

The Iran Factor in U.S.-China Relations

Guarded Engagement vs. Soft
Balancing

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Abstract: Before the nuclear agreement with Iran, the Obama administration actively engaged with world powers and trade partners of Iran to strengthen the effectiveness of economic sanctions against Tehran. The role of China as the largest trade partner of Iran and as a veto power in the United Nations Security Council (UNSC) was controversial in this regard. Washington persuaded most of Iran's trade partners to join in the sanctions and reduce trade with Tehran. But during the same period, China continued and even expanded economic relations with Iran. Reviewing the events through a process-tracing method, this study reveals that the Obama administration implemented a "guarded engagement" strategy to persuade China to join in the sanctions and reduce trade with Tehran. On one hand, the United States accommodated China's interests and concerns, and engaged and bargained with China; on the other hand, Washington pressured Beijing through different channels such as security threats and economic sanctions. In response, through a soft-balancing strategy, China did not directly oppose the United States, in order to safeguard relations

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with Washington; and it eventually voted in favor of the UN resolutions after negotiating over the texts. In the meantime, Beijing refrained from voluntary cooperation with Western sanctions and even increased trade with Iran and filled the void to make sanctions abortive and costly, and to prevent U.S. domination over the Middle East. This study concludes that China's current standing is such that U.S. diplomatic levers, such as bargaining, threats, sanctions, and pressures, are too costly and barely productive in getting Beijing to follow American policies.

Keywords: U.S.-China relations; Iran sanctions; soft balancing; guarded engagement.

Introduction: China and the U.S.-Led Sanctions Against Iran

The Iran factor was among the top issues in U.S.-China relations from 2005, when Iran resumed its nuclear program, to 2015, when the five permanent members of the United Nations Security Council (UNSC) and Germany (called "P5+1") signed a nuclear agreement with Iran. In general, Washington and Beijing have held 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 is among the top concerns of Washington. Top leaders have frequently threatened Iran with "all options on the table" including military attack, and have 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 that Iran "might transfer nuclear technology or weapons to American enemies" and what they call "terrorist groups such as Hezbollah and Hamas."¹ In response, Iran has repeatedly dismissed these accusations

¹Office of the Press Secretary, "Full Text: Obama Gives a Speech about the Iran Nuclear Deal," White House August 5, 2015, <https://obamawhitehouse.archives.gov/the-press-office/2015/08/05/remarks-president-iran-nuclear-deal>; Office of the Press Secretary, "President Bush Addresses American Legion National Convention, Salt Lake City, Utah," White House, August 31, 2006, <https://search.usa.gov/search?affiliate=usagov&query=President+Bush+Addresses+American+Legion+National+Convention%2C+Salt+Lake+City%2C+Utah>; and Chris Stevenson, "Donald Trump says 'Iran is Playing with Fire' after Ballistic Missile Test," *Independent*, February 3, 2017, <http://www.independent.co.uk/news/world/americas/donald-trump-iran-playing-with-fire-ballistic-missile-test-tweet-twitter-kind-president-obama-a7560981.html>.

and maintained that it is the Islamic Republic's "absolute right" to advance a nuclear program that is "peaceful, and in the framework of international regulations." It also regards the so-called nuclear crisis as a "constructed crisis" and a "pretext for imperialistic purposes."²

China shares few of America's concerns about Iran's nuclear program. Since the ancient Silk-Road era, Iran and China have had a long-lasting peaceful relationship.³ Today, the two countries are linked by numerous common economic and strategic interests. China might become the largest importer of Iran's huge oil reserves after the conclusion of the 2015 nuclear deal. Chinese President Xi Jinping's visit to Tehran in early 2016, during which both countries agreed to increase bilateral trade to \$600 billion in the following decade,⁴ has set the stage for expanding the bilateral ties even further.

For China, the most daunting challenge is the intensifying geopolitical competition with the United States. Many American and Chinese scholars and politicians consider such a dismal clash as likely and not too far off.⁵ About 50 percent of China's oil import comes from the Middle East where the United States is already the most influential power.⁶ And in the case of

²David Ariosto, "Ahmadinejad Tells U.N. that Iran is Threatened," CNN, September 27, 2012, <http://edition.cnn.com/2012/09/26/world/new-york-unga/>; and "Rouhani Replies to Leader's Letter on JCPOA," Mehr News Agency, October 21, 2015, <http://en.mehrnews.com/news/111296/Rouhani-replies-to-Leader-s-letter-on-JCPOA>.

³John W. Garver, *China and Iran: Ancient Partners in a Post-Imperial World* (Seattle: University of Washington Press, 2006).

⁴Thomas Erdbrink, "China Deepens Its Footprint in Iran after Lifting of Sanctions," *New York Times*, January 24, 2016, https://www.nytimes.com/2016/01/25/world/middleeast/china-deepens-its-footprint-in-iran-after-lifting-of-sanctions.html?_r=0.

⁵Cheryl Pellerin, "Carter: Budget Reflects Defense Needs in a New Strategic Era," US Department of Defense, February 25, 2016, <https://www.defense.gov/News/Article/Article/673090/carter-budget-reflects-defense-needs-in-a-new-strategic-era/>; Li Baodong, "Statement by H.E. Chinese Ambassador Li Baodong at the 2010 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons," Permanent Mission of the People's Republic of China to the UN, May 4, 2010, <http://www.china-un.org/eng/gdxw/t690056.htm>; and John J. Mearsheimer, "The Gathering Storm: China's Challenge to US Power in Asia," *Chinese Journal of International Politics*, Vol. 3, No. 4 (2010), pp. 381–396.

⁶*China: International Energy Data and Analysis* (Washington, D.C.: U.S. Energy Information Administration, 2015), <https://www.eia.gov/beta/international/analysis.includes/countries.long/China/china.pdf>.

confrontation between the two powers, access to energy can be China's Achilles heel as most of the oil-rich countries in the region are American allies which are expected to side with Washington.⁷ In that probable scenario, the presence of Iran as a major energy exporter and an independent and reckless anti-American regional power could help China reduce its dependence on American allies for oil supplies. But in the case of regime change and a subsequent pro-Western government in Tehran, America's full domination over the flow of energy from the Middle East can exacerbate China's dependence on U.S. regional primacy for its growing energy imports, thus putting Washington in a better position to shape Beijing's behavior in many areas of their complicated relations.

Furthermore, as long as there is a resistant and defiant Iran in the Middle East, the United States cannot fully concentrate on East Asia where China's core interests are located.⁸ On the one hand, since the beginning of the 21st century, events such as the 9/11 terrorist attacks, Iran's nuclear program, and the Syrian crisis, have entangled the United States in the Middle East, shifting its strategic focus away from East Asia where China is growing to be its main rival.⁹ On the other hand, the United States has been soliciting China's support and cooperation to contain tensions and conflicts in the Middle East, giving Beijing much leverage to advance its interests and expand influence and credibility in this region and worldwide.

After the referral of Iran's nuclear dossier to the UNSC in 2006, most trade partners of Tehran withdrew or reduced trade, either under U.S. pressure or aligned with American policies. U.S. sanctions against Iran expanded extensively after 2009 when President Obama took office. On July 1, 2010, the U.S. Congress ratified the Comprehensive Iran Sanctions and Divestment Act (CISADA) and the Obama

China continued enhancing economic ties with Iran amidst mounting UN sanctions against the country.

⁷Zha Daojiong, "China's Energy Security: Domestic and International Issues," *Survival* Vol. 48, No. 1 (2006), pp. 179–190; and Mearsheimer, "The Gathering Storm," p. 395.

⁸John J. Garver, "Is China Playing a Dual Game in Iran?," *Washington Quarterly*, Vol. 34, No 1 (2011), p. 79.

⁹Richard N. Haass, "The Irony of American Strategy: Putting the Middle East in Proper Perspective," *Foreign Affairs*, Vol. 92, No. 3 (2013).

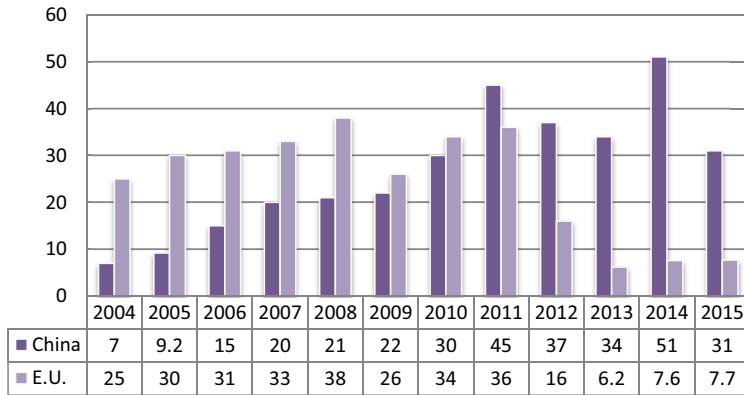


Fig. 1. Iran's Total Trade with EU Countries and China (2004–2015).

Source: European Commission.¹¹

administration vigorously pressured trade partners of Iran to reduce trade with Tehran.

But China did not turn its back on Iran; instead, Chinese companies capitalized on the absence of European and Japanese competitors to increase their presence in most sectors of the Iranian economy, from oil import to infrastructure projects, such as the metro system in Tehran and many road projects. In 2007, China emerged as Iran's foremost trade partner, overtaking Germany and Japan.¹⁰ Since 2011, China's trade volume with Iran has outnumbered that between Iran and all EU countries. In 2015, China's trade with Iran was four times as large as the total EU trade with the country (see Figure 1).

However, the United States needed cooperation from all major trade partners of Iran to make sanctions over Iran effective. The role of China as Iran's largest trade partner, a veto power of the UNSC, and the leading candidate to challenge U.S. primacy in the 21st century, has a direct influence on the effectiveness of the international sanctions. Figure 2 illustrates Iran's top 10 trade partners in 2009, the first year of the Obama administration.

¹⁰*ITC by Country Report: Iran* (Geneva: International Trade Center, 2015), <http://www.intracen.org/layouts/downloadcountryreport.aspx?id=777>.

¹¹For statistical information on EU's trade with Iran, please see <http://ec.europa.eu/trade/policy/countries-and-regions/countries/iran/>.

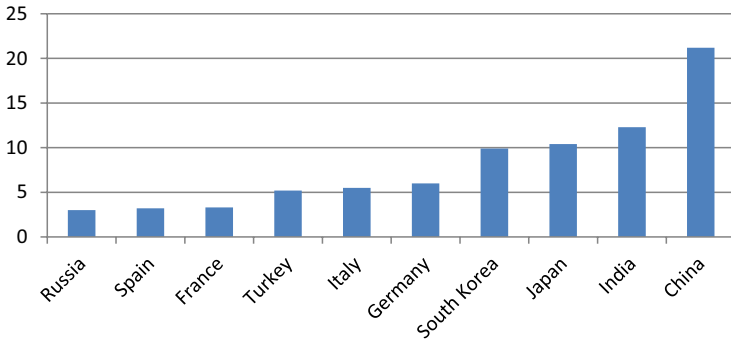


Fig. 2. Top Ten Trade Partners of Iran in 2009 (in Billion \$).

Source: International Trade Center.¹²

Under U.S. pressure, or aligned with American policies, most trade partners of Iran began to reduce trade with this country after 2009. Yet China kept close relations with Iran and challenged the Western sanctions against Tehran. Figure 3 depicts the top 10 trade partners of Iran in 2014, the year before the nuclear deal between Iran and P5+1.

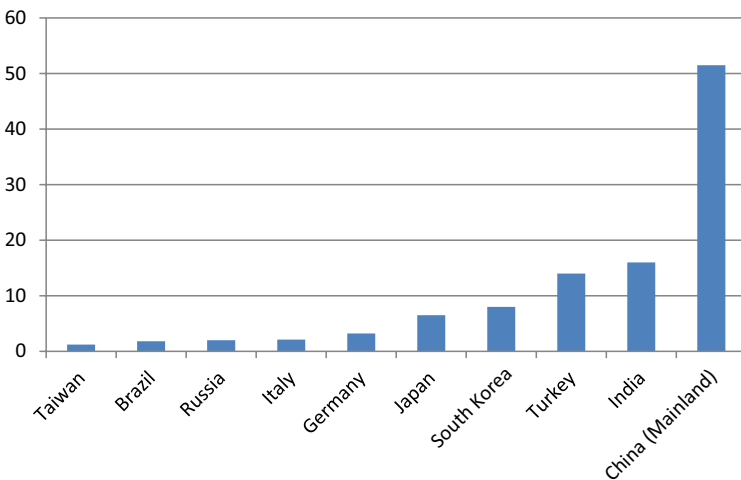


Fig. 3. Top Ten Trade Partners of Iran in 2014 (in Billion \$).

Source: International Trade Center.¹³

¹²ITC by Country Report: Iran.

¹³Ibid.

A comparison between Figures 2 and 3 shows that the United States under the Obama administration managed to persuade most trade partners of Iran to join the sanctions regime and reduce trade with Tehran. However, China continued and even increased trade with Iran. In response to the opponents of the Iran nuclear deal in Congress, both President Obama and Secretary of State John Kerry referred to the U.S. limitations and difficulties in making some trade partners of Iran, particularly China, keep the sanctions regime.¹⁴

This study addresses the following questions: first, what strategy did the Obama administration implement to persuade China to join in international sanctions against Iran? Second, what strategy did China adopt in response to the U.S.-led sanctions against Iran? And finally, why did Washington fail to persuade China while it managed to recruit the full support of most other major powers?

In answering these questions, the following three correspondent hypotheses will be examined in this study. First, the United States implemented a “guarded-engagement” strategy to persuade China to join in the sanctions against Iran and reduce trade with Tehran. On one hand, 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 such as sanctions, threats, bargaining and pressures to make China follow the sanctions.

According to the second hypothesis, China, through a “soft-balancing” strategy, did not directly stand against the United States to safeguard its grand interests in relations with Washington, and eventually voted for the UN resolutions against Iran. Yet in the meantime, 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.

According to the third hypothesis, decades of rapid economic growth have increased China’s relative power to such extent that U.S. power tools

¹⁴John Kerry, “Remarks on Nuclear Agreement with Iran,” September 2, 2015, <http://www.globalsecurity.org/wmd/library/news/iran/2015/iran-150902-state01.htm>; and Office of the Press Secretary, “Full Text: Obama Gives a Speech about the Iran Nuclear Deal.”

such as bargaining, threats, sanctions, and pressure are less productive or too costly for Washington to make Beijing follow U.S. sanctions against Iran.

Decision-Making in the United States and China: A Theoretical Debate

Theories concerning U.S.-China relations fall between the two extremes of liberal cooperation and realist confrontation. According to the liberal perspective, a rising China is not an intrinsic threat to the United States and both powers may engage and cooperate on many common security and economic interests. 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.¹⁵ Some 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 Chinese society, who will gradually move the country toward a liberal democracy. As a result, Beijing will align with Washington in international issues in the same way as those democratic nations like France, Germany, and Japan.¹⁶

Realist scholars reject the above predictions as naive and too optimistic. They believe that the rise of China is an inherent threat to the position of the United States in the international system. They argue that even if China does not follow confrontational policies today, it may do that in the future.¹⁷ According to Fareed Zakaria, history has shown that “as states grow increasingly wealthy they build large armies, entangle themselves in politics beyond their borders and seek international influence.”¹⁸ Realist scholars believe that states are concerned about their own national security

¹⁵John G. Ikenberry, *Liberal Leviathan: The Origins, Crisis, and Transformation of the American World Order* (Princeton, N.Y.: Princeton University Press, 2012), pp. 348–349.

¹⁶Francis Fukuyama, “Future of History: Can Liberal Democracy Survive the Decline of the Middle Class,” *Foreign Affairs*, Vol. 91, No. 1 (2012); and Andrew J. Nathan, “The Puzzle of the Chinese Middle Class,” *Journal of Democracy*, Vol. 27, No. 2 (2016).

¹⁷Mearsheimer, “The Gathering Storm.”

¹⁸Fareed Zakaria, *From Wealth to Power: The Unusual Origins of America’s World Role* (Princeton, N.Y.: Princeton University Press, 1999), p. 3.

and focus on relative interests rather than absolute interests, to keep the balance of power and prevent the rise of other states.¹⁹ According to Robert Gilpin, history has proved that “hegemonic war” between the hegemon and the second power is inevitable.²⁰ John Mearsheimer even goes so far as to predict that the United States will adopt a containment policy toward China in the same way it did against the Soviet Union during the Cold War.²¹

Four counterarguments are made against the realist views. The first is that prediction of a conflict between Washington and Beijing might be a self-fulfilling prophecy reflecting an obsolete war mentality.²² The second criticizes realists for ignoring the increasing role of international institutions in removing misunderstandings and providing incentives for cooperation among states.²³ The third argues that realist perspectives discount the role of economic interdependence and the pacifying effect of common interests in international relations.²⁴ The fourth states that the realist approach ignores the differences between China and the Soviet Union in terms of foreign policy: while the Soviet Union pursued an ideology-driven, expansionist policy during the Cold War, China upholds an independent foreign policy of peace and sticks to the non-interference principle in its dealings with the rest of the world. “So in this new probable Cold War, America may stand alone, unable to form a powerful coalition against the rising China.”²⁵

¹⁹Mehdi Hedayati Shahidani and Penkovtsev Roman Vladimirovich “Neo-Realism and Neo-Liberalism in American’s Foreign Policy: A Comparative Study” *International Relations and Diplomacy*, Vol. 2, No. 7 (2014), pp. 440–450.

²⁰Robert Gilpin, *War and Change in World Politics* (New York: Cambridge University Press, 1981).

²¹Mearsheimer, “The Gathering Storm,” p. 390.

²²Christopher E. Schildt, “Managing Uncertainty: Formulating a U.S. Grand Strategy for China,” *Journal of Public International Affairs*, Vol. 17 (2006).

²³Mark A. Pollack, “International Relations Theory and European Integration,” *Journal of Common Market Studies*, Vol. 39, No. 2 (2001), pp. 221–244.

²⁴Alexander Reichwein, “Realism and European Foreign Policy: Promises and Shortcomings,” in Knud Erik Jrgensen *et al.*, eds., *The SAGE Handbook of European Foreign Policy* (London: SAGE Publications Ltd, 2015).

²⁵Ashley J. Tellis, *Balancing without Containment: the American Strategy for Managing China* (Washington, D.C.: Carnegie Endowment for International Peace, 2014).

Each of the extreme realist and pure liberal perspectives may explain certain aspects of U.S.-China relations. They simplify complicated international issues to be explainable within the general logic of liberalism or realism. But neither can explain the complicated relations between Washington and Beijing. New endeavors by realist and liberal scholars have tried to explain their behavior in the new world.

This article attempts to examine neoclassical realism as one of the latest versions of realism which has tried to compensate for most deficiencies in previous realist theories. This theory focuses on the impacts of changes in the relative power of states on their foreign policy behavior. This issue matters profoundly in relations between a rising China and the United States in the new world where the undoubted increase of the relative power of the former certainly has impacts on the latter.

Foreign policy is ultimately a function of decision-makers' perception of the relative power and position of the state in the global system.

Most scholars who have studied U.S.-China relations believe that extreme liberal and realist approaches are nowhere to be found in the real world; rather, American and Chinese policymakers have followed realist strategies which have elements of both realism and liberalism. These scholars have used different terms to describe U.S. policy toward China. Justin Logan calls it "conengagement," an amalgamation of containment and engagement.²⁶ Ikenberry and Kupchan have preferred the term "liberal realism" to describe U.S. policy toward China.²⁷ Some scholars have prescribed "guarded engagement" as the best U.S. strategy for China.²⁸ Robert J. Art describes U.S. strategy as "selective engagement."²⁹ In comparison,

²⁶Justin Logan, "China, America, and the Pivot to Asia," *Policy Analysis* No. 717 (Washington, D.C.: CATO Institute, 2013).

²⁷John G. Ikenberry and Charles A. Kupchan, "Liberal Realism: The Foundations of a Democratic Foreign Policy," *National Interest*, No. 77 (2004), pp. 38–49.

²⁸Schildt, "Managing Uncertainty"; see also Paul A. Papayoanou and Scott L. Kastner "Sleeping with the (Potential) Enemy: Assessing the US Policy of Engagement with China," *Security Studies*, Vol. 9, No. 1 (1999), pp. 157–187.

²⁹Robert J. Art, "Geopolitics Updated: The Strategy of Selective Engagement," *International Security*, Vol. 23, No. 3 (2012), pp. 79–113.

scholars who have studied China's policy toward America tend to use "soft balancing," which stands between the two extremes of realism and liberalism.³⁰

In 1998 Gideon Rose used the term "neoclassical realism" for the works of a group of foreign policy scholars, such as William Curti Wohlforth, Stephen J. Brooks, Thomas J. Christensen, and Fareed Zakaria, who took into account both systemic and domestic factors, including the role of policymakers, in their analyses. Neoclassical realism tries to combine both the structural factors and the defining role of policymakers to form a theory that includes considerations of both international relations and foreign policy theories.

According to neoclassical realism, the position of a state in the anarchic international system is an independent variable that directly affects its foreign policy behavior, which is a dependent variable. But the role of policymakers as the intervening variable is essential in translating the independent variable into a dependent variable. In other words, policymakers make decisions according to their perceptions of relative power and the position of their state(s) in the international system; they calculate national interests and risks to make creative decisions which may lead to favorable consequences and avoid undesirable outcomes.³¹

The U.S.' Guarded Engagement vs. China's Soft Balancing

According to the primary considerations of neoclassical realism, the United States is expected to pursue the realist objective of preventing China from threatening U.S. preeminence in the international system. Yet according to the secondary considerations of this theory, American policymakers also calculate risks, costs, and outcomes of confrontation with or containment of China. Unlike the Soviet Union, China is a major trade partner of the United

³⁰Robert A. Pape, "Soft Balancing against the United States," *International Security*, Vol. 30, No. 1 (2005), pp. 7–45; Thazha V. Paul, "Soft Balancing in the Age of US Primacy," *International Security*, Vol. 30, No. 1 (2005), pp. 46–71; and Chaka Ferguson, "The Strategic Use of Soft Balancing: The Normative Dimensions of the Chinese-Russian 'Strategic Partnership,'" *Journal of Strategic Studies*, Vol. 35, No. 2 (2012), pp. 197–222.

³¹Gideon Rose, "Neoclassical Realism and Theories of Foreign Policy," *World Politics* Vol. 51, No. 1 (1998), pp. 144–172.

States; jeopardizing these economic interests may generate negative consequences on the U.S. economy.³² The United States also needs China's cooperation on different issues, and pure realist containment may alienate China to the effect that it has no other option but to join political coalitions that challenge U.S. policies around the world. Furthermore, as China does not follow an expansionist foreign policy, American allies do not view China as a security threat and are not expected to start a new Cold War against Beijing; rather, they have great economic interests in maintaining and expanding relations with China.³³

This does not imply that American policymakers have abandoned realist objectives to follow liberal policies and would let China undercut U.S. primacy in the international system. Instead, according to neoclassical realism, American policymakers are expected to calculate costs, risks, and interests to find a third way beyond engagement and containment to build a strategy which prevents China from threatening the U.S.' position in the system, and at the same time enjoy the benefits of engagement with Beijing. "Guarded engagement" can best describe this strategy. According to this strategy, "the United States should be prepared to use sticks as well as carrots in case China takes actions that contravene American security interests."³⁴ Christopher Schildt defines "guarded engagement" as a strategy according to which the United States engages and cooperates with China on common interests, while it prepares to use America's upper hand and broader power sources to use sticks when necessary to make China follow American policies.³⁵

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

On the Iranian nuclear issue, the U.S. adopted a guarded-engagement strategy toward China, while the latter took a soft-balancing approach.

³²Logan, "China, America, and the Pivot to Asia."

³³Tellis, *Balancing without Containment*.

³⁴Papayoanou, "Sleeping with the Enemy," p. 186.

³⁵Schildt, "Managing Uncertainty," p. 233.

scope of a country's foreign policy activity."³⁶ However, unlike Robert Gilpin, scholars of neoclassical realism do not believe that this tendency will necessarily lead to confrontation between the rising state and the hegemonic power, because policymakers as an intervening variable also consider limitations and make rational strategies.

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. But according to the secondary considerations of this theory, Chinese policymakers calculate risks and costs and make decisions according to their own perceptions of China's relative power. They know that confrontation with the United States is too costly and risky, and the prospect of victory is too slim and remote, because the United States is economically and militarily more powerful and has many allies around the world. However, it does not mean that China will align itself with the United States. Rather, neoclassical realism expects Chinese decision-makers to find 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 reduce the risks and costs of confrontation and enjoy the benefits of engagement with Washington. In other words, China would refrain from confronting the United States directly, but it will try to hobble U.S. policies with limited cooperation. Scholars of neoclassical realism have called this a "soft-balancing" strategy.³⁷

This article adopts the process-tracing method to clarify the causal logic that has shaped foreign policy behavior of Chinese and American policymakers in the case of sanctions against Iran from 2009, when Barack Obama took office, to 2013, when the interim deal between Iran and P5+1 was signed.

During the 2008 presidential election, Barack Obama called Iran's nuclear program "a vital security threat" and criticized the policies of President Bush in this regard; he promised to use whatever method to prevent Tehran from obtaining the nuclear weapon.³⁸ When elected,

³⁶Rose, "Neoclassical Realism and Theories of Foreign Policy," p. 167.

³⁷Pape, "Soft Balancing against the United States"; Paul, "Soft Balancing in the Age of US Primacy"; and Ferguson, "The Strategic Use of Soft Balancing."

³⁸Barack Obama, "Full Text: Obama's Foreign Policy Speech," *Guardian*, July 26, 2008, <https://www.theguardian.com/world/2008/jul/16/uselections2008.barackobama>.

President Obama adopted a different tone with Iran. In a “Nowruz Message” in March 2009, 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.³⁹ Three months later, post-election uproars in Iran and U.S. interventions changed many things and deteriorated the already bitter relations between Iran and the United States.

The Washington-Beijing Game on the Iranian Nuclear Issue

In July 2009 when the “Green Movement” was raging in Iran in the wake of the recent presidential election, President Obama seized the opportunity to secure an international agreement on concerted efforts to closely monitor Iran’s nuclear program during the G20 Summit in London. Later in his speech in the G8 summit, President Obama displayed satellite photos to accuse Iran of conducting secret uranium enrichment near the city of Qom and “breaking rules that all nations must follow;” he called on the international community to make “strict decisions including sanctions against Iran.”⁴⁰ On the same day, China’s Foreign Ministry spokesman expressed his opposition to new sanctions against Iran, arguing that “we always believe that sanctions and pressures are not the way out. . . at present it is not conducive to diplomatic efforts.”⁴¹ Three days later, President Obama in his private talk with President Hu Jintao of China stressed “the centrality of the Iran nuclear issue to U.S. national security interests” and demanded China’s support for the new U.N. sanctions against Iran.⁴²

Two months later, on Obama’s first visit to Beijing, the Iran factor stood out among overt differences between the two countries — President Obama warned of “consequences” if Tehran “failed to show that its nuclear

³⁹Ian Black, “Barack Obama Offers Iran ‘New Beginning’ with Video Message,” *Guardian*, March 20, 2009, <https://www.theguardian.com/world/2009/mar/20/barack-obama-video-iran>.

⁴⁰Matt Spetalnick, “Obama Uses G8 Debut to Issue Warning to Iran,” Reuters, July 10, 2009, <http://www.reuters.com/article/us-g8-summit-obama-iran-idUSTRE56938J20090710>.

⁴¹Andrew Jacobs, “China Opposes Iran Sanctions Sought by U.S.,” *New York Times*, September 24, 2009, <http://www.nytimes.com/2009/09/25/world/asia/25beijing.html>.

⁴²Malcolm Moore, “China ‘May Support’ UN Sanctions against Iran,” *Telegraph*, September 27, 2009, <http://www.telegraph.co.uk/news/worldnews/middleeast/iran/6236887/China-may-support-UN-sanctions-against-Iran.html>.

program was peaceful," while President Hu emphasized that the differences with Iran should be resolved "through dialogue and negotiations."⁴³ In the next month, while the United States repeatedly threatened Iran with new sanctions in the UNSC, China explicitly rejected a new UN resolution against Iran. China's Foreign Ministry spokesman described Beijing's position in the following terms: "We have consistently insisted that the Iran nuclear issue be properly solved through diplomatic negotiations, and we think sanctions cannot solve the root issues."⁴⁴

U.S. Policy to Persuade China to Substitute Iranian Oil

The Obama administration has resorted to U.S. oil-rich allies in the Middle East to compensate for the shortfall in oil supplies caused by the absence of Iranian oil on the international market and reduce the economic loss entailed on Iran's trade partners. Prior to President Obama's first trip to the Middle East, in April 2009, Dennis Ross, Obama's senior Middle East adviser negotiated with Saudi Arabia and other oil-exporting Arab countries on increasing oil production to maintain market stability.⁴⁵ Less than two weeks later, on Obama's trip to these countries, sanctions against Iran was among the top issues he discussed with Arab leaders.⁴⁶

Four months later, Saudi Arabia declared that the country was ready to compensate for any oil reduction on 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.⁴⁷ Another four months later, Secretary of State Hillary Clinton visited

⁴³Peter Foster, "Barack Obama and Hu Jintao Remain Divided on Key Issues," *Telegraph*, November 17, 2009, <http://www.telegraph.co.uk/news/worldnews/asia/china/6589921/Barack-Obama-and-Hu-Jintao-remain-divided-on-key-issues.html>.

⁴⁴"China: Sanctions not Key to Iran Nuclear Issue," *China Daily*, December 24, 2009, http://www.chinadaily.com.cn/world/2009-12/24/content_9226926.htm.

⁴⁵Steve Clemons, "US-Saudi Relations in a World Without Equilibrium," *Huffington Post*, April 25, 2009, http://www.huffingtonpost.com/steve-clemons/us-saudi-relations-in-a-w_b_191384.html.

⁴⁶CBS News, "Obama Visits Saudi King Before Key Speech," June 3, 2009, <http://www.cbsnews.com/news/obama-visits-saudi-king-before-key-speech/>.

⁴⁷Jay Solomon, "U.S. Enlists Oil to Sway Beijing's Stance on Tehran," *Wall Street Journal*, October 20, 2009, <https://www.wsj.com/articles/SB125590100370392905>.

Saudi Arabia and other oil-exporting Arab countries to ensure their coordination in increasing oil production.⁴⁸

At the same time, in November 2009, two weeks before President Obama's first visit to Beijing, Dennis Ross and Jeffrey Bader, both pro-Israel senior officials in the U.S. National Security Council, negotiated with the Chinese authorities and suggested that China's oil import from Iran be gradually replaced by the oil from Saudi Arabia and other sources. According to *The Washington Post* they warned China that in the case of failure of sanctions, the only remaining option for Israel would be war against Iran, because Israel regarded Iran's nuclear program as an "existential issue and that countries that have an existential issue don't listen to other countries." The implication was clear: "Israel could bomb Iran, leading to a crisis in the Persian Gulf region and almost inevitably problems over the very oil China needs to fuel its economic juggernaut." And they advised that the best alternative for war between Israel and Iran would be international cooperation on sanctions against Tehran.⁴⁹

Later, *The Washington Post* reported that China did not welcome the idea of replacing Iranian oil with the oil from Arab countries.⁵⁰ From a strategic point of view, Saudi Arabia and other oil-exporting Arab countries allied with the United States are expected to stand by Washington in the case of struggle between China and the United States.⁵¹ Furthermore, the history of Western sanctions against Iraq showed that these sanctions eventually led to a full-scale war and regime change in Baghdad. From the Chinese point of view, the same sanctions policy might ultimately lead to a full-scale war and regime change in Iran and as a result entrench

⁴⁸Abeer Allam, "Saudi Minister Plays down Iran Sanctions," *Financial Times*, February 16, 2010, <http://www.ft.com/cms/s/0/675747bc-1add-11df-88fa-00144feab49a.html?nclick-check=1>.

⁴⁹John Pomfret and Joby Warrick, "China's Backing on Iran Followed Dire Predictions," *Washington Post*, November 26, 2009, <http://www.washingtonpost.com/wp-dyn/content/article/2009/11/25/AR2009112504112.html>.

⁵⁰Glenn Kessler, "China Could Block Sanctions against Iran," *Washington Post*, February 5, 2010, <http://www.washingtonpost.com/wp-dyn/content/article/2010/02/04/AR2010020404792.html>.

⁵¹Haass, "The Irony of American Strategy."

U.S. regional preeminence, leaving China even more dependent on the goodwill of the United States for oil supplies.⁵² In China's calculation, Iran is not only a major oil supplier, but also an important strategic partner in ensuring a tranquil neighborhood in Central Asia. Besides, as long as there is a defiant Iran in the Middle East, the United States cannot fully concentrate on East Asia where China's core interests are located.⁵³

China has opposed the idea of replacing Iranian oil with that from Arab countries.

Pressures over Beijing

China opposed the U.S. proposal of further UN resolutions against Iran in late 2009⁵⁴ and again in the early 2010.⁵⁵ According to the *New York Times*, President Obama, on his first visit, was confronted with "a fast-rising China more willing to say No to the United States."⁵⁶ With the passing of more than a year since President Obama had entered the White House, engagement and diplomacy seemed less productive in dealing with Beijing. But if the carrot policy was out, what about the stick policy?

On January 29, 2010, Secretary of State 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."⁵⁷ Exactly one day after her remarks, President Obama announced a \$6.4 billion arms deal with Taiwan, including about \$2.85 billion in missiles, 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

⁵²Willem van Kemenade, "China vs. the Western Campaign for Iran Sanctions," *Washington Quarterly*, Vol. 33, No. 3 (2010), pp. 99–114.

⁵³Garver, "Is China Playing a Dual Game in Iran?," p. 79.

⁵⁴"China: Sanctions Not Key to Iran Nuclear Issue."

⁵⁵"China Again Rejects UN Sanctions against Iran," BBC News, January 6, 2010, <http://news.bbc.co.uk/2/hi/asia-pacific/8442775.stm>.

⁵⁶Helene Cooper, "China Holds Firm on Major Issues in Obama's Visit," *New York Times*, November 17, 2009, <http://www.nytimes.com/2009/11/18/world/asia/18prexy.html>.

⁵⁷Mark Landler, "Clinton Warns China on Iran Sanctions," *New York Times*, January 29, 2010, <http://www.nytimes.com/2010/01/30/world/asia/30diplo.html>.

communications systems.⁵⁸ China responded furiously, denouncing the decision and warning of severe harm to the bilateral ties. It announced that it would curtail military exchanges with Washington and threatened to impose sanctions on the companies supplying arms to Taiwan.⁵⁹ A commentary in *The China Daily* stated that “[b]ut a message has to be sent: From now on, the U.S. 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?”⁶⁰

The Taiwan factor is the most sensitive issue in U.S.-China relations, and it is involved in many other aspects of their complicated relations.⁶¹ Historical precedents show the complicated relations among China, Iran and the United States under the influence of this factor. In 1992, the United States was about to sell 150 Block 20 F-16 warplanes to Taiwan.⁶² In response, China strengthened military and nuclear cooperation with Iran, and signed a \$4.5 billion military contract with Tehran despite protests from the United States.⁶³ China continued relations with Tehran and stood as the foremost nuclear partner of Tehran and used the Iran card to pressure the United States.⁶⁴ In 1997, through landmark negotiations between the Clinton administration and Beijing, both sides eventually

⁵⁸“U.S. Announces \$6.4 Billion Arms Deal with Taiwan,” CNN, January 30, 2010, <http://edition.cnn.com/2010/WORLD/asiapcf/01/29/taiwan.arms/>.

⁵⁹Li Xiaokun, “Beijing Furious at Arms Sales to Taiwan,” *China Daily*, February 1, 2010, http://www.chinadaily.com.cn/china/2010-02/01/content_9404199.htm.

⁶⁰Huang Xiangyang, “Get Back When Attacked,” *China Daily*, January 31, 2010, http://www.chinadaily.com.cn/china/2010-01/31/content_9403410.htm.

⁶¹Charles L. Glaser, “A US-China Grand Bargain? The Hard Choice between Military Competition and Accommodation,” *International Security*, Vol. 39, No. 4 (2015), pp. 49–90; and Stephen Harner, “How To Solve The ‘Taiwan Problem’ in U.S.-China Relations,” *Forbes Asia*, 2015, <https://www.forbes.com/sites/stephenharner/2015/06/17/how-to-solve-the-worsening-taiwan-problem-in-u-s-china-relations/#1f10bdd672e9>.

⁶²Michael Richardson, “F-16 Sale to Taiwan ‘A 2-Edged Sword,’” *New York Times*, September 4, 1992, <http://www.nytimes.com/1992/09/04/news/04iht-race.html>.

⁶³Kemenade, “China vs. the Western Campaign for Iran Sanctions,” p. 101.

⁶⁴Leonard Spector, “Chinese Assistance to Iran’s Weapons of Mass Destruction and Missile Programs,” Testimony before the House International Relations Committee September 12, 1996, <http://carnegieendowment.org/1996/09/12/chinese-assistance-to-iran-s-weapons-of-mass-destruction-and-missile-programs-pub-129>.

compromised: Washington withdrew from its policies to Taiwan, and in return, Beijing withdrew from some policies, including nuclear cooperation with Iran, and indicated that it would not get involved in Iran's nuclear program.⁶⁵ In 2010, when diplomatic negotiations failed in making China support the new UNSC resolution against Iran, President Obama once again used the Taiwan card to pressure Beijing and announced a \$6.4 billion arms deal with Taiwan.⁶⁶

The Obama administration also played the human rights card to alter China's behavior. In October 2009, President Obama canceled his planned visit with the Dalai Lama, the exiled spiritual leader of Tibet. *The Washington Post* reported that U.S. officials told Tibetan representatives "that they wanted to work with China on critical issues, including nuclear weapons proliferation in North Korea and Iran."⁶⁷ But in February 2010, three weeks after Secretary of State Clinton openly threatened China on the Iranian issue, President Obama met with the Dalai Lama and expressed support for the preservation of Tibetans' "unique religious, cultural and linguistic identity and the protection of human rights for Tibetans in the People's Republic of China."⁶⁸ In response, China's Foreign Ministry summoned the U.S. ambassador to Beijing to lodge an official protest and warned that "Washington risked damaging U.S.-China relations if it went ahead with the meeting."⁶⁹

Sanctions against China

Right after the UN Resolution 1929 in June 2010, the U.S. Congress voted for the CISADA, according to which the U.S. government should

⁶⁵Lounnas Djallil, "China and the Iranian Nuclear Crisis: Between Ambiguities and Interests," *European Journal of East Asian Studies*, Vol. 11, No. 2 (2011), pp. 227–253.

⁶⁶Kemenade, "China vs. the Western Campaign for Iran Sanctions."

⁶⁷John Pomfret, "Obama's Meeting with the Dalai Lama is Delayed," *Washington Post*, October 5, 2009, <http://www.washingtonpost.com/wp-dyn/content/article/2009/10/04/AR2009100403262.html>.

⁶⁸Helene Cooper, "Obama Meets Dalai Lama, and China Is Quick to Protest," February 18, 2010, <http://www.nytimes.com/2010/02/19/world/asia/19prexy.html>.

⁶⁹Peter Foster, "China Summons US Ambassador to Protest Barack Obama's Meeting with Dalai Lama," *Telegraph*, February 19, 2010, <http://www.telegraph.co.uk/news/world-news/asia/tibet/7269588/China-summons-US-ambassador-to-protest-Barack-Obamas-meeting-with-Dalai-Lama.html>.

impose sanctions on companies that make an investment of more than \$20 million per year in Iran's oil industry. These sanctions also included serious limits on foreign financial institutions' access to the U.S. financial system.⁷⁰ China, as the biggest trade partner of Iran, protested against CISADA and other U.S. unilateral sanctions against trade partners of Iran.⁷¹

U.S. sanctions against China, one of its major trade partners, could backfire. In practice, the Obama administration used sanctions against third parties as the last resort to avoid economic risks and costs to U.S. companies. A review of the history of U.S. sanctions against Iran shows that as sensitivity over Iran increased, Tehran's trade partners were more susceptible to be sanctioned. According to the *Iran and Libya Sanction Act (ILSA)* of 1996, the Congress authorized the U.S. government to waive or ignore the law when "important" national interests would be at risk.⁷² However, in the face of resistance from major trade partners of Iran, including EU countries, during the 1990s, ILSA did not do much damage to Iran's trade with its partners including China.⁷³ But in 2010, by CISADA, the U.S. government was authorized to ignore the sanctions law when it was "necessary" to protect U.S. interests.⁷⁴ U.S. sensitivity to Iran's nuclear program reached its peak in 2012 when the *Iran Threat Reduction Act (ITRA)* authorized the government to grant waivers only when sanctions would damage "vital" interests of the United States.⁷⁵

⁷⁰"CISADA: The New U.S. Sanctions on Iran, The Financial Provisions of CISADA," U.S. Department of Treasury, July 1, 2010, https://www.treasury.gov/resource-center/sanctions/Programs/Documents/CISADA_english.pdf.

⁷¹"China Objects to US Sanctions Against Iran, Saying UN Sanctions Don't Need Expanding," Fox News, July 6, 2010, <http://www.foxnews.com/world/2010/07/06/china-objects-sanctions-iran-saying-sanctions-dont-need-expanding.html>.

⁷²*Iran and Libya Sanctions Act (ILSA)*, House of Representatives, H.R. 3107, June 18, 1996, <https://www.gpo.gov/fdsys/pkg/BILLS-104hr3107enr/pdf/BILLS-104hr3107enr.pdf>.

⁷³Kenneth Katzman, "Iran Sanctions" Congressional Research Service, December 2, 2011, <http://i.cfr.org/content/publications/attachments/RS20871.pdf>.

⁷⁴"CISADA: The New U.S. Sanctions on Iran," p. 5.

⁷⁵*Iran Threat Reduction and Syria Human Rights Act of 2012*, U.S. Congress, August 10, 2012, <https://www.congress.gov/bill/112th-congress/house-bill/1905>.

Thereafter, the struggle between the United States and Chinese firms intensified.

China had to
toughen sanctions
over Iran when the
U.S. threatened
sanctions on it as
well.

The sanctions, ordered by the U.S. Congress, put the Obama administration in a difficult position of imposing sanctions on some of the United States' closest allies. In February 2012, the Obama administration announced a step-by-step plan showing which trade partner of Iran would be exempt from sanctions on the condition that it would reduce trade and report to Washington. In the first stage of the plan,

ten EU countries and Japan were exempted as they had voluntarily reduced trade with Iran before.⁷⁶ In the second stage, in June 2012, Turkey, India, South Korea, and South Africa, as close partners of Iran, agreed to gradually withdraw from Iran and were exempted.⁷⁷ Less than three weeks later, Secretary of State Clinton announced that China had agreed to reduce trade with Iran and would be exempted from sanctions.⁷⁸ The Chinese government never confirmed or rejected the claim. However, in 2012, China's trade with Iran decreased, particularly due to bank sanctions.⁷⁹

China's trade with Iran encountered daunting challenges after the United States imposed financial sanctions against Iran and EU banking systems eliminated Iran from its interaction list in 2012. On July 31, President Obama himself announced sanctions against the Chinese bank of Kunlun and the Elaf Islamic bank of Iraq, because "they facilitated

⁷⁶Arshad Mohammed and Andrew Quinn, "U.S. Exempts 11 States from Iran Sanctions; China, India Exposed," Reuters, March 21, 2012, <http://www.reuters.com/article/us-iran-usa-sanctions-crude-idUSBRE82J11M20120321>.

⁷⁷Mark Landler, "U.S. Exemptions From Iran Oil Sanctions Leave Out China," *New York Times*, June 11, 2012, <http://www.nytimes.com/2012/06/12/world/middleeast/china-not-issued-waiver-for-oil-trade-with-iran.html>.

⁷⁸Rick Gladstone, "U.S. Exempts Singapore and China on Iran Oil," *New York Times*, June 28, 2012, <http://www.nytimes.com/2012/06/29/world/us-exempts-china-and-singapore-from-sanctions-on-iranian-oil.html>.

⁷⁹*ITC by Country Report: Iran.*

transactions worth millions of dollars” for Iranian banks.⁸⁰ The delicate point in bank sanctions was that foreign companies could import Iranian goods, but could not pay the price in cash to Iran due to bank restrictions. Subsequently, a considerable amount of Iranian oil was purchased on credit. When the nuclear deal between Iran and P5+1 was signed in 2015, Iran’s blocked property to India reached above \$8 billion. This figure for China exceeded \$22 billion.⁸¹

China’s Role in Facilitating a U.S.-Iran Nuclear Deal

From 2009–2010, U.S.-China differences over Iran peaked: with Secretary of State Clinton’s explicit threat on China, President Obama’s meeting with the Dalai Lama, and the U.S.-Taiwan arms deal. Yet in June 2010, China eventually voted for the UN Resolution 1929 and tensions between the two powers subsided for the time being. But why did China withdraw from its previous stance and vote for a new UN resolution against Iran? Can we conclude that Beijing succumbed to U.S. pressures?

The following considerations may explain China’s behavior in this regard. First, keeping peaceful relations with the United States has always been a top priority for China. Both governments refrain from radical decisions on economic and strategic disputes through various diplomatic channels.⁸² Second, when Russia withdrew from its previous position and agreed to negotiate a new UN resolution against Iran in February 2010,⁸³ China stood alone and was more vulnerable to Western pressures. Third, China, along with Russia, negotiated over the text of the resolution to soften the final text and to safeguard economic and strategic interests.⁸⁴ Fourth, as

⁸⁰Jamie Crawford, “New Iran Sanctions Hit Banks in China, Iraq,” CNN, July 31, 2012, <http://www.cnn.com/2012/07/31/us/iran-sanctions/>.

⁸¹“\$8.8 Billion Iran Money Blocked in India,” Press TV, May 16 2015, <http://www.presstv.ir/Detail/2015/05/16/411283/Iran-India-oil-money-trade->.

⁸²Moritz Pieper, “Dragon Dance or Panda Trot? China’s Position toward the Iranian Nuclear Programme and Its Perception of EU Unilateral Iran Sanctions,” *European Journal of East Asian Studies*, Vol. 12, No. 2 (2013), pp. 295–316.

⁸³“Hillary Clinton to Push for Tougher Iran Sanctions on Gulf Tour,” France 24, February 15, 2010, <http://www.france24.com/en/20100214-hillary-clinton-push-tougher-iran-sanctions-gulf-tour>.

⁸⁴Garver, “Is China Playing a Dual Game in Iran?”

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, and Saudi Arabia agreed to increase oil production to prevent an increase in oil prices in the market. Fifth, post-election uproars in Iran during 2009–2010 damaged the international credibility of Iran,⁸⁵ and increased media and diplomatic pressures over China as Iran's largest trade partner. Sixth, 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.⁸⁶ Seventh, despite voting for the UN resolutions, China still maintained its stance against U.S. unilateral sanctions and continued, even expanded, trade with Iran.⁸⁷

China's soft-balancing role and enhanced trade with Iran were crucial in making the U.S. seek a nuclear compromise with Iran.

The Obama administration needed China's valuable vote in the UN Security Council. Thus China used the opportunity to follow economic and strategic interests in relations with the United States and Iran. Despite voting in favor of sanctions 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 in which Iran faced the worst sanctions and bank limitations.⁸⁸ So the "soft-balancing" strategy began to work for China, as it could import more oil from Saudi Arabia as compensation.

According to Secretary of State 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

⁸⁵Katzman, "Iran Sanctions."

⁸⁶Djallil, "China and the Iranian Nuclear Crisis," p. 252; and Mark Landler, "No New F-16's for Taiwan, but U.S. to Upgrade Fleet," *New York Times*, September 18, 2011, <http://www.nytimes.com/2011/09/19/world/asia/us-decides-against-selling-f-16s-to-taiwan.html>.

⁸⁷ITC by Country Report: Iran.

⁸⁸China: *International Energy Data and Analysis*, p. 13.

billions of dollars.”⁸⁹ 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 maintain 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.”⁹⁰ Consequently, China’s Iran policy played a major role in making Washington seek a nuclear compromise with Iran.

Conclusion

U.S. sanctions against Iran expanded when President Barack Obama came to power in 2009. However, Washington needed cooperation from major trade partners of Iran, as well as the permanent members of the UN Security Council, to intensify international pressures on Tehran. The role of China as the foremost trade partner of Iran, and as a member with veto power in the UNSC, was controversial in this regard. China did not share much of U.S. concerns over Iran’s nuclear program. Rather, significant economic and strategic interests linked Tehran and Beijing.

The Obama administration, through a guarded engagement strategy, engaged with Beijing and negotiated over common concerns and interests on the one hand, whilst on the other hand, using the predominant American power and international position to pressure China through different channels, including the Taiwan issue, the human rights card, economic sanctions, and support from allies, such as Saudi Arabia and Israel, to force Beijing to subscribe to sanctions against Iran.

China followed a soft-balancing strategy to safeguard its major interests in relations with the United States and the West, and at the same time prevent U.S. domination over the region. Considering the sensitivity of the issue and unprecedented U.S. pressures, China did not directly oppose Washington and eventually voted for the UN resolutions against Iran. However, China did not vote for this resolution voluntarily or unreservedly. China, along with Russia, negotiated over the text of each resolution to soften its provisions in order to protect China’s economic and strategic

⁸⁹Kerry, “Remarks on Nuclear Agreement With Iran.”

⁹⁰Office of the Press Secretary, “Remarks by the President on the Iran Nuclear Deal.”

interests, and delayed the passage to provide space for a diplomatic solution, and to prevent an Iraq-style regime change policy which had begun with sanctions and ended with military invasion and enhanced U.S. domination over the energy-rich Middle East. In practice, China continued trade with Iran to make the sanctions policy abortive and costly for the United States, and to tie Washington down in the Middle East — away from East Asia where China's core interests are located.

Findings of this study show that decades of gradual increase in China's relative power have put this country in such a position that it is capable of countering U.S. diplomatic levers, such as bargaining, threats, sanctions, and coercion. Unlike European countries, Japan, South Korea, and other trade partners of Iran, China challenged the sanctions policy and continued trade with Tehran despite U.S. pressures. Growing economic interdependence makes it difficult for the United States to impose sanctions on Chinese companies without undermining American business interests. Furthermore, the United States needs China's cooperation on many other multilateral and bilateral issues. American offensive policies may invoke China to adopt confrontational policies such as joining anti-American coalitions to create problems for the United States.

In neoclassical realism theory, both the anarchic international system as an independent variable, and the role of policymakers as the intervening variable, are taken into account to explain the foreign policy behavior of states. In the case of sanctions against Iran during the nuclear dispute, American and Chinese policymakers — through the guarded-engagement and soft-balancing strategies respectively — refrained from direct confrontation to safeguard their grand interests in the bilateral relations, while the eventual nuclear deal between Iran and P5+1 could meet the minimum expectations of both powers: the United States could limit the nuclear program of Iran with fewer risks and costs; and China, along with Russia, could maintain their strategic interests, as the nuclear deal is expected to put Iran in a better position to resist U.S. domination over the region.