

Iran: US 'works on' China to Isolate Iran

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Global Research, March 24, 2010

24 March 2010

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Among the many inadvertent insights into the twisted US logic and policy towards the Middle East revealed in Hillary Clinton's barnstorming speech to the American Israel Public Affairs Committee this week was her *fatwa* of "biting sanctions" on Iran.

To rousing applause, the US secretary of state warned the Islamic Republic of further isolation and "painful consequences".

Clinton claimed: "There is a growing international consensus on taking steps to pressure Iran's leaders to change course. Europe is in agreement. Russia, where I just returned from, has moved definitely in this direction."

Then came this nugget: "*And although there is still work to be done*, China has said it supports the dual-track approach of applying pressure if engagement does not produce results [emphasis added]." In other words, Clinton revealed where the US game plan was lacking: China.

Iran is facing a fourth round of trade sanctions imposed by the United Nations Security Council. The US, Britain, France and Germany are gung-ho for more punitive measures that will hit Iran's vital energy industry – the lifeblood of its economy. Both Russia and China have balked at implementing "crippling sanctions" over Iran's (legitimate) nuclear programme – but, of these two security council members, China has shown more resistance to going along with the West's dual-track threat of trade embargos and war.

As China's foreign minister Yang Jiechi said recently: "Pressure and sanctions are not the fundamental way forward to resolving the Iran nuclear issue, and cannot fundamentally solve this issue."

There is good reason for China's reluctance, or as Clinton might put it, recalcitrance. Iran is now China's largest trading partner, having displaced the European Union, with an annual trade volume worth over \$36 billion, according to the Financial Times.

Top of the list is Iran's importance as an energy supplier to China. The Islamic Republic – the world's second biggest oil producer after Saudi Arabia – was up to recently the third largest supplier of crude oil to China. Combined with natural gas exports, Iran accounts for 11 per cent of China's total energy needs.

Not surprisingly, China is wary of jeopardising a crucial source of fuel. Given the Asian giant's imperative need to sustain annual economic growth of at least 8 per cent, according to some analysts, or face acute domestic political problems from massive unemployment and rising poverty, China's priority – first and foremost – is to secure the hydrocarbon fuel to

drive its economy.

To this end, a recent Reuters' report of a dramatic fall in China's imports of Iranian crude during the first two months of this year could signal Beijing's preparations for the inevitable: a US-led military attack on Iran – regardless of whether further sanctions are applied or not and regardless of what Tehran does to appease Western powers over its (legitimate) nuclear research.

Citing Chinese customs figures, Reuters reported: “China's imports of Iranian crude oil shrank by nearly 40 per cent in the first two months of 2010, compared [with] the same time last year, despite the Asian economy's expanding hunger for foreign oil.”

Tellingly, the drop in orders from Iran was not due to a fall in China's overall oil demand, which rose strongly by nearly 46 per cent in the first two months, after a lull at the end of last year.

“China's crude shipments from its number one supplier and the world's top exporter, Saudi Arabia, rose 5.4 per cent, and those from Angola and Russia rose 71.6 per cent and 50.8 per cent, respectively, to take second and third place. Iran was the only major crude supplier to China to show a fall in deliveries,” said Reuters.

The news wire quoted oil trade analysts who cautioned that two months' figures do not amount to a firm trend and that it was not clear to them if the fall in Iranian oil export orders was due to Western pressure over looming harsher sanctions.

However, given the critical energy needs of China, the move could also be interpreted as a prudent spreading of oil sources in the event of Iran “being taken out”.

China has supported the previous three rounds of UN resolutions against Iran on the proviso that they would not threaten flows of oil and Chinese investments.

But with increasing clamour since the end of last year from the US and its Western allies for “tough action” against Iran, China may have drawn the conclusion that Iran is now seriously at risk.

Given also the concomitant relentless diplomatic hostility from Washington towards Beijing – \$6.4 billion weapons sales to Taiwan, punitive trade tariffs on Chinese goods and histrionic accusations of currency manipulation – China may be beginning to feel that its strategic energy partnership with Iran is just not worth it.

The figure to look out for is refined petroleum exports from China to Iran. The latter lacks refining capacity and relies on China for up to a third of its gasoline imports. If that trade takes a fall, combined with a continuing switch by Beijing to other sources of crude oil, then that might signal China has crumpled under pressure to make way for the US to do its worst.

Maybe this is what Clinton means by “there is still work to be done”.

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