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China Rocks the Geopolitical Boat with Iran Oil Deals

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By Kavah L. Afrasiabi

TEHRAN - Speaking of business as unusual. A mere two months ago, the news of a China-Kazakhstan pipeline agreement, worth US$3.5 billion, raised some eyebrows in the world press, some hinting that China's economic foreign policy may be on the verge of a new leap forward. A clue to the fact that such anticipation may have totally understated the case was last week's signing of a mega-gas deal between Beijing and Tehran worth $100 billion. Billed as the "deal of the century" by various commentators, this agreement is likely to increase by another $50 to $100 billion, bringing the total close to $200 billion, when a similar oil agreement, currently being negotiated, is inked not too far from now.

The gas deal entails the annual export of some 10 million tons of Iranian liquefied natural gas (LNG) for a 25-year period, as well as the participation, by China's state oil company, in such projects as exploration and drilling, petrochemical and gas industries, pipelines, services and the like. The export of LNG requires special cargo ships, however, and Iran is currently investing several billion dollars adding to its small LNG-equipped fleet.

Still, per the admission of the head of the Iranian Tanker Co, Mohammad Souri, Iran needed to purchase another 87 vessels by 2010, in addition to the 10 already purchased, in order to fulfill the needs of its growing LNG market. Iran has an estimated 26.6-trillion-cubic-meter gas reservoir, the second largest in the world, about half of which is in offshore zones and the other half onshore.

It is perhaps too early to digest fully the various economic, political and even geostrategic implications of this stunning development, widely considered a major blow to the Bush administration's economic sanctions on Iran, particularly on Iran's energy sector, notwithstanding the Iran-Libya Sanctions Act (ILSA) penalizing foreign companies daring to invest more than $20 million in Iran's oil and gas industry.

While it is unclear what the scope of China's direct investment in Iran's energy sector will turn out to be, it is fairly certain that China's participation in the Yad Avaran field alone will exceed the ILSA's ceiling; this field's oil reservoir is estimated to be 17 billion barrels and is capable of producing 300 to 400 barrels per day. And this is besides the giant South Pars field, which Iran shares with Qatar, alone possessing close to 8% of the world's gas reserves. Up to now, Tehran has been complaining that Qatar has been outpacing Iran in exploiting its resource by 6 :1. In fact, Iran's unhappiness over Qatar's unbalanced access to the South Pars field led to a discrete warning by Iran's deputy oil minister and, soon thereafter, Qatar complied with Iran's request for a joint "technical committee" that has yet to yield any result.

For a United States increasingly pointing at China as the next biggest challenge to Pax Americana, the Iran-China energy cooperation cannot but be interpreted as an ominous sign of emerging new trends in an area considered vital to US national interests. But this deal

should, logically speaking, stimulate others who may still consider Iran untrustworthy or too radical to enter into big projects on a long term basis.

Iran's biggest foreign agreement prior to this gas agreement with China was a long-term $25 billion gas deal with Turkey, which has encountered snags, principally over the price, recently, compared with Iran's various trade agreements with Spain, Italy and others, typically with a life-span of five to seven years.

Thus some Iranian officials are hopeful that the China deal can lead to a fundamental rethinking of the risks of doing business with Iran on the part of European countries, India, Japan, and even Russia. Concerning India, which signed a memorandum of understanding with Iran initially in 1993 for a 2,670-kilometer pipeline, with more than 700km traversing Pakistani territory, the Iran-China deal will undoubtedly give a greater push to New Delhi to follow Beijing's lead and thus make sure that the "peace pipeline" is finally implemented. The same applies, mutatis mutandis, to Russia, which has of late been dragging its feet somewhat on Iran's nuclear reactor, bandwagoning with the US and Group of Eight (G8) countries on the thorny issue of Iran's uranium-enrichment program. The Russians must now factor in the possibility of being supplanted by China if they lose the confidence of Tehran and appear willing to trade favors with Washington over Iran. Russia's Gazprom may now finally set aside its stubborn resistance to the idea of entering major joint ventures with Iran.
Iran appears more and more interested in joining the Shanghai Cooperation Organization (SCO) to form a powerful axis with its twin pillars, China and Russia, as a counterweight to US power. The SCO is presently comprised of China, Russia, Tajikistan, Kazakhstan, Kyrgyzstan and Uzbekistan.

Even short of joining forces formally, the main outlines of a China-Russia-Iran axis can be discerned in their mutual threat perception. This may be seen, for example, in Russian uneasiness over post-September 11, 2001, US incursions in its traditional Caucasus-Central Asian "turf", and China's continuing unease over the Korean Peninsula and Taiwan. In addition, China has long contemplated a "new Silk Road" allowing it unfettered access to the Middle East and Eurasia as part and parcel of what is often billed as "the new great game" in Eurasia. Indeed, China's recent deals with both Kazakhstan (pertaining to Caspian energy) and Iran (pertaining to Persian Gulf resources) signify that the pundits have gotten it wrong until now: the purview of the new great game is not limited to the Central Asia-Caspian Sea basin, but rather has a broader, more integrated, purview increasingly enveloping even the Persian Gulf. Increasingly, the image of the Islamic Republic of Iran as a sort of frontline state in a post-Cold War global lineup against US hegemony is becoming prevalent among Chinese and Russian foreign-policy thinkers.

For the moment, however, the Iran-Russia-China axis is more a tissue of think-tanks than full-fledged policy, and the mere trade interdependence of the US and China, as well as Russia's growing energy ties to the US, not to mention its concerns over Chinese "overstretch", militate against a grand alliance pitted against the Western superpower. In fact, Cold War-type alliances are highly unlikely to be replicated in the current milieu of globalization and complex interdependence; instead, what is likely to emerge in the future are issue-focused or, for the lack of a better word, issue-area alliances whereby, for example, the above-mentioned axis may be transcend purely economic considerations.

Hence what the SCO means on the security front and how significant it will be hinges on a complex, and complicated, set of factors that may eventually culminate in its expansion, from

the current group of six, as well as greater alliance-like, cooperation. It is noteworthy that in Central Asia-Caucasus, the trend is toward security diversification and even multipolarism, reflected in US and Russian bases not too far from each other. In this multipolar sub-order, if the US is incapable of exerting hegemony, neither is Russia's semi-hegemonic sway without competition. In the Caspian Sea basin, for example, Kazakhstan has opted to take part in several distinct, and contrasting, security networks, including the North Atlantic Treaty Organization's Partnership for Peace program, the Commonwealth of Independent States' Collective Security Organization, the SCO, and membership in OSCE (Organization for Security and Cooperation in Europe).
Kazakhstan is not an exception, but rather seems indicative of an expanding new security and strategic game played out throughout the Central Asia-Caucasus region. Economically, both Kazakhstan and Russia are members of the Central Asia Economic Cooperation Organization, and all the Central Asian states are also members of the Economic Cooperation Organization (ECO), which was founded by the trio of Iran, Turkey and Pakistan. Certain economic alliances are, henceforth, taking shape, alongside the budding security arrangements, which have their own tempo, rationale and security potential. Concerning the latter, in 1998, the ECO embarked on low security cooperation among its members on drug trafficking and this may soon be expanded to information-sharing on terrorism. Iran has also entered into low security agreements with some of its Persian Gulf neighbors, including Saudi Arabia and Kuwait.

The SCO initially was established to deal with border disputes and is now well on its way to focusing on (Islamist) terrorism, drug trafficking and regional insecurity. Meanwhile, the US, not to be outdone, has been sowing its own bilateral military and security arrangements with various regional countries such as Azerbaijan, Tajikistan, Kyrgyzstan and Uzbekistan, as well as promoting the Guuam Group, which includes Azerbaijan and Georgia, formed alongside the BTC (Baku-Tiblisi-Ceyhan) pipeline as a counterweight to Russian influence. Consequently, the overall picture that emerges is a unique military and security multipolarism defying the logic of Pax Americana. In this picture, Iran represents one of the poles of attraction, seeking its own sphere of influence by, for instance, entering into a military agreement with Turkmenistan in 1994, and, simultaneously, exploring the larger option of how to coalesce with other powers in order to offset the debilitating consequences of post-September 11 unbounded Americanization of regional politics.

A glance at Chinese security narratives makes it patently obvious that Beijing shares Iran's deep worries about US unipolarism culminating in, as in Afghanistan and Iraq, unilateral militarism. Various advocates of US preeminence, such as William Kristol, openly write that the US should "work for the fall of the Communist Party oligarchy in China". Unhinged from the containment of Soviet power, the roots of US unilateralism, and its military manifestation of "preemption", must be located in the logic of unipolarism, thinly disguised by the "coalition of the willing" in Iraq; the latter is, in fact, as aptly put by various critics of US foreign policy, more like a coalition of the coerced and bribed than anything else.

But, realistically speaking, what are the prospects for any regional and or continental realignment leading to the erasure of US unipolarism in light of US military and economic measures to prevent the emergence of any challenger to its global domination now or in the future? The strategic debates in all three countries, Russia, China and Iran, feature similar concerns and question marks. For one thing, all three have to contend with the difficulty of sorting out the disjunctions between different sets of national interests,

above all economic, ideological and strategic. This aside, a pertinent question is who will win over Russia: Washington, which pursues a coupling role with Moscow vis-a-vis Beijing, or Beijing, trying to wrest Moscow away from Washington? For now, Russia does not feel compelled to choose between stark options, yet the situation may be altered in China's direction in the event that the present drift of US power incursions is heightened in the future. For now, however, the quantum leap of China into the Middle East and Caspian energy markets has become a fait accompli, no matter how disturbed its biggest trade partner, the US, may be over its geopolitical ramifications.

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