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THESIS

**THE PEOPLE'S REPUBLIC OF CHINA'S ECONOMIC
GROWTH AND FOREIGN POLICY**

by

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**THE PEOPLE'S REPUBLIC OF CHINA'S ECONOMIC GROWTH AND
FOREIGN POLICY**

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ABSTRACT

This thesis explores whether a causal relationship exists between the People's Republic of China's foreign policy and its economic policy. Specifically, it explores how China's overall economic policy has led it to become involved in countries that are considered political pariahs by many countries but that have established or potential petroleum resources to which China hopes to gain exclusive or at least first chance rights. Concentrating on those relationships, the thesis explores the extent to which Beijing has acted on the international political stage to protect those countries from international pressure and to preserve their political status quo because of China's economic ties with those countries. In three case studies focused on Iraq, Iran, and the Sudan, the thesis finds that Beijing's overall foreign policy is little affected by its economic ties with those countries. In each case, the thesis finds that China's economic ties are more important to Iraq, Iran, and the Sudan than to Beijing, and that such ties are small among overall Chinese economic concerns. Additionally, the thesis finds that Beijing defends these countries in international forums based on longstanding foreign policy considerations of upholding sovereignty and not on economic policy.

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I. INTRODUCTION

A. PURPOSE

This thesis examines the priority of economic interests in the overall foreign policy of the People's Republic of China (PRC). Specifically, it explores how China's overall economic policy has led it to become involved in countries that many consider political pariahs but that have established or potential petroleum resources to which China hopes to gain exclusive or at least first chance rights. Concentrating on those relationships, the thesis assesses the degree to which Beijing has acted on the international political stage both to protect those countries from international pressure and to preserve their political status quo because of economic ties with those countries. Three case studies are examined in the context of Beijing's ties to Iraq, Iran, and the Sudan.

B. SIGNIFICANCE

As China develops into a world economic power, its appetite for scarce natural resources will increase. The Chinese economy has reached GDP growth rates of up to 13 percent since the early 1990s and has consumed resources available domestically at overwhelming rates. China's sprawling cities are occupying increasing amounts of arable land, and many areas of China are beginning to face water shortages. Demand for energy resources to power China's growing industrial cities is also outstripping supply.

China was a net exporter of petroleum until 1993. Since then it has become increasingly dependent on oil imports, mostly from the Middle East. Not surprisingly, the Chinese are seeking new sources of petroleum. In 1997 the China National Petroleum Corporation (CNPC) outbid American and European companies to secure a contract to develop petroleum sources in Kazakhstan, and to build a pipeline from Kazakhstan to China. Most analysts doubt that the pipeline will ever be completed, or project that, if completed, it will supply no more than a small portion of China's energy needs. Nevertheless, the project does demonstrate China's strong desire to diminish its dependence on the world petroleum market. China's current dependence on Middle East oil is a strategic weakness because the United States maintains freedom of the seas, and so China is vulnerable to American disruption if Washington turns hostile to Beijing.

In order to secure oil supplies independent of the world oil market, Beijing has embarked on a program of selective investment in developing countries. Because Beijing subsidizes Chinese oil companies, they are able to outbid American and Western oil corporations in developing areas. At other times, China undertakes projects that operate at a loss to gain experience and curry favor with developing countries. One example of this is the pipeline that China is building in the Sudan. Whether or not this selective and inefficient method of investing in foreign oil infrastructure will lead the Chinese to an advantage in world oil markets is debatable.

The larger question regarding China's growing energy needs is how those needs affect Beijing's overall foreign policy. Beijing has long held that its foreign policy is centered on the "five principles of peaceful coexistence." These principles are: mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence.¹ Given the pressures of its growing demand for imported oil, will Beijing depart from its longstanding foreign policy to become more aggressive in pursuing energy sources to satisfy its economic needs? Will Beijing's overall foreign policy reflect an effort to gain an advantage in search of energy? In countries with which the United States is reluctant to become involved, will Beijing's energy-driven foreign policy give it an economic advantage?

C. ORGANIZATION

Chapter II explores the economic relationship between Beijing and Baghdad and Beijing's foreign policy towards Baghdad. After a brief history of modern Iraq, the chapter breaks the relationship between the two countries into two distinct periods. The first period covers the relationship between 1950 and Iraq's invasion of Kuwait in 1991. In this period Beijing and Baghdad slowly built diplomatic and economic ties. By the 1980s, the two countries had a strong relationship fostered by Beijing's arms sales and contract work in Iraq during the Iran-Iraq war. This relationship was damaged by the Iraqi invasion of Kuwait, and Beijing's support for Iraq's eviction from Kuwait and international economic sanctions on Baghdad. Beijing's abstention from the vote on United Nations (UN) Security Council Resolution 678, to authorize military action

¹ Denny Roy, *China's Foreign Relations* (New York: Rowman & Littlefield Publishers, 1998), 40.

against Baghdad, was based on its longstanding insistence on political resolutions of international conflicts and non-interference in internal affairs. Beijing's position was not based on any support for Baghdad itself.

The second period covers the economic and political ties between the two countries from 1991 until Saddam Hussein's removal from power in 2003. In this period, Beijing and Baghdad rebuilt economic ties. Beijing's opposition to regime change in 2003 was based on the same principles as its opposition to the UN action in 1991. The economic ties the two countries had built were small in comparison to China's overall economy. In 2003 Beijing was more concerned with its place in the international community than with any economic ties to Iraq.

Chapter III explores the relationship between Beijing and Tehran. The evolution of this relationship is broken into two periods. The first period began with Tehran's official recognition of Beijing in 1971 and ended when China became a net importer of oil in 1993. During this period, the relationship between the two countries was centered on their places in the larger Cold War. Beijing developed economic ties with Iran during the 1980s as an arms supplier and provider of consumer goods. During the second period, Beijing became more involved in developing the infrastructure and oil resources of Iran, cementing economic ties between the two countries. Beijing continued to sell arms to Iran and was suspected of aiding Tehran's chemical, biological, and nuclear weapons programs. Despite these ties, Beijing's policy towards Iran remained centered on its concern with political resolutions to conflicts and with non-interference. Beijing's policy has placed it in a position to develop economic ties with Iran, but those economic ties have little effect on Beijing's overall foreign policy.

Chapter IV looks at the relationship between Beijing and Khartoum. After a brief review of the tumultuous history of the Sudan, the chapter first assesses the economic ties and then overall relations between Khartoum and Beijing. After the discovery of oil in southern Sudan, economic ties between the two countries grew quickly. Beijing today is the largest foreign investor in the Sudan and purchases the majority of the oil it produces. However, the relationship is largely one-sided. Oil from the Sudan constitutes less than ten percent of China's total imports. With regard to broader foreign policy issues, Beijing

continues to oppose foreign intervention in the civil wars taking place in the Sudan. This position makes Beijing one of Khartoum's few international supporters. This position is based on traditional Chinese concerns of non-interference and mutual support and less on economic connections between the countries. Beijing's Sudan policy has allowed it to gain an economic foothold where other countries are held back by their political reservations about dealing with Khartoum.

The concluding chapter summarizes the argument of the thesis, namely, that Beijing's foreign policy has allowed it to develop economic ties with pariah countries, but those economic ties do not have much effect on Beijing's overall foreign policy. The three cases of Iraq, Iran, and the Sudan demonstrate that Beijing is willing to develop ties with countries with which many nations are at odds. Where other countries are held back by political reasons, as in Iraq and Iran, or humanitarian reasons, as in the Sudan, Beijing has taken advantage their absence to develop economic ties. However, these economic ties have not had a discernible impact on Beijing's overarching foreign policy.

II. CHINESE INVOLVEMENT IN IRAQ

A. INTRODUCTION

This chapter deals with the relationship between Beijing and Baghdad. The relationship between the two countries has been shaped by the various wars in which Baghdad has been part. Prior to the Iran-Iraq war Chinese trade to the region was very limited, as Beijing was primarily concerned with its own defense and economic development. During the Iran-Iraq War Beijing sold weapons to both sides of the conflict and to other Middle Eastern countries as well. By the end of the war Beijing had established economic ties to both Iraq and Iran, which Iraq's invasion of Kuwait set back. Despite some concerns, Beijing voted for UN Security Council Resolution 660 which called for the removal of Iraq from Kuwait.² After the invasion, economic ties and foreign relations between the two countries were dominated by the ongoing UN Security Council economic sanctions.

A major change occurred in Beijing's relationship with Baghdad when the UN began the Oil-for-Food program in 1996. By this time China had become an importer of oil, one of many nations which purchased oil from Iraq and in return sold humanitarian goods to Iraq. By 2003 Beijing and Tehran had developed a robust economic and diplomatic relationship. Beijing was seen as one of Baghdad's few international supporters outside the Middle East.

Beijing, Moscow, and Paris all objected to the United States' efforts to conduct regime change in Iraq in 2003. Some analysts point to the economic ties between Beijing and Saddam's regime as the reason for their opposition to the war. However, Beijing's reluctance was based more on its traditional approach to foreign policy, which emphasized non-interference and peaceful resolution of conflicts rather than on economic interests. While there were economic ties between the countries, the amount of trade was small in comparison to Beijing's total amount of trade. This chapter will examine the relationship between Beijing and Baghdad by covering a brief history of Iraq, the

² Yitzhak Shichor, "China and the Middle East since Tiananmen," *Annals of the American Academy of Political and Social Science*, Vol. 519, China's Foreign Relations (January 1992), 93.

economic and diplomatic relationship between the two countries prior to 1991, and finally, the relationship between the two countries after 1991.

B. A HISTORY OF IRAQ

Iraq's historical experience was important in shaping Iraq as a nation and how it deals with the international community. The area which is now Iraq was governed by the Ottoman Empire in the beginning of the 20th century as three separate provinces. During World War I the British declared war on the Ottoman Empire and invaded Iraqi territory. By the end of the war the whole of what is today's Iraq was under British control. After World War I, Iraq was placed under British mandate by the League of Nations,³ and in 1921 the British established a Hashemite monarchy under Amir Faisal. Iraq's independence from the British Empire came in 1932. At the time many Iraqis were unhappy with the terms of independence, which demanded strong economic and military ties with Great Britain. The British forced the Iraqi government to accept a 75 year oil concession, which gave Iraq no ownership of nor profits from the oil extracted from Iraq.⁴

Iraq's independence was short lived. British forces returned to Iraq in 1941 when the Iraqi government began to favor an alliance with Germany and Italy. Baghdad felt that London had not fulfilled its part of the treaties which had given Iraq its independence. The brief Anglo-Iraq war broke out between April 18 and May 20, 1941, in which the Iraqi forces were thoroughly routed and the British resumed control over the country. Iraq regained its independence in 1948.⁵

In 1958 the monarchy which the British had established in 1921 was overthrown. The ten years which followed could best be described as a fight between the forces that had overthrown the monarchy. Baghdad broke off close ties with the British and Americans in favor of a new relationship with the Soviets. Dramatic economic and social

³ Tim Niblock, *Iraq: the Contemporary State*, (Beckham, Kent: Croom Helm Ltd, 1982), 3.

⁴ Edith Penrose, *Iraq: International Relations and National Development*, (London: Ernest Benn, 1978), 43-69.

⁵ *Ibid.*, 89-114.

reforms were undertaken. The political instability that accompanied the political changes limited their effectiveness.⁶

The period of political instability ended in 1968 when the Arab socialist Ba'ath Party took power. The Ba'ath party instituted a police state and canceled elections. The rising price of oil during the 1970's supported the government and increased the standard of living for many. It helped to sustain industrial development and improve the civil service.⁷

Saddam Hussein assumed the presidency of the country in 1979. The outbreak of the Iran-Iraq War in 1980 marked the beginning of new economic hardships for Iraq. The war devastated the economy, as many of Iraq's oil fields are in the southern region of the country where much of the fighting took place. The world wide reduction of oil prices during the 1980's exacerbated the problem. In 1988 Iraq declared victory and ended the war; after 8 years of fighting the two countries had returned to their original borders. The war left Iraq with the largest military in the Middle East but with a massive deficit and large outstanding loans.⁸

In 1990, Baghdad attacked neighboring Kuwait. Though it defeated Kuwait and occupied the country quickly, Iraqi forces were defeated and pushed out of the country by coalition forces led by the United States. What began as attempt to improve Iraq's economy damaged it further. Economic sanctions were placed on Iraq when it refused to surrender its weapons of mass destruction (WMD) and submit to UN weapons inspections.⁹ The UN attempted to alleviate some of the suffering of Iraq's population by establishing the Oil-For-Food program in 1996. Twelve years of sanctions were brought to an end by the removal of the Ba'ath regime by American-led forces in 2003. Since the regime change Iraq has struggled to rebuild after almost 23 years of nearly continuous warfare.

⁶ Niblock, *Iraq*, 4.

⁷ Edith Penrose, *Iraq*, 542.

⁸ U.S. Department of State, Bureau of Near Eastern Affairs, *Background Note: Iraq* (Washington, D.C., 2006) <http://www.state.gov/r/pa/ei/bgn> (accessed April 28, 2006).

⁹ *Ibid.*

The history of Iraq is characterized by political and domestic turmoil. When not struggling with domestic problems, Iraq faced international pressure from the actions of its government. This turmoil and limited economic development made Iraq dependent upon its oil for income.

C. RELATIONSHIP PRIOR TO 1991

The economic relationship between Beijing and Baghdad has been shaped by the political turmoil in both countries. In the period prior to 1991 the relationship between the two countries was driven by the larger global realities of the Cold War.

Beijing had little interest in developing relations with Middle Eastern countries prior to 1955. Until the end of the Korean War in 1953, Beijing's primary concern was survival. The Bandung Conference in 1955 was the first step Beijing took to actively engage the third world. At the conference, Beijing aligned itself with the anti-western bloc of Afro-Arab nationalism. As a result of the conference Beijing developed close ties with Egypt and gained official recognition from Egypt, Syria, and Yemen.¹⁰

The British-supported monarchy was overthrown in Iraq in 1958, resulting in a shift towards Moscow. As part of the shift Baghdad officially recognized Beijing, which was fortuitous because the previously good relationship between Cairo and Beijing was beginning to 'sour.' Beijing saw Baghdad as an alternative ally in the Middle East and extended political support to Baghdad;¹¹ unfortunately, Beijing's friendly relationship with Baghdad was only temporary. A year later in 1959, Baghdad began to purge communists from the government after local communist groups attempted to take control of Kirkuk.¹² Because of Baghdad's 'betrayal' of the communists the relationship between the two countries degraded. As the 1960's progressed Beijing found itself further isolated from influence in the Middle East.

Beijing refocused on the Middle East in the early 1970's. With warming relations in the West and increased border conflict with the Soviet Union, Beijing began to see the Middle East as an important part of confronting the Soviet Union. In 1972 Beijing

¹⁰ John Calabrese, "From Flyswatters to Silkworms: The Evolution of China's Role in West Asia," *Asian Survey*, Vol. 30, No 9 (September, 1990) page 864.

¹¹ Ibid.

¹² Edith Penrose, *Iraq*, 233-234.

reopened its relationship with Baghdad. In return, Baghdad supported Beijing by sending fertilizer to China during a trade dispute between Japan and China. China also began to extend its contract construction activity into Iraq.¹³

In the 1980's Beijing developed stronger economic ties to Baghdad. Despite concerns that the Iran-Iraq war would destabilize the region, Beijing continued to trade with both countries. Between 1981 and 1986 Beijing expanded its construction business in Jordan, Egypt, and Iraq. It placed 60,000 workers and earned an estimated \$530 million. In Iraq alone China won 84 construction contracts worth \$314 million between 1981 and 1984.¹⁴

In this period Beijing also began selling arms to Baghdad. The first major weapons sale between Beijing and Baghdad was 1000 Type-59 Main Battle Tanks.¹⁵ Between 1983 and 1989 Beijing sold over \$5 billion dollars worth of arms to Baghdad.¹⁶ Despite the large amount of arms sales between Beijing and Baghdad, Chinese arms sales only accounted for nine percent of the weapons that Baghdad purchased during this period.¹⁷ Baghdad's largest arms suppliers during this time were the Soviet Union, United States, and France.

The relationship between Beijing and Baghdad was tested in 1990 with Iraq's invasion of Kuwait. Beijing was initially unsure whether to support Baghdad or the international community. In the end Beijing determined that Iraq's invasion of Kuwait violated the UN charter and international norms, and decided that the invasion was unacceptable.¹⁸ China based its stand on two principles:

¹³ Calabrese, "From Flyswatters to Silkworms," 869.

¹⁴ Ibid., 873.

¹⁵ Data from the Stockholm International Peace Research Institute Arms Transfers Database available at www.sipri.org, (accessed 25 May 2006).

¹⁶ Daniel L. Byman and Roger Cliff, *China's Arms Sales: Motivations and Implications* (Santa Monica, CA: RAND, 1999), 13.

¹⁷ Richard A. Bitzinger, *Chinese Arms Production and Sales to the Third World* (Santa Monica, CA: RAND, 1991), 8.

¹⁸ H. Lyman Miller, "China and the Iraq Question," *Strategic Insight*, Vol. 1 Issue 8, (October 2002).

First, China resolutely opposes the Iraqi invasion and annexation of Kuwait and second, China maintains that every effort should be made to seek a peaceful solution to the Gulf Crises.¹⁹

The two principles were reflected in the way Beijing dealt with the crises. Although voting to approve UN Security Council Resolution 660 which called upon Kuwait and Iraq to begin negotiations to resolve the conflict, Beijing abstained from the vote for Resolution 678, which sanctioned any and all means to remove Iraq from Kuwait, including political, economic, and military options.²⁰

Beijing abstained from sanctioning military action for two reasons. The first reason was that Beijing opposed the military actions based on its long term stance that conflicts should be resolved peacefully and among regional actors rather than by external actors, especially Western actors. The second reason Beijing abstained was to avoid further damaging its relationship with the United States and other Western nations. Beijing was already isolated because of the Tiananmen Square incident, and it was perceived that a veto would have irreparably damaged Beijing's relationship with the West. By abstaining from the vote Beijing was able to avoid a confrontation with the West and still stand by its principle of non-interference.

Since the 1970's Beijing and Baghdad had steadily built a strong economic and diplomatic relationship. Just before the invasion of Kuwait, the two countries were continuing to build economic ties. In 1990 the amount of trade between China and Iraq increased 35% over the previous year.²¹ The invasion of Kuwait ended that relationship. Though Beijing abstained from the vote to sanction military force it had voted for the resolution that had called for the removal of Iraq from Kuwait. The UN economic sanctions which were placed on Iraq after the war destroyed the economic ties that the two countries had built.

D. RELATIONSHIP AFTER 1991

Three major events occurred after Iraq's invasion of Kuwait that changed the relationship between Beijing and Baghdad. The first event was the imposition of

¹⁹ Qian Qichen, "The Changing World Situation and China's Foreign Affairs," *Quishi*, 16 December 1990, no. 24, 8-11.

²⁰ Shichor, "China and the Middle East since Tiananmen," 93.

²¹ *Ibid.*, 97.

sanctions on Iraq. The second event was China's transition from oil exporter to oil importer in 1993. The third event was the partial lifting of sanctions in the form of the Oil-for-Food program.

The sanctions placed on Iraq after its invasion of Kuwait ended the economic ties Beijing and Baghdad had built. A U.S. Department of State official in 1997 called the sanctions the "toughest, most comprehensive sanctions in history."²² UN Security Council Resolution 661 forbade member nations from accepting exports from Iraq or Kuwait and from exporting to Iraq.²³ After the removal of Iraqi forces from Kuwait, UN Security Council Resolution 687 linked the sanctions to Baghdad's unconditional acceptance of the destruction of its biological and chemical weapons program.²⁴ The next major change in Beijing's relationship with Baghdad and the Middle East in general was its shift from petroleum exporter to importer in 1993. China's rapidly growing economy in the 1990's began to outstrip its respectable domestic production. In 1993 China domestically produced 2.9 million barrels per day (mbpd) and consumed 2.96 mbpd. That small difference between production and consumption would grow to a production deficit of 2 mbpd by 2003. By 2004 China was the world's sixth largest producer of oil (3.62 mbpd) but was the world's second largest consumer of oil (6.5 mbpd) and the world's third largest importer of oil (2.9 mbpd).²⁵ Beijing's new dependence on oil imports brought new emphasis to its foreign and economic policy towards the Middle East.

The beginning of the Oil-for-Food program in 1996 marked the reemergence of economic ties between Beijing and Baghdad. The Oil-for-Food program began under UN Security Council Resolution 986 with the purpose of temporarily meeting the humanitarian needs of the people of Iraq. The resolution allowed for the sale of one billion dollars' worth of oil every 90 days. The profits from the sale could be used by Baghdad to purchase medicine, health supplies, foodstuffs, and materials and supplies for

²² U.S. Department of State, *Daily Press Briefing, 1 December 1997* (Washington D.C., 1997) <http://secretary.state.gov/www/briefings/9712/971201db.html> (accessed 29 May 2006).

²³ United Nations Security Council, *Resolution 661*, S/RES/661, 9 August 1990.

²⁴ United Nations Security Council, *Resolution 678*, S/RES/678, 3 April 1991.

²⁵ Data and calculations from U.S. Department of Energy, Energy Information Agency, *International Energy Data* (Washington D.C., 2005) <http://www.eia.doe.gov/emeu/international/energy.html> (accessed 29 May 2006).

essential civilian needs.²⁶ ‘Civilian needs’ was a broad term which covered items from cars to electric generators. The applicability of items was determined by the 661 Committee, which had been set up to enforce the sanctions.

Beijing had already been urging the removal of sanctions since 1994 and was eager to resume economic relations with Baghdad.²⁷ Chinese companies quickly moved into the Iraqi market. In 1997 the two countries signed a contract to develop the Al-Ahdab oil field. The contract had a total value of 1.2 billion dollars over 26 years with an annual operating budget of 600 thousand dollars.²⁸ China National Chemicals Imports and Export Company, which is directly under the Ministry of Foreign Trade and Economic Cooperation, signed what Xinhua News Agency called the “largest oil deal so far under the Oil-for-Food plan.”²⁹ This contract allowed Beijing to purchase 18 million barrels of crude oil from Iraq. Beijing also sold humanitarian equipment to Iraq and restarted its contracting business in Iraq. By the time economic sanctions and the Oil-for-Food program ended in 2003, Chinese companies had sold over 17.7 billion dollars of humanitarian goods to Iraq. Under the Oil-for-Food auspices Beijing purchased 127 million barrels of crude oil for an estimated value of 64 billion dollars.³⁰

Despite the impressive value of economic cooperation between Beijing and Baghdad the sale of 17.7 billion dollars of humanitarian goods between Beijing and Baghdad during 1996-2003 is small when compared with the entire economy of China. Beijing’s humanitarian goods only accounted for seven percent of the total which Iraq imported. The amount of crude oil purchased was similarly small when compared to the amount China imports daily. One hundred and twenty seven million barrels over seven years is a small amount when compared with China’s daily import of 2.9 million barrels a day. Beijing was not the largest importer of oil from Iraq. It only accounted for three

²⁶ United Nations Security Council, *Resolution 986*, S/RES/986, 14 April 1995.

²⁷ Barry Rubin, “China’s Middle East Strategy,” *Middle East Review of International Affairs*, Vol. 3 No 1 (March 1999).

²⁸ *Xinhua News Agency* (Beijing), “Beijing, Baghdad to Jointly Develop Iraqi Oil Field,” 5 June 1997.

²⁹ *Xinhua News Agency* (Beijing), “PRC signs Largest Oil Contract Under UN Program,” 19 June 1998.

³⁰ Calculated from the United Nations, Independent Inquiry Committee into the Oil-for-Food Programme, *Report on the Manipulation of the Oil-for-Food Programme* (New York: United Nations, 27 October 2005) Tables I, IV.

percent of the total oil produced under the Oil-for-Food program. One Russian company exported more than all the Chinese companies combined (182 million barrels versus 127 million).

Beijing's opposition to the United States' efforts to conduct regime change in Iraq in 2003, then, does not appear to be determined by economic ties. Beijing opposed the United States' actions because of its traditional concern for external intervention in the affairs of any state.³¹ In 2001 Beijing's representative to the UN stated that "Iraq's sovereignty, territorial integrity, and independence should be respected." He called on Iraq to implement the UN Security Council resolutions, but harshly criticized the sanctions for doing "great harm to Iraqi civilians, particularly women and children."³² Beijing took a position similar to the one it took during Iraq's invasion of Kuwait. While meeting with the Iraqi Foreign Minister in 2002, the Chinese Foreign Minister stated that,

using force or threats of force is unhelpful in solving the Iraq issue and will increase regional instability and tensions.³³

In September of that year he reiterated that Beijing would work with the international community to develop a political solution to the Iraq problem.³⁴

The sanctions levied on Iraq because of the invasion put a stop to economic cooperation between Beijing and Baghdad, but it would be a mistake to overestimate the importance of those economic ties. Iraq provided only a small percentage of China's petroleum needs. The amount of humanitarian goods China sold to Iraq was similarly small. Beijing's primary foreign policy concern with regard to Baghdad remains the preservation of national sovereignty and opposition to external influences. Beijing's concerns also come from the United States' actions after 9/11. The unilateral nature of American actions is threatening to Beijing. In Iraq it attempted to contain American actions within the framework of the international community.

³¹ Richard Butler, *The Greatest Threat* (New York: Public Affairs, 2000) 165.

³² *Xinhua Domestic Service* (Beijing), "Chinese Representative Points Out That Iraq Issue Should Be Completely Resolved in All-round Manner," 27 June 2001.

³³ *Xinhua in English* (Beijing), "Use of Force 'Unhelpful' in Solving Iraqi Question," 27 August 2002.

³⁴ *Xinhua in English* (Beijing), "PRC FM Tang Jiaxuan Says China Stands for Political Settlement of Iraqi Issue," 17 September. 2002.

E. CONCLUSION

The relationship between Beijing and Baghdad has been tempered by domestic and international political developments. The countries first developed contacts in the 1950's as part of Beijing's attempt to become a leader in the global arena. Through the 1960's the relationship was tempered by domestic problems in China, and by Sino-Soviet tensions. In the 1970's the two countries became closer as Beijing began to see the Middle East in the context of its conflict with the Soviet Union. Economic ties truly began to flourish in the 1980's during the Iran-Iraq war when Beijing sold arms and services to Iraq. The Iraqi invasion of Kuwait set back the relationship between the two countries as economic sanctions were imposed and Beijing supported the international efforts to remove Iraq from Kuwait. Beijing's abstention on voting for military action was based on China's position about foreign intervention rather than on economic interest in supporting Baghdad.

The 1990's saw a reemergence of ties between the two countries as China became an importer of oil and Iraq was allowed limited trade under the Oil-for-Food program. At the beginning of the 21st century the relationship between the two countries was tested by the United States' efforts to conduct régime change in Iraq. Beijing's opposition to military action was again based on long held principles of non-interference and sovereignty and not on economic ties with Baghdad.

Throughout their economic and political relationship Beijing has dealt with Baghdad as part of its larger foreign policy concerns. A strong economic relationship with Baghdad is not an end unto itself. Beijing's support for Baghdad has always been and always will be tempered by world wide concerns.

III. CHINESE INVOLVEMENT IN IRAN

A. INTRODUCTION

This chapter explores Beijing's relationship with Tehran. Since the Islamic revolution in 1979, Iran has operated at the edge of the international community. Iran and the United States have not had diplomatic ties since the overthrow of the Shah. The recently elected President Mahmoud Ahmadinejad caused an international uproar when he said Israel should be "wiped off the map." Tehran does operate within the international community as a member of the United Nations and the Organization of the Petroleum Exporting Countries. Tehran is important to Beijing because it holds approximately 10% of the world's proven petroleum reserves³⁵.

How Beijing has dealt with Tehran in the past to gain access to Iran's oil demonstrates the lengths to which Beijing will go to secure natural resources. The relationship between Beijing and Tehran can be broken down into two distinct periods. The first began with restoration of diplomatic ties in 1971 and ended in 1993 when the PRC became a net importer of oil. The second period began in 1993 and continues to the present day. These two periods demonstrate a subtle shift in Beijing foreign policy. It also demonstrates that the tactics which Beijing uses are largely unsuccessful in gaining it advantage over other nations.

B. ARMS SUPPLIER

The period between 1971 and 1993 demonstrates Beijing's desire to use Tehran to balance the United States against the Soviet Union, and as a market for military sales.

In 1971 Iran was a monarchy under the Shah and largely seen as an American ally in the Cold War. Tehran and Beijing opened diplomatic relations as part of Beijing's larger entry into the international community. Beijing replaced the Republic of China in the United Nations in the same year. In 1973 Beijing and Tehran signed their first major

³⁵ U.S. Department of Energy, Energy Information Agency, *Iran Country Analysis Brief* (Washington, D.C., 2006) <http://www.eia.doe.gov/emeu/cabs> (accessed 26 May 2006).

trade agreement, which was expected to reach \$70.4 million by the end of the period covered by the accord. In 1977 Beijing purchased 300,000 tons of crude oil from Tehran.³⁶

The next major event in the relationship was the overthrow of the Shah in 1979. The Iranian revolution shifted Tehran's foreign policy away from the United States. Beijing saw this as an opportunity to advance its global agenda by collecting allies in the Middle East region. In 1978 Deng Xiaoping had launched an ambitious modernization program. As part of the modernization program the People's Liberation Army began to push for change in Beijing's arms export policies, leading to an increase in the number of countries to which the PLA could sell weapons as well as in the variety of weapons available for sale.³⁷ Arms sales were seen as both a source of foreign capital and a method for accessing foreign technology. In a very short time period the PRC went from a non-entity in the world arms market to the fifth largest arms supplier to the third world in 1989.³⁸ In that year China produced five percent of the world's arms exports.³⁹ Chinese weapons systems were cheaper than other available systems but were also of lower quality. Beijing was also willing to sell complete systems while other nations would only sell components.

The outbreak of the Iran-Iraq war in 1980 marked the heyday of Chinese arms sales to the Middle East. Until the end of the war in 1988, Beijing provided weapons to both sides of the war. Beijing sold equal numbers of tanks and artillery pieces to both sides of the conflict. Iran received more high tech equipment such F-6 and F-7 fighters and C-801 ship-to-ship missiles than did Iraq.⁴⁰ The two countries accounted for 57% of Chinese arms sales during this period. Beijing was Iran's largest supplier of arms, though Iraq actually purchased more arms from Beijing.⁴¹

³⁶ Calabrese, "From Flyswatters to Silkworms," 869.

³⁷ Bitzinger, *Chinese Arms Production and Sales to the Third World*, 5.

³⁸ *Ibid.*, v.

³⁹ U.S. Department of State. U.S. Arms Control and Disarmament Agency. *World Military Expenditures and Arms Transfers 1996*. (Washington D.C., 1997), 19.

⁴⁰ Byman, *China's Arms Sales*, 51.

⁴¹ Bitzinger, *Chinese Arms Production and Sales to the Third World*, 8.

After the end of the Iran-Iraq war world wide arms sales declined as other third-world nations purchased fewer weapons. Increased competition from other developing countries also hurt Beijing's share of the arms market. Beijing remained a preferred supplier for Iran as it was willing to export the entire system of weapons. Iran's deployment of the Chinese-built *Silkworm* anti-ship missile in the late 1980's caused major concern for the United States and other Western nations. The fall of the Soviet Union in 1991 dramatically weakened Beijing's position in the arms market. Russian-built weapons systems were much more advanced than Chinese systems and could now be purchased more cheaply.

Throughout this period, Beijing's foreign policy towards Iran was concerned with both economic gains from arms sales as well as balancing the United States against the Soviet Union. Tehran and Beijing were very much partners in the Third-World struggle against imperialism, hegemonism, and colonialism.⁴²

C. A GROWING ECONOMIC POWER

During the early 1990's two major events occurred which effected the relationship between Beijing and Tehran. The first event was the collapse of the Soviet Union, and the second was the PRC becoming a net importer of oil. The two events had almost opposite effects on the relationship between Beijing and Tehran. The collapse of the Soviet Union removed one of the competitors which Beijing was using Tehran to balance. While balancing the United States remained important for Beijing, Beijing and Tehran were now in direct competition for influence in the Central Asian Republics which fell away from the Soviet Union. Beijing's shift from an oil exporter to importer necessitated that it begin to look for petroleum sources outside of the PRC. Tehran's and Beijing's long friendly relationship naturally led to closer cooperation in the development of petroleum resources.

The possibility for competition between Tehran and Beijing over the central Asian Republics remains a real possibility. Iran provides the lone example of a successful Islamic government in the world. The populations of Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan have large majorities of Muslim citizens who may desire

⁴² Hu Yoabang. *Report to the 12th National Congress of the Communist Party of China* (September 1982). Beijing: FLP, 1982.

their own Islamic regime. The region is rich in natural resources and politically unstable. Beijing would like to have access to those oil resources for its own consumption, and to that end is building a Kazakhstan-China pipeline to replace the rail link which exists between the two countries. Kazakhstan is currently the world's third largest oil producer.⁴³ At the same time Iran is pushing for oil pipelines which would deliver central Asian oil to the coast of Iran for transshipment from its own ports. Iran is also involved in a deal to build a natural gas pipeline through Pakistan to India.⁴⁴ Despite some potential for conflict between the two countries, it appears that Beijing's desire for guaranteed sources of natural resources overshadows any source of conflict between the Beijing and Tehran.

Indications of cooperation between Beijing and Tehran abound. Continuing the relationship established during the 1980's, Beijing remains a provider of military hardware and knowledge to Iran. In September 1996, Beijing and Tehran signed a deal in which China would provide combat aircraft, warships, a variety of armored vehicles, missile and electronic equipment, and military training to Iran.⁴⁵ Between 1995 and 2005, Iran purchased 5 F-7M fighter aircraft, 11 transport aircraft, 543 anti-ship missiles, and 17 fast attack vessels.⁴⁶ However, the importance of conventional military transfers between Tehran and Beijing has been steadily declining as the military portion of the PRC exports overall has decreased, and Tehran's foreign purchases decreased. The total value of military transfers between the two countries fell from 900 million dollars in 1996 to 100 million dollars in 2002. Overall Tehran's defense budget fell from 7% of GDP in 1986 to 2.5% of GDP in 2002.⁴⁷ Along with the reduced arms sales to Tehran, Beijing wants to further downplay the military relationship between the two countries. The recent

⁴³ *Xinhua General News Service* (Beijing), "Construction of Kazakhstan-China oil pipeline going well" 1 April 2005.

⁴⁴ *The New York Times* (New York), "A Pipeline to Peace" 18 April 2005.

⁴⁵ Byman, *China's Arms Sales*, 8.

⁴⁶ Data from the Stockholm International Peace Research Institute Arms Transfers Database available at www.sipri.org, (accessed 25 May 2006).

⁴⁷ "Procurement Iran", *Jane's Sentinel Security Assessment - The Gulf States*, <http://www.janes.com> (accessed 16 November, 2005).

trip by Chinese military delegation to Tehran received almost no press coverage in China while the Iranian papers discussed it at length.⁴⁸

Beijing has continued to support Tehran's efforts to develop nuclear, biological, and chemical (NBC) weapons. Beijing has sent entire chemical factories to Iran which have dual use capabilities. It has also sold Tehran chemical precursors, production equipment, and decontamination agents and may have sold dual use equipment and vaccines for biological weapons.⁴⁹ Beijing also continues to support Tehran's nuclear program by providing assistance in developing a nuclear power plant. As a member of the International Atomic Energy Agency (IAEA), Beijing is pushing for the dispute over Iran's possible development of nuclear weapons to be resolved within the agency and not be referred to the UN Security Council. The Chinese representative to the IAEA recently stated, "China hopes that Iran would continue to cooperate with the UN nuclear watchdog in efforts to resolve its nuclear issue."⁵⁰ China abstained from a recent IAEA vote which threatened Iran with referral to the Security Council and possible sanctions. It is important to note that Beijing is not the only country selling dual use technologies to Tehran. Moscow and Paris have also allowed sales of dual use technologies to Tehran. None of the equipment sold to Tehran is used exclusively for NBC weapons programs, and all of Beijing's sales have met the letter of the Non-Proliferation Treaty and IAEA guidelines.⁵¹ Beijing insists that Iran develop nuclear energy for peaceful purposes.⁵² It continues to push for a political solution to the crisis, consistent with Beijing's traditional foreign policy. It is not a new policy based upon the economic ties between the two countries.

Tehran and Beijing are also cooperating in developing new petroleum sources within Iran. Over the next 30 years Beijing will purchase over 70 billion dollars worth of natural gas from Iran. At the same time Chinese businesses will spend approximately 100

⁴⁸ *Jane's Intelligence Watch Report Daily Update*, Vol. 12, Issue 166, 22 August 2005.

⁴⁹ Byman, *China's Arms Sales*, 9.

⁵⁰ *Xinhua News Agency* (Beijing), "China calls on Iran to continue cooperation with IAEA on nuclear issue", 25 November 2005.

⁵¹ Byman, *China's Arms Sales*, 8.

⁵² *Iran News Agency* (Tehran), "Iran-China-Energy", 7 September 2005.

billion dollars drilling in the new oil reserves found in southeast Iran.⁵³ Beijing and Tehran have a number of bilateral agreements ranging widely from oil production, education, and human rights, to a memorandum of understanding concerning fishing rights. None of these agreements will guarantee Beijing a decisive advantage when it comes to acquiring oil. The agreement for the purchase of the natural gas is tied to market prices. Beijing may be guaranteed the natural gas but it will pay as much as it would on the open market, which would seem to yield no real advantage. The agreement to develop the oil field is also not exclusive, as the Beijing foreign venture oil company SINOPEC will only be a 50% stakeholder in the development of the Yadavaran oil field. India's Oil and Natural Gas Corporation has a 20% stake in the project and there are talks about Shell becoming a partner in the project.⁵⁴ China has also signed bilateral development agreements or guaranteed sales with India, Turkey, Greece, Austria, and Pakistan.⁵⁵

D. CONCLUSION

The two periods of the relationship of between Tehran and Beijing demonstrate a shift from an economic interest in exporting arms to Tehran to importing oil from Tehran. The importance of using Iran as a balancer against the United States lessened during these two periods but did not completely disappear.

Beijing's current policy toward Iran is centered on the economic necessity of oil and natural gas. Its attempts to gain a foothold in the Iranian petroleum industry have been very successful but they have not been exclusive. Many other nations such as India and members of the European Union also have petroleum interests in Iran. Beijing's military support of Iran has also decreased over time. Beijing no longer depends on its arms sales to fuel military modernization, and Tehran is more likely to buy advanced weapons systems from Moscow than from Beijing. Beijing is one of the few supporters of Iran generally in the international community but does not side with Tehran on every issue. It supports Tehran based upon a belief in national sovereignty, non-interference, and mutual respect. Beijing continues to push for resolution of the problems with the

⁵³ Vivienne Walt, "Impervious Iran," *Slate Magazine Online Edition*, 30 September 2005 (accessed 10 December 2005).

⁵⁴ *SinoCast China Business Daily News* (Beijing), "Shell Plans to Join SINOPEC in Iran Oil Project", 11 November 2005.

⁵⁵ U.S. Department of Energy, Energy Information Agency, *Iran Country Analysis Brief*.

Iranian nuclear program within the framework of the IAEA. If solid evidence that Iran was developing a nuclear weapon was brought forward it seems unlikely that Beijing would oppose Security Council action against Tehran. Beijing is more concerned with the stability of the world oil market and would strongly oppose any action that would seriously disrupt resources flowing out of the Middle East.

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IV. CHINESE INVOLVEMENT IN THE SUDAN

A. INTRODUCTION

This chapter deals with the relationship between Beijing and Khartoum. The Sudan is a country which has been racked with civil struggle since its independence in 1956. The northern section of the country is largely Arab and Islamic. The southern portion of the country is African and practices Christianity or traditional African religions. For most of its history there has been an ongoing civil war between the northern and southern regions as Khartoum attempted to enforce Islamic law on the southern region. The discovery of oil in the southern region in 1979 only intensified the conflict.⁵⁶ The conflict was finally resolved in 2005 when an agreement was reached for the withdrawal of troops from the southern Sudan, the repatriation of refugees, and the eventual establishment of a representative government.⁵⁷ While the north-south conflict was being resolved a new conflict broke out the western region of Darfur between the African Muslims and the Arab Muslims. This new conflict has placed Khartoum under international pressure to stop the conflict. The current conflict in Darfur has brought attention to the relationship between Beijing and Khartoum.

Beijing and Khartoum have had a good relationship since Khartoum established diplomatic relations with Beijing in 1959. Beijing initially concentrated on international recognition and mutual development. As the Chinese economy developed and Beijing gained international recognition, the relationship between the countries changed. Beijing is now concerned with the stability of Khartoum and the extraction of natural resources from the Sudan.

This chapter will look at the development of the relationship between Beijing and Khartoum. Economic interest has played a small but important part in how Beijing deals with Khartoum. Traditional Chinese foreign policy concerns such as non-interference and third world development remain the primary component of Beijing's foreign policy towards Khartoum. In order to understand the relationship between Beijing and

⁵⁶ U.S. Department of State, Bureau of African Affairs, *Background Note: Sudan* (Washington, D.C. 2006) <http://www.state.gov/r/pa/ei/bgn> (accessed April 22, 2006).

⁵⁷ Ibid.

Khartoum this chapter will study the history of the Sudan, the development of economic ties between Beijing and Khartoum, and Beijing's foreign policy towards Khartoum.

B. A HISTORY OF THE SUDAN

In order to understand the relationship between Beijing and Khartoum it is necessary to understand the history of the Sudan. The Sudan was a collection of small principalities and kingdoms prior to the Ottoman conquest of the area in 1820-1821.⁵⁸ In 1881, Muhammad Ahmad al-Mahdi began a religious crusade to unify the Sudan under his leadership.⁵⁹ His reign was ended by the conquest of the Sudan by the English and Egyptians. Under Anglo-Egyptian rule the British exercised control over the country. During this period the southern portion of the country was largely ignored and little was done to develop that area.⁶⁰

In 1956 the Sudan peacefully gained independence from the English and Egyptian governments. The peaceful transition was marred by the outbreak of civil war with the south in 1955. The southern region opposed the constitution that did not address their concerns about the secular Islamic character of the state and reneged on the promise of a federalist system.⁶¹ The civil war would continue for the next seventeen years.

During the civil war Khartoum was unable to create a permanent constitution and was overthrown several times. In 1958 a military coup placed General Ibrahim Abboud in power.⁶² He undertook a program of Islamization and Arabization until his overthrow in 1964. A series of civilian governments took control, but were unable to deal with the problems of factionalism, economic stagnation, and the continuing civil war in the southern region.⁶³

Another military coup placed General Gaafar Mohammad Numeiry in power in 1969. He quickly dissolved the few state institutions in the Sudan and outlawed all

⁵⁸ U.S. Department of State, Bureau of African Affairs, *Background Note: Sudan*.

⁵⁹ Richard Lobban, *Historical Dictionary of the Sudan*, African Historical Dictionaries, no 53 (Metuchen, NJ: The Scarecrow Press, 1992), xli.

⁶⁰ Edgar O'Ballance, *Sudan, Civil War and Terrorism, 1956-99* (New York: St Martin's Press, 2000), vii.

⁶¹ U.S. Department of State, Bureau of African Affairs, *Background Note: Sudan*.

⁶² Lobban, *Historical Dictionary of the Sudan*, xlv.

⁶³ U.S. Department of State, Bureau of African Affairs, *Background Note: Sudan*.

political parties. He declared the Sudan a socialist country, nationalized the Sudanese and foreign firms, and opened the country to Soviet advisors.⁶⁴ A communist-led coup in 1971 briefly removed General Numeiry from power. Upon his return to power he banned the communist party in the Sudan. In 1972 the civil war was finally brought to close with the Addis Ababa Accords. The Accords established a federal system and limited southern self rule.⁶⁵ The agreement lasted until 1983 when General Numeiry abolished the southern region and declared that Sharia Law would be incorporated into the penal code, thus beginning the second Sudanese civil war.⁶⁶

General Numeiry was overthrown while out of the country in 1985. A civil government was elected and moved to end the conflict with the southern region. That government was overthrown in 1989 by another military coup led by General Umar al-Bashir,⁶⁷ who has ruled the Sudan since the coup. The second Sudanese civil war came to a close on December 31, 2004 when the Sudanese government and the southern rebels signed a comprehensive peace agreement. The agreement calls for the removal of troops from the southern Sudan, the return of refugees, and in six years the establishment of a one-person one-vote system for national and state offices.⁶⁸

While the conflict with the southern regions of the country was being settled, a new civil war broke out in the western Darfur region of the Sudan. The crisis began in February 2003 when two rebel groups began to challenge the Sudanese government.⁶⁹ The rebel groups claimed that the Sudanese government favors Arab-Muslims over African-Muslims. The Arab-Muslims in the region are largely nomadic and often clash with the more agrarian African-Muslims over issues such as water use and land rights.

The political turmoil and ineffectual leadership has prevented the country from developing economically. The Sudan has developed few of the resources it has available

⁶⁴ O'Ballance, *Sudan, Civil War and Terrorism*, 59.

⁶⁵ Lobban, *Historical Dictionary of the Sudan*, xlvii, 10.

⁶⁶ U.S. Department of State, Bureau of African Affairs, *Background Note: Sudan*.

⁶⁷ O'Ballance, *Sudan, Civil War and Terrorism*, 166.

⁶⁸ Congressional Report Service, *Sudan: Humanitarian Crises, Peace Talks, Terrorism, and U.S. Policy* (Washington D.C., 2006), 6.

⁶⁹ *Ibid.*, 2.

to it. Demographically, it is the largest country in Africa,⁷⁰ and is rich in minerals and oil. The fertile Nile valley runs through the eastern regions of the country. Prior to the discovery of oil, the major exports of the Sudan were agricultural products. The Sudan remains one of the poorest countries in the world.

The development of modern Sudan plays an important role in how it deals with the rest of the world, including Beijing. The ineffective and short lived governments have failed to bring peace to the country. They have also failed to bring economic development to the region. These problems place Khartoum in a weak position when dealing with the rest of the world.

C. ECONOMIC TIES

Beijing and Khartoum have long had economic ties, maintaining a strong economic connection since formal diplomatic recognition.

In the 1960's and early 1970's the Sudan attempted a foreign policy stance that placed it outside the Cold War conflict. It sought relationships that would balance it in that conflict. In pursuit of that policy the Sudan sought equal economic relationships with both sides in the Cold War. In 1971 the Sudan's major export crop was cotton, accounting for over 62% of the country's exports. Its major buyer was the Soviet Union, followed closely by India, China, and the European Economic Community.⁷¹ During the same year, the Sudan's major importers were India, the European Community, the Soviet Union and China. The Sudan was successful in achieving a measure of economic balance in the Cold War.

After the failure of the communist coup in 1971 the Sudan became increasingly estranged from the Soviet Union. In August of 1971 the Sudanese Minister of Finance accused the Soviets of overcharging Sudan for its imports and discounting Sudanese cotton on the world markets.⁷² The shift away from trade with the Soviets benefited China, which quickly became the Sudan's largest export nation as trade with the Soviet Union fell to virtually nothing. China also became a more important import nation to the

⁷⁰ Jack G. Kaikati, "The Economy of Sudan: A Potential Breadbasket of the Arab World?" *International Journal of Middle East Studies*, Vol. 11, No 1, (February 1980): 101.

⁷¹ *Ibid.*, 114.

⁷² *Ibid.*, 115.

Sudan as Soviet imports dropped. Table 3 demonstrates the shift in imports and the decline of Soviet imports.

Table 1. Sudan's Principal Suppliers⁷³

Supplier	Percent of Total Imports	
	1970-1971	1973-1974
India	17.9	4.2
UK	15.5	14.2
USSR	11.7	3.3
China	7.5	6.4
USA	3.1	8.7

Khartoum's isolation from Moscow also made a China a more important source of weaponry for the Sudan. During the 1970's Khartoum purchased 70 Type-62 light tanks and 15 J-5 Fighters.⁷⁴

Over time the economic relationship between Beijing and Khartoum has grown. In 2005 sales to China accounted for 71% of all exports from the Sudan. Petroleum and petroleum products accounted for 99% of the Sudan's exports to China. The petroleum exports to China accounted for 80% of the Sudan's total petroleum exports. China also consumed 10% of the Sudan's cotton and 20% of the country's sesame. These two products are the Sudan's largest exports after petroleum and petroleum products.⁷⁵ In 2002 the Sudan was China's 4th largest supplier of petroleum at 6,425,447 tons (9.26 percent). China imported more petroleum from only Saudi Arabia, Iran, and Oman in that year.⁷⁶

⁷³ Kaikati, "The Economy of Sudan," 116.

⁷⁴ Bitzinger, *Chinese Arms Production and Sales to the Third World*, 8.

⁷⁵ Calculated from Table No 6, Exports by Commodity and Country for 2005, *Foreign Trade Statistical Digest*, Issue 4, Vol. 41 (Khartoum: The Bank of Sudan, 2006) http://www.bankofsudan.org/english/Periodicals/digeste/digest_e.htm (accessed 24 May 2006).

⁷⁶ Yitzhak Shichor, "Sudan: China's outpost in Africa" (Association of Asia Research, 2006) <http://www.asianresearch.org> (accessed may 24, 2006).

Chinese oil companies are highly involved in developing the Sudan's petroleum reserves. CNPC is extensively involved in exploration, production, and refining. The company has opened a chemical processing plant in Khartoum which produces propane and polypropylene, and is building a 1385km pipeline between its fields and the Port of Sudan.⁷⁷

Beijing is making an effort to become more involved in other sectors of the Sudanese economy. China has a large number of project contracts and labor service agreements with the Sudan. Chinese companies are assisting in building electric generation plants and other elements of infrastructure. China is providing 75% of the 200 million dollars for a hydroelectric dam project which will generate 300MW of electricity. China's Harbin Power is working in cooperation with France's Alstrom and several Arab countries to build a 1,250 MW hydroelectric project in northern Sudan. The entire country's current production capacity is 760 MW.⁷⁸ Beijing is also conducting economic training seminars for Sudanese officials from the ministries of foreign affairs, finance and international cooperation.⁷⁹ In 2002 China gave Sudan a \$2.5 million grant to rehabilitate a radiotherapy hospital, and in 2004 Beijing signed a \$3.6 million preferential loan agreement with Khartoum for a new international conference hall.⁸⁰ China is the Sudan's number one source of foreign investment. China invests more in the Sudan than in any other African country.⁸¹

While trade between Beijing and Khartoum has grown, the importance of arms sales has diminished. According to the United States Arms Control and Disarmament Agency Khartoum bought no weapons systems from China in the period between 1985

⁷⁷ China National Petroleum Cooperation, *2004 Annual Report*, (Beijing: China National Petroleum Company, 2005) 14, 22.

⁷⁸ U.S. Department of Energy. Energy Information Agency. *Sudan Country Analysis Brief*. (Washington, D.C. 2006) <http://www.eia.doe.gov/emeu/cabs> (accessed 20 April 2006).

⁷⁹ *Xinhua News Agency* (Beijing), "Sudan Thanks China for Training Cadres on Economy Management" 26 July 2005.

⁸⁰ Shichor, "Sudan: China's outpost in Africa."

⁸¹ *Kanwa Defense Review* (Internet Version), "China's Arms Sales and Oil Import," 1 February 2006.

and 1995.⁸² Between 1995 and 2005, Sudan imported only six F-7M Air guard fighters.⁸³ The majority of arms sales to Sudan during the second period came from the Belarus and Russia.

The economic relationship between Beijing and Khartoum has only grown over time. Beijing is currently Khartoum's largest trading partner. Khartoum has an interest in maintaining close ties with Beijing and encouraging further investment in the country. Beijing has an interest in maintaining stability in the Sudan to protect its economic investment.

D. FOREIGN POLICY

The strong economic tie between Beijing and Khartoum naturally leads to an examination of the extent those ties have affected the foreign relations of Beijing. The effect of economic ties on Beijing's foreign policy can be studied by looking Beijing's position toward the Sudan specifically and how Beijing is supporting Khartoum against growing international pressure with regards to the Darfur crisis.

In the early years of the People's Republic of China, Beijing was primarily concerned with gaining international recognition. Beijing's first contact with Africa began at the Bandung Conference in 1955. Khartoum's first foreign policy act was to recognize Beijing in 1959.⁸⁴ Zhou Enlai visited Africa three times between 1963 and 1965. During his trips he outlined the three general principles for Beijing's foreign policy towards Africa. Beijing was fully committed to revolutionary struggle, mutual political support, and third world unity.⁸⁵

After the turmoil of the Cultural Revolution of the late 1960's, Beijing returned to Africa in the 1970's. As Beijing became increasingly isolated from Moscow, it began to develop the "theory of the three worlds." This theory grouped China together with Africa

⁸² U.S. Department of State. U.S. Arms Control and Disarmament Agency. *World Military Expenditures and Arms Transfers 1996*. 152.

⁸³ Register of the transfers and licensed production of major conventional weapons to Sudan 1995-2005 from data in the Stockholm International Peace Research Institute Arms Transfers Database available at www.sipri.org (accessed 24 May 2006).

⁸⁴ Muhammad Beshir Hamid, "Aspects of Sudanese Foreign Policy: 'splendid isolation', radicalization, and 'Finlandisation' in *Sudan Since Independence: Studies of the Political Development since 1956*, ed. Muddathir Abd Al-Rahim (Brookfield, VT: Gower Publishing, 1986), 163.

⁸⁵ George T. Yu, "Asian Survey: Africa in Chinese Foreign Policy," *Asian Survey*, Vol. 28, No 8, (Aug 1988), 852.

and Latin America against the hegemonies of the first world. Beijing's success in courting Africa was demonstrated when 26 African countries (34% of the vote) supported its bid to secure a seat in the United Nations.⁸⁶

By the 1980's Beijing's foreign policy had shifted completely away from supporting revolutionary struggle and began to focus on mutual benefit. Beijing's new foreign policy, outlined at the 12th National Congress of the Communist Party in 1982, focused on the struggle against hegemony and respect for national sovereignty. In Africa this new policy took the form of the "Four Principles" which emphasized mutual benefits, practical results, diversity in form, and common development.⁸⁷

Beijing's current foreign policy with regards to Khartoum continues to focus on national sovereignty and mutual development. The economic reciprocity between the countries is evident. China receives an ever increasing amount of petroleum from the Sudan; Khartoum in return receives foreign investment from Beijing. Chinese companies are building facilities and infrastructure which Khartoum could not build on its own.

In the face of growing criticism against Khartoum concerning the situation in Darfur, Beijing is maintaining a stance of non-interference. When asked about the situation in Darfur, Beijing responds that the issue is an internal matter. In 2004 Beijing threatened to use its veto power if the UN Security Council attempted to impose an oil embargo on the Sudan. It also abstained in the Security Council vote to send the human rights abuse in Darfur to the International Criminal Court in the Hague.⁸⁸ In April 2006, when the Chinese Foreign Ministry spokesman was specifically questioned about an inadequate Chinese response to violence in the Sudan, he responded,

These criticisms are unjustifiable. The Chinese side is deeply concerned about the situation in the Sudan and has made important efforts for peace and stability in the Sudan and for reconciliation of all sides. We hope all sides will fulfill the agreements already reached on the Sudan issue and, at the same time, the African Union's role will be brought into greater play in the course of achieving peace and stability in Sudan.⁸⁹

⁸⁶ Yu, "Asian Survey," 854 – 855.

⁸⁷ Ibid., 856 – 857.

⁸⁸ Shichor, "Sudan: China's outpost in Africa."

⁸⁹ Ministry of Foreign Affairs of the People's Republic of China. *Transcript of PRC FM Spokesman*

Beijing had opposed recent efforts by the United States to send UN peacekeepers to the region without first obtaining permission from Khartoum. Beijing continues to stand by the idea that the crisis in Darfur is a Sudanese and African issue. At a UN Security council meeting concerning the crises in Darfur, Chinese Foreign Minister Li Zhaoxing reiterated that

obtaining the agreement and cooperation of the Sudanese Government is the precondition for the United Nations to deploy peacekeeping forces in the Darfur Region.⁹⁰

Though Beijing resists efforts to send UN peacekeeping forces to the Sudan without Khartoum's approval, it supports UN efforts that receive approval. In April and May of 2005 four hundred Chinese peacekeepers arrived in southern Sudan as part of a 6,300 member UN peacekeeping force.⁹¹

Beijing's foreign policy remains tied to the "Four Principles" which emphasize mutual benefits, practical results, diversity in form, and common development as well as non-interference. Though economic ties between Beijing and Khartoum have expanded greatly since the discovery of oil in the Sudan, economics remain only part of Beijing's foreign policy.

E. CONCLUSION

The relationship between Beijing and Khartoum has grown stronger over time. The political turmoil that plagues the Sudan since independence continues to be a problem. But the resolution of the civil war in the South and the government of General Umar al-Bashir, which has been in power for over 16 years, may finally bring prosperity to the largest country in Africa. Beijing has developed strong economic ties to Khartoum and continues to invest in new industrial projects within the Sudan.

While Beijing's foreign policy actions in regards to Khartoum may irritate the United States and other countries, it is not a dramatic shift from the past. Beijing's

News Conference on 11 April 2006. Beijing: Ministry of Foreign Affairs of the People's Republic of China. 2006.

⁹⁰ *Xinhua Domestic Service* (Beijing), "FM Li Zhaoxing Elaborates on PRC's Stand on Sudan Issue at Security Council" 9 May 2006.

⁹¹ *Xinhua News Agency* (Beijing), "Advance Team of Chinese Peacekeepers Arrive in Sudan on UN Mission" 5 April 2006.

support of Khartoum is in keeping with its traditional foreign policy of non-interference and support of the developing world. This stance does place it at an advantage in the Sudan because it is not hindered by the concerns of human rights organizations and NGOs that pressure Western governments. Beijing's foreign policy is not designed around that economic advantage.

V. CONCLUSION

The case studies of Iraq, Iran and Sudan demonstrate that Beijing has developed economic ties with countries that the international community considers pariahs. They also demonstrate that those economic relationships are secondary in Beijing's overall approach to these countries, which has been to defend those regimes based upon long held foreign policy beliefs. Beijing's foreign policy remains rooted in the "five principles of peaceful coexistence." Those principles are mutual respect for sovereignty and territorial integrity, mutual non-aggression, non-interference in each other's internal affairs, equality and mutual benefit, and peaceful coexistence. Economic relations plays no explicit role in these principles and are not Beijing's primary concern. In each of these cases, Beijing looks not only at its relationship with the country in question but also at how its approach will affect its relationship with other nations, particularly the United States.

A. IRAQ

When dealing with Iraq, Beijing has always weighed its relationship with Baghdad against the global picture. At the beginning of their relationship, Beijing acted in concert with the Soviet Union. When the relationship between Beijing and Moscow soured, so did its relationship with Baghdad, which remained pro-Soviet. When China reemerged in the Middle East in the 1970's, it saw Iraq as a potential aid in balancing the Soviet Union against the United States. Through the 1980's, Baghdad and Beijing's relationship grew in the context of the Iran-Iraq war and a changing Cold War.

Iraq's invasion of Kuwait put the relationship between the two countries to the test. Instead of supporting Baghdad, Beijing voted for the UN Security Council resolution that repudiated the invasion and annexation. Baghdad had violated the principle of sovereignty and territorial integrity. Beijing abstained from UN Security Council Resolution 678 because Beijing thought the matter should be resolved politically rather than militarily. Beijing's abstention was not to support Baghdad but instead based on a belief in non-aggression and inviolability of sovereignty. Beijing opposed the sanctions placed upon Iraq as result of the war because they interfered with Iraq's sovereignty, not because of economic gain. Moreover, if economic sanctions could be imposed on Iraq,

then they could also be placed on China. Beijing's opposition to military strikes and the imposition of a no-fly zone were also based on their violation of Iraq's sovereignty. Beijing's opposition to regime change in 2003 was based upon the same principles.

B. IRAN

Since Tehran's diplomatic recognition of Beijing in 1971, the two countries have steadily developed economic ties. The Iran-Iraq war strengthened the ties between the two countries. Since becoming a net oil importer, Beijing has invested heavily in Iranian infrastructure and petroleum production. Beijing's foreign policy of non-interference has placed it a unique position to take advantage of Iranian petroleum while the United States is restricted by an array of political concerns with the ruling theocracy. It is not clear whether Beijing will ultimately make a stand in defense of Iran's right to have a nuclear program. On this point, Beijing has continually stated that the issue should be resolved politically.

C. THE SUDAN

The Sudan is the most interesting of the cases, because the Sudan is the weakest country of the three and China is the most involved in the Sudan. Beijing is the Sudan's largest economic benefactor. China purchases 80 percent of the Sudan's petroleum and is its number one source of foreign investment. The relationship is one-sided; Beijing is not dependent upon Khartoum. In the face of international pressure over human rights abuses in the Sudan, Beijing responds that it is an internal matter or at most an African matter. Chinese troops are part of the UN peacekeeping mission to southern Sudan. Beijing objected to a recent UN Security Council resolution calling for peacekeepers in the Darfur region of the Sudan. After a clause requiring Khartoum's permission before sending in peacekeepers was inserted into the resolution, Beijing agreed to it. Again, Beijing opposed the resolution not because of economic ties, but because of its insistence on the principle of sovereignty. China has in fact benefited from the presence of peacekeepers in the south, where the majority of Sudan's petroleum is extracted.

D. THE FUTURE

What does Beijing's approach to Iraq, Iran, and the Sudan tell us about how it will act in the future? Most likely, Beijing will continue to follow the five principles of peaceful co-existence. In Iraq, Beijing will support the new government and oppose any

action which would bring further instability to the region. In the Sudan, Beijing will continue development and advocate a peaceful solution to the humanitarian crisis. When Western countries return to the Sudan, it will likely face increased competition for Sudan's petroleum and may lose influence in the country. With regards to Iran, if sanctions are voted on in the UN Security Council, Beijing will most likely support them. Beijing supported economic sanctions against Iraq and of all the avenues to take action, sanctions are the most limited. Beijing will oppose any military action against Iran.

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