US tightens economic blockade of Iran

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The Obama administration is using the threat of US penalties to ramp up the pressure on banks, companies and governments internationally to cut economic ties with Iran. Last week the US State Department announced that four major energy corporations had agreed to end investments in Iran in return for a waiver of US action over their past activities.

US Deputy Secretary of State James Steinberg announced on September 30 that Royal Dutch Shell, Norway-based Statoil, the Italian company Eni and France-based Total had all agreed "to terminate their investments and avoid any new activity in Iran's energy sector, delivering a significant setback to Iran".

In Japan, Inpex, which is 30 percent state-owned, indicated that it had not made a final decision on relinquishing its stake in Iran's Azadegan oil field, but Trade and Energy Minister Akihiro Ohata said the company would pull out—as "a business decision". US officials had threatened to place Inpex on a sanctions watch list if the firm did not halt its business in Iran.

The US State Department also noted that India's Reliance, Turkey's Tupras, Kuwait's Independent Petroleum Group and Russia's Lukoil were among other companies that had either ended, or promised to end, sales of refined petroleum to Iran. BP and Shell had also announced that they would no longer supply jet fuel to Iran Air.

The US has intensified efforts to block the sale of refined petroleum products to Iran as well as investment in the country's key energy sector, which is in desperate need of refurbishment and expansion. Energy exports account for 80 percent of Iran's export earnings, and, while the country has huge oil and gas reserves, it lacks refinery capacity and has to import between 25-30 percent of its gasoline and diesel requirements.

The US and its allies have imposed sanctions on Iran, alleging that its nuclear programs are directed towards producing nuclear weapons—a claim that Tehran has repeatedly denied. Under pressure from Washington, the UN Security Council passed a fourth sanctions resolution against Iran in June—with Brazil and Turkey voting against, and Lebanon abstaining. China and Russia only reluctantly agreed to vote for the resolution after the US agreed to exclude the energy sector from sanctions.

On July 1, however, US President Barack Obama signed into law Congressional legislation that went well beyond the UN resolution, imposing unilateral US penalties on foreign banks and corporations doing business with Iran. Companies could face restrictions on their access to US markets or be denied US government contracts if they failed to comply. Over the past three months, the White House has used this economic clout to bludgeon corporations and governments into compliance.

Last week, the Obama administration applied the first penalties under the new US law against Natfiran Intertrade, a Swiss subsidiary of Iran's national oil company, for continuing to trade with Iran. The company will be barred from receiving loans of more than $10 million from any US bank and prohibited from receiving various US government benefits. US officials told the media that the sanctions would have a wider impact, making other foreign firms wary of doing business with Natfiran Intertrade.

The sale of refined petroleum products to Iran threatens to trigger a major diplomatic confrontation between the Washington and Beijing, as Chinese corporations have not ended their exports. Already the Obama administration is under pressure to take action. Senators Charles Schumer and Jon Kyl wrote to US Secretary of State Hillary Clinton last week pushing for sanctions against three Chinese energy companies. Also last week, senior State Department official Robert Einhorn was in Beijing as part of a US delegation to press the Chinese regime not to "backfill" for other companies that have halted gasoline sales to Iran.

In his comments last Thursday, Steinberg announced that the State Department would be investigating other energy companies that had not committed to winding up their Iranian activities. According to the *Washington Post*, "Among those companies, sources said, are China's oil firms, such as the China National Offshore Oil Co., China National Petroleum and Sinopec."

Beijing is likely to resist any US attempt to impose sanctions on Chinese corporations outside the framework of UN resolution that it accepted. Tensions between the two countries have already escalated in recent months as the Obama administration has sought to undercut growing Chinese influence in Asia by strengthening ties with allies such as South Korea and Japan, and backing South East Asian nations in their territorial disputes with China in the South China Sea.

The US attempts to impose what amounts to a unilateral economic blockade on Iran underlines the fact that Tehran's nuclear program is just the pretext for advancing Washington's ambitions for dominance in the Middle East and Central Asia. None of the sanctions substantially impacts on American corporations, as the US has effectively blockaded Iran since the overthrow of its ally, the Shah, in 1979. The sanctions are, however, affecting US rivals in Europe and Asia that have large economic interests in the country.

The Obama administration is also strong-arming banks and financial institutions to cut Iran's access to the international financial system. In comments in the *Wall Street Journal* this week, US Treasury official Stuart Levey declared that he had found a "new seriousness" during his trip to the United Arab Emirates (UAE), Bahrain and Lebanon in August. The US has blacklisted 17 Iranian banks for their alleged connections to Iran's nuclear program and "terrorist" activities.

Banks in the UAE last month began to curtail their financial dealings with Iranian banks. The move will hurt the Iranian economy as Dubai has been a key intermediary in Iran's international trade and financial relations. The UAE restrictions might have contributed to a plunge in the Iranian currency, the rial, against the US dollar last week by around 13 percent before the Iranian central bank intervened.

Despite denials by Iranian president Mahmoud Ahmadinejad, the sanctions regime is biting, raising social and political tensions. Officially, inflation is around 10 percent and unemployment stands at 14 percent, but other estimates put these figures far higher. The parliament, for instance, puts the overall jobless rate at 22 percent and even higher among university graduates. Ahmadinejad is about to compound this social crisis by increasing taxes and replacing price subsidies on fuel and other basic items with a limited handout to the poorest layers of society. Already some gold traders in Tehran have been on strike against a planned value-added tax.

As a result, Ahmadinejad is facing opposition from within his conservative base, as well as from so-called reformists such as failed presidential candidate Mir Hossain Mousavi and former president Ali Akbar Hashemi Rafsanjani. This week, Mousavi used his web site to call for a referendum on Ahmadinejad's "destructive policies," which were isolating Iran and harming the Iranian economy through "adventurism and dictatorship". After losing the presidential election last year, Mousavi mounted a concerted protest campaign, backed by Washington and its allies, to overturn the result.

The Obama administration is clearly still hoping to manufacture a regime in Tehran more amenable to US interests in the region. During last year's presidential election campaign, Mousavi and his backers criticised Ahmadinejad's anti-US posturing and made clear that they favoured better relations with Washington and the opening up of Iran to foreign investment.

Last week, US Secretary of State Clinton announced the addition of eight more senior Iranian officials to a US blacklist, citing their alleged role in the suppression of opposition protests last year. The officials, including the commander of the Islamic Revolutionary Guard Corps, will be denied visas and have any foreign assets frozen. It was the first time that Washington had imposed penalties on Iran over supposed human rights abuses rather than its nuclear program. Clinton warned that there would be more to come.

While it is currently focussing on economic sanctions to achieve its objectives in Iran, the Obama administration maintains the so-called military option—either directly or by condoning an attack by the Israeli military on Iranian nuclear facilities. Under pressure from Washington and Israel, Russian President Dmitry Medvedev signed a decree last month banning the planned sale of sophisticated S-300 anti-aircraft missiles to Iran, leaving Iranian targets more vulnerable to air attack.

In the background, there is continued pressure in Israel and the US for tougher action, including military strikes. On Monday, Israeli Finance Minister Yuval Steinitz called for a naval blockade of Iran—an act of war—if Tehran failed to meet US demands within two to six months. His remarks echoed those of Congressman Howard Berman, Democrat chairman of the US House Committee on Foreign Relations last month, who declared the Obama administration had "months, not years" to make sanctions work, adding that military action was preferable to a nuclear-armed Iran.

These comments underline the dangerous logic of Washington's actions, which threaten to plunge the Middle East into a new war in pursuit of US ambitions for regional and international dominance.