

EU oil embargo heightens tensions in the Gulf

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The European Union's (EU) in-principle decision on Wednesday to impose an embargo on oil imports from Iran has further escalated the danger of military conflict in the Persian Gulf. The EU move dovetails with President Obama's signing on Saturday of US legislation designed to cripple the Iranian banking system and cut the country's oil exports.

The US and EU threats have already provoked a sharp reaction from Tehran, which has warned that it would respond to an oil embargo by blocking the Strait of Hormuz—a strategic waterway into the Persian Gulf through which about 20 percent of global oil trade passes.

As Economy Minister Shamseddin Hosseini said yesterday, Iran confronts “an economic war.” Oil and gas exports account for some 80 percent of the country's hard currency earnings and provide about half of government revenue. The Iranian rial has already plunged by 11 percent this week against the US dollar, compounding already high levels of inflation.

In Washington this week, British Defence Secretary Philip Hammond met with his American counterpart, Leon Panetta, and threatened joint military action with the US in response to any Iranian attempt to close the Strait of Hormuz. A potential trigger for a military clash was established when the Pentagon dismissed an Iranian warning on Tuesday that an American aircraft carrier, the USS John C. Stennis, should not return to the Gulf.

The UK, together with the US and France, has been driving the international campaign for a crippling oil embargo on Iran. While ruling out British support for a pre-emptive military strike on Iran, at present at least, Hammond declared: “We are very clear that we need to

maintain pressure” on Tehran. In November, the British government ordered all British financial institutions to stop doing business with their Iranian counterparts, including the country's central bank. The sanctions provoked angry protests in Tehran and led to the closure of the British embassy.

A European oil embargo on Iran is to be finalised at a meeting of EU foreign ministers on January 30. Already divisions are evident. Unlike the US, France and Britain, Italy, Greece and Spain are heavily dependent on imported Iranian oil. Yesterday, Italian Prime Minister Mario Monti warned that his government would only back a ban only if it were imposed gradually and excluded oil deliveries aimed at reimbursing \$2 billion worth of Iranian debt to the Italian energy firm Eni.

While the European decision relates only to EU countries, the US legislation is aimed against all foreign companies doing business with the Iranian central bank. Apart from the EU, other major buyers of Iranian oil are China and Japan. The new law allows President Obama to delay its application for six months and to issue waivers to prevent havoc in oil markets. It is expected that countries will have to convince US officials that action is being taken to reduce economic ties with Iran.

As a result, the Obama administration has the ability to selectively grant waivers to its allies such as Japan, while penalising Chinese corporations for doing business with Iran. According to Reuters, China has already cut its oil purchases from Iran by half this month and might further reduce the amount in February. A government source told Reuters that Japan is also considering cutting its imports from Iran in order to obtain a US waiver.

It is not accidental that the main impact of the sanctions is on Washington's European and Asian rivals. The escalating US-led confrontation with Iran goes far beyond Washington's unsubstantiated claims that Iran is building nuclear weapons—an allegation that Tehran has repeatedly denied. The latest threats against Iran are a continuation of US efforts over the past two decades to use its military might to consolidate American hegemony in the Middle East and Central Asia at the expense of competitors in Europe and Asia.

Under Obama, the focus of US foreign policy has shifted towards the Asia Pacific region, where Washington has engaged in intense diplomatic activity over the past three years aimed at strengthening its alliances and strategic ties and undercutting China's influence. By targeting Tehran, the Obama administration is dealing a blow to Beijing, which is the largest buyer of Iranian oil and has significant investments in Iran.

The Obama administration has dismissed Iranian threats of action in the Strait of Hormuz as bluster—a sign that existing sanctions are impacting on Tehran. Regardless of the intentions on either side, Washington's reckless raising of tensions in the Persian Gulf has a dangerous logic of its own. An incident or miscalculation has the potential to rapidly escalate into military conflict across the region or even the globe.

The US is already engaged in actions throughout the Middle East to undermine Iran—from the campaign to oust Iranian ally President Bashar al-Assad in Syria to the sale of sophisticated arms to US client regimes in the Persian Gulf.

Like George W Bush, President Obama continues to repeat that “all options are on the table”—that is, including an illegal, unprovoked military attack on Iran. The US and Israel have just announced their largest-ever joint military exercise, which is designed to test Israel's missile defence capabilities.

While Iran and the EU have tentatively mooted renewed negotiations over Iran's nuclear program, the

likelihood of talks taking place, let alone achieving a breakthrough, is slim. The release of two Americans convicted of spying inside Iran in September was regarded as an attempt by Iranian President Mahmoud Ahmadinejad to create a diplomatic opening towards the US. Washington simply ignored the gesture.

Compounding the tensions is what amounts to a covert war by Israel, backed by the US, inside Iran over the past two years.

Writing on *Bloomberg.com*, American commentator Vali Nasr warned that while Tehran had played down the impact of a destructive computer virus on its nuclear facilities, it was being goaded into responding: “The government has been embarrassed and unnerved by multiple assassinations of its scientists and by suspicious explosions at its military facilities. One blast killed the general charged with developing Iran's missile program. The attacks have shaken the country's security forces.”

By placing the Persian Gulf on a hair trigger, the Obama administration's provocative actions threaten to plunge the region into another disastrous war.



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