

ECONOMIC ADVISORY SERVICE

THOUGHT FOR THE DAY

IRAN'S FRIENDS

The Shanghai Cooperation Organisation (SCO), which was formed in June 2001 and consisting of China, Russia, Kazakhstan, Kyrgyzstan, Tajikistan and Uzbekistan, to improve economic, trade and cultural relations between the six countries. The SCO will meet on its fifth anniversary at which four new member countries will join. They are Iran, India, Mongolia and Pakistan. Together this group of countries accounts for 45% of the world's population and 28% of its landmass.

But, the importance of this new grouping is more far reaching. It pits this group, of which four countries have nuclear weapons – Russia, China, India and Pakistan – against the USA and which ever of its allies will support the USA should they wish to aerially attack Iran.

Both Russia and China have stated that they want the entire Iran nuclear issue to be handed back to the IAEA to handle through negotiation. The USA, however, has stated that after receiving the IAEA report, they will seek a Chapter 7 resolution, which authorises the use of force. Failing this, the USA has a fallback position, which calls for the UN Security Council to invoke economic sanctions against Iran.

Between now and 15th June, when the SCO meets to confirm Iran and the three other countries as members, the Bush Administration has to make up its mind what it wants to do. After 15th June, the SCO is morally, if not legally, bound to come to the assistance of one of its member countries.



A look at the map shows just how powerful a block the SOC will become, controlling much of what Professor Halford Mackinder used to call the World Island, that is to say Eurasia. Thus, on 15th June, the geopolitical world will shift dramatically. For this block of countries includes many that is the future cornerstone of the world's growth.

Trade is an important part of the SCO. China and India are massive importers of key energy and commodity components. Many of the others are important exporters; and Mongolia is one of the critical new resources for copper. It is quite possible that future new discoveries and those that are under development may ultimately be

developed by countries within the SCO block and sold within this block of countries, or at least an important part of the resource.

Thus, the expanded SCO is not only starting to become a serious strategic competitor to the USA, but will increasingly have a key role to play in the global commodity complex. Moreover, the recently signed agreements with Saudi Arabia and Nigeria only add to the influence that this powerful block will yield in future years.

We are indebted to Bill Buckler of the Privateer for drawing our attention to this intriguing development. The analysis and interpretation are our own.