

Assessment of the situation, given the Energy/Technology Department's expertise

1. Energy

China's economy is linked to Iran in a number of ways. Activities include, dam-building, steel production, ship-building, transport other endeavors. However, China's greatest interest in Iran lies in Iran's oil industry. As of 2004, 13.6% of China's oil imports came from Iran and 45% from the Middle East as a whole, while China imported 40% of its oil at this time. This figure has certainly grown as China's economy has expanded and will grow in the future. Therefore, it is critical that China remains on good terms with Iran throughout these negotiations to protect China's access to oil.

2. Iran's nuclear program

Previous to the 1979 Revolution, Iran worked with the west to develop its nuclear program. However, relations began to fail following the Revolution. Iran encountered a great deal of difficulty when it sought to obtain uranium from Eurodif (*European Gaseous Diffusion Uranium Enrichment Consortium*). Iran owned 10% of Eurodif, which entitled it to 10% of the uranium produced. This arrangement fell through due largely to U.S. pressure and the French. Since then, the west, the United States in particular, has been an unreliable source of resources and an obstacle to Iran's nuclear program. In 1996 China provided gas necessary to test the uranium enrichment process and sold Tehran a conversion plant. Russia has also helped Iran in its endeavors.

What goals does this department advocate?

Plan A. The Energy/Technology Department's primary interest in Iran, and the Middle East in general, is oil, which is necessary to fuel China's economy. China's goal in this round of talks should be to increase its influence over the Iran's oil industry, and to engender good relations with Russia to ensure and increase access to their oil.

Plan B. If the U.S. proves to be too strong a negotiator, China should demand compensation in the form of various technologies to improve its energy supply infrastructure. For example, coal-gasification material, ironically, support in China's efforts at improving its nuclear program. The easing of trade restrictions could also be pursued.

The Energy/Technology Department believes that it is possible to use this conference to advance China's agenda.

Specific Advice

In the past, Iran has been short changed through interactions with the west. In the case of Eurodif, capital in foreign investments was lost due to political tensions. Furthermore, the United States has employed strategies ranging from political pressure, to defaulting on shipments, to potentially employing a defected Russian scientist to provide false plans as part of the *Merlin Operation*. China should use the west's relations failures to ensure that it is the one supplying the materials and technical know-how that the Iranians need to quickly develop a nuclear energy program.

The strategy for proposing this plan could be arguing that if Iran has no wish to develop nuclear weapons, then it will not reject China's aid. China can claim that the involvement of Chinese scientists in the development of Iran's nuclear program will add to transparency, which should quell fears that the international community has about a secret Iranian WMD program. That China has a strong incentive to prevent crisis in the Middle East as a result of its energy situation (reserves will last about 30 days)

also supports China's claims of cooperation with the international community's goals. In a further step towards legitimizing this proposal, it could be labeled as an Energy Trade Program, which strengthens the implication that energy is the motivation for both parties. China would trade nuclear energy for oil. Ideally, this would develop into the proposed pipeline from Iran to Kazakhstan, where it will connect to a pipeline into China.

Additionally, it seems reasonable to assume that other countries will try to use this conference as leverage to secure Iranian oil for themselves. It would be wise to consider their possible strategies so that China can undermine them when they arise.