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The New Silk Road Will Make Iran Immune to Western Sanctions

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12/16/2016



In January 2016 we've witnessed a partial withdrawal of sanctions on the Islamic Republic of Iran. It should be noted that the introduction of those was linked to Iran's nuclear program, which worried the United States and its allies, therefore Western countries were behind the introduction of sanctions that were aimed at applying pressure on Iran back in 1970s. In July 2015, after lengthy negotiations a compromise was reached: Iran and the group of six (the five permanent UN Security Council members – Britain, China, Russia, USA and France along with Germany) have signed an agreement establishing a gradual withdrawal of all sanctions. Under this agreement, Iran would provide access to its nuclear facilities to IAEA experts so that they could ensure that the nuclear energy is only being used for peaceful purposes. The agreement

was soon labelled a diplomatic breakthrough, and it was believed that it would put an end to the growing tension in the region. However, by the end of 2016 the situation started deteriorating again.

At first everything went according to the plan. In January 2016 the United Nations and the European Union lifted the sanctions regime against Iran, while the US trade embargo and restrictions on US citizens traveling to Tehran remained in place. Nevertheless, Iran began to rapidly rebuild the old political and economic ties.

In August 2016 the United States accused Tehran that it was secretly supporting the rebels in Yemen, while providing them with modern missiles systems. According to Washington, this step allegedly threatened the stability of an entire region. At that point the White House announced that it is considering the possibility of introducing new sanctions against Iran.

Then, on September 3, a new scandal broke out when it was established that Washington has sent 400 million dollars to Tehran in cash on the same day a number of American prisoners got released from Iranian prisons. At that point Washington was accused of violating the US principle to never pay ransoms for hostages. In return, President Barack Obama declared that this sum was transferred to Iran as part of the debt that the US was forced to pay due to the decision of the Hague Tribunal. Nevertheless, on September 23, 2016 the US Congress adopted a bill prohibiting the US government to make any cash transfers to the states that are allegedly suspected of sponsoring terrorism.

On November 3, 2016 the US extended for another year the sanctions regime against Iran that was adopted in 1979. According to US President Barack Obama, the decision was taken because the strains in relationships between the US and Iran have not been removed completely. While there were no restrictions to be imposed on Iran by the US, Iran seemed fairly concerned by this development. On November 10, 2016 Minister of Foreign Affairs of the Islamic Republic of Iran, Mohammad Zarif announced that Tehran would expect all the parties that have signed the 2015 agreement to fulfill their obligations. Otherwise, he warned, Iran would use alternative routes.

This development resulted in the US Congress adopting on November 17 passed the bill on the extension of certain sanctions against Iran for another 10 years. According to previous agreements, those sanctions had to cease to their effect by the end of 2016 This event can be called a serious threat to the whole nuclear deal of 2015, maybe that's the reason why US President Barack Obama criticized the bill. The law will come into force if it will approved in the Senate. If not, then there is still a chance that the sitting president will exercise his right to veto the bill.

These developments show that in Washington there is a struggle between the forces supporting cooperation with Iran, and those who are going to introduce further sanctions. One thing can be stated for sure – the future of Iran-US relation remains unclear and uncertain. Under these circumstances, Iran would be better off getting some kind of insurance that will allow it to protect its economy if Washington decides that it's going to go after Tehran.

One of the ways for the Iranian authorities to feel more secure is the expansion of cooperation with the countries that reject US attempts to pressure them. Among those states one can find China, a long-standing and reliable partner of Iran.

As you must know, Iran has huge oil and gas reserves, and it's vital for Tehran to ensure its exports to sustain its economy, while hydrocarbon imports are crucial for China's economic growth. At the same time, China has been at odds with the US for a long time and the Chinese economy at this point is powerful not to pay any heed to the possible US pressure.

For decades sanctions against Iran have been damaging its hydrocarbons exports to the Asia-Pacific region, since states like India, South Korea and Japan couldn't ignore the sanctions regime. At the same time, Beijing sustained its trade contracts with Tehran, despite the pressure that Western players tried to subject it to. China has been the reason why the Iranian economy even survived these difficult times.

So the fact that in January 2016 Iran was visited by the Chinese President Xi Jinping came as no surprise. During his stay the parties signed a total of 18 deals on cooperation between the two countries, taking the trade turnover between Iran and China to 40 billion dollars a year. Further yet, the next 25- of Chinese-Iranian cooperation can bring the trade turnover between the two states to the staggering level of 600 billion dollars. It's quite natural that the two state will pay a special amount attention to the development of oil and gas trade. Now China – the main importer of Iranian oil.

Another important element of the Iran-China cooperation is the implementation of the New Silk Road project that will connect China, the Middle East and Europe, eventually turning the whole territory into a huge Asia-Pacific free trade zone. If the project is fully implemented, US economic influence in the region will be totally negligible, and such states as Iran will be able to just ignore any sanctions imposed by the West against it. In February of 2016, Beijing launched the construction of the railway route China-Kazakhstan-Turkmenistan-Iran, allowing Iran to establish an uninterrupted trade route with China, but it also will start making profits from the transit of goods to Armenia.

Thus, we can assume that no matter what decision Washington is going to take on sanctions against Iran, there will be no far-reaching consequences for Iran to follow.