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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 China-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 significantly curtailed its nuclear- and missile-related transfers during the 1990s; Beijing also committed to improving the government's export controls. For example, the 1998 State Department report cited above noted China's 1996 pledge to refrain from assisting unsafeguarded nuclear facilities and Beijing's 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 a December 2020 conference that "China is ready to enhance non-proliferation policy exchanges and cooperation with all countries, including the incoming U.S. administration." More recently, China's Ambassador for Disarmament Affairs of China Li Song explained in a October 2022 statement to the UN General

Assembly that Beijing “has played an active part in and worked to advance the international arms control, disarmament and non-proliferation process.”

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, according to the U.S. government, which has also 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.” Subsequent editions of the report contain similar language. The U.S. government “has continued to engage” China “on proliferation cases involving transfers of sensitive technology from or through” the country “to programs of concern,” according to a different State Department report covering 2022.

During the past several years, the United States has sanctioned Chinese entities for proliferation:

- On October 20, 2023, the State Department announced that it was imposing sanctions on three China-based entities for working to supply “missile-applicable items to Pakistan’s ballistic missile program.”
- On June 6, 2023, the Department of the Treasury imposed sanctions on several Chinese entities for procuring items for use in Iran’s ballistic missile program.
- On October 3, 2022, the U.S. government imposed sanctions on a Chinese company and a Chinese individual for transferring controlled weapons technology to Iran, North Korea, and/or Syria.
- On January 21, 2021, the State Department announced that it was imposing sanctions on three Chinese entities for unspecified “missile technology proliferation activities.”

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

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 North Korea’s WMD ... programs.

Then-Deputy Assistant Secretary of State Alex Wong asserted in November 2020 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, although the United States has “provided China with ample actionable information” on these activities, Beijing “has chosen not to act.” The Department of the Treasury sanctioned two North Korean nationals “involved in the procurement of equipment and materials” to support North Korea’s ballistic missile program, according to a June 15, 2023, announcement, which added that Pyongyang “continues to utilize a network of representatives” in China and other countries to obtain “restricted components necessary to conduct research and development” for North Korea’s WMD programs.

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 five civil nuclear reactors in Pakistan’s Chashma Nuclear Power Generating Station has been another source of congressional concern. The United States argues that only the first two Chinese reactor projects are consistent with Beijing’s NSG commitments. China and Pakistan concluded contracts for these two reactors before China’s 2004 NSG accession. IAEA safeguards agreements are in force for all of these reactors, but NSG guidelines prohibit such projects in states, such as Pakistan, lacking IAEA safeguards on all of the country’s nuclear facilities.

NSG members agreed in 2004 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. “However, there was not agreement that that was an open-ended clause,” Countryman explained, adding that additional Chinese-supplied reactors are “not consistent with the [NSG] rules.”

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