system in 2012, hurt the Iranian economy and considerably devaluated rial, the Iranian currency.

The delicate point in bank sanctions was that foreign companies could import Iranian goods particularly oil, but they couldn't pay the price in cash to Iran due to bank restrictions; so they could somehow benefit surprisingly from this kind of trade. In this condition a considerable amount of Iranian oil was purchased on credit. When the nuclear deal between Iran and the P5+1 was signed in 2015, Iran's blocked property to India had reached above \$8 billion. This figure for China exceeded \$22 billion (Press TV, 2015; Katzman, 2016).

5-4-6) China didn't withdraw from Iran

Although, China's direct response to U.S. pressures didn't go beyond verbal rhetoric, this rising power acted boldly and continued relations with Tehran in practice. If Iranian economy was hurt during the nuclear struggle, it was because most trade partners of this country joined U.S. sanctions voluntarily or yielded to U.S. pressures. The following graphs depicts EU and China oil import from Iran from the onset of the nuclear dispute in 2002 to 2017 when the Trump administration challenged the nuclear deal.

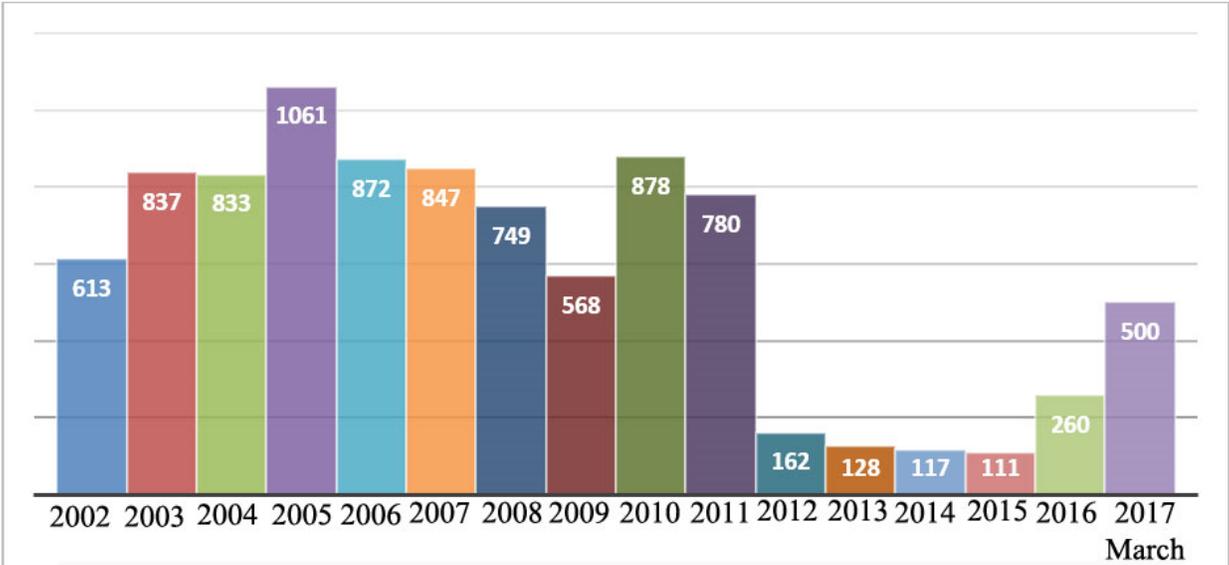


Figure 12: EU oil import from Iran, thousand barrels per day. 2002-2017.
 Source: data extracted from OPEC Annual Statistical Bulletin

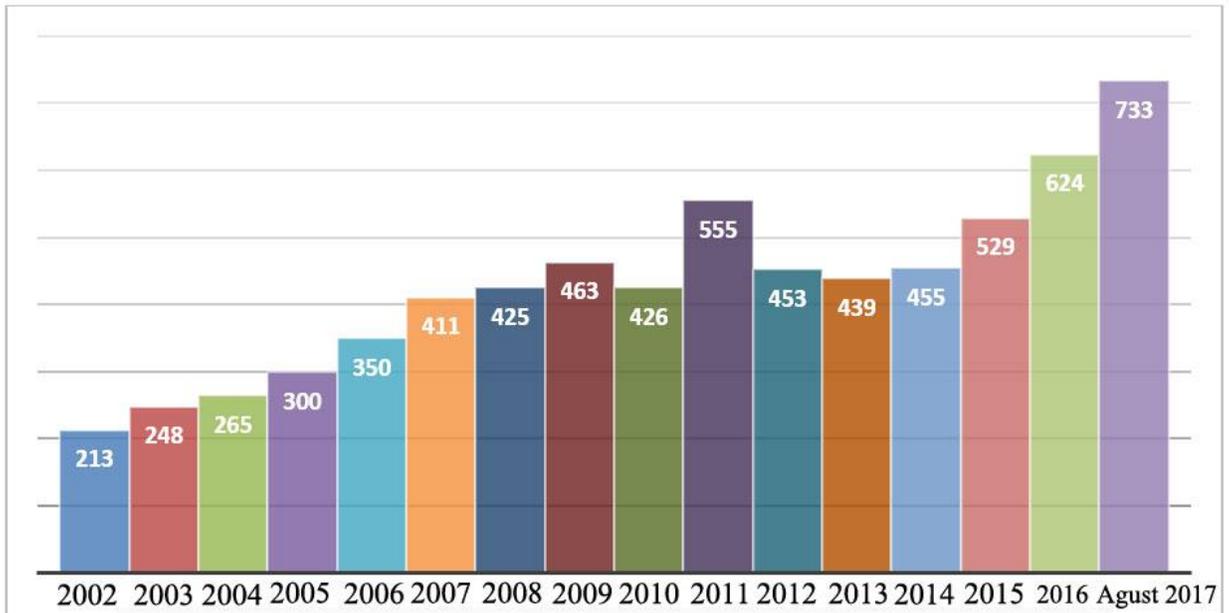


Figure 13: China's Oil Import from Iran, thousand barrels per day. 2002-2017.

Source: data extracted from (EIA, 2017)

Comparing the two diagrams shows that China and the European countries responded in different ways toward sanctions against Iran. While the Europeans intensively decreased trade with Iran particularly during 2012-2015, China maintained relations and continued purchase of Iranian oil. In 2012-2015 while the Obama administration maximized pressures, and EU bank sanctions created serious problems for Iranian economy, China's trade with Iran reduced slightly; but this reduction was not considerable compared to what most other trade partners of Iran did. China continuously maintained the highest trade record with Iran up to the interim agreement in 2013, and the eventual nuclear deal or the JCPOA in 2015. The following graph depicts Iran's top ten trade partners in 2009, the first year of Obama administration and 2014 the year before the comprehensive nuclear deal.

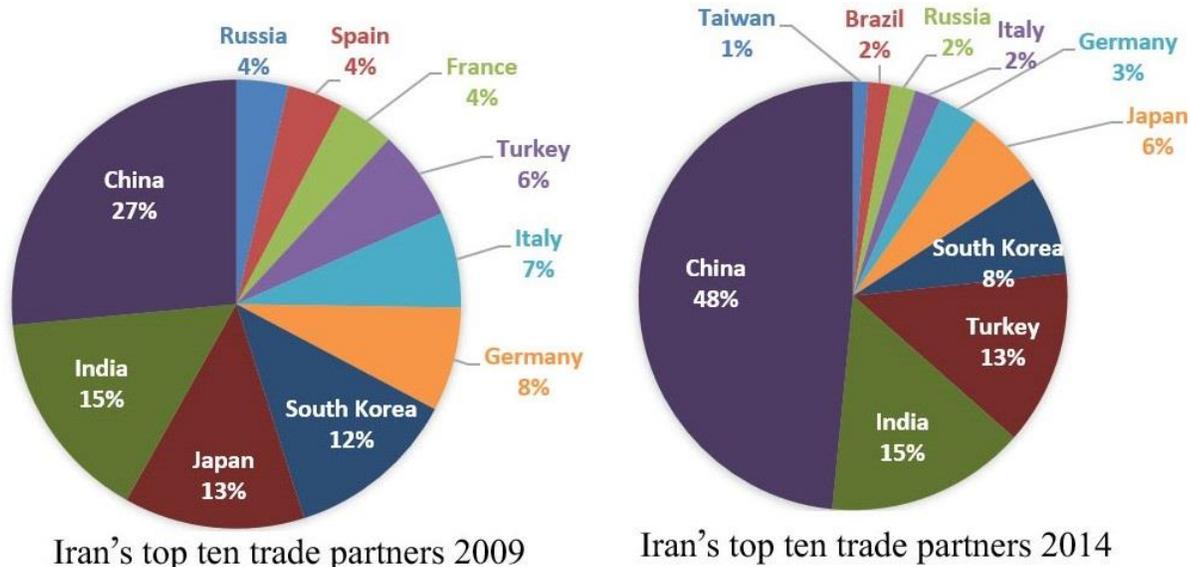


Figure 14: Top ten trade partners of Iran in 2009 and 2014⁴
 Source: data extracted from (International Trade Center, 2015)

As the above figure depicts, China, India and Turkey continued relations with Iran. But China’s trade with Iran was much different than any other country. Probably, resistance and resilience from China and some other trade partners of Iran, was effective in making the Obama administration seek a diplomatic solution to the nuclear struggle. However, this claim requires a new research project. According to John Kerry, continuation of sanctions against Iran was too difficult and costly for American interests; and it did not have cooperation from other countries because it was “costing them billions of dollars” (Kerry, Sep 2, 2015). According to President Obama, without the nuclear deal, the United States would have to cut off countries like China from the American financial system to keep the sanctions against Iran. “Since they happen to be major purchasers of our debt, such actions could trigger severe disruptions in our own economy and, by the way, raise questions internationally about the dollar’s role as the world’s reserve currency” (Obama, 2015). Chapter 6 will study U.S. limitations in making China follow sanctions against Iran.

⁴ Other trade partners of Iran are not included in this Figure. Also, Iran trade with UAE is not considered here, because UAE market works as a terminal for Iranian economy in importing and exporting goods

5-5) Process Tracing Tests on China's Soft Balancing Strategy

This Chapter studied China's response to the U.S. led sanctions on Iran. According to the hypothesis, China followed a soft-balancing strategy to make sanctions abortive and costly without directly standing against Washington. Process tracing tests categorize the evidences in four level to examine what the hypothesis claims.

Straw in the wind test: China as the first trade partner of Iran, didn't share most of Western concerns on Iran nuclear program and U.S. interests in sanctions against this country. Rather, China had clear interests in making U.S. policies on Iran abortive and ineffective to challenge U.S. position in the Middle East and worldwide. However, China was not in a position to stand against the United States and allies in this nuclear dispute. Such confrontation would be so costly and would endanger China's grand interests in relations with the United States and the West. So, Chinese policymakers followed the third option of soft balancing strategy which went beyond simple cooperation or confrontation with the United States. Straw in the wind test does not prove the hypotheses; but it provides good information in favor of it.

Hoop test: Reviewing the historical events reveals the disputes between Washington and Beijing on the issue of sanctions against Iran. Available data in the real world shows that China neither directly stood against the United States nor it voluntarily cooperated with sanctions on Iran. The Obama administration actively engaged with China to make it follow sanctions on Iran. On the other hand, as China resisted, the United States pressured this country through different channels such as sanctions on Chinese companies and pressures. Washington directly threatened China with "economic insecurity" and "diplomatic isolation" if it did not sign on to tough new sanctions against Iran" (Landler, Jan 29, 2010). U.S. authorities never used such words in regard to other trade partners of Iran. Such disputes between China and the United States show that the

hypothesis is acceptable. Hoop test does not significantly raise the confidence that the hypotheses is true; but if it isn't passed we can be sure that our hypothesis is not true.

Smoking gun test: Throughout the nuclear dispute, most trade partners of Iran reduced trade or withdrew from this country; but China continued and even expanded trade with Iran despite U.S. pressures. However, China eventually voted for the U.N. resolutions against Iran and didn't veto any of them to refrain confrontation with the United States. China's practical policy in this regard can be defined in the framework of soft balancing. If Smoking-Gun test is passed, the investigator can claim that the hypothesis is true. However, the claim may be challenged by alternative hypotheses.

Doubly decisive test: In political sciences and international relations, investigators rarely have access to documents which provide Doubly decisive verifications. However, a combination of evidences may be helpful to show that that the hypotheses is true, and that the alternative hypotheses are false. Here, rival hypotheses may argue that china sided with Iran or the United States in this international struggle. However, they cannot fully explain the complicated behavior of China as the soft-balancing approach may. Reviewing the historical events shows that China didn't side with either U.S. or Iran. This country acted in a way that both the United States and Iran achieved minimum expectations of China. The United States and allies appreciated China's support for the U.N. resolutions. Such a policy depicted China as a responsible stakeholder. And the Iranian authorities valued China for its assertive policy in continuing and even expanding trade with Iran while others had reduced interactions or had totally withdrawn. China didn't welcome the idea of replacing the Iranian oil with the oil from Saudi Arabia and other countries due to strategic and economic interests. China's bold policy played a major role in making the Obama administration seek a nuclear agreement with Iran. After the nuclear deal JCPOA between Iran and the p5+1, President Obama and Secretary of State Kerry referred to the costs and risks of continuing sanctions as Washington would have to cut off countries like "China" from the American financial system to keep sanctions against Iran (Obama, Aug 5, 2015; Kerry, August 12,

2015). Studying China's practical policy in the real world shows that its behavior can be well-defined in the framework of soft balancing strategy. Doubly decisive test has a very high certainty, and the investigator can be confident that the hypotheses is true, and that all alternative hypotheses are false.

5-6) Conclusion: Cooperation, Non-Cooperation or Soft-Balancing

China's response to the U.S.-led sanctions against Iran, cannot be easily categorized as cooperation or non-cooperation. According to the first group of data, China cooperated with the United States; because this power eventually voted for all U.N. resolutions against Iran and didn't veto any of them. Even when the United States repeatedly imposed sanctions on the Chinese companies dealing with Iran, China responded passively and its objection didn't go beyond verbal rhetoric.

On the other hand, according to the second group of data, Beijing actively stood against the United States and sided with Iran in this struggle and did whatever it could to make U.S. sanctions fail in achieving what Washington intended. China along with Russia negotiated on the text of each resolution and delayed their passage and softened the texts to make them toothless and ineffective in pressuring Tehran. Furthermore, China boldly continued and even expanded relations with Iran and made the U.S.-led sanctions ineffective and abortive.

However, closely reviewing China's behavior during the nuclear dispute, shows that both viewpoints can be combined to describe China's multifaceted response. In fact, China neither cooperated with the U.S.-led sanction nor it stood against the United States. Rather, this rising power actively followed its own interests through the third option of soft-balancing. According to this strategy, China didn't directly stand against the United States to safeguard its interests in relations with America following the grand policy of peaceful rising and keeping favorable

environment for economic development. Therefore, China emerged as a responsible stakeholder according to the Western discourse, and eventually voted for all U.N. resolutions and didn't veto any of them. On the other hand, China along with Russia negotiated over the text of each resolution and altered the final provisions to protect its economic and strategic interests in this international dispute. What was ratified in the U.N. Security Council was much different than what the United States and allies intended. Moreover, China never voluntarily cooperated with the U.S. unilateral sanctions and continued and even expanded relations with Iran. China's persistence in keeping economic relations with Iran made sanctions costly and less productive. In 2012-2013, when sanctions peaked, China's trade with Iran slightly decreased due to U.S. bank sanctions and especially when SWIFT, the E.U. bank system eliminated Iran from the European financial system. Yet, China continued relations with Iran and never withdrew as Japan, European countries, and most other trade partners of Iran did.

China did not share Western concerns over Iran nuclear program; because China-Iran relations have always been peaceful and friendly throughout their long history of Interaction. Furthermore, common economic and strategic interests have connected both countries since 1980s. China viewed Iran nuclear program not as a threat against global security, rather as a problem of the United States. So, China used U.S. dependence to China's cooperation in Iran nuclear struggle as an opportunity to pursue its own interests and concerns in relations with the United States. For China the most daunting challenge seemed confrontation with the United States or the outspoken containment approach which President Obama rephrased as the so-called "pivot to Asia policy." Iran sanctions, in the case of its ultimate objective in changing the Iranian regime -similar to the case of Iraq- would expand U.S. full domination over the energy-rich Middle East where China was heavily dependent in. Furthermore, If Iran yielded to the Western pressures or in the case of regime change in Iran, the United States would easily change its focus from the Middle East to East Asia where China's core interests are located. As long as there was strong and resistant Iran in the Middle East, the United States wouldn't dominate over the region and wouldn't be able to

simply switch its focus from the Middle East to East Asia to follow the grand policy of containment of China.

Soft-balancing strategy would provide China a third option to follow its own interests in relations with Iran and the United States without aligning with either side of the struggle. This policy made both Washington and Tehran thankful to Beijing by giving a portion of expectations to each side. China's soft-balancing policy made U.S. sanctions costly and less productive in achieving the intended outcome without endangering China's grand interests in relations with the United States and allies.

On the other hand, China's soft-balancing policy provided huge strategic and economic interests in relations with Iran. As European, Japanese, and other trade partners of Iran had withdrawn in accordance to the U.S.-led sanctions, Chinese companies used the opportunity of absence of advanced rivals and backfilled the void in the Iranian market and won many lucrative projects. Moreover, as Iran was under Western pressures, it valued ties with China and would provide a better and more profitable conditions for Chinese companies. Furthermore, China's soft-balancing strategy deepened its strategic ties with Iran because it displayed China's independence and reliability while other trade partners of Tehran withdrew either under U.S. pressures, or as alignment with the United States.

Throughout Iran nuclear struggle, China actively tried to resolve the issue through diplomacy rather than war or sanctions. Military confrontation between U.S./Israel and Iran would desperately endanger the flow of oil from the Persian Gulf and would lead to rising oil price damaging China as a major oil importer. The second option, economic sanctions, would also damage China as the first trade partner of Iran. Furthermore, historical experience of sanctions against Iraq, showed that both sanctions and war complimented each other as the United States eventually attacked Iraq and changed its regime after this country was weakened by economic sanctions and ultimately expanded U.S. hegemony. So China actively sought a diplomatic solution to the issue as the only favorable and safe option. China could meet its expectation through the

eventual nuclear deal (JCPOA) between Iran and the P5+1; because this deal prevented a war in the region, reduced pressures over Chinese companies working in Iran, and put Tehran in a better position to resist U.S. domination over the Middle East and challenge U.S. hegemonic policies along with China and Russia.

Chapter 6:

U.S. Limitations in Dealing with China Guarded-Engagement vs. Soft-Balancing

6-1) Introduction

Throughout the nuclear dispute, the role of China as a veto power in the U.N. Security and as a major trade partner of Iran was controversial toward the U.S.-led sanctions on Iran. As discussed in the earlier chapters, the United States needed cooperation from China to make sanctions effective in pressuring Tehran. The Obama administrations through a guarded engagement strategy, engaged with China and actively used diplomatic sources to make China support U.N. resolution and reduce trade with Iran by substituting Iranian oil with the oil from other sources. However, as China resisted and continued relations with Iran, the Obama administration pressured Beijing through different channels including sanctions and pressures against Chinese companies and threatened Beijing with economic insecurity and isolation.

In response, China followed a soft-balancing strategy and made U.S. sanctions costly and less effective without directly standing against the United States. Due to sensitivities over the nuclear program of Iran, China didn't veto any of the U.N. resolutions to safeguard its grand interests in relations with the United States and the Western world. However, China along with Russia negotiated over the text of each resolution and softened the provisions to protect its economic and strategic interests in the nuclear struggle between Tehran and Washington. What

was ultimately ratified in the U.N Security Council, was much different than what the United States and allies intended. On the other hand, China persistently continued economic relations with Iran up to the nuclear deal in 2015. While most trade partners of Iran reduced trade with this country either as alignment with U.S. sanctions, or under American pressures, China assertively challenged sanctions and continued and even expanded trade with Iran despite limitations and pressures.

What were limitations of Washington in making Beijing follow sanction against Iran? In other word, why couldn't the Obama administration make China join sanctions against Iran and significantly reduce trade with this country the same as most other trade partners of Tehran did? This is the question that this chapter plans to answer. According to the hypothesis, decades of rapid growth, has increased China's relative power and has placed this country in such a position that U.S. power tools, such as bargaining, threats, sanctions, and pressure are less productive or too costly for Washington to make Beijing follow American policies.

This chapter studies U.S. limitations in making China follow American policies. These boundaries can be divided into two major categories: Economic limitations, and political limitations.

6-2) Economic Limitations in Dealing with China

Excessive use of sanctions as a tool in foreign policy threatens free trade which is essential for major economies including that of the United States. Too much sanctions regulations make trade with U.S. difficult and complicated. Consequently, some countries and companies may prefer trade with the rivals of the United States. Free trade is a major element of the Capitalist system which mostly complies to the Western interests and values. Ignoring the first rule of capitalism and imposing sanctions on China and other trade partners of Iran may damage the United States as well (Lew, Mar 30, 2016).

Economy plays a major role in political condition of a state and its foreign policy. In democracies, governments typically try to provide a favorable economic condition and support of voters, otherwise it will lose to the rival party. During Iran nuclear dispute, the United States tried to pressure Iran through economic sanctions, and at the same time, prevent damages on U.S. interests in relations with the trade partners of Iran. The administrations of George W. Bush and Barack Obama used their legal authorities to waive sanctions in many cases to safeguard U.S. economic interests.

Reviewing Congressional sanctions acts against Iran and how they were implemented, shows that whenever these sanctions seriously threatened U.S. economic interests, the U.S. government waived them according to its legal authority. In 1996, the Iran and Libya Sanction Act for the first time put restrictions on non-American companies that provided investments over \$20 million for the development of petroleum resources in Iran. But when this act was faced to criticism and serious resistance from the European and Asian partners of Iran, the Clinton administration withdrew from implanting it to safeguard U.S. interests in relations with these countries (Samore, 2015). But in the case of Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA) 2010, and the Iran Threat Reduction Act (ITRA) 2012, as most trade partners of Iran joined sanctions, the Obama administration implemented similar provisions and further bank restrictions. However, execution of these sanctions was in a step by step scheme to reduce costs on trade partners of Iran in order to prevent confrontation and damages to U.S. trade with these countries.

According to the Congressional sanctions acts, the President was authorized to waive sanctions in the case of economic damages on U.S. interests. However, as sensitivity over Iran nuclear program increased, waiver provisions altered gradually. The Iran and Libya Sanction Act of 1996, authorized the U.S. government to waive or ignore the law when “**important**” national interests would be at risk (ILSA, June 18, 1996). However, in 2010, CISADA authorized the U.S. government to ignore the law when it was “**necessary**” to protect U.S. interests (CISADA, July 1,

2010, p. 5). As U.S. sensitivity over Iran's nuclear program intensified in 2012, Iran Threat Reduction Act (ITRA) authorized the government to grant waivers only when sanctions would damage “**vital**” interests of the United States (ITRA, 2012).

Despite media exaggeration, the United States was so cautious in sanctions against Chinese companies trading with Iran to prevent consequences on U.S. economy. China-U.S. economic relations are so complicated that radical decisions by each side may have grave consequences for the other side. China stands in such a position that U.S. pressures and sanctions against this country may have serious economic consequences for the United States. China and the United States have interdependent economies. China holds more than a trillion of U.S. government debts. free trade regulations and norms limit U.S. policy options in dealing with Beijing. Confronting China may threaten U.S. Dollar as the global reserve currency. These economic issues give China a leverage to follow its interests more assertively than a decade ago; and the United States cannot easily ignore China's interests in foreign policy. U.S. economic considerations and limitations in dealing with China can be studied under the following titles:

6-2-1) Economic Interdependency Limits U.S. Options in Dealing China

China and the United States have interdependent economies. The United States is the first trade of China; and China recently exceeded Canada to stand as the first trade partner of the United States. In 2016 their total bilateral trade reached \$578 billion. The United States exported \$115.8 billion to China, and imported \$462.8 billion from China. U.S. trade deficit with China was \$347 billion in 2016. It stood first among trade partners of America and accounted to more than 40 percent of total trade deficit of this country (Census Bureau, 2017).

Despite challenges over U.S. trade deficit, U.S. economy is dependent in China and benefits in different ways. According to Oxford Economics, US trade with China supported about 2.6 million jobs in the United States in 2015. Cheap Chinese goods in the U.S. market keep inflation low helping the in-power governments successful in handling the complicated economy of this

country. In practice, Chinese goods helps put money in Americans’ wallets by keeping consumer prices lower than they otherwise would have been. A typical American family making \$56,500 in 2015 saved about \$850 that year because of trade with China (US China Business Council, 2017).

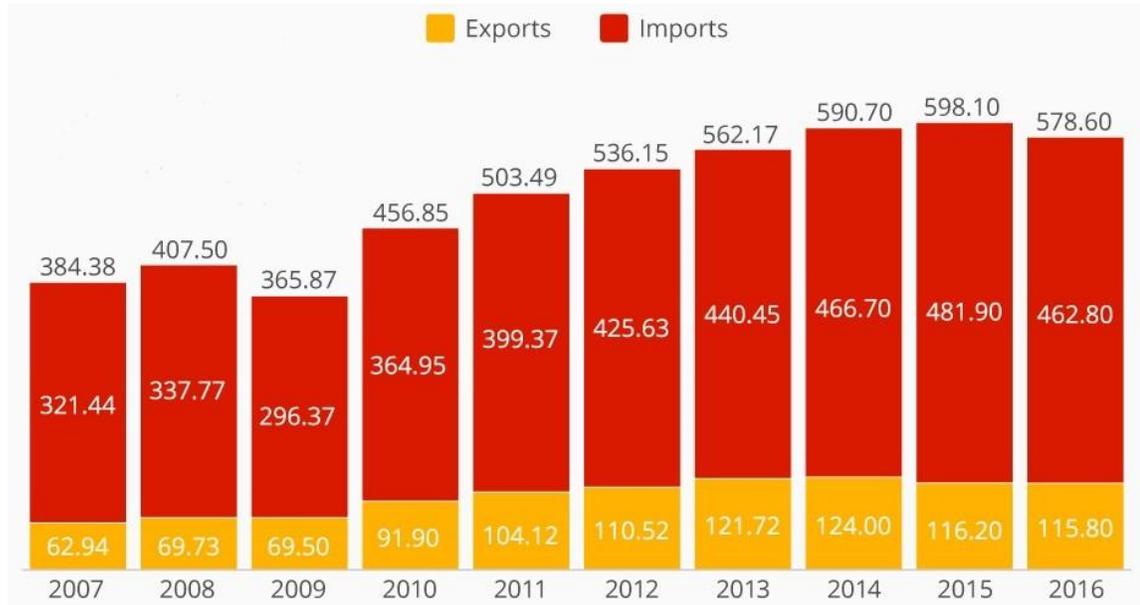


Figure 15: US Trade with China 2007-2016 (in Billion US dollars)

Source: (Census Bureau, 2017)

U.S. trade deficit with China is the most important issue for American economy in relations with China. That’s primarily because of lower payments for labor force in China. The typical Chinese people can buy less American goods than what typical American customers can purchase of Chinese goods. But according to Oxford Economics, the Chinese middle class is continuing to grow rapidly. By 2026, the number of Chinese middle-class consumers will exceed the entire population of the United States. It is expected that 160 million Chinese consumers to have incomes exceeding US \$35,000 by 2025. This population is likely to seek out US services and goods, like “Hollywood movies, iPhones, financial services, and burgers made from US beef.” The new condition will provide a better opportunity for the U.S. companies to export more goods, reduce trade deficit and employ more people in the United States (US China Business Council, 2017).

Since 1990s, most U.S. presidential candidates have typically used offensive literature toward China. However, after elected, due to growing economic interdependency, they have

generally followed moderate and cautious policies to prevent damages to U.S.-China relations. During the 1992 presidential election, Bill Clinton criticized the administrations of Reagan and George H. Bush for “coddling dictators” in China and condemned Bush for sending “secret emissaries to raise a toast with those who crushed democracy” in the Tiananmen massacre. However, after elected, President Clinton stopped linking China’s “most-favored-nation trade status” with its human rights record, saying it was time to “take a new path” with China. In the 2000 presidential election, George W. Bush criticized President Clinton for ignoring his promise in the 1992 election and said China is run by the same “butchers of Beijing” while the Clinton administration pronounces it a “strategic partner”. Bush summed up his position on China by stating, “China is a competitor, not a strategic partner.” However, after elected, due to the 9/11 terrorist attacks and the crises in Iraq, China stood in the margin of the foreign policy of President Bush. Furthermore, the United States was dependent in China’s cooperation in dealing with the new crises in the Middle East (Haass, 2013; Layne, 2008).

During the 2008 presidential election, Barack Obama criticized previous administrations for \$1 trillion debt to China, and called this country as a “currency manipulator”. However, after elected, President Obama backtracked on its currency manipulator stance. Despite Obama’s slogan of “change,” his policies were much more about “continuity” than change (Haenle, 2012). During the 2016 campaign, Donald Trump called China an “economic enemy” which is “ripping us off.” He advocated a 45 percent tariff on Chinese exports to the United States, complaining that China manipulated the value of its currency (Navarro, July 21, 2016). However, after elected, President Trump’s China policy seems to keep normal relations with Beijing (Mason, July 8, 2017; Landler, Feb 9, 2017).

Economic interdependency makes American and Chinese decision makers refrain from radical decisions which may threaten these bilateral relations, despite some verbal rhetoric for domestic political purposes. Since 1990s, during the U.S. presidential campaigns and elections, candidates from both Republican and Democratic parties have usually used offensive literature

toward China. However, when elected, they have mostly resorted to moderate policies to prevent damages to relations with China. That is because U.S. governments are mostly concerned about their political position to keep American voters contented; otherwise altering relations with China might endanger bilateral trade leading to discontent of American voters.

6-2-2) Considerations over the International Role of U.S. Dollar

U.S. dollar as the world reserve currency is accepted worldwide. The position of dollar as the global currency has been largely unchallenged – “mostly for lack of any good alternative”. However, many economists and financial analysts have often commented that a competing currency such as the euro or the Chinese yuan will eventually “dethrone dollar as global trade and financial patterns shift” (Strobel, Aug 12, 2015).

Confronting China and other major powers can be costly for U.S. economy, because it may endanger the international role of dollar. Imposing wide sanctions against Chinese banks and companies may make them use other currencies in some international interactions. Consequently, some trade partners of China may gradually use other currencies as a substitute for U.S. dollar. This consideration played a major role in making the Obama administration seek a peaceful diplomatic resolution to the nuclear dispute with Iran. In debates with the Republicans opponents of the nuclear deal in the Congress, President Obama openly raised the above considerations and limitation in sanctions against China and other trade partners of Iran:

“We cannot dictate the foreign, economic and energy policies of every major power in the world. In order to even try to do that, we would have to sanction, for example, some of the world’s largest banks. We’d have to cut off countries like China from the American financial system. And since they happen to be major purchasers of our debt, such actions could trigger severe disruptions in our own economy and, by

the way, raise questions internationally about the dollar's role as the world's reserve currency" (Obama, Aug 5, 2015).

According to the Secretary of State, John Kerry:

"If the United States walks away from the nuclear deal with Iran and demands that its allies comply with U.S. sanctions, a loss of confidence in U.S. leadership could threaten the dollar's position as the world's reserve currency.... If we turn around and nix the deal and then tell them, 'You're going to have to obey our rules and sanctions anyway,' that is a recipe, very quickly ... for the American dollar to cease to be the reserve currency of the world" (Kerry, August 12, 2015).

In response, some analysts criticized the remarks of President Obama and the Secretary of State. According to Boris Schlossberg, managing director of FX Strategy, "dollar's status could be compromised only if the United States was unable to compete economically on a global scale. "The reality of the situation is that the U.S. dollar hasn't been this strong in decades." Schlossberg rejects the views from Obama and Kerry. "The thought that dollar could be replaced as a reserve currency is laughable at this point on a geopolitical basis and nothing in the Iran deal even remotely touches upon that issue" (Strobel, Aug 12, 2015).

However, other analysts believe that the implicit threat against dollar will be real in the case of U.S. withdrawal from the nuclear deal and imposing sanctions on trade partners of Iran. According to the World Bank analyst Peter Koenig, "if the nuclear accord unravels, Iran will be free to trade its oil and gas – worth trillions of dollars – in bilateral currency deals with the EU, Japan, India, South Korea, China and Russia, in much the same way that China and Russia and other members of the BRICS nations have already begun to do so." "That outcome will further undermine the US dollar. It will gradually become redundant as a mechanism of international payment" (Cunningham, Aug 15, 2015).

Another American analyst, Craig Roberts notifies that the US-led sanctions against Iran and Russia have generated a lot of frustration and resentment among Washington's European allies. Confrontation with these powers may be costly in terms of losing the unique position of dollar in international trade. According to Craig Roberts: "If the dollar lost the reserve currency status, US power would decline. Washington's financial hegemony, such as the ability to impose sanctions, would vanish, and Washington would no longer be able to pay its bills by printing money." Moreover, "the loss of reserve currency status would mean a drop in the demand for dollars and a drop in willingness to hold them. Therefore, the dollar's exchange value would fall, and rising prices of imports would import inflation into the US economy" (Cunningham, Aug 15, 2015).

6-2-3) Considerations over the U.S. Debt Held by China

National debt is "the sum total of all the money the government has borrowed and owes to its creditors, as well as the interest on that debt." The national debt of the United States is the amount owed by the federal government of the United States. The debt is built up when the government spends more than it collects through "tax revenues and fees collected on visas, air fares and telecommunications, among other funding streams." The money is used to run all aspects of the government from education to health care and the military and to pay entitlements to various parties, such as retirees, veterans and others. In March 2017, the U.S. debt reached \$19.9 trillion. This amount equals to \$61,365 for every person living in the United States (Mirza, April 13, 2017).

The issue of national debts is usually raised during the Presidential campaigns, and candidates from both Republican and Democratic parties comment on the issue as a matter of concern. In the 2008 presidential debate, Barack Obama criticized the Bush government with the following words: "When President Bush came into office, we had a budget surplus and the national debt was a little over \$5 trillion. It has doubled over the last eight years" (The Third Presidential

Debate, Oct 15, 2008). In the 2016 presidential debate, this time, Donald Trump criticized President Obama for doubling the national debt to about \$19.5 trillion (CBS News, Sep 26, 2016).

About \$3.9 trillion of the U.S. debt is held by foreign countries. The rest of the \$19.8 trillion national debt is owned by either the American people or by the U.S. government itself. China is the first foreign holder of U.S. debt. On June 2017, China owned \$1.146 trillion which accounted for 28.6 percent of the \$3.9 trillion in Treasury bills, notes, and bonds held by foreign countries. Japan as the second owner of U.S. debt, holds \$1.091 trillion (US Treasury, August 2017). Both Japan and China want to keep the value of the dollar higher. This strategy helps their economy grow by keeping Chinese and Japanese exports affordable for American consumers (Amadeo, August 15, 2017). One of the reasons why China and Japan have so much Treasury holdings is because of trade. “Companies put money in short term Treasury notes and bills to settle trade payments” (Rapoza, Jan 23, 2013).

China’s holding of more than a trillion of U.S. debt has raised concerns in both China and the United States. In 2009, China’s Premier Wen Jiabao stated that “We have lent a huge amount of money to the U.S. Of course we are concerned about the safety of our assets. To be honest, I am definitely a little worried.” He called on the United States to “maintain its good credit, to honor its promises and to guarantee the safety of China’s assets. Some Chinese analysts have urged the government to diversify its reserves away from U.S. dollar assets (Wines, Bradsher, & Landler, March 13, 2009). According to an old adage, “If you owe the bank a thousand dollars you worry, but if you owe the bank a million dollars, the bank worries.” When the debts become too massive there are more risks to the creditor. That is the story of China’s holding of more than a trillion of U.S. dollar (Sharma, 2010).

On the other hand, Some U.S. policymakers have expressed concern over the size of China’s holdings of U.S. debt. They argue that if China decides to sell a large share of its U.S. securities holdings, it may induce other foreign investors to sell their holding as well. This policy will destabilize U.S. economy and of course it will hurt China because it will reduce the price of dollar

in the market creating serious problem for China's exports. On December 2011, U.S. Congress required the Secretary of Defense to conduct a "national security risk assessment of U.S. federal debt held by China." In July 2012, The Department reported that: "attempting to use U.S. Treasury securities as a coercive tool would have limited effect and likely would do more harm to China than to the United States." According to the report, as the threat is not credible and the effect would be limited even if carried out, it does not offer China deterrence options, whether in the diplomatic, military, or economic realms, and this would remain true both in peacetime and in scenarios of crisis or war" (Morrison & Labonte, 2013).

Other studies show that undermining the strategic impacts of the issue of debt held by foreign powers in long term, may have consequences on the United States. U.S. debt held by China are controlled by the Chinese government not the private sector. As long as China and the United States have normal relations, China reasonably may not use its holding of large sum of U.S. debt as a leverage against Washington, because it would be so costly for China itself. But in the case of confrontation, China may use it as a card against the United States. The debt issue does not have direct and short-term impacts on differences such as sanctions against Iran. But considerations over the issue cannot be absent in the behavior of both China and the United States. In fact, the debt issue makes both powers more cautions. The United States cannot easily put heavy sanctions on major Chinese companies trading with Iran; because such a policy may threaten normal trade between the two countries.

6-3) U.S. Political Limitations in Dealing with China

China's rising position is not limited to economic status as economy cannot be separated from international politics (Gilpin, 2016). Politically, China stands in such a position that American policy makers cannot ignore the role of Beijing in major international issues. Militarily, China is a nuclear power; Confrontation with China is too costly and risky. This country is veto

power in the U.N. Security Council. The United States needs China's cooperation in dealing with issues such as sanctions against Iran, the nuclear program of North Korea, and the Syrian crisis. China has close relations with allies of the United States making them less reliable in confrontation with Beijing. And antagonizing China may make this country enter anti-U.S. coalition or radicalize the already organizations such as the Shanghai Cooperation Organization and BRICS. These limitations and considerations can be categorized under the following titles:

6-3-1) There is a Major Paradox in U.S. Strategy toward China

China is neither an enemy nor an ally of the United States. Unlike the Soviet Union, China is not regarded as an ideological enemy, because it doesn't follow expansionist and confrontational policies. Rather, China is a major trade partner of the United States, and cooperates on common economic and security interests and concerns. On the other hand, unlike the European powers and Japan, China is not placed among Western democracies and U.S. allies, and does not align with American policies. Rather, this rising power assertively follows its own economic and strategic interests which are sometimes in accordance to U.S. interests and sometimes they aren't. China does not stand against the United States, but it does not necessarily follow American policies (He, 2017; Lieberthal & Jisi., 2012).

Correspondingly, unlike the cases of the Soviet Union, Europe and Japan, there is no consensus in Washington over how to deal with China. American perceptions of China stand between the two extreme engagement and containment approaches. According to the liberal perspective, rising China is not a threat against the United States, and both powers can cooperate on common concerns and interests. As China's involvement in the international system expands and deepens, it will be more responsible and cooperative (James & Seters, 2014; Keohane & Nye, 1997). The United States should make the "liberal order so expansive and institutionalized that China will have no option but to join and operate within it" (Ikenberry, 2012). And engagement with China will lead to the prosperity of the Chinese economy and eventually will bring about a thriving middle class in the Chinese society. This middle class as the engine of democracy will

gradually move this country toward democracy to be an ally of the United States (Nathan, 2016; Bell, 1995; Fukuyama, 2012).

On the other hand, the realist perspectives reject the above notions as naïve and too optimistic approaches. Realist scholars and politicians argue that the rise of China is an intrinsic threat against the United States, because it endangers the position of the United States in the international system (Mearsheimer, 2010; Zakaria, 1999). According to John Mearsheimer, the United States is expected to follow a containment policy toward China, similar to the same policy against the Soviet Union during the Cold War (Mearsheimer, 2010, p. 390). And according to Robert Gilpin, history has proved that “hegemonic war” between the hegemon and the rising power is inevitable (Gilpin, 1981, p. 16).

In practice, U.S. policy toward China has been a combination of both liberal engagement and realist containment (Logan, 2013; Schildt, 2006; Ikenberry and Kupchan, 2004; Li, 2015; Art, 2012; Tellis, 2014; Pape, 2005; Paul, 2005; Ferguson, 2012; Graaff & Apeldoorn, 2018). Different scholars have used different titles to describe U.S. strategy toward China. Justin Logan calls it “congagement” which is formed from the two terms of containment and engagement (Logan, 2013). Ikenberry and Kupchan have preferred the term “liberal realism” for U.S. policy toward China (Ikenberry and Kupchan, 2004). Christopher Schildt prescribes “guarded engagement” as the best strategy in dealing with China (Schildt, 2006). And Robert J. Art describes U.S. strategy as “selective engagement” (Art, 2012).

According to the guarded-engagement approach, American policymakers calculate costs, risks and national interests to find a third way beyond engagement and containment in order to build a strategy to prevent China threaten U.S. position in the system. At the same time, Washington enjoys the benefits of engagement with Beijing in economy and other international issues (Papayouanou & Kastner, 1999; Rielly, 1999; Schildt, 2006; Izadi & Khodaei, 2017).

However, guarded-engagement strategy is built on two contradictory policies. According to this strategy, the United States engages with China and cooperates on common economic and trade interests; and at the same time, Washington tries to contain Beijing militarily and politically. “Washington must engage China in order to balance against it, and balance against it in order to engage it”. The paradox is that U.S. Engagement with China makes Beijing more powerful and militarily and politically less containable. According to Justin Logan, whatever we call the U.S. strategy, [guarded-engagement, conengagement, liberal realism or selective-engagement], it inherits the problems of both engagement and containment and creates a new problem “free riding”. In practice, China enjoys the merits of engagement without getting involved in wars and crises which frustrate American energy in different parts of the world (Logan, 2013).

As China’s economy grows rapidly, this country is expected to invest more in its military and political power. According to Fareed Zakaria, history shows that “as states grow increasingly wealthy, they build large armies, entangle themselves in politics beyond their borders and seek international influence” (Zakaria, 1999, p. 3). China does not seem to be an exemption. As China becomes more wealthy and its economy grows, naturally this country spends more on its army. According to Stockholm International Peace Research Institute, while in 2000 China spent less than \$23 billion in military, in 2016 China’s military expenditure exceeded \$215 billion (SIPRI, 2017).

Furthermore, as China’s economic relations with different countries expands, it will establish deeper and more assertive political and strategic relations with its partners around the world. China’s economic and political relation with Iran has increasingly expanded since 1979 Islamic Revolution. China actively followed its own economic and strategic interests in the nuclear dispute between Iran and the United States. China’s behavior in this struggle was in a way that American policy makers couldn’t label China as an ally of Iran or that of the United States. China neither acted like the European powers and Japan, nor it sided with Iran. American scholars and policy-makers never reached a consensus over the role of China in this struggle. Some believed that

despite resistance, Beijing eventually cooperated with Washington, because in 2006, China voted for the referral of Iran from the International Atomic Energy Agency to the U.N. Security Council. China didn't veto any of the U.N. Security Council Resolutions against Iran; rather as a responsible stake-holder, demanded Tehran cease uranium enrichment and cooperate fully with the IAEA (Small, 2008; Han, 2016).

Others argued that China did whatever it could to make sanctions ineffective in pressuring Iran. China (along with Russia) delayed the passage of each resolution, and watered down U.N. sanctions by negotiating over the text of resolutions by making them voluntary rather than mandatory. Furthermore, China continued and even expanded economic relations with Iran; and when Japanese and European companies voluntarily withdrew from Iran, Chinese companies used the opportunity to backfill the position of E.U and Japan to be the first trade partner of Tehran (Garver, 2011; Kemenade, 2010; Harold & Nader, 2012).

Because of China's complicated behavior in the nuclear dispute of Iran, American policy makers didn't have consensus over the role of Beijing and couldn't label China as an ally or as an enemy in this story. That's why U.S. guarded-engagement strategy to make China follow sanctions against Iran couldn't achieve its intended targets to make this power reduce trade with Iran similar to the European powers, Japan and other trade partners of Iran.

6-3-2) China is a Veto Power in the U.N. Security Council

China is a permanent member and a veto power in the U.N. Security Council. Such a position provides China with a valuable opportunity to follow interests in dealing with international issues such as the North Korea nuclear struggle, the Syrian crisis, disputes over the nuclear program of Iran, and many other international issues. China's veto ownership makes the United States dependent in China. According to the realist perception, China is not expected to support U.S. policies in the UNSC voluntarily and free of charge.

China has used veto eleven times since 1971 when it successfully substituted Taiwan to be a veto owner member in the UNSC. Compared to the other four veto powers, China has vetoed less U.N. resolutions. Russia/Soviet Union has used veto 107 times, the United States has vetoed in 80 occasions, France 16 times, and U.K. 30 times (UNSC, September 2017). Reviewing China's voting behavior in the U.N. Security Council shows that this power has increasingly used veto since 2007. From 1971-2006, China used veto only three times. But during 2007-2017, China has used veto for 8 times, once for Myanmar affairs, once for Zimbabwe, and six times in regard to Syria. It is important to know that in all the recent 8 cases, China's vetoes have been in tandem with Russia since 2007 (UNSC, September 2017).

The U.N Security Council has issued more than 2374 resolution since 1946. And in about 240 cases the resolutions have been blocked by veto powers. Obviously, it is wrong to think that veto-powers benefited just in the cases which they have directly obstructed the resolutions by vetoing. In most cases, the proposing states diplomatically engage, lobby, bargain and negotiate over the provisions and may modify the eventual texts to be ratified in the Council. So, veto owners may follow their interests either by supporting or vetoing a resolution.

China and Russia never vetoed any of the U.S.-proposed resolutions against Iran during the nuclear dispute. But it doesn't mean that they simply supported the U.S. proposals. In practice, the United States had to negotiate with these powers; and they consented when their economic and strategic interests were considered. However, there is no reliable data about what really happened in negotiations between the representatives of the United States, China, Russia and others inside the U.N. Security Council. But what is clear is that ratification of these resolutions delayed many times and the eventual texts were much different than what the United States had proposed.

As reports and statistics in chapter five showed, China resisted against U.S. sanctions and practically continued and even expanded trade with Iran (International Trade Center, 2015). But why China didn't veto any of the U.N. resolutions against Iran during the nuclear dispute? In 2008, China and Russia vetoed British and U.S.-backed sanctions against Zimbabwe. Both China and

Russia have repeatedly vetoed E.U. and U.S.-backed resolutions against the Syrian regime. Why did they veto resolutions against Zimbabwe and Syria, but they never vetoed sanctions resolutions against Iran? What was the difference for China and Russia?

In answer to the question, sensitivities over the case of Iran were not comparable to the case of Zimbabwe. Dealing with the nuclear program of Iran was a top priority for the United States during the nuclear dispute. If China and Russia vetoed UN sanctions against Iran, it would mean that they had sided with Iran in this struggle and had directly stayed against the United States. such a confrontation would be so costly and risky for Beijing and Moscow. So they eventually voted for the resolutions after negotiations and some modifications on the text of the resolutions to safeguard their economic and strategic interests. But in the case of Zimbabwe, there was no such concerns. It didn't seem that vetoing the resolutions on sanctions against Zimbabwe would lead to such risky confrontation.

In the case of Syria, the situation is more complicated. Even today, there is no consensus inside the United States on how to deal with the crisis. The United States and allies are concerned over both the Assad regime and the terrorist groups including ISIS. U.S. strategy in Syria is ambiguous and murky (Ibish, Jan 17, 2015; Harb, Jan 11, 2016). In Syria, the United States and allies stand in an offensive position of intervening in the internal affairs of this country. Compared to ISIS and other terrorist groups, the Assad government is not regarded as a top security threat against the United States and allies. Vetoing resolutions against the Syrian government in this complicated situation, doesn't mean confrontation against the United States.

But according to the Western discourse, the nuclear program of Iran stood among top security concerns (Trump, 2017; Obama, 2015; Bush, 2006). There was consensus inside the United States over the "threat" of Iran. Both democrats and Republicans in the Congress and the White House competed against Iran nuclear program. Even China and Russia had some common interests with the West in preventing the emergence of a nuclear Iran. For Russia, Iran is a traditional rival in Central Asia. And for China, a nuclear Iran may instigate arms race in the region

and endanger the flow of oil. According to the Western discourse, Iran stood in an offensive position when in 2005 it violated the Paris Agreement and resumed uranium enrichment. While in the case of Syria, the Assad regime stood in a defensive position against intervention from the United States and allies in the domestic affairs of this country.

However, Russia and China didn't share Western concerns over Iran. So, they didn't support U.N. sanctions voluntarily. The United States through a guarded engagement strategy, actively engaged with both countries and focused on common concerns and interests; and on the other hand, Washington pressured China through different channels which were discussed in chapter four.

There is another explanation for China's support for the U.N. resolutions against Iran. Since 2007 China has used veto in all eight cases in tandem with Russia. When Russia withdrew and signaled its support for a new resolution against Iran in 2010, China hesitated to use veto because of the fear of getting isolated and more vulnerable in the face of U.S. and Western pressures. According to the logic of neoclassical strategy, Chinese policy makers tried to find a third way beyond simple cooperation and outright confrontation. So China voted for the U.N. resolutions after modification of the text to safeguard Chinese interests and on the other hand it practically continued and even expanded trade with Iran to make sanctions abortive, less effective and costly in order to prevent U.S. domination over the Middle East

Along with other U.S. limitations which are discussed in this chapter, U.S. dependence in China in the U.N. Security Council made Iran sanctions costlier for America. The United States didn't face such limitations in making other trade partners of Iran follow sanctions against this country.

6-3-3) U.S. Allies are China's Economic Partners

During the Cold War, U.S. allies in Europe, Asia, the Middle East, and other parts of the world had little economic ties with the Soviet Union and the Communist bloc. So, they could actively join the policy of containment of Moscow without serious economic concerns. But it isn't the case with China in the twenty first century. China has close and wide economic relations with the United States as well as U.S. allies in every part of the world. In fact, U.S. allies in the Cold War, are China's trade partners and have wide interests in protecting these ties.

China is the second trade partner of Japan and the European Union, and the first trade partner of South Korea, Australia, India, Taiwan, Thailand, Saudi Arabia, and many other allies of the United States (WTO, 2017). "Cutting off ties with Beijing and urging China's neighbors to do the same is politically, economically, and practically unthinkable" (Tellis, 2014, p. ix). The United States cannot dictate the economic relations of its allies with China. Therefore, it is difficult for Washington to use the political card of allies in shaping the behavior of Beijing or containing its influence worldwide similar to the case of the containment of the Soviet Union.

In the issue of sanctions against Iran, the United States could make most of its allies join the sanctions regime and reduce trade with Iran. But it seemed faraway to expect them jeopardize their economic relations with Beijing or reduce trade with China which as Iran's first trade partner resisted against sanctions. Even the United States was so careful not to damage its own economic relations with China. That's why U.S. governments used their waiver authority to safeguard U.S. interests in pressuring trade partners of Iran (Katzman, 2016). China's economic interdependency with major economies including the U.S. and allies, makes these countries cautious in political and economic relations with Beijing. It is too costly for Japan, European Union, South Korea, India, and Australia, to challenge normal relations with China in order to change its political behavior in differences with the United States and allies.

On the other hand, economic interdependency with the United States and allies, makes China refrain from directly standing against the United States which may jeopardize China's grand interests in rising peacefully and safeguarding economic advancement. In response, China through a soft-balancing strategy, followed its own strategic and economic interests without directly standing against the United States and allies. China eventually voted for the U.N. resolutions against Iran. On the other hand, Beijing actively worked to safeguard its strategic and economic interests in the region by modifying the text of the resolutions and continuing and even expanding trade with Iran. China's policy made U.S. sanctions less effective and abortive in achieving the intended purposes.

Among U.S. allies, Israel and Saudi Arabia actively engaged with China to make it support sanctions against Iran and reduce trade with this country. On February 2010, Israeli Minister of Strategic Affairs, Moshe Ya'alon and Bank of Israel Governor Stanley Fischer, visited Beijing and negotiated with Chinese senior officials and requested for increasing sanctions as a substitution to war in the region (Ravid, Feb 21, 2010). And Saudi Arabia directly engaged with China to persuade this country to join sanctions without concern over oil imports and energy prices (Ignatius, Mar 7, 2010).

China and Iran have common strategic interests in standing against U.S. domination over the region. Neither Israel nor Saudi Arabia as U.S. allies can alter these interests. China didn't welcome the Israeli offer that sanctions can be the best substitution for the war between U.S./Israel and Iran. Historical experience of Iraq showed that economic sanctions would not be a replacement for war; rather such an attack would happen only when the targeted state was weakened through sanctions. Sanctions against Iraq during 1990-2003, showed that Western sanctions would eventually lead to a full scale war similar the 2003 invasion of Iraq which expanded U.S. domination over the energy-rich Middle East. The same scenario seemed to be expected for Iran (Kemenade, 2010; Garver, 2011). According to some reliable reports, the Israeli attempt couldn't change China's position as Israel lacked a lobby in Beijing to pressure the Chinese policy makers

(Global Times, Mar 8, 2010; Yang & Jin, Mar 25, 2010). In practice, China's trade with Iran increased in 2010-2011, despite the Israeli and American offer to use sanctions as a substitution for war (International Trade Center, 2015).

As it was discussed in chapter five, China also didn't welcome the Saudi offer to replace the Iranian oil with the oil from Saudi Arabia due to strategic and economic considerations. Saudi Arabia is the first energy partner of China. While China is dependent to the Saudi oil, it is difficult for Riyadh to use China's energy dependency as a tool to influence political behavior of Beijing; because Saudi Arabia is dependent to the oil revenue from the oil purchased by China as the first consumer of its oil. Furthermore, Saudi Arabia couldn't use the energy leverage to pressure Beijing; because such a policy would make China import even more oil from Iran making sanction less effective in pressuring Tehran.

China's soft-balancing strategy in voting for the U.N. resolution against Iran without reducing trade with this country could meet the minimum expectations of U.S. allies. One cannot deny marginal impacts of Saudi Arabia and Israel as a part of the U.S.-led policy to make China support the U.N. resolution 1929 in June 2010. However, the role of both Israel and Saudi Arabia should be studied in the historical and political context. The impacts of other factors such as the negative impacts of post-election uproars of 2009 on Iran's international position, U.S. diplomatic attempts, U.S. pressures through arms sales to Taiwan, withdrawal of Russia from its previous position against the new U.N. resolution, negotiations with China and modification of the eventual text of the resolution, should not be ignored. In practice neither Israel nor Saudi Arabia are in a position to alter China's policy toward Iran and the Middle East.

6-3-4) U.S. is Dependent in China's Cooperation in Many issues

Since 2000, the United States has repeatedly struggled for China's cooperation in many international crises such as the war on terrorism after 9/11 attacks and subsequent wars in Afghanistan and Iraq, the North Korean crisis, the issue of Iran nuclear program and sanctions

against this country, the Syrian crisis and some other international issues. According to the realist logic, China's cooperation cannot be achieved voluntarily and free of charge., U.S. dependency provides China with a leverage to follow Beijing's interests in these international challenges (Kirshner, 2012).

Today China is not limited in its own borders. Chinese ships are present in every corner of the world, and Chinese goods are found in every village and every house. China has a stake in every major international issue, and the United States cannot easily ignore China's interests. Rather, Washington is dependent in Beijing's cooperation in dealing with different crises. Even China's cooperation is required in dealing with some internal issues of the United States and allies as China's rising economy is deeply intertwined with Western economies.

Economic expansion has provided Beijing with a political leverage to assertively follow its political interests worldwide. The United States and allies cannot ignore China in dealing with major international security and political issues. During the Iran nuclear dispute, America couldn't pressure China the same as it could pressure some other trade partners of Iran, because the United States was dependent in China's cooperation in different areas. That's a part of the answer to the question that why the United States couldn't make China reduce trade with Iran similar to other trade partners of this country.

Here, the issues of U.S. war on terrorism (and subsequent wars in Afghanistan and Iraq) and the North Korean nuclear crisis are studied to see how U.S. dependency in China's cooperation in these issues limited Washington in making China cooperate with sanctions on Iran and reduce trade with this country. Both of these issues historically coincide to the disputes over Iran nuclear program during the administrations of George W. Bush and Barack Obama.

The war on terrorism and subsequent wars in Afghanistan and Iraq

During the 2000 presidential campaign, the Republican candidate George W. Bush criticized the Clinton administration for being too much friendly to China. He summed up his position on

China by stating that “China is a competitor, not a strategic partner” (Bush, Nov 19, 1999). At the beginning of his administration, it seemed that President George W. Bush would follow a strict realist policy toward China. However, the 9/11 terrorist attacks changed foreign policy priorities of the Bush administration and made him follow a more pragmatic China policy to deal with the new crises.

The United States needed China’s cooperation in the fight against terrorism and the subsequent wars in Afghanistan and Iraq. The role of China was important in the fight against radical groups in the Muslim population of Xinjiang in north western China, Central Asian states and Afghanistan. Some believe that China as the main ally of Pakistan played a major role in making Pakistan join the fight against terrorism in Afghanistan following Chinese envoy’s meeting with Musharraf on September 18, 2001 (Kan, 2004). Furthermore, the United States needed China’s vote in the U.N. Security Council to legitimize use of military forces and provide international coalition in the fight against terrorist groups.

In practice, 9/11 terrorist attacks provided China with a great opportunity to follow its grand strategy in “rising peacefully” and to follow its economic and strategic interests while the United States was heavily involved in the wars in Afghanistan and Iraq and desperately needed China’s cooperation in dealing with the new crises (Haass, 2013; MacKinnon, 2011; Layne, 2008). China had common interests with U.S. in confronting radical groups in Afghanistan, Central Asia, Pakistan and within the Chinese Muslim population. However, China’s security concerns were not comparable to that of the United States.

China emerged as a responsible stake-holder and cooperated with the U.S.-led coalition against radical groups; however, China didn’t cooperate voluntarily and free of charge. In return for China’s cooperation, the bush administration marginalized his campaign promise on strict realist policies in containing China, waived China sanctions for “the 1989 Tiananmen crackdown,” “released detained Uighurs,” designated East Turkestan Islamic Movement (ETIM) as a “terrorist organization”, and increased “military-to-military contacts” with China (Kan, 2004).

U.S. dependency in China's cooperation in the fight against terrorism, made Beijing follow a more assertive policy in regard to Iran. On January 2002, President Bush placed Iran, North Korea and Iraq in the "Axis of Evil" and accused them of sponsoring terrorism and seeking weapons of mass destruction. Two months later, China President Jiang Zemin visited Tehran. His travel to Tehran conveyed a "clear message" that China would support Iran against U.S. plans (Davis, 2013, p. 9). At the same time, China was actively cooperating with the coalition forces in the fight against Taliban and Al-Qaeda forces in Afghanistan.

China along with many other countries didn't support the U.S.-led war against Iraq in 2003. Some powers such as France, Russia and Germany, hardened stance and actively condemned America (Henley, Younge, & Walsh, Mar 6, 2003). However, China "stood aside" and did nothing in practice except for verbal opposition against the war (Tkacik, 2003). The United States and allies successfully invaded Iraq and toppled down the Saddam regime in Baghdad. However, the Iraq crisis continued as opposition against America and terrorist attacks intensified pressures against the United States. In response, the Bush administration sought international cooperation from China, Iran and other countries to deal with the unexpected crises in Iraq. Chinese companies appreciated the opportunity and gradually entered Iraq. In 2008, China's oil imports from Iraq increased to the level of pre-war status (CNN, Aug 30, 2008).

While the United States was heavily involved with the wars in Afghanistan and Iraq, the emergence of Iran nuclear program, deteriorated the already bitter relations between Washington and Tehran. The Bush administration actively struggled for international cooperation against Iran. In 2004, Iran signed the Paris agreement and accepted voluntarily suspension of uranium enrichment (Solana, Nov 15, 2004). When in 2005 Iran resumed nuclear activities, the Bush administration actively sought cooperation from China and other powers for the referral of Iran to the U.N. Security Council and imposing international sanctions against this country.

U.S. dependency in China's cooperation in different issues such as the nuclear program of Iran and sanctions against this country, the fight against terrorism and consequent wars in Iraq and

Afghanistan, and the North Korean crisis, improved China's political position in following its interests in these issues and other areas of economic and strategic advancement.

The Issue of North Korea

China plays a major role in the issue of North Korea. China's support for North Korea dates back to the Korean War (1950-1953) when Chinese troops flooded the Korean peninsula to support the North Korean Communist ally against the U.S. invasion. Since then, China has continued wide economic and strategic ties with Pyongyang. According to the 1961 Sino-North Korean Treaty of Friendship, Cooperation, and Mutual Assistance, China is obliged to intervene against unprovoked aggression. However, China has announced that if conflict is initiated by Pyongyang it would not abide by its treaty obligation. Particularly, China has repeatedly warned against North Korean nuclear tests which has raised debates over whether the treaty is outdated or not (Global Times, May 3, 2017).

The North Korean nuclear program was a major issue for the administrations of George W. Bush and Barack Obama. On January 2002, President Bush placed Iran, North Korea and Iraq in the "Axis of Evil" and accused them of sponsoring terrorism and seeking weapons of mass destruction. On January 2003, while the United States was heavily involved in the wars of Afghanistan and Iraq, North Korea withdrew from the Non-Proliferation Treaty (NPT). In response, President Bush resorted to China to "seek a peaceful solution to the standoff" and to help resolve the new security threat (The Guardian, Jan 10, 2003). However, North Korea conducted the first nuclear test in 2006 (Sanger, Oct. 9, 2006). On May 2009, North Korea Conducted the second nuclear test. The Obama administration actively engaged with China to pressure North Korea. China along with other members of the UN Security Council condemned Pyongyang. China strongly demanded that North Korea "return to the tracks of the six-party talks" (Xinhua, May 25, 2009).

Following the recent North Korean nuclear test and belligerent remarks by President Trump and the Korean leader, the Chinese Foreign Minister warned that, “Once a war really happens, the result will be nothing but multiple loss. No one can become a winner” (CGTN, Apr 18, 2017). Such a war would lead to hundreds of thousands of North Korean refugees flooding into China creating many economic and security challenges for this country (Albert, July 05, 2017). China’s core interests on the Korean peninsula are: “peace, stability, no hostile foreign presence and no nuclear weapons.” Peace and stability are top priorities for China; however, Beijing is concerned over regime change in Pyongyang and presence of the United States in its northeastern border (Glaser, 2009).

China is the first trade partner and the main source of food and energy for North Korea. Beijing has consistently resisted against international sanctions on North Korea to avoid regime collapse which would threaten stability in the Chinese borders and of courses would deprive China from a source of pressure against the United States and Allies namely Japan and South Korea. The U.S. administrations have continuously required China’s cooperation in pressuring Pyongyang over the nuclear dispute. According to Barry Eichengreen, professor of economics at the University of California, addressing President Trump, “the only party capable of tightening sanctions and applying effective political pressure is China, whose goodwill the US now regards as essential” (Eichengreen, Apr 13, 2017). However, China has consistently urged the international community not to push Pyongyang too hard, due to the fear of dangerous military action (Albert, July 05, 2017).

Despite sensitivities and risks, the North Korean issue provides China with a leverage to pressure the United States, Japan and South Korea as they are dependent in China as the main political and economic partner of North Korea. China is involved in both disputes of the nuclear programs of Iran and North Korea. This power is the first trade partner of both nations; and despite U.S. pressures China has followed strategic interests in relations with both countries. The issues of nuclear programs of North Korea and Iran are not connected to each other, but in the context of

U.S.-China relations, they cannot be separated as the United States needed China's cooperation in both cases. U.S.-China Cooperation or confrontation on one of the cases can have impacts on the other case. These political considerations confine U.S. policy options in dealing with China.

6-3-5) Confrontation with China is Too Costly and Risky

It seems that U.S.-China confrontation is too far and unexpected as they are economically interdependent and share many common security and economic interests and concerns. Liberal scholars view wide trade and investment links and international institutions as a reliable source for peace, stability and cooperation (Keohane & Nye, 1997). But according to the realist perspective, history shows that interdependency and wide trade links cannot prevent wars as it couldn't prevent the First World War despite wide economic interdependency between European powers; also realist thinkers reject the exaggerated role of institutions as their role and power is not comparable to that of states (Mearsheimer, 1994).

Containment of China is a serious discussion among Western politicians and scholars. China is not a Western democracy and does not follow U.S. policies. In the disputes over Iran nuclear program, the United States could make most trade partners of Iran withdraw from trade with this country, but China continued and even expanded trade with Iran. The United States faced some limitations in making China follow sanctions similar to other trade partners of Iran. In the North Korean issue, the United States is faced to the same problem with China.

China is a nuclear power

According to nuclear peace theory, under some circumstances nuclear weapons can induce stability and decrease the chance of confrontation. During the Cold War, the United States and the Soviet Union possessed nuclear weapons; however, both powers soon found out that it was impossible to win a war without the threat of their own destruction because of "mutual second strike retaliation capability" or "mutually assured destruction". That's why they refrained military confrontation despite hostilities (Waltz, 1988; Sagan, 1994).

China tested its first nuclear weapon device in 1964. This country developed nuclear weapons as a deterrent against both the United States and the Soviet Union during the Cold War. Two years later, China developed a fission bomb capable of being put onto a nuclear missile. China tested its first hydrogen bomb in 1967, a mere 32 months after testing its first nuclear weapon which is known as the shortest fission-to-fusion development known in history (Norris & Kristensen, 2006). China is estimated by the Federation of American Scientists to have an arsenal of about 270 total warheads as of 2017 (Kristensen & Norris, Jul 8, 2017).

Nuclear peace theory complies to the logic of neoclassical realism theory, as policy makers calculate costs and risks in making decisions. According to neoclassical realism, policy makers, as the intervening variable, translate the relative power of states into foreign policy behavior. They make decisions according to their own perception of the relative power or position of the state in the international system (Rose, 1998). Militarily, both China and the United States are nuclear powers and there is no prospect for victory of either side in the case of confrontation.

Furthermore, as China is a nuclear power, the United States cannot use its military superiority simply to pressure Beijing into cooperation in different issues such as sanctions against Iran. U.S. policy makers are elected based on votes of American people. Public opinion inside the United States stands against such confrontational literature in militarily threatening a nuclear power such as China (ROPER, Jul 10, 2015). All these considerations put a limitation boundary over U.S. pressure tools against China.

Antagonizing China may make Beijing Enter Anti-American Coalitions

During the early 1970s, the Nixon administration could successfully establish relations with China. This policy was a severe blow to the Communist bloc and a blessing to the United States and the Capitalist bloc. Since then, all U.S. administrations have appreciated relations with China and have expanded closer ties with Beijing. Antagonizing China may ruin everything and make China enter Anti-American coalitions.

According to neorealism, secondary powers are expected to form coalition to balance against the hegemon power (Waltz, 1979). Yet, such a predicted coalition has not materialized against the United States since the end of the Cold War. Some scholars criticize neorealism for insufficient explanations in this regard (Mearsheimer, 2006; Schweller, 2016). However, U.S. hostile policy toward secondary powers such as China may materialize such balancing coalition against the United States. Reasonably, such international coalition the most important threat against the U.S. position in the international system.

China is a key member in the international organizations such as BRICS and the Shanghai Cooperation Organization (SCO). The United States is absent in both organizations. Antagonizing China and Russia may eventually make such organizations as great balancing coalitions against the United States. SCO was activated in response to the U.S. increasing presence in the Central Asia following 9/11 and the War of Afghanistan. Iran joined the SCO in 2005 as an observer member. The same year the United States applied for observer membership, however, the application was rejected by the SCO members, showing the strategic ambitions of this organization (Pikayev, 2008). Later China, Russia and other members rejected full membership of Iran in the SCO because they did not want to drag Iran-U.S. nuclear dispute into the organization or make it a club against America (Mousavi & Khodaei, 2013; Karami, 2012). However, antagonizing China and Russia may turn SCO to be such a balancing coalition against the United States.

The BRICS organization also poses a challenge to U.S. position in the international system. This organization includes five rising economies of Brazil, Russia, India, China, and South Africa. These countries have different interests and concerns; however, they share a pragmatic approach in challenging the Western hegemony without directly standing against U.S. policies (Harden, 2014). There is a long way for BRICS to effectively challenge U.S. hegemony (Adnan, 2014); however, the United States cannot ignore this organization and the interests of members; otherwise, confrontation may be costly and risky for both sides. Pressures against China and other members may precipitate such confrontation.

China may also enter informal coalitions to challenge American policies. The China-Russia-Iran triangle has blocked U.S. attempts against the government of Bashar Assad in Syria. Henry Kissinger, proposes a strategy that is a mix of “balance of power” and “divide and rule” to the Trump administration in dealing with this triangle. According to this strategy, the Trump administration should seduce Russia away by strategic partnership with Moscow, keep China constantly on a sort of red alert, and continue harassing Iran (Escobar, 2017). In the case of confrontation, China may enter other informal coalitions against the United States. American policy-makers cannot ignore such considerations in pressures against China.

China has wide relations with both allies and enemies of the United States. In the case of confrontation, China may use relations with U.S. enemies as a pressure tool against the United States. In 1992, the United States announced the sale of 150 F16 fighter aircrafts to Taiwan. In response, China used close military and nuclear relations with Iran as source of pressure against the United States. Right after U.S. announcement of arms deal with Taiwan, China invited an Iranian military delegation to Beijing for making an arms deal. The China’s Foreign Ministry formally declared that Beijing would not participate in the U.N. Security Council negotiations on arms transfer to the Middle East, unless Washington gave up arms sales to Taiwan (Grimmett, 1993, p. 10). On September 1992, China signed an agreement with Iran on the sale of several nuclear power plants in Iran. Following the 1997 historical agreement between China and the United States, both side accepted some commitments. As a part of the compromise, Beijing accepted to suspend its cooperation with Iran in supplying missiles and nuclear technology (Garver, 2006, pp. 213-214).

Compared to the 1990s, Today China has wider relations with adversaries of the United States around the world. In the case of confrontation, Beijing may use the cards as a source of pressure against the United States. American policy-makers cannot ignore such consideration in confronting China. It seems that Both China and the United States have learned lessons from the

experience of confrontation in the 1990s. particularly, today China stands in a stronger position that the United States cannot ignore this rising power in international calculations.

6-4) Process Tracing Tests on U.S. Limitations

This chapter studied U.S. limitations in dealing with China. According to the hypothesis, China's rapid growth in recent decades, has increased its relative power and has placed this power in such a position that U.S. power tools, such as diplomacy, bargaining, threats, sanctions, and pressures are less productive or too costly in making China follow sanctions against Iran. Process-tracing tests categorize the proofs in four-level to examine the causal relation that the hypothesis claims.

Straw in the Wind Test: Today, rising China poses serious challenges to US foreign policy in dealing with many issues such the North Korean nuclear program and the Syrian crisis. The United States faced limitations in making China follow U.S. policies in dealing with these issues. Sanctions against Iran is a similar case and it is not an exception as Iran is an independent regional power and has close ties with China. The United States needed cooperation from China as the first trade partner of Iran. According to the realist logic, China is not expected to cooperate voluntarily and free of charge. Straw in the wind test does not prove the hypotheses; but it provides good information in favor of it.

Hoop Test: Reviewing the historical documents and the events in the real world, reveals the bitter disputes between Washington and Beijing over the issue of sanctions against Iran. China along with Russia delayed referral of Iran to the U.N Security Council and resisted sanctions against this country. Unlike other trade partners of Iran, China never voluntarily withdrew from this country. In response, the United States used more sanctions, pressures, and threats against China than any other trade partner of Iran. Hillary Clinton openly threatened China that it would face "economic insecurity" and "diplomatic isolation" if it did not sign on to tough new sanctions against Iran" (Landler, Jan 29, 2010). China's resistance made sanctions costlier and more

burdensome for America. Hoop test does not significantly raise the confidence that the hypotheses is true; but if it isn't passed we can be sure that our hypothesis is not true. If there weren't such controversial disputes between China and U.S. over Iran sanctions, the hypothesis would be eliminated. As there are many reliable historical proofs on U.S.-China struggles on sanctions, this test is passed. Hoop test does not significantly raise the confidence that the hypotheses is true; but if it isn't passed we can be sure that our hypothesis is not true.

Smoking Gun Test: Despite U.S. sanctions and pressures, China Continued and even expanded trade with Iran during the nuclear dispute (International Trade Center, 2015).. Comparing the reliable data from different sources shows that the United States failed in making China follow sanctions against Iran similar to European powers, Japan, South Korea and most other major trade partners of Iran (European Commission, 2016; UN Comtrade, 2017; International Trade Center, 2015). It shows that the United States faced limitations in making China follow sanctions against Iran. In other words, U.S. power tools, such as diplomacy, bargaining, threats, sanctions, and pressures were less productive or too costly in making China follow sanctions against Iran. If Smoking-Gun test is passed, the investigator can claim that the hypothesis is true. However, the claim may be challenged by alternative hypotheses. That's why doubly decisive tests is required to exclude the rival hypotheses.

Doubly Decisive Test: Reviewing the events shows that the United States did whatever it could to make China follow sanctions. If the United States had the ability to make China decrease trade with Iran, why it didn't do so? No rival hypothesis may provide a reasonable answer to the question. According to what President Obama stated after the nuclear deal, continuing sanctions against Iran would be too costly for the United States, as Washington would have to cut off countries like "China" from the American financial system to keep sanctions against Iran. And "since they happen to be major purchasers of U.S. debt, such actions could trigger severe disruptions in our own economy and, by the way, raise questions internationally about the dollar's role as the world's reserve currency" (Obama, Aug 5, 2015). U.S. Secretary of State, John Kerry

expressed similar words on U.S. limitations in dealing with major trade partners of Iran particularly China (Kerry, Sep 2, 2015). If doubly decisive test is passed we can be confident that the hypotheses is true, and that all alternative hypotheses are false.

6-5) Conclusion

During the nuclear dispute, most trade partners of Iran reduced trade with this country either voluntarily along with the United States, or under U.S. pressures and sanctions. However, during the same period, China continued and even expanded trade with Iran, despite U.S. pressures. What were limitations of Washington in making China follow sanctions similar to other trade partners of Iran? This chapter studied U.S. limitations in making China cooperate with sanctions against Iran.

U.S. limitations in dealing with China can be put in two categories of economic and political constraints. Complex interdependent economies of the United States and China makes both powers cautious in political decisions and conservative to safeguard or improve the status quo. The United States as a democracy cannot ignore consent of American voters. Trade with China directly supports more than 2.5 million jobs in the United States. Chinese cheap goods keep inflation low in the United States helping the in-power governments win the consent of American voters. That is why U.S. governments refrain confrontation with China despite typical anti-China rhetoric during elections since 1990s. On the other hand, keeping close relations with China and other major economies is essential to safeguard the role of U.S. dollar as the world reserve currency. Economic pressures and sanctions against Chinese banks and companies may make them use other currencies in some international interactions. Consequently, trade partners of these companies may use those currencies gradually undermining the international role of U.S. dollar. Furthermore, considerations over more than a \$ trillion of the U.S. national debt held by China makes American

policy makers hesitate on radical decisions in dealing with China. Of course, Chinese policy-makers have similar considerations and concerns toward the United States as well.

Political limitations make American policy-makers further restricted in dealing with China. China is neither an enemy to be contained, nor an ally to be engaged. In practice, U.S. policy toward China has been hegemonic engagement which is a combination of both engagement and containment. However, there is an intrinsic paradox in mixing realist and liberal policies. The United States helps China's rise by economic engagement; on the other hand, it tries to contain China militarily and politically. Economic development cannot be separated from political influence and military expenditure. The same issue is concerned in relations between China and allies of the United States. Unlike the case of the Soviet Union during the Cold War, Most U.S. allies are China's trade partners which follow their own interests in protecting relations with China. China is not regarded as an ideological enemy and does not follow expansionist policies. So, U.S. allies in the Cold War, are China's trade partners and are not expected to jeopardize their interests in relations with China.

The United States is dependent in China's cooperation in many issues. China's economic presence and political influence is required by the United States to deal with many issues around the world. Before the 9/11 terrorist attacks, the Bush administration used an offensive literature toward China. But after the 9/11, it actively engaged with China to have cooperation from Beijing in the fight against the new threat of terrorism. Other issues such as the North Korean nuclear program, the Syrian crisis and the disputes of Iran nuclear program are similar cases which the United States desperately needs China's cooperation to follow its policies. U.S. dependency to China provides Beijing with a leverage to follow its own interests in these international issues. China is a permanent member and a veto power in the U.N. Security Council. According to the realist logic, China is not expected to support U.S. policies voluntarily and free of charge. Furthermore, antagonizing China may make this power enter anti-American coalition, or radicalize organizations such as the Shanghai Cooperation Organizations, BRICS and unofficial coalitions

Such as China-Russia-Iran which is working against U.S. wishes in Syria. In the case of antagonism, China may support U.S. enemies. Finally, China is militarily a nuclear power; and confrontation with this country is costly and risky. All these political and economic limitations cannot be ignored by American policy makers in issues such as sanctions against Iran.

In practice, the U.S. government was very careful not to damage U.S. interests in relations with other countries throughout sanctions against Iran. According to the text of the Congressional acts, the government was authorized to waive or ignore sanctions in the case that important, necessary, or vital interests would be at risk (see: ILSA, June 18, 1996; CISADA, July 1, 2010; ITRA, 2012). These provisions worked well in the case of China as a top trade partner of the United States. The United States never imposed any sanctions on major Chinese oil companies such as Sinopec, China National Petroleum Corporation (CNPC), and PetroChina despite the fact that they were the biggest oil companies working with Iran. It was so costly for the U.S. government to sanction these great companies which had wide relations with U.S. companies and huge investment in the United States.

The United States needed China's vote in the U.N. security Council. China used this opportunity to follow its interests in relations with Iran and the United States. China didn't veto any of the resolutions against Iran. But it doesn't mean that this country supported the U.S. proposed resolutions. Rather, China along with Russia delayed their passage and negotiated over the text to safeguard their strategic and economic interests. What finally ratified was much different to what the United States had planned.

Throughout Iran nuclear dispute, U.S. allies in Asia and Europe actively joined sanctions against Iran. However, they rarely joined U.S. pressures against China as the first trade partner of Iran. In practice, their withdrawal from Iran provided a great opportunity for Chinese companies to win projects in oil, gas and other areas of Iranian economy. Among U.S. allies, Israel and Saudi Arabia actively engaged with China to make it support U.N. resolutions and reduce trade with Iran. However, neither Israel nor Saudi Arabia were in a position to pressure Beijing. Israel lacked a

lobby in Beijing to pressure the Chinese policy makers. And Saudi Arabia as the first energy partner of China, couldn't use the energy leverage to pressure Beijing; because such a policy would make China import more oil from Iran making sanction even less effective in pressuring Tehran.

Process tracing tests confirm the hypothesis that China's rapid growth placed this power in such a position that U.S. power tools, such as diplomacy, bargaining, threats, sanctions, and pressures were less productive or too costly in making China follow sanctions against Iran. the United States rarely faced such limitations in dealing with other trade partners of Iran. U.S. restrictions in dealing with China reveals the limitations of U.S. guarded-engagement strategy is the face of China's Soft-balancing strategy. Such limitations can be examined in other similar disputes between the two powers.

Chapter 7:

Conclusion

The United States and China have different perceptions of Iran and its nuclear program. According to the Western discourse and American declared policies, Iran stands among top concerns, which “threatens the security of the United States and allies,” and “sponsors terrorism by supporting Hezbollah and Hamas”. In response to the nuclear program of Iran, the U.S. Presidents have frequently threatened this country with “all options on the table” (see: Trump, 2017; Obama, 2015; Bush, 2006). China does not share most U.S. concerns toward Iran. China and Iran have had peaceful relations throughout their long history of interactions. Furthermore, Iran and China share many economic interests in energy trade and significant strategic interests in standing against U.S. hegemony over the region. Moreover, as long as Iran boldly stands against U.S. policies in the Middle East, the United States cannot focus on East Asia and the borders of China.

The Iran factor stood among top issues in U.S.-China relations during the nuclear dispute. In order to make sanctions effective in pressuring Tehran, the United States needed cooperation from China as a veto power in the U.N. Security Council, and as the first trade partner of Iran. Most trade partners of Iran reduced trade with this country either voluntarily as alignment with U.S. policies, or under pressures from the United States. However, Chinese companies continued and even expanded economic relations with Iran and filled the void of the absence of European

and Japanese rivals. If China had withdrawn from Iran, pressures from sanctions would have multiplied over Tehran.

The United States and China actively followed different interests in this international dispute. This dissertation planned to clarify U.S. policy to make China follow sanctions on Iran, China's strategy in this regard, and limitations of Washington in making China follow sanctions on Iran. Corresponding hypotheses according to the theoretical framework of neoclassical realism, suggest that American and Chinese policymakers refrained from confrontation; rather they tried to form strategies, which minimize costs and risks of confrontations and maximize interests to follow their own determinations in this struggle. According to the hypotheses, the United States implemented a guarded engagement strategy, which combined diplomatic engagement with pressures, threats and sanctions against Chinese companies and banks to make Beijing cooperate with American policies and to reduce trade with Iran. On the other hand, China – Without directly standing against Washington – refrained from voluntary cooperation with sanctions and followed a soft-balancing strategy to make Iran sanctions abortive and costly, and to prevent US hegemony over the Middle East. According to the third hypothesis, decades of exceptional growth increased China's relative power and placed this power in such a position that U.S. power tools, such as bargaining, threats, sanctions, and pressure are less productive or too costly for Washington to make Beijing follow sanctions against Iran.

Studying the behavior of the United States and China, shows that they have followed neither confrontational nor cooperative policies; rather, American and Chinese policymakers have pragmatically followed strategies which had elements of both approaches to follow different interests without the risks and costs of direct confrontation.

7-1) U.S. Policy: Guarded Engagement

Process-tracing study on U.S. behavior toward China shows that the Obama administration used a variety of policies to make China join sanctions against Iran. These policies ranged from

diplomatic negotiations to sanctions against Chinese companies and banks. Throughout 2009, the first year of his administration, President Obama actively engaged with world powers including China and focused on common interests and concerns in dealing with the nuclear program of Iran. The Iran factor stood among top issues of U.S. foreign policy in G-8 and G-20 summits in Russia and Italy in summer 2009. The Obama administration used the post-election uproars in Iran and the U.N. resolutions against this country to legitimize international pressures against Tehran and to depict Iran as a threat against the global security and stability.

Later, in direct diplomacy with Beijing, President Obama warned on “the centrality of the Iran nuclear issue to US national security interests” and asked China to support further U.N. sanctions and to reduce oil imports from Iran. In order to pave the way for international cooperation on sanctions against Iran, the Obama administration used the traditional rivalry between Iran and Saudi Arabia. It diplomatically engaged with Riyadh and other oil exporting Arab countries in the Persian Gulf to increase oil production and compensate the absence of the Iranian oil in the market. Then, Washington and Riyadh directly negotiated with China on substitution of the Iranian oil.

The United States also used the Israel card to persuade China that cooperation with sanctions was a better choice than a military confrontation between Israel and Iran. According to the U.S. negotiators, in the case of failure of sanctions, a war between Israel and Iran would be inevitable; and such a war would eventually involve the United States. And such a crisis would definitely increase energy prices and would endanger the flow of Persian Gulf oil in which China was heavily dependent for its rising economy (see: Kemenade, 2010; Garver, 2011).

China’s resistance against further sanctions showed that diplomacy alone could not make China cooperate with American policies on Iran. But if the carrot policy is out, what about the stick? The United States pressured China through different channels. On January 2010, U.S. Secretary of State, Hillary Clinton openly threatened China that it would face “economic insecurity” and “diplomatic isolation” if it “did not sign on to tough new sanctions against Iran”. Exactly the day after, the Obama administration unveiled a \$6.4 billion arms deal with Taiwan.

Three weeks later, President Obama met Dalai Lama and pressured China through the human rights card. Considering the Tibetan uprising in March 2008, such a visit was perceived as intervention in the internal affairs of China and signaled renewing an internal security issue for this country.

During 2009, the Obama administration engaged with world powers and didn't use the sanctions card against trade partners of Iran in order to achieve their cooperation over comprehensive international sanctions in the U.N. Security Council where desperately needed the votes of China and Russia. Pressures against China peaked when Russia eventually signaled its consent for a new U.N. resolution. After the U.N. resolution 1929 against Iran, and while Iran was heavily involved with post-election uproars, the U.S. Congress passed the Comprehensive Iran Sanctions, Accountability and Divestment Act (CISADA) and president Obama signed it into law on July 1, 2010. CISADA moved beyond "smart sanctions" which targeted only few Iranian people and institutions to "comprehensive sanctions" which targeted the Iranian economy in general. According to CISADA, the U.S. government would impose sanctions on companies that made an investment of more than \$20 million in one year in Iran's oil industry. Since then, the United States repeatedly imposed unilateral sanctions on many companies from different countries including China.

Sanctions against companies dealing with Iran peaked in 2012 when the European Council disconnected all Iranian banks from the SWIFT; and the U.S. National Defense Authorization Act for the Fiscal Year 2012 targeted the Central bank of Iran. The "step by step" sanction strategy increased pressures over trade partner of Iran. According to this policy, the United States would exempt a trade partner of Iran on the condition that it would reduce trade with this country and report to Washington every six months. The delicate point in bank sanctions on Iran was that foreign companies could import Iranian oil, but they could not pay the price in cash due to bank restriction on Iran; therefore, they benefited surprisingly from this kind of trade. When the Nuclear

Deal between Iran and the P5+1 was signed in 2015, Iran's blocked property in China exceeded \$22 billion.

7-2) China's Response: Soft-Balancing

China's response to the U.S.-led sanctions cannot be labeled as cooperation or non-cooperation. Due to nonproliferation interests, China did not want to see the number of nuclear powers increase or a nuclear race in the Middle East endanger the flow of energy in which China is heavily dependent for its rising economy. Because of sensitivities over the nuclear program of Iran, China did not stand against the United States and eventually voted for all the U.N. resolutions against Iran and did not veto any of them. China's support for the U.N. resolutions, displayed a responsible stakeholder, and followed its grand interests in relations with the United States and allies.

On the other hand, China did not share most of U.S. concerns on Iran and its nuclear program. Rather, China had wide common economic and strategic interests with Iran. Iran was a major energy exporter and China was the first energy importer. Furthermore, China and Iran shared strategic interests in standing against U.S. hegemony over the region. According to the second group of data, one may claim that China did whatever it could to make U.S. sanctions abortive and less effective in pressuring Tehran. China along with Russia delayed the passage of each resolution and negotiated over the text of each of them to weaken provisions in order to safeguard its economic and strategic interests in this international dispute. What was ratified in the U.N. Security Council was much different from what the United States and allies had intended. Furthermore, unlike other trade partners of Iran, China continued and even expanded trade with Iran. When due to sanctions, many European and Asian companies left Iran; Chinese companies filled the void and made sanctions less effective in pressuring Tehran.

However, closely reviewing China's behavior shows that this country did not side with either the United States or Iran in this international dispute. China did not directly against the United States, nor it cooperated voluntarily and free of charge. Rather, this country actively followed its own interests through the third option of soft-balancing. Through this policy, China could safeguard its relations with both U.S. and Iran while they achieved minimum expectations of China and appreciated Beijing's policies. The West didn't label China as a supporter of Iran nuclear program because it eventually voted for all the U.N. resolutions; and Iran appreciated China's bold resistance against U.S. anti-Iran sanctions, because China continued trade with Iran and aligned with Russia, softened the sanctions provisions of the U.N. Security Council resolutions. China acted in a way to safeguard its grand interests in relations with the United States, and to stop Iran nuclear program. At the same time, it tried to prevent U.S. hegemony over the region, and followed its own economic and strategic interests on Iran.

China did not welcome the idea of replacing the Iranian oil with the Saudi oil due to economic and strategic considerations. Economically, Iran was a more profitable market for Chinese companies as European and Asian rivals had withdrawn under U.S. pressures. Strategically, Saudi Arabia and other oil exporting Arab countries as U.S. allies were expected to side with Washington in the case of possible U.S.-China conflict. Yet, as long as Iran as a major oil exporter and as an independent regional power exists, the United States cannot use the oil weapon against China. Furthermore, Saudi Arabia was already the first energy partner of China. Too much dependence in Saudi oil would be in contrast to the China's considerations of energy security and the policy of diversification of oil supplies. After all, China used its energy trade with Iran as a hedging strategy to secure the flow of energy from Arab countries in the Persian Gulf, as they tried to replace the Iranian oil. In practice, both Iran and Saudi Arabia competed for providing better conditions for Chinese companies to export more oil to this rising power.

China also did not welcome the US/Israeli idea that economic sanctions would be a safer option than a military attack against Iran. As the historical experience of the case of Iraq showed,

the United States and allies did not use sanctions as a substitution for war, rather they used sanctions as a precondition to weaken the targeted regime and then they used the military option to change the Saddam regime in Baghdad. In fact, economic sanctions and military attack complemented each other rather than substituting one another. For China, such a policy would endanger the flow of energy from the Middle East and might eventually expand U.S. hegemony over the region.

China actively tried to resolve Iran nuclear dispute through diplomacy rather than economic sanctions or a military confrontation between Israel/US and Iran. A military confrontation in the region would endanger the flow of oil and would definitely increase energy prices damaging China as a major oil importer. Economic sanctions against Iran would also damage China's interests as the first trade partner of Iran. Moreover, the historical experience of Iraq showed that economic sanctions would eventually lead to military intervention and might expand U.S. hegemony over the region. Therefore, China actively sought a diplomatic solution to the issue as the only favorable and safe option.

China could meet its expectations in the JCPOA, the nuclear deal between Iran and the P5+1. Because this deal prevented a new war in the region and it is expected to remove trade barriers against Iran and reduce pressures on Chinese companies working in this country. On the other hand, this deal also is expected to put Iran in a stronger position to stand against U.S. hegemonic policies in the region and to entangle U.S. in the Middle East away from East Asia and Chinese borders.

7-3) Limitations of Guarded Engagement with China

American policy makers cannot ignore economic and political consideration in sanctions and pressures against great powers such as China and the European countries. According to the

Congressional sanctions acts against Iran, the U.S. presidents are authorized to waive or ignore sanctions when U.S. interests in relations with other powers are at risk. However, as sensitivities over Iran nuclear program increased the waiver provisions diminished from “important interests” in the 1990s, to “necessary interests” in 2010, and to “vital interests” in 2012 when sanctions peaked (see: ILSA, June 18, 1996; CISADA, July 1, 2010; and ITRA, 2012).

During the 1990s, the trade partners of Iran particularly the Europeans didn't cooperate with U.S. sanctions on Iran and threatened with retaliation against American companies; so the Clinton administration withdrew from implementing sanctions against foreign companies working in Iran. However, as disputes over the nuclear program intensified, European and Asian partners of Iran joined sanctions voluntarily or under U.S. pressures. China as an exception followed a different path. Unlike other trade partners of Iran, China continued and even expanded trade with this country during the nuclear dispute. The United States faced limitations in making China follow sanctions against Iran. These restrictions can be put in two categories of economic and political limitations.

Complex interdependent economies of the United States and China makes the policy makers of both countries refrain from radical decisions which endanger the status quo. American policy makers cannot ignore the fact that trade with China directly supports more than 2.5 million jobs in the United States. Moreover, cheap Chinese goods keep inflation lower in the United States helping the in-power governments win the consent of American voters. Despite typical anti-China rhetoric during presidential elections since 1990s, U.S. governments have always refrained confrontation with China because it would be so costly and risky to endanger U.S. economic interests in relations with China.

Confrontation against China and other major economies may endanger the status of U.S. dollar as the global reserve currency. Economic pressures and sanctions against Chinese banks and companies may make them use other currencies in some international interactions. Consequently, trade partners of these companies may use those currencies gradually undermining the

international status of U.S. dollar. Furthermore, considerations over more than \$ one trillion of the U.S. national debt held by China makes American policy makers hesitate on radical decisions in dealing with China. Such considerations were not absent in U.S. policies toward China in the issue of sanctions against Iran. The United States never imposed any sanctions on major Chinese oil companies such as Sinopec, China National Petroleum Corporation (CNPC), and PetroChina despite the fact that they were the biggest oil companies working with Iran.

Politically, China is neither an ally nor a foe of the United States. Unlike the Soviet Union, China is not regarded an ideological enemy of the United States and does not follow expansionist and confrontational policies. Unlike the European countries and Japan, China is not a Western democracy and it is not regarded as an ally of the United States and does not follow American policies. China has close economic relations with the United States and the West. U.S. allies in the Cold War are not expected to jeopardize their interests and rally round the flag of confrontation and containment of China. Rather, they have wide interests in keeping and expanding ties with Beijing.

Even inside the United States, there is no consensus over how to deal with China. Some believe in a liberal engagement policy and some prescribe a realist containment strategy. In practice, U.S. strategy of guarded engagement, combines elements of both approaches. According to this strategy, the United States engages and cooperates with China in economy; and contains China militarily and politically. However, there is a fundamental paradox in guarded engagement policy. Economic engagement provides China with further military expenditure and more political influence to make this rising power less vulnerable to U.S. pressures.

Militarily, China is a nuclear power with a large and powerful army. China is also a veto power in the U.N. Security Council. The United States is dependent in China's cooperation in dealing with many issues such as the nuclear dispute of North Korea and Iran, the crises in Syria and Iraq, and many other international issues. According to the logic of neoclassical realism, China

is not expected to cooperate voluntarily and free of charge; rather Chinese policy makers can use U.S. dependency as a card to follow Chinese interests in international disputes.

American policy makers know that Confrontational policies may antagonize China and make this rising power enter anti-American coalitions, or radicalize organizations such as the Shanghai Cooperation Organization, BRICS and unofficial coalitions such as the triangle of China-Russia-Iran, which is working against U.S. policies in Syria. Antagonized China may support U.S. enemies in every corner of the world making a lot of problem for the United States. China has wide relations with both allies and enemies of the United States. In the case of confrontation, China may use relations with U.S. enemies as a pressure tool against the United States. Such considerations restricted U.S. policy options in making China follow sanctions against Iran.

The United States rarely faced such limitations in dealing with other trade partners of Iran. No other country was in such a position to challenge U.S. sanctions without seriously jeopardizing its grand interests in relations with the United States and the West. As the third hypothesis claims, U.S. power tools such as threats, pressures and sanctions were too costly and risky and less productive in making China follow sanctions on Iran. In practice, China's soft balancing strategy played a major role in making the Obama administration seek a nuclear deal with Iran. China's bold policy made U.S. sanctions abortive and less effective in pressuring Tehran.

Such limitations in sanctions and the costs and risks of military conflict with Iran made the United States seek a third option of diplomacy with Tehran rather than military confrontation and continuing economic sanctions. By making a nuclear deal with Iran, the United States could limit Iran nuclear program without the costs and risks of a military confrontation. However, as President Obama and the Secretary of State Kerry referred, continuing sanctions against Iran would be too costly for the United States because Washington would have to confront "China". What eventually emerged in the nuclear deal JCPOA, could meet the minimum expectations of China. For China, the nuclear deal removed trade barriers in relations with Iran, and preserved Iran to challenge to U.S. hegemonic policies in the Middle East away from East Asia and Chinese borders.

7-4) Theoretical Explanation

According to neoclassical realism theory, the relative power of a state defines its position in the international system; and the policymakers as the intervening variable, translate the relative power to foreign policy behavior. This theory matters profoundly in relations between the rising China and the United States in the new world where the undoubtable increase of the relative power of the first, certainly threatens the position of the latter. However, neoclassical realism theory does not expect inevitable confrontation between the two powers, because American and Chinese policymakers (as the key intervening variables) calculate costs and risks, to follow national interests through safer options.

Generally, realist theories have a negative view toward cooperation between great powers. The issue of sanctions against Iran does not seem to be an exception. American and Chinese policymakers have different perceptions, interests, and concerns of Iran and its nuclear program. Neoclassical realism theory does not expect direct confrontation over the issue. Rather, it expects the decision makers of both powers to calculate the situation in order to achieve maximum interests with minimum costs and risks. Washington desperately needed cooperation from China, as the first trade partner of Iran, and as a veto power in the U.N. Security Council. The United States could make most trade partner of Iran reduce trade with this country; yet, Washington faced serious limitations in making China follow the same path. However, this issue should be studied in the context of the complicated relations between the rising power and the status quo power.

According to the realist considerations of neoclassical realism, American policymakers cannot ignore the fact that the rise of China endangers the unique position of America in the international system. John Mearsheimer and other realist scholars believe that there is no difference between the former Soviet Union and China as both threaten U.S. global superiority. However, according to the secondary considerations of neoclassical realism, American

policymakers as the intervening variable cannot follow the same realist containment policy of the Cold War against Beijing in the 21st century. In practice, there are many differences between the former Soviet Union and the rising China. Unlike the Soviet Union, China is a major trade partner of the United States; confrontation with Beijing is economically more costly for Washington. It is more difficult for America to form a wide international coalition against China, because China has close economic ties with U.S. allies as well; and unlike the Soviet Union, China does not follow expansionist policies and does not intervene in the domestic affairs of other countries. Furthermore, the United States needs cooperation from China in many international issues. Alienating China and confrontation with this country may enter Beijing in anti-American coalitions, which may have grave consequences for the United States.

Despite above considerations, neoclassical realism theory does not expect American policy maker to cooperate with China and let this rising power prosper and endanger U.S. position in the international system. Rather, they are expected to calculate costs, risks and interests, to set a third strategy beyond liberal engagement and realist containment. Studies done according to the considerations of neoclassical realism have used different term such as “Guarded-Engagement,” “Liberal-Realism” “Selective Engagement” and “Congagement” to describe U.S. strategy in dealing with China.

The issue of Iran sanctions provided a good case to test the claims of neoclassical realism about U.S. practical response on differences with China. This dissertation showed that the Obama administration followed a guarded engagement strategy to make China follow sanctions against Iran. Washington engaged with China diplomatically, respected China’s energy interests and security concerns to make Beijing follow sanction against Iran. On the other hand, the U.S. government pressured China through different channels such as diplomatic pressures, threats and economic sanctions.

Neoclassical Realism theory does not view the international relations as fixed and static. Rather this theory concentrates on changes in the relative power and consequently the international

position of states. The rise of China is an excellent case to examine the claims of this theory. According to the realist considerations of neoclassical realism, China is expected to balance against the United States and try to replace its position in the system and to refrain cooperation in issues such as sanctions against Iran. However, according to the secondary considerations of neoclassical realism, Chinese policy makers are expected to calculate costs and risks according to their own perception of the relative power of China. Chinese decision makers know that, the United States is much powerful militarily, economically, and technically; Washington has many allies around the world; and its domination over the media, communication technology, and sources of energy is not comparable to that of China. Furthermore, the United States and allies are major trade partners of China; confrontation with the United States certainly endangers China's grand interests in peaceful rising.

However, according to neoclassical realism, Chinese policy makers are expected to find a third option beyond yielding and outright confrontation. They try to find or build a third way to pursue their realist ambitions in increasing the relative power and elevating the position of China without the risks and costs of directly standing against the United States. The issue of sanctions against Iran provided a good case to test China's response to the United States on differences. The findings of this dissertation show that China did not directly stand against the United States. Beijing eventually voted for all the U.N. Security Council Resolutions against Iran and did not veto any of them. If China had vetoed these resolutions, it would mean that Beijing had aligned with Iran in this international struggle; and would certainly endanger the grand interests of Beijing in relations with the United States, West and U.S. allies in Asia. However, it worked on the text of the resolutions to safeguard its economic and strategic interests in this international struggle. Above all, China refrained from voluntary cooperation with sanctions and continued and even expanded trade with Iran to make sanctions abortive and costly and to prevent U.S. domination over the energy-rich Middle East and then to concentrate on East Asia and Chinese borders. This response from China can be described as a soft balancing response which is explainable by neoclassical realism more than any other theory.

Neoclassical realism theory provides a flexible framework by considering both the structural position of states in the anarchic international system, and the domestic factors concerning the key role of policymakers in foreign policy. The findings of this study show that due to structural factors the United States faced limitations in making China follow sanctions against Iran. Decades of rapid economic growth has increased China's relative power and has elevated its position in the international system. U.S. power tools such as bargaining, pressures, threats and sanctions were either too costly or less productive in making China withdraw from Iran. These limitations acted as one of the major causes in making the Obama administration seek a nuclear deal with Iran.

Neoclassical realism avoids the reductionist dogmatism of other theories such as neorealism, classical realism, and constructivism by emphasizing on different levels of analysis. This is the most important strength of neo-classical realism. This theory provides a framework for historical explanation of events through methods such as process tracing which this dissertation applied on American and Chinese strategies in sanctions on Iran.

Neoclassical realism may be criticized for providing no clear measure to determine the relative power of states or to calculate its position in the system. However, this blame can be viewed as positive rather than a negative point, because this theory provides researchers with a general framework for studying behavior of states. A researcher may creatively find the bases of comparison and limitations of relative power of states. In this dissertation, U.S. power tools such as bargaining and diplomacy, pressures, and sanctions on Chinese companies were studied as measures of relative power to discover the limitations of Washington in making Beijing follow sanctions against Iran. U.S. power tools were limited by some political and economic boundaries. Sanctions against major Chinese companies trading with Iran would be too costly for Washington as China was a major trade partner of America; and the United States needed cooperation from China in different areas.

The second criticism toward neoclassical realism is that this theory lacks parsimony. If neorealism disregards domestic politics and oversimplifies the behavior of states to the anarchic

international system as the only independent variable, neoclassical realism is accused of sacrificing parsimony by getting entangled in the complicated processes of decision-making in foreign policy. However, this criticism can be viewed the other way. This theory provides the researchers with a framework to discover the events comprehensively by considering both structural and domestic factors. This dissertation used process-tracing method to examine the foreign policy behavior of Washington and Beijing in sanctions against Iran. U.S. guarded engagement strategy and China's soft balancing response were practically explained according to the general bases of neoclassical realism. The American and Chinese policy makers calculated costs and risks and used guarded engagement and soft balancing strategies as a third option rather than cooperation and confrontation.

This dissertation showed that China's soft balancing policy confronted U.S. guarded engagement strategy and made Iran sanctions costly and less productive for the United States. U.S. power tools such as bargaining, threats, and pressures failed to make China follow American policies similar to other trade partners of Iran. Generally, U.S. guarded engagement strategy is built on contradictory policies. Washington engages China in order to balance against it, and balances against it in order to engage it. This strategy combines elements of both liberal cooperative and realist competitive policies. There is an intrinsic paradox between liberal and realist policies. U.S. economic engagement with China makes it more wealthy and powerful to follow its own economic and strategic interests more assertively. In short term, Washington may mitigate the real consequences of the rise of China. However, according to the considerations of neoclassical realism, decades of rapid economic growth has elevated China's position in the international system, and the Chinese policymaker will follow bolder policies, whether the United States welcome it or not.

7-5) Policy Recommendations

The long-lasting confrontation with the United States makes the Iranian authorities seek closer relations with secondary powers such as EU, Russia, and China. This dissertation clarified U.S. limitations in making China follow sanctions on Iran. During the nuclear dispute, China continued and even expanded trade with Iran despite U.S. pressures. The United States had less influence on China compared to other trade partners of Iran such as Japan, Germany, South Korea and India.

However, it does not mean that China directly stands against the United States. China eventually voted for all the U.N. resolutions against Iran. It is not reasonable for China to sacrifice grand interests in relations with the United States and the West. China's trade with European countries, Japan, South Korea, Saudi Arabia, Australia, and other U.S. allies is not comparable with its trade with Iran.

On the other hand, China has considerable strategic interests in relations with Iran. Both China and Iran do not want U.S. hegemony over the Middle East and the Central Asia. In the case regime change in Iran, and U.S. domination over the region, China's energy security and the Security of Chinese Western borders would be at risk; and the United States may exploit China's energy dependency as a leverage to influence China's behavior in other different bilateral disputes. After domination over the Middle East, the United States may concentrate fully on East Asia and Chinese borders to implement the grand policy of containment of China. Above all, as long as the United States needs China's cooperation on issues such as the nuclear program of Iran, China may use U.S. dependency as a card to follow its own economic and strategic interests in relations with the United States.

Therefore, the following recommendation are suggested:

1- Iran Should try to expand strategic ties with China with focus on common interests and concerns. This policy may include other secondary powers such as Russia and India. Joining to

the Shanghai Cooperation Organization can be a great opportunity for Iran. Key members of this organization have similar strategic concerns over U.S. domination over the Middle East. However, the United States has influence over some members that do not welcome membership of Iran. Iran is already an observer member of this organization and should expand diplomatic ties with China and other members. Likewise, Iran should expand strategic and economic relations with BRICS, another independent coalition of secondary powers. In all cases, Iran should have closer bilateral ties with Beijing because of huge common strategic and considerable economic interests.

2- Iran should try to set long-lasting economic contracts with China, rather than pure trade ties, which are short term and market-based. The more involved in major projects in Iran, the more likely for China to resist U.S. pressures and the more costly for Washington to make China exit from Iran.

3- Iran may exploit differences between China and the United States to establish closer relations with China. Differences on the Taiwan Issue, the South China Sea, and trade issues, particularly during the administration of Trump provide opportunities for Tehran to expand strategic ties with Beijing and other powers.

4- Iran should expand ties with other secondary powers such as European countries and India to prevent too much dependence on China. China may bargain with The United States over more urgent issues such as Taiwan as in the case of the 1997 Taiwan compromise which China withdrew from nuclear cooperation with Iran as a piece of the concession.

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