

Iran's nuclear programme and world's energy security

MD ABDUL HAKIM AZIZ

WITH new EU sanction on oil import from Iran the European countries have joined hands with the US in a new round of measures to squeeze Iran to bring her to the negotiating table on Iran's nuclear programme. Though Iran has repeatedly stated that her nuclear programme is aimed at peaceful purpose only to meet her electricity needs which the US and her allies are declining to accept. The EU sanction came at a moment when the "US naval flotilla accompanied by British and French warships is already in the region testing the freedom of passage" in the Strait of Hormuz. Moreover the US and Israel are preparing to conduct the largest ever military exercise in February. These events have already raised tension seriously in the region and losing of nerves by either side will invite catastrophe.

Iran has been under continuous US threat and sanction since 1979 after the Iranian revolution. The cat and mouse game between Iran and the US has been continuing for the last 32 years. Successive US administration adopted many strategies to bring Iran under its own grip but so far has not been successful. During the Gulf War between Iran and Iraq, the US actively supported Iraq in terms of moral, material, financial and intelligence support. The US also overtly supported Iraq under Operation Praying Mantis by attacking Iranian armed forces on April 18, 1988 within Iranian territorial waters in retaliation to the Iranian mining of the Persian Gulf which caused damage to an American warship subsequently.

But Iraqi invasion of Kuwait had changed the entire matrix of the geo-strategic and geo-economic equation of the US and other global players whose economy largely depended on Gulf oil. US attention then temporarily shifted to Iraq.

Now that the US has accomplished her mission in Iraq and has been able to kill Osama Bin Laden and is preparing for gradual withdrawal from Afghanistan, it is the old foe Iran that has come to the forefront to be dealt with. The US has already encircled Iran by deploying forces in the region for decades and waiting for the opportune moment to take a heavy toll on Iran.

On the other hand, Israel is repeatedly asking the

US and her allies to strike Iranian nuclear facilities. But the US would rather want diplomatic initiative and sanction to have effect on Iran. Iran is known to be a long term foe of the US then what makes the US delay attack on Iran?

The US and her allies are not sure what Iran can do in case of an attack by the US and her allies. In case of Iraq, the US was sure about Iraqi capabilities including Iraq not in possession of so called weapons of mass destruction. Iraqi war fighting capabilities were degraded to the lowest level by implementing No-Fly- Zones, employing UN weapon inspectors and continuous economic sanctions over a period of more than 12 years. Before the invasion of Iraq, the US and her allies were in no doubt that Iraq pose no reckonable threat to the invading forces.

Iran's top oil export destinations 2010



Total exports: 2,154,000 barrels/day

Source: US Energy Information Administration

Besides, acquisition of all Iraqi strategic military and economic targets along the entire length and breadth of the country were completed well before the invasion. Winning of the war was confirmed before the final shot was fired.

Will it be the same in case of Iran? It is certain that the US and her allies want to thrust Iran to a level that it cannot pose any threat to the US and her allies' interest in the region and definitely aiming at maintaining Israeli supremacy in the region as before.

Till now the US and her allies are looking for low cost option. But Israel has become impatient of the US strategy of dealing with Iran. She is continuously demanding US military strike on Iran's nuclear facilities. Coupled with Israeli threat, Iran's threat to close down the Strait of Hormuz, the vital artery of the flow of Gulf oil, has now become "a flash point of naval clashes."

The Strait of Hormuz is the only sea-passage for the export of oil from the Persian Gulf states. This

means that closing it will adversely affect other oil exporting (Saudi Arabia, Kuwait, Iraq, Qatar, UAE, and Bahrain) and importing countries including Japan, China, Korea, India and the European countries that heavily depend on the Gulf oil.

Iran exports 20% of its oil to Europe. Iran's consumers in Europe are Greece, Italy and Spain. Greece imports one third of its oil from Iran while Italy and Spain meet up more than 10% of its energy needs from Iran. These countries are amongst the weakest economies in the EU. The targeted EU sanction would then hurt Greece, Spain and Italy's economy if there is any disruption of supplies and increase in price of oil. "And any significant price rise would only benefit Iran's exports elsewhere."

According to the US Energy Information Administration, Iran exported 2.15 million barrel/day in 2010. Iran's major clients are China (20%), Japan (17%), India (16%), Italy (10%) and South Korea (9%) which means that the US needs help from these countries to cause Iran to feel the pinch of sanction.

China is highly critical about the US and EU sanction and unlikely to cooperate. While India has already said that it would not abide by the US sanction. Meanwhile, China is also bolstering her ties with other Gulf States for securing her energy supplies and giving a mixed signal by cutting Iranian crude oil imports. It

indicates that China and India will exploit Iran's vulnerability and reap benefit from this situation by striking a better bargain at higher discount rate from Iran. The most obvious sufferer will be the Iranian people.

In the coming months both the belligerents will be passing through the most crucial phase of the situation in the Gulf as both sides are contemplating to conduct largest military exercises in the region namely Exercise Great Prophet and Exercise Austere Challenge. Both sides claim that the exercises will be the largest of all exercises that has ever taken place in the region. Therefore both sides will be ready to contest each other and any mistake on the part of either side will turn the war games into a real war which will be disastrous for the entire world.

Let us hope that the world leaders will act sensibly so that negotiation through peaceful means is given a fair chance.

The writer is a Retired Brigadier General.

US-Pak rapprochement: A strategic reflection

ABU SYED MUHAMMAD BELAL

UNCERTAINTY has ruled Pakistan's history. After the Salala check post attack by Nato which took the lives of 24 Pakistani army soldiers, Pakistan declared to stop cooperating with the US. It cut off the Nato supply route to Afghanistan. Recently announcement has come that Pakistan is going to reopen Nato supply routes, allow the US military trainers including Special Forces teams into Pakistan and resume close cooperation with the CIA in targeting militants who use the Pakistani side of the border as a safe haven and breeding ground for extremism as early as April or May. According to the terms of engagement of nations in the international system, "there are no permanent allies, no permanent friends, only permanent interests." The US and Pakistan both are allies, not friends: they fight together, but they do not like and believe each other. What factors do lead Pakistan cooperate again? Is it a pressure from the United States or a greater strategic demand of the time?

Internally, both civilian government and army need the US. The Memogate scandal is evident of how the Pakistan People's Party (PPP) is fearful of army's potential takeover. The issue is that a week after the killing of Laden in Abbottabad, allegedly, a memorandum from President Asif Ali Zardari was sent to the chairman of the Joint Chiefs of Staff, Admiral Mike Mullen asking to convey a 'strong, urgent and direct message to General Kayani' not to stage coup against PPP-led government. As China is not rigid with military rule in Pakistan, America is the only resort for seeking refuge of military intervention in power.



Similarly, America needs Pakistan's support in order to defeat Talibans. Therefore civilian government is going to make new terms of engagement and resume ties with the US up to the level that serves the interests of both parties. On the other hand, the military of Pakistan is fed with the money from America. The military aid from the US largely helps this dinosaur to survive against its hobgoblin enemy, India. In a reflection of the uneasy relationship between the United States and Pakistan, Congress agreed on a defense bill that includes a provision to freeze some \$700 million in assistance in December 2011. Moreover, India is rapidly increasing its military capability. It has built military partnership with the US, Israel and Russia. For the first time in January 2012 Indian Navy has taken in its possession a nuclear submarine from Russia. It is also developing its own nuclear-powered submarine. Policy makers in Islamabad believe that rising military strength of India has a direct bearing for Pakistan.

Regionally, during the sour time with America, relations with China attained new heights. China publicly announced to stand beside Pakistan in any given situation. Both countries celebrated 2011 as year of friendship. Why does special friendship year needed at this moment?

Analysts say that it has a demonstration value. America, Afghanistan and India have to take notes of that. But does China want a Pakistan absolutely sitting on Chinese lap? Foreign policy direction of this rising Asian power is to ensure peaceful development. For that end, its declared posture is to create a peaceful environment where economic development can be attained. The underlying message is that it prioritizes a region which is stable and peaceful.

Amid the tension with Pakistan and the US, a triple alliance comprising the US, India and Afghanistan is likely to emerge in South Asia. The US wants India play a vigorous role in Afghan state building. India is now one of the biggest partners of Afghanistan in this regard. Indo-Afghan partnership is institutionalized by a strategic deal in November 2011. Delhi's presence in Afghanistan threatens both China and Pakistan. China dislikes embroiling in tension with the US in South Asia. It has a long historic dispute with India in Arunachal Pradesh and in Kashmir. Therefore extending this sphere of disputes in other areas is definitely a bad choice. Moreover, internal milieu of Pakistan is destabilizing. China wants a Pakistan internally stable and externally contributing to a peaceful region. In a situation like this, Pakistan has no alternative to restoring relations with the US.

Diplomacy is the business of interests between states. Any diplomatic rapprochement in international politics therefore involves the greater interests of nation-states. The foreign policy of Pakistan is now steered by two broad objectives security and development. Civilian and military aid from the US can only help to reach this goal. Pakistan wants the US not to tail too much to India. In fact, Americans are in a mess in South Asia. Neither they can leave nor lead. The policy of Pakistan seems to engage America in prolonging the war in Afghanistan while destroying the enemies tearing Pakistan apart. After all, history is a witness; both the US and Pakistan need each other!

The writer is a Strategic Issue Analyst, BIPSS.

China courts the Middle East

Thirsty for oil, China spurns the West's call for sanctions on Iran

DILIP HIRO

As a country importing 11 percent of its oil from Iran, the latest American and European move to isolate Iran has put China in a quandary. Should it join the West with which it has close economic ties, or ignore the call for sanctions on Iran, not backed by the United Nations, to maintain its energy security? With the recent visit of Chinese Prime Minister Wen Jiabao to three oil-rich Gulf monarchies, Beijing's deft diplomacy has sidestepped the issue.

Wen highlighted main principles of Beijing's foreign policy: non-interference in other countries' affairs; prioritizing energy security by ensuring steadily increasing supplies of oil and gas; and expanding trade. This set of guidelines has proved adequate, so far, to enable China to navigate the turbulent Middle East.

Wen described China's oil trade with Iran as "normal trade activity" at the 18 January press conference in Doha. "Legitimate trade should be protected, otherwise the world economic order would fall into turmoil."

The United States alleged that Zhuhai Zhenrong had violated US sanctions by brokering delivery of gasoline, worth \$500 million, to Iran from July 2010 to January 2011. It barred Zhuhai Zhenrong from receiving US export licenses, US Export Import Bank financing or loans over \$10 million from US financial institutions. The restrictions are largely symbolic because, according to the company's spokesperson, "We have never had any business cooperation with any United States companies."

China's stance stands in contrast to what the White House aims to achieve. Following Geithner's meetings in Beijing, a US official explained that the Obama administration was "in the early stages of a broad global diplomatic effort to take advantage of this new legislation to significantly intensify the pressure on Iran" regarding its nuclear program. He was referring to the Defense Authorization Act, signed into law on 31 December, which includes targeting foreign financial institutions doing business with Iran's central bank, notably to buy petroleum.

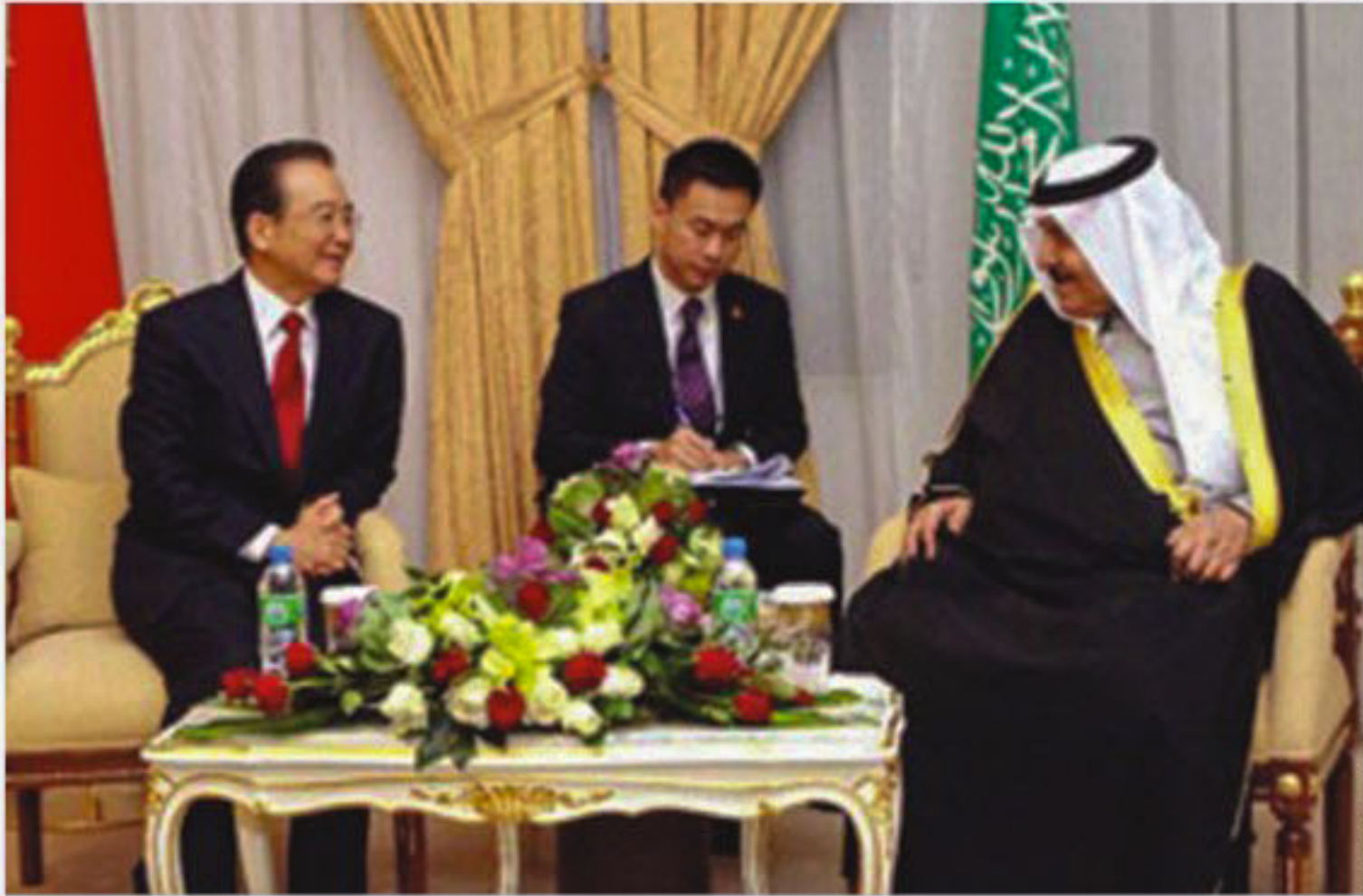
Referring to the Geithner mission, the Global Times a tabloid owned by the People's Daily, official organ of the Chinese Communist Party described it as another sign of America's "Big Power mindset," to be ignored.

Beijing is the largest buyer of Iranian petroleum, accounting for 20 percent of Iran's exports the same as all 27 members of the European Union combined. China's thirst for petroleum is rising so fast that, according to Goldman Sachs, it will become the globe's largest importer of oil by mid-2013.

In November 2004, while Washington tried to get Iran's nuclear file referred to the UN Security Council,

Sinopec and National Iranian Oil Company (NIOC) and Iran LNG signed memorandums of understanding for the development of the Yadavaran oilfield, containing 3.2 billion barrels of oil and 2.7 trillion cubic feet of gas the biggest hydrocarbon deal so far by any member of the Organization of Petroleum Exporting Countries.

In March 2008, while the Security Council imposed a third set of sanctions on Tehran, pertaining to nuclear and missile programs, China and Iran struck a three-year \$3.39 billion deal to produce liquefied natural gas, LNG, in Iran's mammoth South Pars field. Another deal with CNPC followed in January 2009. Later that year, the Chinese companies inked \$8 billion worth of contracts with Iran to help expand two



Balancing game : Chinese Premier Wen Jiabao with Saudi Arabia's Crown Prince Nayef bin Abdulaziz Al Saud in Riyadh, January 2012.

Iranian oil refineries.

To overcome rising hurdles erected by Washington for Iran to conduct dollar-denominated transactions, Beijing and Tehran resorted to barter trade. In July 2011 they signed several agreements, committing Chinese corporations to invest in Iranian infrastructure projects, with Tehran agreeing to export chrome ore to China.

In pursuit of energy security, China's leaders decided more than a decade ago to reduce the proportion of its oil imports carried by tanker because of the vulnerability of shipping lanes from the Persian Gulf and East Africa to its ports.

At present among China's top four oil suppliers Saudi Arabia, Angola, Iran and Russia only Russia is supplying nearly 400,000 barrels per day to China by overland pipeline. Of the remaining three, only Iran offers potential of overland pipelines.

A gas pipeline from Xinjiang province of China running through the Central Asian republics to Turkmenistan already linked by gas pipeline to eastern Iran was commissioned in December 2009. Two

months earlier, in a meeting with Iran's first vice-president in Beijing, Wen referred to deepening cooperation in trade and energy between the two nations, adding that China attached importance to "close coordination in international affairs" with Tehran

Wen's statement reflected the consensus among a network of Chinese think tanks that Iran is a rising power in the Middle East, gaining influence at the expense of America. Addressing the Fourth China-Arab Business Conference in Sharjah, United Arab Emirates, Wen pointed out that the trade between China and the Arab world registered record figures in 2011 despite political turbulence.

China had good relations with oil-rich Libya under Muammar Gaddafi. Along with Russia, it was angered by NATO's interpretation of the UN Security Council resolution in March, to protect civilians, by siding with anti-Gaddafi forces in the civil war. Within three months of Gaddafi's downfall, Beijing bought 67,000 barrels per day from the new regime.

During Wen's tour, Sinopec sealed an \$8.5 billion deal with Saudi Aramco for a joint-venture oil refinery and signed a memorandum of understanding with Saudi Arabian Basic Industries Corporation to build a petrochemical plant in Tianjin, China. Saudi Arabia supplies almost twice as much petroleum to China as Iran. Beijing remains wedded to its traditional policy of non-intervention into the domestic affairs of other countries. Along with Russia, it vetoed the Security Council resolution on Syria in October 2011 calling for sanctions against the Assad regime for violent repression of protesters. Wen welcomed the Arab League's mediation efforts to defuse the crisis and appealed to the international community to play a constructive role.

He did the same when alluding to Iran, arguing that in view of "the instabilities and complexity in the region," the easing of tensions is "in the interests of all relevant parties." At the same time he declared: "China supports nuclear non-proliferation, and would be against Iran should it be developing or possessing a nuclear weapon." Given that China has been a signatory to the 1970 nuclear Non-Proliferation Treaty since 1992, Wen's statement merely reiterated a long-held policy.

As a rising global power, China favors the region's status quo, gambling it can continue to fulfill its growing hydrocarbon needs from the Middle East, acquiring a larger footprint there while spurning the West's pressure to join its anti-Iran drive.

The writer is the Author of "After the Empire: The Birth of a Multipolar World" (Nation Books, New York and London).

© Yale Center for the Study of Globalization. All rights reserved. Reprinted by arrangement.