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Why Washington's Iran Policy Could Lead to Global Disaster

By Tom Engelhardt

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Negotiators for Iran, the U.S., Britain, China, France, Russia, and Germany are to meet in Turkey this Friday, face to face, for the first time in more than a year. There are small signs of possible future compromise on both sides when it comes to Iran's nuclear program (and a semi-public demand from Washington that could be an instant deal-breaker). Looking at the big picture, though, there's a remarkable amount we simply don't know about Washington's highly militarized policy toward Iran.

Every now and then, like a flash of lightning in a dark sky, some corner of it — and its enormity and longevity — is illuminated. For example, in 2008, the *New Yorker's* indefatigable Seymour Hersh reported that the previous year Congress had granted a Bush administration request for up to $400 million "to fund a major escalation of covert operations against Iran," including "cross-border" operations from Iraq. Just recently, Hersh offered a window into another little part of the U.S. program: the way, starting in 2005, the U.S. military's Joint Special Operations Command spent years secretly training members of M.E.K., an Iranian opposition-group-cum-cult that's on the State Department's terror list, at a Department of Energy site in the Nevada desert.

Similarly, from time to time, we get glimpses of the U.S. basing and naval build-up in the Persian Gulf, which is massive and ongoing. As for the skies over Iran, last year the Iranians suddenly announced that they had acquired — downed, they claimed (though this was later denied by the Americans) — an advanced U.S. spy drone, the RQ-170 Sentinel. Indeed, they had the photos to prove it. Until then, there had been no publicity about American drones flying over Iranian territory and initially the U.S. military claimed that the plane had simply strayed off course while patrolling the Afghan border.

Last week, however, a range of typically anonymous officials leaked to *Washington Post* reporters Joby Warrick and Greg Miller the news that the CIA's drone surveillance program over Iran was more than three years old, large-scale, and itself just part of an "intelligence surge" focused on that country. According to their sources, "The effort has included ramped-up eavesdropping by the National Security Agency, formation of an Iran task force among satellite-imagery analysts, and an expanded network of spies." In addition, under former CIA Director Leon Panetta, "partnerships" were built "with allied intelligence services in the region capable of recruiting operatives for missions inside Iran."

Such reports and leaks give us at least the bare and patchy outlines of a concerted military, covert action, spying, surveillance, and propaganda program of staggering proportions (and that's without even adding in the Israeli version of the same, which evidently includes the assassination of Iranian nuclear scientists). All of this, we have to believe, is but part of an even larger set of intertwined, militarized operations against a modest-sized regional power with relatively limited military capabilities. It's a program that we're sure to know less about than we think we do, filled with what former Secretary of Defense Donald Rumsfeld would have called "known unknowns" as well as "unknown unknowns."

TomDispatch regular Juan Cole, who runs the always invaluable Informed Comment website, does a remarkable job of offering us a full-scale picture of the complex economic underpinnings of the present Iran-U.S.-Israeli crisis and the unnerving dangers involved. But for the full, grim story of Washington's campaign against Tehran, we are reliant either on the next Bradley Manning, a future WikiLeaks, or declassification of the necessary documents in time for our grandchildren to grasp something of the folly of our moment. (To catch Timothy MacBain's latest Tomcast audio interview in which Cole discusses the consequences of sanctions on Iran, click here, or download it to your iPod here.) *Tom*

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What History Should Teach Us About Blockading Iran

By Juan Cole

It's a policy fierce enough to cause great suffering among Iranians — and possibly in the long run among Americans, too. It might, in the end, even deeply harm the global economy and yet, history tells us, it will fail on its own. Economic war led by Washington (and encouraged by Israel) will not take down the Iranian government or bring it to the bargaining table on its knees ready to surrender its nuclear program. It might, however, lead to actual armed conflict with incalculable consequences.

The United States is already effectively embroiled in an economic war against Iran. The Obama administration has subjected the Islamic Republic to the most crippling economic sanctions applied to any country since Iraq was reduced to fourth-world status in the 1990s. And worse is on the horizon. A financial blockade is being imposed that seeks to prevent Tehran from selling petroleum, its most valuable commodity, as a way of dissuading the regime from pursuing its nuclear enrichment program.

Historical memory has never been an American strong point and so few today remember that a global embargo on Iranian petroleum is hardly a new tactic in Western geopolitics; nor do many recall that the last time it was applied with such stringency, in the 1950s, it led to the overthrow of the government with disastrous long-term blowback on the United States. The tactic is just as dangerous today.

Iran's supreme theocrat, Ayatollah Ali Khamenei, has repeatedly condemned the atom bomb and nuclear weapons of all sorts as tools of the devil, weaponry that cannot be used without killing massive numbers of civilian noncombatants. In the most emphatic terms, he has, in fact, pronounced them forbidden according to Islamic law. Based on the latest U.S. intelligence, Secretary of Defense Leon Panetta has affirmed that Iran has not made a decision to pursue a nuclear warhead. In contrast, hawks in Israel and the United States insist that Tehran's civilian nuclear enrichment program is aimed ultimately at making a bomb, that the Iranians are pursuing such a path in a determined fashion, and that they must be stopped now — by military means if necessary.

Putting the Squeeze on Iran

At the moment, the Obama administration and the Congress seem intent on making it impossible for Iran to sell its petroleum at all on the world market. As 2011 ended, Congress passed an amendment to the National Defense Authorization Act that mandates sanctions on firms and countries that deal with Iran's Central Bank or buy Iranian petroleum (though hardship cases can apply to the Treasury Department for exemptions). This escalation from sanctions to something like a full-scale financial blockade holds extreme dangers of spiraling into military confrontation. The Islamic Republic tried to make this point, indicating that it would not allow itself to be strangled without response, by conducting naval exercises at the mouth of the Persian Gulf this winter. The threat involved was clear enough: about one-fifth of the world's petroleum flows through the Gulf, and even a temporary and partial cut-off might prove catastrophic for the world economy.

In part, President Obama is clearly attempting by his sanctions-cum-blockade policy to dissuade the government of Israeli Prime Minister Binyamin Netanyahu from launching a military strike on Iran's nuclear facilities. He argues that severe economic measures will be enough to bring Iran to the negotiating table ready to bargain, or even simply give in.

In part, Obama is attempting to please America's other Middle East ally,Saudi Arabia, which also wants Iran's nuclear program mothballed. In the process, the U.S. Department of the Treasury has even had Iran's banks kicked off international exchange networks, making it difficult for that country's major energy customers like South Korea and India to pay for the

Iranian petroleum they import. And don't forget the administration's most powerful weapon: most governments and corporations do not want to be cut off from the U.S. economy with a GDP of more than $15 trillion — still the largest and most dynamic in the world.

Typically, the European Union, fearing Congressional sanctions, has agreed to cease taking new contracts on Iranian oil by July 1st, a decision that has placed special burdens on struggling countries in its southern tier like Greece and Italy. With European buyers boycotting, Iran will depend for customers on Asian countries, which jointly purchase some 64% of its petroleum, and those of the global South. Of these, China and India have declined to join the boycott. South Korea, which buys $14 billion worth of Iranian petroleum a year, accounting for some 10% of its oil imports, has pleaded with Washington for an exemption, as has Japan which got 8.8% of its petroleum imports from Iran last year, more than 300,000 barrels a day — and more in absolute terms than South Korea. Japan, which is planning to cut its Iranian imports by 12% this year, has already won an exemption.

Faced with the economic damage a sudden interruption of oil imports from Iran would inflict on East Asian economies, the Obama administration has instead attempted to extract pledges of future 10%-20% reductions in return for those Treasury Department exemptions. Since it's easier to make promises than institute a boycott, allies are lining up with pledges. (Even Turkey has gone this route.)

Such vows are almost certain to prove relatively empty. After all, there are few options for such countries other than continuing to buy Iranian oil unless they can find new sources — unlikely at present, despite Saudi promises to ramp up production — or drastically cut back on energy use, ensuring economic contraction and domestic wrath.

What this means in reality is that the U.S. and Israeli quest to cut off Iran's exports will probably be a quixotic one. For the plan to work, oil demand would have to remain steady and other exporters would have to replace Iran's roughly 2.5 million barrels a day on the global market. For instance, Saudi Arabia has increased the amount of petroleum it pumps, and is promising a further rise in output this summer in an attempt to flood the market and allow countries to replace Iranian purchases with Saudi ones.

But experts doubt the Saudi ability to do this long term and — most important of all — global demand is not steady. It's crucially on the rise in both China and India. For Washington's energy blockade to work, Saudi Arabia and other suppliers would have to reliably replace Iran's oil production and cover increased demand, as well as expected smaller shortfalls caused by crises in places like Syria and South Sudan and by declining production in older fields elsewhere.

Otherwise a successful boycott of Iranian petroleum will only put drastic upward pressure on oil prices, as Japan has politely but firmly pointed out to the Obama administration. The most likely outcome: America's closest allies and those eager to do more business with the U.S. will indeed reduce imports from Iran, leaving countries like China, India, and others in Asia, Africa, and Latin America to dip into the pool of Iranian crude (possibly at lower prices than the Iranians would normally charge).

Iran's transaction costs are certainly increasing, its people are beginning to suffer economically, and it may have to reduce its exports somewhat, but the tensions in the Gulf have also caused the price of petroleum futures to rise in a way that has probably offset the new costs the regime has borne. (Experts also estimate that the Iran crisis has already added 25 cents to every gallon of gas an American consumer buys at the pump.)

Like China, India has declined to bow to pressure from Washington. The government of Prime Minister Manmohan Singh, which depends on India's substantial Muslim vote, is not eager to be seen as acquiescent to U.S. strong-arm tactics. Moreover, lacking substantial hydrocarbon resources, and given Singh's ambitious plans for an annual growth rate of 9% — focused on expanding India's underdeveloped transportation sector (70% of all petroleum used in the world is dedicated to fueling vehicles) — Iran is crucial to the country's future.

To sidestep Washington, India has worked out an agreement to pay for half of its allotment of Iranian oil in rupees, a soft currency. Iran would then have to use those rupees on food and goods from India, a windfall for its exporters. Defying the American president yet again, the Indians are even offering a tax break to Indian firms that trade with Iran. That country is, in turn, offering to pay for some Indian goods with gold. Since India runs a trade deficit with the U.S., Washington would only hurt itself if it aggressively sanctioned India.

A History Lesson Ignored

As yet, Iran has shown no signs of yielding to the pressure. For its leaders, future nuclear power stations promise independence and signify national glory, just as they do for France, which gets nearly 80% of its electricity from nuclear reactors. The fear in Tehran is that, without nuclear power, a developing Iran could consume all its petroleum domestically, as has happened in Indonesia, leaving the government with no surplus income with which to maintain its freedom from international pressures.

Iran is particularly jealous of its independence because in modern history it has so often been dominated by a great power or powers. In 1941, with World War II underway, Russia and Britain, which already controlled Iranian oil, launched an invasion to ensure that the country remained an asset of the Allies against the Axis. They put the young and inexperienced Mohammed Reza Pahlavi on the throne, and sent his father, Reza Shah, into exile. The Iranian corridor — what British Prime Minister Winston Churchill called "the bridge of victory" — then allowed the allies to effectively channel crucial supplies to the Soviet Union in the war against Nazi Germany. The occupation years were, however, devastating for Iranians who experienced soaring inflation and famine.

Discontent broke out after the war — and the Allied occupation — ended. It was focused on a 1933 agreement Iran had signed with the Anglo-Iranian Oil Company (AIOC) regarding the exploitation of its petroleum. By the early 1950s, the AIOC (which later became British Petroleum and is now BP) was paying more in taxes to the British government than in royalties to Iran for its oil. In 1950, when it became known that the American ARAMCO oil consortium had offered the king of Saudi Arabia a 50-50 split of oil profits, the Iranians demanded the same terms.

The AIOC was initially adamant that it would not renegotiate the agreement. By the time it softened its position somewhat and began being less supercilious, Iran's parliamentarians were so angry that they did not want anything more to do with the British firm or the government that supported it.

On March 15, 1951, a democratically elected Iranian parliament summarily nationalized the country's oil fields and kicked the AIOC out of the country. Facing a wave of public anger, Mohammed Reza Shah acquiesced, appointing Mohammed Mosaddegh, an oil-nationalization hawk, as prime minister. A conservative nationalist from an old aristocratic family, Mosaddegh soon visited the United States seeking aid, but because his nationalist coalition included the Tudeh Party (the Communist Party of Iran), he was increasingly smeared in the U.S. press as a Soviet sympathizer.

The British government, outraged by the oil nationalization and fearful that the Iranian example might impel other producers to follow suit, froze that country's assets and attempted to institute a global embargo of its petroleum. London placed harsh restrictions on Tehran's ability to trade, and made it difficult for Iran to convert the pounds sterling it held in British banks. Initially, President Harry Truman's administration in Washington was supportive of Iran. After Republican Dwight Eisenhower was swept into the Oval Office, however, the U.S. enthusiastically joined the oil embargo and campaign against Iran.

Iran became ever more desperate to sell its oil, and countries like Italy and Japan were tempted by "wildcat" sales at lower than market prices. As historian Nikki Keddie has showed, however, Big Oil and the U.S. State Department deployed strong-arm tactics to stop such countries from doing so.

In May 1953, for example, sometime Standard Oil of California executive and "petroleum adviser" to the State Department Max Thornburg wrote U.S. ambassador to Italy Claire Booth Luce about an Italian request to buy Iranian oil: "For Italy to clear this oil and take additional cargoes would definitely indicate that it had taken the side of the oil 'nationalizers,' despite the hazard this represents to American foreign investments and vital oil supply sources. This of course is Italy's right. It is only the prudence of the course that is in question." He then threatened Rome with an end to oil company purchases of Italian supplies worth millions of dollars.

In the end, the Anglo-American blockade devastated Iran's economy and provoked social unrest. Prime Minister Mosaddegh, initially popular, soon found himself facing a rising wave of labor strikes and protest rallies. Shopkeepers and small businessmen, among his most important constituents, pressured the prime minister to restore order. When he finally did crack down on the protests (some of them staged by the Central Intelligence Agency), the far left Tudeh Party began withdrawing its support. Right-wing generals, dismayed by the flight of the shah to Italy, the breakdown of Iran's relations with the West, and the deterioration of the economy, were open to the blandishments of the CIA, which, with the help of British intelligence, decided to organize a coup to install its own man in power.

A Danger of Blowback

The story of the 1953 CIA coup in Iran is well known, but that its success depended on the preceding two years of fierce sanctions on Iran's oil is seldom considered. A global economic blockade of a major oil country is difficult to sustain. Were it to have broken down, the U.S. and Britain would have suffered a huge loss of prestige. Other Third World countries might have taken heart and begun to claim their own natural resources. The blockade, then, arguably made the coup necessary. That coup, in turn, led to the rise to power of Ayatollah Khomeini a quarter-century later and, in the end, the present U.S./Israeli/Iranian face-off. It seems the sort of sobering history lesson that every politician in Washington should consider (and none, of course, does).

As then, so now, an oil blockade in its own right is unlikely to achieve Washington's goals. At present, the American desire to force Iran to abolish its nuclear enrichment program seems as far from success as ever. In this context, there's another historical lesson worth considering: the failure of the crippling sanctions imposed on Saddam Hussein's Iraq in the 1990s to bring down that dictator and his regime.

What that demonstrated was simple enough: ruling cliques with ownership of a valuable industry like petroleum can cushion themselves from the worst effects of an international boycott, even if they pass the costs on to a helpless public. In fact, crippling the economy tends to send the middle class into a spiral of downward mobility, leaving its members with ever fewer resources to resist an authoritarian government. The decline of Iran's once-vigorous Green protest movement of 2009 is probably connected to this, as is a growing sense that Iran is now under foreign siege, and Iranians should rally around in support of the nation.

Strikingly, there was a strong voter turnout for the recent parliamentary elections where candidates close to Supreme Leader Ali Khamenei dominated the results. Iran's politics, never very free, have nevertheless sometimes produced surprises and feisty movements, but these days are moving in a decidedly conservative and nationalistic direction. Only a few years ago, a majority of Iranians disapproved of the idea of having an atomic bomb. Now, according to a recent Gallup poll, more support the militarization of the nuclear program than oppose it.

The great oil blockade of 2012 may still be largely financially focused, but it carries with it the same dangers of escalation and intervention — as well as future bitterness and blowback — as did the campaign of the early 1950s. U.S. and European financial sanctions are already beginning to interfere with the import of staples like wheat, since Iran can no longer use the international banking system to pay for them. If children suffer or even experience increased mortality because of the sanctions, that development could provoke future attacks on the U.S. or American troops in the Greater Middle East. (Don't forget that the Iraqi sanctions, considered responsible for the deaths of some 500,000 children, were cited by al-Qaeda in its "declaration of war" on the U.S.)

The attempt to flood the market and use financial sanctions to enforce an embargo on Iranian petroleum holds many dangers. If it fails, soaring oil prices could set back fragile economies in the West still recovering from the mortgage and banking scandals of 2008. If it overshoots, there could be turmoil in the oil-producing states from a sudden fall in revenues.

Even if the embargo is a relative success in keeping Iranian oil in the ground, the long-term damage to that country's fields and pipelines (which might be ruined if they lie fallow long enough) could harm the world economy in the future. The likelihood that an oil embargo can change Iranian government policy or induce regime change is low, given our experience with economic sanctions in Iraq, Cuba, and elsewhere. Moreover, there is no reason to think that the Islamic Republic will take its downward mobility lying down.

As the sanctions morph into a virtual blockade, they raise the specter that all blockades do — of provoking a violent response. Just as dangerous is the specter that the sanctions will drag on without producing tangible results, impelling covert or overt American action against Tehran to save face. And that, friends, is where we came in.