

# US and EU impose extra sanctions on Iran

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The US and European Union (EU) ratcheted up the pressure on Iran over its nuclear programs this week with additional sanctions on top of those adopted last week in a UN Security Council resolution. The latest moves set the stage for an escalating confrontation with Iran, which has denounced the latest UN resolution as “illegal”.

The Obama administration had been pressing for months for support from China and Russia, both permanent, veto-wielding members of the UN Security Council, for a fourth UN resolution against Iran. Moscow and Beijing finally agreed after amendments to ensure that their own economic interests in Iran were not affected. The resolution passed on June 9 by 12-2, with Brazil and Turkey voting against and Lebanon abstaining.

As far as the White House was concerned, the UN vote was only the first step in a wider campaign of unilateral penalties against Iran by the US and its allies. Behind the scenes, the US had already held a series of meetings with European and other countries, including Australia and Japan, to map out a strategy. The latest UN resolution was crucial as several EU members had reportedly insisted on its adoption to legitimise additional sanctions.

As Iran’s largest trading partner, EU support was central to the Obama administration’s efforts to tighten the economic noose around Tehran. At an EU summit on Thursday, European leaders agreed in outline to tough new measures, including bans on the transfer of refining, liquefaction and liquid-natural-gas technology. The measures will also target trade, finance, transport, Iranian banks, as well as members of the Islamic Revolutionary Guard Corps (IRGC). The final sanctions rules will be drawn up by July 26.

The bans on oil and gas technology are particularly onerous, because the Iranian economy and government finances are heavily dependent on energy exports. Iran is compelled to import around one third of its gasoline needs

as it lacks the necessary refining capacity. Moreover, the country’s energy infrastructure is already badly in need of investment and the EU sanctions will make it even more difficult to carry out much needed upgrades.

The Obama administration claims it is not targetting the Iranian population, but the latest sanctions, aimed at the finance, banking and key energy sectors, will only compound the country’s economic problems and impact heavily on ordinary working people. Iran’s growth rate was just 1.8 percent last year; the official unemployment rate was 11.9 percent in March and inflation is 9.8 percent. According to Iran’s statistical agency, more than 10 million of its population of 73 million live in “absolute poverty” and another 30 million in “relative poverty”.

The US announced further sanctions against Iran on Wednesday, blacklisting companies including the Post Bank of Iran, the engineering firm Javedan Mehr Toos and five entities claimed to be fronts for Iran’s largest shipping company. Also targetted were top commanders of the IRGC and the paramilitary Basij Resistance Force. American companies are prohibited from doing business with designated companies and individuals, and any of their assets in the US are frozen.

The US Congress is, however, preparing even harsher legislation aimed at choking off gasoline exports altogether. The new law would penalise any company—American or foreign owned—that sells gasoline to Iran. Most major energy corporations will be driven to comply, given their far more extensive business interests in the US. Even the threat of gasoline sanctions has prompted a number of large oil companies and traders to pull out of the Iranian market in recent months, including BP, Royal Dutch Shell, Reliance Industries, Vitol Group and Glencore International.

President Obama is yet to agree to the legislation, which would have far reaching ramifications. Not only would it

heighten the economic and social crisis in Iran, but would also exacerbate frictions among the major powers, especially between the US and China. As an article in the *Wall Street Journal* noted, even if major corporations ended their sales, Iran would likely still be able to buy gasoline through a network of small firms with no ties to the US. Such purchases, however, would be at much higher prices, leading to shortages and further inflation inside the country.

If the legislation were used to penalise Chinese corporations selling gasoline to Iran, US relations with China would deteriorate rapidly. Beijing only reluctantly supported the latest UN resolution after being assured that its economic interests in Iran would be protected. China is currently Iran's largest single trading partner, ahead of Germany, and depends heavily on Iranian oil imports. While well aware that Washington and its allies are preparing extra sanctions, Beijing will not necessarily accept their legitimacy.

In reality, the Obama administration is using the latest UN resolution as a smokescreen for what amount to acts of aggression. While not yet openly preparing for military action against Iran, Obama's imposition of unilateral sanctions, through a new "coalition of the willing", is certainly a provocative step that could end in conflict. It is worth recalling that the war in the Pacific erupted in 1941 after the US imposed an embargo on fuel supplies to Japan.

US tensions with China would also escalate if Beijing proceeds with plans for extensive investment in Iranian gas fields. Already European companies are concerned that China will take advantage of any EU ban on technology transfers or investment. As an unnamed diplomat told the *Washington Post*: "China is the elephant in the room," but the hope is that China will face political pressures not to appear to profit from an international pullout."

The various calculations surrounding the latest sanctions underscore the fact that the US-led campaign against Iran has little to do with its nuclear programs. Iran has consistently denied that it is building nuclear weapons. It is a signatory to the Nuclear Non-Proliferation Treaty (NPT) and allows International Atomic Energy Agency inspections and monitoring of its nuclear facilities. Tehran continues to insist, however, on its right under the NPT to

enrich uranium and to build a heavy water reactor—activities that Washington demands be stopped.

Like former President Bush, Obama is exploiting the nuclear issue as a means of refashioning a regime in Tehran more aligned with US ambitions to dominate the energy-rich regions of the Middle East and Central Asia. Washington has maintained sanctions against the Islamic regime for the past three decades, allowing its European and Asian rivals to forge closer economic ties with Iran. The US is the only major power whose economic interests are not impacted by the tighter international sanctions.

While imposing new penalties, the Obama administration continues to back the so-called Green Movement led by failed presidential candidate Mir Hossein Mousavi, who has advocated improved relations with the US and other Western powers and a pro-market agenda. In the wake of last year's Iranian presidential election, the US and its allies mounted an international campaign to back Mousavi and his claims that the poll results were rigged. Attempting to distance himself from the US, Mousavi this week "opposed" the new sanctions for impacting on people's lives, but again criticised the "tactless and adventurous foreign policies" of President Mahmoud Ahmadinejad. For its part, the Ahmadinejad regime has exploited the nuclear issue to whip up nationalist sentiment and shore up support as it imposes new economic burdens on working people and suppresses political opposition.

Sanctions and support for the Green Movement are not the only elements of Obama's strategy. His administration has not ruled out the use of military force—either directly or by giving the green light for Israel to attack Iran's nuclear facilities. The imposition of new sanctions against Iran, particularly if a ban on gasoline imports is enacted, only heightens the dangers of a violent confrontation.



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