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European Languages

زبانهای اروپایی

30 June 2018

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02.07.2018

US sanctions against Iran aimed at regime change

The Trump administration further spelled out this week the draconian sanctions it intends to enforce on Iran. A senior State Department official told the media the US would take measures against any country that failed to reduce its oil imports from Iran to “zero” by November 4.

Companies that fail to meet the deadline face the prospect of being excluded from the US financial system. While not completely ruling out waivers, the US official said there were unlikely to be any exemptions for corporations buying oil from Iran. The predisposition of the Trump administration, the official said, is: “No, we’re not going to do waivers.”

The announcement follows Trump’s decision on May 8 to unilaterally pull out of the 2015 nuclear deal with Iran. Known as the Joint Comprehensive Plan of Action (JCPOA), it was signed with the US, Britain, France, Germany, China and Russia. Under the JCPOA, Tehran agreed to drastic curbs on its nuclear programs in return for a step-by-step easing of international sanctions.

Despite the International Atomic Energy Agency (IAEA) repeatedly verifying that Iran kept its side of the bargain, the Trump administration tore up the deal. Washington wants to force Iran to fall into line with US policy throughout the Middle East, and end its nuclear and missile programs.

US Secretary of State Mike Pompeo warned last month that Iran would face “the strongest sanctions in history” if it did not bow to Washington’s demands. He also strongly hinted at regime change, suggesting that the Iranian public could take matters into its own hands.

Prior to Tuesday, Washington had already foreshadowed punitive measures to come into force in August. It plans to re-impose curbs on Iran's ability to buy US dollars, along with any global trading in Iranian gold, coal, steel, cars, currency and debt. Ultimately the US sanctions will hit every aspect of Iran's economy, although agricultural products, medicines and medical devices are supposedly exempted.

The US announcements have pushed up world oil prices and hit the Iranian economy hard. Oil sales generate 60 percent of Iran's export income and underpin the government's finances. The country's currency, the rial, has plunged by 40 percent against the US dollar since last month, forcing the government to take emergency measures. These include the allocation of hard currency largely to importers and basic commodities, and bans on hundreds of imported goods, including cars.

The developing economic crisis inside Iran is generating sharp differences within the regime and prompted days of protests in Tehran's Grand Bazaar by traders and shoppers against the government's economic measures.

The Washington-based Brookings Institution published a paper yesterday entitled "Trump tightens the screws on Iran's oil. Is the US aiming for regime collapse?" It commented: "The Trump administration is deploying US sanctions on Iran as a bludgeon rather than a scalpel in the hopes of wreaking maximum havoc on Iran as quickly as possible."

US actions, however, are likely to wreak havoc around the globe. The latest round of economic thuggery has compounded the international tensions generated by US trade war measures. The White House is using sanctions legislation put in place by the Obama administration to force Tehran to sign the nuclear deal. Unlike Obama, however, Trump does not have the support of major allies, let alone China and Russia.

The European Union (EU) opposed Trump's decision to pull out of the JCPOA and has been seeking ways to maintain the deal, even without US participation. The US actions threaten to sabotage billions of dollars worth of European trade and investment that has developed since 2015.

Last month, EU Commission President Jean-Claude Juncker announced that the bloc planned to reactivate a law that would prevent European companies from complying with any sanctions the US might reintroduce against Iran. On June 6, the EU Commission adopted an update of the 1996 "blocking statute." It requires European companies to refrain from complying "whether directly or through a subsidiary or other intermediary person, or by deliberate omission," with US sanctions on Iran.

European refiners and banks appear to be cutting back on purchases of Iranian oil. Reuters reported yesterday that the Swiss lender Banque de Commerce et de Placements (BCP) would stop financing Iranian oil cargoes by June 30. France's Total, Greece's Hellenic Petroleum and Litasco, the Geneva-based arm of the Russian company Lukoil, are among the customers using BCP banking services.

The Brookings Institution article explained that since the US withdrew from the JCPOA deal, "companies have been rushing to exit Iran, mammoth contracts for hundreds of new airplanes have been scuttled, and nearly all of the signature investments by European and Asian firms have already shifted to wind-down mode."

The *Wall Street Journal* reported this week: "Top administration officials from the State and Treasury departments have jetted around the world in recent days to persuade other countries to cut use of Iranian crude and warn them that any companies, banks or traders that handle Iranian oil face US penalties, including the risk of being frozen out of US markets."

US allies in Europe and Asia have already been warned, and White House trips are due to take place to China, India and Turkey, where the Trump administration also faces opposition to its sanctions.

All three countries, however, have indicated they will not fully comply with US demands for "zero" imports of Iranian oil. A Chinese foreign ministry spokesman this week described China's relations with Iran as "friendly" and its economic and energy ties as "beyond reproach."

Sunjay Sudhir, joint secretary for international cooperation at India's petroleum ministry, told CNNMoney earlier this week: "India does not recognise unilateral sanctions, but only sanctions by the United Nations." India is the second largest purchaser of Iranian oil after China.

The US official who announced the November deadline for ending purchases of Iranian oil warned that Washington was not "kidding about this." China and India "will be subject to the same sanctions as everybody else if they engage in those sectors of the economy."