

Updated May 17, 2021

## Chinese Nuclear and Missile Proliferation

The U.S. government has continued to express concerns about China's record concerning the proliferation of nuclear- and missile-related technologies to other countries, with more recent focus on the threat of Chinese acquisition of U.S.-origin nuclear technology. (See CRS In Focus IF11050, *New U.S. Policy Regarding Nuclear Exports to China*, by Paul K. Kerr and Mary Beth D. Nikitin.) Official U.S. government reports indicate that the Chinese government has apparently ended its direct involvement in the transfer of nuclear- and missile-related items, but Chinese-based companies and individuals continue to export goods relevant to those items, particularly to Iran and North Korea. U.S. officials have also raised concerns about entities operating in China that provide other forms of support for proliferation-sensitive activities, such as illicit finance and money laundering.

### Background

China did not oppose new states' acquisition of nuclear weapons during the 1960s and 1970s, the Department of State wrote in a declassified January 1998 report to Congress. According to a 1983 National Intelligence Estimate (NIE), China had exported "nuclear materials since 1981" that were not subject to International Atomic Energy Agency (IAEA) safeguards. Beijing did so "mainly to earn hard currency," the estimate assesses, explaining that the

Chinese became aware in 1979 that they had insufficient resources for their initially grandiose modernization program and that they needed to generate more revenue through expanded foreign trade. Accordingly, the State Council directed its subordinate ministries in late 1979 to begin selling surpluses.

Consequently, according to the NIE, Beijing ended its "abstention from commercial trade in conventional arms and nuclear materials." During the 1980s and 1990s, China transferred nuclear and missile technology to other countries' weapons programs. China provided assistance to Pakistan's nuclear weapons program and engaged in nuclear cooperation with Iran. Beijing exported missiles to Pakistan, Saudi Arabia, and Iran. (For more information, see CRS Report RL33192, *U.S.-China Nuclear Cooperation Agreement*, by Mark Holt, Mary Beth D. Nikitin, and Paul K. Kerr.)

According to U.S. government reports and official statements, China also significantly curtailed its nuclear- and missile-related transfers during the 1990s; Beijing also committed to improving its export controls. For example, the 1998 State Department report cited above noted China's 1996 pledge to refrain from assisting unsafeguarded nuclear

facilities and 1997 changes to Chinese nuclear export policy, as well as other Chinese nonproliferation efforts.

The United States has extensive nuclear cooperation with China, which is governed by a civil nuclear cooperation agreement, renewed in 2015. (See CRS Report RL33192, *U.S.-China Nuclear Cooperation Agreement*.)

The above-described changes in Chinese behavior took place after the two governments concluded their first nuclear cooperation agreement in 1985. Laws subsequently adopted by Congress required, as a condition for U.S. implementation of the agreement, the President to submit to Congress certain nonproliferation-related certifications, as well as a report about Beijing's "nonproliferation policies and practices." President William Clinton stated in a January 1998 letter to Congress that China had "made substantial strides in joining the international nonproliferation regime, and in putting in place a comprehensive system of nuclear-related, nationwide export controls," since concluding the 1985 agreement.

Beijing acceded in 1992 to the Nuclear Nonproliferation Treaty (NPT) as a nuclear-weapon state (NWS) and has voluntary IAEA safeguards on its civil reactors. The treaty defines NWS as those that exploded a nuclear weapon or other nuclear explosive device prior to January 1, 1967: China, France, Russia, the United Kingdom, and the United States. All other NPT states-parties are nonnuclear-weapon states. According to the treaty, a NWS is not to transfer nuclear weapons to "any recipient whatsoever" or to "in any way ... assist, encourage, or induce any" nonnuclear-weapon state "to manufacture or otherwise acquire nuclear weapons."

China is also a participant in the Nuclear Suppliers Group (NSG)—a multilateral control regime for nuclear-related exports. The Missile Technology Control Regime (MTCR) performs an analogous function for missiles and related items. China is not an MTCR partner but has agreed to adhere to the regime's export guidelines.

The Chinese government continues to express support for the international arms control and nonproliferation regime. According to a July 2019 Chinese government publication titled *China's National Defense in the New Era*, "China actively participates in international arms control, disarmament and non-proliferation" and "objects to arms race and strives to protect global strategic balance and stability." Similarly, Fu Cong, Director General of the Department of Arms Control of China's Ministry of Foreign Affairs, stated during the December 9-10, 2020, 16<sup>th</sup> Asian Senior-Level Talks on Non-Proliferation that "China is ready to enhance non-proliferation policy

exchanges and cooperation with all countries, including the incoming U.S. administration.”

## Current Proliferation Concerns

As noted, official U.S. government reports indicate that the Chinese government has apparently ceased direct involvement in nuclear-related proliferation and transfers of complete missile systems. However, Chinese entities have continued to engage in proliferation, and the U.S. government has repeatedly expressed concerns with regard to weaknesses in China’s export control system. According to a 2019 Department of State report regarding states’ compliance with nonproliferation and arms control agreements, “Chinese entities” continued in 2018 “to supply MTCR-controlled items to missile programs of proliferation concern, including those in Iran, North Korea, Syria, and Pakistan.” The United States also “raised a number of [other] cases with China concerning” Chinese entities’ missile technology transfers to “programs of concern” in those same countries, according to the report, which added that, despite U.S. requests for Beijing to “investigate and put a stop to such activities, most of these cases remain unresolved.” The 2021 version of the report states only that “Chinese entities continued to supply MTCR-controlled goods to missile programs of proliferation concern in 2020.” Editions of the report published in 2016, 2017, 2018, and 2020 contain similar language.

The United States has continued to sanction Chinese entities for proliferation. For example, on November 25, 2020, the State Department imposed sanctions on two Chinese entities “for transferring sensitive technology and items to Iran’s missile program,” according to then-Secretary of State Michael Pompeo. In August 2017, the Department of the Treasury blocked U.S. assets of, and prohibited transactions with, a Chinese coal company for allegedly using foreign exchange generated from the sale of North Korean coal to purchase “nuclear and missile components” for North Korea.

Regarding government involvement in these sorts of transfers, former Deputy Assistant Secretary of State Vann Van Diepen told *Politico* in 2017 that, even if the transfers are not directly state-sponsored, “China hasn’t devoted the priority, effort, or resources to thwart” such activity, adding that “when that continues to be the case over 20 years, even when they have been criticized, over time it becomes a choice, and you have to wonder what’s going on.”

U.S. officials have described other concerns with regard to Chinese proliferation behavior, such as money laundering, the provision of illicit financial services, and illegitimate procurement by entities operating within China. According to a 2018 Department of the Treasury report, “Chinese entities and individuals” have engaged in proliferation financing activities “for the benefit of” Iranian and North Korean weapons of mass destruction (WMD) programs. A 2017 Department of the Treasury report similarly assesses that North Korea

uses and maintains a network of financial representatives, primarily in China, who operate as agents for North Korean financial institutions ... these representatives orchestrate schemes, set up front or shell companies, and manage surreptitious bank accounts to move and disguise illicit funds, evade sanctions, and finance the proliferation of North Korea’s WMD and ballistic missile programs.

Then-Deputy Assistant Secretary of State Alex Wong asserted during a November 2020 speech that “China hosts no less than two dozen North Korean WMD and ballistic missile procurement representatives and bank representatives.” China has flouted UN Security Council resolutions’ requirements to expel such representatives, Wong claimed, adding that the United States has “provided China with ample actionable information on the ongoing UN-prohibited activities occurring within its borders,” but Beijing “has chosen not to act.”

Media outlets have reported that China is assisting in the construction of facilities in Saudi Arabia for possible uranium production. When asked about the topic during a September 2020 Senate Committee on Foreign Relations hearing, Under Secretary of State for Political Affairs David Hale declined to provide any information, citing classification concerns.

China’s construction of civil nuclear reactors in Pakistan has been another source of congressional concern; the United States has argued that the projects violate Beijing’s NSG commitments. China has constructed four power reactors in Pakistan and is constructing two additional such reactors. Pakistan has IAEA safeguards agreements in force for all of these reactors. However, the NSG guidelines prohibit such projects in states, such as Pakistan, which lack IAEA safeguards on all of the country’s nuclear facilities. Islamabad’s nuclear weapons facilities are not safeguarded.

The United States argues that only the first two reactor projects are consistent with China’s NSG commitments; Beijing and Islamabad concluded contracts for these reactors before China joined the NSG in 2004. At that time, other NSG members agreed to “grandfather” only ongoing Chinese reactor projects in Pakistan, then-Assistant Secretary of State Thomas Countryman said during a May 2015 Senate Foreign Relations Committee hearing. (For more information, see CRS Report RL34248, *Pakistan’s Nuclear Weapons*, by Paul K. Kerr and Mary Beth D. Nikitin.)

---

**Paul K. Kerr**, Specialist in Nonproliferation

**IF11737**

---

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.