

Bush administration steps up economic pressure on Iran

By [Peter Symonds](#)

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Even as the UN Security Council debates a punitive new resolution against Iran, the Bush administration is threatening to impose unilateral sanctions against foreign corporations and banks engaged in investment and trade with Tehran. The measures to cripple the country economically are accompanied by ongoing US military preparations in the Persian Gulf for an attack on Iran.

An article in yesterday's *New York Times* reported that the US "has quietly been warning energy companies, including Royal Dutch Shell, Repsol and SKS, as well as the governments of China, India, Pakistan and Malaysia, that sanctions are possible if they pursue deals with Iran". All these corporations and countries are involved in multi-billion oil and gas deals with Iran.

The Bush administration is threatening for the first time to invoke the 1996 Iran and Libya Sanctions Act, which provides for a range of penalties against any foreign company that invests more than \$40 million in the development of Iranian energy reserves. The White House is under pressure to act. Senior Democrats are demanding a more aggressive stance on Iran and proposing legislation that would remove the president's option of waiving penalties under the Act.

Democrat Tom Lantos, chairman of the House Foreign Affairs Committee, told the media: "This administration has done nothing to punish Iran. The method I don't favour on Iran is to bomb their nuclear facilities. The method I favour is to starve them of resources, which can only be done through sanctions." His proposed legislation would not only make penalties mandatory, but end Iranian exports to the US and bar nuclear cooperation with any countries involved in Iran's nuclear programs.

Lantos is also backing a divestment bill introduced by the ranking Republican on the committee, Ileana Ros-Lehtinen. The legislation would require the publication of a list of all US and foreign entities that have invested more than \$20 million in Iran's energy sector since 1996. US pension funds would be given 30 days to divest for any entity listed, particularly impacting on corporations in Europe, Russia and Japan.

While Lantos declares that he does not "favour" bombing Iran, the belligerent tone of his criticism makes clear he has no fundamental opposition to such an attack. Significantly, the Democratic Party leadership in the House of Representatives this month scrapped a proposed legislative measure to require the Bush administration to seek Congressional approval for any war on Iran. If economic sanctions do not force Tehran to capitulate to Washington's demands, the Democrats have given a carte blanche to the White House to

take military action.

The US targeting of Iran's oil and gas reserves underscores its real purpose behind the escalating confrontation. The Bush administration has a lengthy list of unsubstantiated accusations: that Tehran is building nuclear weapons, supplying arms to anti-US insurgents in Iraq, supporting "terrorists" throughout the Middle East and so on. These are convenient pretexts to disguise Washington's ambitions to secure a dominant position in Iran and control its energy resources at the expense of its European and Asian rivals.

The economic stakes are substantial. In early February, Royal Dutch Shell and the Spanish corporation Repsol signed a \$10 billion deal to develop a Liquefied Natural Gas project based on Iran's South Pars Field. The Malaysian corporation SKS has a \$20 billion venture planned to exploit the Golshan and Ferdows gas fields. India and Pakistan agreed in 2005 to build a \$7 billion gas pipeline from Iran. Last December, China's largest offshore oil producer, CNOOC, signed a preliminary deal with Iran worth an estimated \$16 billion to develop the North Pars gas field.

The US is threatening to take action over these and other deals. The US ambassador to Spain, Eduardo Aguirre Jr, met with Repsol executives in Madrid last month to urge them to cancel the South Pars agreement. Repsol is obviously seeking to avoid conflict with the US, insisting the deal is not final. "No investment is being made at present. There will not be a decision on this until next year," a company spokesman told the *New York Times*.

A new UN resolution

US economic measures against Iran already go far beyond the sanctions that would be imposed under the UN Security Council resolution currently under discussion. The Security Council passed a resolution last December imposing penalties and demanding that Iran shut down its uranium enrichment facilities and end construction of a heavy water research reactor within 60 days. The UN sanctions targeted companies and individuals directly associated with Iran's nuclear programs and banned the export to Iran of ballistic missiles and technology used in uranium enrichment or reprocessing.

The Iranian regime has continued to declare that it has no nuclear weapon programs and to insist on its right under the Nuclear Non-proliferation Treaty (NPT) to engage in uranium enrichment to produce fuel for its planned nuclear power reactors. After the 60-day deadline lapsed last month, the US pushed for a second resolution in meetings with the other permanent members of the UN Security Council—Britain, France, Russia and China—as well as Germany. The text of the new resolution was finally agreed last week.

Russia and China in particular have expressed reservations about the imposition of harsh new penalties on Iran. Foreign Minister Sergei Lavrov declared yesterday that Russia would not back "excessive" sanctions against Tehran. Neither Germany nor any of the permanent members, however, has openly challenged the US allegations against Iran or pointed to the predatory motives behind the Bush administration's actions. By backing the UN resolutions, all have provided a measure of legitimacy to the Bush administration's drive to war against Iran.

Russia especially is playing a two-faced game. The *New York Times* reported this week that Moscow had intensified the pressure on Tehran by refusing to provide nuclear fuel for Iran's nearly completed power reactor at Bushehr unless it shuts its uranium enrichment facilities.

The article drew protests from Russian officials, who denied any such ultimatum had been given. They continued to maintain that transparent ruse that the hold up was due to Iran's overdue contractual payments. Russia is obviously exploiting the issue as a bargaining chip in its relations with Washington and possibly as a pretext to withdraw Russian technicians from the area in advance of any US attack.

The proposed new UN resolution would block Iran's overseas arms sales, impose a moratorium on trade credits and extend the list of prohibited Iranian companies and individuals. Bank Sepah, a major state-owned financial institution, as well as officials and companies connected to the Iranian Revolutionary Guards, have been specifically blacklisted. The US took action against Bank Sepah in January, alleging it had been involved in illicit missile sales—a claim the bank vigorously denied. Washington is targeting the Revolutionary Guards, which are closely associated with Iranian President Mahmoud Ahmadinejad, in the belief that the move will further its aim of “regime change” in Tehran.

While it wanted bans on the sale of conventional arms to Iran and tough travel restrictions on Iranian officials, the US settled for weaker clauses calling for UN members to exercise “vigilance and restraint” on these issues. In the final analysis, the Bush administration's main aim in securing a second resolution is to lend weight to its claim to be acting in the name of the “international community”.

The resolution is being discussed in the UN Security Council where South Africa, which holds the rotating chair, has objected to being treated as “window dressing” and proposed amendments that would suspend all sanctions for 90 days to allow for negotiations. There is little doubt that South Africa will withdraw its symbolic protest and bow to US pressure for a unanimous vote on the original resolution.

Iran has already declared that it will ignore the UN resolution. The country's supreme leader Ayatollah Ali Khamenei again insisted that the Security Council was flouting Iran's rights under the NPT. He declared that if the UN took “illegal actions” then “we too can take illegal actions and will do so”—hinting that Iran may withdraw from the NPT altogether. Khamenei also warned the US that Iran would respond in kind if it were attacked.

While insisting it is seeking a “diplomatic solution”, the Bush administration has refused to negotiate directly with Iran or take the military option off the table and continues its menacing build up. Two aircraft carrier battle groups are in the Persian Gulf for the first time since the 2003 invasion of Iraq and US warplanes have intensified patrols along Iraq's border with Iran. At the same time, the US is strengthening its allies in the region. Last weekend the US and Israel conducted joint operations to test Israel's anti-missile defence systems. The White House is also seeking congressional approval for a batch of arms sales to the Gulf states.

At best the Bush administration is engaged in a strategy of reckless brinkmanship that threatens to plunge the entire region into conflict. At worst, it has already adopted plans for an all-out military assault on Iran.

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Articles by: **[Peter Symonds](#)**

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