



TAMKANG JOURNAL OF INTERNATIONAL AFFAIRS

Volume 27 Number 3 May 2024

Research Article

- **The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s**

Hey Lyung Yun and Man Fung Yeung

- **The European Union-India Strategic Partnership: Prospects and Challenges**

Mukesh Shankar Bharti

- **Saddled with SWIFT: The American Withdrawal from the Nuclear Deal and Its Ramifications for Sino-Iranian Financial and Banking Interactions**

Shirzad Azad

May 2024

TAMKANG JOURNAL OF INTERNATIONAL AFFAIRS

PUBLISHER

Huan-Chao Keh

Tamkang University, ROC (TAIWAN)

EDITORIAL BOARD

Archie Brown

University of Oxford, UK

Avery Goldstein

University of Pennsylvania, USA

Chung-Hung Cho

Tamkang University, ROC (TAIWAN)

Eric M.P. Chiu

National Chung Hsing University, ROC (TAIWAN)

Hsin-Wei Tang

National Taiwan University, ROC (TAIWAN)

Jung Kim

Kyungnam University, SOUTH KOREA

Koji Murata

Doshisha University, JAPAN

Krzystof Tadeusz Koscielniak

Jagiellonian University, POLAND

Richard Rigby

Australian National University, AUSTRALIA

Roger Kanet

University of Miami, USA

Srikanth Kondapalli

Jawaharlal Nehru University, INDIA

Szu-Ning Ping

National Cheng Kung University, ROC (TAIWAN)

Tzu-Li Lin

Tunghai University, ROC (TAIWAN)

Wen-Yang Chang

National Chengchi University, ROC (TAIWAN)

MANAGING EDITOR

Wei-Hsiu Lin

Tamkang University, ROC (TAIWAN)

ASSISTANT EDITOR

Xian Bing Kelvin Hah

Tamkang University, ROC (TAIWAN)

EDITOR

Cheng-Hao Pao

Tamkang University, ROC (TAIWAN)

Tamkang Journal of International Affairs is an Open Access (OA) interdisciplinary journal issued in January, May, and September. It is devoted to providing an open forum for scholarly research and inquiry on a wide range of topics related to international relations, regional and global security, foreign policy, political and economic dynamics of states, and cross-strait relations with an emphasis on the Asia-Pacific region and other continents including Europe, Latin America, and Africa. It is published by the College of International Affairs of Tamkang University and is indexed in the Taiwan Open Access Journal Directory (TOAJ), Scopus, Airiti Library, and EBSCO.

CONTENTS

Research Article

- The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s** 1

Hey Lyung Yun and Man Fung Yeung

- The European Union-India Strategic Partnership: Prospects and Challenges** 45

Mukesh Shankar Bharti

- Saddled with SWIFT: The American Withdrawal from the Nuclear Deal and Its Ramifications for Sino-Iranian Financial and Banking Interactions** 99

Shirzad Azad

Research Notes

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s

Hey Lyung Yun,* Man Fung Yeung**

Abstract

In the early 1990s, tensions loomed large on the Korean Peninsula unlike the disintegration of the global confrontations and the movements to open the former Soviet socialist world brought about by the post-Cold War conflict structure. Despite the signing of the Inter-Korean Basic Agreement in 1991, the North Korean nuclear issue that emerged drove the Korean Peninsula into a crisis, and its resolution through the US-DPRK Geneva Agreement also failed to produce ultimate results. This study explores the reasons behind the strategy of assurance pursued by Washington failed under such circumstances. In particular, this research examines the aspects of both assurance and deterrence of Washington's policy toward Pyongyang. Shedding new lights

* Hey-lyung Yun earned her M.A from both American University and Korea University and received her Ph.D. in international relations from Korea University. Her research interests include international relations in Northeast Asia, US-China relations, and North Korean studies. E-mail: hy2233a@gmail.com / ORCID: <https://orcid.org/0009-0004-9388-0621>. Heylyung Yun is the corresponding author of this article.

** Man Fung YEUNG is a Ph.D. Candidate from the Graduate Institute of International Affairs and Strategic Studies, Tamkang University (Taiwan). His research interests cover alliance politics, economic sanctions, U.S. Asia-Pacific policy, and Korean Security. He can be reached by: 608270053@gms.tku.edu.tw/ ORCID: <https://orcid.org/0009-0009-3773-3930>

on assurance as an imperative part of successful deterrence, this study aims to provide policy implications for future policy toward North Korea.

Keywords: Post-Cold War, The 1991 Basic Agreement, The 1994 Geneva Framework, Deterrence, Assurance.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 3

I. Introduction

After the collapse of the Soviet Union, North Korea was compelled to find a new survival strategy as its allies, the Soviet Union and China, suspended their political and economic support to North Korea. Standing at a critical crossroads, the Kim family believed developing North Korea's nuclear capability was the only way to ensure the regime's survival. North Korea withdrew from the Nuclear Non-Proliferation Treaty (NPT) and rejected the inspection conducted by the International Atomic Energy Agency (IAEA) of its nuclear facilities. Thus, Pyongyang's move triggered the first nuclear crisis on the Korean Peninsula.

To resolve the crisis, Washington tried to address the crisis by making assurances to Pyongyang. In the 1994 Agreed Framework, the U.S. committed to providing energy assistance to North Korea and promoting the normalization of bilateral relations. However, the destructive power and horror of nuclear weapons have become the most credible assurance measurement for the Kim family, which is facing significant threats to their lives. North Korea's ambition to become a powerful nuclear state is inextricably linked to the regime's survival. This had fundamentally driven North Korea to choose "maintaining the regime through nuclear weapons development" rather than "peace on the Korean Peninsula through reform and opening."

In addition, the United States' domestic and foreign situations and strategies made it difficult to provide sustainable assurance to North Korea. Although the United States tried to assure North Korea to discourage its nuclear development, U.S. policy toward North Korea in the early 1990s was focused on "deterrence" that dissuaded North Korea from provocations and nuclear weapons development.¹

Current inter-Korean relations are more fraught with conflicts than in the early 1990s. Unlike the heightened détente in the international environment right after the Cold War ended, it is more difficult to elicit global cooperation on the issue of the Korean Peninsula amid intensifying U.S.-China competition for hegemony. Moreover, North Korea has already conducted its sixth nuclear test and is unveiling itself as a "nuclear state" both domestically and internally. Nevertheless, the progress in inter-Korean relations during the post-Cold War period and the conclusion of the US-DPRK Geneva Agreement have significant implications. This study discusses the implications for future North Korean policy by examining the discordance between the deterrence and assurance strategies against North Korea amid the

¹ Robert S. Litwak. *Rogue States and U.S. Foreign Policy: Containment after the Cold War*. Washington, D.C. : Baltimore, (2000); Kongdan Oh and Ralph C. Hassig. *North Korea through the Looking Glass*. Brookings Institution Press, (2000); Curtis H. Martin. "Lessons of the Agreed Framework for Using Engagement as a Nonproliferation Tool," *The Nonproliferation Review* 6, no. 4 (December 1999): 35–50. <https://doi.org/10.1080/10736709908436777>.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 5

threat by its regime after the end of the Cold War and the dissolution of socialism in Eastern Europe.

The remaining sections of the paper are organized as follows. The next section discusses the concepts relevant to the relationship between “deterrence” and “assurance,” as well as how these concepts apply to the case of the first nuclear crisis on the Korean Peninsula. The following section explores the security environment in the Asia-Pacific region after the end of the Cold War, and the motivation for the North Korean nuclear development. The Subsequent section explores the U.S. assurance of North Korea to resolve the first nuclear crisis and the reasons behind the failure of the assurances. Finally, the paper concludes with policy implications to help policymakers accelerate the promotion of denuclearization in the Korean Peninsula.

II. Deterrence and Assurance Approaches to the North Korea Issue

This study explores the reasons behind Washington’s failure to discourage Pyongyang’s denuclearization. The existing research argues that the strategic environment in Northeast Asia is the primary reason behind North Korea’s nuclear development. In this respect, nuclear development helps ensure the Pyongyang regime’s survival. Kim’s family believes that the development of nuclear capabilities enhances North Korea’s ability to prevent possible attacks from the U.S. and withstand the pressure of

diplomatic isolation.² Other than the changing strategic environment, existing research argues that North Korea's ideological factor plays an essential role in its nuclear development. In North Korea's case, Pyongyang assumes that the country is located in an antagonistic world, and developing nuclear capabilities is the only way to ensure its regime's survival and independence without great powers' interference.³

Although it is true that North Korea's insistence on developing nuclear capabilities generates a security dilemma in Northeast Asia, prior research overlooks the importance of devising tailored and appropriate assurance to encourage North Korea's policy change. During the 1990s, Washington offered assurance and reward to North Korea. More specifically, Washington is committed to provide energy assistance and reinstate the normalization process to discourage North Korea's nuclear development by the conclusion of the 1994 Agreed

² Jihwan Hwang, "Realism and U.S. Foreign Policy toward North Korea: The Clinton and Bush Administrations in Comparative Perspective," *World Affairs* 167, no. 1 (2004): 15–29. <https://doi.org/10.3200/WAFS.167.1.15-29>; Jungsup Kim, "The Security Dilemma: Nuclear and Missile Crisis on the Korean Peninsula," *The Korean Journal of Defense Analysis* 18, no. 3 (2006): 89–106. <https://doi.org/10.1080/10163270609464113>; Man Fung Yeung, "North Korea Situates in the Hostile Area: Kim Jong-Un's Survival Tactics between China and the United States," *Tamkang Journal of International Affairs* 24, no. 4 (2020): 99–138. [https://doi.org/10.6185/TJIA.V.202010_24\(2\).0003](https://doi.org/10.6185/TJIA.V.202010_24(2).0003).

³ Jina Kim, *The North Korean Nuclear Weapons Crisis: The Nuclear Taboo Revisited*. Houndmills: Palgrave Macmillan, (2014).

**The U.S.'s Deterrence and Assurance Strategies towards
North Korea in the 1990s**

7

Framework.⁴ However, due to the lack of tailored and credible assurance to North Korea, it has become difficult to achieve denuclearization and peace on the Korean peninsula. Prior to justifying this argument, it is necessary to discuss the concepts of “deterrence” and “assurance.”

“Deterrence” refers to a situation where a state (hereafter “deterrer”) attempts to prevent its target(s) from taking unwanted actions such as military operations by sending threats or implementing some negative measures. With these measures, a deterrer attempts to send a signal to its target that the cost of committing certain actions outweighs the benefit. The deterrer tries to adopt forceful actions in order to preclude the target’s non-compliance. For instance, a deterrer gestures that it is ready to launch a military strike against its target. A deterrer can also

⁴ Christopher Lawrence. “Normalization by Other Means: Technological Infrastructure and Political Commitment in the North Korean Nuclear Crisis,” *International Security* 45, no. 1 (2020): 9–50.
https://doi.org/10.1162/isec_a_00385.

adopt non-military measures, such as economic sanctions⁵ and diplomatic boycotts, to generate pressure against its target.

By implementing the deterrence strategy, the deterrer aims to pressure the target state to reconsider the costs if it continues to commit unfavorable behavior.⁶ However, if a deterrer has sufficient credibility, the target is likely to refrain its target from engaging in unwanted behavior. In other words, a deterrent could be effective if the target believes the deterrer has a reputation for materializing its threat.⁷ Moreover, perception is another factor affecting the target's response to the deterrer. In fact, the target's

⁵ Economic sanctions refer to a state (a sanctioner) trying to disrupt its target(s) economic development to achieve its policy goals. Usually, goals are very dependent on the interaction between the sanctioner and the target. For instance, the sanctioner enforces economic sanctions to constrain its target from engaging in unwanted behavior and to produce diplomatic pressure against its target. In the case of economic sanctions against North Korea, the United States (along with South Korea and the United Nations) attempts to prevent North Korea from obtaining the necessary resources to develop its nuclear capabilities and proliferate its nuclear weapons abroad. In addition, economic sanctions are one of the policy options to constrain North Korea's provocations. Reference: Francesco Giumelli. "The Purposes of Targeted Sanctions," in *Targeted Sanctions: The Impacts and Effectiveness of United Nations Action*, Thomas J. Biersteker, Sue E. Eckert, Marcos Tourinho, eds. Cambridge: Cambridge University Press, (2016): 38–59; Jonathan Kirshner. "The Microfoundations of Economic Sanctions," *Security Studies* 6, no. 3 (March 1, 1997): 32–64; David Baldwin. *Economic Statecraft*. New Jersey: Princeton University Press, (2020); Man Fung Yeung. "The Role of Economic Sanctions in Promoting North Korea's Denuclearization Revisited," *North Korean Review* 19, no. 1 (2023): 57–79. <https://www.jstor.org/stable/27217096>.

⁶ Glenn Herald Snyder. *Deterrence and Defense*. New Jersey: Princeton University Press, (2016).

⁷ Alexander L. George and Richard Smoke. "Deterrence and Foreign Policy," *World Politics* 41 no. 2 (1989): 170–82. <https://doi.org/10.2307/2010406>.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 9

perception of the deterrer is based upon their past interactions with and judgment of the deterrer. In this case, Robert Jervis argued that a deterrer's image produces a "self-deterrence" effect for its target. In other words, the target's overestimation of the deterrent's ability to carry out a threat also produces a deterrent effect.⁸

Although deterrence helps the deterrer exert pressure on its target, the deterrer cannot guarantee that the strategy will preclude the targets from adopting unwanted actions. First, there is a possibility that the target state might neglect the cost of non-compliance, resulting in the deterrer failing to deter its target. Moreover, the target may be more resistant to the deterrer. In this case, the deterrer may fail to curtail the unwanted behavior of the target, which exacerbates security dilemmas. Under these circumstances, the deterrent strategy might be counterproductive in refraining the target's unwanted behavior.

To counter this problem, if a deterrer wants to prevent its target from engaging and avoid escalating the security dilemma, it adopts the strategy of assurance for its target. In addition to ensuring an ally's loyalty within an alliance, assurance also discourages the adversary from engaging in unwanted actions. Shelling argues that though assurance does not undermine deterrence, the strategy helps to guarantee and support the

⁸ Robert Jervis. "Deterrence and Perception," *International Security* 7, no. 3 (1982): 3–30. <https://doi.org/10.2307/2538549>.

consistency of deterrence: “a strategy or pledge that deterring adversaries’ action by imposing costs, it automatically and logically entails a promise not to impose a cost if they refrain themselves from doing aggressive action.”⁹ Usually, a deterrer attempts to provide security guarantees by not launching attacks or overthrowing the regime of its target. In addition, the deterrer offers rewards to promote the policy change in its target.¹⁰ Furthermore, there is a proactive approach to prevent the target from committing an unwanted behavior, which is called *the Graduated and Reciprocated Initiatives in Tension-reduction*. Under this initiative, a state promotes trust and confidence in its target and adversary by making certain statements and proposals to emphasize its willingness to alleviate the tension in their relationships.¹¹ However, making statements and proposals alone is not sufficient to promote trust between both sides. Instead, the behavior of the state must be aligned with its assurances and

⁹ Thomas C. Schelling. *Arms and Influence*. New Haven: Yale University Press, (1966).

¹⁰ Similar to the concept of coercive diplomacy, a state needs to offer certain rewards to encourage its target’s policy change. Reference: Alexander L. George. *Limits of Coercive Diplomacy*. Boulder CO: Westview Press, (1971); Bruce W. Jentleson and Christopher A. Whytock. “Who ‘Won’ Libya? The Force-Diplomacy Debate and Its Implications for Theory and Policy,” *International Security* 30, no. 3 (2006): 47–86. <https://doi.org/10.1162/isec.2005.30.3.47>.

¹¹ Charles E. Osgood. *An Alternative to War or Surrender*. Illinois: University of Illinois Press, (1962); Svenn Lindskold. “Trust Development, the GRIT Proposal, and the Effects of Conciliatory Acts on Conflict and Cooperation,” *Psychological Bulletin* 85, no. 4 (1978): 772–93. <https://doi.org/10.1037/0033-2909.85.4.772>.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s

11

should be verifiable. Otherwise, the target disregards the deterrent's assurance.

Other than deterrence, assurance is another policy measure that promotes nuclear non-proliferation. It can be both negative and positive. Negative assurance refers to the promise of nuclear states that they will not use nuclear weapons to impose threats or launch attacks on non-nuclear states.¹² In the meantime, positive assurance is more active in discouraging non-nuclear states from developing nuclear weapons as member of the Non-proliferation Treaty (NPT) provide security guarantees and a nuclear umbrella to non-nuclear states to deter their adversaries. In an ideal scenario, members of the NPT establish a formal alliance with non-nuclear powers to ensure the security of the latter.¹³ In other words, positive assurance attempts to reduce the need for non-nuclear states to develop their nuclear capabilities.

Applying the concepts of “deterrence” and “assurance” helps explore the outcome of the interactions between Pyongyang and Washington (along with Seoul) during the 1990s. After the Cold War, the United States launched several initiatives to promote nuclear non-proliferation and ensure security in the Asia-Pacific region in order to accommodate changes in the strategic environment and reduce the security dilemma. Against this

¹² Jeffrey W. Knopf. “Varieties of Assurance,” *Journal of Strategic Studies* 35, no. 3 (2012): 375–99. <https://doi.org/10.1080/01402390.2011.643567>.

¹³ Knopf, “Varieties of Assurance.”

background, Washington offered negative assurance to reduce Pyongyang's sense of insecurity after the Cold War. For instance, in response to the first nuclear crisis from 1993 to 1994, Washington tried to provide energy assistance and promised to expedite the process of the U.S.-DPRK diplomatic normalization to discourage North Korea's nuclear development. Seoul also attempted to engage with its counterpart to reduce the possibility of the latter's provocations and assure Pyongyang by withdrawing nuclear weapons deployed in South Korea and facilitating inter-Korean interaction at the social level to promote trust with North Korea.

However, North Korea suspects that Washington's assurances are one of the tools used to demise Kim's regime or promote inter-Korean unification through absorption. To ensure the survival of Pyongyang's regime, North Korea refused to open its economy like China, Vietnam, or other Soviet bloc countries did. Instead, North Korea insisted on developing its nuclear capabilities, which resulted in the first nuclear crisis¹⁴ during which it developed its nuclear capabilities to counter threats from the outside. Although the United States offered assurances to discourage North Korea's nuclear development, to what extent high-cost security guarantees must be provided to induce

¹⁴ Kimberly Ann Elliott. "Will Economic Sanctions Work against North Korea," in *Peace and Security in Northeast Asia: The Nuclear Issue and the Korean Peninsula*, Young Whan Kihl, Peter Hayes, eds. New York: Routledge, (1999): 99–111.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s

13

denuclearization was not clear. As Washington was unaware of whether North Korea intended to change the status quo in its favor, its policymakers doubted the feasibility of offering assurance to North Korea. Highlighting the ineffectiveness of the exchange formula between its security guarantees and denuclearization, Washington believed that North Korea's real intention is to reorganize the international order in the Korean Peninsula and East Asia in a way that is more favorable to the North-led unification through offensive tactics disguised in "security guarantee".¹⁵ However, these arguments result in strengthening deterrence through military power, thereby making the failure of Washington's assurance to Pyongyang.

This study argues that the failure of Washington's assurance of North Korea during the first nuclear crisis can be attributed to the following reasons: (1) North Korea's nuclear motivation for regime survival and; (2) Washington's capricious attitude toward sending assurance signals to the DPRK as its focus has been more on a deterrence strategy. Under these circumstances, Pyongyang believes that retaining its nuclear capability is the only way to ensure its regime's survival and overcome the diplomatic pressure it suffered after the disintegration of the Soviet Union. To examine further why Washington's policy was focused on deterrence in the early 1990s, this study will analyze Washington's

¹⁵ Jina Kim. "An Endless Game: North Korea's Psychological Warfare," *The Korean Journal of Defense Analysis*, 17, no. 2 (2005): 153-181.
<https://doi.org/10.1080/10163270509464088>.

Asia Pacific policy after the Cold War. In its global and regional security policy and strategy, the Korean issue was covered only as a side Chapter. As the main goal of Washington was only to maintain stability and the status quo by deterring North Korea's provocation, its assurance policy to lead Pyongyang's behavioral change failed.

III. Washington's Security Policy Adjustment after the Cold War and the North Korean Issue

Since the disintegration of the Soviet Union, the confrontation between the liberal and Communist campaigns no longer exists. Although Washington has enjoyed the leadership of the international order, nascent challenges such as the proliferation of nuclear weaponry, terrorism, regional conflict, and transnational crimes produced difficulty for Washington to ensure its position within the international order.¹⁶

In the Asia-Pacific region, the disintegration of the Soviet reduced the necessity for Washington to deploy large-scale military forces to ensure its presence in the region. Nonetheless, the United States needed to address regional issues such as North Korea's military threat and China's power acceleration. In this

¹⁶ Richard Haass. *A World in Disarray: American Foreign Policy and the Crisis of the Old Order*. New York, New York: Penguin Press, (2017); John J. Mearsheimer. *The Great Delusion: Liberal Dreams and International Realities*. New Haven London, (2018); Stephen M. Walt. *The Hell of Good Intentions: America's Foreign Policy Elite and the Decline of U.S. Primacy*, Illustrated edition. New York: Farrar, Straus and Giroux, (2018).

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 15

respect, Washington adjusted its Asia-Pacific policy to adapt to the new strategic environment within the region. Other than engaging with China to include Beijing in the U.S.-led liberal order, the U.S. sought to avoid the risk of unnecessary involvement and save the budget by withdrawing unnecessary military forces.¹⁷

On the Korean Peninsula, the United States planned to reduce the military deployment within South Korean territory. Washington's newly adjusted policy on the Korean peninsula followed three stages. During the first stage, the U.S. planned to reduce the number of American military personnel stationed in South Korea from 135,000 to approximately 14,000-15,000. In the second stage, it re-examined the seriousness of the North Korean threat to adjust the degree of its power projections in South Korea. Meanwhile, the U.S. tried to enhance South Korea's capabilities to defend against North Korea's threat. At the final stage, Washington expected that Seoul could play a major role in ensuring the security of the Korean Peninsula.¹⁸ Also, the United States planned to withdraw all its tactical nuclear weapons deployed in South Korea by the end of 1991.

In addition to reducing its military presence on the Korean Peninsula, Washington tried to improve its relationship with

¹⁷ U.S. Department of Defense. *A Strategic Framework for the Asia-Pacific Rim: Report to Congress*. Washington D.C.: Department of Defense, (1991): 3.

¹⁸ U.S. Department of Defense. *A Strategic Framework for the Asian Pacific Rim*.

North Korea. During the implementation of “cross recognition,”¹⁹ Washington did not rule out the possibility of normalizing its relationship with Pyongyang. Nonetheless, Washington committed to promoting normalization of the bilateral relationship unless Pyongyang fulfilled the following requirements: (1) North Korea needed to sign the IAEA’s safeguard agreement and further comply with the Nuclear Non-proliferation Treaty (NPT); (2) recover the remainder American military personnel (war prisoners) during the Korean War; (3) suspend supporting to terrorist activities, and; (4) not to withdraw from inter-Korean dialogues.²⁰ In addition, the United States and South Korea suspended the military drill called the Team Spirit in November 1991 to encourage North Korea to accept the IAEA’s inspection.

However, North Korea saw the signal of the U.S. forces withdrawing from the Korean Peninsula and the fierce battle between the ruling and opposition parties in South Korea as an opportunity to weaken the power of the South. These

¹⁹ “Cross-Recognition” means that two Koreas should be recognized by regional powers within Northeast Asia. More specifically, China and Russia established their relationship with South Korea, whereas the United States and Japan normalized their relationship with North Korea. This proposal helps confidence-building and peace-building on the Korean Peninsula. However, North Korea believes the proposal freezes the unification process on the Korean Peninsula and is therefore reluctant to accept this proposal. Reference: Young-ho Park. “Issues and Prospects for Cross-Recognition: A Korean Perspective,” *The Korean Journal of National Unification*, no. 3 (1994): 49–62.

²⁰ Diplomatic Archives of Ministry of Foreign Affairs (South Korea), *U.S.-North Korea Relations 1991*, no. 32127.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s

17

circumstances provided a favorable setting for North Korea to pursue pragmatic tactics to minimize international pressure on its regime and rapidly increase its military and economic power for self-rehabilitation by improving relations with South Korea.

IV. North Korea at a Crossroad and the First Nuclear Crisis

With the collapse of the communist bloc after the Cold War, North Korea suffered from abandonment anxieties as both Russia and China either terminated or reduced their support for North Korea. Moreover, North Korea distrusted the assurance of the international NPT system. The Kim family believed that developing North Korean nuclear capabilities was the only way to ensure their regime's survival. Therefore, North Korea did not comply with the U.S. directives, which triggered the first nuclear crisis in 1993.

Prior to the dissolution of the Soviet Union, Gorbachev attempted to reduce Moscow's diplomatic burden for the sake of addressing the issues within the country. Through his diplomatic approach called the "New Thinking" (Новое мышление), Gorbachev improved the tense relationship with the U.S.-led Capitalist Bloc by agreeing to promote arms reduction and nuclear non-proliferation. In addition, the Soviet Union no longer provided economic and military assistance to the members of the Communist Bloc, eventually, the Warsaw Pact disbanded in

1991.²¹ In the meantime, Gorbachev showed his willingness to reconcile with China and sought to promote cooperation between two countries within the economic and scientific research realms. Moscow resolved the three barriers (三大障礙)²² and Gorbachev visited Beijing in 1989; his visit normalized Moscow's relations with Beijing.²³ Moscow's conciliatory policy with Washington and Beijing reduced Pyongyang's values to ensure Moscow's leadership within the Communist bloc. In order words, changes in Moscow's foreign policy intensified Pyongyang's fear of diplomatic isolation since the 1980s.²⁴

Gorbachev's "New Thinking" approach altered Moscow's policy on the Korean Peninsula. Traditionally, the Soviet Union provided economic assistance and security guarantees to North Korea due to the threat caused by the U.S.-ROK alliance. However, during the Gorbachev era, Moscow expanded its connection with Seoul to attract South Korean enterprises to invest in the Soviet Union and the two countries established

²¹ Mikhail Sergeevich Gorbachev. *Perestroika: New Thinking for Our Country and the World*. New York: Harper & Row, (1988).

²² The Chinese government was willing to normalize the bilateral relationship if Moscow resolved the three barriers: (1) withdraw the Soviet troops in Afghanistan; (2) withdraw the Soviet troops within the Sino-Soviet border, and; (3) ceased its support to Vietnam for the invasion of Cambodia.

²³ John W. Garver. "The 'New Type' of Sino-Soviet Relations," *Asian Survey* 29, no. 12 (1989): 1136–52. <https://doi.org/10.2307/2644761>.

²⁴ Benjamin S. Lambeth. "The Decline Soviet Threat: Implications for International Security and Regional Prospective for the Korean Peninsula," *Korea and World Affairs* XV, no. 1 (1991): 85–101; Vasily V. Mikheev. "New Soviet Approach to North Korea: A Problem of Morality in Foreign Policy," *Korea and World Affairs* XV, no. 3 (1991): 442–456.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 19

diplomatic ties in 1991.²⁵ Furthermore, after the disintegration of the Soviet Union, as Russia focused on restoring the country's lethargic economy, Moscow terminated its alliance treaty and ended economic assistance to North Korea.²⁶

Same as Moscow, China also reduced its support for North Korea, which increased Pyongyang's abandonment anxiety. In the 1970s, the Chinese government implemented economic reforms to restore its lethargic economy, whereas Pyongyang insisted on maintaining its socialist policy line.²⁷ Furthermore, China managed to overcome the diplomatic hardship caused by the political incident in 1989 so that Beijing tried to engage with South Korea.²⁸ Thus, Beijing's engagement policy with Seoul

²⁵ Tae Dong Chung. "Korea's Nordpolitik: Achievements & Prospects," *Asian Perspective* 15, no. 2 (1991): 149–78. <https://www.jstor.org/stable/42703974>; Seung-ho Joo. "South Korea's Nordpolitik and the Soviet Union (Russia)," *The Journal of East Asian Affairs* 7, no. 2 (1993): 404–50. <https://www.jstor.org/stable/23254195>.

²⁶ Seung-Ho Joo. "Russia and North Korea, 1992–2006: From Distant Allies to Normal Neighbors," *Korea Observer* 38, no. 1 (2007): 65–99.

²⁷ Zhihua Shen and Yafeng Xia. *A Misunderstood Friendship: Mao Zedong, Kim Il-Sung, and Sino–North Korean Relations, 1949–1976*. New York: Columbia University Press, (2018).

²⁸ Due to the political incident that took place in Beijing in June 1989, the United States and democratic countries enforced sanctions against China to pressure Beijing to improve human rights within the country. However, South Korea was the only country that did not enforce sanctions against China. Instead, Seoul implemented its "Nordpolitik" that engaged with China. Therefore, Beijing considered Seoul's engagement policy as an opportunity to overcome its diplomatic isolation. Reference: David M. Lampton. *Same Bed, Different Dreams: Managing U.S.- China Relations, 1989–2000*. Berkeley: University of California Press, (2002); Shen and Xia. *A Misunderstood Friendship*.

resulted in sidelining Pyongyang's interests. For instance, the Chinese government gave the green light to the admission of two Koreas to the United Nations with separate seats and normalized its diplomatic ties with Seoul in 1992.²⁹ Additionally, the Chinese government no longer used friendship prices for trade with North Korea. Instead, China adopted market prices to conduct trade with North Korea, which resulted in rising costs for Pyongyang to conduct foreign trade and increased North Korea's economic burden of conducting trade with China.

The absence of support from China and the Soviet Union, along with the changing strategic environment after the Cold War, thereby generated a strong sense of isolation and insecurity for North Korea to ensure its regime survival. North Korea believed that the Chinese and the Soviet-style economic reform compromised the plurality of socialism as their informs introduced liberal ideas and the market mechanism to their country. If Pyongyang promoted the same style of reform, the Kim family feared that the reform would generate a threat to the unity and cohesion of North Korean society. In response to this trend, North Korea insulated itself to secure Kim's regime.³⁰

²⁹ Jae-ho Hwang, and Lyong Choi. "Re-Thinking Normalisation between the ROK and the PRC in the Early 1990s: The South Korean Perspective," *Cold War History* 15, no. 4 (October 2015): 557–78.
<https://doi.org/10.1080/14682745.2015.1019869>.

³⁰ Sung Chull Kim. "Juche Idea: Base of Regime Legitimation of North Korea in the Age of Decaying Socialism," *International Journal of Korean Unification Studies* 1 (1992): 151–74.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 21

Furthermore, without support from Russia and China, North Korea could not sustain its economy, and it was even suffering from food shortages due to the inefficiency of its socialist economy. North Korea's GNP for 1989 was estimated at 21.1 billion USD and per capita GNP at 1987 USD, roughly one-tenth and one-fifth, respectively, of South Korea's GNP (210.1 billion and 4,968 USD).³¹

In response to international pressure, Pyongyang insisted on developing its nuclear capabilities. The Kim family believed that the development of nuclear capabilities helped sustain its energy supply, thereby reducing its economic dependence on foreign countries. In addition, nuclear capabilities can be used for military purposes. With nuclear capabilities, the Kim regime believed that Pyongyang could enhance its international prestige, thereby overcoming the hardships it suffered during the 1990s.³²

Initially, North Korea accepted the inspection of its nuclear facilities conducted by the International Atomic Energy Agency (IAEA). However, the inspection process suffered from deadlocks. During the inspection of North Korea's nuclear facilities, the IAEA found that there were inconsistencies between the North's

³¹ Sang-Woo Rhee. "North Korea in 1990: Lonesome Struggle to Keep Chuch'e," *Asian Survey* 31, no. 1 (1991): 71–78.
<https://doi.org/10.2307/2645187>.

³² Edward Howell. "The Juche H-Bomb? North Korea, Nuclear Weapons and Regime-State Survival," *International Affairs* 96, no. 4 (2020): 1051–68.
<https://doi.org/10.1093/ia/iiz253>.

claim and the IAEA's findings regarding the existence of undeclared plutonium.³³ Subsequently, on February 9, 1993, the IAEA requested additional information and demanded access to two undeclared sites suspected of containing nuclear waste products from the clandestine production of plutonium. During the dispute between North Korea and the IAEA, Washington resumed the Team Spirit military drills in 1993 which made North Korea felt offend even though South Korea invited North Korea to dispatch a delegate to observe the drill.

To express North Korea's dissatisfaction, Pyongyang violated its commitments and stood firm against the U.S.; Pyongyang's behavior triggered the first nuclear crisis. In 1993, North Korea announced to withdrawal of itself from the NPT regime and rejected the IAEA's demand to conduct ad-hoc inspections of undeclared sites. Pyongyang believed that its response was to protect North Korea's sovereignty and security against the threat of Washington assuming that the U.S. aimed to

³³ After the IAEA's inspections of North Korean nuclear facilities, the IAEA made the following conclusions that triggered North Korea's dissatisfaction: (1) the construction of a huge radioactive chemical laboratory in Yongbyon was a violation of the Joint Denuclearization of the Koreas agreed on December 31, 1991; (2) the extraction of Plutonium at North Korean nuclear reactors exceeded several times of the IAEA's standard; (3) the model of nuclear reactors used in Yongbyon was similar with the reactor used in Chernobyl that had security concern, and; (4) the IAEA team was denied to access two unreported nuclear waste site and there was a suspicion that the sites were part of North Korea's military nuclear program. Reference: Evgenity P. Bazhanov. "Military-Strategic Aspects of the North Korean Nuclear Program," in *The North Korean Nuclear Program: Security, Strategy and New Perspectives from Russia*. New York: Routledge, (2000): 101–9.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 23

subvert Pyongyang's regime using a nuclear non-proliferation regime.³⁴

In response to the nuclear crisis, Washington tried to assure North Korea to encourage to remain in the NPT and accept the IAEA's inspections. Although the United States planned to adopt a military operation to eliminate North Korea's nuclear facilities, the proposal was rejected by policy elites.³⁵ Instead, the United States adopted diplomatic channels to convince North Korea's compliance. As Table 1 shows, the United States tried to ensure not adopt military means on North Korea, committed to providing energy assistance, and suspended the 1994 Team Spirit military drill. Moreover, former President Carter visited Pyongyang to negotiate with North Korea to resolve the crisis.

³⁴ "Source Material: Statement Released by the Government of North Korea, Decelerating Its Decision to Withdraw from the Nuclear Non-Proliferation (NPT), Pyongyang, March 12, 1993," *Korea and World Affairs* 17, no. 1 (1993): 176–80.

³⁵ Kimberly Peh and Soul Park. "Staying the Course: Denuclearization and Path Dependence in the U.S.'s North Korea Policy," *North Korean Review* 17, no. 1 (2021): 57–78. <https://www.jstor.org/stable/27033550>; Leon V. Sigal. "North Korean Nuclear Brinkmanship, 1993-94 and 2002-03," in *North Korea and the World*, Byung Chul Koh, eds. Seoul: Kyungnam University Press, (2004): 35–60.

Table 1 Washington's Talks with North Korea to Settle the Nuclear Crisis

Date	Participating Officials	Places	Content of the meeting
June 11, 1993	North Korea: First Vice Minister of Foreign Affairs Kang Sok-ju The United States: Assistant Secretary of State Robert L. Gallucci	New York	Both sides agreed the principles of: 1. Against the threat and the use of force, including nuclear weapons 2. Promote a nuclear-free Korean Peninsula 3. Support the peaceful unification on the Korean Peninsula
July 19, 1993	North Korea: First Vice Minister of Foreign Affairs Kang Sok-ju The United States: Assistant Secretary of State Robert L. Gallucci	Geneva	1. The United States assured not to adopt military means (including nuclear weapons) against North Korea 2. The United States prepared to provide Light Water Moderated Reactors (LWRs) for North Korea to replace its graphite moderated reactors and associated nuclear facilities 3. Both sides agreed to apply full and impartial IAEA safeguards 4. North Korea claimed it was ready to resume the inter-Korea talks
February 25, 1994	North Korea: North Korea's Deputy U.S. Permanent Representative Ho Jong The United States: U.S. Deputy Assistant Secretary of State Tom Hubbard	New York	1. The United States agreed to suspend the Team Spirit military drill with South Korea in 1994 2. North Korea agreed to comply with the IAEA safeguard

Sources: "Source Material: Joint North Korean-U.S. Statement, Announcing the Suspension of North Korea's Decision to Withdrawal from the NPT, June 11, 1993," *Korea and World Affairs* XVII, no. 2 (1993): 370; "Source Material: Joint Statement by the United States and the Democratic People's Republic of Korea, Geneva, July 19, 1993," *Korea and World Affairs* XVII, no. 3 (1993): 549–549; "Source Material: 4-Point Agreement Concluding the U.S.-DPRK Working-Level Talk, Embracing International Inspection of North Korean Nuclear

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 25

Facilities by March 1, New York, February 1994,” Korea and World Affairs XVIII, no. 1 (1994): 143.

V. The 1994 Agreed Framework and the Failure of Assurance to North Korea

The first nuclear crisis was triggered after North Korea attempted to withdraw from the NPT and rejected the IAEA's inspections. During the crisis, former U.S. President Carter visited Pyongyang to settle the crisis; Kim Jong-Il took a conciliatory approach to the U.S. after the sudden death of Kim Il-sung. After the bilateral negotiations between the U.S. and North Korea took place in Geneva in 1994, both sides reached an agreement by signing the Agreed Framework on October 21, 1994. In this agreement, the U.S. provided the following assurances to encourage North Korea to maintain its membership in the NPT regime and allow the IAEA's inspections of its nuclear facilities:³⁶

1. North Korea's graphite moderator and other facilities have been replaced by two light-water reactors (LWR). In addition, to prevent the generation of energy by the freezing of graphite-moderated reactors and related facilities, the United States agreed to provide 500,000 tons of heavy oil to North Korea until the construction of the light-water reactors was completed;

³⁶ “Agreed Framework between the United States of America and the Democratic People's Republic of Korea,” UN Peacemaker, accessed May 17, 2023, <https://peacemaker.un.org/node/1129>.

2. Normalized political and economic relations between the United States and North Korea;
3. Denuclearize the Korean Peninsula; and
4. Strengthen the non-nuclear proliferation regime.

After the agreement, the Clinton administration agreed to remove sanctions on North Korea to promote a positive memorandum of the denuclearization of the Korean Peninsula.³⁷ In the long run, the Agreed Framework was expected to normalize US-North Korea relations, bolster inter-Korean relations, and establish a peace regime on the Korean Peninsula.³⁸ However, the United States failed to implement its assurances and it adopted a hardline approach to North Korea after its leadership transition from President Clinton to President George W. Bush in 2000. Thus, North Korea stood firmly against the United States.

After the conclusion of the Agreed Framework, the Korean Energy Development Organization was established to implement the construction of the LWRs. Due to the delay in implementing the Agreed Framework, the cost of constructing the LWRs increased from USD 4 billion to USD 5 billion. Under such a circumstance, the United States was reluctant to allocate more funding to constructing the LWRs as Washington found it

³⁷ "Source Material: Statement by the U.S. State Department on Easing U.S. Economic Sanctions against North Korea, Partial Lifting of Travel and Business Restrictions, and as Agreement in Permit Direct Telephone Links, Washington D.C., January 20, 1995," *Korea and World Affairs* XIX, no. 1 (1995): 146–47.

³⁸ Christopher Lawrence. "Normalization by Other Means."

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 27

burdensome to deliver HFO to North Korea.³⁹ In addition, South Korea was willing to support the construction projects. However, there were some restrictions on the implementation of projects by the South Koreans. First, North Koreans were reluctant to adopt South Korean reactors as Pyongyang worried about whether they could rely on Seoul's energy supply, which they believed may undermine their sovereignty. Second, South Korea suffered from the Asian Financial Crisis in 1997 produced difficulty for the government to allocate funding for construction projects.⁴⁰

In addition to postponing the enforcement of the Agreed Framework, the United States failed to fulfill its assurance to North Korea. In fact, as the Agreed Framework is not a legal treaty, the agreement is not legally binding for the United States to implement. Moreover, after the midterm election in 1994, the Republican Party swept the majority in both houses of Congress and began to actively check Clinton's engagement policy toward

³⁹ James M. Minnich. "The Denuclearization of North Korea: A Critical Analysis of the 1994 Agreed Framework," *The Korean Journal of Defense Analysis* XIV, no. 2 (2002): 5–28. <https://doi.org/10.1080/10163270209464023>.

⁴⁰ Eunyoung Ha and Christopher Hwang. "The U.S.-North Korea Geneva Agreed Framework: Strategic Choices and Credible Commitments," *North Korean Review* 11, no. 1 (2015): 7–23. <https://www.jstor.org/stable/43908953>.

North Korea, including the LWRs, making it difficult for KEDO to enforce construction projects.⁴¹

Furthermore, after the Clinton administration, the U.S. emphasized the use of deterrence strategies against North Korea, rendering Pyongyang firmly against Washington. Since President George W. Bush replaced President Clinton, Washington has increased its pressure on Pyongyang for denuclearization. Due to North Korea's role in the proliferation of nuclear weaponry and its network with terrorist states, the Bush administration designated North Korea as one of the targets of the "War on Terror" campaign. Through Bush's "HAWK Engagement" approach to North Korea, the United States amplified its use of economic sanctions, imposed pressure against North Korea by working with South Korea, Japan, and China, and conducted human rights diplomacy with North Korea to promote Pyongyang's internal changes.⁴²

⁴¹ Jungkun Seo. "Agreements Without Commitments? The U.S. Congress and the U.S.-North Korea Agreed Framework, 1994-2002," *The Korean Journal of Defense Analysis* 27, no. 1 (2015): 107-22.
<http://10.22883/kjda.2015.27.1.007>.

⁴² Victor D. Cha. "Hawk Engagement and Preventive Defense on the Korean Peninsula," *International Security* 27, no. 1 (2002): 40-78.
<https://doi.org/10.1162/016228802320231226>; Victor D. Cha, "Korea's Place in the Axis," *Foreign Affairs* 81, no. 3 (2002): 79-92.
<https://doi.org/10.2307/20033164>.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 29

Although the United States assured Pyongyang not to promote “regime change” in North Korea,⁴³ the assurance had no credit as they initiated a military strike against Iraq. Pyongyang believed it would be the next target of the U.S. military operation. Thus, to prevent itself from being the victim of the U.S. military strike, not only did Pyongyang accelerate the process of developing its nuclear program, but it also placed nuclear development ahead of other agendas such as economic development.

VI. Conclusion

This paper explores the reasons why the high-level thaw during the early 1990s failed to achieve denuclearization of North Korea by shedding new light on the “assurance aspect” of the U.S. policy towards North Korea. This study argues that assurances should align with deterrence to help reduce the security dilemma on the Korean Peninsula, thereby providing a positive momentum for North Korea to promote denuclearization. Nevertheless, political realities produced difficulty for Washington to implement its assurance policy toward Pyongyang. Moreover, after the Clinton administration, the United States emphasized adopting stronger deterrent tactics.

⁴³ Victor D. Cha. *The Impossible State: North Korea, Past and Future*. New York: Ecco, (2018).

This research adopts the first nuclear crisis on the Korean Peninsula as a case study to explore the failure of Washington's assurance in Pyongyang. Unlike the current security environment in the Korean Peninsula, policy choices were more flexible than now in the early 1990s as the decade was the period of reconciliation between the United States and China and North Korea had yet to start developing nuclear weapons. Although there are differences between the current situation and the first nuclear crisis, this paper can provide the following policy implications.

First, it is essential for policymakers to develop well-developed assurance measures to promote North Korea's policy change. This strategy should be adopted correspondently with the deterrence strategy. Assurance helps promote a genuine and substantive process for denuclearization and reduce the security dilemma on the Korean Peninsula, thereby creating a positive momentum for denuclearization. However, as North Korea has frequently violated its commitment after the negotiations, policymakers in the U.S. and South Korea should continue to use deterrence to prevent North Korea from undermining their interests.

Second, when dealing with North Korea, policymakers in South Korea should understand the country's fundamental interests. It is clear that "security guarantee" that North Korea looks for is to ensure Pyongyang's regime and reduce the U.S.

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 31

presence in the Korean Peninsula. Pyongyang's demand has become more extensive and blatant since the completion of its sixth nuclear test.⁴⁴

Finally, it is necessary to revisit the limitations of an international regime for North Korea's denuclearization. The NPT system lacks a binding force, and there are weak means of positive assurance to block nuclear attacks from nuclear states compared with alliances. Although inter-Korean and US-DPRK negotiations began in the early 1990s, the international community has played a minor role. It is necessary to reassess reassurance, as the balance of fear between the United States and the Soviet Union collapsed after the Cold War. The international community should contemplate appropriate assurance measures in the event that North Korea gives up its nuclear missiles and substantially changes its behaviors and send a well-coordinated signal to North Korea.

⁴⁴ In a report to the 8th Labor Party Congress in January 2021, Kim Jong-un declared that "(the) consolidation of North Korea's status as a nuclear weapons state" and "building a state nuclear force is a strategic and dominant task to be prioritized in the administration of building a socialist state." Reference: "On Report Made by Supreme Leader Kim Jong Un at Eighth Party Congress of WPK," The National Committee on North Korea, January 25, 2021, https://www.ncnk.org/resources/publications/kju_8th_party_congress_speech_summary.pdf/file_view.

VII. Bibliography

Baldwin, David. *Economic Statecraft*. New Jersey: Princeton University Press, (2020).

Bazhanov, Evgenity P. "Military-Strategic Aspects of the North Korean Nuclear Program." In *The North Korean Nuclear Program: Security, Strategy and New Perspectives from Russia*. New York: Routledge, (2000): 101-9.

Cha, Victor D. "Hawk Engagement and Preventive Defense on the Korean Peninsula," *International Security* 27, no. 1 (2002): 40–78.
<https://doi.org/10.1162/016228802320231226>.

Cha, Victor D. "Korea's Place in the Axis." *Foreign Affairs* 81, no. 3 (2002): 79–92. <https://doi.org/10.2307/20033164>.

Cha, Victor D. *The Impossible State: North Korea, Past and Future*. New York: Ecco, (2018).

Chung, Tae Dong. "Korea's Nordpolitik: Achievements & Prospects," *Asian Perspective*, 15, no. 2, (1991): 149–78.
<https://www.jstor.org/stable/42703974>.

Ding, Yi, and Dingli Shen. "Assessing the Effectiveness of Security Assurances on the DPRK's Nuclear Issue," *The Korean Journal of Defense Analysis* 31, no. 4, (2019): 575–93. <https://10.22883/kjda.2019.31.4.006>.

**The U.S.'s Deterrence and Assurance Strategies towards
North Korea in the 1990s**

33

Diplomatic Archives of Ministry of Foreign Affairs (South Korea).
U.S.-North Korea Relations 1991, no. 32127.

Elliott, Kimberly Ann. "Will Economic Sanctions Work against North Korea." In *Peace and Security in Northeast Asia: The Nuclear Issue and the Korean Peninsula*, Young Whan Kihl, Peter Hayes, eds. New York: Routledge, (1999): 99–111.

Garver, John W. "The 'New Type' of Sino-Soviet Relations," *Asian Survey* 29, no. 12, (1989): 1136–52.
<https://doi.org/10.2307/2644761>.

George, Alexander L. *Limits of Coercive Diplomacy*. Boulder CO: Westview Press, (1971).

George, Alexander L., and Richard Smoke. "Deterrence and Foreign Policy," *World Politics* 41, no. 2, (1989): 170–82.
<https://doi.org/10.2307/2010406>.

Giumelli, Francesco. "The Purposes of Targeted Sanctions," In *Targeted Sanctions: The Impacts and Effectiveness of United Nations Action*, Thomas J. Biersteker, Sue E. Eckert, Marcos Tourinho, eds. Cambridge: Cambridge University Press, (2016): 38–59.

Gorbachev, Mikhail Sergeevich. *Perestroika : New Thinking for Our Country and the World*. New York: Harper & Row, (1988).

- Ha, Eunyoung, and Christopher Hwang. "The U.S.-North Korea Geneva Agreed Framework: Strategic Choices and Credible Commitments," *North Korean Review* 11, no. 1, (2015): 7–23. <https://www.jstor.org/stable/43908953>.
- Haass, Richard. *A World in Disarray: American Foreign Policy and the Crisis of the Old Order*. New York: Penguin Press, (2017).
- Howell, Edward. "The Juche H-Bomb? North Korea, Nuclear Weapons and Regime-State Survival," *International Affairs* 96, no. 4, (2020): 1051–68. <https://doi.org/10.1093/ia/iiz253>.
- Hwang, Jae-ho, and Lyong Choi. "Re-Thinking Normalisation between the ROK and the PRC in the Early 1990s: The South Korean Perspective," *Cold War History* 15, no. 4, (2015): 557–78. <https://doi.org/10.1080/14682745.2015.1019869>.
- Hwang, Jihwan. "Realism and U.S. Foreign Policy toward North Korea: The Clinton and Bush Administrations in Comparative Perspective," *World Affairs* 167, no. 1, (2004): 15–29. <https://doi.org/10.3200/WAFS.167.1.15-29>.
- Jentleson, Bruce W., and Christopher A. Whytock. "Who 'Won' Libya? The Force-Diplomacy Debate and Its Implications for Theory and Policy," *International Security* 30, no. 3,

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 35

(January 1, 2006): 47–86.

<https://doi.org/10.1162/isec.2005.30.3.47>.

Jervis, Robert, and Mira Rapp-Hooper. “Perception and Misperception on the Korean Peninsula: How Unwanted Wars Begin,” *Foreign Affairs* 97, no. 3 (2018): 103–10.

Jervis, Robert. “Cooperation Under the Security Dilemma,” *World Politics* 30, no. 2 (1978): 167–214.

<https://doi.org/10.2307/2009958>.

Jervis, Robert. “Deterrence and Perception,” *International Security* 7, no. 3, (1982): 3–30.

<https://doi.org/10.2307/2538549>.

Joo, Seung-Ho. “Russia and North Korea, 1992-2006: From Distant Allies to Normal Neighbors,” *Korea Observer* 38, no. 1, (2007): 65–99.

Joo, Seung-ho. “South Korea’s Nordpolitik and the Soviet Union (Russia),” *The Journal of East Asian Affairs* 7, no. 2, (1993): 404–50. <https://www.jstor.org/stable/23254195>.

Kim, Jina. “An Endless Game: North Korea’s Psychological Warfare,” *The Korean Journal of Defense Analysis* 17, no. 2 (2005): 153-181.

<https://doi.org/10.1080/10163270509464088>.

- Kim, Jina. "Sources and Objectives of North Korea Foreign Policy: Identity, Values and Negotiating Behavior." In *The North Korea Crisis and Regional Responses*, Honolulu: East-West Center, (2015): 100-111.
- Kim, Jina. *The North Korean Nuclear Weapons Crisis: The Nuclear Taboo Revisited*. Houndmills: Palgrave Macmillan, (2014).
- Kim, Jungsup. "The Security Dilemma: Nuclear and Missile Crisis on the Korean Peninsula," *The Korean Journal of Defense Analysis* 18, no. 3, (2006): 89–106.
<https://doi.org/10.1080/10163270609464113>.
- Kim, Sung Chull. "Juche Idea: Base of Regime Legitimation of North Korea in the Age of Decaying Socialism," *International Journal of Korean Unification Studies* 1, (1992): 151–74.
- Kirshner, Jonathan. "The Microfoundations of Economic Sanctions," *Security Studies* 6, no. 3, (1997): 32–64.
<https://doi.org/10.1080/09636419708429314>.
- Knopf, Jeffrey W. "Varieties of Assurance," *Journal of Strategic Studies*, 35, no. 3, (2012): 375–99.
<https://doi.org/10.1080/01402390.2011.643567>.
- Korea and World Affairs*. "Source Material: 4-Point Agreement Concluding the U.S.-DPRK Working-Level Talk, Embracing

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 37

International Inspection of North Korean Nuclear Facilities by March 1, New York, February 1994.” XVIII, no. 1 (1994): 143.

Korea and World Affairs. “Source Material: Joint North Korean-U.S. Statement, Announcing the Suspension Of North Korea’s Decision to Withdraw from the NPT, June 11, 1993.” XVII, no. 2 (1993): 370.

Korea and World Affairs. “Source Material: Joint Statement by the United States and the Democratic People’s Republic of Korea, Geneva, July 19, 1993.” XVII, no. 3 (1993): 549–549.

Korea and World Affairs. “Source Material: Statement by the U.S. State Department on Easing U.S. Economic Sanctions against North Korea, Partial Lifting of Travel and Business Restrictions, and as Agreement in Permit Direct Telephone Links, Washington D.C., January 20, 1995.” XIX, no. 1 (1995): 146–47.

Korea and World Affairs. “Source Material: Statement Released by the Government of North Korea, Decelerating Its Decision to Withdrawal from the Nuclear Non-Proliferation (NPT), Pyongyang, March 12, 1993.” XVII, no. 1 (1993): 176–80.

Krauthammer, Charles. "The Unipolar Moment," *Foreign Affairs* 70, no. 1 (1990): 23–33. <https://doi.org/10.2307/20044692>.

Lambeth, Benjamin S. "The Decline Soviet Threat: Implications for International Security and Regional Prospective for the Korean Peninsula," *Korea and World Affairs* XV, no. 1 (1991): 85–101.

Lampton, David M. *Same Bed, Different Dreams: Managing U.S.- China Relations, 1989-2000*. Berkeley: University of California Press, (2002).

Lawrence, Christopher. "Normalization by Other Means: Technological Infrastructure and Political Commitment in the North Korean Nuclear Crisis," *International Security* 45, no. 1, (2020): 9–50. https://doi.org/10.1162/isec_a_00385.

Lindskold, Svenn. "Trust Development, the GRIT Proposal, and the Effects of Conciliatory Acts on Conflict and Cooperation," *Psychological Bulletin* 85, no. 4, (1978): 772–93. <https://doi.org/10.1037/0033-2909.85.4.772>.

Litwak, Robert S. *Rogue States and U.S. Foreign Policy: Containment after the Cold War*. Washington, D.C. : Baltimore, (2000).

Martin, Curtis H. "Lessons of the Agreed Framework for Using Engagement as a Nonproliferation Tool," *The*

The U.S.'s Deterrence and Assurance Strategies towards North Korea in the 1990s 39

Nonproliferation Review 6, no. 4, (December 1999): 35–50.
<https://doi.org/10.1080/10736709908436777>.

Mearsheimer, John J. *The Great Delusion: Liberal Dreams and International Realities*. New Haven London, 2018.

Mikheev, Vasily V. “New Soviet Approach to North Korea: A Problem of Morality in Foreign Policy,” *Korea and World Affairs* XV, no. 3 (1991): 442-456.

Minnich, James M. “The Denuclearization of North Korea: A Critical Analysis of the 1994 Agreed Framework,” *The Korean Journal of Defense Analysis* XIV, no. 2 (2002): 5–28.
<https://doi.org/10.1080/10163270209464023>.

Oh, Kongdan, and Ralph C. Hassig. *North Korea through the Looking Glass*. Washington D.C.: Brookings Institution Press, (2000).

Osgood, Charles E. *An Alternative to War or Surrender*. Illinois: University of Illinois Press, (1962).

Park, Jong-Chul. “Tasks of North Korea Policy of the Yoon Suk-Yeol Government: Déjà vu or a New Paradigm,” *International Journal of Korean Unification Studies* 31, no. 1, (June 2022): 1–35.
<https://doi.org/10.33728/ijkus.2022.31.1.001>.

- Park, Young-ho. "Issues and Prospects for Cross-Recognition: A Korean Perspective." *The Korean Journal of National Unification*, no. 3 (1994): 49–62.
- Peh, Kimberly, and Soul Park. "Staying the Course: Denuclearization and Path Dependence in the U.S.'s North Korea Policy," *North Korean Review* 17, no. 1, (2021): 57–78. <https://www.jstor.org/stable/27033550>.
- Rhee, Sang-Woo. "North Korea in 1990: Lonesome Struggle to Keep Chuch'e," *Asian Survey* 31, no. 1, (1991): 71–78. <https://doi.org/10.2307/2645187>.
- Schelling, Thomas C. *Arms and Influence*. New Haven: Yale University Press, (1966).
- Seo, Jungkun. "Agreements Without Commitments? The U.S. Congress and the U.S.-North Korea Agreed Framework, 1994-2002," *The Korean Journal of Defense Analysis* 27, no. 1, (March 2015): 107–22. <https://10.22883/kjda.2015.27.1.007>.
- Shen, Zhihua, and Yafeng Xia. *A Misunderstood Friendship: Mao Zedong, Kim Il-Sung, and Sino-North Korean Relations, 1949–1976*. New York: Columbia University Press, (2018).
- Sigal, Leon V. "North Korean Nuclear Brinksmanship, 1993-94 and 2002-03." *In North Korea and the World*, Byung Chul

**The U.S.'s Deterrence and Assurance Strategies towards
North Korea in the 1990s**

41

Koh, eds. Seoul: Kyungnam University Press, (2004): 35–60.

Snyder, Glenn Herald. *Deterrence and Defense*. New Jersey: Princeton University Press, (2016).

The National Committee on North Korea. “On Report Made by Supreme Leader Kim Jong Un at Eighth Party Congress of WPK.” January 25, 2021.

https://www.ncnk.org/resources/publications/kju_8th_party_congress_speech_summary.pdf/file_view.

U.S. Department of Defense. *A Strategic Framework for the Asian Pacific Rim: Report to Congress : Looking toward the 21st Century*. Washington D.C.: The Department of Defense of the United States, (1990).

U.S. Department of Defense. *A Strategic Framework for the Asia-Pacific Rim: Report to Congress*. Washington D.C.: Department of Defense, (1991).

UN Peacemaker. “Agreed Framework between the United States of America and the Democratic People’s Republic of Korea.” October 21, 1994. <https://peacemaker.un.org/node/1129>.

Walt, Stephen M. *The Hell of Good Intentions: America’s Foreign Policy Elite and the Decline of U.S. Primacy*. Illustrated edition. New York: Farrar, Straus and Giroux, (2018).

Yeung, Man Fung. "North Korea Situates in the Hostile Area: Kim Jong-Un's Survival Tactics between China and the United States," *Tamkang Journal of International Affairs* 24, no. 4, (2020): 99–138.

[https://doi.org/10.6185/TJIA.V.202010_24\(2\).0003](https://doi.org/10.6185/TJIA.V.202010_24(2).0003).

Yeung, Man Fung. "The Role of Economic Sanctions in Promoting North Korea's Denuclearization Revisited," *North Korean Review* 19, no. 1 (2023): 57–79 <https://www.jstor.org/stable/27217096>.

Yoon, Suk-yeol. "South Korea Needs to Step Up." *Foreign Affairs*, February 8, 2022.
<https://www.foreignaffairs.com/articles/south-korea/2022-02-08/south-korea-needs-step>.

The European Union-India Strategic Partnership: Prospects and Challenges

Mukesh Shankar Bharti*

Abstract

The purpose of this study is to describe the strategic partnership between the European Union (EU) and India. The article describes the economic partnership between both sides, which are bigger in the geography of Europe and Asia. This article also analyses the future of environmental and climate change policy on both sides. This article scrutinizes the status quo and the forthcoming potential of a revitalized European Union-India relations. This research highlights the main objective and the hypothesis of using the empirical method to discover the main results. Exploring and analyzing conceptual approaches to and key dimensions of the strategic partnership, including trade, climate policy, and development cooperation, evaluates the prospects for future cooperation. In the end, it describes the strategic recommendations for building a strong partnership between India and the European Union. As a result, the EU-India

* Mukesh Shankar Bharti is an independent research scholar with a research background in foreign policy analysis and social science research. The author holds a PhD degree in International Relations with a specialization in Central and Eastern Europe. His research area includes democracy, political institutions, European Union, Religious Politics and South Asia. ORCID No. <https://orcid.org/0000-0002-3693-7247>. Email- mukesh51_isj@jnu.ac.in.

strategic partnership is in the initial phase of achieving high expectations, which has been set as the goal at the first strategic summit in 2020. India and the EU have reached the full potential of their strategic bilateral partnership and are working towards achieving their shared goals of trade and cooperation, peace, prosperity, and stability in the region and beyond.

Keywords: The European Union, India, Economic and Trade, Strategic Partnership, Investment.

The European Union-India Strategic Partnership: Prospects and Challenges

45

I. Introduction

The relationship between India and the EU dates back to the establishment of diplomatic ties with the European Economic Community (EEC) in 1963. While the EU is one of India's largest trade partners, it is only recently that a new, more political dimension was added to the relationship.

The first India-EU Summit took place in Lisbon in June 2000 and marked a watershed in the evolution of the relationship. In 2004, the 5th India-EU Summit meeting at The Hague endorsed the proposal to upgrade the India-EU relationship to the level of a "Strategic Partnership" and a Joint Action Plan (JAP) was adopted at the Sixth India-EU Summit meeting held in New Delhi in 2005. An analysis of the JAP, however, fails to capture the shift of the geopolitical center of gravity to Asia and India's growing significance in world politics. This article analyses EU-India relations in the context of the changing global strategic landscape.¹

The EU leaders agreed to establish a strategic partnership with India on the July 15, 2020, during the EU-India Summit. Both side leaders' warmth supports the "EU-India Strategic Partnership: A Roadmap to 2025" as the common blueprint for joint action on the further course of strategic cooperation. This

¹Ministry of External Affairs. "India-EU Relations," Government of India, July 2013, https://www.mea.gov.in/Portal/ForeignRelation/India-EU_Relations.pdf.

roadmap works strategically together to accelerate multidimensional partnerships in various fields over the next five years. The EU-India strategic partnership has written a lesson for successful bilateral multi-dimensional relations. India seems to cooperate with the EU in several fields to mitigate the Chinese expansion in South Asia and as well in the Indo-Pacific Ocean region. The EU's strategy works for uniting the member countries, national development banks, and European financial institutions to engage with India for mutual understating to expedite the bilateral strategic partnership. The EU-India strategic cooperation is based on the following six approaches: "the level of standard and belief in democratic systems; transparency and better governing process; reciprocal cooperation; clean and green positions; security is a prime concern; improvise the private sector for the investment." This concept is using the test of the EU-India strategic partnership. On 15th July 2020, the virtual format Summit holds between India and the EU. The Indian Prime Minister Narendra Modi represents the country in this Summit and the EU was represented by the President of the European Commission and European Council. Both sides' leaders agreed to strengthen the strategic partnership which is based on the common understanding of liberal principles and norms of democracy, rule of laws, freedom, and respect the human rights. Thus, this mutual understanding between India and the EU shapes the people's benefits from both sides.

The European Union-India Strategic Partnership: Prospects and Challenges

47

The EU and India had stopped their strategic cooperation in 2013, at that time both sides were unable to negotiate on some issues. *“The lack of an EU-India summit since 2012, the stalled trade talks that began in 2007 but have been frozen since 2013, and the lingering case of the Italian navy personnel arrested in India over the death of two fishermen illustrate some of the obstacles in the bilateral relationship.”*² There are Major regional crises have been happening in the last decade, for example, Libya, Syria and Ukraine crises have estranged Europe and India’s bilateral cooperation as well. In recent two years, once again India and the European Union accelerating the strategic partnership after the Porto Summit in 2020. The Indian foreign policy shifted the external affairs toward Europe because of China’s rise in this region and circle India in the context of the BRI projects. India needs to reinforce its position with the EU and the European countries for extensive economic engagement. Till now, India has had a fragile strategic partnership with the EU in comparison to other global powers.³ To what extent is the EU-India strategic

² Javier Solana. “The European Union and India.” Brookings. August 27, 2014. <https://www.brookings.edu/research/the-european-union-and-india/>; Angela Stanzel and Christian Wagner, “Conclusion: A Fresh Start for Europe and India.” European Council on Foreign Relations. October 2020. https://ecfr.eu/special/what_does_india_think/analysis/conclusion_a_fresh_start_for_europe_and_india#.

³ Emilian Kavalski. “The European Union and India: A Reluctant Partnership Between Aspiring Global Powers,” in the European Union’s strategic partnerships: Global Diplomacy in a Contested World, ed. Laura C Ferreira-Pereira and Michael Smith, (Cham: Springer, International Publishing, 2021): 201. https://doi.org/10.1007/978-3-030-66061-1_9.

partnership successful? How do the EU and India promote bilateral cooperation after adopting the 2025 roadmap? This study investigates appropriate outcomes in the context of the above research questions. Further, the research hypothesis is “whether the historical link of India-EU trade partners and the Hague bilateral Summit held in November 2004 do not bring comprehensive results.” This research uses the primary data from the various websites of the government’s associated ministry, think tanks, online newspapers and secondary data from published articles, and books.

II. Literature Review and Theoretical Background

After the collapse of the former USSR, the concept of strategic cooperation highly emerged among the regional powers in the world. There are several countries initiated in a flexible manner to build strategic partnerships with a lonely superpower. In this context, the EU also expedite external affairs beyond the European continent. The Lisbon Treaty paved the way for the EU’s extensive foreign policy across third countries worldwide. This treaty holds on December 1, 2009, in Lisbon, Portugal. The Treaty has brought tremendous reform in the context of European external affairs course of action to the establishment of strategic relations. Later, the EU focuses on strengthening bilateral cooperation and pioneer the High Representative for Foreign Affairs and Security Policy which came into force as a new

The European Union-India Strategic Partnership: Prospects and Challenges

49

European diplomatic unit. According to the rule of laws of this treaty, the EU appointed the new president of the European Council (EC). Herman Van Rompuy as president of the EC initiated strategic cooperation and review the relationship with key partners from the world. Further, the strategic cooperation started with the United States (US), Canada, Russia, China, India, Japan, and Brazil.⁴

The 15th Summit between India and the European Union opens strategic cooperation. It is a historical fact that the world's two largest democracies agreed to multidimensional agreements for sustainable development, promoting human rights, open trade, and support for the rules-based world order.⁵ EU-India reviewed the strategic cooperation on October 19, 2021, during its 3rd Summit in Brussels. In this review meeting, both sides agreed to work together to tackle the COVID-19 and strengthen the economy and societies. In May 2021, EU-India agreed to the future roadmap of strategic cooperation to 2025.⁶ The EU-India accelerates comprehensive political dialogue to strengthen the

⁴ Thomas Renard. "The Treachery of Strategies: A Call for True EU Strategic Partnerships." Egmont–The Royal Institute for International Relations, September 18, 2022. <https://aei.pitt.edu/32321/1/ep45.pdf>.

⁵ EEAS. "EU-INDIA Strategic Partnership a Roadmap to 2025." The European External Action Service, July 2020. https://www.eeas.europa.eu/sites/default/files/eu-india_factsheet_2020-07.pdf.

⁶ Ministry of External Affairs. "Joint Press Release on India-EU Strategic Partnership Review." Government of India, October 19, 2021. https://mea.gov.in/press-releases.htm?dtl/34402/Joint_Press_Release_on_India_EU_Strategic_Partnership_Review#:~:text=The%203rd%20India%2DEU%20Strategic,societies%20as%20well%20as%20individuals.

bilateral cooperation in February 2021. The Brexit impacts are limited to the EU-India bilateral partnership since 2016. The EU-India high level of political dialogue shapes the strong strategic cooperation.⁷ Since the 1970s, EU-India has focused on trade and economy as core areas for cooperation. During 2019-20, India-EU trade reached USD 104.93 billion, the Indian exports comprising USD 53.73 billion worth and imports of USD 1.2 billion. Foreign direct investment (FDI) has increased between India and the EU by around USD 109.55 billion.⁸ As of 2021, the EU stood as India's third-largest trading partner, with substantial trade flows in both directions. Additionally, EU foreign direct investment (FDI) in India reached USD 95.21 billion in 2020, indicating strong economic ties between the two entities. Nearly 15% of Indian exports being directed to the EU in 2021 further underscores the importance of this trade relationship for India's economy. India is a key partner of the EU from the South Asian region in the area of economic, political and strategic reasons. The EU wants extensive ties up in the Indo-Pacific region which is why India is too important for strategic cooperation. India is an emerging world economy, and its geography is surrounded by

⁷ Robert Schuman Foundation. "Europe-India: New Strategic Challenges". The Research and Studies Centre on Europe, December 13, 2021. <https://www.robert-schuman.eu/en/european-issues/0616-europe-india-new-strategic-challenges>.

⁸ Ankita Dutta. "Unpacking the India-EU Economic Relationship." Observer Research Foundation, April 16, 2021. <https://www.orfonline.org/expert-speak/unpacking-india-eu-economic-relationship/>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

51

the sea and oceans which is a better landmark for trade and business. After Brexit, the EU seems to have a strong economic knot in the world and India can accelerate the EU's economic aspects.⁹

Although, while there has been a notable increase in merchandise exports from the European Union (EU) to India over the years, the rate of growth may not be sufficient to significantly diversify the EU's economic relations. Despite the growth in exports from US\$12.6 billion in 2000 to US\$46.3 billion in 2021. The estimated trade volume of \$135 billion in the fiscal year 2022-23 represents an increase from US\$116 billion in the previous fiscal year (FY2022). However, considering the size and economic capabilities of both India and the EU, there is room for further expansion in trade relations.¹⁰

⁹ Sangeeta Khorana. "The European Union-India Strategic Partnership: An Examination of the Economic Aspects." In *EU-India Relations. Contributions to International Relations*, edited by Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava, and Gisela Müller-Brandeck-Bocquet. Springer, Cham, (2021): 141-151.

https://doi.org/10.1007/978-3-030-65044-5_7.

¹⁰ Sushma Ramachandran. "India-EU FTA is a win-win for both economies." Deccan Herald, December 14, 2023.

<https://www.deccanherald.com/opinion/india-eu-fta-is-a-win-win-for-both-economies-2810694>.

Kavalski discusses the EU and India's strategic partnership in the historical connection between South Asia and Europe.¹¹ For instance, India has been acknowledged by the European Commission since the 1960s. The Indian foreign policy also wants to engage with the EU in trade and economic cooperation on a larger scale. India is the first country from the South Asia region, which started diplomatic coordination with the EU. Because the EU was emerging as a stronger regional organization in the European continent. India has focused on four key areas of the strategic partnership with the EU: (1) Both sides are increasing trade and investment, which is the prime goal to achieve. India is reaching out to the European market and the EU seems to contribute to the growth of Indian products in the European market; (2) India-EU enhances strategic support to each other in the age of multi-alignment. The Indian foreign policy works to make economic cooperation simultaneous with the major powers in the world; (3) this economic engagement is based on the respect for sovereign equality of the partner groups. It is supporting the comparative advantage and understanding of the benefits and interests of partner countries in the context of mutuality; (4) it is a kind of strategic partnership that supports

¹¹ Emilian Kavalski, "The EU-India Strategic Partnership: Neither Very Strategic, nor Much of a Partnership." *Cambridge Review of International Affairs* 29, no. 1 (2016): 192-208.
<https://doi.org/10.1080/09557571.2015.1007031>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

53

each other as a form of extensive trade and economic cooperation according to the reciprocal benefits.¹²

During the Cold War, the Indian government changed its foreign policy, strengthened the third-world countries, and united under the Non-Alignment Movement (NAM). The former Prime Minister Pandit Jawaharlal Nehru pioneered the Indian foreign policy according to the norms of soft power politics using the tool of cultural and spiritual links. Indian external affairs widely use Bollywood (Indian film industry), Yoga and Ayurveda, the Indian diasporic communities and its cuisine to shape the bilateral and multilateral collaboration in the world. Prime Minister Narendra Modi accelerated the strategic partnership according to the norms of soft power politics since 2014.¹³ There are several visits of Prime Minister Narendra Modi to the European countries, the Indian diasporic communities enthusiastically participate in the program and PM Modi orates the Indian communities. The Indian Prime Minister Narendra Modi made many state visits to European countries since came into power in 2014. Last year's visit to Germany, Denmark and France was historic starting from May 2 to 4, 2022. India and Germany have had deeper diplomatic ties since the eve of May 2000, when both countries started a

¹² Rajendra K. Jain and Gulshan Sachdeva. "India-EU Strategic Partnership: A New Roadmap." *Asia Europe Journal* 17, no. 3 (2019): 309–325.
<https://doi.org/10.1007/S10308-019-00556-0>.

¹³ Joseph Nye. *Soft Power: The Means to Success in World Politics*. New York: Public Affairs, (2004).

strategic partnership. Both countries also launched the “Inter-Governmental Consultations (IGC)” in 2011 to provide stability to the bilateral partnership. Prime Minister Modi’s visit to Germany started the 6th IGC which had been postponed during the Coronavirus outbreak. Modi’s Visit to Europe nations is more effective and impacts its bilateral cooperation to strengthen deepening trade and economic cooperation from the bilateral to the multilateral level. The EU Member States and non-EU countries also focus on the Indo-Pacific framework of strategic partnership and support the Indian position in this region. Modi also successfully brought European entrepreneurs to invest in India under the “Make in India” policy of the government.¹⁴ India is now working on these issues with its European partners, i.e., sustainability, climate change, digitization, cyber security, preservation of oceanic biodiversity, innovation, technology, space cooperation, defense, and renewable energy.

III. Data and Methods

This article highlights the Indian perspective on global governance: must have liberal democratic norms, people representatives, and advocacy for a legitimate bilateral

¹⁴ Shubhajit Roy. “Explained: The Significance of PM Narendra Modi’s Europe Tour.” *The Indian Express*. May 2, 2022. <https://indianexpress.com/article/explained/explained-the-significance-of-pm-modis-europe-tour-7896689/>; Anandita Bhada, “Prime Minister Modi’s Europe Visit: An Analysis.” *MP-IDSA*. May 30, 2022. <https://idsa.in/issuebrief/prime-minister-modi-europe-visit-abhada-300522>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

55

partnership. The empirical analysis uses various data to find out the main objectives of bilateral strategic cooperation between the EU and India. In recent times, the global powers are searching the consumer market to sell out the products in foreign markets. India is known for its 1.3 billion inhabitants across the country, which is the 2nd largest population in the world after China. In recent years, the purchasing power of the general people has increased in the country. Thus, India is a big market to sell different kinds of products. After the end of the 2nd World War, many countries are suffering from the fragile economic and political systems in countries. Most of the European countries are widely dominated by third world or developing countries. The emergence of the EU as a global regional economic power and decided by the EU's core committee to cooperate with the global economic powers to remove poverty alleviation and welfare the mass people in the world. The EU's prime objective is to establish a strategic partnership to support the up-gradation of people's living standards in the context of improving social, economic, and skill-based education.¹⁵

The primary data was collected from various websites of the think tanks, EU officials' data, newspapers op-ed, online libraries materials and various databases to describe the EU's strategic partnership with India on a larger scale regarding gaining

¹⁵ Thomas Diez. "Constructing the Self and Changing Others: Reconsidering 'Normative Power Europe.'" *Millennium: Journal of International Studies* 33, no. 3 (June 2016): 613–636. <https://doi.org/10.1177/03058298050330031701>.

partnerships in the maritime domain and economic cooperation in the Indo-Pacific region. In New Delhi during the Raisina Dialogue 2020, Mr. Josep Borrell, High Representative of the European Commission, talked about the EU and India's strategic partnership must be shaped in a stronger way for better bilateral cooperation.¹⁶ India is an influential regional partner from the South Asia region to support the EU's willingness in the Indo-Pacific region. The emergence of China across the globe in the context of the flagship economic project the Belt and Road Initiative (BRI) and India is wary of China's rising in maritime business routes. To counter the circling of India by the Chinese economic policy to pave the India-EU strategic partnership in the Indo-Pacific region. The EU decides to invest in India to boost bilateral cooperation. The EU's Euro 300 billion investment projects as an international fund to the cementing the ground together.¹⁷

India is the bigger emerging consumer market in the world with 580 million middle-class inhabitants who can strengthen the foreign market across the country. The EU countries bind by double tax treaties with India, this treaty is reducing profits tariffs.

¹⁶ Josep Borrell Fontelles. "EU High Representative-Vice President, Speech at Raisina Dialogue 2020." Observer Research Foundation, January 21, 2020. <https://www.orfonline.org/expert-speak/after-the-5th-raisina-dialogue/>.

¹⁷ Jagannath Panda. "India Could Make or Break the EU's Global Gateway." The National Interest, January 16, 2022. <https://nationalinterest.org/feature/india-could-make-or-break-eu%E2%80%99s-global-gateway-199454>.

The European Union-India Strategic Partnership: Prospects and Challenges

57

It is the best opportunity for the EU countries to invest world's fastest emerging markets. The EU and India have agreed to implement a future course of action with strengthened the roadmap of 2025 in the context of strategic partnership.

IV. EU's Penetration into the Indian Market

The EU-India trade in goods reaches the worth of Euro 62.8 billion, and the EU becomes the third-largest business partner of India in 2020. India has 11.1 percent of total trade and commerce in comparison to China reaches 12 percent and the US shares an 11.7 percent of trade partnership with the EU. The EU receives 14 percent of the total Indian export as the second largest in the world. India becomes the 10th largest trading partner of the EU in 2020 accounts 1.8 percent of total trade between both sides. India is still behind the Chinese shares with 16.1 percent, the UK shares 12.2 percent and the US shares 15.2 percent of total trade in 2020. Trade has increased between the EU and India by 72 percent since 2010. In 2020 the trade in services between both sides increased tremendously and reached Euro 32.7 billion. During the last decade, the EU's investment inflows increased from eight percent to 18 percent. In 2019, the EU's FDI stocks amounted in India to Euro 75.8 billion. Moreover, the EU's foreign direct investment stocks in China is reached Euro 198.7 and Brazil has FDI from the EU of around the Euro 318.9 billion. There are six thousand EU companies are investing across the country and have shared

with the Indian companies. It creates 1.75 million direct jobs and indirectly provides employment to around six million people. The jobs are created in various manufacturing and construction companies in various Indian states.¹⁸

There are tremendous opportunities for EU entrepreneurs to access the Indian market to take the upper hand through the comprehensive interconnection between both sides. The Indian middle-class population is significant in comparison to the US because they are younger and become the largest middle-class consumer inhabitant by 2025. India is a significant country in the South Asia region because of its fastest-growing economy and holds 6th position in the world. India has a large population of around 1.3 billion and ranks second after China in the world. There is a cheap labor market across the country and people need employment on a larger scale in the country. The FDI will create thousands of jobs for unemployed people and the EU seems to invest in India. EU investment in India would create job opportunities for the Indian people. India is a much more suitable for EU Member States for investment because of growing consumerism in the country is worth importance to accelerate market economy. The World Bank's survey and its assessment

¹⁸ Chris Devonshire-Ellis. "EU, India Announce 'Comprehensive Connectivity Partnership.'" India Briefing, May 10, 2021.

<https://www.india-briefing.com/news/eu-india-announce-comprehensive-connectivity-partnership-how-eu-businesses-can-benefit-22257.html/>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

59

show that the increasing market value of South Asia is the prime location for the EU's investments.¹⁹

V. The Key Priorities Areas for Strategic Partnership and Challenges

The environmental issue is key agenda to strengthen the norms of climate change. The EU is keen to support the Indian authority in the implementation of the Paris agreement. To adopt the policy to transform a resource-efficient economy process. Both sides agreed to accelerate the complete transformation of clean energy and make attention to renewable energy. There is a need to work for action on climate and energy at the municipal level and other platforms as well. India is applying the provision of the Paris Agreement on different projects in the country. There is huge cooperation between India and the EU to establish clean energy and climate projects in the country. There are several solar and disaster-resilient infrastructures nurtured by the different agencies and shaping the way of agreement. The new strategic cooperation is focusing on a circular economy in the context of resource efficiency and adding the air pollution, plastic and litter from the marine. Water is a burning issue for any country that's why the EU wants a strong policy to save drinking water across

¹⁹ Simant Shankar Bharti. "Strengthening the Development Partnership between the EU and South Asia: A Contemporary Analysis." *Slovak Journal of Political Sciences* 20, no.2 (2020): 278–98.
<https://doi.org/10.34135/sjps.200205>.

the world. India is working the increasing urbanization on a larger scale and the smart city planned launch by the PM Modi in India and the EU is boosting the Indian aspirations.²⁰

Open fair trade and economic cooperation is key agenda of the EU and India. The post-pandemic recovery through the joint workforce. The creation of such jobs minimizes the unemployment rate and promotion of sustainable economic growth. There is a force for a regular meeting between the EU delegation and its Indian counterpart at the high level. Strategic cooperation is based on concrete balanced, ambitious and mutually beneficial business and financial agreements for each other. There is a consensus between India and the EU to strengthen and reform financial institutions for enhancing collaboration on global governance for wider economic growth. In G20, the EU focuses that Indian cooperation is necessary to accelerate trade and investment. Security issues and foreign policy is key agenda for the strategic cooperation between the EU and India. Both sides agreed to enhance meetings and dialogue on concurrent issues. To support the peace process and regional development, the fight against terrorism, non-proliferation and the rule of laws make a reality for the state. The EU and India seem to bind with enhanced cooperation in various key organizations to set up a conversation and talk on maritime security. The

²⁰ EEAS. "EU-INDIA Strategic Partnership a Roadmap to 2025." The European External Action Service, July 2020.
https://www.eeas.europa.eu/sites/default/files/eu-india_factsheet_2020-07.pdf.

The European Union-India Strategic Partnership: Prospects and Challenges

61

dangerousness of cybercrime is emerging at a huge level in the world, India and the EU seriously want to work together to strengthen cyber security. The digitalization process and human rights are also prime concerns of the strategic partnership. The Indian government promoted a digital India campaign across the country, when PM Modi came in power in May 2014 enhanced the digital promotion in the offices and his government continued work on it. And how to restrict cybercrime is a big issue and challenge to the world's security. The EU and India support each other and cooperate on the establishment of digital infrastructure, a free, secure and stable cyberworld. There is the main focus on regulating the service norms and the framework for regulations and both sides' diplomacy is working for mutually benefitted. The trustworthy intelligence is a challenge to the establishment of the EU and India for accelerating the strategic partnership. And the issue of human rights is also a significant part of the strategic partnership between the India and EU. The saving of children's rights and women's empowerment is a big concern for global governance. Proportional representation in constitutional bodies, gender equality and their fundamental rights are needed to be fulfilled by the international organization and agencies.²¹

Furthermore, the EU and India have collaborated to expedite the smart city projects in India. The EU companies support

²¹ European Council. "EU-India Strategic Partnership: A Roadmap to 2025." Council of the European Union, January 20, 2020. <https://www.consilium.europa.eu/media/45026/eu-india-roadmap-2025.pdf>.

urbanization, sustainable water, pureness of air quality, and waste management. Health and family welfare are the strong areas where the EU and India cooperate to promote health security and COVID-19 preparedness. The EU is providing a huge number of scholarships to Indian students, researchers and professors in the context of interchanging the ideas, exchanging norms, and promoting research and training. The Marie Skłodowska-Curie Action, Erasmus Plus, Erasmus Mundus, and Horizon Europe scholarship programs provide a large number of scholarships and grants to study in the EU countries. The comprehensive space research collaboration, civil aviation and modernization of the Indian railways are key agendas of strategic partnership as well.

VI. The EU's Asia Strategy: Challenges to a Strategic Partnership

*“At global level, the EU is the most successful example of regional integration and durable peace between countries and yet ‘the idea of Europe’ resonates differently in different regions of the world. The biggest challenge in assessing the EU as a global economic, political and security actor lies in the fact that it is constantly evolving”.*²²

²² Ummu Salma Bava. “The EU and India: Challenges to a Strategic Partnership,” in *Partnerships for effective multilateralism: EU relations with Brazil, China, India and Russia*, edited by Giovanni Grevi and Alvaro de Vasconcelos. Paris: European Union Institute for Security Studies (EUISS), (2008): 105-114. <https://www.jstor.org/stable/pdf/resrep07023.10.pdf>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

63

It is a reality that for long period the EU doesn't show a deep interest to catch out India from the South Asia region which is a huge supporter of democracy, peace and prosperity at the global level, what the EU spreading its basic norms through the Copenhagen criteria for its member countries. Although some of India's strategic interests converge with those of the EU, both have varied global aspirations. While India is the only non-western democracy in South Asia and normatively the closest to western democratic values, its actual democratic practice did not gain the recognition of the West for a long time. In the past, the EU also showed a tendency to lecture India on its human rights record. However, the EU's proactive engagement with China, although the latter is not a democracy, reinforces the sense that, despite the emphasis on normative values, the EU is also driven by realist considerations based on trade.²³ The EU and China Summit was held on April 1, 2022, after a gap of almost two years. Which was failed to bridge the increasing gap between China and the EU raised the questions of Ukraine, Hongkong and sanctions against Members of the European Parliament and talked on human rights violations. There are no such challenges

²³ Mukesh Shankar Bharti. "The Sustainable Development and Economic Impact of China's Belt and Road Initiative in Ethiopia." *East Asia* 40, no 1 (2023): 175–194. <https://doi.org/10.1007/s12140-023-09402-y>.

receiving India from the EU and China partnership.²⁴ While India's perception of the EU is at its highest position for international cooperation and respect for human rights. Due to the French support to India in the EU, now India and EU strategic partnership accelerating.²⁵

India and the EU agreed on cooperation in the area of environment and global warming. These areas of cooperation are cementing the bilateral strategic partnership. As befits the gravity of its potentially existential consequences, Climate Change has become the most concrete pillar in the India-EU cooperative. While the Paris Agreement signified the convergence of historically divergent viewpoints, it is the steps taken since 2015 that have truly cemented the partnership between the two parties. Climate changes are a bigger concern for world communities and create major challenges for the global population. The Paris Agreement shows the way to work together on behalf of the world communities to restrict carbon emissions. India is very keen to work with the EU on emerging issues that are dangerous to human life.²⁶

²⁴ Niranjana Marjani. "The China Factor in India's Engagements with Europe." *The Diplomat*, April 30, 2022.

<https://thediplomat.com/2022/04/the-china-factor-in-indias-engagements-with-europe/>.

²⁵ Bava. "The EU and India."

²⁶ Konrad-Adenauer-Stiftung. "The India-EU Partnership: A New Era of Multilateral Cooperation." KAS, accessed January 10, 2023.

<https://www.kas.de/documents/264392/264441/India-EU+Partnership.pdf/77f956c7-c3b8-5cd3-7423-3baff401b6c6?version=1.0&t=1584011443441>

**The European Union-India Strategic Partnership:
Prospects and Challenges**

65

In the maritime domain, both sides enthusiastically adopted the policy in cooperation towards the Pacific and Indian Ocean regions. Maritime security has emerged as a critical area of cooperation between India and the European Union. Security is one of the key sectors where India and the EU want a mutual partnership. Both sides agreed to work on the restriction of cross-border terrorism and cyber security. It has been set up to facilitate exchange of best practice on addressing cybercrime and strengthening cyber security and resilience. The EU and India seem to work on the development of drone technology to the boosting of new warfare and strengthen security. The French side is backing the EU to deeper cooperation with India in the Indian Ocean Region. The growing importance of sea routes for business purposes is important for the EU to get support from India in the region. The emergence of non-conventional methods of warfare was deemed a significant area of future cooperation wherein through initiatives such as NATO's Science for Peace and Security, India and the EU can forge global standards around the use of new weapon systems such as drone technology. EU - India Clean Energy and Climate Partnership to promote access to and disseminate clean energy and climate friendly technologies and encourage research and development.

Both sides also working in the space area, India's ISRO and the EU's European space agency have cooperated in various space activities. An ISRO-ESA Arrangement concerning network and

operations cross-support which will enable the use of the ground stations to support each other's spacecraft missions was signed recently. ISRO has contributed towards Galileo- the global navigation satellite system (GNSS). *"The EU will continue to encourage India to open up its economy to strengthen its international competitiveness, benefit from a better integration into global value chains, and increase its share in global trade, to bring it more in line with its growing share of global GDP,"* it asserted. The on-going talks on a long-pending broad-based trade and investment agreement (BTIA) is also mentioned in the strategy paper, with the European Commission asserting that the final text should be *"balanced, ambitious and mutually beneficial"*. In terms of investment in talent and innovation, the strategy calls for increase in outreach activities by the EU and its member states to attract more Indian participation in EU programs through fairs, workshops, and seminars at state and city level. It also calls for more engagement in joint activities for cultural heritage preservation and promotion in both EU and India, to further promote tourism to the EU, and support youth-exchanges.²⁷

²⁷ Ankita Dutta. "EU's Strategy on India: Time to Revitalise the Natural Partnership." Indian Council of World Affairs, February 1, 2019. https://www.icwa.in/show_content.php?lang=1&level=3&ls_id=4814&lid=2837.

The European Union-India Strategic Partnership: Prospects and Challenges

67

VII. India's role in EU's Indo-Pacific policy

Since the initiatives of the concept of the Indo-Pacific, India become the central agenda of the US and other Pacific countries. Because India has a larger coastal, land and some islands in the region that's why India is an important resident player in the Indo-Pacific region. The Growing China presence in the region is challenging the western allies and the French government to understand all the future scenarios in the region. The French government wants the EU's deeper cooperation with India to counter its rival block in the entire region. As the EU seeks to engage deeper in the Indo-Pacific, strengthening its partnership with India will be crucial. With the rise of China, the EU needs a powerful alliance and a stronghold in the Indo-Pacific security architecture. Also, the speed with which the EU is reshaping its Indo-Pacific agenda speaks of the realization of how China aims to increase its pre-eminence within the established world order, and even fundamentally revise it. Therefore, Europe's new strategic orientation towards India in the Indo-Pacific and India's priority towards maintaining its strategic autonomy with Europe will help build a robust relationship.²⁸ The 16th India–EU summit in 2021, the EU announced its Indo–Pacific Strategy which

²⁸ Sunil Prasad. "EU-India Relations in a Changing Strategic Environment." EURACTIV. August 2, 2022, <https://www.euractiv.com/section/eu-india/opinion/eu-india-relations-in-a-changing-strategic-environment/>.

highlights Europe's interest in the region coupled with its ambitions to counter its systemic rival.

VIII. Major Challenges for the EU - India Strategic Partnership

Since India-EU launched the 'strategic partnership' in 2005, both sides focus to deepen the bilateral partnership through multiple cooperation. The main challenge is to focus on unified cooperation with the EU and not on separate cooperation with the EU Member States. Between 2012-16, India and the EU halted more annual and other summits that have shown the downside of strategic cooperation. India and the EU have challenges to stop the negative sides to operationalize smooth strategic cooperation, it is a challenge for both sides to address and overcome the obstacles. The EU and India bilateral partnership has not yet fulfilled several criteria of potential strategic ties. The growing importance of the Indo-Pacific region is one of the key components as a form of geopolitical connectivity to accelerate political and economic interests with the help of India to start deepening multi-cooperation. India also realized that in the Pacific and Indian Ocean regions, there is a great need for European assistance to counter China's aggression in the maritime domain. Indian Prime Minister Narendra Modi is supporting and favoring the EU's position and strategic partnership with India

**The European Union-India Strategic Partnership:
Prospects and Challenges**

69

and the Indo-Pacific concept of political and economic cooperation.²⁹

The EU's aim is to play a greater role in the arena of geopolitics and geoeconomics through connectivity in the Indo-Pacific. Where India is a key residential player and an emerging economy which is ranked 5th position in the world. The EU and India both sides are agreed to work together to achieve a win-win formation through deeper connectivity. In this regard, the EU institutions started pragmatic cooperation with Indian entrepreneurs in different key strategic sectors. India is also providing leverage to the EU's developing agenda in the country.³⁰ Cabotage restriction is a key challenge affecting the EU's operation in India. This is causing the EU's shipping sector competitiveness towards India. On the connectivity parameter, India lags behind most EU countries with sub-optimal levels of investment and technology transfer. Where EU countries have a capital-rich and technologically advanced Europe in deeper sectors related to connectivity in India. At the multilateral front, The EU and India must work to uphold the legacy of the fundamental principles of the World Trade Organization (WTO) and strengthen the rules-based multilateral trading system. Both

²⁹ Robert Schuman Foundation, "Europe-India."

³⁰ Arun S Nair. "India-EU Connectivity Partnership: Potential & Challenges." July 2020.

https://www.ris.org.in/sites/default/files/Publication/DP%20250%20Arun%20S%20Nair_1.pdf.

sides should also focus on and engage in issues that affect international trade. India and the EU's governance should manage in a suitable manner to address major recurring development challenges.³¹

The major challenge is how India and the EU cement their bilateral re-engagement to enhance bilateral strategic cooperation which is in a fragile position. Since the growing importance of India in the Indo-Pacific framework of global attraction to gain geopolitical mileage in this region, the EU acknowledge India again to restart the bilateral talk after 2016. The EU's diplomacy and thinking process is far ahead of India's aid recipient from the EU and its Member States. The EU sees India as a development partner rather than just a beneficiary. This type of new transition has brought the EU towards India's commitment to economic and trade cooperation.³² India has been facing geopolitical challenges from China's Belt and Road Initiatives in the South Asia region. China's military adventurism in the Indo-Pacific region is threatening India and its alliances in this region, where India wants deeper strategic partnerships with the Europeans to counter futuristic challenges from opponent alliances. India and the EU also committed to working on climate change to save the

³¹ Bharti. "Strengthening the Development Partnership between the EU and South Asia."

³² Pascaline Winand. "The European Union and India: From Donor-Recipient Relations to Partners in Development." *Global Affairs* 7, no. 4 (2021): 579–95. <https://doi.org/10.1080/23340460.2021.1961597>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

71

environment from global warming.³³ The post-COVID era is a challenge for every nation to maintain a supply chain because the Coronavirus outbreak damaged the global supply chain, which is also a major challenge for India and the EU how to drive trade and economic cooperation. The 2025 roadmap would support India and the EU's future cooperation without any kind of obstacles to cement a deeper strategic partnership. Both sides are also aware of maritime security and this roadmap adopted cooperation in security domains to provide safe and secure maritime.³⁴

³³ Amrita Narlikar. "Scripting a Third Way: The Importance of EU-India Partnership." Observer Research Foundation, April 28, 2022.
<https://www.orfonline.org/expert-speak/scripting-a-third-way/>.

³⁴ Saheb Singh Chadha and Nidhi Varma. "India and the European Union: Next Steps in Strategic Partnership." Brookings, July 16, 2020.
<https://www.brookings.edu/events/india-and-the-european-union-next-steps-in-strategic-partnership/>.

IX. Discussion and Results

Table 1: India – EU Bilateral Relations

Year	Cooperation Areas	Talk
1962	Enhancement of diplomatic relations between India and the European Economic Community (EEC)	Successful
2017	European Investment Bank (EIB) opened its first office for the South Asian Region in New Delhi	Successful
2020	India–EU Strategic Partnership: Roadmap to 2025	Successful
2020	Establishment of a High-level Dialogue on Trade and Investment (HLDTI)	Successful
2021	Resumption of Free Trade Negotiations	Successful
2021	Inaugural India–EU Maritime Security Dialogue	Successful

Source: https://www.mea.gov.in/Uploads/PublicationDocs/34894_MEA_Annual_Report_English.pdf

Table 1 shows that the 15th India-EU Summit opens the door for successful strategic partnership and all negotiations and talks are successful. The Indian government under the leadership of Prime Minister Narendra Modi is keen to make strong trade and investment between India and the EU.

The European Union-India Strategic Partnership: Prospects and Challenges

73

Table 2: The EU Member Countries Imports Goods from India, 2020

Country	Euro in Million	% of India in extra EU imports	Country	Euro in Million	% of India in extra EU imports
Germany	7013	1.9	Romania	314	1.5
Italy	4236	2.7	Slovenia	272	1.8
Netherlands	3923	1.3	Finland	225	1.3
France	3899	2.3	Malta	174	8.9
Belgium	3867	2.9	Slovakia	151	1.1
Spain	3052	2.5	Bulgaria	144	1.2
Poland	1293	1.8	Croatia	113	2.1
Portugal	633	3.7	Cyprus	76	2.4
Sweden	616	1.5	Lithuania	54	0.6
Denmark	601	2.3	Latvia	52	1.4
Austria	5.36	1.5	Estonia	30	0.8
Czechia	462	1.1	Luxembourg	6	0.3
Ireland	440	0.8	Hungary	419	1.4
Greece	415	2			

Source: Eurostat online date code 2020

In recent years, the EU and India's bilateral relations have witnessed the progress of economic and political convergence turn into an extensive strategic partnership. The Chinese economic engagement growth in the context of the Belt and Road Initiatives (BRI) and the “17+1” framework is one of the causes of Indian strategic partnership with the EU.³⁵ Because of China’s growing economy and its policy to circle the Indian stances in South Asia and the Indo-Pacific to force the Indian authorities to do something with other regional power like the EU and the

³⁵ Mukesh Shankar Bharti. “The Evolution of China’s Economic Engagement in Central and Eastern Europe.” *Economic and Regional Studies* 15, no. 1 (2022): 90–106. <https://doi.org/10.2478/ERS-2022-0007>.

Association of Southeast Asian Nations (ASEAN). The geopolitics challenges are a great concern for the EU and India. India and the EU have many similarities in sense of liberal democracy, linguistic diversities, and multipolarity, both sides accelerate strategic partnership. This similarity causes better trade and economic cooperation between the EU and India. This research highlights the future of this strategic partnership is bright and sustainable.³⁶

The EU focuses on the development of economics and has been transforming the various infrastructural settlement in third world countries. Thus, the EU is a key promoter of liberal democracy, and its allied institution vested the development projects in all the South Asian countries. India is bigger in geography in the region and its growing importance in the Indo-Pacific brought India and the EU into a strategic partnership. The EU's development economic discourse brought multi-dimensional development to the developing countries in the South Asia region. There is a need for economic transformation in developing countries and the EU's the trade and investment support the development of public welfare institutions. The Sustainable Development Goals (SDGs) are the central part of the EU's foreign policy to invest in the reconstruction and establishment of manufacturing units in developing countries.

³⁶ Rahul Kamath. "India and the European Union: A Relationship yet to Achieve Its True Potential." Observer Research Foundation, February 8, 2022. <https://www.orfonline.org/expert-speak/india-and-the-european-union/>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

75

India is the recipient of the larger scale of EU funds for the various developing sector in the country.³⁷

The EU is a promoter of peace and regional security across the world. India has been suffering cross-border terrorism in the northern part of India. The country has grave security issues in the South Asia region. The EU supports the Indian stance on the Kashmir issues of counterterrorism. The EU accepts thousands of immigrants from the South Asian region. In the recent circumstances in Afghanistan, the EU supported maintaining the rule of law and security in the South Asian cases. The EU also fund rural economics and agricultural development in India as well in South Asia.³⁸ The main debate is that India wants a wider strategic partnership which is why the EU and India adopted the 118 points agenda for 2025. These 118 points MoUs signed between India and the EU shaped the roadmap to 2025. The EU enunciated the Indo-Pacific policy in April 2021, which is easily reachable to the Indian territory. Thus, the EU is also eager to invest in India and pioneer the Indo-Pacific Maritime business routes. The Indian Prime Minister Modi attended the virtual

³⁷ Simant Shankar Bharti. "Development Economics and Re-Construction of Developing Countries: Reflections and Insights." *Journal of Scientific Papers 'Social Development and Security'* 10, no.4 (2020): 69–77.
<https://doi.org/10.33445/sds.2020.10.4.6>.

³⁸ Simant Shankar Bharti. "Confronting Afghanistan's Security and Development Challenges: A Contribution of the European Union." *Geopolitics Quarterly* 18, no. 4 (January 2022): 151–76.
<https://doi.org/20.1001.1.17354331.1401.18.68.7.9>.

meeting with all 27 member states' leaders of the EU in May 2021. Apart from this strategic cooperation, India wants the EU's attention toward an aggressive China. The China-Pakistan nexus is created security issues for India since the 1990s. India wants the EU to take steps to restrict the proxy war and terrorism that has been supported by Pakistan against India.³⁹

The European Commission's vision document for Asia (2007-13) for regional development partnership. The South Asia region is an important strategic location for trade and commerce. India is an emerging economic power now it has 5th position in the world. The emergence of two dominant power in Asia is key attention for the global power. India and China both have the largest territory, populations and strong economies. But China doesn't want India should emerge as the regional dominant power. The Indian foreign policy is searching for a global partner from Europe and US. China and Pakistan have an alliance which circles India from land to maritime route. India is a member of the QUAD countries group to dominate the Maritime economic corridor in the Indo-Pacific and the Indian Ocean as well.⁴⁰ Since 2020 India-EU came closer and accelerates bilateral cooperation.

³⁹ Gurjit Singh. "Strategic Shift in Europe's Ties with India." *The Tribune*, April 29, 2022.
[https://www.tribuneindia.com/news/comment/strategic-shift-in-europes-ties-wi
th-india-390221](https://www.tribuneindia.com/news/comment/strategic-shift-in-europes-ties-with-india-390221).

⁴⁰ Simant Shankar Bharti. "The European Union's Security Concerns and EU-South Asia Cooperation." *Scientific Journal of the Radom Academy of Economics* 6, no. 1 (January 2021): 11-27.

The European Union-India Strategic Partnership: Prospects and Challenges

77

The pandemic creates circumstances for online research, learning and training classes. The EU's higher institutions are collaborating with the Indian higher educational institutes. This can fulfil the people-to-people connectivity to achieve the educational goal. The strategic partnership is also focusing on the EU's research scholar, professors, and technician's partnership with the Indian professionals.⁴¹

The EU and India are meticulously cooperating on clean and renewable energy. Both sides focus to strengthen the policy on green and secure energy. The EU and India's cooperation on clean energy and climate is shaping the clean energy transition agenda and its implementation of the Paris Accords on climate change. The EU and India agreed to work jointly and adopted the rule and norms of the Paris Agreement on 8th May 2021. Thus, the EU and India are implementing the policy and strengthening the partnership under the Climate Partnership and Clean Energy.⁴² In recent years, the importance of maritime security is necessary to provide security and needs a dialogue against piracy. The second Maritime Security Dialogue holds in February 2022, provision for

⁴¹ Zane Šime. "The Role of Enhanced People-to-People Connectivity in the Implementation of the EU-India Roadmap." United Nations University Institute on Comparative Regional Integration Studies, accessed September 21, 2022.

<https://cris.unu.edu/sites/cris.unu.edu/files/PB21.01%20-%20Zane%20Sime.pdf>.

⁴² PIB. "President of European Commission Visits ISA Headquarters." Ministry of New and Renewable Energy, April 24, 2022.

<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1819589>.

an engagement mechanism was established and focuses on broad maritime security. The EU and India cooperation has taken on a strategic dimension and has evolved to include security cooperation and maritime security in the core agenda for further strategic partnership.⁴³ Jean-Louis Ville, Acting Director of the European Commission, says the EU is working on its strategy to reach the Euro 300 billion targets by 2027. He stated that the EU appears to be working with India to achieve the ultimate goal of EU-India Strategic Partnership: A Roadmap to 2025.⁴⁴

India and the EU have challenges to initiate mutual cooperation in the Indo-Pacific region. Both sides don't get much success in terms of bilateral strategic partnerships. The Covid-19 pandemic supports accelerating bilateral cooperation between the two sides. Because India's pharmaceutical and medical research are the key area where the EU wants to strengthen its cooperation. In spite of these initiatives, both sides need to do more cooperative work in the maritime domain where India wants European support. France is strengthening strategic partnerships

⁴³ Captain Himadri Das. "The Maritime Security Dimension of the European Union-India Strategic Partnership: Review of the 2020-25 Roadmap." National Maritime Foundation. May 9, 2022.

<https://maritimeindia.org/the-maritime-security-dimension-of-the-european-union-india-strategic-partnership-review-of-the-2020-25-roadmap/>.

⁴⁴ India Blooms. "EU-India Connectivity Partnership Will Be Inclusive and Sustainable, Say Senior Officials from India and the EU at India@75 Celebration." India Blooms News Service. February 28, 2022.

<https://www.indiablooms.com/news-details/N/79650/eu-india-connectivity-partnership-will-be-inclusive-and-sustainable-say-senior-officials-from-india-and-the-eu-at-india-75-celebration.html>.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

79

beyond the EU and the French government also supports the EU's deeper involvement in the Indo-Pacific region to counter China's expansionism politics on the water as well. India and the EU together want to solve the major challenges in the region to start bilateral cooperation on the following issues, for example, the preservation of biodiversity, solar alliance and green energy issues, climate changes on population migration, blue economy, maritime cooperation, security threats and regional issues.⁴⁵

The principal challenges are counter-terrorism, pirates in the maritime domain, trafficking, conflict-resolution mechanism, the proliferation of Weapons of Mass Destruction (WMD) and gender-related issues, human rights and the promotion of democracy are priorities sectors where India and the EU have to work together for peace & prosperity and human development. India has been suffering cross-border terrorism in Kashmir since 1990 and terrorist groups sabotaging human lives and sustainable development and a big obstacle to peace and social harmony across the world. The pirates also disturb sea routes of communications and oceanic trade. Human and drug trafficking are a burning question in front of global society to tackle this issue. In modern-day politics, states need to provide equal opportunities to every and each people without any form of discrimination. In a democratic nation, where people could enjoy fundamental rights, freedom of expression, voting rights, equal

⁴⁵ Robert Schuman Foundation, "Europe-India."

opportunity, legal support and basic human rights. There should be reinforced equality at work and in politics between men and women and no special treatment in the name of gender. There are many countries across the world that are still involved in wars and also involved in war phobia. Where people suffer and lose their lives from artillery and tank fire.

In the 21st century the need to build cooperation with like-minded countries to cement and shape the idea of an emerging multi-polar world. India and the EU recognized the concept of the multipolar world order. The EU is one of its largest economic partners of India and the EU member states are the leading destinations for Indian Exports. Brexit provided both opportunities and challenges to accelerate trade and economic relations with the EU and the UK, now the Indian government is to strengthen the strategic partnership with the EU and the UK as well. In April 2022, the President of the European Commission visited New Delhi and launched a “Trade and Technology Council” with a meeting with the Indian Prime Minister Narendra Modi and External Affairs Minister S. Jaishankar. Both sides address many challenges in trade, trusted security and technology, and deepening cooperation between the EU and India. “Mr. Ugo Astuto, EU’s Ambassador to India, said that Indian and European officials had ‘set the parameters and a clear roadmap’ for negotiations. He noted both India and the EU are expecting the

The European Union-India Strategic Partnership: Prospects and Challenges

81

deal to be struck before the Lok Sabha elections in India and the EU parliamentary elections, to be held in 2024”.⁴⁶

X. Conclusion

The blueprint of the India-EU strategic bilateral partnership is maturing the next step to accelerating the vision to achieve the ultimate goal. This article concludes that both sides' leaders need to understand on MoUs and their proper implementation of 118 points of this strategic partnership. There is a need to establish the proper single window system to assess the outputs of strategic cooperation. The current Indian government seems to do something special with the EU's commitment to India. The EU is working beyond the European continent for peace settlement, and conflict resolution, promoting the rule of laws and respecting minorities' rights across the world. India also advocates the same thing that the EU wants to establish in the world. The EU and India can contribute to the establishment of welfare states basically in third world countries. Child and family welfare are a burning issue to save the life of women and children, especially in the war zone and natural disaster-affected areas in the world. India has huge potential to work in the field space, pharmaceutical, manufacturing sector, and medical equipment. The EU and India can cooperate in emerging fields to strengthen the strategic

⁴⁶ Manoj Babu Buraga. ““Strategising’ the India-EU Partnership.” *Strategic Analysis* 46, no. 6 (2023): 614–630.

partnership. Cybercrime is an issue for India and the EU countries, where both sides need to work together to counter such kind of digital inconvenience.

The article further suggests that India-EU doesn't have continuity in its trade and investment since the bilateral agreement was signed between both sides. India is big democracy in the world and promotes the concept of welfare states. But the country has lots of internal problems in several parts, and India needs to address all the people's concerns and issues. The EU is able to mitigate the rural area issues in the context of strategic partnerships. India needs a strong trusted partner to counter the China-Pakistan nexus in the South Asia region. China's economic and trade route which is part of the BRI project called 'China-Pakistan Economic Corridor (CPEC)' is passing through the disputed area of Jammu and Kashmir, India. Now this area is occupied by Pakistan, India is claiming and raising the issues at the international level to look for the issues. India needs support from the EU member countries. The Indo-Pacific is gaining attention in recent years, where the EU and India need to strengthen cooperation to counter the Chinese aggression in Ocean politics. As far as, in addition to the EU's engagement with India at a strategic level, India also has deep cooperation with the French side in the Pacific. India is agreed to work shoulder to shoulder with the EU on the issues of climate. This article indicates that it is necessary to save drinking water because India has huge sources of drinking water. The Indian government has to

**The European Union-India Strategic Partnership:
Prospects and Challenges**

83

save the river water and needs to restrict the drainage water from the cities that falls into the rivers. The EU-India needs to work together to save the river's water.

India wants to invest in the European Union countries e.g., pharmaceuticals, construction, automobile, medical equipment, food processing, education, etc. On the other hand, China and US have an appropriate investment in the EU and non-EU European countries, respectively. India has to compete with China's BRI and '17+1' economic framework. China's flagship BRI projects spread from the Central and Eastern European countries to the Western part of Europe. China is 2nd largest economy in the world. The article suggests that India needs to do much trade and investment on a large scale to counter the Chinese initiatives in Europe. India's neighborhood first policy works in the South Asia region to compete with China's BRI in this region. This article concludes with the recommendation that India has to make better bilateral relations for a long time to accelerate the economy. This article also suggests that the outcome of this research will help further work on the EU-India bilateral partnership. China's geopolitical interest in the South Asian region contradicts India's interest and Indian political scenarios are too focused on the Belt and Road Initiatives (BRI). India has been criticizing the "China-Pakistan-Economic-Corridor" (CPEC) which is crossing from the Union Territory of Jammu & Kashmir and Ladakh, India, this region is under illegal occupation of Pakistan since 1948 and

also called Pak administered J& K. India is claiming that the CPEC which is part of the BRI project impinges on the issue of territorial integrity and sovereignty of India. The 17+1 framework of cooperation spreading in the entire region of Central and Eastern Europe (CEE), the EU and China has been contradicting in this region. There is complete gap in trade and investment at the export and import level and the CEE countries are suffering with huge trade deficit with China. On the other hand, India also accelerated economic and trade cooperation with its immediate neighbors and launched “India’s Neighboring First Policy” to counter China’s geopolitical move towards South Asia and its encircling policy.

There is an increasing push in Brussels to emerge as a geopolitical actor and India is a natural partner in many respects. India also wants to deepen its partnership with European partners in the region. There is widespread disappointment with the trajectory of China’s evolution and the US administration’s disdain for its Western allies is highly disruptive. At the same time, India is also emerging as a credible player beyond South Asia and the Indian Ocean, which has led the EU to look beyond its own periphery. This article suggests that the EU and India’s partnerships will grow as fruitful in the upcoming times because both sides need to support each other. The EU and India also coordinate closely on regional issues. However, it is not enough to simply reiterate that India and the EU are ‘natural partners’, one needs to focus on the areas and priorities highlighted in the

**The European Union-India Strategic Partnership:
Prospects and Challenges**

85

strategy. India needs resources and expertise from the EU for its various priority areas, such as cybersecurity, urbanization, environmental regeneration and skills development. As the EU focuses on India, this new strategy is unique as it is the first time that the EU and its Member States have developed a holistic long-term strategic vision to redefine the partnership and revitalize it, it is necessary that nurture the cooperation for the future.

The conflict between Russia and Ukraine has indeed posed challenges for international relations, including the dynamics between the European Union (EU) and India. Initially, there were divergences in how different countries, including India, responded to Russia's actions. However, as the situation evolved and the EU maintained a strong stance against Russia's aggression, India appears to have been gradually aligning itself with the EU's approach. While India has historically maintained a nuanced position on international conflicts, it has shown signs of recognizing the severity of Russia's actions in Ukraine and the importance of upholding international norms and principles. Additionally, diplomatic engagements and dialogue between India and the EU likely play a crucial role in facilitating mutual understanding and cooperation on regional and global issues, despite initial divergences. By and large, while differences may have initially cast a shadow over the EU-India relationship regarding the conflict between Russia and Ukraine, it appears that

India has been gradually coming to terms with the EU's approach, signaling a potential convergence of interests and perspectives in addressing shared challenges on the global stage. The EU and India can work towards building a more resilient partnership that addresses shared challenges effectively. This includes not only geopolitical conflicts like the one between Russia and Ukraine but also other pressing issues such as terrorism, cybersecurity threats, climate change, and pandemics.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

87

XI. Bibliography

Bava, Ummu Salma. "The EU and India: Challenges to a Strategic Partnership." In *Partnerships for effective multilateralism: EU relations with Brazil, China, India and Russia*, Giovanni Grevi and Alvaro de Vasconcelos, eds. Paris: European Union Institute for Security Studies (EUISS), (2008): 105-114. Accessed June 15, 2022.

<https://www.jstor.org/stable/pdf/resrep07023.10.pdf>.

Bhada, Anandita. "Prime Minister Modi's Europe Visit: An Analysis." MP-IDSA. May 30, 2022. Accessed June 14, 2023.

<https://idsa.in/issuebrief/prime-minister-modi-europe-visit-abhada-300522>.

Bharti, Mukesh Shankar. "The Evolution of China's Economic Engagement in Central and Eastern Europe." *Economic and Regional Studies* 15, no. 1 (March 2022): 90–106.

<https://doi.org/10.2478/ERS-2022-0007>.

Bharti, Mukesh Shankar. "The Sustainable Development and Economic Impact of China's Belt and Road Initiative in Ethiopia." *East Asia* 40, no 1 (March 2023): 175–194.

<https://doi.org/10.1007/s12140-023-09402-y>.

Bharti, Simant Shankar. "Confronting Afghanistan's Security and Development Challenges: A Contribution of the European

Union.” *Geopolitics Quarterly* 18, no. 4 (January 2022): 151–76. <https://doi.org/20.1001.1.17354331.1401.18.68.7.9>.

Bharti, Simant Shankar. “Development Economics and Re-Construction of Developing Countries: Reflections and Insights.” *Journal of Scientific Papers ‘Social Development and Security’* 10, no.4 (August 2020): 69–77. <https://doi.org/10.33445/sds.2020.10.4.6>.

Bharti, Simant Shankar. “Strengthening the Development Partnership between the EU and South Asia: A Contemporary Analysis.” *Slovak Journal of Political Sciences* 20, no.2 (December 2020): 278–98. <https://doi.org/10.34135/sjps.200205>.

Bharti, Simant Shankar. “The European Union’s Security Concerns and EU-South Asia Cooperation.” *Scientific Journal of the Radom Academy of Economics* 6, no. 1 (January 2021): 11–27.

Buraga, Manoj Babu. “‘Strategising’ the India-EU Partnership.” *Strategic Analysis* 46, no. 6 (January 2023): 614–30. <https://doi.org/10.1080/09700161.2022.2157508>.

Chadha, Saheb Singh, and Nidhi Varma. “India and the European Union: Next Steps in Strategic Partnership.” Brookings. July 16, 2020. Accessed June 5, 2023.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

89

<https://www.brookings.edu/events/india-and-the-european-union-next-steps-in-strategic-partnership/>.

Das, Captain Himadri. “The Maritime Security Dimension of the European Union-India Strategic Partnership: Review of the 2020-25 Roadmap.” National Maritime Foundation. May 9, 2022. Accessed June 20, 2022.

<https://maritimeindia.org/the-maritime-security-dimension-of-the-european-union-india-strategic-partnership-review-of-the-2020-25-roadmap/>.

Devonshire-Ellis, Chris. “EU, India Announce ‘Comprehensive Connectivity Partnership.’” India Briefing, May 10, 2021. Accessed June 18, 2022.

<https://www.india-briefing.com/news/eu-india-announce-comprehensive-connectivity-partnership-how-eu-businesses-can-benefit-22257.html/>.

Diez, Thomas. “Constructing the Self and Changing Others: Reconsidering ‘Normative Power Europe.’” *Millennium: Journal of International Studies* 33, no. 3 (June 2016): 613–36. <https://doi.org/10.1177/03058298050330031701>.

Dutta, Ankita. “EU’s Strategy on India: Time to Revitalise the Natural Partnership.” Indian Council of World Affairs. February 1, 2019. Accessed June 20, 2022.

https://www.icwa.in/show_content.php?lang=1&level=3&ls_id=4814&lid=2837.

Dutta, Ankita. "Unpacking the India-EU Economic Relationship." Observer Research Foundation. April 16, 2021. Accessed June 25, 2022.

<https://www.orfonline.org/expert-speak/unpacking-india-eu-economic-relationship/>.

EEAS. "EU-INDIA Strategic Partnership a Roadmap to 2025."

The European External Action Service. July 2020. Accessed July 10, 2022.

https://www.eeas.europa.eu/sites/default/files/eu-india_factsheet_2020-07.pdf.

European Council. "EU-India Strategic Partnership: A Roadmap to 2025." Council of the European Union. January 20, 2020. Accessed July 12, 2022.

<https://www.consilium.europa.eu/media/45026/eu-india-roadmap-2025.pdf>.

Fontelles, Josep Borrell. "EU High Representative-Vice President, Speech at Raisina Dialogue 2020." Observer Research Foundation. January 21, 2020. Accessed July 14, 2022.

<https://www.orfonline.org/expert-speak/after-the-5th-raisina-dialogue/>.

Foundation Robert Schuman. "Europe-India: New Strategic Challenges". The Research and Studies Centre on Europe. December 13, 2021. Accessed July 15, 2022.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

91

<https://www.robert-schuman.eu/en/european-issues/0616-europe-india-new-strategic-challenges>.

India Blooms. “EU-India Connectivity Partnership Will Be Inclusive and Sustainable, Say Senior Officials from India and the EU at India@75 Celebration.” India Blooms News Service. February 28, 2022. Accessed July 18, 2022.
<https://www.indiablooms.com/news-details/N/79650/eu-india-connectivity-partnership-will-be-inclusive-and-sustainable-say-senior-officials-from-india-and-the-eu-at-india-75-celebration.html>.

Jain, Rajendra K., and Gulshan Sachdeva. “India-EU Strategic Partnership: A New Roadmap.” *Asia Europe Journal* 17, no. 3 (June 2019): 309–25.
<https://doi.org/10.1007/S10308-019-00556-0>.

Kamath, Rahul. “India and the European Union: A Relationship yet to Achieve Its True Potential.” Observer Research Foundation. February 8, 2022. Accessed July 21, 2022.
<https://www.orfonline.org/expert-speak/india-and-the-european-union/>.

Kavalski, Emilian. “The EU–India Strategic Partnership: Neither Very Strategic, nor Much of a Partnership.” *Cambridge Review of International Affairs* 29, no. 1 (March 2016): 192–208. <https://doi.org/10.1080/09557571.2015.1007031>.

Kavalski, Emilian. "The European Union and India: A Reluctant Partnership Between Aspiring Global Powers." In *The European Union's Strategic Partnerships: Global Diplomacy in a Contested World*, edited by Laura C Ferreira-Pereira and Michael Smith, 199–220. Cham: Springer, International Publishing, (2021).

https://doi.org/10.1007/978-3-030-66061-1_9.

Khorana, Sangeeta. "The European Union–India Strategic Partnership: An Examination of the Economic Aspects." In *EU-India Relations. Contributions to International Relations*, edited by Philipp Gieg, Timo Lowinger, Manuel Pietzko, Anja Zürn, Ummu Salma Bava, and Gisela Müller-Brandeck-Bocquet. Cham: Springer, (2021):141-151.

https://doi.org/10.1007/978-3-030-65044-5_7.

Konrad-Adenauer-Stiftung. "The India-EU Partnership: A New Era of Multilateral Cooperation." KAS. Accessed January 10, 2023.

<https://www.kas.de/documents/264392/264441/India-EU+Partnership.pdf/77f956c7-c3b8-5cd3-7423-3baff401b6c6?version=1.0&t=1584011443441>.

Marjani, Niranjani. "The China Factor in India's Engagements with Europe." *The Diplomat*. April 30, 2022. Accessed June 15, 2023.

**The European Union-India Strategic Partnership:
Prospects and Challenges**

93

<https://thediplomat.com/2022/04/the-china-factor-in-indias-engagements-with-europe/>.

Ministry of External Affairs. "India-EU Relations." Government of India. July 2013. Accessed August 25, 2022.

https://www.mea.gov.in/Portal/ForeignRelation/India-EU_Relations.pdf.

Ministry of External Affairs. "Joint Press Release on India-EU Strategic Partnership Review." Government of India. October 19, 2021. Accessed August 30, 2022.

https://mea.gov.in/press-releases.htm?dtl/34402/Joint_Press_Release_on_IndiaEU_Strategic_Partnership_Review#:~:text=The%203rd%20India%20DEU%20Strategic,societies%20as%20well%20as%20individuals.

Nair, Arun S. "India-EU Connectivity Partnership: Potential & Challenges." July 2020. Accessed May 31, 2023.

https://www.ris.org.in/sites/default/files/Publication/DP%2050%20Arun%20S%20Nair_1.pdf.

Narlikar, Amrita. "Scripting a Third Way: The Importance of EU-India Partnership." Observer Research Foundation. April 28, 2022. Accessed May 31, 2023.

<https://www.orfonline.org/expert-speak/scripting-a-third-way/>.

Nye, Joseph. *Soft Power: The Means to Success in World Politics*. New York: Public Affairs, (2004).

Panda, Jagannath. "India Could Make or Break the EU's Global Gateway." *The National Interest*. January 16, 2022. Accessed August 31, 2022.

<https://nationalinterest.org/feature/india-could-make-or-break-eu%E2%80%99s-global-gateway-199454>.

PIB. "President of European Commission Visits ISA Headquarters." Ministry of New and Renewable Energy. April 24, 2022. Accessed September 10, 2022.
<https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1819589>.

Prasad, Sunil. "EU-India Relations in a Changing Strategic Environment." *EURACTIV*. August 2, 2022. Accessed September 15, 2022.
<https://www.euractiv.com/section/eu-india/opinion/eu-india-relations-in-a-changing-strategic-environment/>.

Ramachandran, Sushma. "India-EU FTA is a win-win for both economies." *Deccan Herald*, December 14, 2023.
<https://www.deccanherald.com/opinion/india-eu-fta-is-a-win-win-for-both-economies-2810694>

Renard, Thomas. "The Treachery of Strategies: A Call for True EU Strategic Partnerships." *Egmont–The Royal Institute for*

**The European Union-India Strategic Partnership:
Prospects and Challenges**

95

International Relations. 2011. Accessed September 18, 2022.
<https://aei.pitt.edu/32321/1/ep45.pdf>.

Robert Schuman Foundation. "Europe-India: New Strategic Challenges." The Research and Studies Centre on Europe. December 13, 2021. Accessed September 20, 2022.
<https://www.robert-schuman.eu/en/european-issues/0616-europe-india-new-strategic-challenges>.

Roy, Shubhajit. "Explained: The Significance of PM Narendra Modi's Europe Tour." The Indian Express. May 2, 2022. Accessed June 12, 2023.
<https://indianexpress.com/article/explained/explained-the-significance-of-pm-modis-europe-tour-7896689/>.

Šime, Zane. "The Role of Enhanced People-to-People Connectivity in the Implementation of the EU-India Roadmap." United Nations University Institute on Comparative Regional Integration Studies. 2021. Accessed September 21, 2022.
<https://cris.unu.edu/sites/cris.unu.edu/files/PB21.01%20-%20Zane%20Sime.pdf>.

Singh, Gurjit. "Strategic Shift in Europe's Ties with India." *The Tribune*, April 29, 2022. Accessed September 25, 2022.
<https://www.tribuneindia.com/news/comment/strategic-shift-in-europes-ties-with-india-390221>.

Solana, Javier. "The European Union and India." Brookings. August 27, 2014. Accessed June 10, 2023.
<https://www.brookings.edu/research/the-european-union-and-india/>.

Stanzel, Angela, and Christian Wagner. "Conclusion: A Fresh Start for Europe and India." European Council on Foreign Relations. October 2020. Accessed June 10, 2023.
https://ecfr.eu/special/what_does_india_think/analysis/conclusion_a_fresh_start_for_europe_and_india#.

The European External Action Service (EEAS). "EU-India Strategic Partnership: A Roadmap to 2025." The European Union. July 5, 2020. Accessed September 28, 2022.
https://www.eeas.europa.eu/eeas/eu-india-strategic-partnership-roadmap-2025-0_en.

Winand, Pascaline. "The European Union and India: From Donor-Recipient Relations to Partners in Development." *Global Affairs* 7, no. 4 (July 2021): 579–95.
<https://doi.org/10.1080/23340460.2021.1961597>.

Saddled with SWIFT: The American Withdrawal from the Nuclear Deal and Its Ramifications for Sino–Iranian Financial and Banking Interactions

Shirzad Azad *

Abstract

Following the US withdrawal from the nuclear deal in May 2018 and the ensuing reinstalled regime of biting sanctions against Tehran, Iran's lack of access to the international banking system left it with few options but to rely on some of its major commercial partners, China in particular, to sidestep part of those financial and banking restrictions and penalties. Arguing that China has so far left a mixed record in its financial and banking relationship with the Middle Eastern country over the past several years, therefore, the present research tries to shed some light on the nature and scope of Beijing's anticipated role in easing some of Tehran's financial and banking troubles in the wake of relentless American pressures. On the positive side, the Chinese provided, either directly or through third parties, a lot of financial and banking services for the Iranians. Not only the Chinese government often looked the other way when such rather furtive

* Shirzad Azad is an Associate Professor of International Relations in the Department of Political Science at Ferdowsi University of Mashhad, Iran.

interactions were taking place between the two sides, it also turned China into a safe haven for a large sum of the financial reserves which Iran had already moved from Europe to the East Asian country. On the negative side, the Chinese contributed little to Iran's de-dollarization campaign, while they disappointed gratuitously some pro-China forces among certain conservative authorities in the Islamic Republic by demanding from Tehran to join the FATF before engaging in any close banking and financial partnership involving the two countries.

Keywords: China, Iran, Sanctions, Frozen funds, Finance, Banking, De-dollarization

I. Introduction

International economic sanctions are above all about choking off the flow of capital, or whatever that can be quickly and conveniently converted into money, to a target country. In that sense, the reinstalled regime of crippling sanctions against Iran following the American withdrawal from the Joint Comprehensive Plan of Action (JCPOA) or the nuclear deal under the Trump administration in May 2018 aimed to control systematically the downpour of financial resources to the Middle Eastern country by reining in its normal and permissible financial interactions with the outside world. In particular, imposing universal restrictions on Iran's crude oil exports, as the lifeblood of its foreign currency earnings, widely proclaimed to be the final straw with regard to wreaking mayhem on the erstwhile Iranian pecuniary access to international financial markets.¹ Aside from the loss of the vital and prodigious sale of oil and oil products, moreover, cutting Iran from the US-dominated international banking system virtually made it impossible for the Iranians to engage in symbiotic non-oil commercial interactions with their foreign partners in the four corners of the earth.

Under such dire circumstances, therefore, China, as Iran's top customer of crude oil and biggest trading partner in non-oil

¹ Malcolm Byrne and Kian Byrne. *Worlds Apart: A Documentary History of US–Iranian Relations, 1978–2018*. Cambridge and New York: Cambridge University Press, (2022): 275. <https://doi.org/10.1017/9781108975148>.

areas, was anticipated to come to the rescue. The Chinese had a long track record of ignoring various West-dictated sanctions by entering into a whole host of subterranean commercial interactions with different sanctioned countries, including Iran. On top of that, the East Asian power had both publicly and persistently opposed the US-crafted sanctions against Iran, considering those economic and financial penalties a serious hindrance to its increasingly growing multifaceted relationship with the Persian Gulf country. In the wake of its rapidly expanding monetary and technological capabilities, China had also the wherewithal to provide the Mideast country, either directly or through third parties, with a lot of financial services denied to Tehran by Washington and its close allies here and there.² To what extent did then the Chinese meet these rather reasonable expectations? Additionally, how did the US abandonment of the nuclear deal, both under and after Trump, influence other pending financial issues involving Beijing and Tehran?

The present study argues that China has so far not played a very substantial role in easing Iran's financial and monetary troubles despite the fact that the US withdrawal from the JCPOA turned out to have tremendous repercussions for Sino-Iranian commercial relationship in energy and non-energy fields. The

² Matthias Vanhullebusch. *Global Governance, Conflict and China*. Leiden and Boston: Brill Nijhoff, (2018): 226.
<https://doi.org/10.1163/9789004356498>.

continuation of oil business, no matter how stealthy and underreported, between China and Iran as well as the return of some energy revenues in the form of shipping Chinese goods and services to the Middle Eastern country were certainly a boon to Tehran's chronic economic and technological requirements over the past several years. The Iranian national economy and its exacerbating financial woes, however, proved to be too large and too complicated to be saved by maintaining a semblance of commercial ties with China alone. True that the Chinese were quite willing to stay in good terms with Iran after almost all Western and Eastern businesses deserted the Persian Gulf country under American arm-twisting, but they could not take huge risks by giving Tehran any type of monetary and financial assistance it desperately needed. That is also a main reason why the two countries failed to tackle a number of their financial matters dating back to several years earlier.

II. Framework of analysis: The politics of austerity and passing on sanctions tax

In the lexicon of political economy, austerity refers to a set of fiscal policies implemented by governments in order to fight growing budget deficits or public debts, if not both. Austerity primarily consists of tax hikes or spending cuts, and it sometimes combines both measures. Austerity has also been prescribed as an effective instrument of economic reforms and a not-toll-free highway to development, persuading major global institutions

such as the International Monetary Fund (IMF) and World Bank to recommend, and sometimes dictate, austerity policies both to developed and developing countries across the world.³ Despite its frequent and extensive application by governments of all types over the past several decades, nevertheless, austerity has by and large remained an unpopular policy because austerity measures put additional economic and financial pressures on more people in lower income brackets of society. It simply leads to worsening socio-economic troubles of such groups of susceptible citizens, and that is why sometimes even a democratically-elected government of an industrialized country reluctantly bites the dust in the wake of carrying out root-and-branch austerity measures.⁴

With regard to Iran, austerity has indeed been a familiar approach over the past several decades as governments all across the political spectrum have perpetually resorted to austerity measures in the name of executing economic reforms, reducing budget deficits, bringing down public debts, fighting international sanctions, etc. In spite of its past record, the austerity which was carried out in Iran from early 2017 onward turned out to be really unprecedented nearly in every aspect. Almost assured that the United States under Trump was going to toss away the JCPOA, the Iranian government began implementing fiscal austerity as

³ Mark Blyth. *Austerity: The History of a Dangerous Idea*. New York: Oxford University Press, (2013): 102.

⁴ Thomas J. Schoenbaum. *The Age of Austerity: The Global Financial Crisis and the Return to Economic Growth*. Cheltenham, UK; Northampton, MA: Edward Elgar, (2012): 18. <https://doi.org/10.4337/9781781951453>.

soon as Donald Trump commenced his one-term presidency in January 2017. The timing was still one and half years before the Trump administration abandoned the nuclear deal, and almost two years before Washington reinstalled crippling banking and oil sale sanctions against Tehran. The Islamic Republic was hell-bent on surviving the new bout of international economic and financial sanctions pushed by the United States, and the easiest solution was to pass on sanctions tax to its hapless and downtrodden citizens as an all-purpose scapegoat.⁵

To fight back the United States and its dictated sanctions and financial constraints, therefore, the Islamic Republic started to throw a punch at the US dollar. As it was revealed later, the government hiked, albeit intentionally and gradually, the price of the US dollar so that it could save the panicked regime from the bout of new international sanctions pushed by the Trump administration based on its “maximum pressure” policy. In fact, the government increased, deliberately and forcefully, the rate of the dollar to rial, Iranian national currency, roughly more than a year before the United States under Trump eventually quit the nuclear deal and dialed up the relevant economic and financial

⁵ Oliver Borszik. “International Sanctions against Iran and Tehran’s Responses: Political Effects on the Targeted Regime.” *Contemporary Politics*, 22, no. 1, (2016): 27. <https://doi.org/10.1080/13569775.2015.1112951>.

sanctions against Tehran.⁶ Within a few years, the value of the UD dollar against rial ratcheted up to more than one-thousand percent as some 330,000 rials could buy only one dollar. Any sort of draconian diktat was issued by different state institutions, including making it illegal for the Iranian citizens to have more than \$10,000 without registering properly its total amount at a site launched by the government, but none of such measures, which were often red herring, could really bring down substantially the value of the dollar versus rial as long as the government alone could decide about it.⁷

As a corollary, the inflated price of the US dollar trickled down swiftly to almost all goods and services the citizenry needed. No one could really get it why the value of anything, including many products and services provided by the public sector, had to be connected so tightly to the rate of the US dollar. In the midst of such economic and financial ordeal, the outbreak of coronavirus, or the COVID-19 pandemic, and the ensuing universal restrictions simply made things much worse for the average Iranian citizen.⁸ Salaries remained, by and large, stagnant, while the price of

⁶ *Kelid Daily*. "Dolat dar geran shodan dollar zinafe bood" [Government Benefited from Dollar Hike]. *Kelid Daily*, October 7, (2018): 1; and *Asr-e Eghtesad*. "Eteraf dolat be dastkari nerkh arz" [Government Confession to Interference with the Price of Foreign Currency]. *Asr-e Eghtesad*, February 27, (2021): 1.

⁷ *Servat News*. "Haml arz gheireghanooni shod" [Carrying on Foreign Currency Becomes Illegal]. *Servat News*, April 14, (2022): 2.

⁸ Mark Fitzpatrick. "Sanctioning Pandemic-plagued Iran." *Survival*, 62, no. 3, (2020): 99. <https://doi.org/10.1080/00396338.2020.1763614>.

everything kept rising almost on a daily basis. Having had struggled with biting austerity measures for several decades, therefore, the Iranians now entered the era of “price terror” as the value of nearly everything they required increased astronomically. They had not used to this type of sweeping inflation even in the heydays of the Iran–Iraq War (1980–1988) when the sanctioned Mideast country had to mobilize all of its resources to fight an enemy supported by many well-to-do countries in the region and beyond.⁹

Bearing the brunt of crippling sanctions, thus, many among the public learned quickly that they had to do their own heavy lifting in an effort to save their lifestyle and hard-earned savings. From hording jewelries and major foreign currencies such as dollar and euro to purchasing real estate and automobiles, they wanted to keep everything except rial whose value was in free fall a day after another.¹⁰ At the same time, a growing number of Iranians decided to either invest in another country or just leave their fatherland permanently after selling their properties and converting their net values into the US dollar or euro. But a big problem was that all such self-protective measures by the citizenry increased dramatically demands for the US dollar and

⁹ Adam Tarock. *The Superpowers' Involvement in the Iran–Iraq War*. Commack, NY: Nova Science Publishers, (1998): 73.

¹⁰ *Eghtesad-e Pooya*. “Afzayesh ghimat dollar jamae ra be naboodi keshand” [Hike in Dollar Price Destroyed Society]. *Eghtesad-e Pooya*, January 19, (2021): 1.

other foreign currencies, leaving the Iranian government in a rather defensive position with regard to injecting sufficient amount of particularly dollar into the market.¹¹ Under such tough circumstances at home and abroad, the government obviously had to exploit all of its sanctions-busting expertise in bringing in more foreign currency through close cooperation with countries like China. Could the resourceful East Asian power then give a helping hand as normally expected, and what could practically prevent it from doing so?

III. Halted financial transactions and banking services

As early as March 2017, the reserve dollar banknotes of the Central Bank of Iran (CBI) plummeted to less than \$100 million. The timing was still more than two years before the CBI was virtually cut from the international banking system after the United States under Trump administration withdrew from the nuclear deal in May 2018 and let many foreign commercial partners of Iran adjust their commercial interactions with the forthcoming sanctions storm against the Middle Eastern country. Based on what was later revealed by the then Vice-President, Eshaq Jahangiri, moreover, even before Trump tossed away the JCPOA certain “hidden hands and sinister forces” affiliated with some neighboring countries had allegedly penetrated the Persian

¹¹ *Eskenas Daily*. “Tsunami khorooj sarmaye az keshvar” [Tsunami of Capital Flight from Iran]. *Eskenas Daily*, February 24, (2021): 3.

Gulf country, cleaning its markets from the dollar banknotes so that they could create more biting economic and financial headaches for the regime of the Islamic Republic and its proxy forces across the region before the final straw come in the form of reinstalled sanctions against Tehran by Washington under the rubric of “maximum pressure.”¹²

Aside from being ejected from the world’s banking system and financial institutions, therefore, some of the erstwhile collaborators from the Mideast region were no longer willing to help Iran go around sanctions, compelling the government in Tehran to rely more on China by employing certain tactics in order to acquire part of its financial requirements. The Islamic Republic and its legion of sanctions-busting agents, for instance, could sell steel to China in the name of a third country, wire its money to the banking account of a company registered in China, and then transfer the accumulated funds to Iran using several intermediaries inside and outside the East Asian country.¹³ Those intermediaries, some of them Iranian, could ultimately get as much as 20 percent of the transferred funds throughout the process. For all of their problems and shortcomings, similar subterranean methods exploited by Iran made it possible to handle

¹² *Aftab-e Yazd*. “Sokhanan takandahande Jahangiri” [Jahangiri’s Revealing Words]. *Aftab-e Yazd*, September 6, (2022): 2.

¹³ Lisa Barrington. “Financial Crime Watchdog Adds UAE to ‘Grey’ Money Laundering Watch List,” *Reuters*, March 5, (2022). <https://www.reuters.com/world/middle-east/fatf-adds-uae-grey-money-laundering-watchlist-2022-03-04/>.

a great deal of the country's trade without going through formal financial channels. As boasted by the Head of Trade Development Organization, Alireza Peiman Pak, in a news conference in May 2022, the Middle Eastern country could conduct astonishingly some 90 percent of its \$100 billion trade in 2021 out of the international banking system.¹⁴

Still, the "China channel" to sort out part of Iran's international financial transactions was neither normal, nor it was devoid of fastidious controversy. Every now and then the Chinese refused to provide some basic services for the Iranians who were doing business in China. Anyone with an Iranian identity, including those Iranian citizens who were living in a third country and had no business connection with the East Asian country, could be denied access to a Chinese bank without any reasonable explanation. In other occasions, China even closed the banking accounts of Iranian students, causing a whole host of problems for a growing number of undergraduate and graduate students who had decided to pursue their higher education at a Chinese university.¹⁵ By taking such drastic, and often temporary, measures against inculpable Iranian exporters and students, therefore, the Chinese wanted to dismiss some Western reports that the East Asian power had provided some sort of financial

¹⁴ *Iran Daily*. "Tejarat 90 milyard dolari ba dorzadan tahrimea" [\$90 Billion Trade through Bypassing Sanctions]. *Iran Daily*, May 23, (2022): 12.

¹⁵ *IRNA*. "Jazzabiyat daneshgahay chini baray daneshjooyan irani" [Appeal of Chinese Universities for Iranian Students]. *IRNA*, June 18, (2018). <https://irna.ir/xjq39f>.

cushion for the Islamic Revolutionary Guard Corps (IRGC) and its notorious Qods Force through some of its financial institutions, especially the sanctioned Bank of Kunlun.¹⁶

Essentially, the story harkens back to 2012 when the US Department of the Treasury penalized Bank of Kunlun, accusing the Chinese bank of facilitating financial transactions for the IRGC, though no reference was given to the Qods Force then. The initial capital for the establishment of the Chinese bank had been provided through the revenues made from the sale of Iranian crude oil to China, aiming to create a working financial mechanism to sort out various commercial activities involving Iran and the East Asian country. Since the Kunlun bank did not have any significant business interests in the United States or any other Western country, it initially paid no attention to what Washington was asking by providing critical financial services for the Iran–China trade in oil and non-oil products. After the Trump-led USA abandoned the nuclear deal and China subsequently came under tremendous American arm-twisting, however, Bank of Kunlun joined almost all other major Chinese banks and financial institutions which refused to provide Iran with

¹⁶ *Radio Farda*, “‘Estefadeh Iran az bankhay chini’ baray enteghal pool be nirooye qods” [‘Iran Uses Chinese Banks’ to Transfer Money to the Qods Force]. *Radio Farda*, November 18, (2014). <https://www.radiofarda.com/a/f12-iran-uses-china-bank-funding-quds-force/26697482.html>.

any substantial financial services by excusing international sanctions against the Middle Eastern country.¹⁷

In general, the unwillingness of Chinese banks and financial institutions to cooperate with the Iranians, particularly in the aftermath of the US withdrawal from the JCPOA in May 2018, could be attributed to three main reasons. First, they have been worried about potential American penalties since most of Chinese banks and financial institutions have developed substantial connections to the US banking system in myriad forms.¹⁸ In the wake of any serious sanctions violations, the United States would penalize them through slapping them with hefty fines, ejecting them from the powerful Society for Worldwide Interbank Financial Telecommunication (SWIFT) which is controlled virtually by Washington, or exclude them from any significant business deal with American public institutions and private companies. Over the past decade, the United States both under Democrat and Republican presidents has punished several high-profile European and Japanese banks due to going around Iran sanctions, making many Chinese banks and financial institutions twice cautious when they consider the idea of

¹⁷ Abrar-e Eghtesadi. "Aghaz bekar Kunlun bank chin dar Iran" [Chinese Kunlun Bank Begins Its Activity in Iran]. *Abrar-e Eghtesadi*, June 8, (2019): 1.

¹⁸ Orde F. Kittrie. *Lawfare: Law as a Weapon of War*. New York: Oxford University Press, (2016): 192.

developing some sort of financial relationship with the sanctioned Iranians.¹⁹

Second, the Chinese have been under tremendous pressures by a rather large coalition of non-state actors, including politico-ideological lobbies and issue-oriented advocacy groups from inside and outside the United States, to rein in their economic and financial interactions with Iran and a number of other “pariah states.” Although it is really hard to estimate the overall impact of such groups on China’s growing multifaceted relationship with Iran, they still can play a role in dragging certain subterranean Sino–Iranian engagement, including financial cooperation, into the limelight. As a case in point, in early June 2022 some Iranian media outlets reported that “the anti-Iran lobby of United Against Nuclear Iran (UANI) had contacted six major Chinese banks, urging them to cut off their financial relationship with the Middle Eastern country and refrain from any sanctions-evasion, directly or indirectly.” Based on those reports, in early 2022 the US-based lobby had also persuaded three Turkish banks not to cooperate with the Iranians. Founded in 2008 in New York, moreover, the UANI had reportedly kept contacting many banks and financial institutions across the world concerting their cooperation with Tehran even after the JCPOA was concluded in June 2015 and the United States subsequently

¹⁹ *ILNA* (Iranian Labour News Agency). “Bankay chini ba Iran hamkari nemikonand” [Chinese Banks Are not Cooperating with Iran]. *ILNA*, February 2, (2019). <https://www.ilna.ir/fa/tiny/news-723038>.

suspended some banking and financial penalties against Iran as stipulated by the nuclear deal.²⁰

Finally, the third excuse has been more technical than political. Chinese banks and institutions have demanded that Iran should first join the Financial Action Task Force (FATF) before they can provide any financial services for the Middle Eastern country and its diaspora. Established by the G7 industrialized nations in 1989, the FATF is an intergovernmental body which has carved out policies over years to fight money laundering as well as terrorism financing. Like China, during the past years the EU countries and India have also put forward a similar FATF precondition with regard to engaging in bilateral and multilateral banking and financial cooperation with the Iranians.²¹ As a matter of fact, the FATF has basically nothing to do with the JCPOA because even when the United States was a party to the nuclear deal from June 2015 until May 2018, Iran still failed to have normal relationship with the international banking system because Tehran has not yet accepted to join the FATF. That was a major reason why the Persian Gulf country could not return a

²⁰ *Asr Iran*. “Tamas lobby zeddeirani ba bankhay chini baray ghatte rabete ba Iran” [Anti-Iran Lobby Contacts Chinese Banks Asking them to Cut Relationship with Iran]. *Asr Iran*, June 4, (2022). <https://www.asriran.com/fa/print/842970>.

²¹ *Radio Farda*. “Bankhay chini ‘ba Iran kar nemikonand’” [Chinese Banks ‘Do not Work with Iran’]. *Radio Farda*, February 3, (2019). <https://www.radiofarda.com/a/29748560.html>.

large sum of its frozen assets kept by several countries across the world, including China.

IV. The unknown world of the frozen funds

Although the history of freezing Iran's funds by foreign countries dates back to November 1979 when the administration of Jimmy Carter issued Executive Order 12170, blocking "all official Iranian assets in the United States" over occupying the American embassy in Tehran and taking its personnel hostage, however, the four nuclear issue-related UN resolutions adopted by the Security Council, between December 2006 and June 2010, played a major role in paving the legal ground for seizing a significant amount of Iranian assets by many countries across the world. More important, the United States and the EU nations moved to sanction the Iranian central bank in 2012, making it virtually impossible for the Middle Eastern country to engage in any open and permissible financial transaction with the international banking system. By the time Iran and its partners in the 5+1 group (United States, China, Russia, France, Britain, and Germany) agreed over the JCPOA, therefore, tens of billions of

dollars made from Iran's crude oil and non-oil exports had been stuck somewhere in a foreign bank.²²

On the eve of signing the nuclear deal in Geneva in June 2015, many in the global media and policy circles asserted that the accord would bring Iran a windfall of up to \$150 billion. But as far as the fate of Iran's frozen assets in other countries was concerned, the JCPOA simply turned up not to be what it was cracked up to be. From early January 2016 when the Iranian government began to implement the nuclear deal until the United States under the Trump administration enforced oil sanctions against Tehran in May 2019 or a year after Washington quit the JCPOA, the Middle Eastern country could have full access only to a fraction of its assets already frozen by a foreign bank or financial institution. What added insult to injury was that during the period when the nuclear deal went into effect and the United States committed itself to the agreement, the Persian Gulf country still failed to bring back some of the revenues it made from exporting crude oil and non-oil products due to the lack of

²² *Trend News Agency*. "Iran's Frozen Assets in China; \$22bn, or \$47bn?" *Trend News Agency*, October 30, (2013). <https://en.trend.az/iran/2206261.html>; and Jonathan Brewer. "UN Financial Sanctions on Iran: An Example of How Asset Freeze Exemptions Worked in Practice," *The RUSI Journal*, 161, no. 4, (2016): 23.

enjoying full normal relationship with the international banking system then.²³

As a result, the exact figure for Iran's frozen assets abroad remained a subject of speculations and rumors after Trump left the nuclear deal and redialed sanctions, though the Iranian government also never reported how much or what percentage of the Iranian blocked funds was released during the period when the Mideast country had been given a semblance of access to the international banking system upon the implementation of the JCPOA in January 2016. In April 2022, for instance, one Iranian newspaper asserted that more than \$50 billion of the country's assets are still frozen in several countries, including China (\$22 billion), India (\$7 billion), South Korea (\$7 billion), Iraq (3.5 billion), and Japan (\$1.5 billion).²⁴ Not only the figure did not add up to \$50 billion, the report also failed to mention some other countries where part of the Iranian frozen funds are kept, including a number of European countries and Canada. At the same time, other reports believe that the exact amount of Iran's frozen funds in Iraq is now more than \$6 billion as Tehran has

²³ Robert M. Gates. *Exercise of Power: American Failures, Successes, and a New Path Forward in the Post-Cold War World*. New York: Knopf Doubleday Publishing Group, (2020): 107.

²⁴ *Jahan-e Sanat*. "Farjam dolarhay blokeshode" [Fate of Blocked Dollars]. *Jahan-e Sanat*, April 18, (2022): 3.

been denied access to its revenues made from exporting mostly electricity and gas to the neighboring country.²⁵

Meanwhile, the Islamic Republic has long kept silent with regard to a perplexing situation of its assets in China at a time when Tehran has been prepared to go to the mat to release its frozen funds in the Republic of Korea (ROK). When push comes to the shove, the relevant authorities often deny reports and speculations that Iran has any blocked funds in China. In February 2022, Majid Reza Hariri, Chairman of the Iran–China Chamber of Commerce, made it clear that “China owes no money to Iran for oil imports, but it does hold Iranian assets...and Iranian properties in China consist of Iran’s reserves – cash, bonds, and stocks – which were transferred to the East Asian country years earlier in fear of confiscation.”²⁶ In fact, the story harkens back to the presidency of Mahmoud Ahmadinejad when there was a high possibility of confiscating Iranian assets in international banks by the United States or its European allies. After 2007, therefore, his conservative government transferred Iran’s hard currency reserves and bonds to China from several European countries, including

²⁵ *Khabar-e-Jonoub Morning Newspaper*. “Pool ma kojast?” [Where Is Our Money?]. *Khabar-e-Jonoub Morning Newspaper*, November 16, (2021): 4.

²⁶ Maryam Sinaee. “Business Leader Says China Pays for Iran’s Oil with Goods.” *Iran International*, February 15, (2022). <https://www.iranintl.com/en/202202153989>.

Britain, France, Germany, and Switzerland lest those Iranian properties being seized by Western countries.²⁷

It seems that China has emerged to be considered as a safe haven of sorts where the Islamic Republic can trust and keep its currency reserves and other valuable assets with no worries about their seizure and confiscation. In that sense, the Chinese have probably not blocked the revenues made from Iran's oil and non-oil exports as asserted by many Iranian officials, and the East Asian power has returned back those incomes in different methods, including shipping Chinese goods and products, using third parties to transfer funds to Iran, and financing Iranian energy and non-energy projects. Over the past two years when the Biden administration has engaged in direct and indirect negotiations with Iran about a potential US return to the nuclear deal, moreover, there has been several reports pointing out that a number of foreign countries, where part of Iranian assets are frozen, have expressed their willingness to release those assets through a "Chinese channel" and not through INSTEX (Instrument in Support of Trade Exchanges) which is a financial mechanism that some European countries set up in January 2019 to keep dealing with Iran by bypassing certain American

²⁷ Shirzad Azad. "Principalism Engages Pragmatism: Iran's Relations with East Asia under Ahmadinejad." *Asian Politics & Policy*, 7, no. 4, (2015): 559. <https://doi.org/10.1111/aspp.12222>.

restrictions and penalties.²⁸ This development again highlights Beijing's largely enhanced financial and monetary status in Tehran despite the fact that the two countries are yet to improve, let alone integrate, their bilateral financial interactions primarily through creating joint banks and financial institutions.

V. The unfulfilled promise of joint banks and Chinese credit cards

Over a period of more than two decades, Iran has strived to forge closer banking and financial partnership with China initially through setting up separate branches of major Iranian banks in some large Chinese cities. In fact, Iran's Tejarat Bank was among first top Iranian financial institutions which managed to obtain the legal permission in 2002 to establish a branch in China's political capital, Beijing. But that attempt was basically nipped in the bud due to various impediments, including bureaucratic hurdles and some financial preconditions requested by the Chinese.²⁹ At that particular time, China was still more than half a decade away before it could position itself as the top trading partner of Iran, but the economic as well as technological presence of the rising East Asian power in the Middle Eastern country was expanding by

²⁸ Syed Zafar Mehdi. "Iran's Frozen Funds Returning via Chinese Channel with West's Nod'," *Anadolu News Agency*, January 28, (2022). <https://www.aa.com.tr/en/middle-east/irans-frozen-funds-returning-via-chinese-channel-with-west-s-nod/2488354#>.

²⁹ *ISNA* (Iranian Students' News Agency). "Iran Plans to Open Bank in China." *ISNA*, December 10, (2013). <https://en.isna.ir/news/92091913690/Iran-plans-to-open-bank-in-China>.

leaps and bounds year after another. Around 2010 when China was officially announced as Iran's top trading partner, therefore, the issue of creating a joint bank between the two countries was widely discussed in many news reports and commercial circles.³⁰

A key objective was then to further expand the size and scope of Sino–Iranian commercial relationship by developing closer banking ties between the two sides. The Persian Gulf country also wanted to better handle its growing economic and financial interactions with the East Asian country by bringing down Tehran's overdependence on some neighboring countries, including Afghanistan, Pakistan, and especially the United Arab Emirates (UAE). Sometimes almost half of what Iran was shipping to the UAE was going to end up in China, making it very urgent for the Iranian government to think up a more convenient mechanism for sorting out its quickly increasing commercial relations with the Chinese.³¹ As it turned out, the recent bout of economic sanctions and financial restrictions pushed by the UN Security Council against Tehran made it all but impossible to either set up branches of Iranian banks in Chinese cities or create a joint financial institution between the two countries. In the wake of those international sanctions and other American persistent

³⁰ *Eghtesad-e Mardom*. "Bank moshtarek Tehran–Pekan tasis mishavad" [Joint Tehran–Beijing Bank to be Set Up]. *Eghtesad-e Mardom*, January 22, (2022): 2.

³¹ Shirzad Azad. "Bidding for a Place in the Sun: The Looking-East Policy of the United Arab Emirates." *Contemporary Arab Affairs*, 13, no. 4, (2020): 79. <https://doi.org/10.1525/caa.2020.13.4.70>.

pressures, even the Seoul branch of Iran's Bank Mellat was shut down in early September 2010 after the conservative South Korean government of Lee Myung-bak accused the Iranian bank of having "engaged in obscure foreign currency transactions aiding Iran's nuclear activities during a regular inquiry on the bank."³²

From 2010 until June 2015 when Iran and the 5+1 group agreed over the terms of the JCPOA, therefore, the idea was floated frequently both in media and business circles of the Mideast country regarding the necessity and potential mechanisms for fostering closer financial interactions with China. But neither Iran could open branches of its major banks in China, nor were the Chinese really willing to seriously talk about entering into a joint banking venture with the Iranians. After the JCPOA went into effect in early 2016, many Iranian authorities suddenly upped the ante by promising to offer to the Iranian citizens, in the near future, something close to Visa Card and MasterCard in the form of Japanese and Chinese banking cards. Some of them were then very confident that establishing joint Sino-Iranian banks or setting up branches of Iranian banks in Chinese cities was in the offing.³³ For all those rosy prospects, much of the post-nuclear deal euphoria turned out to be premature

³² Yon-se Kim and Young-aah Koh. "Builders, Traders Face Damage from Iran Sanctions." *Korea Herald*, September 8, (2010). <https://www.koreaherald.com/view.php?ud=20100908000892>.

³³ *Tafahom News*. "Vorood avvalin kart banki beinolmelali" [Arrival of First International Banking Card]. *Tafahom News*, July 11, (2016): 4.

as the rise of Donald Trump in the United States made China as well as many other major trading partners of Iran twice cautious with regard to committing themselves to any long-term economic and financial agreement with the Iranian government.

Once the Trump administration withdrew the United States from the nuclear deal and reinstalled a whole array of international penalties and restrictions against Iran, sanctions once again become a major impediment in developing closer banking and financial interactions between the Middle Eastern country and China, though the Chinese had not yet chipped away at some of their domestic bureaucratic and monetary barriers concerning the creation of an Iranian bank somewhere in the mainland China. From now on, moreover, the Chinese demanded that Iran should first join the FATF before they could enter into any joint banking venture and financial collaboration with the Persian Gulf country.³⁴ Although some policymaking circles in Iran have already thrown their unconditional support behind the idea of joining the FATF, several other more powerful and conservative organs in the Islamic Republic are still against taking this step, worrying that such a move would completely expose a great deal

³⁴ *Iran Daily*. “Peigham chin va roosiye: Iran ‘FATF’ ra bepazirad” [Chinese and Russian Message: Iran Accept ‘FATF’]. *Iran Daily*, December 26, (2019): 8.

of the country's surreptitious financial transactions with certain external forces loyal to Tehran.³⁵

At the same time, some of those conservative circles have once again become upbeat about the prospect of developing close banking ties with China, especially after the two countries signed their rather contentious 25-year strategic agreement in March 2021. As part of this bilateral accord, Iran and China are going to enhance their banking cooperation, facilitate the ground for setting up branches of Iranian banks in the East Asian country, and establish joint Sino–Iranian banks and financial institutions. Those conservative Iranian authorities assert that not only these future-oriented Sino–Iranian initiatives based on the 25-year deal do not require Iran to join the FATF, they would also make it possible for the Mideast country to virtually bypass the American-controlled SWIFT.³⁶ Such potential benefits are a key reason why after Iran formally became a full member of the Shanghai Cooperation Organization (SCO) in September 2022, the conservative government in Tehran soon asked the SCO members, including China, to accelerate their bilateral and

³⁵ *Ebtekar News*. “Iran dar list siyah FATF gharargereft? Ma va kore shomali!” [Iran on the Black List of FATF? We and North Korea!]. *Ebtekar News*, December 16, (2019): 1.

³⁶ *ISNA* (Iranian Students' News Agency). “Natijeh gharardad 25 saleh Iran va chin che khahad shod?” [What will be the Impact of 25-Year Agreement between Iran and China?]. *ISNA*, March 27, 2021. <https://isna.ir/xdHVNK>; and *IRNA*. “Five Major Opportunities Provided by Iran–China Long-term Cooperation.” *IRNA*, April 6, 2021. <https://en.irna.ir/news/84285870/Five-major-opportunities-provided-by-Iran-China-long-term-cooperation>.

multilateral banking and financial cooperation with the Persian Gulf country. On top of that, measures of this type would expedite, as some conservatives forces in Iran argue, a critical objective which some major stakeholders in the SCO share in common: de-dollarization.³⁷

VI. Giving a bashful boost to de-dollarization

Regardless of all benefits and advantages of the greenback for the United States and its overall power and influence in the world, imposing Iran sanctions, particularly financial sanctions, would not have been possible without the role and power of the dollar as the dominant reserve currency for a majority of countries across the globe. Since the United States frequently resorted to economic and financial sanctions against Iran and some other important economies, therefore, using or actually abusing this *modus vivendi* of inflicting pains upon other nations turned out to be a double-edged sword, persuading the victim countries to come together over time and fight back the American dollar by pursuing certain policies inimical to the dollar's power and status in the

³⁷ Michael Hudson. "De-Dollarization: Dismantling America's Financial-Military Empire: The Yekaterinburg Turning Point." *Global Research*, June 13, (2009). <http://www.globalresearch.ca/PrintArticle.php?articleId=13969>; and James Rickards. *Currency Wars: The Making of the Next Global Crisis*. New York: Portfolio/Penguin, (2011).

long run.³⁸ That was no coincidence why when President Barack Obama and his stalwart Secretary of State, John Kerry, needed to sell the Iran nuclear deal to a majority of the skeptics in the American Congress, they had to, literally and figuratively, battle it tooth and nail by arguing that “the dollar will cease to be the reserve currency of the world if the United States walks away” from the JCPOA that was eventually agreed in June 2015.³⁹

To get rid of its erstwhile overdependence on the dollar as a way to roll back the biting impact of the bully American currency, Iran had to again lean upon its major partners in the East, Russia and especially China, each of which had an ax to grind to join a growing global campaign of de-dollarization.⁴⁰ In fact, by the time the Trump administration abandoned the nuclear deal and reinstalled sanctions on Iran, China had already walked a long way in terms of bringing down substantially its overdependence on the US dollar. The rising Asian power actually had made its

³⁸ Anthony Elson. *The Global Currency Power of the US Dollar: Problems and Prospects*. Cham, Switzerland: Palgrave Macmillan, (2021): 63–64. <https://doi.org/10.1007/978-3-030-83519-4>.

³⁹ Heather Long. “Factcheck: Obama, Kerry Exaggerate Risk to U.S. Dollar If no Iran Deal,” *CNN*, August 11, (2015). <https://money.cnn.com/2015/08/11/investing/iran-nuclear-deal-us-dollar-kerry/index.html>.

⁴⁰ Rebecca M. Nelson and Karen M. Sutter. “De-Dollarization Efforts in China and Russia,” *Congressional Research Service (CRS)*, July 23, (2021). <https://crsreports.congress.gov/product/pdf/IF/IF11885>; and Summer Said and Stephen Kalin. “Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales,” *The Wall Street Journal*, March 15, (2022). <https://www.wsj.com/articles/saudi-arabia-considers-accepting-yuan-instead-of-dollars-for-chinese-oil-sales-11647351541>.

intention quite clear when in January 2011, the then Chinese paramount leader, Hu Jintao, said “the current international currency system is the product of the past.”⁴¹ As a corollary, by December 2015 the Chinese could sign currency swap agreements with as many as 33 countries before the IMF ultimately decided, at the request of Chinese authorities, to add the rising East Asian country’s currency, renminbi or yuan, to its SDR currency basket in October 2016. In March 2018 or less than two months before Washington under Trump tossed away the Iran nuclear deal, moreover, China surprisingly launched petroyuan as another decisive move in Beijing’s long drive toward promoting international use of its RMB.⁴²

Like China, Russia embarked in earnest upon a policy of de-dollarization after 2014 when the United States carved out and implemented a whole array of economic and financial sanctions against Moscow in the wake of the Russian annexation of Crimea. The Russians simply intensified their anti-dollar measures once they encountered a new bout of crippling sanctions by Washington and its allies in Europe and other parts of the world soon after the Russian armed forces invaded Ukraine under the

⁴¹ Richard McGregor. “Hu Questions Future Role of US Dollar,” *Financial Times*, January 17, (2011). <https://www.ft.com/content/ae01a8f6-21b7-11e0-9e3b-00144feab49a>.

⁴² Jin Sheng. *Alternative Development Finance and Parallel Development Strategies in the Asia-Pacific: Racing for Development Hegemony?* Cheltenham, Britain, and Northampton, MA: Edward Elgar Publishing, (2021): 201. <https://doi.org/10.4337/9781800882928>.

“special operation” mandate in February 2022. By this time, many in the Iranian government had to acknowledge, albeit grudgingly, Russia’s relatively accomplishment in sidestepping some negative financial implications of sanctions on the Russian currency because it was certainly too early to accept that Washington successfully “reduced the Ruble to rubble” as proclaimed by the American President Joe Biden. Although the Islamic Republic was already and indubitably a staunch member of “the anti-dollar axis,” including China and Russia, Tehran could still learn many more important lessons by taking a leaf out of the de-dollarization book drafted by Beijing and Moscow.⁴³

Regarding some earlier Iranian experiences in the de-dollarization quest, the Persian Gulf country was actually galvanized into action a short while after the JCPOA went into effect in January 2016. A main reason was that the nuclear deal did not remove a significant number of the relevant US constraints on dollar transactions between Iran and the outside world, making it virtually impossible for Tehran to normally maintain all-out relationship with the international banking system. As a consequence, the Middle Eastern country asked its more loyal crude oil customers in Europe and China to pay Tehran in euro and yuan, respectively, though a similar

⁴³ John S. van Oudenaren. “Damage Done: America’s Foreign Policy Tactics are Fracturing Its Financial Stability,” *National Interest*, May 14, (2019). <https://nationalinterest.org/feature/damage-done-americas-foreign-policy-tactics-are-fracturing-its-financial-stability-57547>.

arrangement was also made with several other nations so that they could compensate for Iran's oil supplies with their own national currencies. Besides expressing their willingness to join Russia's national electronic payments system known as Mir, additionally, the Iranians have signed various currency swap agreements with several countries in the Middle East region and beyond in order to gradually lessen the share of the US dollar in their commercial interactions with those sovereign nations.⁴⁴

In sum, over the past years the Iranian government has strived persistently to shake off the shackles of the US dollar from its economy by pinning hopes on closer economic and financial cooperation with its like-minded partners in China and Russia. Of course, the Russians have left no doubt that they are more committed and reckless than their Chinese counterparts in hurting the domineering global power of the greenback, but Russia plays a smaller role in Iran's international commerce in comparison to China which has long been a top trading partner of Tehran in terms of exports and imports. Another setback is that China's de-dollarization approach has had a lot to do with RMB internationalization rather than dethroning the American dollar in one fell swoop.⁴⁵ For this critical reason, the Chinese government

⁴⁴ *Mehr News Agency*. "Iran va roosiyeh be donbal jaigozin SWIFT" [Iran and Russia Attempting to Replace SWIFT]. *Mehr News Agency*, March 25, (2022). <https://www.mehrnews.com/xXnjH>.

⁴⁵ Raymond Yeung. *China's Trump Card: Cryptocurrency and Its Game-Changing Role in Sino-US Trade*. Hoboken, NJ: John Wiley & Sons, (2020): 129. <https://doi.org/10.1002/9781119699163>.

is prepared to enter preferably into sweeping de-dollarization deals with those countries whose economy is more internationalized than the universally sanctioned economy of Iran despite the fact that one of the critical clause of the ongoing 25-year agreement between China and Iran accentuates an expanding role of national currencies in their bilateral commercial interactions for the years to come.⁴⁶

VII. Conclusion

The US withdrawal from the JCPOA and its ensuing blanket ban on Iran's economic and technological relationship with the outside world turned out to be more effective because of curtailing the Middle Eastern country's access to the international banking system which connects Western as well as non-Western economies through the American-controlled SWIFT. But unlike some small and isolated economies such as the sanctioned economy of North Korea, the Iranian economy was enough big and too much dependent on maintaining sustainable interactions with a relatively large number of countries across the world, forcing the Persian Gulf country to do its heavy lifting in a relentless quest to neutralize part of the US-formulated international financial restrictions and penalties against Tehran. Among all resourceful and reliable commercial partners of Iran,

⁴⁶ Nicole Grajewski. "An Illusory Entente: The Myth of a Russia–China–Iran 'Axis'." *Asian Affairs*, 53, no. 1, (2022): 170. <https://doi.org/10.1080/03068374.2022.2029076>.

however, no country other than China was in a position to help the Mideast country go around some of those crippling banking and financial impediments which were to function virtually as a spoke in the wheels of Sino–Iranian growing ties.

Considering that rather modest expectation, the Chinese role has so far been a blend of assistance and abandonment. On the sunny side, the Chinese have certainly provided Iran with a great deal of banking and financial services either directly or through third parties. Even when many Chinese banks and financial institutions refused to deal with the Iranians by excusing international sanctions, there were still some other banks and credit companies in China which could risk a lot by engaging their Iranian clients surreptitiously in return for substantial pecuniary gains. On a more macro level, the Chinese government sometimes looked the other way when its companies and individual citizens were smoothing the way for some sort of banking and financial transactions involving the Middle Eastern country. More important, the Chinese officials apparently assured their counterparts in Tehran that Iran could trust Beijing by transferring surprisingly a bulk of its financial reserves from Europe to the East Asian country; an unprecedented development which could potentially upend, if not permanently terminate, Iran's modern financial dynamics with many Western nations.

On the seamy side, occasional campaigns in China with regard to shutting down the banking accounts of Iranian

businessmen and students or refusing to open a banking account for them in the first place often dealt a serious blow to the East Asian power's improving image and soft power among many Iranian citizens at home and abroad. In the same way, the Chinese stubborn demand that Iran should first accept the FATF before Beijing could make it possible for some major Iranian banks to establish their branches in Chinese cities or let the relevant institutions in China devise plans for setting up joint Sino–Iranian banks was to only dissatisfy and letdown a fair number of pro-China forces in some powerful conservative forces in the Persian Gulf country. Because of their rather selfish and parochial pursuit of internationalizing yuan instead of wreaking havoc on the domineering American dollar, the Chinese also did not contribute very much to Iran's de-dollarization agenda. Due to such discouraging experiences over the past several years, some experts and pundits inside and outside Iran argue that China may again excuse international sanctions and restrictions against the Middle Eastern country and thereby walk away from some of its promising banking and financial commitments stipulated in the 25-year strategic agreement between Beijing and Tehran.

VIII. Bibliography

Abrar-e Eghtesadi. “Aghaz bekar Kunlun bank chin dar Iran [Chinese Kunlun Bank Begins Its Activity in Iran].” *Abrar-e Eghtesadi*. June 8, 2019.

Aftab-e Yazd. “Sokhanan takandahande Jahangiri [Jahangiri’s Revealing Words].” *Aftab-e Yazd*. September 6, 2022.

Asr Iran. “Tamas lobby zeddeirani ba bankhay chini baray ghatte rabete ba Iran [Anti-Iran Lobby Contacts Chinese Banks Asking them to Cut Relationship with Iran].” *Asr Iran*. June 4, 2022. Last modified October 11, 2022.
<https://www.asriran.com/fa/print/842970>.

Asr-e Eghtesad. “Eteraf dolat be dastkari nerkh arz [Government Confession to Interference with the Price of Foreign Currency].” *Asr-e Eghtesad*. February 27, 2021.

Azad, Shirzad. “Principalism Engages Pragmatism: Iran’s Relations with East Asia under Ahmadinejad.” *Asian Politics & Policy* 7, no. 4 (2015): 555–573.
<https://doi.org/10.1111/aspp.12222>.

Azad, Shirzad. “Bidding for a Place in the Sun: The Looking-East Policy of the United Arab Emirates.” *Contemporary Arab Affairs* 13, no. 4 (2020): 70–87.
<https://doi.org/10.1525/caa.2020.13.4.70>.

Barrington, Lisa. "Financial Crime Watchdog Adds UAE to 'Grey' Money Laundering Watch List." *Reuters*. March 5, 2022. Last modified May 21, 2022.

<https://www.reuters.com/world/middle-east/fatf-adds-uae-grey-money-laundering-watchlist-2022-03-04/>.

Blyth, Mark. *Austerity: The History of a Dangerous Idea*. New York: Oxford University Press, (2013).

Borszik, Oliver. "International Sanctions against Iran and Tehran's Responses: Political Effects on the Targeted Regime." *Contemporary Politics* 22, no. 1 (2016): 20–39. <https://doi.org/10.1080/13569775.2015.1112951>.

Brewer, Jonathan. "UN Financial Sanctions on Iran: An Example of How Asset Freeze Exemptions Worked in Practice." *The RUSI Journal* 161, no. 4 (2016): 22–26. <https://doi.org/10.1080/03071847.2016.1224494>.

Byrne, Malcolm, and Kian Byrne. *Worlds Apart: A Documentary History of US–Iranian Relations, 1978–2018*. Cambridge and New York: Cambridge University Press, (2022). <https://doi.org/10.1017/9781108975148>.

Ebtekar News. "Iran dar list siyah FATF gharargereft? Ma va kore shomali! [Iran on the Black List of FATF? We and North Korea!]." *Ebtekar News*. December 16, 2019.

- Eghtesad-e Mardom*. “Bank moshtarek Tehran–Pekan tasis mishavad [Joint Tehran–Beijing Bank to be Set Up].” *Eghtesad-e Mardom*. January 22, 2022.
- Eghtesad-e Pooya*. “Afzayesh ghimat dollar jamae ra be naboodi keshand [Hike in Dollar Price Destroyed Society].” *Eghtesad-e Pooya*. January 19, 2021.
- Elson, Anthony. *The Global Currency Power of the US Dollar: Problems and Prospects*. Cham, Switzerland: Palgrave Macmillan, (2021).
<https://doi.org/10.1007/978-3-030-83519-4>.
- Eskenas Daily*. “Tsunami khorooj sarmaye az keshvar [Tsunami of Capital Flight from Iran].” *Eskenas Daily*. February 24, 2021.
- Fitzpatrick, Mark. “Sanctioning Pandemic-plagued Iran.” *Survival* 62, no. 3 (2020): 93–102.
<https://doi.org/10.1080/00396338.2020.1763614>.
- Gates, Robert M. *Exercise of Power: American Failures, Successes, and a New Path Forward in the Post-Cold War World*. New York: Knopf Doubleday Publishing Group, (2020).
- Grajewski, Nicole. “An Illusory Entente: The Myth of a Russia–China–Iran ‘Axis’.” *Asian Affairs* 53, no. 1 (2022): 164–183.
<https://doi.org/10.1080/03068374.2022.2029076>.

Hudson, Michael. "De-Dollarization: Dismantling America's Financial-Military Empire: The Yekaterinburg Turning Point." *Global Research*. June 13, 2009. Last modified March 13, 2022.

<http://www.globalresearch.ca/PrintArticle.php?articleId=13969>.

ILNA (Iranian Labour News Agency). "Bankay chini ba Iran hamkari nemikonand [Chinese Banks Are not Cooperating with Iran]." *ILNA*. February 2, 2019. Last modified October 11, 2022. <https://www.ilna.ir/fa/tiny/news-723038>.

Iran Daily. "Peigham chin va roosiye: Iran 'FATF' ra bepazirad [Chinese and Russian Message: Iran Accept 'FATF']." *Iran Daily*. December 26, 2019.

Iran Daily. "Tejarat 90 milyard dolari ba dorzadan tahrirha [\$90 Billion Trade through Bypassing Sanctions]." *Iran Daily*. May 23, 2022.

IRNA. "Jazzabiyat daneshgahay chini baray daneshjooyan irani [Appeal of Chinese Universities for Iranian Students]." *IRNA*. June 18, 2018. Last modified October 11, 2022. <https://irna.ir/xjq39f>.

IRNA. "Five Major Opportunities Provided by Iran–China Long-term Cooperation." *IRNA*. April 6, 2021. Last modified May 15, 2022.

<https://en.irna.ir/news/84285870/Five-major-opportunities-provided-by-Iran-China-long-term-cooperation>.

ISNA (Iranian Students' News Agency). "Iran Plans to Open Bank in China." *ISNA*. December 10, 2013. Last modified May 11, 2022.

<https://en.isna.ir/news/92091913690/Iran-plans-to-open-bank-in-China>.

ISNA (Iranian Students' News Agency). "Natijeh gharardad 25 saleh Iran va chin che khahad shod?" [What will be the Impact of 25-Year Agreement between Iran and China?]. *ISNA*. March 27, 2021. Last modified October 14, 2022. <https://isna.ir/xdHVNK>.

Jahan-e Sanat. "Farjam dolarhay blokeshode [Fate of Blocked Dollars]." *Jahan-e Sanat*. April 18, 2022.

Kelid Daily. "Dolat dar geran shodan dollar zinafe bood [Government Benefited from Dollar Hike]." *Kelid Daily*. October 7, 2018.

Khabar-e-Jonoub Morning Newspaper. "Pool ma kojast? [Where Is Our Money?]." *Khabar-e-Jonoub Morning Newspaper*. November 16, 2021.

Kim, Yon-se, and Young-aah Koh. "Builders, Traders Face Damage from Iran Sanctions." *Korea Herald*. September 8, 2010. Last modified June 28, 2023.

<https://www.koreaherald.com/view.php?ud=201009080000892>.

Kittrie, Orde F. *Lawfare: Law as a Weapon of War*. New York: Oxford University Press, (2016).
<https://doi.org/10.1093/acprof:oso/9780190263577.001.0001>.

Long, Heather. "Factcheck: Obama, Kerry Exaggerate Risk to U.S. Dollar If no Iran Deal." *CNN*. August 11, 2015. Last modified May 7, 2022.
<https://money.cnn.com/2015/08/11/investing/iran-nuclear-deal-us-dollar-kerry/index.html>.

McGregor, Richard. "Hu Questions Future Role of US Dollar." *Financial Times*. January 17, 2011. Last modified May 7, 2022.
<https://www.ft.com/content/ae01a8f6-21b7-11e0-9e3b-00144feab49a>.

Mehdi, Syed Zafar. "Iran's Frozen Funds Returning via Chinese Channel with West's Nod." *Anadolu News Agency*. January 28, 2022. Last modified May 16, 2022.
<https://www.aa.com.tr/en/middle-east/irans-frozen-funds-returning-via-chinese-channel-with-west-s-nod/2488354#>.

Mehr News Agency. "Iran va roosiyeh be donbal jaigozin SWIFT [Iran and Russia Attempting to Replace SWIFT]." *Mehr*

News Agency. March 25, 2022. Last modified October 14, 2022. <https://www.mehrnews.com/xXnjH>.

Nelson, Rebecca M., and Karen M. Sutter. “De-Dollarization Efforts in China and Russia.” *Congressional Research Service (CRS)*. July 23, 2021. Last modified May 7, 2022. <https://crsreports.congress.gov/product/pdf/IF/IF11885>.

Oudenaren, John S. van. “Damage Done: America’s Foreign Policy Tactics are Fracturing Its Financial Stability.” *National Interest*. May 14, (2019). Last modified April 21, 2022. <https://nationalinterest.org/feature/damage-done-americas-foreign-policy-tactics-are-fracturing-its-financial-stability-57547>.

Radio Farda. “‘Estefadeh Iran az bankhay chini’ baray enteghal pool be nirooye qods [‘Iran Uses Chinese Banks’ to Transfer Money to the Qods Force].” *Radio Farda*. November 18, 2014. Last modified October 11, 2022. <https://www.radiofarda.com/a/f12-iran-uses-china-bank-funding-quds-force/26697482.html>.

Radio Farda. “Bankhay chini ‘ba Iran kar nemikonand’ [Chinese Banks ‘Do not Work with Iran’].” *Radio Farda*. February 3, 2019. Last modified October 11, 2022. <https://www.radiofarda.com/a/29748560.html>.

Rickards, James. *Currency Wars: The Making of the Next Global Crisis*. New York: Portfolio/Penguin, (2011).

Said, Summer, and Stephen Kalin. "Saudi Arabia Considers Accepting Yuan Instead of Dollars for Chinese Oil Sales." *The Wall Street Journal*. March 15, 2022. Last modified May 7, 2022.

<https://www.wsj.com/articles/saudi-arabia-considers-accepting-yuan-instead-of-dollars-for-chinese-oil-sales-11647351541>.

Schoenbaum, Thomas J. *The Age of Austerity: The Global Financial Crisis and the Return to Economic Growth*. Cheltenham, UK; Northampton, MA: Edward Elgar, (2012).
<https://doi.org/10.4337/9781781951453>.

Servat News. "Haml arz gheireghanooni shod [Carrying on Foreign Currency Becomes Illegal]." *Servat News*. April 14, 2022.

Sheng, Jin. *Alternative Development Finance and Parallel Development Strategies in the Asia-Pacific: Racing for Development Hegemony?* Cheltenham, Britain, and Northampton, MA: Edward Elgar Publishing, (2021).
<https://doi.org/10.4337/9781800882928>.

Sinaee, Maryam. "Business Leader Says China Pays for Iran's Oil with Goods." *Iran International*. February 15, 2022. Last

modified April 9, 2022.

<https://www.iranintl.com/en/202202153989>.

Tafahom News. “Vorood avvalin kart banki beinolmelali [Arrival of First International Banking Card].” *Tafahom News*. July 11, 2016.

Tarock, Adam. *The Superpowers’ Involvement in the Iran–Iraq War*. Commack, NY: Nova Science Publishers, (1998).

Trend News Agency. “Iran’s Frozen Assets in China; \$22bn, or \$47bn?” *Trend News Agency*. October 30, 2013. Last modified May 16, 2022.
<https://en.trend.az/iran/2206261.html>.

Vanhullebusch, Matthias. *Global Governance, Conflict and China*. Leiden and Boston: Brill Nijhoff, (2018).
<https://doi.org/10.1163/9789004356498>.

Yeung, Raymond. *China’s Trump Card: Cryptocurrency and Its Game-Changing Role in Sino–US Trade*. Hoboken, NJ: John Wiley & Sons, (2020).
<https://doi.org/10.1002/9781119699163>.

Information for Contributors

Editorial Policy

The Editorial Board welcomes submissions of scholarly articles. Manuscripts accepted by the Editor are assigned to at least two anonymous referees for evaluation. The Editorial Board then examines the referees' reports and makes the final decision on publication. Submissions should be original contributions, not previously published or under simultaneous consideration by any other journal.

Format of Manuscripts

- The entire manuscript should be typed in Times New Roman (size 12). Submissions should preferably range from 7,000 to 12,000 words, including text, all tables and figures, footnotes, and bibliography. The maximum length is 15,000 words.
- All figures and tables should be provided in camera-ready form. Notes should be placed at the bottom of the page in the form of footnotes. Parenthetical notation is not accepted. Complete bibliographic information must be provided. Authors are responsible for ensuring that their manuscripts conform to the "Notes and Bibliography" system of *The Chicago Manual of Style*.
- The manuscript must include a 300-500 word abstract outlining the focus and content of the article and five keywords. The title page should contain the title of the article, the author's name and current institutional affiliation, as well as a biographical statement of no more than 150 words inclusive of a valid e-mail address.

Style

Authors are responsible for ensuring that the format of manuscripts conforms to *The Chicago Manual of Style 17th Edition*.

Enquiries

All enquiries regarding submission to *Tamkang Journal of International Affairs* can be made by writing an e-mail to tkutjia@mail2.tku.edu.tw.



**TAMKANG JOURNAL OF
INTERNATIONAL AFFAIRS**