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China's Riskisation:

China's Approaches to Sanctioned Petrostates, Cases of Russia, Iran and Venezuela

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In this study, the author attempted to explain what drives China to provide a lifeline to the sanctioned regimes of Russia, Iran, and Venezuela. By employing the offensive realism theory and SWOT analysis method, the author explored the dynamics between China and the three sanctioned petrostates in three dimensions: (1) energy security, (2) strategic security and military cooperation, and (3) banking and financial security. By exploring the three areas of bilateral cooperation, the author also explained why China was ready to go beyond cooperation in energy sector with the three countries despite the risks of worsening foreign relations with the wealthiest and most technologically advanced nations, such as the USA and its allies. In the anarchic international system with no higher authority above states, supporting the three sanctioned petrostates enables China to maximize its relative power vis-à-vis the USA, and by maximizing its relative power, China ultimately increases chances of its survival in the intensifying Sino-US security competition. The novation of this study is the attempt to incorporate financial and banking security into a broader context of China's national security. The author also explained to what extent China was ready to accept risks and which risks would rather avoid. Speaking more broadly, the author attempted to describe the risk management policies employed by the Chinese leadership in foreign relations. The authors has concluded that China still remains susceptible to the US pressure and the threat of secondary sanctions. By explaining why China is ready to support these rogue states, the author has attempted to place himself in the shoes of the Chinese leadership, who are deeply concerned about China's survival, and to enable readers' understanding of China's calculus behind these decisions. Hopefully, a better understanding of China's motives will allow to make more informed decisions in foreign policies vis-à-vis China in the future.

Key words: China, international relations, Iran, risk management, Russia, sanctions policy, Sino-US rivalry, Venezuela.

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Abbreviations

ACA – Arms Control Association
ACU – Asian Clearing Union
AIIB – Asian Infrastructure Investment Bank
bpd – barrels per day
BRI – Belt-and-Road Initiative
BSA – bilateral swap agreement
CBI – Central Bank of Iran
CBR – Central Bank of Russia
CCP – Chinese Communist Party
CDB – China Development Bank
CFR – Council on Foreign Relations
CIA – Central Intelligence Agency
CIPS – Cross-Border Interbank Payment System
CNPC – China National Petroleum Corporation
CO – crude oil
CRS – Congressional Research Service
EFTA – European Free Trade Association
EO – Executive Order
ESPO – Eastern Siberia-Pacific Ocean (pipeline)
ETIM – East Turkestan Islamic Movement
EC&EUC – European Council, Council of the European Union
EU – European Union
EUR - Euro
FDI - foreign direct investment
GACC – General Administration of Customs of China
GCC – Gulf Cooperation Council
GDP – gross domestic product
GDP (PPP) – gross domestic product based on purchasing power parity
HS – Harmonized System
IAEA – International Atomic Energy Agency
IDCPC – International Department, Central Committee of CPC
IMF – International Monetary Fund
INF Treaty – Intermediate-Range Nuclear Forces Treaty
IP – intellectual property
IR – international relations
IRGC – Islamic Revolutionary Guards Corps
IRNA – Islamic Republic News Agency
ITC – International Trade Centre
JCPOA – Joint Comprehensive Plan of Action
KLB – Bank of Kunlun
LNG – liquified natural gas
MAD – Mutually Assured Destruction
ME – Middle East
MENA – Middle East and North Africa
MIC – military industrial complex
NATO – North Atlantic Treaty Organization
NG – natural gas
NIOC – National Iranian Oil Company

NW – nuclear weapons
OEC - Observatory for Economic Complexity
OFAC – Office of Foreign Assets Control
OPEC – Organization of the Petroleum Exporting Countries
OR – offensive realism
P5+1 – Five permanent UNSC members (China, France, Russia, UK, USA) and Germany
PBC – People’s Bank of China
PDVSA – Petróleos de Venezuela, S.A.
PLA – People’s Liberation Army
PLG – pipeline gas
POS – Power of Siberia
PRC – People’s Republic of China
RMB – Renminbi
RO – Revolutionary Organization of the Tudeh Party
RUB – Russian Ruble
SEPAM – System for Electronic Payments Messaging
SIPRI – Stockholm International Peace Research Institute
SOE – state-owned enterprise
SOFT - Safeguard the Satisfactory, Open the door to Opportunities, Fix the Faults, Thwart the Threats
SPFS – System for Transfer of Financial Messages
SPS – sanctioned petrostate(s)
SRI – Stanford Research Institute
SST – state sponsor of terrorism
Swift – Society for Worldwide Interbank Financial Telecommunication
SWOT – Strengths, Weaknesses, Opportunities, Threats
UAE – United Arab Emirates
UAV – unmanned aerial vehicles
UK – United Kingdom
UN – United Nations
UNSC – United Nations Security Council
US EIA – US Energy Information Administration
USA – United States of America
USA&A – USA&A
USD – US Dollar
USDOS – US Department of State
USSR – Union of Soviet Socialist Republics or Soviet Union
VED – Venezuelan Bolivar
WB – World Bank
WMD – weapons of mass destruction
WTO – World Trade Organization

1 Introduction

“No goods can be shipped in or out, no telegraphic messages can be exchanged, [...] there shall be no communication of any kind between the people of the other nations and the people of that nation. The nationals, the citizens of the member states will never enter their territory, until the matter is adjusted, and their citizens cannot leave their territory. [...] Apply this economic, peaceful, silent, deadly remedy and there will be no need for force. It is a terrible remedy. It does not cost a life outside of the nation boycotted, but it brings a pressure upon that nation which, in my judgment, no modern nation could resist.”

Woodrow Wilson, 1919

In my study, I examine how the People’s Republic of China (China or PRC) approaches certain sanctioned states abundant in natural resources, especially oil and gas. The states where export of oil plays a crucial role in their economy and holds a major share of foreign trade are referred to as petrostates. According to the definition of Dictionary of Energy by Cleveland and Morris (2015), a petrostate is “an oil-exporting nation, especially one whose economy is dominated by the business of petroleum extraction and export” (p. 419). In my study, I will explore the bilateral relations of China with three petrostates suffering from international pressure and sanctions: the Russian Federation (Russia), the Islamic Republic of Iran (Iran), and the Bolivarian Republic of Venezuela (Venezuela). Hereinafter, I will refer to the three countries as the sanctioned petrostates (SPS).

The focus of my study is to examine how Chinese foreign policymakers assess, perceive and mitigate risks arising from decisions on whether to provide aid to the SPS. This toolbox of all counter-risk measures can also be named ‘riskisation’, or as Clapton (2011) termed, it is a set of measures aimed at identifying, assessing and managing risks (p. 281).

Although the three petrostates in this research are rich with gas and oil, with China being the biggest energy consumer in the world (US EIA, 2022), diversification of energy suppliers and having the upper hand in negotiating more favourable terms for trade with the SPS are not the only rationale in China’s calculus. In other words, energy security is not the only driving force for China’s aid and support of the SPS.

The three petrostates and their bilateral relations with China were chosen due to a number of similarities: deep energy cooperation with China; being the subject to the sanctions by the United States of America (USA), Canada, European Union (EU) member states, the United

Kingdom (UK), Australia, New Zealand, Japan, South Korea and Taiwan. In order to avoid listing those countries over and over again, I will refer to them as the USA and its allies (USA&A); China's and the petrostates' political and diplomatic coordination in international affairs; shared anti-Western sentiments, and the asymmetric nature of cooperation with China. These selection criteria will be further explained in the following sub-sections.

At the same time, the SPS vary dramatically in their size, regional and international position, global influence, economic and technological development. These differences should, as I hypothesize, create a difference in China's approach towards each of the petrostates. The data on China and the three SPS is summarized in Table 1, which provides a brief outlook on each of the four countries' population, economic size, and military expenditure.

However, I also admit that the selection of the SPS is to some extent arbitrary and is defined by my personal interest in these countries. Since there are time limits and restraints, I will exclude from my research other sanctioned nations, such as abundant in oil Syria and rich with rare elements Myanmar. North Korea and Belarus, widely regarded as satellite states for China and Russia respectively, will not be researched either, although these countries and their bilateral relations with China also present great interest for further research.

Table 1. China and the SPS at a glance

	China ¹		Russia ²		Iran		Venezuela	
	Value	Global rank	Value	Global rank	Value	Global rank	Value	Global rank
Population, est. 2023, CIA, World Factbook	1,413,142,846	1	141,698,923	9	87,590,873	17	30,518,260	50
GDP, 2022, USD, IMF	17.85 billion	2	2.27 billion	8	347.45 million	43	98.1 million	70
Military expenditure, 2022, USD, World Bank	876.9 billion	2	86.3 billion	3	6.8 billion	34	4.6 million	164

Sources: CIA World Factbook (2023), IMF (2022), World Bank (2022)

Upon identifying all the risks associated with supporting the SPS and after examining the potential gains and losses, I seek to generalize the results and to propose a model explaining modus operandi of Chinese foreign policy makers in respect to the SPS.

¹ Excluding the SAR of Hong Kong, the SAR of Macau, and Taiwan.

² Excluding Crimea and other Russia-occupied territories of Ukraine.

China and the three SPS are also inherently different culturally: China is a multiethnic country in East Asia with majority of population speaking Mandarin and greatly influenced by ideas of Confucianism, Buddhism and Taoism; Russia is also a multiethnic country spanning from Europe to Northeast Asia and that historically been influenced by Orthodox Christianity; contemporary Iran is a Shia Muslim theocracy located in West Asia and where the power is vested with the supreme leader of Iran and Shia Islamic norms are enforced by the Islamic Revolutionary Guards Corps (IRGC); and Venezuela is a South America country where people practice Catholicism.

Despite the geographical, cultural and religious differences among these four states, the political regimes in these four countries share many ideological sentiments and political practices in common: anti-Westernism, especially anti-Americanism, autocratic political systems, oppression of opposition political forces, and little concern over universal human rights. China and the SPS are autocratic regimes where the situation with human rights and civil liberties leaves much to be desired: according to the Freedom House Global Freedom Scores international ranking (2023), China scores 9, Iran scores 12, Venezuela scores 15, and Russia scores 16, and the four countries are in the category “Not Free”.

China is a party-state run by the Chinese Communist Power (CCP) where the power is concentrated in the hands of the Politburo Standing Committee members. As Mearsheimer (2006) states, China is the “peer competitor” (p. 161), who is capable to challenge the US global dominance and the USA’s position in Asia-Pacific. Moreover, China is now the second biggest country population-wise, whose total population was surpassed by India in 2023. China has impressive manufacturing capabilities, it is among top countries world-wide by military expenditure and a permanent member of the United Nations Security Council (UNSC) with veto power.

Mearsheimer (2019) considers Russia a great power, but “by far the weakest” (p. 48) one when compared with China and the USA. Russia possesses the biggest landmass (CIA, 2023) and a whole range of natural resources, starting from forests and fresh water ending with oil and gas. Russia is also among top countries by military expenditure (WB, 2022). Russia, as a successor of the Soviet Union (USSR), inherited the permanent seat and veto right in the UNSC too. More importantly, Russia is an immediate neighbouring country of China. Russia also has the biggest arsenal of nuclear warheads (SIPRI, 2023) and strong offensive capabilities.

The Islamic Republic of Iran was founded in 1979 in the wake of the Islamic Revolution, in the course of which the West-aligned monarchic Pahlavi dynasty was overthrown and replaced by the theocratic government of Ayatollah Ruhollah Musavi Khomeini. The new theocratic regime has existed under the international sanctions virtually from the very foundation. Iran is notorious for its adamant animosity towards Israel and the USA and for supporting its proxies in Lebanon, Yemen, Syria, and Palestine.

The Bolivarian Republic of Venezuela was declared in December, 1999 during the Hugo Chávez's presidency. During Hugo Chávez's rule 1999-2013, the Venezuelan government implemented social welfare programs, thanks to the soaring oil prices during the oil crisis in the early 2000s, and nationalized oil companies. Upon Hugo Chávez's death, Nicolás Maduro assumed the role of Venezuelan president. As of today, Venezuela is still undergoing the major political, socioeconomical and humanitarian crisis. Despite having the largest proven oil reserves in the world, today's Venezuela is suffering from hyperinflation, poverty, unemployment, malnutrition and lack of basic commodities. As a result, 7.7 million of Venezuelans fled the country ever since 2015 (EU Council, 2024).

The three SPS are located in different regions, possess different capabilities, and have their roles to play in China's geopolitical strategy when competing against the USA. The Sino-US rivalry is a very topical subject relevant to this study. The Sino-American decoupling will have a huge impact not only on China and the USA, but on other countries and regions as well, including countries in Asia-Pacific and in Europe. In the era, when most influential countries possess the ultimate deterrent, i.e. nuclear weapons (NW), economic and sectorial sanctions are among few tools available to pressure a great power like China. However, even sanctions have a limited capacity for efficiency. In the anarchic system of international politics, no one can ensure that all the countries in the world would adhere to the sanctions. Although states do not want to risk falling under secondary sanctions, many countries are not eager to introduce economic restrictive measures of their own.

Currently, we are facing a tectonic shift in the international politics and global order. The term 'multipolar world' that has been a buzzword or a cliché for at least a decade is becoming a new reality. The emerging powers, such as Mexico, Brazil, Argentina, Nigeria, Türkiye, Saudi Arabia, South Africa, India, Thailand and Indonesia, are growing more influential, and they will not always align with the USA&A (Chivis & Geaghan-Breiner, 2024, p. 11).

Complexity of international politics, international trade and supply chains leads to one important drawback of sanctions use: the USA&A cannot fully isolate a target country. One cannot sanction the whole Global South. While economic and sectorial restrictive measures definitely weaken target countries, these sanctions rarely meet their ultimate goal. According to Ang and Peksen, the sanction policies are effective in only 33% of the cases (2007). Sanctions imposed by the West quite often lead to contrary outcomes, such as degradation of democracy, deterioration of living conditions, and cementing the targeted regimes.

All this essentially leads to the necessity to reconsider the use of economic sanctions. I do not mean to abolish the use of sanctions completely, but the sanctions use probably can be made more strategic and more efficient. Maybe we might even need a completely new tool for economic pressure. Upon completing my research, I hope to illuminate China's rationale for not completely adhering to the Western sanctions.

2 Literature review

Taking into account my previous educational background, namely linguistics and translation, it was crucial for me to mitigate my gap in understanding main theories and approaches in international relations (IR) and international politics. Therefore, before approaching my research, I had to familiarize myself with topics not covered by the master's degree program at the Centre for East Asian Studies, such as theories and approaches in IR, sanctions, risks, and China's bilateral relations with the SPS.

2.1 China's rise

When placing China, its foreign policies and its relations with the SPS in the realist context, various scholars argue whether China will become the dominant power in Asia-Pacific and will be able to challenge the US hegemony. For instance, professor John Mearsheimer argues that the USA should focus on China's threat as it will become a peer competitor of the USA. Although the USA will remain the world's mightiest power, China's rise will pose the biggest threat to the US interests in Asia. Furthermore, Mearsheimer (2006) believes that China will not rise peacefully and "is likely to try to dominate Asia the way the United States dominate[s] the Western hemisphere" (p. 162). This argument is further boosted by the intensifying Sino-US rivalry and China's more assertive position under the leadership of Xi Jinping.

However, other IR scholars do not see China becoming another superpower. Dibb and Lee (2014) described obstacles preventing China from achieving the hegemonic position on the global stage. For example, rapidly aging population, which is still a serious threat today for China, was and still is a comparative disadvantage vis-à-vis the USA. Secondly, Dibb and Lee doubted China's military capabilities and described China as "a regional military power entirely without any modern combat experience and with major deficiencies in doctrine, human capital and training" (p. 16). As of today, I believe that most of the issues described by Dibb and Lee are still applicable to China's military despite enormous military expenditure (WB, 2022), second only to the USA's. Moreover, technological development of China has also lagged two decades behind the USA (Dibb & Lee, 2014, p. 20).

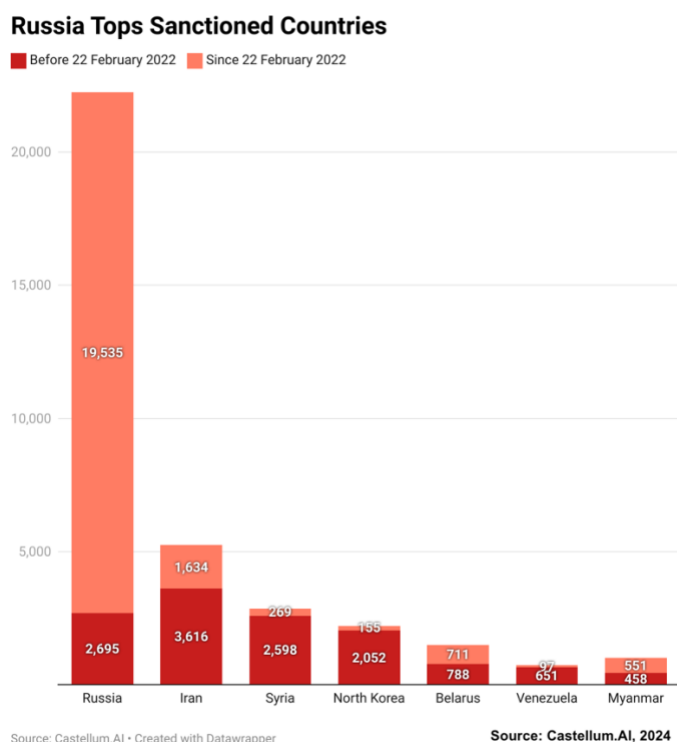
Regardless of whether China will actually become another superpower or a regional hegemon, one thing is certain: China's ascension is the force to be reckoned with. China's growing assertiveness and China's actions in the East China Sea and the South China Sea raise

concerns among other Asian nations, including the US allies, such as Japan, South Korea, and Taiwan. These concerns among the US allies and other neighbouring countries coupled with the ever-intensifying Sino-US rivalry will further reinforce the security competition in Asia-Pacific. And the Chinese leadership fully realizes its shortcomings in comparison with the US might, namely capabilities in projecting military power globally and geographic vulnerability of being blockaded, China has to employ other approaches and to strengthen its economic, technological, manufacturing, and financial capabilities through bilateral relations with other nations, including the SPS.

2.2 China's bilateral relations with the SPS

During the process of searching for secondary sources on China's bilateral relations with the SPS, the first surprise was the striking, yet understandable, disproportion in secondary sources covering Sino-Russian, Sino-Iranian, and Sino-Venezuelan relations. The bilateral relations between China and the USSR/Russia have been researched very extensively from various perspectives and on different levels, whilst the body of academic literature on relations between China and Iran/Venezuela is dramatically smaller, which poses a challenge for me to explore and to present the bilateral relations of China and the SPS in a balanced manner in my paper.

Figure 1. Russia tops sanctioned countries (source: Castellum.AI, 2024)



2.2.1 China's relations with Russia

IR scholars have devoted many efforts to explore and to explain the dynamics of the Sino-Russian bilateral relations, their different aspects and areas of cooperation. Most researchers and experts agree that nowadays China and Russia enjoy, probably, the best relations since the mid-1950 when the USSR, Russia's predecessor, and China had political tensions. Currently, the Chinese and Russian leaders do not interfere with each other's domestic controversial affairs that draw criticism from the international community. The two countries share the same hostile sentiments towards the US-dominated world (Bekkevold, 2022, p. 53). Moreover, both countries have been considered revisionist states, and the two regimes are known for their violations of human rights and liberties.

Another thing that researchers of Sino-Russian relations mostly agree on is that China and Russia, despite having the best relations ever, are very unlikely to form any sort of meaningful alliance (Adomeit, 2022, p. 34; Carlson, 2022, p. 155), but rather a comprehensive partnership. The general consensus among academia is that the two countries have areas where their interests diverge and the two countries actually compete against one another. For instance, after launching its invasion in Ukraine in 2022, Russia's nuclear threats and occupation of Ukraine's territories go against China's proclaimed principles of sovereignty and integrity and China's cultivated image of a responsible power. Furthermore, there are controversies between China and Russia in dealing with other countries, e.g. Central Asia states and India. None of the two countries is ready to fully commit to each other: China will not get involved with the Russian conflict in Europe, and Russia will maintain its ambivalent position on India who has territorial disputes with neighbouring China.

Additionally, numerous scholars (Bekkevold, 2022; Adomeit, 2022; Carlson 2022; Lucas & Lo, 2022) emphasise the non-acceptance of the USA hegemony by the political elites of both China and Russia. This shared rejection of the USA's dominance is generally deemed as a common denominator and sticking glue between China and Russia.

Another thing not really disputed among scholars is Russia's growing dependence on China and asymmetric nature of their partnership. The asymmetric nature can be attributed to the dramatic difference in the two countries' population size and economic might, as evident from Table 1: according to the CIA World Factbook (2023), China's population is 1.4 billion people and Russia's total population is 'mere' 141 million people; according to the IMF (2022), China's gross domestic product (GDP) accounted for 17.85 billion USD, while

Russia's GDP was 2.27 billion USD. Such a dramatic difference will inevitably lead to the disproportionate dependence, where one party, in this case Russia, will be more dependent on the other, i.e. China. And this power dynamics is not to change in the foreseeable future. As the Russian political leadership does not deem the rise of China as a challenge to contemporary Russia's regime, the Russian leadership is even prone to accept the asymmetrical nature of the Sino-Russian cooperation (Kaczmarek, 2022, p. 60).

To sum up, China and Russia have forged a strategic partnership without complete commitment as long as their actions do not harm each other's interests, and where the two countries still compete in some regions to project their influence, but united against the collective West.

2.2.2 China's relations with Iran

Both China and Iran are descendants of some of the oldest civilizations, Chinese and Persian respectively, and the two countries underwent parallel historical experiences. Nowadays, both regimes cultivate a strong sense of independence and self-reliance, and this aspiration is at the core of bilateral Sino-Iranian relations. Sense of anti-Westernism and especially anti-Americanism are also a part of both countries' political culture (Bazoozbandi, 2015, p. 260).

The Islamic Republic of Iran was established in 1979, and the newly formed theocratic Iranian government became a target of Western sanctions virtually from its very foundation. When speaking of Iran in the context of IR, the most salient issues are related to the stability and security of the Middle East (ME) region, namely Iran's nuclear program, nuclear non-proliferation, Iran's support of Shia Islamist military organizations, such as Hezbollah in Lebanon, the Houthis in Yemen, Hamas in Gaza Strip, and adamant hostility towards Israel. Iran's aspirations to develop its nuclear program and Iran's support of its proxies in the ME might ultimately undermine the region's stability and security of Israel and the Sunni states of the Gulf Cooperation Council (GCC)³, the latter of whom Iran deem as "dependent actors" (Shariatnia & Kermani, 2023, p. 38). Posing threat to the GCC states and existential threat to Israel, the most important US ally in the ME, Iran has become subject to international pressure and Western sanctions. However, the theocratic regime of Iran has survived despite being under sanctions for decades, and China's role in aiding Iran cannot be overestimated.

³ The GCC member states: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates.

According to Figueroa (2022), the ties between communist China and the Islamic Revolutionary regime goes back to the 1960s, when the Revolutionary Organization of the Tudeh Party (RO) members, mostly student activists, were greatly inspired by the Maoist ideas rejecting the “Peaceful co-existence” and radicalizing the student movement in Iran. During 1965-1975, China provided military and ideological training to the RO. Ironically, the Shah Pahlavi sought establishing closer ties in order “to reduce the appeal of Chinese propaganda to radical students” (p. 116). In the late 1970s-early 1980s, the Chinese leadership demonstrated readiness and willingness to cooperate with whatever regime would take control in Iran and maintained neutrality during the Islamic Revolution. Figueroa (2022) concludes that “Sino-Iranian relations have historically been consistent but limited” (p. 121).

Most researchers (Teer & Wang, 2018; Pirsalami, Moradi & Alipour, 2023) agree that today’s Sino-Iranian relations are driven by Iran’s isolation and worsening geopolitical position (Bazoobandi, 2015, p. 259), and energy security is the “cornerstone of Beijing’s relationship with Tehran” (Hong, 2014, p. 422).

Being subject to Western sanctions, Iran has a very limited number of options. Under the circumstance of diplomatic and trade isolation, Iran is even ready to turn a blind eye on the issue of the oppressed Uyghurs in China, which goes against main principles of Iranian constitution and officially proclaimed values (Parchami, 2021, p. 13).

Communist China and Revolutionary Shia Iran assumed drastically different positions on the global stage and their historical experiences have been different: under the leadership of Deng Xiaoping and his policies of reform and openness, China greatly benefitted from the globalization, inclusion into global supply chains, economic liberalization and underwent rapid economic and technological development.

At the same time, Iran has been isolated and has not been engaged in the global trade to the same extent as China. These drastically different historical paths create different perceptions of the international order: while China enjoys its global influence and reaps tangible benefits of being the ‘factory of the world’, Iran views the world as unfair and defined by oppressing global powers. These differences, in their turn, lead to conflicting ultimate goals in the global system: China, as I elaborate in the following chapters, seeks to prolong status quo, whilst Iran aspires to challenge it or even to undermine it.

However, the two countries' interest converge in balancing against the US domination in the ME. As Shariatinia & Kermani (2023) argue "Iran's leaders have sought to balance the dominant power with the assistance of rising power(s) by forging alliances with the latter, and encouraging them to play an active role in the Persian Gulf. Such a historical pattern, arguably, seems to be repeating itself with China" (p. 38). Despite converging interests of the two countries in the region, Sino-Iranian cooperation has been limited and vulnerable to the US pressure and US threats of sanctions.

2.2.3 China's relations with Venezuela

China and Venezuela established diplomatic relations in 1974 after Venezuela had recognized the PRC as the "only China". Afterwards, the relations between China and Venezuela improved further after Hugo Chávez's rise to power (Hongbo, 2012, p. 215), who adopted new constitution and declared the establishment of the Bolivarian Republic of Venezuela.

The general consensus about Sino-Venezuelan bilateral relations is that the main driving force lies in energy sector, and particularly in oil trade: while Venezuela and other Latin American countries tried to diversify their oil exports and decrease their reliance on the US market, China sought to diversify its oil imports. As Hongbo (2012) argues, China regards Latin America as an alternative source of oil (p. 219) in its cause to diversify oil supply, and "energy has been the driving force behind the Sino-Venezuelan cooperation model" (p. 233).

President Chávez deemed the partnership with China crucial which is evident from his numerous visits to China: Hugo Chávez visited China six times in 1999-2009 period, and "energy cooperation [...] always [was] a crucial negotiation topic on the bilateral policy agenda during all these high-level visits" (Hongbo, 2012, p. 227).

Although the energy cooperation was at the core of the Sino-Venezuelan relations, China's cooperation with the Bolivarian government did not limit only to oil industry, but also "extended to infrastructure, high-tech, agriculture and other sectors" (Hongbo, 2012, p. 224).

After Hugo Chávez's death in 2013, Nicolás Maduro assumed the president's seat after scoring a victory in rigged presidential elections. The unfair election results, combined with ongoing economic crisis due to low oil prices, sparked massive protests which were suppressed by the military. In response to non-democratic elections and violations of human rights, the USA&A imposed sanctions against the Maduro government.

The Sino-Venezuelan relations were at a crossroads in 2018-2019: in 2018, Venezuela had presidential elections which were conducted with numerous violations and Nicolás Maduro was 're-elected' as a president. The falsified election results caused grass-roots protests and led to the political crisis and attempts to oust Maduro. In January 2019, the opposition-dominated National Assembly declared the election results invalid and Juan Guaidó was declared an acting president. Furthermore, the election results were not recognized by the USA&A and most of Latin American countries, namely the Lima Group⁴.

As Reyes Vázquez (2021) explains, during the first year of the crisis, China “found itself in a lose-lose situation regarding Venezuela” (p. 46): either supporting the incumbent president Maduro and possibly alienating other major South American countries, or supporting the interim president Guaidó who was willing to negotiate the debt to China and who was backed by the USA&A. In the end, Xi Jinping decided to express his support to Maduro.

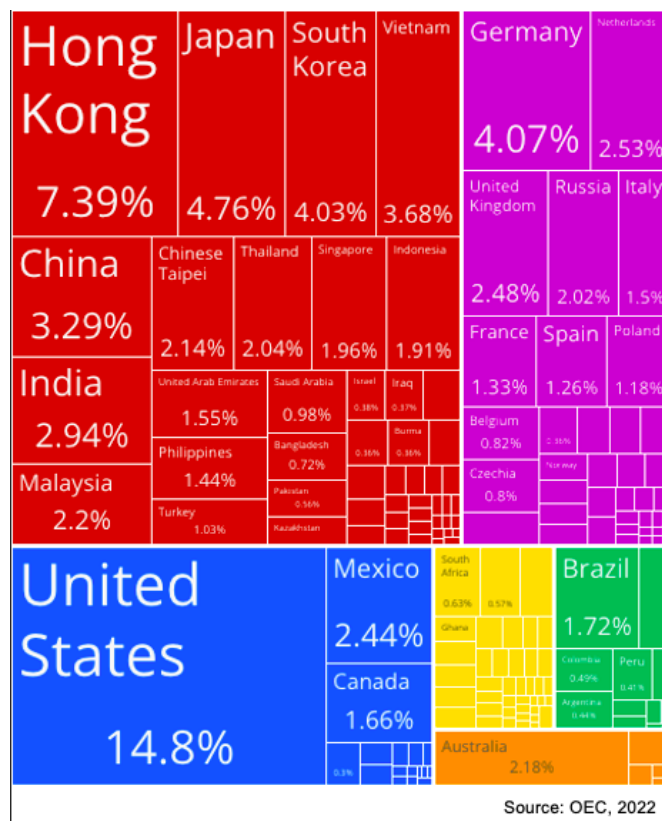
Initially the Sino-Venezuelan cooperation in oil started as a mutually beneficial partnership, however, after 2014 it turned into a high-stake “strategic gamble for China” (Wang & Li, 2016, p. 818) or, as Reyes Vázquez (2021) describes, “Venezuela is no longer a trade partner for China, but a sort of client state bound to repay its loans with oil” (p. 43).

⁴ The Lima Group includes: Argentina, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Guyana, Honduras, Mexico, Panama, Paraguay, Peru, Saint Lucia.

3 Research questions

Before I started my research, I wondered why China supported the SPS risking its relations with its main trade partners, namely the USA&A, and why China was ready to go beyond energy cooperation when dealing with the SPS. The most common answer I heard was “cheap oil and geopolitical interests”. The ‘cheap oil’ part is pretty evident, but I would like to explore what ‘geopolitical interests’ are behind supporting the SPS.

Figure 2. China's export destinations (source: OEC, 2022)



When dealing with the SPS, China could leverage its economic might and just limit its cooperation with the SPS to energy sector. Doing so would have allowed China to guarantee its energy security by diversifying its energy sources and at the same time China would maintain good relations with the USA&A. However, it is not the case: China does not only purchase oil and gas from the SPS, but also provides consumer goods, technologies, investments and, thus, risking its relations with the most important trading partners, i.e. Western countries.

While antagonized politically, the USA&A are the main trading partners of China, and, according to the Observatory of Economic Complexity (OEC)⁵ (2022), cumulatively constitute over 30% of China's total exports, whilst the share of the SPS in Chinese trade balance can barely make 5% altogether. Out of the three SPS, only Russia made it to top-ten trading partners of China with a relatively small share of 2% in 2022. The USA&A are China's wealthiest export destinations and main drivers for China's economic prosperity, technological advancement, and innovations. From a Western perspective, it makes much more sense to cooperate as much as possible with the USA&A and to limit relations with the SPS strictly to the energy sector.

Thus, I formulate my three research questions:

Q1: What exactly does China attain from supporting the SPS, in addition to cheaper fossil fuels?

Q2: Why is China ready to risk its economic prosperity and technological advancement while supporting the SPS and, therefore, antagonizing the USA&A?

Q3: How does China manage risks in foreign relations?

When I approached my study with my every-day logic and market 'supply-and-demand' view, China's aid to the SPS did not make much sense. However, after I had switched my lenses, i.e. theoretical framework, and accepted the notion that states, especially great powers, were paranoically concerned about their security and relative power in respect to their rivals, China's actions turned out to be highly rational.

⁵ I fully realize that the OEC data does not suffice in an academic paper. The data and chart are used only in this section, and they reflect my starting position of initiating my study.

4 Theoretical framework, central concepts

In my paper, I focus on inter-state relations from the realist perspective, and, therefore, my research is based on the following assumptions: (1) “a pessimistic view of human nature” (Sørensen, Møller & Jackson, 2022, p. 68); (2) conflictive nature of inter-state relations; (3) the system of IR is the anarchic one with no higher authority to enforce universal order on all the states; (4) a state is a rational actor; (5) the ultimate goal of any state is its survival.

In realist view, people even within nation states might have conflicting stances on domestic affairs, e.g. abortion issues, religious beliefs etc., and cannot agree on principal values, sometimes these conflicting views collide and even assume more brutal forms, such as coup d'état or civil wars. Nevertheless, inside a functional state⁶, people can still seek protection from the state which exercises its power through executive, legislative, and judicial branches of power and has a monopoly over violence. To paraphrase, there is a higher authority, which functions as an arbitrator, inside a state.

On the other hand, the international system lacks any higher authority that could enforce balance and order onto everyone. The United Nations (UN), serving as a much needed platform for negotiations, is not able to resolve all the conflicts, especially in situations when a great power is involved. When facing threats to their core interests and their security, great powers bend the rules or bluntly violate them regardless of international community's reaction. That is the understanding of the anarchic system of IR from the realist point of view, or as Mearsheimer (1994-1995) says IR “is not a constant state of war, but it is a state of relentless security competition, with the possibility of war always in the background” (p. 9).

4.1 Offensive realism theory

My perception of IR has been profoundly influenced by works of professor John Mearsheimer and his theory of offensive realism (OR) described in great detail in his book “The Tragedy of Great Power Politics”. According to the theory, in this intense security competition, great powers seek to maximize their relative power and weaken their competitors, other great powers.

⁶ A functional state as an opposite to a failed state, where a government of the latter is unable to perform its functions and serve as a mediator between conflicting parties.

Following the OR logic, states possess military capabilities to inflict damage to one another and cannot be sure of each other's benign or malign intentions. Under these circumstances, the only rational way to deal with the security dilemma is to become a mighty power, or even a regional hegemon, and not to leave one's security and survival to another states' decisions and intentions which are subject to changes over time.

Although the OR lenses seem to be a better fit for explaining dynamics in foreign relations between adversaries or competitors, such as the USA vis-à-vis China or the USA vis-à-vis Russia, I believe that the same prism is applicable to China's relations with the SPS: China aids the SPS not for humanitarian, ideological or humanistic reasons, but for very pragmatic and practical ones. Moreover, such an attitude aligns with my inner perception of IR when speaking of foreign politics and foreign relations. As Sørensen, Møller and Jackson (2022) explain, "[t]he main point of foreign policy is to advance and defend the interests of the state" (p. 68).

OR approach also allows me to disregard the ideological and ethical aspects of China's decision-making in regards to the SPS. In my research, sanctions, military threats, military interventions, and even initiating wars are merely instruments for achieving political goals with different costs of their use. However, I would like to make a disclaimer here: although I will avoid any judgmental statements and emotional assessments of the four countries, I do not try to justify their actions and decisions, but merely explain the rationale and calculus behind them.

Domestic factors will mostly be overlooked in favour of external factors dictated by the structure of the anarchic international system. Although the domestic factors affect the decision-making in foreign policies, peoples in non-democratic and authoritarian countries, such as China and the SPS, cannot directly influence the foreign policy decisions, although people's sentiments and sense of nationalism are the sources to be exploited by their respective governments. However, the domestic factors represent China's strengths and weaknesses, and therefore, they will be taken into account in my analysis.

Although the world portrayed by Mearsheimer and his offensive realism theory is not the one I aspire to, especially when it comes to smaller countries, I deem this approach more down-to-earth and as having a stronger predictive power: already in the 1990s, Mearsheimer foresaw the potential security competition between China and the USA whilst the rest of the world

believed in the ‘end of history’⁷ and that the economic liberalization would translate into political. Although Mearsheimer was not the first scholar to envisage the Sino-US rivalry, he has been very consistent and vocal on the issue.

Thus, in accordance with the OR theory, I accept that China, deeply concerned about its survival, views the USA&A as potential threats, and therefore, seeks to maximize its power through supporting the SPS to ensure its own survival in the anarchic system.

4.2 Definition of risk

The term ‘risk’ is widely used in the areas of business, investments, security, and defence. According to the definition of Oxford dictionary of Politics and IR, risk is “the chance or hazard of some unpleasant outcome. To be carefully distinguished from uncertainty” (Brown, McLean & McMillan, 2018). In IR, the word ‘risk’ is more commonly associated with security and military threats arising from tensions between opposing states, e.g. strategic, ideological, and/or regional opponents. In my research, I would like to approach this term from another angle.

I approach the term ‘risk’ from the perspective of Chinese decision-making in IR when dealing with the SPS. In other words, I seek to explore what risks Chinese foreign policy makers might encounter when they decide to support Russia, Iran or Venezuela. The SPS converge with China politically and geostrategically, and, therefore, the risks arising from a decision to aid the SPS are different from risks stemming from competition with China’s rivals, i.e. the USA&A.

The above-mentioned definition of risk emphasizes the importance of distinguishing risks from uncertainty. It is indeed an important note, since uncertainty greatly affects the behaviour of decision-makers who, in their turn, might adopt risk-avoidant (risk-averse) or risk-accepting approaches under the circumstance of unknown outcomes. Moreover, a risk scenario can be calculated, i.e. China can assess whether it can afford the costs of risk-accepting behaviour and negative outcomes arising from such a behaviour, but the situation of uncertainty can be even more effective, when a potential target, in our case China, does not know what consequences might follow and how severe they can be.

⁷ The “end of history” concept, which was described by Francis Fukuyama in the late 1980s-early 1990s, implied, that, after the communist bloc disintegrated, more and more countries across the globe would become liberal democracies.

4.3 Sanctions

According to the Oxford dictionary of Politics and IR (Brown, McLean & McMillan, 2018), sanctions are

[p]unitive diplomatic, economic, and social actions taken by the international community against a state that has violated international law. Technically they may also refer to military actions with the same purpose. They range from suspension of diplomatic contact, and blockage of communication, through restriction or cessation of some or all trade, to military strikes.

Sanctions vary greatly depending on their targets, enforcement, and objectives. Based on targets, sanctions can be: individual sanctions targeting private individuals and legal entities; economic sanctions imposing restrictions on trade and financial transactions; sectorial sanctions targeting specific sectors of a target country's economy; and diplomatic sanctions.

If we consider the enforcement of sanctions by sender countries, we can also classify the restrictive punitive measures as follows: (1) unilateral sanctions imposed by individual countries, e.g. the USA, EU member states or Japan, and intergovernmental organizations, e.g. the Foreign Affairs Council of the EU; (2) multilateral sanctions adopted by a group of sender countries or an international organizations.

Sanctions approved by the UNSC can also be considered as a type of multilateral sanctions. However, the UNSC-approved sanctions are relatively rare to come by as it requires two conditions to be met: (1) to acquire majority of votes from five permanent members⁸ of the UNSC and ten non-permanent members, and the minimum vote count for sanctions to be adopted is nine out of fifteen; (2) none of the permanent members shall veto the proposal. The second condition is more difficult to fulfil as countries with veto power usually pursue their own interests, and a UNSC voting procedure turns into a platform for defending geopolitical interests of UNSC permanent members.

Economic and sectorial sanctions also assume various forms, such as import and export bans, embargos, price caps, removal from the Society for Worldwide Interbank Financial Telecommunication (Swift), entry bans, assets freeze and many more.

⁸ The UNSC permanent members: China, France, Russia, the UK, and the USA.

Evidently, sanctions vary depending on their form, purpose, scope, target, and enforcement. In this study, I will focus only on those sanctions that directly weaken the material power of a target country, namely economic, financial, and technological development. When an SPS is denied access to the Western markets, technologies, investments, banking and financial services, here comes China with its alternatives.

Security competition usually revolves around military aspects, and major military powers and their military capabilities are usually assessed according to the number troops, tanks, fighter-jets, submarines, aircraft carriers, missiles, combat experience, and military expenditure. As the ongoing war in Ukraine has demonstrated, an armed conflict can also turn into a war of attrition where economic and manufacturing capabilities directly translate into military might: manufacturing weapons and equipment, military training, providing rations all cost significant resources. Moreover, production of sophisticated weaponry today also requires the so-called critical components. Simply put, in order to enhance or to maintain one's military capabilities, one needs to endure enormous costs, and in order to cover these expenses, a state needs to participate in the global trade.

Sanctions are usually researched as economic restrictive measures, but in my research I would like to approach sanctions from the perspective of security, i.e. sanctions are another means to coerce target countries and, therefore, can also be viewed as a weapon.

I would like to elaborate on why I approach sanctions as a weapon in my research. Sanctions are a very versatile tool in coercing target countries: the economic restrictive measures can be used as a naval blockade when no vessel can enter or leave the territorial waters of the target country; or alternatively, sanctions can be used in a very precise fashion targeting only specific entities, e.g. a manufacturing site, just like with the aerial bombing.

While having such a versatility, sanctions also possess three distinct advantages over navies and air forces: (1) geography does not matter. In case with projecting power by the means of conventional armed forces, large bodies of water greatly limit the capabilities of projecting military power (Mearsheimer, 2014, p.91); (2) when applying the economic weapon of sanctions, no bullet needs to be shot, and no troops need to be sent to blockade or to air-raid, thus resulting in zero military casualties for the sender country; (3) sanctions can be utilized even during peaceful times without officially declaring a war.

Similarly to a naval blockade and air-bombing, sanctions are also designed to undermine the economic might of a target country. Economic might, or as Mearsheimer (2014) refers to as the “latent power” (p. 66), is a prerequisite for a country to be a great power and “the foundation of military might” (p. 84). Economic might, manufacturing capabilities, and wealth of the nation directly translate into a country’s power. And just like the use of navy or air force alone does not suffice without the use of land troops to coerce a great power⁹, sanctions use also have this shortcoming: while sanctions definitely weaken a target state, they alone are not enough to change the behaviour of a targeted great power, and the population of the target country can endure and absorb a great deal of economic damage.

Russia and Venezuela are already subjects of international sanctions, and Iran has lived under sanctions for so long that Iranian Foreign Minister Mohammad Javad Zarif (2019) even said “there are always ways of going around the sanctions. We have a PhD in that area”.

China is also no stranger to international sanctions: China is still under arms embargo imposed by West in the wake of the Tiananmen massacre of 1989 and cannot import Western weaponry (Kirchberger, 2022, p. 75). Additionally, China has recently become a target for export control, some Chinese entities are already under secondary sanctions for aiding sanctioned countries, including the SPS. However, when supporting the SPS, China and Chinese entities risks facing even more severe consequences.

4.4 Limitations and assumptions

In order to explain complex IR reality, I will have to make the following assumption: I will treat countries, China, the SPS, the USA&A like homogeneous entities although I fully realize it is oversimplification. Depending on specific area or industry, a respective ministry, governmental body or state-owned enterprise (SOE) will be engaged, e.g. arms trade issues will be coordinated by a ministry of defence of a respective country, oil and gas trade and contracts will be managed by energy companies, Renminbi (RMB) internalization will be coordinated by the People’s Bank of China (PBC) etc.

Furthermore, I am approaching the subject of sanctions from IR perspective, not from the perspective of economist and not as a financial expert. In my research, sanctions are merely

⁹ Here I would like to emphasize that navy, air force, or sanctions alone are not sufficient without the use of the ground troops when targeting a **great** power (Mearsheimer, 2014, p. 107), but they might suffice against minor powers.

another tool to project power and influence. When speaking of China, or any other great power, comprehensive sanctions are the last resort measure to coerce a great power before engaging into an actual, direct or indirect, armed conflict. The same logic is applied to countermeasures employed by China and the SPS to evade or to circumvent these sanctions: just like there are radars to detect submarines, air defence systems to intercept missiles, measures to counteract to economic weapons are also needed to ensure financial and banking security and international trade.

Third, since I do not speak Spanish and Persian, I will have to rely on English-language sources when explaining the Sino-Venezuelan and Sino-Iranian bilateral relations. I fully realize that being able to read primary and second source materials in Spanish and in Persian would have made my research more solid.

Fourth, data availability and accuracy are another challenges when dealing with such countries as China and the SPS especially when it comes to sanction evasion. However, I have done an extensive, and hopefully sufficient, work searching for data among secondary and open sources.

Last but not least, in my study, I heavily rely on ideas of American IR scholar John Mearsheimer and primarily use English-language secondary sources, which, I believe, will inevitably create bias. Despite my best efforts to be impartial, I still allow for a possibility of my writing lacking objectivity.

5 Data collection and methodology

As mentioned above, the accessibility of the data is a major challenge when dealing with China and the SPS, especially when it comes to aiding sanctioned regimes. Making such information publicly available is not in China's interests as it tries to downplay its role in circumventing sanctions.

5.1 Data collection

However, the General Administration of Customs of China (GACC) publishes data on energy imports, and the data reveals the dynamics and the varying intensity of sanctioned regimes against the SPS: China official imports data openly discloses volumes of imports from Russia, whilst imports Iran and Venezuela are opaque. Moreover, since Iran and Venezuela have to rely on intermediaries in delivering their crude oil (CO), getting accurate data on their export volumes to China becomes even more complicated.

Such a difference is explained by energy stability considerations that sanction-sending countries have to take into account: Russia was the third major oil producer and the second biggest supplier of natural gas (NG) in 2022 (US EIA, 2024), thus removing Russia from the global energy market will lead to skyrocketing oil and gas prices which will affect negatively on China, Western countries, and emerging and developing markets. At the same time, Iran's and Venezuela's oil and gas production output is significantly smaller (Hill & Comstock, 2023), and despite their enormous oil and gas reserves, their supplies can theoretically be absorbed by other major oil and gas producers.

Moreover, when trying to avoid secondary sanctions, deliveries of commodities take place through third-parties and shell companies which further complicates getting accurate data. Thus, I will have to rely on data from well-established international organizations, such as the World Bank (WB) and IMF, and on reports from Western think-tanks, e.g. Rand, Freedom House, the Council on Foreign Relations (CFR) and others. In terms of energy cooperation, I will have to rely on the data provided by the US Energy Information Administration (US EIA).

When describing what sanctions have been imposed, I will utilize the data made publicly available by the US and EU governmental and intragovernmental bodies and agencies, namely the US Department of State (USDOS), European Council, Council of the European

Union (EC&EUC), Congressional Research Service (CRS), and US-based nonpartisan organizations and think-tanks as well, such as Arms Control Association (ACA) and the afore-mentioned CFR.

When describing the dynamics between China and the SPS with a special focus on (1) energy cooperation, (2) military and strategic security, (3) financial and banking security, I will utilize mostly secondary sources, namely academic articles, book chapters, and reports.

When aggregating data on China's energy imports, I will rely on the data provided by the International Trade Centre (ITC), whose calculations until January, 2015 are based on the UN Comtrade statistics and calculations after January, 2015 are based on GACC statistics. I view the ITC data accurate, as it collaborates with the World Trade Organization (WTO) and the UN.

When assessing the energy trade statistics, I will employ Harmonized System (HS) codes. The HS codes are used in international trade for codifying and describing items and commodities in international trade and utilized for the purposes of gathering statistics and levying duties. The HS codes used for assessing the energy trade between China and the SPS are as follows: 270900 – CO, 27112100 – pipeline gas, 27111100 - natural gas, liquefied, and 284420 - enriched Uranium U235 and its compounds.

When examining volumes of dual-use goods exported by China to Russia after 2022, I refer to the list of HS codes provided by the European Commission (2024), and in arms trade, I rely on the arms transfer database by Stockholm International Peace Research Institute (SIPRI).

Afterwards, I will be able to assess risks and opportunities of supporting a particular SPS, which, in its turn, will allow me to generalize the results and provide my explanation and interpretation. In my case study, I will employ the SWOT analysis (Strengths, Weaknesses, Opportunities, Threats) method. During the analysis, I will attempt to identify what factors might influence Chinese decision-makers to increase, to maintain or to decrease the support of an SPS.

5.2 SWOT analysis

Admittedly, I have not seen this method employed by IR scholars and in social and political sciences generally, but this analytical tool is widely used by private companies and firms in corporate planning and strategizing. Probably, the method I chose is the manifestation of my

previous occupation¹⁰. Although this method is more commonly used in the private sector, I believe it can also be applied for analysing a particular state's long-term strategy.

The SWOT analysis is a holistic long-range planning tool commonly used in corporate management. The origin of the SWOT analytical tool can be traced back to the 1950s when the US government tried to limit the influence of large corporations (Puyt, Lie, Wilderom, 2023, p. 3). The SOFT approach (Safeguard the Satisfactory, Open the door to Opportunities, Fix the Faults, Thwart the Threats) can be considered the first version of the SWOT tool and was devised by Robert Franklin Stewart and the Stanford Research Institute (SRI) team. In 1974, Albert Humphrey, a member of the former SRI team, published "Getting management commitment to planning" where he encouraged firms to identify Strengths, Weaknesses, Opportunities, and Threats. The main difference between the SOFT and SWOT approaches is how they view these identical components: the SOFT approach focuses on the present (satisfactory and fault) and the future (opportunities and threats)(Puyt, Lie, Wilderom, 2023, p. 2), whilst the SWOT approach emphasizes internal (strength and weakness) and external (opportunities and threats) components.

The main innovation in Stewart's new approach is the necessity for a firm to recognize its operational planning issues before designing a long-range strategy (Puyt, Lie, Wilderom, 2023, pp. 5-7). Furthermore, Stewart encouraged to include managers of all levels into strategy designing process since managers of their respective departments would be naturally more aware of the operational issues in their specific areas of expertise.

Some might argue that by employing this analytical tool I basically equate a state to a private company or a corporation. However, I do not see problems in that regard. On the contrary, I notice many similarities in approaching states as commercial organizations: just like any organization, a state is hierarchical structure with a leader, ministers, and bureaucrats; similarly to any corporation comprised of different departments, e.g. book-keeping, R&D or treasury, a government of any country also has various ministries, agencies, and SOEs with different functions. In corporations, managers are responsible for their respective departments, while governmental bodies and ministries are led by their respective ministers. Just like any organization, a state and its respective government have to manage finite material resources and they seek to gain relative advantage vis-à-vis their rivals and competitors. Should a state

¹⁰ Before starting the master's degree program, the author of this paper worked for six years in international trade, customer service, logistics, and export.

or a corporation poorly manage their finances, the former faces the danger of being defeated by other states and losing sovereignty while the latter risks becoming insolvent and going bankrupt.

However, there are three important and to this study relevant differences between running a country and managing a corporation. First, while private companies focus on making profits and making their products or services commercially viable, and, thus, give preference to economic and financial considerations over politics; countries, on the other hand, often prioritize political considerations over economy, especially when a country's security is at stake.

Secondly, private organizations operate within jurisdictions and legal frameworks of countries, and if there is a conflict or a dispute between companies, they might seek justice in the court, i.e. private companies operate under higher authority which is able to enforce the law and regulations. States, as mentioned above, operate in an anarchic environment with no higher authority.

Last but not least, in accordance with the realist tradition, there is always a possibility of war. While corporations try to crush their competitors by offering a better price, a better product or service, a brand value etc., they are not allowed to use lethal force, whilst in IR and in the anarchic system, states possess military capabilities to inflict damage and destruction onto other nations.

In other words, while commercial companies engage in competition over markets seeking profits under the protection of law, states operate in a cut-throat security competition in a self-help world trying to maximize their relative power vis-à-vis their rivals. Keeping these similarities and differences in mind, I will proceed with the description of my base model for my SWOT analysis.

5.3 Base model for SWOT analysis

In this study, my base SWOT model presents a situation when an SPS is under sanctions and is, therefore, isolated from the global financial and banking system and denied access to Western markets. By utilizing this model, I try to place myself in the shoes of Chinese policy-makers and assess what opportunities and threats (risks) each case presents while acknowledging China's inherent relative strengths and weaknesses. The basic SWOT model is presented in Table 2.

Table 2. SWOT analysis model from China's perspective

Strengths	Weaknesses
<ul style="list-style-type: none"> - Huge population - Economic might of China - Significant manufacturing capabilities - Diversification of China's international trade - Global political influence of China - Strong military - Possessing NW - Quicker decision-making process 	<ul style="list-style-type: none"> - Precarious demographic situation - Dependence on the West in terms of breakthrough innovations - Not wealthy enough population - Lack of modern combat experience - Problems with corruption - Main naval trade routes are controlled by the USA&A
Opportunities	Threats (Risks)
<ul style="list-style-type: none"> - Procuring cheap oil and gas - Implementing Belt-and-Road Initiative (BRI) - Market expansion - Further international trade diversification - De-dollarization - Learning from the experience of the SPS - Weakening/delaying USA's "Pivot to Asia" 	<ul style="list-style-type: none"> - Further deterioration of China-USA relations - Further deterioration of relations with the US allies - Antagonizing regional powers - Risk of secondary sanctions - Criticism from the international community - Crossing 'red lines'¹¹

Strengths and weaknesses are China's inherent characteristics defined by domestic factors. In all three models of this paper, i.e. Russia under sanctions, Iran under sanctions, and Venezuela under sanctions, they will remain the same.

Opportunities and threats (risks) are dictated by the environment and in each case of this study will vary depending on the region and technological, industrial, and economic development of every particular SPS. Whenever an SPS is isolated from the West, such a situation creates both opportunities and risks for China.

I will elaborate on strengths, weaknesses, opportunities, and threats/risks in more detail in Chapter 9.

5.4 Structure of the paper

My study will have three cases and three respective chapters: (1) China's support of Russia, (2) China's support of Iran, (3) China's support of Venezuela. Each chapter will contain four subchapters: (1) sanctions against an SPS, (2) China's cooperation in energy sector, (3)

¹¹ I will elaborate in more detail on the concept of 'red lines' in Chapter 9.

China's cooperation in military and strategic security, (4) China's cooperation in finance and banking.

At a first glance, these three dimensions, energy security, military, and banking and finance, might seem arbitrary, so I need to provide my reasoning for such a selection. Since I will analyse the dynamics of China's bilateral relations with the petrostates, it is important to understand how vital (or not) their energy supplies are for China's energy security.

Security and defence are the areas where great powers are willing to compromise the least, including China. Great powers are even ready to sacrifice its economic prosperity in a short-term, to ensure their long-term survival.

In the looming Sino-US rivalry, China is the most vulnerable in financial and banking security when compared against the USA. In this competition, the USA will most likely attempt to coerce China with limited sanctions first and then with comprehensive sanctions, which might disrupt China's foreign trade and exports.

Each case of this study will follow the same pattern: first, I need to outline the scope and severity of sanctions and on what grounds these sanctions were imposed for better understanding the context; secondly, after examining the energy security considerations, I will illuminate what exactly China gains in strategic, military, financial, and banking security.

Having outlined China's gains from supporting the SPS, I will proceed with the SWOT-analysis chapter, where I will provide answers to my research questions, and afterwards, I will end this paper with concluding thoughts and suggestions for future research.

6 Case #1: China's support of Russia

China and Russia have built a comprehensive strategic partnership (Adomeit, 2022, p. 33), and in February 2022, Xi Jinping and Vladimir Putin declared a “no limits” partnership between the countries (Faulconbridge, 2022). China has leveraged Russia's growing isolation amidst its war of aggression against Ukraine. Among the three SPS, Russia has been under comprehensive sanctions for the shortest period, i.e. almost three years, and China has provided a vital lifeline for the Russian regime.

6.1 Sanctions against Russia

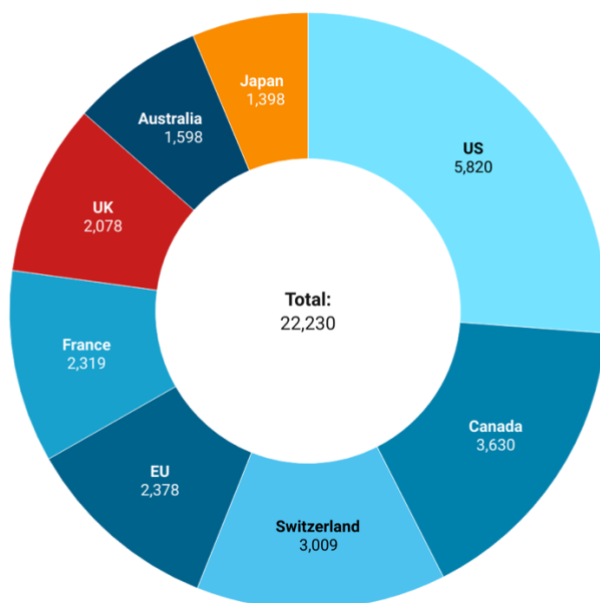
Currently, Russia tops the list of sanctioned nations by a large margin (Figure 1). Russia has been targeted for multiple reasons: human rights violations, malicious cyber activities, interference with the US presidential elections, use of chemical weapons in the UK, aiding Al-Bashir Asaad's regime in Syria, aiding Nicolás Maduro's regime in Venezuela (Rennack & Welt, 2021, p. 1), but the most severe, i.e. comprehensive, sanctions were imposed after Russia had launched its invasion of Ukraine.

Figure 3. Total Russia sanctions by sender countries (Source: Castellum.AI, 2024)

Total Russia Sanctions by Source

Since 2014

US (5,820) Canada (3,630) Switzerland (3,009) EU (2,378) France (2,319)
UK (2,078) Australia (1,598) Japan (1,398)



Source: Castellum.AI • Created with Datawrapper

Source: Castellum.AI, 2024

6.1.1 Period of 2014-2022

The first economic and sectorial sanctions (2695 sanctions) were imposed on the Russian regime in 2014 after Russia had annexed Crimea, a part of the Ukrainian territory, and destabilized Eastern Ukraine by aiding the self-proclaimed republics of Donetsk and Luhansk. The 2014 sanctions were not the first ones per se: in 2012, the US Congress passed the Magnitsky Act targeting private individuals, mostly Russian officials responsible for the death of Sergei Magnitsky¹², however, these sanctions were not economic restrictive measures and, therefore, bear no relevance to my research.

In February 2014, the Maidan Revolution took place in Ukraine and resulted in deadly clashes between protesters and police. Viktor Yanukovich's refusal to sign the EU–Ukraine Association Agreement sparked massive protests. The Ukrainian president sought to maintain closer ties with Russia, and the discontent of the general public and political elites in Ukraine with Yanukovich's decision led to the ousting of Ukrainian President and him fleeing to Russia.

At the same time, Russian intelligence services and military (Gonzales & Harting, 2014) fuelled pro-Russian protests in Southern and Eastern Ukraine. Under the pretext of protecting ethnic Russians and Russian-speaking population, the Russian government took advantage of the situation and further aided the rebels in the Donetsk and Luhansk regions and annexed the Crimean Peninsula.

In March 2014, the Obama Administration issued three Executive Orders (EO) – 13660, 13661, and “Blocking Property of Additional Persons Contributing to the Situation in Ukraine” (USDOS, 2014). These EOs targeted Russian and Ukrainian entities and individuals responsible for violating Ukraine's sovereignty, territorial integrity, and security.

The restrictive measure limited financing of Russia's six major banks and four energy companies. Moreover, the USDOS also prohibited financing and providing technology to Russian entities operating in “exploration or production for deepwater, Arctic offshore, or shale projects that have the potential to produce oil in the Russian Federation, or in maritime area claimed by the Russian Federation and extending from its territory” (Rennack & Welt,

¹² Sergei Magnitsky was a Russian lawyer and auditor who exposed acts of corruption and misconduct among Russian government officials. In 2008, Magnitsky was accused of tax avoidance and imprisoned, and after eleven months of imprisonment Magnitsky died of blunt cranial trauma.

2021, p. 1). These restrictive measures were coordinated by the USA with the EU and their allies (Archick & Mix, 2015).

6.1.2 Post-2022 period

In February 2022, after Russia launched its invasion in Ukraine, new rounds of sanctions, unprecedented in scope and speed, have been imposed on Russia. The sanctioning nations include: the USA, Canada, Switzerland, the EU, the UK, France¹³, Australia, Japan, Taiwan, and South Korea (Castellum.AI, 2024).

As of today¹⁴, the EU has adopted fourteen packages of sanctions. According to the official website of European Commission (2024), the fourteen packages of restrictive measures assumed various forms, e.g. export and import bans, and have numerous targets, including private individuals, commercial entities, SOEs, and whole sectors of Russian economy. Below, I will elaborate on those restrictive measures with focus on sanctions targeting Russia's energy sectors, banking, finance, and technological development.

Assets, the total value of which accounted for 300 billion USD (Rahman, 2024), of the Central Bank of Russia (CBR) were frozen. Moreover, the CBR and key Russian commercial banks, such as Sberbank, VTB, Rosselkhozbank, have been removed from Swift, and transactions with them were banned. Additionally, the EU Council prohibited provision of euro-denominated banknotes to Russia. All these measures have made transactions between Russian and foreign entities extremely difficult when lacking the options of using Euro (EUR) and US dollars (USD).

The EU sanctions regime also targets Russia's energy sector, especially oil and liquified natural gas (LNG). These sanctions include (1) export ban on technologies, components and spare parts needed for oil extraction, (2) import ban on Russian coal, crude and refined oil embargo with an exemption for some EU member states, e.g. Poland and Germany could import Russian pipeline oil until June 2023 when the eleventh package of sanctions had been approved by the EU council, (3) G7 oil price cap limited the maximum price of Russian seaborne CO to 60 USD per barrel¹⁵.

¹³ France is an EU member state, but France also has its own separate sanction list (Castellum.AI, 2024)

¹⁴ During my final stage of writing this paper, I accessed the data-base for the sanctions in September, 2024.

¹⁵ The maximum price does not include transportation and insurance costs.

The G7 oil price cap has two clear objectives: (1) to decrease Russia's revenue generated by oil trade; (2) to maintain the stability on oil market. With Russia being the third biggest oil producer in the world (US EIA, 2024), removing one of the key players from the global oil market will definitely skyrocket the oil prices. As the US Department of the Treasury states "[t]he price cap's ideal outcome is a market in which Russia supplies as much energy as possible to emerging market consumers and businesses who need it most, but at the most heavily discounted price" (Van Nostrand, 2024).

Another set of sanctions has aimed at hampering Russia's technological development and manufacturing capabilities, and these measures include (1) export ban on dual-use technology, quantum computing, advanced semiconductors, sensitive machinery, electronic components and other goods, (2) export ban on goods and technology in the aviation and space industry, vehicles, electric generators etc. These measures are designed to undermine Russia's manufacturing capabilities and to weaken the Russian military industrial complex (MIC).

Starting with the eleventh package adopted in June 2023, the EU in cooperation with their allies started targeting third countries to prevent them from aiding Russia in circumventing the sanctions, more specifically dual-use components and microchips. In addition to Russian and Iranian entities, the new listing included entities from China, Uzbekistan, the United Arab Emirates (UAE), Syria, and Armenia.

To summarize, Russia is now facing problems with domestic innovations, experiencing numerous obstacles throughout the whole supply chain: difficulties at paying for services, exporting, importing, receiving payments, and having transactions with foreign banks. The sanctions also create difficulties and risks for buyers of Russian commodities and suppliers to Russian markets, as both buyers and suppliers risk falling under secondary sanctions.

The fourteen packages of sanctions adopted by the EU Council can be extrapolated to the USA&A. While the scope of the sanctions might vary depending on a sender country (Figure 3), the countries pursue the same goals: to weaken Russia's economy, its industrial and military capabilities, to destabilize the domestic situation within Russia by worsening the life quality of general population. After losing, although not completely, its main market for fossil fuels and being denied access to Western commodities and technologies, Russia had no other option but to reorientate its trade to the East, especially oil and gas exports, and to turn to China.

6.2 Sino-Russian cooperation in energy sector

Russia's proven oil reserves is 80 billion barrels, and it also holds largest gas reserves (US EIA, 2023). Russia also cooperates with the OPEC: in 2016, the OPEC signed an agreement with other ten oil-producing countries¹⁶, including Russia, and created the OPEC+ as a response to US shale oil output and dramatic fall of oil prices (Hill & Comstock, 2023).

Russia is among China's top suppliers of CO and enriched uranium, while Russia's supply of NG gained prominence only in 2019.

Being immediate neighbours, it makes sense for hungry-for-energy China and abundant-in-resources Russia to develop their cooperation in energy sector. Due to the proximity and with the development of infrastructure resulting in reducing freight-costs, delivering fossil fuels from Russia to China would be a win-win scenario for both countries: Russia generates revenues meeting China's ever-growing demand for energy.

6.2.1 Crude oil

After China joined the WTO in 2001, China's trade and exports increased, and China's economy growth and energy demand surged, and, according to Liu (2024), China even experienced a serious energy shortage once. During that time, energy security concerns grew more salient, and "energy pipelines from Russia turned out to be the most cost-effective choice" (p. 11). However, Russia's interest in China's energy market in the early 2000s was rather weak. Although Russia wanted to diversify its oil export and expand its market in Asia-Pacific, Russia still paid more attention to its back-then main export market for gas and oil, i.e. Europe.

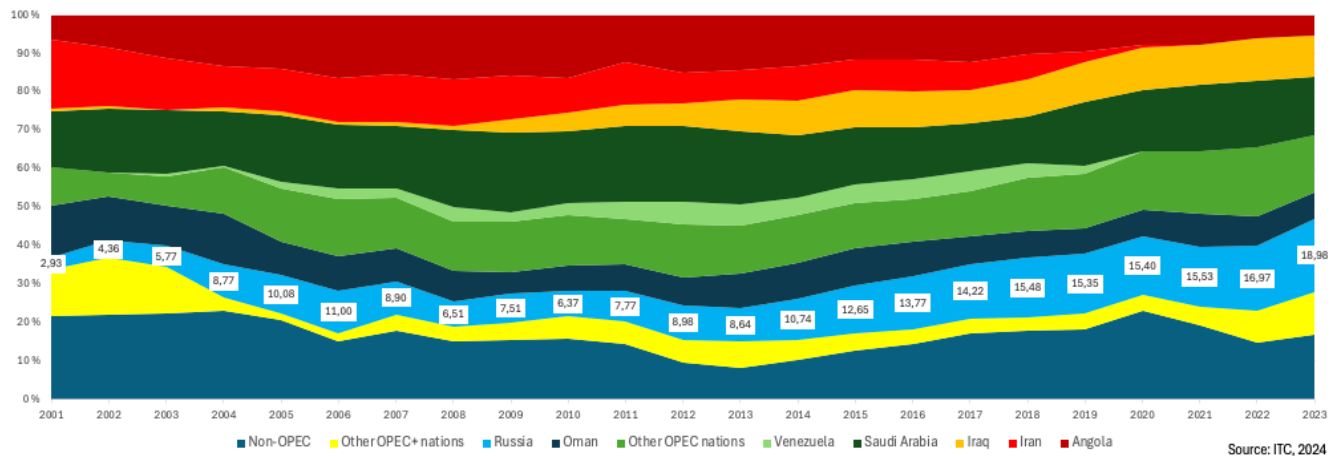
However, after the financial crisis of 2008, China's market became more attractive to Russia's oil companies. In 2009, Rosneft also received 60-billion USD loan from the China Development Bank (CDB) as part of negotiations over the Eastern Siberia-Pacific Ocean (ESPO) pipeline. Later in 2011, China National Petroleum Corporation (CNPC) prepaid 70-billion USD to Rosneft, which allowed Rosneft to takeover TNK-BP joint venture and to repay debts despite the 2014-sanctions (Kaczmariski, 2022, p. 63).

¹⁶ The OPEC+ agreement includes Azerbaijan, Bahrain, Brunei, Kazakhstan, Malaysia, Mexico, Oman, Russia, South Sudan, and Sudan.

Russia made attempts to revise energy strategy and Rosneft made efforts to diversify oil exports to Asian countries, including Japan, South Korea and Southeast Asian countries. Two branches of the ESPO pipeline were constructed: one to China and the other one to the Pacific coast; however, China procured 70-80% of total oil exported to Asia (Kaczmarek, 2022, p. 64).

As evident from Figure 4 and Figure 5, throughout the period of 2002-2015, Russia incrementally increased its CO export to China. The Russian share in China's CO imports accounted for 2.93% with 1,765,975 tons of CO in 2001 which increased to 12.65% with 42,431,856 tons in 2015, while Saudi Arabia was the top supplier of CO to China averaging 17.62% annually of China's total CO imports. Such dynamics can be attributed to several factors: (1) China's economic growth and growing manufacturing output demanded more energy, resulting in growth of fossil fuels' imports; (2) Sino-Russian cooperation and joint infrastructure projects also facilitate the oil trade between the two countries; (3) after 2014-sanctions, Russia pushed even harder to diversify its energy trade and invested heavily into pipelines and other infrastructure facilities.

Figure 4. Crude oil imports by China, 2001-2023 (%), with Russian shares

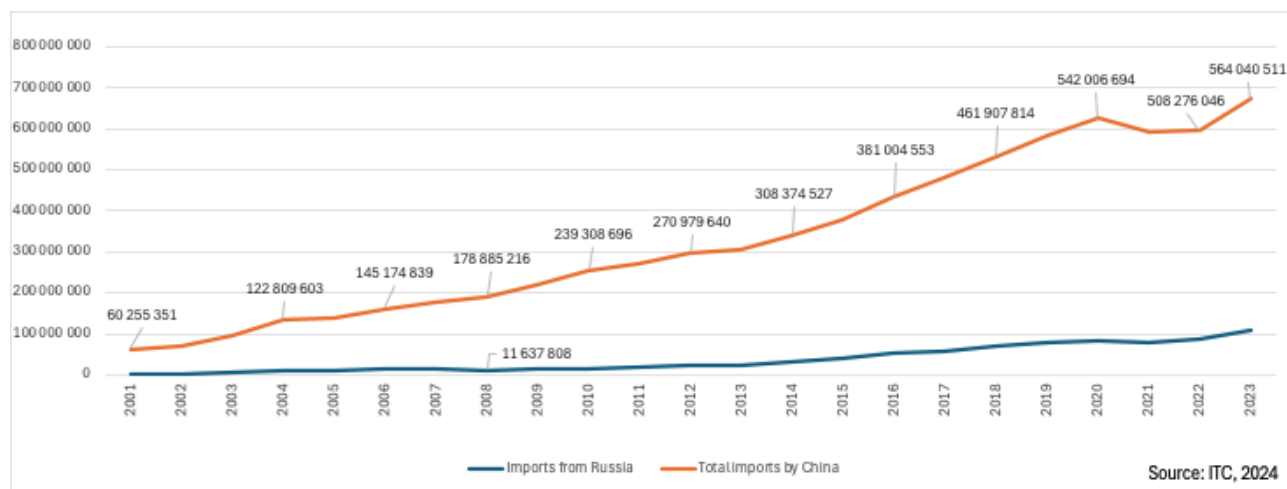


After February 2022, Russia faced even harder sanctions targeting Russia's energy sector. With the oil price cap implemented, Russia's was forced to sell its CO at a discounted price, which was a great incentive for China to procure even more cheap oil.

As evident from Figure 5, China's total CO imports increased from 60,255,351 tons in 2001 up to 564,040,511 tons in 2023, a nine-fold increase. CO supply from Russia plays an

important role in China's energy security in both providing sufficient amounts and diversifying the CO supply.

Figure 5. Crude oil imports by China (total and from Russia), 2001-2023, tons



6.2.2 Pipeline gas

The pipeline gas (PLG) supply from Russia has not been that important for China's energy security until recently. Throughout the 2000s, Gazprom, the key SOE in Russian gas industry, made attempts to enter the Chinese market, however, the European market was more important, as China was not eager to pay the same prices as European customers, and quite often the negotiations ended in a stalemate (Kaczmarek, 2022, p. 68).

Table 3. Pipeline gas imports by China, 2018-2023

Suppliers	2018	2019	2020	2021	2022	2023
Turkmenistan	7,961,877	796,271	702,784	456,382	10,256,092	9,604,057
Russia	0	0	66,346	75,297	3,980,857	6,435,585
Myanmar	1,069,414	159,889	146,894	139,633	1,431,318	1,464,415
Kazakhstan	1,178,333	90,646	160,651	102,626	1,087,347	1,320,482
Uzbekistan	1,432,538	114,292	63,946	15,382	1,070,445	563,540

Unit: thousand USD

Source: ITC, 2024

In 2014, Gazprom and CNPC signed a contract on gas pipeline Power of Siberia (POS). Interestingly, Gazprom was not willing to sign the contract with the Chinese counterparts due to its low profitability, and such an arrangement required pressure from the top level, i.e. Vladimir Putin. Even the POS construction was financed by Gazprom, which refused the investments from CNPC and invested its own capital to build the pipeline and infrastructure.

Such an approach differs from the ones employed by Rosneft with loan-for-oil arrangements and by Novatek sharing ownership with CNPC.

During the 2010s, Turkmenistan has been the main supplier of PLG to China, and until 2020, Myanmar, Kazakhstan, Uzbekistan all had larger shares in China's PLG imports. The POS was launched in December 2019, and as evident from Table 3, the total amounts of imports remained rather small in 2020-2021. However, Russian PLG supply skyrocketed in 2022.

Although the ITC data does not show quantities of PLG imported, however, by assessing the import values, we can still notice a dramatic increase starting from 2022. Obviously, such a dramatic increase can be explained by the events following Russia's invasion of Ukraine: although PLG is not formally under EU embargo, EU member states have made significant progress to decrease their reliance on Russian gas. Furthermore, Nord Stream, a gas pipelines network connecting Russia and Germany, was sabotaged in 2022, and, combined with political factors, resulted in plummeting volumes of gas exports to Europe. As Kaczmarek (2022, p. 67) wrote Gazprom cooperation with China was rather politically-driven, and today Gazprom's cooperation is being developed out of necessity and lack of options.

6.2.3 Liquified natural gas

According to Kaczmarek (2022), in 2013, while unsuccessfully negotiating with Gazprom, CNPC began its cooperation with Novatek, a key player in the Russian LNG sector (p. 64). CNPC purchased a 20% stake in Novatek's Yamal LNG project, and another 9.9% of the project share were acquired through China's Silk Road Fund. In 2019, Chinese energy companies acquired 20% of shares in Novatek's another project, the Arctic LNG-2 (Kaczmarek, 2022, p.64), investments in Sibur, purchase of 40% share in the Amur gas processing plant.

During 2009-2019, China imported LNG from Russia, however, China's LNG imports from Russia were rather small: during that period, Russia's share in China's LNG imports was dramatically smaller than the amounts provided by Australia, Qatar, Malaysia, Indonesia, and others. Until 2019, China's LNG imports from Russia remained below 5%, and starting only from 2020 Russia's share would exceed 5% (Figure 6), and in 2022 Russia's share increased significantly: from 5.73% in 2021 to 10.25% in 2022 which could be explained by the Western efforts to decrease their reliance on Russian LNG.

Figure 6. LNG imports by China, 2007-2023 (%)

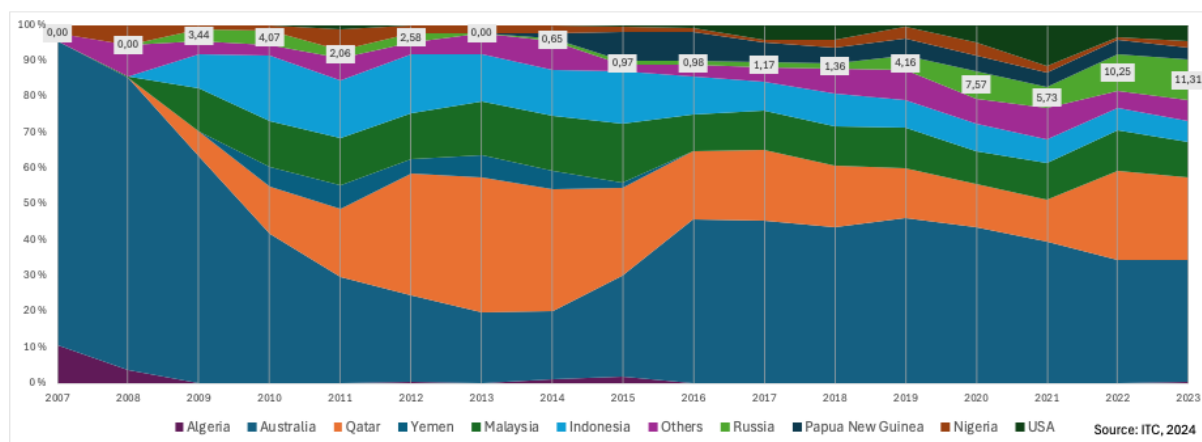
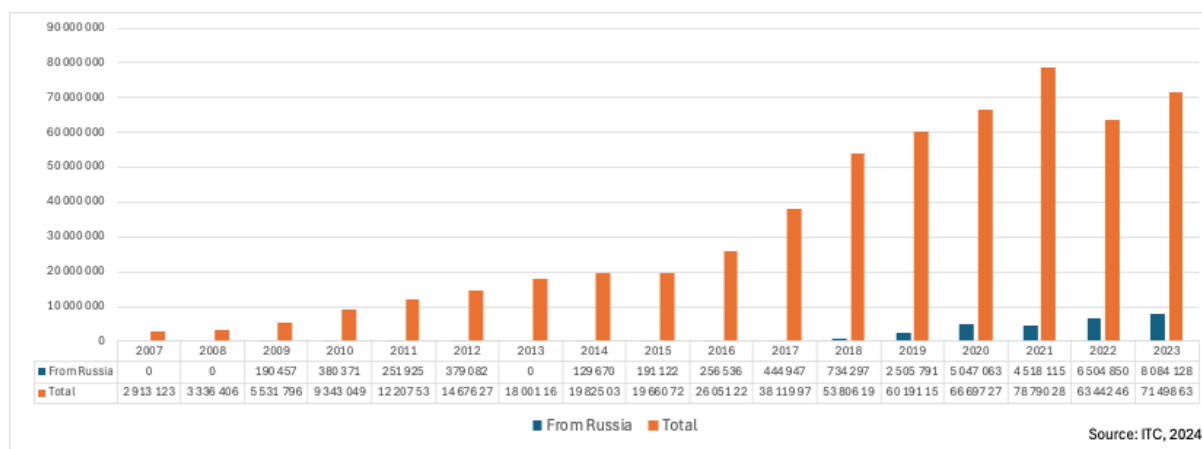


Figure 7. LNG imports by China (total and from Russia), 2007-2023, tons



However, if we look at absolute numbers (Figure 7), the increase cannot be explained only by increased supply from Russia, but also by decreased imports by China. After 2022 sanctions were imposed, Chinese entities were required to stop their involvement in the Arctic LNG-2 Project, however, they still continued providing key turbines for the project.

Only starting from 2019, Russia's LNG quantities became sizeable and visible on the chart and, thus, Russia's LNG sector started playing a more important role in China's energy security.

6.2.4 Nuclear energy

Another industry where Russia holds strong positions is nuclear energy, and the Russian nuclear energy sector has not been targeted by the sanctions. The Russian SOE Rosatom, one of the key players in nuclear energy sector globally, has been present in the Chinese market since the 1990s: during 2000-2019, Rosatom constructed four nuclear units (Kaczamarski, 2022, p.65). Starting from 2009, Russia has also been a major supplier of enriched uranium,

whilst China's indigenous expertise in nuclear energy decreased its reliance on Russian experts.

During 2002-2009, China's enriched uranium imports were miniscule, ranging from 18 to 43 tons annually, and during that period the main supplier was the UK whilst Russia was the second biggest supplier. But in 2010, China's total import accounted for 592 tons, compared to 25 tones in 2009.

Only in the years of 2013, 2015-2017, 2020-2021, the Russian share of enriched uranium supply would fall down to approximately 30%, whilst during all the other years Russia would provide 65-99% of enriched uranium. Thus, Russia has also been the main supplier of enriched uranium needed for nuclear reactors and nuclear fuels ever since 2010.

Table 4. Enriched uranium imports by China, 2010-2023

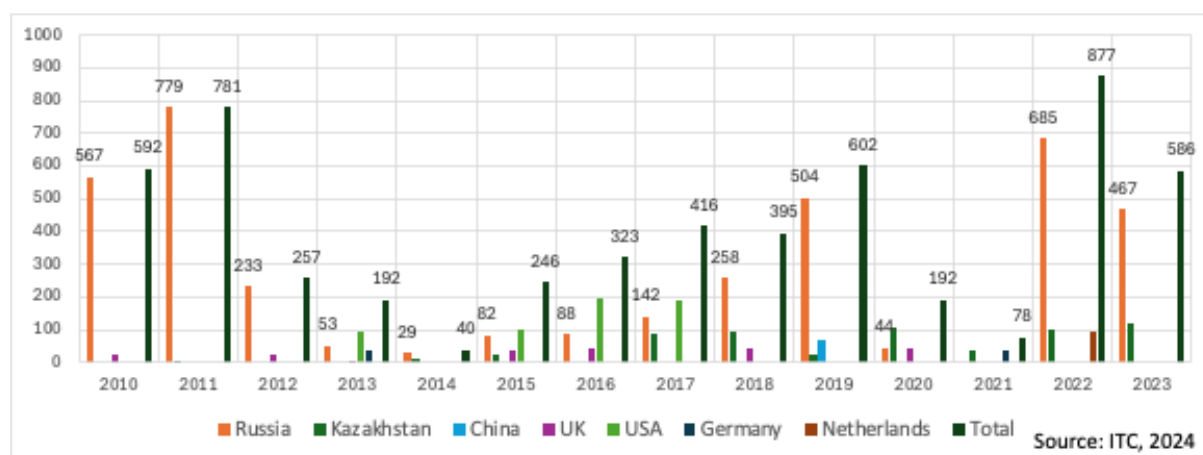
Suppliers	2010	2011* ¹⁷	2012	2013	2014*	2015	2016*	2017	2018	2019*	2020	2021	2022	2023
Russia	95.78	99.62	90.66	27.60	70.73	33.33	27.16	34.13	65.32	83.86	22.92	N/A	78.11	79.69
Kazakhstan	0.00	0.26	0.00	0.00	26.83	10.98	0.00	20.43	24.30	4.49	55.73	50.00	11.40	20.31
China	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	11.81	0.00	0.00	0.00	0.00
UK	4.22	0.00	9.34	2.08	0.00	15.85	12.65	0.00	10.38	0.00	21.35	0.00	0.00	0.00
USA		0.00	0.00	50.00	0.00	39.84	59.88	45.43	0.00	0.00	0.00	0.00	0.00	0.00
Germany		0.00	0.00	20.31	0.00	0.00	0.00	0.00	0.00	0.00	0.00	50.00	0.00	0.00
Netherlands		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	10.49	0.00

Unit: %

Source: ITC, 2024

We can confirm that China's energy cooperation with Russia is an important part of China's energy security. Despite China having multiple sources for various energy-carriers, Russia has been a major energy supplier for China. Russia has incrementally increased its CO exports to China throughout the 2000s and 2010s, whilst PLG and LNG supplies started playing a more important role in China's energy security in 2019. In addition to fossil fuels, throughout the 2010s, Russia has also been a major supplier of enriched uranium.

¹⁷ *While converting amounts from tons into percentages, I noticed that in the years of 2011, 2014, and 2014 total enriched uranium imports did not add up to 100% and total imports would account for 99.87%, 97.56%, and 99.69% respectively; while, in 2019, after conversion into proportionate shares, I got total imports of 100.17%. However, I will disregard these minor discrepancies as the overall picture does not change dramatically.

Figure 8. Enriched uranium imports by China (total and from Russia), 2010-2023, tons¹⁸

6.3 Sino-Russian cooperation in military and security sector

Russia is an immediate neighbour of China, and ,after the collapse of the USSR, establishing and maintaining good neighbourhood relations with Russia was one of the most prominent diplomatic achievements of China. As Bekkevold (2022) wrote “for the first time in its entire history, China was now free from a security threat to its northern land border” (p. 47).

Normalizing and stabilizing the bilateral relations and settling the territorial disputes have also allowed both parties to concentrate their resources and attention in their respective priority areas – Europe for Russia and Asia-Pacific for China, whilst the strategic rear, i.e. the Far East for Russia and North for China, is protected by Sino-Russian agreements and cooperation.

6.3.1 Arms trade and PLA modernization

In the past, the Soviets were reluctant “to transfer state-of-the-art technologies to a potential geopolitical rival and restricted its exports to the supply of older systems” (Kirchberger, 2022, p.76). After Deng Xiaoping initiated the policy of reforms in 1978, China enjoyed a brief period of 1984-1989 when it had access to US and European arms technologies. However, after the Tiananmen massacre 1989, when the People’s Liberation Army (PLA) brutally suppressed the protesters, the USA&A reimposed the arms embargo which left the Chinese government no choice but to reorient toward post-Soviet arms producers. Along with the official arms trade, China utilized other means to overcome the military technology gap, such

¹⁸ Figure 8 contains “China” as an exporter, it is not a mistake, as China’s trade with China implies the re-import process.

as reverse engineering, technological espionage, and forced technological transfers. Notably, these measures targeted both Western and Russian entities (Kirchberger, 2022, pp. 77-78).

The Sino-Russian cooperation in military sector has been productive and reciprocal in the 1990s: after the dissolution of the USSR, newly-emerged Russia's economy was in trouble, and the arm trade with China, together with natural resources trade, kept the Russian economy afloat, while China benefited from upgrading their military capabilities and gaining access to military and technological know-how that had been previously denied by the USSR (Adomeit, 2022, p. 28, Sheldon-Duplaix, 2022, p. 102).

In the early 1990s, Rosoboronexport, a Russian SOE dealing with international trade of arms and military technology, deemed China as both an important customer and a potential rival in arms trade. Despite the mutual beneficial arms trade, there were issues in Sino-Russian military cooperation: for instance, in the mid-2000s, China was accused of reverse engineering and violating intellectual property (IP) rights, which altogether halted the arms trade (Kaczmarek, 2022, p. 66).

According to Kirchberger (2022) During 2005-2012, the arms trade between China and Russia decreased significantly (p. 80). China also attempted to acquire information and expertise on military technologies, that Russia was not willing to share, from Ukraine, such as Kilo-class submarines, development of phased-array radar systems for naval vessels, naval gas turbines, aero engines (Kirchberger, 2022, pp. 81-87).

However, in 2014, the dynamics in arms trade started to change: although Rosoboronexport became a subject to the US sanctions, China's MIC still continued to purchase the arms from Rosoboronexport, who revived its export to China with major contracts on some of most sophisticated weaponry the Russian MIC had to offer, namely Su-35 fighter jets and S-400 anti-missile defence system, and China became an even more important customer for the Russian arms industry.

In addition to technological transfer, Sino-Russian cooperation in defence allowed the PLA to gain operational and tactical experience from the Russian armed forces. As Sheldon-Duplaix (2022) has described, "[w]ith Russia, the PLA participates in more training and competitions related to combat than with any other country" while "Western countries are reluctant to share their tactical expertise with the PLA" (p. 111), and the bilateral training would include

training in counterterrorism, air-defence, anti-ship defence, anti-submarine activities, and combat training.

6.3.2 Stability and security in Northeast Asia

Before 2014, despite being mostly aligned politically and diplomatically, Russia and China still stayed alert of each other's military potential: before 2014, experts could notice elements of disharmony in security cooperation, namely nuclear deterrence and military built-up near the Sino-Russian borderline. For instance, from the Chinese perspective, Vladimir Putin could have demonstrated a stronger opposition to the Bush administration's decision to withdraw from the Anti-Ballistic Missile Treaty in December 2001. While Russia's response to such a decision was mild, the Chinese government strongly condemned the US decision (Carlson, 2022, p. 148).

Another example of such divergence can be noticed from the Intermediate-Range Nuclear Forces Treaty (INF Treaty) signed by Mikhail Gorbachev and Ronald Reagan in 1987 and ratified in 1988. The INF Treaty banned the USSR's, and later Russia's, and the USA's nuclear and conventional ground-launched ballistic missiles, cruise missiles, and missile launchers with ranges of 500–1,000 km (short medium-range) and 1,000–5,500 km (intermediate-range). The INF Treaty limited missile capabilities of Russia and the USA, but had no effect on other nations, including China. Afterwards, the Russian leadership wanted China to participate in the arms control negotiations, but the Chinese refused to do so until Russia and the USA reduce their nuclear arsenals to the numbers comparable to China's (Carlson, 2022, p. 149).

Another example of the conflicting Sino-Russian security interests could be found in the mutual concerns of China and Russia near the border: both China and Russia conducted military exercises imitating attack on one another, e.g. China conducted the 'Stride-2009' military exercise which, simulated attack on Russia. While Russia, in its turn, conducted the 'Vostok-2010' military exercises in Siberia and the Far East simulating defensive manoeuvres against Chinese invasion and a tactical nuclear strike on the enemy forces. Although these military exercises never explicitly aimed at Russia or China, the geographic locations and manoeuvring imply that the two countries simulated attacking and defending against each other (Carlson, 2022, p. 149).

However, according to Carlson (2022), after 2014, the dynamics between China and Russia began to change: with Russia becoming more assertive and aggressive and its worsening relations with the West, Russia sought to pivot to Asia and to strengthen its ties with China. Rosoboronexport started selling to China S-400 and Su-35. In 2018, China participated for the first time in the Russian domestic military exercise, 'Vostok-2018'. In 2019, China and Russia conducted their first joint air patrol, during which their aircraft crossed the defence identification zones of Japan and South Korea. By taking these steps, Russia signalled that it no longer viewed China as a threat (Carlson, 2022, p. 150).

Furthermore, the Sino-Russian cooperation in military and security became more coordinated: for instance, in 2016-2017, the two countries strongly opposed the deployment of Terminal High Altitude Area Defence by the US in South Korea, as it undermined China's nuclear deterrence capabilities (Carlson, 2022, pp. 150-151).

Additionally, the two countries have also coordinated their diplomatic efforts on North Korea's nuclear issue. Although China and Russia have interests not to proliferate NW, however, North Korean nuclear program might serve as a strong deterrent to a possible regime change initiated by the USA or South Korea. Both China and Russia have interests in weakening the USA's position in Northeast Asia. (Carlson, 2022, p. 151).

Moreover, China and Russia reportedly have launched a joint project to develop a "new generation of non-nuclear submarines". As Kirchberger (2022) pointed out, such a joint development, should it be fruitful, might signal an "unthinkable level of trust", as "submarine technology counts among the most heavily guarded military secrets in any country [...] and is not necessarily shared even between close allies" (pp. 90-91).

6.3.3 Nuclear deterrence

In December 1994, Jiang Zemin visited Moscow where he and Boris Yeltsin declared forming a "constructive partnership" and "also agreed not to target their nuclear warheads at each other" (Carlson, 2022, p. 147). However, both parties had remained vigilant of each other's offensive capabilities until 2014, but the dynamics changed afterwards.

In May 2016 and December 2019, the two countries conducted joint missile defence exercises. During these computer simulation exercises, both parties were required to share sensitive information, such as missile launches, ballistic missile defence, and early warning, which displayed willingness of Russia and China "to improve their capacities for

interoperability and joint command and control” (Carlson, 2022, p. 153). In October 2019, Putin announced that Russia assisted China in developing its own missile attack early warning system, which only the USA and Russia had possessed.

Thus, rapprochement with Russia also serves as strengthening of nuclear deterrence capabilities against the USA. With Russia’s biggest nuclear arsenal of 5889 warheads (SIPRI, 2023), China does not need to invest enormous resources to reach nuclear parity with the USA (5244 warheads), and instead can focus on indigenous development of other resource-intensive technologies, such as AI and quantum computing, which are surely to be used in MIC in the future.

However, despite Sino-Russian deepening cooperation in nuclear deterrence against the USA, Russia does not want China to have nuclear parity and has no interest in strengthening China’s nuclear arsenal, including the development of hypersonic weapons (Carlson, 2022, p. 157).

It does not imply that China will not attempt to reach nuclear parity with or even nuclear superiority over Russia and the USA in the future, but for now, China can prioritize the development of high-tech industry, which still relies on the Western technological know-how, and make the most of the narrowing window of opportunity which is most likely to disappear with more export control on advanced semiconductors and microchips being imposed overtime against China.

6.3.4 After 2022

The post-2022 comprehensive sanctions weakened Russia’s war machine, and the Russian MIC grew dependent on China. With reducing technological gap of the PLA and China’s weakening reliance on the Russian expertise, the ‘traditional’ roles of the two countries have switched. Despite Russia still maintaining technological advantages in some areas, e.g. hypersonic technology and early warning systems, China’s role in Sino-Russian defence cooperation became more important. Although China does not provide armaments to the Russian military, China still provides civic drones, microchips, navigation equipment, jamming technology, jet-fighter spare parts, optics and other ‘dual-use’ goods (ITC, 2024).

After February 2022, China’s exports of ‘dual-use’ components soared. If we compare export values in 2021 and 2022, out of 50 high priority items identified by the European Commission (2024), export of six items slightly decreased, export of 13 underwent a growth of 6-94%,

whilst export sales of 21 doubled, tripled and grew up to seven-fold, whilst the remaining ten items experienced an even bigger growth in sales (Appendix 7).

China justifies its trade with Russia by conducting a ‘normal practice’ and claims that it merely fulfils contracts signed before 2022. Moreover, Chinese defence enterprises had already been sanctioned long before the Russian invasion in Ukraine (Gabuev, 2023).

Among all the dual-use items, a particular one deserves to be discussed further, and that is unmanned aerial vehicles (UAV), commonly known as drones. The ongoing conflict in Ukraine has demonstrated how powerful (capable of destroying heavy tanks and armoured vehicles), versatile (can be used for striking, for targeting, and for reconnaissance), and cost-efficient (cheaper than a lot of other units of military equipment) UAVs can be in the modern warfare, and China’s drone industry is the most developed world-wide.

With the level of coordination between the Russian Armed Forces and the PLA, it is most likely that the Russian military would share some operational and tactical experience from the warfare with their Chinese counterparts.

Notably, China sells drones not only to Russia but to Ukraine as well. Although DJI, the biggest manufacturer of UAVs, has suspended its operations in both Russia and Ukraine (Jiang, 2022), both warring parties continue to procure components from DJI indirectly.

However, China has refrained from providing lethal arms to Russia and avoids aggravating China’s relations with the EU and the USA. Ever since February 2022, US top officials have reiterated that such an action would be perceived negatively by the USA, and China would cross a ‘red line’ (Thomas-Greenfield, 2023).

China has deeply vested interests in ensuring the stability in Northeast Asia. Should the Russian Armed Forces and Putin’s regime collapse, it is hard to estimate accurately what the next Russian leadership will look like and what their policies will be vis-à-vis China. Whilst working and cooperating with the Putin’s regime seems somewhat predictable in Asia, from the China’s perspective, and Putin’s policy course aligns with the China’s direction.

6.4 Sino-Russian cooperation in finance and banking

Comparing to the Sino-Russian cooperation in military and energy trade, the financial and banking cooperation, and more broadly economic, between the two countries is dramatically more asymmetrical. China is the biggest trade partner of Russia: in 2021, China held 24.77%

in Russian imports, whilst Russia's share in China's imports accounted for 2,01% (ITC, 2024).

However, despite such an asymmetry, China and Russia have advanced in the direction of de-dollarization and promoting RMB, as an alternative payment currency. After the first banking sanctions were imposed against Russia in 2014, the Russian government "made significant progress in its efforts at "de-dollarization" of its foreign trade" (Adomeit, 2022, p.29), and China played a crucial role in this 'de-dollarization' process: the USD share in Russia's total exports reduced from 75-80% pre-2014 down to 48% by the end of 2020, whilst the USD share in Russian exports to China fell from almost 100% in 2014 down to 35% and in Russian imports from China to approximately 70% (Adomeit, 2022, p. 29). And this trend accelerated after February 2022 when the CBR and Russian main commercial banks became subject to sanctions and were denied access to USD and to EUR.

6.4.1 Bilateral swap agreement

In October 2014, the PBC and CBR signed a bilateral swap agreement (BSA) that would allow to conduct trade without using USD. Such an agreement is renegotiated every three years, and the PBC and the CBR extended the BSA in 2017, 2020 and the latest renewal of the BSA took place in 2023.

According to Song and Xia (2020), "[a] BSA is a swap line established between two central banks. It allows one party of the agreement to exchange a certain amount of its local currency for foreign currency funds from the counterparty at a pre-set or market exchange rate" (p. 356). In 2014, the PBC provided 150 billion RMB to the CBR and received 815 billion Russian Ruble (RUB); in 2017, the PBC provided the same amount of RMB, i.e. 150 billion RMB, while it received 1325 billion RUB (p. 372). In 2020, the PBC and the CBR extended the BSA again, and the BSA provided 150 billion RMB again.

According to Steil et al. (2024) and press release by the CBR (2023), the PBC and the CBR have extended their BSA again in 2023, but the amounts of RMB and RUB and exchange rates of the renewed BSA are not available publicly which is no surprise considering that one of the primary utilities of the Sino-Russian BSA is to circumvent Western sanctions.

Nevertheless, this BSA is not the first one China signed with a foreign country. The first BSA was signed in 2009 with the Bank of (South) Korea. The BSA with Russia is not unique in size either: the RMB amounts provided to bigger economies, such as Japan, Canada, South

Korea, exceed the values granted to the CBR. The list of BSA partners also includes another sanctioned nation - Belarus.

What makes the Russia's case special is the scope of restrictive financial measures targeting Russia and greatly limiting the use of USD and EUR. Now the PBC has an opportunity for testing its foreign monetary policies on a bigger scale since Russia still remains a relatively large economy. I wish I could find data on how much RMB the PBC provided to the CBR for the latest BSA. The CFR tracker (Steil et al., 2024) indicates that the amount remains the same, i.e. 150 billion RMB.

Despite Russia's soaring demand for RMB for cross-border trade, China exercises a cautious approach towards Russia's banking and financial sectors, as the PBC is still susceptible to Western pressure over its support to Russia and does not want to get exposed to secondary sanctions.

6.4.2 Alternative to Swift

In addition to the BSA, the two countries also needed financial infrastructure to conduct trade without USD. After 2014, China and Russia initiated projects of developing their own alternatives to Swift. The CBR embarked on developing its own national payment system called the System for Transfer of Financial Messages (SPFS). In 2015, China launched its Cross-Border Interbank Payment System (CIPS). Starting from 2014, China had an opportunity to promote CIPS as an alternative to Swift.

Already in 2016, the CBR has made attempts to integrate the SPFS into the CIPS, especially after 2022, and both China and Russia have had negotiations over this initiative. However, the negotiations have not brought any results till this day (Handwerker, 2022). Instead, the PBC has decided to extend its CIPS involvement in the Russia's banking sector.

As of today, there are only four direct Russia-based participants to China's CIPS, and all of them are Russian branches of Chinese Banks: Bank ICBC JSC RMB Settlement Center, Bank of China, China Construction Bank Limited, and Agricultural Bank of China Moscow branch (CIPS, 2024). Direct participants of CIPS have RMB accounts with CIPS and can have RMB-denominated transactions directly through CIPS.

Other commercial banks of Russia might become indirect participants of CIPS, but they will have to conduct transactions through the above-mentioned direct participants. As of May

2023, approximately 30 Russian banks became the indirect participants of CIPS (Kostereva, 2023), including some major banks, such as MKB, VTB, Aziatsko-Tikhookeansky Bank and others (Association of Banks of Russia, 2023).

However, despite Russia's growing demand for RMB in settling cross-border payments, China's key banks, such as Bank of China and ICBC, are reported to have restricted payments with the major Russian banks targeted by the Western sanctions (The Moscow Times, 2024). China's financial institutions can still facilitate the bilateral trade with Russian entities but only through smaller regional banks. Such a workaround is usually a more costly procedure.

6.4.3 Loans by CDB and AIIB

According to Naughton (2020), CDB is “the giant “policy bank”” (p. 120) controlled by the Chinese government, and it is also “the key Chinese agency implementing BRI” (p. 126). While the Asian Infrastructure Investment Bank (AIIB) is a multilateral organization with clear structure, more transparency, and “clear ground rules” (p. 128). CDB and AIIB have different utilities: CDB can finance and credit a broader range of initiatives, while AIIB focuses strictly on infrastructure projects. Both institutions are headquartered in China and widely regarded as alternatives to the WB and IMF.

Before 2014, Russian energy companies, such as Rosneft and Novatek, borrowed loans in exchange for oil/gas or equity in projects. After 2014, both CDB and AIIB¹⁹ provided loans for developing energy infrastructure. For instance, in 2017, CDB reportedly provided a 850-million-USD loan to Russian Vnesheconombank to bypass Western sanctions (China Power Team, 2017). Prior to 2022, AIIB approved a 500-million-USD loan for Russian Infrastructure Development Program in 2019 and another 300-million-USD loan for the Russian Railways COVID-19 Emergency Response Project in 2020, however, after 2022, the former project has been cancelled and the latter has been put on hold (AIIB, 2024)

After introducing comprehensive sanctions against Russia's banking and financial sectors in 2022, CDB and AIIB have limited their operations in Russia. While CDB did not officially announce the suspension of its activities in Russia, AIIB (2022) made an official announcement in March 2022 to put on hold all its activities in Russia.

¹⁹ The AIIB was founded in 2016.

The Russia's case demonstrated to China what might happen to China's economy, shall there be a more heated confrontation between China and the USA and shall the latter introduce comprehensive sanctions against China's banking and finance which will have a negative impact on China's international trade. Russia's experience, among other things (such as impact of the Global Financial Crisis 2008), incentivised China to lay foundation of its own intra-bank messaging system CIPS and to further promote RMB-denominated bilateral trade ties with other economies in order "to insulate itself from U.S. sanctions, reduce exposure to foreign exchange rate fluctuations and ultimately gain the prestige of a great power with a great currency" (Sher, 2023).

After 2014, both China and Russia dedicated their resources to develop alternatives to the Swift, to promote RMB as an alternative to USD for conducting international trade. China also continued to further CIPS's market share globally.

However, after 2022, China's major financial institutions have been very cautious in dealing with Russia: although China became the top trade partner for Russia and Sino-Russian bilateral trade further increased dramatically, China's major financial institutions mostly adhered to the sanctioned regimes imposed by the West.

7 Case #2: China's support of Iran

Contemporary Iran has lived under sanctions virtually from its very establishment in 1979, and Iran had been the top sanctioned nation until 2022. Compared to the previous more linear case, i.e. Russia, the case of Iran is more complicated: Iran has been a target for sanctions on various grounds with sanctions being introduced, eased and then reimposed again. However, Iran's case stands out among the SPS in two ways: (1) Iran is the only country among the SPS that had been targeted by the UNSC-approved sanctions; (2) Iran is a designated state sponsor of terrorism (SST).

7.1 Sanctions against Iran

The main reasons for sanctioning Iran are: threatening US citizens and military, Iran's support of its proxies in Iraq, Syria, Yemen, Palestine, Iran's nuclear program, violations of human rights inside Iran, and military support to Russia's invasion of Ukraine. I would like to outline five main periods: (1) during 1979-2004, Iran was sanctioned over the Iran Hostage Crisis 1979-1981, Beirut Barracks Bombing 1983, and in 1984 Iran was designated a SST; (2) during 2004-2010, Iran's nuclear program was discussed, but nuclear-related sanctions were not imposed yet; (3) during 2011-2016, Iran became a target of the US, EU and UN sanctions in regards to Iran's nuclear program; (4) during 2016-2017, Iran and the P5+1²⁰ countries signed the nuclear deal, the Joint Comprehensive Plan of Action (JCPOA), and the sanction regime against Iran was eased; (5) after 2018, the Trump administration pulled out of the JCPOA and initiated a 'maximum pressure' campaign.

Such a periodization is based on the article by Teer and Wang (2018) where they scrutinized three periods of Sino-Iranian cooperation: 2004-2010, 2011-January 2016, and 2016-2017 (p. 176). However, their article had been written before May 2018, when the Trump administration withdrew from the JCPOA, and published in July 2018 after the sanctions targeting Iran had been reimposed. Thus, their article lacks the post-JCPOA period.

Thus, I have added to this periodization two more periods: 1979-2004, period from the establishment of the Islamic Republic until the international community expressed concerns over Iran's nuclear program; and post-2018 when Western sanctions were reimposed again.

²⁰ P5+1 includes the UNSC permanent members (China, France, Russia, the UK, the USA) and Germany.

7.1.1 Period 1979-2004

The first sanctions faced by the newly established theocratic regime in Iran were introduced by the US after radical student activists had taken personnel of the US embassy hostage: the USA severed its diplomatic ties with the new theocratic Iranian government, sanctioned Iranian oil imports, and froze Iranian assets (CFR, 2024).

New sanctions were imposed by the USA in 1984 after Iran-supported proxy had attacked the US Marine Base resulting in 241 casualties in October 1983 which led to Iran being designated an SST by the USDOS in January 1984.

Being designated an SST creates framework for even harsher punitive measures in four dimensions: “[1] “foreign assistance; [2] a ban on defense exports and sales; [3] certain controls over exports of dual use items; [4] and miscellaneous financial and other restrictions” (USDOS, 2024).

During 1992-1996, the USA intensified sanctions against Iran: under the Iran-Iraq Arms Non-proliferation Act 1992, the Bush administration forbade trading materials with Iran that “could be used to develop advanced weaponry” (CFR, 2024); in 1995, a complete oil and trade embargo was imposed. Under the 1996 Iran and Libya Sanctions Act, the USA imposed “an embargo against non-American companies investing more than \$20 million per year in Iran’s oil and gas sectors” (CFR, 2024).

7.1.2 Period 2004-2010: Iran’s nuclear issue

In the early 2000s, the US-Iran tensions further aggravated, and the Iran’s nuclear issue grew even more salient. After the 9/11 attack 2001, the Bush administration declared the Global War on Terror followed by military operations against Islamist military groups, such as Al-Qaeda and Taliban, which further destabilized the ME region. In 2002, President George Bush called Iran “an axis of evil” and accused of developing weapons of mass destruction (WMD) and “export[ing] terrorism” (Bush, 2002). In August 2002, the National Council of Resistance of Iran, an Iranian dissident group, revealed “the existence of covert nuclear facilities ” (Scita, 2022, p. 94).

In 2010, the Obama administration also signed the Comprehensive Iran Sanctions, Accountability, and Divestment Act, which expanded the scope of sanctions against Iran’s energy sector (Bureau of Economic, Energy and Business Affairs, 2011).

During that period, the international community got concerned over Iran's nuclear program, and, within 2006-2010, the UNSC adopted resolutions and imposed new sanctions against Iran.

7.1.3 UN sanctions

In order to endorse a UNSC resolution, no UNSC permanent member shall veto this resolution, therefore, China also approved those resolutions against Iran. According to ACA, within 2006-2010, before reaching an agreement on Iran's nuclear program, the UNSC adopted the following six resolutions:

- UNSC Resolution 1696 (2006) “demand[ed] that Iran shall suspend all enrichment-related and reprocessing activities” (p. 2), but did not contain restrictive measures yet. Instead, it warned that if Iran did not comply, the UNSC will adopt punitive measures;
- UNSC Resolution 1737 (2006) “prevent[ed] the supply, sale or transfer [...] of all items, materials, equipment, goods and technology which could contribute to Iran's enrichment-related, reprocessing or heavy water-related activities, or to the development of nuclear weapon delivery systems” (p. 2);
- UNSC Resolution 1747 (2007) was adopted in response to Iran's failure to comply with the previous two resolutions. This resolution strengthened the previous sanctions and also restricted arms trade with Iran;
- UNSC Resolution 1803 (2008) expanded the restrictive measures and required states to “prevent the entry into or transit through their territories” of any nuclear-related materials (ACA, 2023);
- UNSC 1835 (2008) “simply reaffirmed the four previous resolutions” and did not introduce new sanctions (ACA, 2023);
- UNSC Resolution 1929 (2010) established a complete arms embargo, banned Iran from investing into nuclear and missile technologies abroad.

The main goal of the resolutions was to coerce Iran to suspend Iran's uranium enrichment program under supervision of the International Atomic Energy Agency (IAEA). However, China provided diplomatic support to Iran's regime in the UNSC negotiations and “actively worked to block any barriers that Resolution 1929 might place on normal commercial

transactions, especially in the energy sector” (Hong, 2014, p. 418) and “periodically resisted Western pressure to punish Iranian behaviour” (Parchami, 2021, p. 9).

While the UNSC-approved sanctions might sound more harsh, violation of them by a UNSC permanent member does not lead to major consequences for this country in practical terms. Nevertheless, such a violation usually draws criticism from the international community, causes diplomatic tensions, and results in reputational losses.

China also supported the UNSC sanctions, as it was also concerned with nuclear proliferation issues. Moreover, Iran’s development of NW will most likely lead to Saudi Arabia developing its own nuclear program (Borger, 2023) and further nuclear proliferation. However, it does not contradict China’s proclamations of non-acceptance of unilateral sanctions because the UNSC framework creates the premise of joint efforts in addressing global issues and China acting as a responsible stakeholder.

7.1.4 Period 2011-January 2016

During this period, i.e. after implementation of the UNSC resolution 1929 until the JCPOA, Iran was targeted by the UNSC-endorsed sanctions. Iran primarily was sanctioned by the USA, the EU. China and Russia mostly complied with the UNSC resolution, but did not impose sanctions of their own.

According to Laub (2015), the US sanctions targeted Iran’s financial and banking sectors and were designed to “isolate Iran from the international financial system”, to prevent foreign financial institutions to conduct deals in USD, and “to prevent importers of Iranian oil from making payments through Iran’s central bank”. The US-imposed sanctions also targeted Iran’s oil exports, prohibited US entities to trade with or to invest in Iran, prevented both individuals and entities from advancing military capabilities of Iran and acquiring WPD and unconventional weapons. Lastly, there were asset freezes and travel bans for private individuals.

The restrictive measures imposed by the EU mostly overlapped with the US sanctions and also included asset freezes, ban on transactions with the Central Bank of Iran (CBI) and Iran’s commercial banks, limited trade investments into Iran’s energy sector. In 2012, the EU banned import of Iranian oil and petrochemical products (Laub, 2015) and passed EU Regulation 267/2012 which removed Iranian banks from Swift. In addition to the US and EU, other sender countries included the UK, Switzerland, Canada.

According to CFR (2024), in November 2013, Iran and the P5+1 managed to negotiate an initial nuclear agreement, and in July 2015, Iran, the P5+1, and the EU signed the JCPOA which came in effect in January 2016: the main goal of this agreement was to curtail Iran's uranium enrichment process and to reverse Iran's aspirations to develop its NW, and in return, the USA would provide sanctions relief.

In 2015, the UNSC adopted the Resolution 2231 which endorsed the JCPOA and "laid the groundwork for the [UNSC] to lift nuclear-related sanctions on Iran" (ACA, 2023). Under the JCPOA, Iran was obligated not to purchase highly enriched uranium or plutonium and to ensure that its nuclear facilities would be used only for civilian purposes, and all these steps would be monitored by the IAEA (CFR, 2024). In return, the EU, the USA and the UN agreed to lift sanctions related to Iran's nuclear program.

7.1.5 Period 2016-2018: sanctions relief

The US lifted sanctions on Iran's oil exports. However, the US kept in force financial restrictions which curtailed the trade with Iran. The US arms embargo was still in effect, but the parties agreed the UNSC arms embargo would be lifted. (CFR, 2024).

In January 2016, the Iranian bank were reconnected to Swift (Swift, 2024), and China and Iran could have transaction again.

7.1.6 Period after 2018: the US withdrawal from the JCPOA

According to CFR (2024), in May 2018, the Trump administration withdrew from the JCPOA and initiated a 'maximum pressure' campaign reimposing even more stringent sanctions (CFR, 2024), and in October 2020, the USA attempted to initiate the snapback procedure in order to extend the UN arms embargo. However, since the US withdrew from the JCPOA unilaterally, other UNSC members opposed this initiative and hoped to revive the nuclear deal negotiations.

The most recent sanctions against Iran were imposed by the USA&A for Iran's "military support for Russia's war of aggression against Ukraine" and Iran's attempts "to undermine peace and security in the Middle-East and the Red Sea region" (EC&EUC, 2024). Moreover, after October 2022, the EU adopted ten packages of sanctions in relation to repressions and violation of human rights in Iran. In October 2023, the EU council "decided to refrain from

lifting [...] restrictive measures” related to Iran’s nuclear program (EC&EUC, 2024) and reimposed restrictions on trade, finance, and transport.

The trade-related sanctions banned export of arms and dual-use items, sale or supply of energy sector equipment, certain naval equipment, gold, precious metals, and import of fossil fuels, petrochemical and petroleum products. The financial sanctions include freezing assets of the CBI and of major Iranian commercial banks. In the transport sector, the EU denies access to EU airports by Iranian cargo flights and reimposes “a ban on the maintenance and service of Iranian cargo aircraft or vessels carrying prohibited materials or goods” (EC&EUC, 2024).

In addition to the sanctions by the US and its allies, the UNSC Resolution 2231 targeting Iran’s nuclear program still remains in effect, but certain provision already expired, such as UN arms embargo. This resolution is to expire in 2025, and if the UNSC does not adopt a new resolution to lift all the sanctions from the previous six resolutions, the 2006-2010 UNSC sanctions will be reimposed automatically. Given the current tensions between the USA, the UK, France on one side and China with Russia on the other, the five countries are unlikely to reach a consensus vis-à-vis Iran, and therefore, China, along with Russia, will have to aid Iran in the grey zone or in violation of the UNSC-endorsed resolutions.

In summary, the theocratic regime of Iran has been under sanctions ever since 1979. The number of sanctions had incrementally increased until the JCPOA, which was signed in 2015 and came into effect in 2016. For two years, Iran had a sanctions relief until the Trump administration withdrew from the JCPOA in 2018. Iran has been isolated from global supply chains, global markets, and finance. Moreover, Iran’s energy sector, primarily oil industry, has faced numerous obstacles and restrictions, such as oil embargo, prohibition of investments into Iran’s oil and gas industries. Under these circumstances, Iran had no option but to look to the East.

7.2 Sino-Iranian cooperation in energy sector

Since the 1990s, the CO supply from the ME has been vital for China’s energy security, and Iran’s role in China’s energy strategy “has grown by leaps and bounds” (Azad, 2023, p. 24). Iran is the world’s third-largest oil and second-largest NG reserve holder in (US EIA, 2024), and an OPEC member. However, despite formally being an OPEC member, Iran is practically excluded from OPEC quota agreements due to sanctions, decreasing oil production output,

and, last but not least, tensions with Saudi Arabia. In the absence of investments from the West and with no access to Western markets, Iran has had very few options to sustain its economy, and China has been a major lifeline.

7.2.1 Natural gas

Despite holding enormous NG reserves, Iran has not exported its NG to China. NG is mostly used for domestic consumption, and the gas used for export is delivered via pipelines to neighbouring countries (US EIA, 2024). In order to deliver NG from Iran to China, Iran needs to either construct a transit pipeline going through Pakistan, Afghanistan, and/or Central Asian states or to build sufficient infrastructure for liquifying NG.

There have been discussions over a project to construct a gas pipeline from Iran to China through Pakistan, as a part of the BRI, but the project has not been implemented yet. As for LNG infrastructure, it requires technical expertise and enormous investments. However, developing LNG projects does not seem feasible due to sanctions and insufficient funding. The two countries have had discussion over these projects. However, sanctions have consistently hindered the efforts of Chinese and Iranian companies to develop both projects.

According to Hong (2014), in March 2009, Iran and China signed a 3.2-billion-USD gas deal and agreed that Iranian and Chinese companies would construct a pipeline to extract some 10 million tons of LNG from Phase 12 of Iran's South Pars gas field, and in February 2010, CNPC signed a 4.7-billion-USD contract with Iran to develop Phase 11 of the South Pars gas field. (p. 414). Although the projects were completed with delays, the LNG part of the infrastructure project was not implemented.

Another example of how sanctions affected Sino-Iranian cooperation in gas sector is Azadegan oil field project: in October 2009, CNPC and National Iranian Oil Company (NIOC) signed a 2.5 billion USD buyback deal, but in April 2014, CNPC was removed from the project due to poor performance (Bazoobandi, 2015, p. 268).

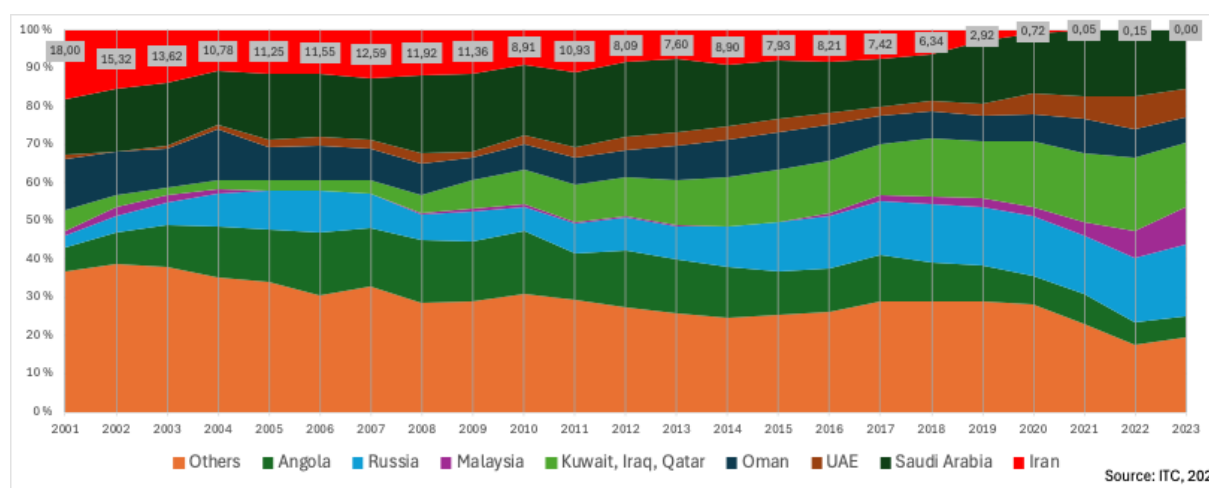
Despite abundance of NG, Iran's gas sector has been suffering from underinvestment, and, as Hong (2014) described, "massive offshore gas reserves remain underdeveloped" (p. 413), therefore, Iran's gas supply has not played an important role in China's energy security. Should Iran and China launch their gas pipeline via Pakistan, then China will have another secure source of NG supply. However, the currently aggravating regional instability in the ME and West-imposed sanctions hinder this project.

7.2.2 Crude oil

The situation with Iran's oil sector is better although Iran's oil production does not live up to its potential due to sanctions. Iran has been a major CO supplier to China, and Sino-Iranian cooperation in oil included joint exploration of oil fields, development of infrastructure, trade, and loans-for-oil deals. However, according to Bazoobandi (2015), Chinese involvement with Iranian energy projects proved to be inconsistent and "often [...] associated with unreliable delivery of the commitments and long delays" (p. 268).

In the 2000s, Iran, Angola, and Saudi Arabia were top suppliers of CO to China (Figure 9). However, due to sanctions and, as a result, corroding oil infrastructure (Hong, 2014, pp. 412-413), Iran's oil production could not keep up with the China's ever-growing demand (Figure 10). Later, when the Iran nuclear issue raised major concerns, Iran's energy sector became a target for Western sanctions, and throughout the 2010s, China's 'official' imports of Iranian CO steadily declined (Laub, 2015).

Figure 9. Crude oil imports by China, 2001-2023 (%), with Iranian shares



In 2008, CNPC and NIOC signed a deal to develop Iran's North Azadegan oil field, which was estimated to produce over 75,000 bpd by 2012 (Hong, 2014, p. 414). However, in October 2009, CNPC and NIOC signed a new 2.5-billion-USD buyback deal, and in April 2014, CNPC was removed from the project due to poor performance. (Bazoobandi, 2015, p. 268).

During 2011-2016, Chinese energy companies received exclusive contracts to develop energy fields (Teer & Wang, 2018, p. 182). In July 2012, the EU banned CO imports from Iran, however, China continued purchasing Iran's CO, and by 2014, China imported almost 45% of the CO that Iran was allowed to sell (Azad, 2023, p. 27). "As Western countries have

decreased their trade and investment in Iran, China stepped in to fill the void and began to play a major role in Iran's oil industry" (Hong, 2014, p. 414).

Figure 10. Crude oil imports by China (total, from Iran, UAE, Oman, and Malaysia), 2001-2023, tons

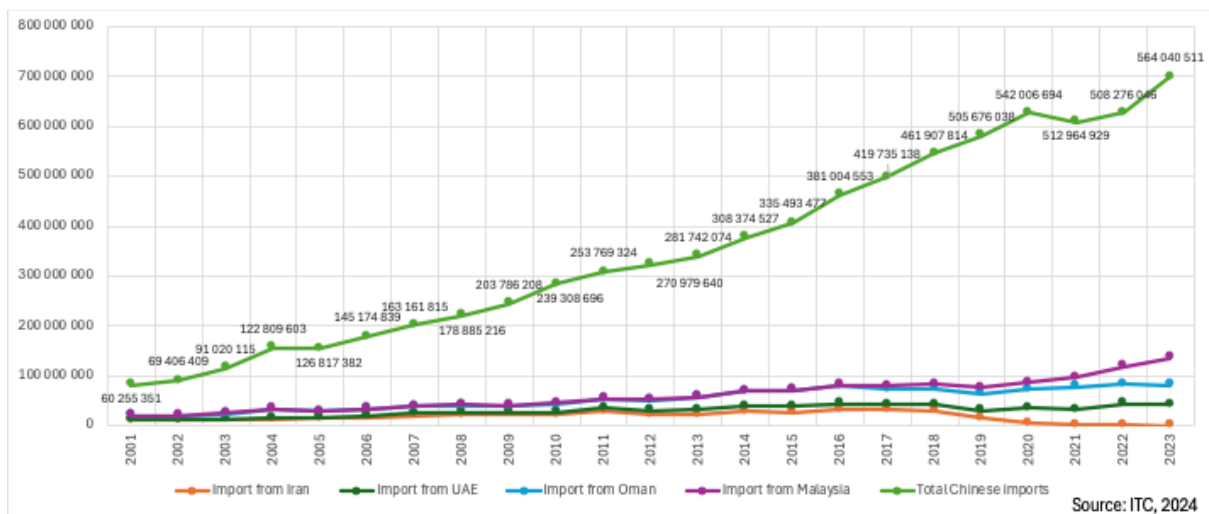
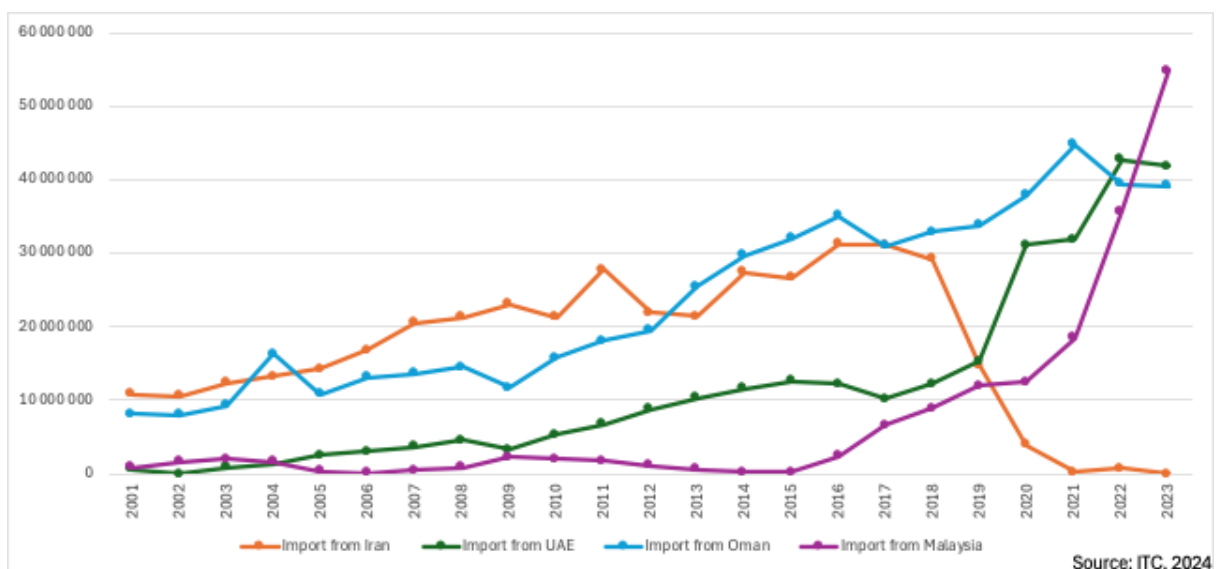


Figure 11. Crude oil Imports by China (from Iran, UAE, Oman, and Malaysia), 2001-2023, tons



Despite the oil embargo, China continued purchasing Iran's CO. According to the US EIA (2022) estimates, Iran shipped almost all of its CO and condensate to China. Notably, most of the CO is delivered to China through third parties: Iran ships CO to third countries, where the Iranian oil is blended with oil grades not originating from Iran. A huge chunk of the oil shipped from Iran to China was relabelled from countries such as Malaysia, the UAE, and Oman²¹ (Azad, 2023, p. 31) to escape detection from customs authorities (Figure 11): it is especially evident in post-2018 period when the USA withdrew from the JCPOA and

²¹ Although I would like to explore why Malaysia, Oman, and the UAE still import Iranian CO despite the risk of secondary sanctions, due to time and space limitations, I have to just accept their involvement as a matter of fact.

launched the ‘maximum pressure’ campaign, China’s ‘official’ imports from Iran plummeted, whilst China’s imports from the intermediary countries soared.

Iran has had to navigate through the US-imposed sanctions to secure its oil exports ever since the Carter administration sanctioned Iranian oil imports. In doing so, Iran had to develop its informal network of partners who would facilitate the trade of Iranian CO (Azad, 2023, p. 30). As Azad (2023) argues, “[i]t was no coincidence that the UAE, in particular, emerged to become one of the top three importers of Iranian crude, despite the fact that the Arab state is an important exporter of energy” (p. 31).

After the Trump administration introduced sanctions targeting third parties involved in oil trade with Iran, “China's oil imports from Iran plummeted”, as did Sino-Iranian trade, and Chinese investments. China’s partial withdrawal from Iran’s energy sector, “expose[d] the tenuous nature of Sino-Iranian bilateral ties” and how easily the US sanctions threat can influence their partnership (Parchami, 2021, p. 10).

However, the US influence has its limits. Although China partially retreated from Iran’s energy sector, China still continued procuring Iranian CO. Despite the devastating sanctions, “China's determination to continue importing oil from Iran was of high strategic value” (Shariatinia & Kermani, 2023, p. 42).

7.2.3 Strait of Hormuz and Bab el-Mandeb Strait

In addition to cheaper CO and potential, but highly unlikely to be realized in the foreseeable future, cooperation in gas industry, there is another important factor related to China’s energy security, i.e. Iran’s location and its proximity to the Strait of Hormuz (Map 1), which is “the world's most important oil chokepoint because large volumes of oil flow through the strait” (Dunn & Barden, 2023) and through which approximately 21% of global liquid petroleum consumption goes.

Huge volumes of CO originating from the Persian Gulf states are shipped through the Strait of Hormuz, and the main destination for these shipments is China. So should Iran be pressured too much, to the point of nothing to lose, there is a chance that Iran could disrupt the energy market by blockading the strait.

Although the USA and its GCC partners maintain the security of the strait so that their vessels could pass through the Strait of Hormuz, Iran still possesses sufficient capabilities to blockade

the chokepoint: Iran possess fleet and submarines, which could potentially attack commercial vessels in the strait; Iran could also employ sea mines and anti-ship missiles. “Since the end of 2011, Iran has held a number of military exercises and warned several times that if its oil export is sanctioned by the West, it may block oil tanker shipments through the Strait of Hormuz” (Hong, 2014, p. 422). Although Iran is not likely to be able to blockade the Strait of Hormuz permanently, and the USA&A will respond decisively to Iran’s blockade, Iran possess enough capabilities to disrupt the global oil trade which will spike the oil prices.

Another important chokepoint is the Bab el-Mandeb Strait located between Yemen on the Arabian Peninsula and Djibouti and Eritrea in the Horn of Africa. Approximately 9% of seaborne CO and refined petroleum products flowed through this strait in 2017 with 2.6 million bpd heading for Asian markets, including China (Barden, 2019). Yemen’s rebel Houthis are also a part of Iran’s “axis of resistance” and also have capabilities to temporarily blockade this chokepoint as well.

The blockade of the two straits is the worst case scenario, and Iran is not likely to initiate such a course of action first, however, there is a plausible scenario when Iran, especially today when its tensions with Israel are escalating, might resort to this extreme measures as a response to potential hostile actions taken by the USA&A. In the face of existential threat, great powers with NW threaten to initiate Mutually Assured Destruction (MAD), whilst Iran threatens to destabilize the ME region with its proxies and disrupt the global oil supply and energy market.



Map 1. Strait of Hormuz and Bab el-Mandeb Strait (created with MapFigure.net)

Under such circumstances, China, who imports close to 50% of the CO from the Persian Gulf states, apparently, prevents this most extreme turn of events. One could argue that China's aid to Iran also serves as a regional stabilizer: in Iran's case, China's energy security considerations do not revolve only around procuring CO from Iran, but more importantly involves a stable flow of oil from the ME, which can be ensured only by the regional stability.

7.3 Sino-Iranian cooperation in military and security

China's "military and security involvement [...] has been less pronounced than that of Russia, but has been on the increase" (Adomeit, 2022, p. 26). Sino-Iranian cooperation includes arms trade, technological transfers, joint military training, exercises, and intelligence-sharing.

7.3.1 Arms trade and technology transfer

Despite "China and Iran hav[ing] a lively arms trade and defense cooperation" (Teer & Wang, 2018, p. 186), this cooperation has proved to be inconsistent and susceptible to the US pressure. Until the late 1970s, China's role as an arms supplier in the Middle East and North Africa (MENA) region was insignificant, but in the 1980s, the MENA region became the main destination of arms supplies from China.

The Sino-Iranian cooperation became important during the Iran-Iraq War of 1980-1988. While the secular Iraqi regime of Saddam Hussein was supported by the US and provided with economic aid, training and dual-use technology (CFR, 2024), Iran was under US arms embargo and had limited options to procure armaments. That was the moment when China stepped in. The war coincided with the period of reforms and openness in China during which the Chinese government emphasized economic growth, and arms trade was a viable option to generate revenues (Bazoobandi, 2015, p. 261).

According to Bazoobandi (2015), Iran purchased from China 'Silkworm' and C-802 anti-ship missiles from China. In 1988, during the last year of the Iran-Iraqi War, China and Iran signed an agreement on providing M-series missiles. However, the arms trade between China and Iran was not completely smooth. Under the US pressure, China decided not to export M-9 and M-11 missiles to Iran after the Gulf War. Later in 1996, the USA made another intervention into arm deals between China and Iran, and pressured China to stop exporting C-802 anti-ship cruise missiles.

In addition to China being an inconsistent arms supplier, other factors haltering the arms sales in the 1990s were “inferior technology, inadequate performance, inconsistent service support, and limited availability of weapon systems” provided by China (Kumar, 2024, p. 275).

After 2005, China abstained from signing new arms deals with Iran and until 2015 merely fulfilled its obligations under previous agreements (Kumar, 2024, p. 281), which is also confirmed by SIPRI (Appendix 8).

Nevertheless, China assisted Iran in strengthening its cruise missile capabilities: with China’s support, a factory for licence-production of C-801 missiles was established in Isfahan in 2010 along with other manufacturing sites for artillery, armoured vehicles, and other types of weaponry (Kumar, 2024, pp. 276-278).

Just like China did reverse-engineering with Soviet and Russian weapons, Iran has also resorted to such a practice: Iran reverse-engineered Chinese cruise missiles C-801 and C-802. For this reason, China has been reluctant to provide its indigenous sophisticated systems, and rather provided old-generation items based on Soviet blueprints (Kumar, 2024, p. 278).

In addition to revenues, China got a chance to test its weapons on the battlefield without actually engaging in an armed conflict and step up as an arms exporter.

7.3.2 Nuclear issue

China’s attitude towards Iran’s nuclear program has been more nuanced: on one hand, China has deeply vested interests to prevent nuclear proliferation, on the other hand, China “played a pivotal role in initiating Iran’s nuclear program and significantly enhancing it to achieve weapon-capable enrichment levels” (Kumar, 2024, p. 278) in the 1990s.

China justified its involvement with Iran’s nuclear energy sector by claims that all nations have a right to use nuclear energy for civil purposes. China provided training and assistance to Iranian engineers in uranium mining and enrichment and also provided blueprints for reactors (Kumar, 2024, p. 278).

Initially, Iran and China agreed to construct a nuclear reactor in Isfahan in 1990, however, this agreement triggered an instant response from the US who put pressure on China and “even threatened to end American nuclear cooperation with China”. In the end, China pulled out of the project (Shariatinia & Kermani, 2023, p. 39). Although the agreement was about civil use

of atom, it could have potentially boosted Iran's capabilities in enriching uranium to the levels needed for building their own NW.

During 2000s-2010s, Chinese companies were engaged in a project to construct nuclear energy infrastructure. Until the US withdrew from the JCPOA in 2018, China's attitude towards Iran's nuclear program had been in line with the USA. Today China exercises a more cautious approach towards Iran's nuclear issue for several reasons: pressure from the USA, pressure from Saudi Arabia and Israel, nuclear proliferation concerns.

7.3.3 Strategic cooperation

Another security consideration is Iran being the only country in the ME, except for war-thorn Syria, Afghanistan, and Iraq, that does not have security alliance with the US.

The GCC member states, Israel and Türkiye have close ties with the US armed forces. Maintaining the balance of power in the ME and not allowing the US to dominate the region single-handedly favours China strategically: being bound by defence obligations to the GCC states and Israel, the USA cannot fully concentrate its resources to pivot to Asia (Teer & Wang, 2018, p. 186). Iran's ties with the 'axis of resistance' cause all sorts of troubles for the USA maintaining security partnership with the GCC and alliance with Israel.

Moreover, we can also see a coordinated approach from China and Russia vis-à-vis Iran: in 2019, Iran, Russia, and China conducted a trilateral naval exercise in the Arabian Sea. The exercise was later followed by a mysterious attack on a Saudi Arabian oil field (Sheldon-Duplaix, 2022, p. 111). The Sino-Russian coordinated policies towards Iran are also evident from the UNSC voting.

China and Iran joined efforts to maintain the balance of power and prevent the USA from dominating in the ME and East Asia and to claim a more just treatment in the international system and in their respective regions (Arghavani Pirsalami, Moradi & Alipour, 2024, p. 539). However, China's presence has been very limited as Iran's increased military capabilities, let alone acquisition of NW, raise grievance concerns from Israel, the USA, and Saudi Arabia, another major supplier of CO to China.

7.3.4 Fight against separatism

The Sino-Iranian cooperation in security also involves balancing against Taliban and the East Turkestan Islamic Movement (ETIM). The ETIM is an extremist organization maintaining close ties with Taliban and Al-Qaida (UNSC, 2008) and fighting for the independence of Xinjiang inhabited by Uyghurs. In the 1990s and early 2000s, the ETIM operated from the territory of Afghanistan, an immediate neighbour located between Iran and China's Xinjiang Uyghur Autonomous Region.

China viewed Iran as “a potential ally in dealing with the resurgence of Taliban influence in its vulnerable western province of Xinjiang where 45% of the population are Muslims” (Hong, 2014, p. 411). For decades, Shia Iran was adamantly hostile towards the Sunni fundamentalist Taliban who provided military support and training to ETIM separatists.

Although Uyghurs are predominantly Sunni Muslims while Iran is a Shia theocracy, the Iran's silence on the Uyghur issue demonstrates that the Iranian leadership is ready to compromise on the ideological aspects despite Iran's self-proclamations of being the defender of Muslims worldwide and standing with the oppressed.

After the reemergence of Taliban in Afghanistan in 2021, both China and Iran have been taking a more cautious and pragmatic approach towards Taliban: China has engaged diplomatically with the Taliban government to ensure that no ETIM activities would be allowed in Afghanistan, and their activities will not spill over onto Xinjiang territory. However, the Taliban government does not control all its factions which makes Iran an important strategic partner in containing the spread of the separatist movement.

To sum up, the Sino-Iranian military cooperation in the 1980s-1990s was purely transactional. China exploited Iran's isolation to generate additional revenues and to test Chinese armaments in action against Western weaponry without engaging in a direct confrontation. However, during the 2000s-2010s, China was susceptible to the US pressure and Iran could not view China as a reliable partner. In the 2000s and early 2010s, China cooperated with other P5+1 countries on Iran, and starting from the late 2010s, the dynamics has started to change: China is increasing its military presence in the ME as an arms dealer.

7.4 Sino-Iranian cooperation in finance and banking

When US-imposed sanctions made trade with Iran a highly risky endeavour, Iran could not effectively import raw materials, equipment and consumer goods from the West. Iran's big population presented new market opportunities for Chinese manufacturers and exporters. The influx of Chinese imports into the Iranian market made some small and medium-sized business commercially non-viable and could not compete with Chinese manufacturers. Such a situation could be observed in various industries: clothing, car-manufacturing and spare parts, steel (Bazoobandi, 2015, p. 265).

7.4.1 Loans-for-oil

Since 2011, Iran's banking sector was isolated from the global banking system, and transactions in USD became extremely difficult for Iran. One of the payment instruments employed by China was an oil-for-loan arrangement: during 2011-2014, China owed to Iran nearly 50 billion USD, and instead of paying in hard currency, the Chinese government agreed to repay its debt in the form of investments into Iranian projects by up to three times more than the actual debt (Bazoobandi, 2015, p. 265).

The loans-for-oil arrangement between Iran and China continues till this day: in 2021, China and Iran signed a Strategic Partnership Plan, according to which China would invest into Iran's economy 400 billion USD within next 25 years in exchange for guaranteed supply of discounted Iranian oil (Chivvis & Keating, 2024).

In the absence of normal transactions between Chinese and Iranian banks with slim chances of Western sanctions being lifted, this barter trade mechanism is most likely to endure in the future.

7.4.2 BSA and CIPS

From 2012, the US "sanctions have limited Iran's economic interaction with the West, [and] they have played a key role in boosting Iran-China economic relations" (Bazoobandi, 2015, p. 264). In 2012, key Iranian banks were disconnected from Swift.

I have not found any data that the PBC and the CBI have signed a BSA, since the scope and severity of Iran's isolation from global finance and banking have been more serious than in the case of Russia. However, I have discovered, that CNPC founded the Bank of Kunlun

(KLB) in 2002 to facilitate the trade between China and Iran, but in 2012, the KLB was sanctioned by the Secretary of Treasury in 2012 (OFAC, 2013).

As for CIPS, I have also found no evidence or confirmation that Iran's financial institutions are participants to CIPS. I propose the following explanation for Iran's non-participation in either BSAs or CIPS.

Comparing to the previous case of Russia, Iran's banking and financial institutions are even more isolated, which might seem counterintuitive when looking at the scope and mere numbers of sanctions (Figure 1). However, sanction-sending countries, such as EU member states, still purchase fossil fuels from Russia, and thus, they need to have a legal way to pay for the Russian energy carriers. In other words, Russia's banking and finance have not been isolated completely, whilst Iran's banking and financial institutions are more isolated. Therefore, China merely follows the sanction regimes.

Secondly, I hypothesize that, in order to promote CIPS, China would prefer to maintain a positive or at least neutral image of the new intra-banking messaging system, while engaging Iranian banks might alienate new potential members who would still like to trade with the Western countries. Promoting CIPS as a payment system for circumventing and evading sanctions would not be the best-selling tactics, especially when we talk about a US-designated SST.

Third, engaging too early such a high-risk partner might kill the whole idea in the beginning: should China engage Iran too early, i.e. before gaining a bigger market share and engaging more direct and indirect participants, the USA might destroy the whole project from the start with sanctions, just like with the KLB. For comparison, the number of direct participants to CIPS is 160, and the number of indirect participants is 1,413 (CIPS, 2024), whilst the number of Swift participants is over 11,000 institutions in over 200 countries and territories (Swift, 2024).

7.4.3 Iran's alternative to Swift

In 2013, Iran launched its own messaging system - System for Electronic Payments Messaging (SEPAM) that could replace Swift (Abolghasemi, 2023). SEPAM internationalization gained momentum after Russia's invasion of Ukraine in 2022: both Iran's SEPAM and Russia's SPFS were integrated to further facilitate the bilateral trade between Russia and Iran (Kaleji, 2023). As of today, it is reported that "all Russian banks and 106

banks in 13 countries” are connected to the SEPAM (XinhuaNet, 2023). The SEPAM has also been accepted by the Asian Clearing Union (ACU) (IRNA, 2023), which will facilitate trade with South Asian countries²².

However, the available data on the SEPAM and non-Russian participants is opaque. I could not find any evidence if any of Chinese banks are connected to the SEPAM. Moreover, just like with Russia’s SPFS, the PBC has not demonstrated willingness to connect CIPS to SEPAM.

In October 2024, Iran has reportedly launched ACUMER, “a new banking platform designed to circumvent international sanctions” and to boost trade with Asian countries (bne IntelliNews, 2024). However, ACUMER launch has happened recently, so the available information on it is very scarce.

Although China’s involvement with Iran’s banking and financial sectors has been limited, Iran’s progress with the SEPAM and ACUMER might come in handy: should China face comprehensive sanctions from the West, the PBC might integrate CIPS with Iran’s SEPAM, which, in its turn, is also connected to Russia’s SPFS and accepted by the ACU.

²² The ACU members include central banks of Bangladesh, Belarus, Bhutan, India, Iran, the Maldives, Myanmar, Nepal, Pakistan, and Sri Lanka.

8 Case #3: China's support of Venezuela

Venezuela has not been under such comprehensive sanctions as Russia and Iran, however, due to being the most reliant on oil revenues, among the SPS, sectorial oil-targeting sanctions led to degradation of all other economy sectors, thus, the sectorial sanctions have had the same effect as comprehensive, and China's support has been vital for the Bolivarian government. During Nikolas Maduro's visit to Beijing in September 2023, he and Xi Jinping "announced the elevation of the China-Venezuela relationship to an all-weather strategic partnership" (IDCPC, 2023).

8.1 Sanctions against Venezuela

Venezuela has been the subject to US sanctions ever since 2005 on various grounds: terrorism support, drug-trafficking activities, antidemocratic actions, human rights violation, and corruption. The sanctions include arms embargo, restrictions on Venezuela's oil, gas, and gold-mining sectors, finance, banking, and travel bans for the Maduro government (Seelke, 2023, p. 1). The main sanctions senders are the USA, the EU, and Canada. Some Latin American countries also imposed sanctions, mostly limiting entry of Venezuelan officials (Bull & Rosales, 2020, p. 109).

8.1.1 Hugo Chávez presidency

The first sanctions were imposed in 2006 by the Bush administration, and they prohibited all US commercial arms sales for not "cooperating fully with [US] anti-terrorism efforts" (Seelke, 2023, p. 1). Venezuela maintained close ties with SSTs, such as Cuba and Iran (Bureau of Counterterrorism, n.d.), and also provided financial support to Hezbollah (Seelke, 2023, p. 1). Drug-trafficking sanctions were limited to individual sanctions targeting Venezuelan officials and their assets.

However, more severe sanctions were imposed after the death of Hugo Chávez in 2013 on the grounds of human rights violations: in 2014, the Obama administration issued the Venezuela Defense of Human Rights and Civil Society Act under which sanctions were imposed against those responsible for "acts of violence, serious human rights abuses, or antidemocratic actions" (Seelke, 2023, p. 1).

By the time sectorial sanctions were imposed, the Bolivarian government had already been in a ‘survival mode’ using oil-revenues and oil-loans to stay in power and to repress political opponents (Bull & Rosales, 2020, p. 113).

8.1.2 Trump’s administration

Under Donald Trump’s presidency, more sectorial sanctions were imposed against Venezuela. In August 2017, Trump issued EO 13808 denying access to the US financial market by the Venezuelan government and *Petróleos de Venezuela, S.A. (PDVSA)*, a Venezuelan national oil company. In March 2018, EO 13827 prohibited transactions involving the Venezuelan government’s issuance of digital currency, coin, or token. In May 2018, Trump issued EO 13835, which “prohibited transactions related to purchasing Venezuelan debt and any debt owed to Venezuela pledged as collateral“ (Seelke, 2023, pp. 1-2).

The EU also joined the sanctions regime: in November 2017, the EU Council introduced an arms embargo on arms, travel bans, and assets freeze (EC&EUC, 2024). The EU sanctions regime has been extended several times, and the restrictive measures will be in effect until January 2025 (EC&EUC, 2024).

In November 2018, Trump issued EO 13850, thus prohibiting certain transaction with private individuals designated by the Secretary of Treasury and blocking their assets within the US jurisdiction. After being designated by the Treasury, PDVSA’s assets were frozen, and foreign entities were prohibited to engage in transactions with PDVSA. Other targets for sanctions included “Venezuela’s Central Bank, National Development Bank, and state-owned gold company, *Minerven*”. In August 2019, EO 13884 was issued, and this EO included freezing assets of Maduro government officials and visa-restrictions for individuals engaged in transactions with the Maduro government. In January 2021, individuals and shipping companies were sanctioned for helping PDVSA evade sanctions (Seelke, 2023, p. 2).

8.1.3 Sanctions relief

However, during 2022-2024, there has been some sanctions relief under the Biden administration: in 2022, the Office for Foreign Assets Control (OFAC) granted a licence to Chevron to resume production and trade of petroleum products with existing joint-ventures in Venezuela. In 2023, the OFAC gave Trinidad and Tobago a two-year license to engage with

PDVSA to develop an offshore NG field and allowed cash payments for the gas (Seelke, 2023, p. 2).

Moreover, in 2023, the Treasury Department issued general licenses which temporarily allowed transactions with Venezuela's oil and gas sectors, authorized transactions with Minevern, and removed bans on secondary trading of certain Venezuela's bonds, PDVSA's debt and equity. The sanctions relief was implemented to advance US economic and security interests and to reduce emigration from Venezuela.

Venezuela's economy under the Bolivarian government had performed terribly before the sanctions: hyperinflation, excessive state control, total reliance on oil, unavailability of basic commodities, and food. Thus, targeting the only viable economy sector, i.e. oil, inevitably led to degradation of all the other spheres of the Venezuelan society. If it was not for China's lending through loans-for-oil deals, and support from Russia, Iran and other states, the current Maduro government would have had more troubles staying in power.

8.2 Sino-Venezuelan cooperation in energy sector

Venezuela holds the biggest proven CO reserves accounting for approximately 17% of global oil reserves (US EIA, 2024, p. 5) and significant gas reserves, 73% of South American total gas reserves (p. 12), and the key player in Venezuela's energy sector is PDVSA. However, due to nationalization, excessive state control and price regulation, which resulted in alienating foreign investors, eventual degradation of infrastructure, gas production in Venezuela has been low, while oil output has not lived up to its potential over the last two decades.

In the 2000s, China and Venezuela deepened their energy cooperation in "oil exploration and development, engineering technology services, crude oil trade, and transportation and refining" (Hongbo, 2012, p. 220). However, PDVSA fell victim of mismanagement: through direct political control over PDVSA, the Chávez government used oil-revenues for financing generous social spending programs instead of investing the funds into further oil-extracting and manufacturing capabilities and diversification of economy (Bulls & Rosales, 2020, p. 115).

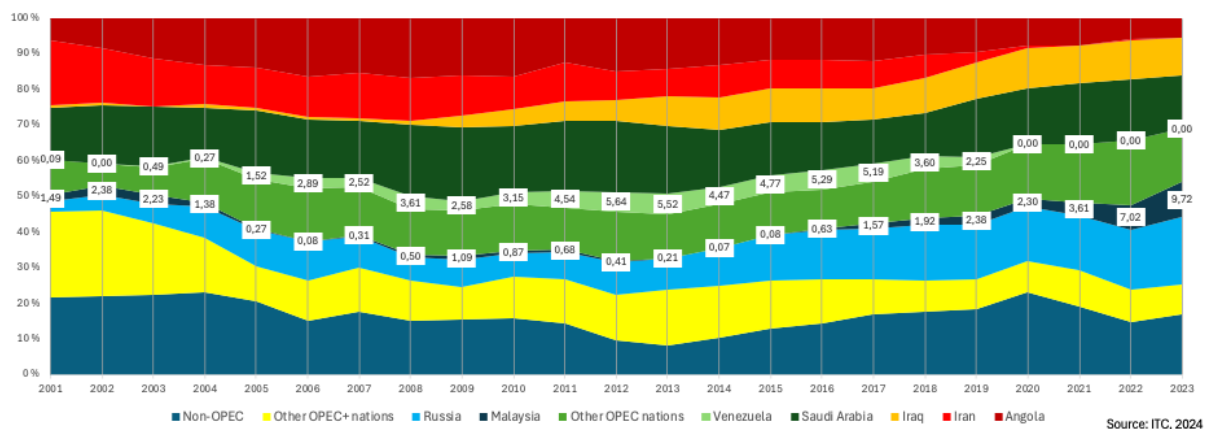
Despite the efforts undertaken by Chávez and later by Maduro, Venezuela still remained heavily dependent on the US market. Reyes Vázquez (2021) explained the dependence with the following reasons: first, the USA has been among the few countries capable of processing

Venezuelan heavy oil; secondly, PDVSA holds stake at CITGO, a US-based “refiner, transporter, and marketer of oil-related products [...] responsible for importing Naptha into Venezuela” (p. 34), and naptha is needed to dilute Venezuelan heavy oil so that the oil could flow through pipelines; third, the Venezuelan economy still depended on the USD exchange rate as the Venezuelan currency suffered from the rampant inflation.

The “Socialism of 21st century” policy, which included the nationalization and price regulation, turned out to be detrimental for Venezuela’s economy and “heavily discouraged investment and production”, whilst the oil revenues were primarily spent for financing social welfare, and “[v]ery little had been used to invest in the oil industry” (Wang & Li, 2018, p. 819).

In December 2004, CNPC and PDVSA signed an agreement for joint exploitation of the Zumano field. In 2007, “Venezuelan President Chávez signed a Presidential Order transferring CNPC’s rights to exploration and development of the Zumano oil field to a new joint venture called Petrozumano” (Hongbo, 2012, p. 232).

Figure 12. Crude oil imports by China, 2001-2023 (%), with Venezuelan and Malaysian shares

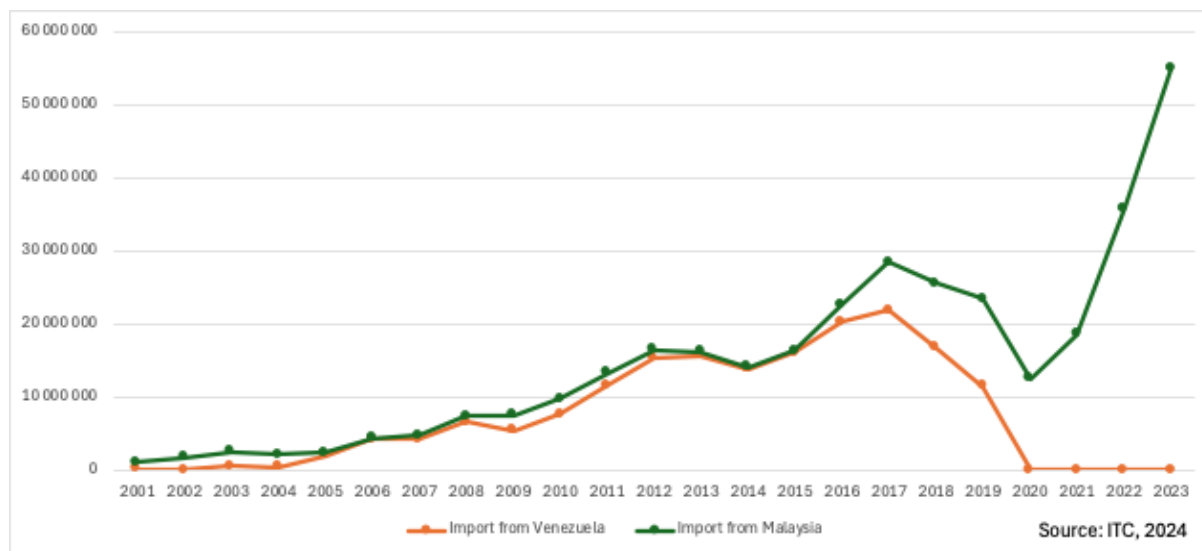


Chávez and Hu Jintao negotiated and signed their first loans-for-oil deal in 2007: Venezuela received advance payments and in return was obligated to provide oil to China while the funds received from CDB were supposed to be invested into oil infrastructure. Venezuela exported enough oil to satisfy loans-for-oil debt until 2013, but afterwards Venezuela’s oil export quantities did not meet China’s demand, especially after the Trump administration imposed new sanctions (Reyes Vázquez, 2021, p. 41).

By 2013, Venezuela’s debt to China was so large that Venezuela had to deliver 485,000 bpd, which the Maduro government failed to honour, and by 2015, Venezuela borrowed 64 billion

USD from China (Adomeit, 2022, p. 26). In return, Venezuela was expected to deliver commodities, including CO, to Chinese importers. Should Venezuela fail to hold their end of the bargain, they are to pay compensation in the form of important assets (Adomeit, 2022, p.27).

Figure 13. Crude oil Imports by China (from Venezuela and Malaysia), 2001-2023, tons



In 2015-2017, Venezuela's oil production declined dramatically (Reyes Vázquez, 2021, p. 39) and therefore could not provide sufficient volumes of oil to repay its debt, and in 2016, China had to provide a two-year grace period. As of 2019, Venezuela owed over 20 billion USD to Chinese companies, and the Maduro government has been unable to pay its debt (p. 44).

After Trump administration's new sanctions, China and other countries, reportedly, still continued importing Venezuelan CO via Malaysia²³ (Cohen & Parraga, 2020a, 2020b). In order to avoid sanctions, a vessel with CO from Venezuela transfers the cargo onto another ship, and thus changing origin of the imported CO. So formally, China imports Malaysian oil and may not know the possible origin of the CO. I could not verify the information from the Reuters articles, however, when compared against the ITC Data it seems to be true: until the year of 2017, when the Trump administration imposed more severe sanctions, China's CO imports from Malaysia had not exceeded 1%, however, the share of CO imports from Malaysia increased from 1.57% in 2017 up to 9.72% in 2023 (Figures 12 and 13).

Due to deteriorating oil infrastructure and decreasing oil production, which was aggravated by the US sanctions, and coupled with Maduro government's mismanagement, today's

²³ Just like with Iran's case, I have to accept Malaysia's involvement as a matter of fact.

Venezuela plays a limited role in China's efforts to diversify its oil supply. With recent sanction relief for Venezuelan oil sector, there is a slim chance that Venezuela might increase its oil production to pay off its loans provided by China.

8.3 Sino-Venezuelan cooperation in military and security

Nicolás Maduro's regime could not have survived without China's loans and Russia's arms supply for which Venezuela paid with oil. In contrast to Russia's approach, China tried to maximize the economic profits from supporting Maduro's regime through flexible loans. Thus, Sino-Venezuelan military cooperation has been very insignificant, however, China might potentially leverage the location of deeply indebted Venezuela vis-à-vis the USA.

8.3.1 Arms trade

China stepped up as an arms dealer in Latin America, and Venezuela became the primary purchaser of Chinese weaponry. China's entry into Venezuelan arms market coincided with the arms embargo in 2006. After the US-imposed arms embargo in 2006, Chávez turned to China for procuring military hardware (Gurrola, 2018, p. 127).

During 2005-2016, Venezuela's armed forces procured air surveillance radars JYL-1 and JY-11, combat aircrafts, short range air-to-air missiles, self-propelled mortars, rocket launchers, vehicles, tanks and other equipment (SIPRI).

However, I could not find any long-range weapons, such as long-range or medium-range ballistic missiles, that could potentially reach the US soil. Obviously, providing such weapons to Maduro's government would be perceived as crossing a 'red line' by the USA, which might spark a very hostile reaction from the US and lead to unnecessary escalation in the Sino-US relations.

8.3.2 Strategic cooperation

In 2022, Venezuela hosted 'Sniper Frontier', a part of the International Army Games, where military teams from China, Russia and Iran participated (Orinoco Tribune, 2022). The International Army Games is a military sport event organized by the Russian Defence Ministry where teams from different countries' armed forces compete. Notably, China has participated in all these events.

Although this military sport competition cannot be considered a military drill or a military exercise, participation in this event still contributes to strengthening military partnerships where participants showcase their military techniques and skills. However, it is not comparable to conventional large-scale military drills where countries practices manoeuvres, joint-cooperation, and military strategies.

Probably, the most noticeable part about this ‘Sniper Frontier’ segment is its geography, i.e. Venezuela in the Western Hemisphere, which is considered the backyard of the USA. Being heavily reliant on China’s (and Russia’s) support and deeply indebted, Venezuela could theoretically serve as a foothold to penetrate the Monroe Doctrine.

As Mearsheimer (2014) explains, the Monroe Doctrine was presented by US President James Monroe in 1823, and its main purpose has been to ensure that no great power forge an anti-US alliance with other independent countries in the Western hemisphere, and “China will have a vested interest in creating security problems for the United States” (p. 530).

By being a ‘foothold’ and penetrating the Monroe Doctrine, I do not imply that one day China will bring its troops to invade the US. Nevertheless, in the intensifying security competition, I could see a plausible scenario where China, in response to the US increasing its military presence in Asia-Pacific, would transfer, for instance, medium-range ballistic missiles targeting the US mainland. This scenario would resemble the Cuban Missile Crisis 1962 where Venezuela might potentially be used as a bargaining chip in security talks between China and the USA.

Military cooperation between China and Venezuela has been very limited so far: China has supplied some armaments to Venezuela (Appendix 9), provided financial, technical, and logistical support. Nevertheless, having debt-trapped Venezuela might allow China to use Venezuela as a potential foothold to threaten US security interests and to penetrate the Monroe Doctrine, should the USA further increase its military presence in East Asia. Venezuela might potentially serve as China’s bargaining chip that can be leveraged against the USA.

8.4 Sino-Venezuelan cooperation in finance and banking

The Sino-Venezuelan cooperation in finance is “one of the flagships of the bilateral cooperation” (Briceño-Ruiz & Molina Medina, 2020, p. 155). However, due to the ongoing

social, political, economic and humanitarian crisis, this cooperation can hardly be named fruitful.

8.4.1 Loans-for-oil

Venezuela is still undergoing the economic and humanitarian crisis. Venezuelan currency, the Venezuelan Bolivar (VED), experienced hyperinflation: in 2018, the annual inflation reached 130,000% (Roy & Cheatham, 2024). Due to the US-imposed sanctions against Venezuela's energy, banking and financial sectors, the economic crisis further aggravated.

Under such circumstances, there is not much cooperation between China and Venezuela, when the former is desperately trying to pay off its debts. If it was not for the China's loans, the Maduro government might have collapsed. As Ferchen (2018) wrote "China has lent more money than any other country in the world" and became Venezuela's main donor for finance (p. 79) whose financial support surpasses the amounts provided by Russia, Türkiye, and Iran.

In 2007, China and Venezuela signed 11 new bilateral agreements, including their first loans-for-oil deal (Wang & Li, 2016, p. 818). With the participation of CDB, the China-Venezuela Joint Fund was established to facilitate political coordination and China's investments into Venezuela, and one of the main mechanisms for facilitating the oil trade between China and Venezuela is the loans-for-oil arrangement. The loans-for-oil deal was supposed to "both guarantee oil flows and loan repayments while remaining immune from any vicissitudes of Venezuelan economics or politics" (Ferchen, 2018, p. 80).

Another major opportunity for China in this loans-for-oil deal is to promote CDB as an alternative to the WB. In comparison with the WB, CDP provided more favourable terms to Venezuela and did not impose such strict transparency conditions (Wang & Li, 2016, p. 818).

Wang and Li (2016) have described the process of paying off the debts: "[t]hese loans would be due 10 years. The loan is liquidated in the following way: PDVSA would sell oil to CNUOC, a subsidiary of CNPC, and the oil import payment made by CNUOC to PDVSA would be directed to the joint account, managed by CDB and the Venezuelan Economic and Social Development Bank" (p. 818). Additionally, in 2015, "CDB has extended loan maturities and eased repayment terms, allowing Venezuela to pay in bolívares instead of hard currency into the Joint Fund" (Wang & Li, 2016, p. 820).

Interestingly, such an arrangement, i.e. product/service-for-oil, is quite common in Venezuela's international trade, e.g. doctors-for-oil with Cuba (Kirk, 2011), diesel-for-oil in trade with Russia (Chemical Industry Digest, 2019), food-for-oil with Argentina (Wagner, 2005), which is no surprise when Venezuela does not have access to foreign currencies, and its own currency is worthless, and the only means of trade for Venezuela were gold and oil.

Providing loans to the Bolivarian government without strict supervision also aggravated the Sino-Venezuelan cooperation in infrastructure: numerous infrastructure projects, e.g. railroad construction, remain unfinished, funds from the China-Venezuela Development Fund have mostly been embezzled. As Naughton (2020) argue, "China's generosity enabled irresponsible policymaking by the Chávez and Maduro governments [...],while] [h]ard currency loans (all in US dollars) provided the regime access to crucial imports, and facilitated widespread corruption among the Bolivarian elite" (p. 132). As of today, Venezuela's standing debt accounts for approximately 20 billion USD, "only a small portion of which it is likely to get back" (Naughton, 2020, p. 132).

8.4.2 Dollarization of Venezuelan economy

In 2016, the Venezuelan economy suffered from soaring hyperinflation, while the purchasing power of Venezuelan people plummeted. The hyperinflation hit the economy so hard that "many workers saw no reason to show up for work as wages were worthless" (Bull & Rosales, 2020, p.123), and the Maduro government unsuccessfully tried different approaches to stabilize the situation, for instance, to create its own cryptocurrency Petro.

As Bull and Rosales (2020) describe, all these problems led to emergence of a shadow market for USD with two different exchange rates, i.e. official and shadow, which led to informalization of economy where USD is used as the primary means for exchange (p. 108).

Venezuela's inefficient monetary policies coupled with the US-imposed sanctions had a detrimental effect on the Venezuelan economy and caused its informalization and criminalization, an increased use of barter-trade, and de facto dollarization. Today, USD is more commonly used in daily life, thus leading to informal dollarization of the Venezuelan economy (Bull & Rosales, 2020, p. 108).

When Venezuela's national currency is undergoing the rampant inflation, it is no wonder that the PBC has not signed a BSA with the Central Bank of Venezuela. Therefore, Venezuela

with its devaluated currency cannot meaningfully contribute to China's de-dollarization efforts.

8.4.3 BSA and CIPS

Similarly to Iran's case, I could not find any proof of Venezuela's participation in CIPS or a BSA although there have been negotiations. However, reasons for that are different.

I argue that it can be explained by the poor performance of Venezuela's economy, suffering from hyperinflation when Venezuelan local currency is basically worthless, and Venezuela's economy with informalization dollarization is of no use to China's efforts to push for promoting RMB as a means of conducting bilateral trade.

President Maduro has had negotiations with his counterparts in Russia and in Iran to join their SPFS and SEPAM respectively, however, there is no confirmation yet that Venezuela is going to connect to SPFS or SEPAM, let alone CIPS.

To sum up, the financial partnership between China and Venezuela can hardly be named a cooperation, but rather a debt-trap relationship where insolvent and highly indebted Venezuela will inevitably lose part of its autonomy and sovereignty which will allow China to exert more influence and use Venezuela as a bargaining chip against the USA.

9 SWOT analysis and findings

In this chapter, I will analyse the strengths, weaknesses, opportunities, and threats from the perspective of China's decision-making. Strengths and weaknesses are China's inherent characteristics, or relative advantages, stemming from China's domestic capabilities. In all three cases of this paper, they will remain the same.

Opportunities and threats (risks) are dictated by the environment and in each case of this study will slightly vary depending on the region and development of every particular SPS.

Whenever an SPS is under sanctions, such a situation creates both opportunities and risks for China.

9.1 Strengths

The strengths reflect China's global political influence and relative power and shall be sustained or improved. When dealing with any of the SPS, China's strengths will remain the same vis-à-vis the SPS. China can be attributed the following strengths: a huge population, the size and complexity of China's economy, diversification of international trade, impressive manufacturing capabilities, geopolitical position, and possessing strong military capabilities.

Ever since initiating the policies of reforms and opening-up in the late 1970s, China has undergone a rapid economic growth. The economic might is confirmed by numbers and international rankings: according to the WB (2022), China is the top exporter world-wide; according to the IMF (2022), China's total GDP accounted for 17.85 billion USD making China the second economy in the world. According to the WB (2023) assessment of countries' GDP (PPP), China ranks first in the world.

China has another advantage: China's international trade is extremely diversified. According to Wilson Center's President Green (2023), China was the top trading partner for 120 countries from across the globe in 2023. It puts China in a better negotiating position, where China is less dependent on its trade partners. Freeman (2020) described China to be "the major trading partner of almost every country on Earth" (p. 56).

Furthermore, China's manufacturing capabilities are enormous (Freeman, 2020, p.56). Being 'the world's factory', China attracted foreign direct investments (FDI) and international talents. When entering Chinese markets, Western companies had to comply with coercive policies of the Chinese government, such as forced technological transfers, establishing joint

ventures and R&D centres, which altogether allowed for ‘knowledge spillovers’. China managed to increase their manufacturing capabilities and productivity and climb the value-creation chain (Mudambi, 2008, p. 708). China also practices technological espionage, reverse engineering, and other forms of violating IP rights, which altogether allowed China to grow expertise in manufacturing more sophisticated products with higher additional value. Now, Chinese main exports include machines, equipment, computers, and other electronic devices and appliances (ITC, 2024).

Geopolitical influence of China is also an advantage to be leveraged: China is an UNSC permanent member with veto power which allows to block any UNSC initiative threatening China’s interests. Moreover, China is also a member state to the WTO, the Group of 20, BRICS, Shanghai Cooperation Organization and numerous other intragovernmental organizations.

China’s military capabilities are also impressive. As of 2022, China had the second biggest military expenditure (Table 1), which was surpassed only by the USA. According to the Military Balance (2024), the PLA active military personnel accounts for over 2 million troops making it the largest standing army in the world (p. 543). China also “possesses the world’s largest maritime fighting force, operating 234 warships” although the USA still has “an advantage in guided missile cruisers and destroyers” (Palmer et al., 2024). Although the PLA Air Force still lagging behind, it is now a formidable force capable of challenging the US Air Force’s power-projecting capabilities in Asia-Pacific (Li, 2022).

Possessing the ultimate deterrent, i.e. NW, also strengthens China’s position. Although China’s nuclear arsenal, approximately 410 warheads (SIPRI, 2023), is significantly smaller than the ones of the USA and Russia, whose total nuclear stockpiles are 5244 and 5889 warheads respectively, it is enough to prevent any possible full-scale military intervention.

Just like in most non-democratic countries where power concentrated in the hands of a leader and/or a small group of people, in China’s case Xi Jinping and the Standing Committee of the Politburo of the CCP, decision-making process is usually quicker when compared against democratic countries. Democratic countries have more institutional barriers, e.g. the system of checks and balances in the USA, preventing their leaders from abusing power, while autocrats face fewer obstacles from their institutions. In democracies, the decision-making process also involves public discussion which is either limited or completely absent in autocratic regimes. As evident from the clash of US President Joe Biden with the Republican-dominated Senate

(Debusmann, 2023), it took almost half a year to reach a compromise approving military aid to Ukraine. Reaching consensus in a democratic country requires discussions and time, whilst in autocracies like China and the SPS, foreign policy decisions are made top-down. However, it does not mean that there is no discussion among Chinese policy-makers, after all, even within the CCP there are factions advocating for different approaches.

In summary, China possesses a huge population, economic might, impressive manufacturing capabilities, strong military, and holds overall an powerful position on the global stage. All these strengths can be utilized when pursuing its own agenda.

9.2 Weaknesses

The weaknesses are also inherent attributes of China and will not change in my SWOT analysis. Although some weaknesses can still look better when comparing against an identical index in the SPS, these issues ultimately hinder or undermine China's aspirations to become a regional hegemon, especially in comparison with China's main rival – the USA.

Despite having the largest population until the year of 2023, China's demographic situation seems very precarious: according to the WB (2022), China's fertility rate is 1.2 births per woman and the birth rate is 7 people per 1000 which are among the lowest world-wide. The low fertility and birth rates, in their turn, aggravate the problem of ageing population, and according to the WB's population estimates and projections (2024), China's population is expected to shrink down to 1.29 billion people by 2050.

Although Chinese manufacturers have built up their expertise in producing sophisticated items, the consensus is that China still lags behind the USA, Japan, and EU countries in breakthrough innovations. It is especially evident in the industry of computer chips and microprocesses (Bitzinger & Raska, 2022, p. 126).

China's rapid economic growth since the 1980s is undisputably an impressive achievement of the CCP. However, despite having the biggest GDP (PPP) (WB, 2023) and second biggest GDP, China, except for Macau and Hong Kong, still lags behind EU countries, the USA, Japan and South Korea when it comes to per capita indices. In other words, China's population is not as wealthy as the USA&A. Having a wealthy population is a prerequisite for a country to claim a hegemonic position.

Another major drawback of China's political system is corruption: China was ranked 76th out of 180 countries by Transparency International (2024) in 2023. While the corruption perception index of China is better than in Russia (141/180), Iran (149/180), and Venezuela (177/180), China still performs worse than the USA&A. Corruption worsens the governance efficiency and might create a distorted picture for the Chinese leadership. Distorted assessment of capabilities, usually overestimation of one's own and underestimation of others', might ultimately lead to miscalculations.

Despite being one of the biggest armed forces in the world, the PLA does not have modern combat experience. Except for border skirmishes with India and UN peacekeeping missions (Zhuo, 2024), China has not engaged in major military conflicts. While abstaining from wars allows for cultivating the image of a peaceful responsible country, it also means that there are fewer possibilities to test China-manufactured weaponry and the training of the PLA.

To sum up, despite numerous strengths, China also suffers from a number of problems, such as aging population, high corruption, relatively low per capita incomes. To a certain extent, these deficiencies negate China's strengths. In my SWOT analysis, the weaknesses should be mitigated.

9.3 Opportunities: What did China gain from supporting the SPS?

From China's perspective, the SPS present not only economic benefits in energy sector in the form of discounted fossil fuels supplied to hungry-for-energy China, but can also provide: new markets for China's manufactured commodities, joint-development of infrastructure projects, diplomatic coordination and support, opportunities for enhancing China's military, projecting global influence, and improving China's geostrategic positions.

Supporting the SPS allows China to indirectly create all sorts of troubles for the USA deeply involved in the security of the respective regions, e.g. North Atlantic Treaty Organization (NATO) in Europe in Russia's case, bilateral security treaty with Israel in Iran's case, penetrating the Monroe doctrine in Venezuela's case. Therefore, these petrostates also hold different strategic value for China. In my analysis, I will approach opportunities as possible solutions for the weaknesses of China and possible enhancers of China's strengths.

9.3.1 What opportunities has China gotten from supporting Russia?

Building a comprehensive strategic partnership with Russia has allowed China to further diversify its energy supply, to procure cheaper gas and oil, and thus to strengthen China's energy security. Procuring discounted energy carriers is a truly important aspect of Sino-Russian cooperation. In terms of energy security, the Sino-Russian cooperation has allowed China:

1. to procure CO and to diversify oil supply and to decrease dependence on the oil from the ME and OPEC;
2. to procure enriched uranium;
3. to a smaller extent, to procure NG, both pipeline and LNG and to diversify gas supply.

In the dimension of strategic security and military cooperation, by supporting Russia, China has managed:

1. to ensure stability in Northeast Asia and security of China's North;
2. to purchase the most advanced weaponry the Russian MIC had to offer, e.g. Su-35 and S-400;
3. to modernize its own weaponry and to obtain technological know-how in those areas where Russia still has advantage, e.g. early detection, non-nuclear submarines, supersonic missiles;
4. to gain operational and tactical experience for the PLA;
5. to gain a new market for dual-use components and commodities;
6. to combine China's and Russia's nuclear deterrence capabilities against the USA;
7. to prioritize the indigenous development of other high-tech industries while such an opportunity still exists;
8. to delay the pivot to Asia by the USA, which is deeply committed to the European security;
9. to coordinate foreign policies and diplomatic efforts in respect to Iran, North Korea, Venezuela, and other countries;

10. to prevent Russia from joining a potential US-led balancing coalition against China.

Russia's financial isolation also presents a great study case for China: the Chinese government can learn from Russia's experience what might happen, shall the USA&A impose comprehensive sanctions against China. Strengthening RMB-denominated bilateral trade with Russia might prove useful since China needs to insulate itself from the possible comprehensive sanctions. In the dimension of financial and banking security, China has achieved the following goals by supporting Russia:

1. to expand the market share of CIPS as an alternative to Swift;
2. to promote RMB as an alternative currency for conducting cross-border trade;
3. in case of financial and banking sanctions, the PBC might connect to Russia's SPFS, which pushes hard to promote its own intra-bank messaging system.

In summary, cooperating with the sanctioned regime of Russia allowed China to further ensure its energy security, to improve its military capabilities, to disperse the US resources, and to further insulate its economy from possible comprehensive sanctions.

9.3.2 What opportunities has China gotten from supporting Iran?

Building a comprehensive strategic partnership with Iran has allowed China to further diversify its CO supply, although due to the risk of secondary sanctions China imports Iranian CO via third parties. More importantly, by deepening ties with Iran, China can also ensure that the CO supply from other Persian Gulf states continues. Due to sanctions and underinvestment, Iran's NG industry plays no important role in China's energy security. In terms of energy security, the Sino-Iranian cooperation has allowed China:

1. to procure CO and to diversify oil supply;
2. to ensure that the chokepoints in the strait of Hormuz and the Bab el-Mandeb strait are not blockaded, and, thus, keeping the stable flow of seaborne CO from other Persian Gulf states.

In the dimension of strategic security and military cooperation, by supporting Iran, China has managed:

1. to increase its role as an arms supplier, which allows to test Chinese armaments without engaging in a direct armed conflict and to generate revenues for China's military industrial complex;
2. to join efforts in fighting separatist organizations, namely the ETIM, which threatens China's territorial integrity;
3. to gain a new market for dual-use components and commodities;
4. to delay the pivot to Asia by the USA who is bound by its obligations towards the GCC countries and Israel.

In the financial and banking security, Iran's, which is even more isolated from the global banking and finance than Russia, cannot meaningfully contribute to CIPS promotion.

However, partnership with Iran allows China:

1. to hone loans-for-oil and barter trade mechanisms;
2. in case of comprehensive sanctions, the PBC might connect to Iran's SEPAM, which is already connected to Russia's SPFS and accepted by the ACU.

9.3.3 What opportunities has China gotten from supporting Venezuela?

By aiding Venezuela, China benefited in energy security and has gained strategic advancements in Latin America, closer to the US soil, however, due to Venezuela's social, political, and economic instability, the partnership between China and Venezuela has not been sustainable for neither of the parties. In terms of energy security, China has managed:

1. to procure cheaper CO and to diversify its CO supply, but to a limited extent due to Venezuela's oil sector suffering from infrastructure degradation and underinvestment.

In terms of military cooperation, China's involvement has been very limited: China has further increased its role as an arms supplier with Venezuela becoming the main buyer of China's armaments in Latin America. Thus, China has taken advantage of the following opportunities:

2. to step up as an arms supplier;
3. to get a foothold in the Western hemisphere, closer to the US soil.

Due to poor performance of Venezuelan economy, Venezuela cannot contribute to China's de-dollarization efforts. Moreover, due to decreased oil production, Venezuela can hardly pay off its debts in the foreseeable future, and China, as Venezuela's top lender, might leverage indebted Venezuela in the intensifying security competition with the US. Thus, in financial and banking security, China might potentially:

1. further hone loans-for-oil and barter trade mechanisms based on negative experience of dealing with Venezuela;
2. have Venezuela debt-trapped which will allow China to use it as a bargaining chip vis-à-vis the USA.

9.4 Threats/Risks

At the same time, opportunities come with threats and risks, and supporting the SPS is no exception. In all three cases, China faces similar risks: worsening of foreign relations with the most developed countries, namely the USA&A, which might result in falling under secondary sanctions and drawing criticism from the international community. Depending on the region (Europe, ME or South America), supporting an SPS might also create tensions with regional powers. In this study, threats and risks either aggravate China's weaknesses or might even negate China's strengths.

In case of Russia, China faces the following risks: worsening relations with the USA, deteriorating relations with European countries, including the UK, EU member states, the European Free Trade Association, which altogether can negatively affect China's trade with European countries, with the USA, and other US allies, such as Australia, Canada, Japan, New Zealand, South Korea.

Therefore, while supporting Russia, China exercises very cautious approach: China does not cross the 'red lines', i.e. China does not provide lethal armaments to the Russian armed forces. Chinese major international companies mostly adhere to the sanction regimes, which is evident from China's customs data, and whenever they need to bust the sanctions, they utilize all the possible loopholes and evasive practices. In financial and banking security, China's major financial institutions also act extremely carefully: they either limit their presence, e.g. CDB, ICBC, Bank of China, China Construction Bank, and Agricultural Bank of China, or put on hold their operations, e.g. AIIB.

In case of Iran, in addition to staining the relations with the USA&A and falling under secondary sanctions, China also faces another threat – worsening relations with Sunni Arab states – China’s major suppliers of CO. Consequently, China also has to balance between the conflicting parties’ interests skilfully not to antagonize countries like Saudi Arabia. As for Iran’s nuclear program, China also avoids unnecessary risks, as China, just like other nuclear club states, has deeply-vested interests not to proliferate the nuclear arms.

The case of Venezuela is a special one among the SPS-triad: China risks aggravating relations with Latin America countries, namely Brazil, other Lima group countries, and most certainly with the USA and the EU as well. Notwithstanding, there is another potential risk: if the Bolivarian government, or the potential next one, defaults on their obligations to pay on their loans, approximately 20 billion USD, it will create a precedent where other borrowers in distress will also refuse to pay and will undermine the whole BRI.

Since the USA&A are the main sanction-sending jurisdictions, by aiding the SPS, Chinese entities risk falling under sanctions. Aiding the SPS notorious for violating human rights will also draw criticism from the international community.

However, as evident from the three cases, China balances their support to the SPS masterfully: providing lifeline to Iran without alienating Saudi Arabia and Israel, aiding Russia without disrupting its trade with the EU, aiding Venezuela but maintaining good relations with most of Latin America countries.

As it has been proven above, China is still susceptible to the threat of falling under harsher sanctions and, therefore, does not violate sanction regimes overtly. China and the SPS utilize all the possible legal loopholes and workarounds, which is evident, for example, from registering CO imports (Russia’s CO is reflected in customs statistics, whilst Iran’s and Venezuela’s CO shipments are not).

9.5 Why is China ready to take the risk of supporting the SPS?

Two decades ago, Mearsheimer (2001) described what the Sino-US security competition would look like: the USA would “bar Chinese students from studying subjects [...] that have direct relevance for the development of weapons” (p. 327), and both countries would introduce export controls, while still being engaged economically (p. 328). On a global level, the rivals would pursue “a bait-and-bleed strategy” and try to drag the opponent into “a costly and foolish war” (p. 327).

In May 2020, the Trump administration issued the presidential proclamation 10043 barring students and researchers affiliated with the Chinese military (Executive Office of the President, 2020). The USA has already introduced export control when trading with China, and in October 2023 tightened export controls on advanced semiconductors and microchips (ITA, 2023). So did China: in May 2024, the Ministry of Commerce of China and other ministries announced the decision to implement export controls targeting some US military industrial enterprises (KPMG, 2024).

In other words, China and the USA are already on their course of worsening the bilateral relations, although the two countries have done their best and will do so in the future to avoid a more heated confrontation. However, in terms of trade and investments, Western companies have already started pulling out from the Chinese market, relocating their production from China to other states with cheaper labour, FDI into China has also been declining for several years (IMF, 2024).

Moreover, now with Donald Trump re-elected as next US president, we should probably see even more trade wars and more tariffs imposed against China's manufactured commodities. While neither side is ready to cut the trade completely overnight, the trend is set: the restrictions on technologies have already been imposed by both countries, the USA is most likely to conduct an even more protectionist policy. To rephrase, China is already losing the access to Western markets and Western cutting-edge technologies and know-how.

The only things China can do are: (1) to prolong the status quo for as long as possible by not violating the sanctions regimes openly, and throughout the last two decades, the threat of secondary sanctions has been efficient; (2) to create a 'plan B' for the worst case scenario – imposition of comprehensive sanctions. Therefore, China's effort are designed to build financial infrastructure, such as CIPS, to sign BSAs, which would enhance RMB-denominated bilateral trade, and to engage as many countries as possible into asymmetrical trade as a way to counter potential sanctions and to weaken the dependency on USD in China's international trade.

As for criticism from the international community, in the current system it is highly unlikely to have any real implications, except for diplomatic clashes. Moreover, Chinese representatives with diplomatic coordination and support from the SPS and other states of the Global South will push the narrative of multipolarity and accuse the West of Cold War and

bloc mentality, attempts to maintain Western hegemony, and neo-colonialism, and many developing nations will be sympathetic with such a narrative.

When some risks are unavoidable, China seeks to maximize its own relative power through aiding the SPS: supporting the SPS strengthens, to a different extent in each case, China's energy security which directly translates into boosting China's economic might and prosperity.

Moreover, through supporting the SPS, China manages to spread thin the USA's military presence. Although the USA remains the mightiest power in the world, even its capabilities have their limits: bound by its security responsibilities towards its allies in Europe and the ME, the US leadership cannot effectively pivot to Asia when pinned down in Europe and the ME, and additionally the USA might need to worry about Venezuela's ties with China in the US 'backyard'.

Another area where great powers are not eager to compromise is defence. By providing lifeline to Russia, China has taken advantage of the opportunity to further modernize the PLA, to narrow the technology gap, to gain operational and tactical experience, and by supporting Iran and Venezuela, China has stepped up as an international arms supplier although still lagging behind the 'traditional' arms dealers, such as the USA and Russia.

To sum up (Appendix 2), through supporting the SPS, China can mitigate its weaknesses while avoiding the acceleration of risks becoming reality, but most of those risks are already unavoidable and predetermined by the Sino-US rivalry.

9.6 How does China manage risks in foreign relations?

O'Neill (2001) identified two types of choices and two types of attitudes associated with these choices in IR – “the sure choice as risk aversion and risky choice as risk acceptance” (p. 622), and in the three areas of China's cooperation with the SPS of this study, the Chinese leadership demonstrates different scopes of risk acceptance and risk aversion.

The idea of the 'red lines' is crucial to understand when assessing China's attitude towards the risks. When a state or a group of states declare their 'red lines', they explicitly say that crossing these lines will trigger a response, immediate or delayed, and such a response will lead to the next stage of escalation. In this study, the main 'drawers of the red lines' vis-à-vis China are the USA&A, and regional powers, depending on an SPS. The 'red lines' are limits

towards which the 'drawers' are ready to compromise and to tolerate someone's, here China's, undesirable policies and behaviour, and pushing beyond these thresholds will lead to major consequences. If we add an element of uncertainty, i.e. what exactly the response will look like, the pressure might become even stronger.

In each particular case of this study, the 'red lines' outlined by various international actors are different. In case of Russia, the USA&A have clearly stated that China's providing armaments to the Russian military would be deemed as crossing the 'red lines'. In case of Iran, enhancing Iran's nuclear capabilities is the brightest of 'red lines' outlined not only by the USA&A, but also by regional powers such as Saudi Arabia and Israel. In Venezuela's case, the USA has explicitly stated that any support of the Maduro regime will immediately lead to the secondary sanctions.

What outcomes might crossing the 'red lines' lead to? Theoretically, the USA could impose comprehensive sanctions, intensify its military presence in Asia-Pacific, increase its military support of Taiwan, South Korea, and/or Japan, or to apply all these measure at once.

I leave out of my analysis such measures as military interventions onto China's soil and blockade of China's ships and navy due to China's possession of NW as these measures will lead to an armed confrontation which might escalate to a great-power war. That is the most extreme turn of events, that both China and the USA will do their utmost to avoid. Although such a scenario is highly unlikely, but still, I reiterate, not impossible.

Therefore, when making sure or risky choices, the Chinese leadership knows the limits but does not really know what will follow after pushing beyond these limits, which altogether create a strong incentive to make sure decisions and adopt a more risk-averse, or risk-avoidant, behaviour, and it is confirmed by the way China, Chinese companies, financial institutions engage with the SPS in all three dimensions researched in this study.

In oil trade, Chinese entities utilize legal loopholes and workarounds, e.g. blending CO to formally hide the actual origin of CO. As long as they are legally allowed to import CO and gas, as in Russia's case, they do so. If they have to violate the sanction regimes, they do it covertly, through the networks of intermediaries, e.g. shell companies and third countries.

In military cooperation and strategic security, China also exercises a very cautious approach: China does not enhance Venezuela's offensive capabilities, otherwise it would trigger an

immediate response from the USA; in Iran's case, China's presence has also been limited, and China refrains from providing lethal material to Russia.

Among the three dimensions, China is the most vulnerable in financial and banking security, and therefore is still susceptible to the pressure by the USA&A, and more specifically the threat of secondary sanctions.

In case of Russia, PBC and CDB exercise a very cautious approach while AIIB decided to put on hold all their operations in Russia. China's major commercial banks do not want to be exposed to the threat of secondary sanctions although the demand for RMB has soared, while smaller regional banks are still willing to facilitate the Sino-Russian cross-border transactions. In Iran's and Venezuela's cases, China's major financial institutions also avoid dealing with Iran and Venezuela, albeit for various reasons: Iran's finance and banking are subject to even more scrutiny when compared to Russia, whilst Venezuela's economy performs terribly. When normal intra-bank transactions between China and the SPS are highly risky, China and the SPS have to also resort to barter trade and loans-for-oil arrangements.

From the way the Chinese leadership has approached the SPS over the last 20 years in the dimensions of energy security, military and strategic security, banking and financial security, we can conclude that China has assumed a risk-avoidant or, as alternatively called, risk-averse behaviour, which "characterizes China's traditional culture [and] helps in maintaining stability (Golden, 2013, p.91). However, as the Sino-US security competition is intensifying and more restrictions on technology and trade are being imposed against China, the more incentives there will be for China to adopt more risky strategies in the future.

10 Conclusion

In the context of intensifying security competition between China and the USA, China's aid to the SPS makes perfect sense. The best description of China's foreign policy would be 'para bellum'²⁴ approach: by supporting the SPS, China seeks to maximize its relative power and to weaken the USA, and China's policies are designed for the purpose of ensuring China's regime survival.

We are entering the time of unbalanced multipolarity where the power is distributed unevenly: in today's anarchic international system, there are two superpowers – the USA and China where the former is significantly stronger than the latter; and there are other great powers and emerging powers, such as Brazil, India, Indonesia, Japan, Russia, Türkiye, and others, who are dramatically weaker than the two superpowers.

As history records from the 19th till 20th centuries suggests, an unbalanced multipolarity environment is the most prone to conflicts (Mearsheimer, 2014, pp. 500-501). However, the current multipolarity has two distinct features: (1) most of empires with their overseas colonies have already collapsed, and now emerging powers, some of whom were former colonies, are realizing their place in the international system; (2) now we have the most destructive WMD, i.e. NW. Throughout the nuclear arms era, the international system first was a balanced bipolarity between the USA and the USSR, and after the collapse of the communist bloc in 1991, the world lived in a unipolar world with the USA being unchallenged.

While the conventional military might will remain vital for the countries' security, presence of NW makes a direct armed conflict between nuclear-armed great powers highly unlikely, but still not impossible. In terms of ground troops, numbers of gunships, tanks, aircraft carriers, and other units of conventional weapons, China can possess at least quantitative parity, and the MAD prevents a possible full-scale invasion, as the USA and China will do their utmost to avoid a direct armed confrontation which might escalate into a nuclear war. Thus, the next stage of the escalation ladder will be on economic and financial fronts, and on these fronts the USA, USD, Western economic and financial institutions, such as the IMF and WB, dominate the global system.

²⁴ From Latin "Si vis pacem, para bellum", means "If you want peace, prepare for war". This paradigm was coined by Alastair Iain Johnston; quoted in Mearsheimer's "Tragedy of Great Power Politics" (p. 577).

The USA&A, as biggest economies and wealthiest nations of the world, have an unchallenged power to target individual entities and to blockade whole economy sectors, and in the dimension of financial and banking security there is no parity. In order to achieve at least parity in global finance and banking, China is diversifying its trade, building a network of asymmetrical dependencies with developing nations, establishing bilateral swap lines that do not require USD, promoting RMB as a means of conducting trade, and developing financial international organizations, such as CDB and AIIB which can be considered as alternatives to the IMF and WB (Naughton, 2020, p. 134). China is also expanding its market share of CIPS as an alternative to Swift.

China is playing a truly long-term and prudent geopolitical game: expanding its network of partners while masterfully balancing between conflicting parties in their respective regions, e.g. Iran and Saudi Arabia in West Asia, Venezuela and Latin America countries, Russia and the EU. While economically engaging with regional rivals in different parts of the world, the Chinese leadership plays both sides. Deng Xiaoping's famous words said in the early 1990s "Hide your strength, bide your time" assume a new layer of meaning today. China is building a safety net that would cushion the devastating effects of potential comprehensive sanctions, that would target China's banking, finance, cross-border trade, technological development, and manufacturing capabilities.

Do economic and financial sanctions work? They definitely undermine a target state's economy, manufacturing capabilities, technological development, yet at the same time they tend to cement the sanctioned regime, lead to the deterioration of democracies within the target countries, and actually unify the target nation. The sanctions can further fuel the sense of hypernationalism aggravated by generational traumas, the sense of unjust, and 'whataboutism'. Should the Western countries employ comprehensive sanctions against China, the sentiment of unfairness will be boosted: people will be reminded about the Century of Humiliation, and how the Western hegemony is unfair.

We can also notice two different strategies employed by the USA and China unfolding. Ever since the WW2, the USA has built a network of alliances including: the NATO alliance with European countries, Canada, and Türkiye; Major Non-NATO Allies include Argentina, Australia, Bahrain, Brazil, Colombia, Egypt, Israel, Japan, Jordan, Kenya, Kuwait, Morocco, New Zealand, Pakistan, the Philippines, Qatar, South Korea, Taiwan, Thailand, and Tunisia (USDOS, 2021).

At the same time, China is developing a network of bilateral partnerships across the globe, and these partnerships also include US allies. The difference between a partnership and an alliance is the key to understanding the difference in approaches employed by the two countries: an alliance implies a deeper level of trust, commitment, and coordination, whilst a partnership means mutually beneficial cooperation without threatening each other's interests. To put it simply, the USA&A act in a very coordinated manner, whilst China and its partners are free to pursue their interests without strict coordination. In the context of military cooperations, the USA is committed to come to its allies' rescue, while China has no such commitment, which does not mean that China will stay completely on the sidelines should China's partners be endangered.

China's signals that it will trade and cooperate with anyone, as long as the 'One-China' principle is adhered to, regardless of their economic development, political system, cultural and historical experience, and their political alignment in the international system, i.e. cooperate with China and also feel free to cooperate with the West as long as it does not harm China's interests. Whilst cooperation with the West might seem to be coming with strings attached: the necessity for democratization reforms, transparency of institutions, and human rights protection. It is a message on the surface, however, reality is always more nuanced and complex.

With the recent developments, it seems to me that now scholars in political sciences should pay more attention to the developing countries of the Global South both in relation to their relations with great powers and between BRICS-members. In my opinion, BRICS formation presents a number of different subjects for future research, in both East Asian studies and political sciences in general: for example, can BRICS come up with a unified monetary policy? How feasible is it to develop a new means for conducting international trade, like digital Yuan? What are the relations between BRICS member states, and how do their interests converge and diverge within the BRICS framework? These topics have previously been researched, however, last year another three nations joined the BRICS: Iran, Ethiopia, and Egypt²⁵.

Researchers who are more competent in international monetary policies might also explore causality and/or association between the scope of economic sanctions, and the PBC's decision

²⁵ Saudi Arabia was reported to have joined the BRICS, but has not announced it officially.

on whether to sign a BSA with a central bank of a sanctioned country. For instance, I did not quite understand the logic on why China have signed a BSA with Belarus, another heavily sanctioned nation, but have not signed a BSA with Iran, although the GDP of Iran is several times bigger than the GDP of Belarus.

In today's Western media landscape, China's partnership with other non-Western countries, especially when it comes to autocracies like Russia, Iran, and North Korea, is described as 'the axis of upheaval', and the Sino-US rivalry is quite often portrayed as a fight between autocracies and democracies or evil versus good. In my research, I went beyond the 'good vs evil' paradigm. If we accept the notion that states are paranoically concerned about their security, China's aid to the SPS is justified strategically, especially now when the trust between the USA and China is low.

When writing the paper, I took the advantage of the opportunity to learn more about regions and countries outside my reach and to explore the complex multi-faceted reality of IR and politics. I have also tried to demonstrate how three very different and quite often conflicting dimensions, i.e. energy security, military and strategic security, and financial and banking security, are intertwined.

With this thesis, I have made an attempt to explain it to readers why China has decided to provide a lifeline to the SPS and why it makes sense from the perspective of the CCP: in the intensifying Sino-US rivalry, in order to ensure its own survival, the current CCP regime seeks to maximize its own relative power and to weaken the USA's positions through the support of the SPS. Hopefully, understanding the calculus and motives of China's leadership will allow for a more informed decision-making within the EU and Finland, who will also be dragged into the great power competition between the USA and China.

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Appendices

Appendix 1: Milestones in sanctions regimes against Iran

November, 1979 – January, 1981	Iran Hostage Crisis: radical Iranian student activists took 52 Americans hostage at the US Embassy in Tehran. The Carter administration severed diplomatic ties, froze assets, and sanctioned Iranian oil imports.
January, 1984	The US designated Iran as a state sponsor of terrorism. New sanctions imposed: a ban on arms transfers, export control of dual-use items, restrictions on US foreign assistance.
November, 2013	"Iran and the P5+1 signed an interim agreement known as the Joint Plan of Action (JPA) that provided some sanctions relief and access to \$4.2 billion in previously frozen assets in exchange for limiting uranium enrichment and permitting international inspectors to access sensitive sites" (Laub, 2015).
July, 2015	Joint Comprehensive Plan of Action (JCPOA): Iran, P5+1, EU reached an agreement on Iran's nuclear program. Under the supervision of the IAEA, Iran agreed to take steps to limit its nuclear program.
May, 2018	The US under the Trump administration withdrew from the JCPOA and reimposed the sanctions against Iran. In response, Iran boosted uranium enrichment efforts.
October, 2020	The Trump administration attempted to extend the UN Arms Embargo, but did not succeed. Therefore, "Trump ramps up his maximum-pressure campaign against Iran" (CFR, 2024).

Sources: CFR (2024), ACA (2023)

Appendix 2: Summary of China's gains and losses when supporting the SPS

Strengths	Weaknesses
<p>1. Huge population</p> <p>2. Quicker decision-making process</p> <p>3. Economic might of China RU, IR, VE: cheaper energy carriers for China's export-oriented economy</p> <p>4. Significant manufacturing capabilities RU, IR, VE: cheaper energy implies cheaper production costs and lower price for end-customers</p> <p>5. Diversification of China's international trade RU, IR, VE: new markets</p> <p>6. Global political influence of China</p> <p>7. Strong military RU: narrowing military technology gap IR, VE: stepping up as an arms dealer</p> <p>8. Possessing NW RU: combining nuclear deterrence capabilities</p>	<p>1. Precarious demographic situation</p> <p>2. Problems with corruption</p> <p>3. Not wealthy enough population RU, IR, VE: increasing export volumes will further allow to increase the prosperity of the Chinese population</p> <p>4. Dependence on the West in terms of breakthrough innovations Western countries are already imposing restrictions on high-tech sectors (Unavoidable)</p> <p>5. Lack of modern combat experience RU, IR: acquiring tactical and operational experience IR, VE: testing Chinese armaments without engaging into armed conflicts directly</p> <p>6. Main naval trade routes are controlled by the USA&A RU, IR: building the new Silk Road (BRI) RU: Sino-Russian cooperation in non-nuclear submarines</p>
Opportunities	Threats/Risks
<p>1. Procuring cheaper energy carriers RU, IR: procuring cheaper CO and diversifying oil supply VE: procuring cheaper CO to a smaller extent RU: procuring cheaper NG and diversifying gas supply RU: procuring enriched uranium IR: ensuring stable flow of seaborne CO from the ME IR: potentially procuring cheaper NG and diversifying gas supply</p> <p>2. Enhancing military RU: procuring the most advanced weaponry of Russian MIC, technological transfer from Russia, joint nuclear deterrence against the USA, gaining tactical and operational experience IR: increasing the role as an arms supplier, fighting separatism, testing Chinese-manufactured arms VE: increasing the role as an arms supplier</p> <p>3. De-dollarization & financial security RU: promoting CIPS, promoting RMB-denominated bilateral trade RU, IR, VE: honing loans-for-oil and barter trade mechanisms RU, IR: in case of comprehensive sanctions, the PBC might connect to Russia's SPFS and/or Iran's SEPAM</p> <p>4. Delaying the USA's 'Pivot to Asia' RU, IR: not allowing the USA to fully concentrate its resources in Asia-Pacific VE: potentially undermining the Monroe Doctrine</p> <p>5. Market expansion and further trade diversification RU, IR, VE:</p>	<p>1. Further deterioration of China-USA relations RU, IR, VE: it is unavoidable in any case</p> <p>2. Antagonizing regional powers RU, IR, VE: antagonizing the EU and the US allies is inevitable due to the Sino-US rivalry IR: antagonizing Israel and Sunni Arab states, especially Saudi Arabia VE: antagonizing major Latin America countries</p> <p>3. Risk of secondary sanctions RU, IR, VE: in most cases, China either adheres to the West-imposed sanction regimes or resorts to legal loopholes and workarounds</p> <p>4. Criticism from the international community RU, IR, VE: does not lead to serious consequences, except for diplomatic clashes with the West and will be countered by the narratives of 'multipolarity' and 'neo-colonialism'</p> <p>5. Crossing 'red lines' RU: China does not provide lethal armaments IR: China does not provide significant arms since 2015 and does not enhance Iran's nuclear capabilities VE: China does not strengthen Venezuela's offensive capabilities meaningfully</p>
<p>The green colour is for actual gains, the orange colour is for potential gains, the red colour is for unresolvable issues, and the blue colour is for the issues China can thwart.</p>	

Appendix 3: Crude oil imports by China, 2001-2023

Exporters	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	
Albania																36 031					0		0	
Algeria			128 476	676 164	821 521	256 724	1 612 829	897 633	1 604 803	1 752 697	2 173 047	2 571 945	1 835 205	898 397	308 233		268 734	658 395	539 245	404 399	39 805		146 904	
Angola	3 798 883	5 705 063	10 102 597	16 207 542	17 462 159	23 452 010	24 996 495	29 894 398	32 173 244	39 381 269	31 148 838	40 151 984	40 009 855	40 647 654	38 705 959	43 739 481	50 423 862	47 387 584	47 341 947	41 772 382	39 154 905	30 087 909	30 029 579	
Area NES*				30 030																				
Argentina	136 991		131 306	174 078	912 288	1 703 741	1 566 434	771 039	719 680	1 134 239	436 884	1 205 241	842 362	322 504	436 918	1 609 658	1 425 952	1 087 478	457 298	364 906			276 745	
Aruba																277 716								
Australia	709 121	1 156 445	1 739 936	1 510 349	232 384	402 130	463 509	897 005	1 564 985	2 870 205	4 080 158	3 714 827	3 025 157	2 727 356	2 388 603	3 236 528	3 100 067	1 316 011	2 368 824	1 388 349	487 185	1 836 601	1 859 199	
Azerbaijan			139 194	129 572												953 133	1 281 726	547 206	1 489 511	2 508 050	276 587		138 454	
Bahamas								133 178	211 544	127 497	131 166	186 891	190 295	222 003	284 234	125 018								
Belgium		67																						
Bolivia																								
Brazil			123 660	1 576 508	1 343 158	2 222 755	2 315 485	3 021 722	4 057 707	8 047 099	6 709 277	6 047 296	5 264 896	7 024 664	13 921 920	19 154 985	23 088 859	31 622 229	40 161 406	42 233 883	30 301 484	24 928 572	37 741 174	
Bhunei	753 856	1 295 834	1 358 433	882 436	501 517	418 149	403 301	79 057	526 266	624 287	611 902	405 301	79 021	31 933	159 472	358 907	593 628	117 666						
Cameroon	815 286	350 699	239 811	131 075					581 837	359 436	469 407	576 335		519 625	1 022 921	389 673	656 174	1 200 554	1 064 393	1 464 143	1 506 150	389 599	399 639	
Canada			55 409	78 664	1	43 729	469 459	123 813	440 076	308 447	604 142	663 699	404 309	201 616	123 607	160 123	586 146	1 219 520	2 150 160	3 222 186	3 898 673	4 005 012	7 499 003	
Chad				830 772	547 516				139 969	963 082	323 009	279 872	139 589	143 130	230 708	353 524	720 842	194 207	940 017	1 393 416	403 179	1 335 450	1 330 654	
Colombia					94 128	842 215	1 140 813	1 238 400	2 000 045	2 234 491	2 908 526	3 940 653	10 091 235	8 866 704	8 805 172	9 382 288	10 768 491	13 113 197	12 380 266	9 461 824	8 653 135	9 311 620		
Congo	641 613	1 047 250	3 389 260	4 773 279	5 534 806	5 419 043	4 801 420	4 373 344	4 089 643	5 048 262	5 365 464	7 077 474	7 050 623	5 862 038	6 942 459	9 006 361	12 580 546	11 957 789	9 244 011	8 928 017	7 092 632	8 317 848		
Côte d'Ivoire						143 746											124 528		138 431	263 323	276 895	277 330	138 132	
Cuba			57 896				59 384		98 501	58 104	2		126 815										0	
Denmark																							97 539	
DR Congo**											373 369	854 983	1 105 371	968 183	124 541	297 927	466 563	453 958	823 020	616 689	987 315	248 566	364 125	
Ecuador			139 130	282 619	92 966	201 542	234 595	1 047 929	1 789 424	810 354	746 635	709 164	766 635	1 397 260	1 143 973	1 464 050	2 050 902	4 722 028	4 243 477	2 566 798	4 166 008			
Egypt			75 228	79 776	71 291	83 752			688 939	1 037 887	771 060	1 249 338	946 020	1 420 682	656 145	2 083 811	2 087 082	795 188	1 323 324	490 031	189 399			
Equatorial Guinea	2 146 416	1 780 213	1 460 162	3 484 733	3 707 710	5 266 516	3 280 093	2 709 361	2 221 260	822 652	1 762 830	2 001 291	2 425 730	3 249 057	2 014 955	1 166 821	2 427 700	2 492 177	2 492 177	3 148 295	1 637 996	1 281 680	1 827 113	
Gabon	146 970		277 632	548 264		802 172	886 745	866 953	270 718	422 928	169 349	310 377	478 330	1 554 808	1 558 341	3 178 602	3 809 014	3 624 931	6 933 954	5 853 068	2 849 967	3 168 852	3 130 834	
Germany	141 602	2																						
Georgia				80 875																				
Ghana												132 208												
Guatemala				77 046		99 942																		
Guinea				49 867				131 493																
Guyana																						908 517	551 749	1 582 831
Hong Kong, China																							588 740	
Indonesia	2 645 061	3 263 245	3 332 563	3 427 677	4 087 671	2 122 266	2 282 540	1 392 241	3 234 410	1 392 432	717 165	548 181	684 407	375 149	1 615 469	2 846 633	1 486 043	459 947	280 437	1 513 044	971 376	779 817	117 091	
Iran	10 847 009	10 629 865	12 393 833	13 237 233	14 272 826	16 772 172	20 536 769	21 322 400	23 147 244	21 319 452	27 747 134	21 928 586	21 411 546	27 459 384	36 615 930	31 297 923	31 153 872	29 272 656	14 770 559	2 603 312	3 918 975	780 992		
Iraq	372 056	536 836		1 306 511	1 170 434	1 045 842	1 412 108	1 860 080	7 162 811	11 237 565	13 773 637	15 683 601	23 512 941	28 577 809	32 112 551	36 211 801	36 818 551	45 044 468	51 798 043	60 114 056	54 079 431	55 486 666	59 257 789	
Japan			58 030	4 428												0							12 886	
Kazakhstan	649 575	1 003 591	1 195 885	1 285 605	1 290 797	2 682 678	5 997 948	5 670 590	6 006 132	10 053 820	11 211 009	10 703 672	11 980 620	5 686 422	4 991 019	3 233 992	2 502 098	2 287 402	2 742 886	3 644 562	4 492 671	5 889 090	6 406 824	
Kuwait	1 459 823	1 069 696	907 244	1 253 980	1 645 741	2 809 168	3 632 297	7 075 508	9 830 660	9 541 459	10 489 792	9 343 321	10 618 718	14 427 930	16 339 030	18 244 101	23 212 383	22 688 739	27 497 493	30 163 415	33 283 297	24 532 733		
Libya	250 366		128 882	1 338 451	2 258 899	3 385 712	2 906 568	3 189 131	6 344 540	7 373 014	2 591 651	7 306 158	2 395 018	965 547	2 145 312	1 015 384	3 220 790	8 570 213	9 400 963	1 696 829	6 137 688	3 743 005	3 338 191	
Malaysia	899 451	1 648 743	2 030 684	1 691 344	347 856		113 364	497 791	892 734	2 229 385	2 079 424	1 714 994	602 992	217 328	271 402	2 407 954	6 588 038	8 882 712	12 033 641	12 463 025	18 534 783	35 675 857	54 818 352	
Mauritania						825 953	682 247	837 870	407 444	148 894	279 001	333 575	140 173											
Mexico									1 130 665	1 686 579	1 015 497	1 096 513	682 302	812 193	999 031	1 297 558	713 799	479 888	354 013	394 043			1 620 198	
Mongolia	9 894	16 950	20 501	24 267	21 699	45 436	106 121	151 189	256 091	287 026	289 862	499 244	613 139	1 030 843	1 104 127	1 086 698	1 030 055	826 191	894 533	482 778	670 927	332 053	633 483	
Mozambique																								
Myanmar							1		43 133		64 739												146 908	
New Zealand																							109 420	
Nigeria	772 502	487 859	122 023	1 488 953	1 310 429	451 949	895 179	350 368	1 393 229	1 291 123	1 065 775	936 529	1 052 436	1 199 645	658 579	848 413	1 204 629	464 743	2 456 080	3 933 269	2 127 089	474 941	692 279	
Norway	9 815 730	2 110 553	931 708	2 008 899	327 089	181 110	157 598	78 632	156 776						145 999	170 901	824 846	1 421 938	895 108	1 018 180	12 716 028	13 189 938	5 975 208	851 695
Oman	8 140 355	8 044 875	9 267 937	16 345 276	10 832 469	13 183 067	13 677 731	14 581 538	11 738 233	15 867 621	18 153 209	19 566 531	25 469 564	29 743 870	32 064 336	35 053 054	31 006 949	32 909 748	33 866 380	37 877 686	44 815 401	39 370 088	39 151 423	
Pakistan			28 200	38 026																				
Panama				106 663												838 224								
Papua New Guinea	75 987	157 916	80 723	78 141				72 546	165 985					77 279	241 035						116 794	463 725	403 223	
Peru						1 024 122	1 178 139	200 975																
Philippines			37 729	257 610	107 386	37 741	57 631							68 039							24 049	28 700		
Qatar	1 325 553	457 609	473 820	142 398	343 218	333 555	282 693	877 817	614 823	560 177	707 012	995 639	360 995	266 959	479 597	1 014 095	1 347 731	858 309	6 199 141					

Appendix 4: Pipeline gas imports by China, 2004-2023

Exporters	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Turkmenistan	0	0	0	0	0	0	992 993	4 651 658	8 512 121	8 791 733	9 441 057	7 681 101	5 480 839	6 526 056	7 961 877	796 271	702 784	456 382	10 256 092	9 604 057
Russia	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	66 346	75 297	3 980 857	6 435 585
Myanmar	0	0	0	0	0	0	0	0	0	141 243	1 322 762	1 588 161	1 327 254	1 172 113	1 069 414	159 889	146 894	139 633	1 431 318	1 464 415
Kazakhstan	0	0	0	0	0	0	0	0	0	19 640	51 044	49 438	56 003	175 557	1 178 333	90 646	160 651	102 626	1 087 347	1 320 482
Uzbekistan	0	0	0	0	0	0	0	0	52 846	962 718	799 285	371 965	689 792	649 636	1 432 538	114 292	63 946	15 382	1 070 445	563 540
USA	1	2	0	9	0	0	0	0	0	0	1	13	0	18	52	0	0	8	70	52
Ukraine	0	0	0	0	0	0	8	0	0	0	0	0	0	0	0	0	0	0	0	0
Brazil	0	0	0	0	0	0	0	0	0	0	0	0	0	0	18	0	0	0	0	0
Germany	0	0	0	0	0	0	0	0	0	0	6	1	1	0	0	0	0	0	0	0
Japan	5	0	0	4	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Netherlands	0	4	7	0	0	0	2	0	0	0	0	0	9	0	0	0	0	0	0	0
Singapore	0	0	0	5	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
UK	0	2	15	0	0	45	0	0	18	0	0	0	18	0	0	0	0	0	0	0
World	6	8	22	18	0	45	993 004	4 651 658	8 564 984	9 915 334	11 614 155	9 690 679	7 553 916	8 523 380	11 642 233	1 161 098	1 140 620	789 329	17 826 128	19 388 133

Unit: thousand USD

Source: ITC, 2024

ITC calculations based on General Customs Administration of China statistics since January, 2015.

ITC calculations based on UN COMTRADE statistics until January, 2015.

Product HS: 27112100, natural gas in gaseous state.

Appendix 5: LNG imports by China, 2004-2023

Exporters	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Australia			687 532	2 477 712	2 718 180	3 502 444	3 918 731	3 638 058	3 561 800	3 556 624	3 811 420	5 546 205	11 970 950	17 271 215	23 497 111	27 765 907	28 926 604	31 101 832	21 853 086	24 230 738
Qatar						400 384	1 211 677	2 329 917	4 982 765	6 761 645	6 732 601	4 813 879	4 968 836	7 482 290	9 244 432	8 319 612	8 144 525	8 977 802	15 695 652	16 677 790
Russia						190 457	380 371	251 925	379 082		129 670	191 122	256 536	444 947	734 297	2 505 791	5 047 063	4 518 115	6 504 850	8 084 128
Malaysia					8 580	655 723	1 183 945	1 571 892	1 852 463	2 657 731	2 992 982	3 252 052	2 587 413	4 212 268	5 773 303	6 881 211	6 021 924	8 233 158	7 368 969	7 093 261
Indonesia						538 108	1 701 424	1 985 475	2 420 380	2 431 189	2 554 854	2 865 712	2 789 468	3 066 159	4 897 015	4 519 772	5 122 153	5 108 782	3 744 621	3 996 506
USA		0	0			0		136 468				62 601	198 502	1 511 531	2 158 334	258 955	3 097 789	8 983 014	2 090 275	3 155 036
Papua New Guinea										286 076	1 585 924	2 130 456	2 121 383	2 479 168	2 915 847	2 993 159	3 162 701	2 523 711	2 512 449	
Nigeria				63 450	181 360	62 197	129 953	715 878	301 871	365 228	428 192	313 065	263 359	332 181	1 108 914	1 892 182	2 411 411	1 521 480	440 824	1 192 909
Oman				59 291		65 615			63 488		129 116	67 041	60 773	249 465	503 002	1 083 078	1 065 367	1 622 724	958 404	1 033 930
Brunei										115 409			60 251	132 372	204 790	591 392	712 521	624 256	321 810	716 100
Mozambique																				686 827
UAE							64 468									119 913	295 995	707 980	119 232	671 708
Trinidad and Tobago						58 064	49 107	326 212	163 274	108 401	111 755	57 185	115 103	115 988	377 189	723 595	261 895	428 723	408 092	366 854
Algeria	0			312 668	129 002				58 167	56 700	236 080	376 935		56 587	67 870	61 604	122 402	243 752	68 279	346 539
Egypt					182 011		58 363	178 281	292 417	425 796	119 579		67 512	56 098	182 356	185 473	64 328	1 311 981	348 472	282 064
Peru								142 993					248 579	68 688	67 186	636 628	1 032 844	198 186	215 103	145 842
Equatorial Guinea					117 264	58 804	60 090	119 749		399 103	714 894	200 092		129 976	613 556	536 709	131 866	460 911	338 059	141 276
Türkiye																				72 517
Cameroon															175 566	533 309	383 613	538 464	71 983	72 458
Singapore						0							116 886	228 164	160 766	70 132	73 224	138 138	103 634	18 320
Canada														17	903	4 451	3 325	536		1 386
South Korea		13			8				26	17		14	8	7		49		18 109		
Angola										64 104	127 794			260 527	513 762	128 763	507 240	566 383		
Belgium							57 787						25 470	64 215	202 073	65 827	73 607	68 235	70 057	
Myanmar		100																		
China																				136
France														192 897	332 113	253 050	69 612	67 268	130 199	
Japan															16	17	19			15
Taipei, Chinese			11																	
Netherlands										56 867					262 017	1 543	134 783	68 384	58 086	
Niger						0														
Norway										122 792	61 989	191 124	122 998	186 207	68 756					
Philippines																			55 119	
India																67 589				
Spain										187 712								64 219	8 916	
Thailand	400	370																	35	
UK	0														64 246					
Yemen							527 133	810 688	600 536	1 117 759	1 024 105	266 905								
World	400	483	687 543	2 913 123	3 336 406	5 531 796	9 343 049	12 207 536	14 676 270	18 001 166	19 825 031	19 660 720	26 051 226	38 119 975	53 806 193	60 191 156	66 697 270	78 790 288	63 442 464	71 498 639

Unit: tons

Source: ITC, 2024

ITC calculations based on General Customs Administration of China statistics since January, 2015. ITC calculations based on UN COMTRADE statistics until January, 2015. Product HS: 271111 natural gas, liquefied.

Appendix 6: Enriched uranium imports by China, 2004-2023

Exporters	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Russia			18	18		18	36	0	567	779	233	53	29	82	88	142	258	504	44		685	467
Kazakhstan										2			11	27		85	96	27	107	39	100	119
China															0	0		71	0	0	0	0
Czech Republic															0			0				0
France				0		0		0	0		0		0			0			0	0	0	0
UK	17	24	22		17	25	0	25	25		24	4		39	41	0	41	0	41	0	0	0
USA						0		0		0		96	0	98	194	189	0	0	0	0	0	0
Belgium					0			0		0			0		0	0			N/A			
Germany	5				12							39	0			0				39		
Netherlands																					92	
World	22	24	40	18	29	43	36	25	592	782	257	192	41	246	324	416	395	601	192	78	877	586

Unit: tons

Source: ITC, 2024

ITC calculations based on General Customs Administration of China statistics since January, 2015.

ITC calculations based on UN COMTRADE statistics until January, 2015.

Product: 284420 Uranium enriched in U 235 and its compounds; plutonium and its compounds; alloys, dispersions, incl. cermets, ceramic products and mixtures containing uranium enriched in U 235, plutonium or compounds of these products [Euratom].

Appendix 7: China's exports of dual-use items to Russia, 2019-2023

HS6 code	2019	2020	2021	2022	2023	Description
84 Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof						
845710	17 918	15 221	40 706	92 389	386 700	Machining centres for working metal
845811	21 582	24 839	30 680	101 056	324 481	Horizontal lathes, including turning centres, for removing metal, numerically controlled
845891	3 945	2 675	2 181	5 377	31 368	Lathes (including turning centres) for removing metal, numerically controlled (excluding horizontal lathes)
845961	1 046	492	3 180	2 144	11 031	Milling machines for metals, numerically controlled (excluding lathes and turning centres of heading 8458, way-type unit head machines, drilling machines, boring-milling machines, boring machines, and knee-type milling machines)
846693	11 080	7 101	12 545	21 342	59 636	Parts and accessories suitable for use solely or principally with the machines of headings 8456 to 8461, n.e.s.
847150	449 684	444 463	623 184	611 546	465 510	Processing units other than those of subheading 8471 41 or 8471 49, whether or not containing in the same housing one or two of the following types of unit: storage units, input units, output units
847180	13 394	23 315	34 380	158 334	194 318	Units for automatic data-processing machines (excl. processing units, input or output units and storage units)
848210	21 575	16 609	26 623	48 149	71 119	Ball bearings
848220	2 621	2 532	3 285	18 966	52 816	Tapered roller bearings, including cone and tapered roller assemblies
848230	72	254	399	6 098	12 023	Spherical roller bearings
848250	4 770	2 090	2 317	6 401	14 883	Other cylindrical roller bearings, including cage and roller assemblies
848610	1 485	650	263	21 996	13 892	Machines and apparatus for the manufacture of boules or wafers
848620	2 235	2 575	955	10 001	79 822	Machines and apparatus for the manufacture of semiconductor devices or of electronic integrated circuits
848640	554	151	775	2 645	11 462	Machines and apparatus specified in note 11(C) to this chapter
85 Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television...						
850440	287 138	333 099	449 951	546 225	810 160	Static converters
851762	688 906	1 018 663	1 048 378	928 475	1 052 477	Machines for the reception, conversion and transmission or regeneration of voice, images or other data, including switching and routing apparatus
851769	16 766	18 760	25 478	27 427	45 899	Other apparatus for the transmission or reception of voice, images or other data, including apparatus for communication in a wired or wireless network
852589	0	0	0	245 457	348 836	Other television cameras, digital cameras and video camera recorders
852691	24 913	26 466	82 370	103 003	121 819	Radio navigational aid apparatus
852910	14 800	10 890	13 272	16 148	41 603	Aerials and aerial reflectors of all kinds; parts suitable for use therewith
852990	131 521	145 390	183 776	146 925	196 386	Other parts suitable for use solely or principally with the apparatus of headings 8524 to 8528
853221	474	623	349	2 563	6 722	Other fixed capacitors: Tantalum capacitors
853224	3 048	2 916	3 484	9 742	11 002	Other fixed capacitors: Ceramic dielectric, multilayer
853400	49 161	51 157	77 780	82 457	35 924	Printed circuits
853669	54 878	64 020	78 980	73 598	110 668	Plugs and sockets for a voltage not exceeding 1 000 V
853690	72 197	72 976	93 460	140 148	243 914	Electrical apparatus for switching electrical circuits, or for making connections to or in electrical circuits, for a voltage not exceeding 1000 V (excluding fuses, automatic circuit breakers and other apparatus for protecting electrical circuits, relays and other switches, lamp holders, plugs and sockets)
854110	2 407	1 951	4 230	13 107	19 360	Diodes, other than photosensitive or light-emitting diodes (LED)
854121	314	510	572	4 520	7 843	Transistors, other than photosensitive transistors with a dissipation rate of less than 1 W
854129	1 032	972	1 978	11 451	12 933	Other transistors, other than photosensitive transistors
854130	1 547	1 169	2 662	5 330	6 011	Thyristors, diacs and triacs (excl. photosensitive semiconductor devices)
854149	0	0	0	27 984	58 198	Photosensitive semiconductor devices (excl. Photovoltaic generators and cells)
854151	0	0	0	2 240	2 805	Other semiconductor devices: Semiconductor-based transducers
854159	0	0	0	3 907	10 233	Other semiconductor devices
854160	1 352	1 390	3 724	5 278	9 690	Mounted piezo-electric crystals
854231	15 659	28 864	33 773	72 199	89 109	Electronic integrated circuits: Processors and controllers, whether or not combined with memories, converters, logic circuits, amplifiers, clock and timing circuits, or other circuits
854232	12 326	6 504	6 236	17 042	17 045	Electronic integrated circuits: Memories
854233	367	2 083	1 250	5 554	7 293	Electronic integrated circuits: Amplifiers
854239	13 393	15 688	25 907	75 232	53 640	Electronic integrated circuits: Other
854320	1 999	1 074	2 253	10 285	39 039	Signal generators
854800	0	0	0	7 231	15 525	Electrical parts of machinery or apparatus, not specified or included elsewhere in chapter 85
88 Aircraft, spacecraft, and parts thereof						
880730	0	0	0	14 446	54 288	Other parts of aeroplanes, helicopters or unmanned aircraft
90 Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical						
901310	1 776	659	1 273	2 469	4 581	Telescopic sights for fitting to arms; periscopes; telescopes designed to form parts of machines, appliances, instruments or apparatus of this chapter or Section XVI
901380	395 986	371 432	609 572	18 055	17 494	Other optical devices, appliances and instruments
901420	8	0	27	726	7 343	Instruments and appliances for aeronautical or space navigation (other than compasses)
901480	363	181	1 055	1 431	4 659	Other navigational instruments and appliances
902750	2 171	8 609	8 447	30 236	56 224	Other instruments and apparatus using optical radiations (ultraviolet, visible, infrared)
903020	2 622	1 829	3 301	10 145	25 119	Oscilloscopes and oscillographs
903032	385	517	254	430	2 042	Multimeters with recording device
903039	506	298	764	986	5 352	Instruments and apparatus for measuring or checking voltage, current, resistance or electrical power, with recording device
903082	236	444	302	1 553	14 176	Instruments and apparatus for measuring or checking semiconductor wafers or devices

Unit: thousand USD

Source: ITC, 2024

ITC calculations based on General Customs Administration of China statistics since January, 2015.

ITC calculations based on UN COMTRADE statistics until January, 2015.

The table was created with reference to List of Common High Priority Items (Version of February 2024) identified by the European Commission.

Appendix 8: China's arms supply to Iran, 1979 – 2023

Designation	Description	Weapon Category	Order Year	Number Ordered	Delivery Years
Type-59-1 130mm	towed gun	Artillery	1981 ?	300 ?	1984
Type-59	tank	Armoured vehicles	1981 ?	300 ?	1984
F-6	fighter aircraft	Aircraft	1981 ?	16 ?	1984
J-7	fighter aircraft	Aircraft	1985 ?	5 ?	1986
HQ-2 SAMS	SAM system	Air defence systems	1985 ?	6 ?	1986
HQ-2	SAM	Missiles	1985 ?	150 ?	1986
D-74 122mm	towed gun	Artillery	1985 ?	100 ?	1986
Type-59-1 130mm	towed gun	Artillery	1985 ?	100 ?	1986
Type-59-1 130mm	towed gun	Artillery	1986 ?	120 ?	1987
HY-2 CDS	coastal defence system	Sensors	1986 ?	7 ?	1987
HY-2	anti-ship missile	Missiles	1986	75 ?	1987
Type-63 107mm	towed MRL	Artillery	1981 ?	300 ?	1987
C-801	anti-ship missile	Missiles	1986 ?	100 ?	1987
PL-2	SRAAM	Missiles	1986 ?	600 ?	1988
PL-7	SRAAM	Missiles	1986 ?	400 ?	1988
Red Arrow-73	anti-tank missile	Missiles	1982 ?	6500 ?	1988
Type-69	tank	Armoured vehicles	1986 ?	500 ?	1988
HN-5A	portable SAM	Missiles	1985 ?	500 ?	1988
Type-63 107mm	towed MRL	Artillery	1985 ?	250 ?	1990
WA-021 155mm	towed gun	Artillery	1990 ?	15 ?	1991
HQ-2	SAM	Missiles	1989 ?	200 ?	1991
HQ-2 SAMS	SAM system	Air defence systems	1989 ?	8 ?	1991
Type-59-1 130mm	towed gun	Artillery	1991 ?	106 ?	1992
F-7M Airguard	fighter aircraft	Aircraft	1991 ?	25	1993
CSS-8 TEL	SSM launcher	Artillery	1989	30 ?	1994
HY-2	anti-ship missile	Missiles	1988	100 ?	1994
CSS-8	SSM	Missiles	1989	200 ?	1994
Y-12	light transport aircraft	Aircraft	1993 ?	9 ?	1995
Hudong	FAC	Ships	1992	10	1996
F-7M Airguard	fighter aircraft	Aircraft	1995 ?	5	1996
Y-7	transport aircraft	Aircraft	1994	2	1998
C-801	anti-ship missile	Missiles	1992 ?	125 ?	1998
JY-14	air search radar	Sensors	1996 ?	3 ?	2001
Crotale	SAM	Missiles	1998 ?	250 ?	2004
China Cat	FAC	Ships	2000 ?	9 ?	2004
Crotale SAMS	mobile SAM system	Air defence systems	1998 ?	6 ?	2004
C-701	anti-ship missile	Missiles	1998 ?	40 ?	2004
QW-1 Vanguard	portable SAM	Missiles	1993 ?	1100 ?	2006
Type-86 APC	APC	Armoured vehicles	1996 ?	150 ?	2011
C-704	anti-ship missile	Missiles	2003 ?	50 ?	2011
C-802	anti-ship missile	Missiles	1992	380	2012
TL-10/FL-8	anti-ship missile	Missiles	2002 ?	150 ?	2015
FL-6	anti-ship missile	Missiles	1998 ?	260 ?	2015
C-801	anti-ship missile	Missiles	2004 ?	50 ?	2015
QW-11	portable SAM	Missiles	2005 ?	650	2015

Source: SIPRI Arms transfers database, 2024

Appendix 9: China's arms supply to Venezuela, 1999 – 2023

Designation	Description	Weapon Category	Order Year	Number Ordered	Delivery Years
JYL-1	air search radar	Sensors	2005	3 ?	2007
JYL-1	air search radar	Sensors	2006 ?	7 ?	2009
K-8 -	trainer/combat aircraft	Aircraft	2008	18	2010
PL-5E	SRAAM	Missiles	2008 ?	100 ?	2010
JY-11	air search radar	Sensors	2008	3 ?	2011
Y-8	transport aircraft	Aircraft	2011	8	2014
VN-4	APC/APV	Armoured vehicles	2012	121 ?	2015
SR-5	self-propelled MRL	Artillery	2012 ?	18 ?	2015
ZBD-05	IFV	Armoured vehicles	2012	23 ?	2015
ZTD-05	light tank	Armoured vehicles	2012	9 ?	2015
Red Arrow-73	anti-tank missile	Missiles	2012 ?	250 ?	2015
K-8 -	trainer/combat aircraft	Aircraft	2014 ?	9	2016
Type-07P IFV	IFV	Armoured vehicles	2012	68 ?	2016
C-802A	anti-ship/land-attack missile	Missiles	2017 ?	30 ?	2023

Source: SIPRI Arms transfers database, 2024