Iran, Pakistan to hold pricing talks on gas pipeline

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The Iranian and Pakistani governments will hold final talks next month on pricing natural gas to be sent through a pipeline connecting Iran's South Pars natural gasfields to the Pakistani cities of Karachi and Multan. The deal, arrived at despite intense US opposition to pipeline deals involving Iran, highlights the increasingly bitter struggle over energy and strategic influence in Central Asia.

The pricing mechanism between Iran and Pakistan had been worked out in October 2007, according to Iran's official Islamic Republic News Agency. On March 10, the Pakistani liberal daily *Dawn* wrote that Pakistan had asked for a meeting with Iranian officials to ratify the agreed-upon pricing mechanism. Bloomberg News reported on March 11 that Pakistan will be able to receive natural gas once a 400-kilometer segment connecting the Iranian city of Iranshahr to the Iran-Pakistan border is complete, perhaps by 2011.

Should it become operational, this pipeline would be only one segment of what was originally a far longer proposed pipeline—the Iran-Pakistan-India (IPI) pipeline. When the pipeline was initially proposed in 1995 to market Iranian natural gas and supply badly needed energy to Pakistan and India, it was planned to extend from Iran through Pakistan to Delhi, in India.

Because it would have relied on the cooperation of long-time military rivals India and Pakistan, the IPI pipeline was also often called the "Peace Pipeline." Despite official US support for an India-Pakistan peace process, the US has until now successfully held up the project, due to its opposition to any measure which would increase Iran's role in the world energy trade.

With regard to India, the US has not been shy in applying direct pressure over relations with Iran. India unexpectedly voted with the US in favor of sanctions at IAEA meetings in September 2005 and February 2006. In February 2007 a former Bush administration official, Stephen Rademaker, even publicly boasted that India's votes had "been coerced" on this matter. The 2006 Hyde Act, passed by the US Congress, even specifies that to retain US support and the nuclear accord, it must act "to dissuade, isolate, and if necessary, sanction and contain Iran for its efforts to acquire weapons of mass destruction, including a nuclear weapons capability and the capability to enrich uranium or reprocess nuclear fuel and the means to deliver weapons of mass destruction."

Pakistan has apparently convinced Iran to agree to the deal, with or without Indian participation. *Dawn* wrote: "The [Pakistani] government has asked Iran to close the gas pipeline project, with or without India, by April to help meet Pakistan's increasing gas requirements. Sources in the ministry of petroleum and natural resources told *Dawn* on Monday that Iran would hold final talks with India this month to persuade it to join the $5.4 billion Iran-Pakistan-India (IPI) gas pipeline project."

India's pullout from the IPI pipeline leaves it with significant excess capacity, and an important strategic issue: who will receive the leftover gas? Vahid Zeydifard, a senior official at the National Iranian Gas Company, told Bloomberg News that the pipeline's transport capacity would be approximately 110 million cubic meters per day. He added: "Pakistan needs 50 million cubic meters of gas a day, and we can supply the rest to India if they want."

China, which shares a border with Pakistan, has repeatedly stated that, should India abandon the IPI pipeline, it would buy whatever natural gas is left after Pakistan buys what it wants. On March 11 the *India Times* wrote: "If India continues to dither under US pressure, Iran will invite China to join the project, sources in the [Pakistani] petroleum ministry said. China has promised to line up financial resources for the project and has been in contact with Pakistan on the issue."

Despite US pressure, the Indian government would still prefer to proceed with the project. An Indian Petroleum Ministry official speaking to the *Asian Times* dismissed the announcement as a way to "pressurize" India, since India would be "politically unwise [to] let China walk away with the extra gas, as has happened in Myanmar." Indian officials also pointed out that India would pay more for the gas than China. However, India does not want to agree to participate in the IPI pipeline and openly oppose the US government, at least until the Indo-US nuclear accord is passed by the US government.

The successful operation of an Iran-Pakistan, let alone an Iran-Pakistan-China pipeline, would represent a significant blow to US imperialist policy in the Middle East. In its quest for global hegemony, the US bourgeoisie has pursued two related goals: first, to completely isolate any energy-producing state, such as Iran and Saddam Hussein's Iraq, that it viewed as politically unreliable; second, to station overwhelming US military force—e.g., the US Navy in the Indian Ocean, and US army bases in the Balkans—along the export routes of Middle Eastern energy reserves towards the US' Eurasian rivals. US imperialism is increasingly failing to achieve either of these goals.

The US' Iran strategy was perhaps most crudely stated by the late US Congressman Tom Lantos (Democrat of California), as he introduced the Iran Counter-Proliferation Act (HR 1400, S 970) in March 2007. The bill passed the House with bipartisan support and is now under consideration in the Senate. Lantos said: "Our goal must be zero foreign investment—let me repeat this, zero foreign investment—in Iran's energy sector."

As a result of Iran's political and commercial isolation, though Iran has the second-largest natural gas reserves in the world (971 trillion cubic feet, second after Russia's 1700 trillion cubic feet and 16 percent of the world total), these reserves are underdeveloped: 62 percent are not currently tapped, according to a US Congressional research report.

Joint US-European sanctions against Iran over its alleged nuclear weapons programs have left Tehran with few options besides pursuing contracts in Asia. In 2004, China's Sinopec Group signed a $70 billion oil and gas agreement with Iran, according to which it will purchase 250 million tons of liquefied natural gas (LNG) over the next 30 years and help develop Iran's Yadavaran oilfield, which holds 18.3 billion barrels of oil and 12.5 trillion cubic feet of gas. In December 2007, Sinopec agreed to invest a further $2 billion in the Yadavaran field.

Also in December 2007, Iran's Pars Oil and Gas Company signed a $6 billion deal with Malaysia's SKS Group to develop Iran's Golshan and Ferdows gasfields. Iranian Oil Minister Gholamhossein Nozari commented: "Our approach is [towards] Asian countries, which are the focus of attention because of their future vast energy markets." The US responded by postponing talks on a free trade agreement with Malaysia.

Iranian officials have even publicly speculated about the currently unlikely possibility of extending the IPI pipeline through India to Southeast Asia. On January 18, Thailand's *Bangkok Post* reported comments by Iranian Finance Minister Davoud Jafari: "We are very positive about the [IPI] pipeline because we firmly believe that it will have a regional impact. We are positive we can take the pipeline to Southeast Asia, to countries like Thailand, Malaysia, and Singapore."

At the same time, the Iranian government has pursued a rapid privatization program aimed at boosting foreign, and especially Asian, investment throughout its economy. Ayatollah Ali Khamenei has declared privatization "the most effective way" to counteract the "economic war" and financial sanctions pursued by the US and Europe.

In February 2008, Hojatollah Ghanimi-Fard, director of foreign affairs at the National Iranian Oil Company (NIOC), told the *Middle East Economic Digest* that Iran would privatize 47 energy firms, including NIOC subsidiaries Petropars and Petroiran Development Company, worth an estimated $90 billion. Iranian Deputy Finance Minister Heidari Kord Zanganeh told the *Financial Times*, "I promise that if I am here for the next two years, between 80 and 90 percent of the government will be sold."

The *Financial Times* noted that this included currently state-owned steel, copper, banking, shipping, airlines, and telecommunications companies. It added that the Iranian government was considering stock exchanges in Hong Kong, Jakarta, and Kuala Lumpur for initial public offerings of these enterprises' stock.

To understand the explosiveness of the possibility that Pakistan could provide a pipeline link between Iran and China, one must place it in the context of the US strategy in the region. US pressure on India to abandon the IPI pipeline was based on threatening to deny India the benefits of the proposed Indo-US nuclear accord and a "global" and "strategic" partnership. The US hopes to build up India as a counterweight to China, the strongest rising power in Asia; the Indian bourgeoisie, while far from certain that it wishes to play this role, hopes for the time being to reap the maximum possible benefit from such a relationship.

If the US was opposed to an energy pipeline linking Iran and a country it is courting as an ally—India—then it must be even more bitterly opposed to a pipeline link between Iran and China, a country viewed as the main US geopolitical competitor in Asia and quite possibly in the world. Though China has not yet taken explicit steps to challenge US influence in Pakistan, US imperialism cannot easily brush China aside in Pakistani politics.

China has longstanding political influence in Pakistan dating to the Cold War period, when both Pakistan and China fought wars against India and viewed it as a common enemy. In a reference to repeated US withdrawals of financial and political support at key turning points in regional politics—perhaps most notably after the final collapse of the Soviet-backed People's Democratic Party of Afghanistan (PDPA) regime in 1992—Pakistani state officials call China Pakistan's "all-weather friend," implicitly comparing it to Pakistan's fair-weather friend, the US.

China also has growing commercial influence. In 2006 it signed a free-trade agreement with Pakistan. Chinese companies operate gold and copper mines at Saindak, lead and zinc mines in Lasbela district (both in Balochistan), and a Pak-China Industrial Zone near Kala Shah Kako in the Punjab. The two countries can trade directly overland via the Karakoram Highway, which provides a paved highway link between the city of Kashgar in China's Xinjiang Autonomous Region, through Pakistani Kashmir, and down to Islamabad and Rawalpindi.

China operates a deep-sea port at Gwadar on Pakistan's Arabian Sea coast, only 400 kilometers east of the strategic Strait of Hormuz. It is helping build the Gwadar-Dalbandin railroad to connect Gwadar to the Karakoram highway, amid widespread speculation that Beijing intends to import Middle Eastern oil and African oil and minerals via the Gwadar port, to minimize the time these shipments spend on US-controlled shipping lanes in the Indian and Pacific Oceans.

US bourgeois strategists view these developments with increasing mistrust. Thus Tariq Niazi, writing in February 2005 for the Jamestown Foundation think tank, said that China aims to "integrate Pakistan into the Chinese economy," "transform Pakistan into a giant factory floor for China," and obtain "access to Central Asian markets for energy imports and Chinese exports by developing road networks and rail links through Afghanistan and Pakistan." US military analysts have also alleged that Chinese forces at Gwadar routinely spy on US naval deployments in the Persian Gulf region.

Beijing has long hoped to avoid naval entanglements altogether, by developing a network of pipelines connecting China with Central Asian or Iranian fields. Such plans for a so-called "Pan-Asian Global Energy Bridge" or "New Energy Silk Road" were largely shelved, however, in the aftermath of the 2001 US invasion of Afghanistan, as US forces were stationed in several countries in the region. The current plans for an Iranian-Pakistani pipeline appear to have revived the possibility of direct, overland access by China to Middle Eastern energy resources.

This political instability is heightened by the proposed pipeline's location—passing through Iranian and Pakistani Baluchistan, both regions poorly controlled by their respective central governments. Baluchi nationalists and militants of the Jundallah group have already carried out attacks against Iranian and Chinese nationals in the region. In April 2007 Iranian officials, basing themselves on ABC News reports, charged that US Vice President Dick Cheney had discussed such attacks with Pakistani dictator Pervez Musharraf, and that the US government was sponsoring Jundallah as an "off-the-books" operation.