US excludes China from Iran sanctions waiver

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13 June 2012

With the imposition of tough new US sanctions on Iran due next month, the Obama administration announced a formal waiver on Monday for seven countries, exempting them from penalties. The significant exception was China—Iran's largest trading partner and the biggest purchaser of Iranian oil exports.

The sanctions form part of the escalating campaign against Iran, including threats of military strikes, for refusing to accede to demands by the US and its allies to shut down key aspects of the country's nuclear program. Washington's unsubstantiated claim that Iran is planning to build a nuclear weapon is the pretext for intense pressure on Tehran, aimed at fashioning a regime more conducive to US interests in the Middle East and Central Asia.

The US Congressional sanctions are harsh unilateral measures aimed at countries and corporations doing business with Iran—especially involving the purchase of Iranian oil. Any foreign bank or corporation engaged in transactions with Iranian banks faces the heavy penalty of being excluded from the US banking and financial system.

Combined with a European Union (EU) ban on Iranian oil imports, the US sanctions are aimed at crippling the Iranian economy by severely restricting Iran's ability to sell its oil. In effect, the US and the EU are imposing an embargo on Iran that amounts to an act of economic war. China and Russia have both criticised the sanctions and the continuing threat of military action—measures that have been taken outside the UN Security Council.

In approving the sanctions legislation, President Barack Obama insisted on several provisos, including the right of his administration to issue waivers or exemptions to countries considered to be taking steps to cut economic ties with Iran. The clause was clearly aimed at allowing the US to selectively apply the penalties, so as not to alienate key allies and partners.

Earlier this year, the Obama administration granted a waiver to Japan—a longstanding strategic ally and also a large importer of Iranian oil. The European Union is exempt, as it is imposing an embargo on Iranian oil imports.

On Monday, US Secretary of State Hillary Clinton announced waivers for India, South Korea, Turkey, Malaysia, South Africa, Sri Lanka and Taiwan, declaring that they had "significantly reduced" purchases of Iranian oil. The exemption for India, a major importer of Iranian oil, is particularly significant—it is a crucial US partner, described last week by Defence Secretary Leon Panetta as a "lynchpin" of US strategy in Asia.

The glaring omission from the list was China, which has been the focus of the Obama administration's "pivot" to Asia—a comprehensive strategy throughout the Indo-Pacific region to build up the US military presence and undermine Chinese influence. India, South Korea and Japan are all important allies in this developing confrontation.

The US did not grant a waiver to Beijing even though China's oil imports dropped substantially in the first quarter, due to a pricing dispute with Iran, and only rose to previous levels in April. An official for Sinopec, China's largest buyer of Iranian oil, told Reuters yesterday that the corporation had set its 2012 import target for crude from Iran at 16 to 20 percent below last year's figure.

The Obama administration is patently exploiting the sanctions waiver as a political tool to put pressure on the Chinese regime. In the first instance, the US is intent on ensuring China's backing for Washington's stance at next week's meeting in Moscow between Iran and the five permanent members of the UN Security Council plus Germany (P5+1). The US has issued what is effectively an ultimatum to Iran to make major cuts to its enrichment program and warned that negotiations will not continue indefinitely.

More fundamentally, however, Washington's determination to force Beijing to toe the US line on Iran is bound up with its broader geo-political strategy. US imperialism invaded Afghanistan and Iraq and is now threatening military interventions in Syria and Iran as a means of ensuring its dominance in the energy-rich regions of the Middle East and Central Asia. By controlling some of world's largest energy reserves, Washington would be in a strong position to dictate terms to its European and Asian rivals.

The US sanctions regime has already seriously affected European and Japanese interests, as well as Chinese operations, in Iran. European banks and corporations have been pressured to sever their ties and investment in Iran, including in key energy projects. Japan was forced to pull out of the development of the massive Azadegan and Yadavaran oil and natural gas fields, allowing Chinese companies to become the preferred foreign investors. The EU decision to ban Iranian oil imports from next month will also impact heavily on large importers, such as Italy and Greece.

Now Washington is putting pressure on China not only to wind back its oil imports from Iran, but also its exports of refined petroleum products to Iran and its involvement in new energy projects. Iran is the world's third largest oil exporter, but has limited refining capacity and is forced to import petrol and diesel. After decades of economic isolation, Iran is also desperate for investment to upgrade its energy infrastructure and open up new oil and gas fields.

China has cultivated economic and political relations with Iran in part to ensure diversity in its energy sources. During the first half of 2011, Chinese corporations purchased 22 percent of Iran's oil exports. If these purchases are cut back, China will be compelled to turn to Saudi Arabia and the Gulf states to make up the difference—increasing its vulnerability to the decisions of countries firmly aligned to Washington.

Whether the Obama administration finally grants a waiver to China remains to be seen. If Washington does so, however, it will come with a price for Beijing, exacerbating already tense relations between the two countries. Continued failure to provide a waiver and any imposition of US penalties on Chinese corporations would dramatically increase the tensions.

The waiver issue demonstrates how the Obama administration's reckless, high-stakes confrontation in the Persian Gulf threatens to draw China and other powers into a potentially disastrous conflict.