

US and EU impose crippling sanctions on Iran

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A European Union (EU) oil import embargo on Iran that came into force yesterday marks a sharp escalation of the dangerous US-led confrontation with Tehran. Together with harsh new US penalties, the EU ban can only raise tensions in the Persian Gulf, heightening the danger of military conflict.

Welcoming the EU sanctions, US Secretary of State Hillary Clinton told Bloomberg Radio on Saturday: “The pressure track is our primary focus now, and we believe that the economic sanctions are bringing Iran to the [negotiating] table.” She added: “They [the sanctions] are going to continue to increase and cause economic difficulties for them [Iran].”

In fact, the Obama administration has no intention of engaging in a genuine discussions with the Iranian regime over its nuclear program. Washington is seeking to strong-arm Tehran into accepting its ultimatum laid down in meetings between Iran and the P5+1 grouping—the US, Britain, France, Russia, China and Germany—that began in Istanbul in April.

The US has demanded that Iran halt the production of enriched uranium to the 20 percent level, ship its stockpile of that material out of the country and shut down its Fordow uranium enrichment plant. In return, Tehran was offered virtually nothing—access to spare parts for its commercial aircraft, fuel plates for its research reactor in Tehran, and a promise not to enact sanctions beyond those announced.

Talks in Moscow on June 18-20 all but broke down when the US and its European allies refused to budge on any of the demands, including the imposition of the latest US and EU sanctions. The only further scheduled meeting, low-level technical talks to be held tomorrow in Istanbul, amounts to nothing more than a way of

averting the negotiations’ outright collapse.

Iran’s ambassador to the UN, Mohammed Khazaee, last week condemned the new sanctions: “This by itself indicates that they are not willing to engage with us in meaningful dialogue... If the talks do not proceed as they should, we are going to have another standoff in the talks.”

The EU decided to ban oil imports from Iran in January, but offered a five-month phase-in period for existing contracts to allow member states to find alternative supplies. Italy and Greece, which already confront an economic crisis, will be especially affected. “In particular, Greece has been hurt because it was receiving very favourable terms on its Iranian crude which no other supplier is likely to match,” Chatham House analyst Paul Stevens told the BBC.

An EU ban on providing shipping insurance for tankers carrying Iranian oil also came into effect yesterday. The London-based International Group of P&I Clubs provides insurance to about 95 percent of the world’s tankers. Iran is desperately seeking to negotiate an arrangement with South Korea after Seoul announced last week it was ending all purchases of Iranian crude due to the lack of insurance. South Korea was the fourth-largest buyer of Iranian oil.

US legislation imposing penalties on foreign corporations involved in trading with the Iranian central bank came into force last Thursday. This measure has already impacted on Iranian oil exports, especially to Asia, as countries scrambled to lower crude purchases in order to be granted a six-month waiver by President Obama. Some 20 countries, including India, Japan, South Korea and Sri Lanka, have been granted temporary exemptions.

Obama only granted a waiver to China at the last minute, preventing what could have been a sharp deterioration in relations between the two countries. Under the US legislation, corporations doing business with Iran would be denied access to the American banking and financial system. Chinese foreign ministry spokesman Hong Lei last week restated his government's opposition to any unilateral sanctions on Iran, adding: "Even less will it [Beijing] accept such unilateral sanctions to be imposed on a third country."

Iranian officials brushed aside the impact of the new penalties. Iran's central bank governor Mahmoud Bahmani said that his country would not be "sitting by idly" and had \$150 billion in foreign currency reserves to help fight "these malicious policies."

The EU ban, however, will compound Iran's already serious economic difficulties and hit working people hard. European countries were importing 18 percent of Iran's oil exports a year ago, but that figure has already dropped and will now fall further. Overall, Iran's oil exports are down by about 40 percent, to about 1.5 billion barrels per day (bpd) from about 2.5 billion bpd last year.

Oil and its derivatives account for nearly 80 percent of Iran's exports and about half of government revenues. Sanctions already in place have resulted in a 40 percent drop in the value of the currency against the US dollar since last years. The rial has plunged by 15 percent in the past two weeks alone, contributing to soaring inflation.

Official figures from Iran's central bank put the annual inflation rate at 25 percent. The price of basic food items has soared over the past year: chicken by 95 percent, red meat 32.5 percent, grain 56 percent, fruit 81.7 percent and vegetables 92.3 percent. The actual cost of living hikes are likely to be even higher, creating enormous hardships for the working class and the urban and rural poor.

Prior to the imposition of sanctions, the government purchased large quantities of goods from abroad, leading to a loss of local orders and factory closures.

The trend was compounded by speculation as businesses shifted assets from production into property and foreign currency. Factory closures and job losses are worsening the country's high levels of unemployment and underemployment, especially among young people.

The crippling sanctions are not only designed to force the Iranian regime to the negotiating table on Washington's terms, but are acts of economic war aimed at creating chaos in the lead up to any military attack on Iran. The US and Israel have repeatedly warned that all options—including the military one—are on the table. Both countries have made advanced preparations for unilateral, and illegal, strikes on Iran. Joint US-Israeli war games have just been announced for October.

Iran has repeatedly denied unsubstantiated US claims that it is preparing to build nuclear weapons, insisting that its nuclear programs are for peaceful purposes. The nuclear issue is being exploited by the Obama administration as the pretext for its reckless attempt to establish a regime in Tehran in line with US economic and strategic interests. The imposition of new sanctions is one more step towards a conflict that threatens to embroil the entire region and draw in other powers.



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