

# Deadly Sanctions Regime: Economic Warfare against Iran

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The ongoing overt and covert war against Iran, instigated by the United States and Israel primarily, seeks to isolate Iran politically, militarily and, most importantly, economically. The Western imperialists have as their goal no less than full-scale war with Iran, a key regional power and one that the United States has failed to control or otherwise manipulate since the revolution of 1979.

Their attempts to demonize Iran as an international pariah and an irrational actor on the world stage have been repeatedly thwarted, most recently at the Non-Aligned Movement summit in Tehran, where two thirds of the world stood alongside Iran in condemning the sanctions imposed by the US and its European allies. However, Iran's response to the series of aggressions and provocations by the West is not purely a diplomatic one as evidenced by the summit. Rather, Iran is engaging in a process of economic cooperation and mutual development with powerful regional and international partners – a process which could marry the economic future of Iran with that of other nations – thereby countering the continued attempts at economic strangulation by the West.

## The Painful Reality of Sanctions

It is easy to think of the sanctions as a tactic in a political and diplomatic chess game between Washington and Tehran: they undoubtedly are part of such a match. However, the reality of the sanctions is that they are an economic weapon trained directly at the people of Iran, despite whatever rhetoric may emanate from Washington regarding the targeting of the regime. In fact, the sanctions are one of the most potent weapons in the imperialist arsenal, used by those in power in their attempt to foment chaos and unrest in Iran and topple the government from within. In an article entitled [“Obama’s Counterproductive New Iran Sanctions”](#) published in *Foreign Affairs*, the publication of the Council on Foreign Relations, Suzanne Maloney of the Brookings Institution writes:

The Obama administration's new sanctions signal the demise of the paradigm that has guided Iran policymaking since the 1979 revolution: the combination of pressure and persuasion...the United States cannot hope to bargain with a country whose economy it is trying to disrupt and destroy... The White House's embrace of open-ended pressure means that it has backed itself into a policy of regime change.

The notion that the sanctions are somehow intended to pressure Tehran into coming to the negotiating table and making the necessary concessions is completely fraudulent. The ruling class in the United States (and Israel) knows full well that sanctions do not work in this

capacity. One need only look to recent history for examples of sanctions that crippled nations and destroyed the lives of citizens but had little to no appreciable impact on the rulers – Iraq, Myanmar, etc. Instead, the sanctions serve as a necessary prelude to either regime change or war. This policy, aside from being immoral, is a belligerent one, greatly escalating tensions and the possibility of war.

One of the desired effects of the sanctions is the devaluation of the Iranian currency. [The most recent data](#) suggest that the Iranian rial has lost more than half of its value since January, when the sanctions were announced. This trend has only accelerated since July, when the new sanctions were fully implemented, preventing countries around the world from doing business with the Iranian central bank, a move aimed at destroying the Iranian export economy, particularly oil exports. In fact, [Reuters reported](#) in April that the inflation rate in Iran was hovering around 21.5%. This was well before the sanctions came into effect in July, after which inflation has increased even more dramatically. Nowhere are the sanctions more painful than in the oil export market. [According to recent data](#), Iran's oil sales in July of 2012 fell to a quarter of sales from July 2011. In fact, Iran has even admitted that much of the [unsold oil is now being stored either in ports or on tankers at sea](#) – a startling revelation that demonstrates quite clearly the difficult economic predicament Iran faces. Such a significant drop in sales means that state revenues are down, only exacerbating the already difficult economic situation in the country.

However, the sanctions are not intended to cripple merely the commercial economy, they are also designed to erode public confidence in the government and foment unrest. With the creation of an inflationary crisis, [staple foods, medicines, and other basic necessities have become significantly more expensive](#) and in much less supply, naturally generating anger from the Iranian people. This, combined with the removal of food subsidies at the behest of President Ahmadinejad, has generated a feeling of unease within the general population regarding their economic future, which, in turn, has exposed very serious fractures within the political establishment in Tehran. Despite all of these challenges to its economy and the impact on the population, Iran remains committed to its own mission of independent economic and political development. The defiance Iran has shown the United States and the imperialist ruling class is rooted in a larger strategy, one that combines economic development with diplomacy, seeking to find an alternative to either continued resistance in isolation or capitulation to the US and Israel.

## **Energy - Pipelines & Power Lines**

The sanctions imposed by the United States and the European Union are intended to cripple the Iranian economy by specifically attacking Tehran's ability to participate in the world oil market. However, it is important to note that the sanctions are not solely directed at actual oil sales but, rather, all the mechanisms necessary for international oil transactions including debt settlement, tanker insurance, and much more. Indeed, in examining the sanctions in their totality, one begins to see that they are intended to strike at the heart of the Iranian economy and hamper Tehran's ability to do business of any kind. Despite all of this, Iran continues to survive economically. Much of this is due to the fact that Iran has effectively cemented its economic relations with key international actors, particularly India, Pakistan, and China, each of whom has resisted pressure from the United States to scale back their dealings with the Islamic Republic. In fact, [Bloomberg recently reported](#) that China has continued to purchase Iranian oil in massive amounts despite the sanctions. This demonstrates not only that China wants to continue to do business with Iran, but that Iran sees expanded engagement as the only way to ensure their continued economic growth.

In fact, Iran-China trade is booming as many Western companies pull out of Iran due to the sanctions and international pressure. This has left the door open for China to fill the void, having imported more than \$45 billion from Iran in 2011. China is not the only international player to increase Iranian oil imports since the embargo. Countries such as [Italy, Japan, and India have also begun to increase their imports of Iranian oil](#) despite the arm-twisting of the US. These major energy importers view Iran not as a pariah state and threat to world peace as Western demagoguery would have one believe. Rather, they see in Iran the possibility of a long-term strategic and economic ally that, due to political circumstances, could become heavily dependent on them. Although the energy exports themselves are very significant, it is the delivery infrastructure, especially pipelines, which permanently cements these sorts of mutually beneficial economic arrangements and, consequently, makes the continued isolation and subversion of Iran more difficult. Perhaps the most important of all the pipelines in which Iran is a participant is the [Iran-Pakistan pipeline](#), also known as the “Peace Pipeline”. This project will deliver Iranian energy to Pakistan – a nation dealing with a protracted and crippling energy shortage. The pipeline is crucial to Iranian strategy not only because it will generate much needed revenue for Tehran, but also because of its significance as a symbol of the warm relations between Iran and Pakistan. Moreover, this project is still in its early incarnation. One can easily imagine the pipeline being extended into China, thereby becoming China’s direct link to the vast energy resources of the Middle East while providing Iran with the security of a superpower ally.

The Iran-Pakistan project is not the only important pipeline under construction. In fact, Iran is currently in the process of implementing no less than [fifteen new pipeline projects](#) all throughout the country. This is more than just economic expansion. Instead, it is the necessary modernization of the energy infrastructure of the country, allowing the Islamic Republic to maintain its status as one of the world’s leaders in energy exports while, at the same time, improving delivery capabilities within the country itself. Energy exports and pipelines are also at the heart of the expansion of relations between Iran and Turkmenistan. Having emerged in recent years as a world leader in gas exports, Turkmenistan has become a crucial player in the Caspian region, necessitating a close working relationship with the Islamic Republic. As Iranian President [Ahmadinejad recently stated](#), relations between the two countries must be cultivated and expanded. This demonstrates not only Iran’s desire to have friendly relations with its neighbors, but also Tehran’s recognition of the dangers of isolation in the region, particularly at a time when Caspian energy exploration and development are still in the early stages.

Oil and gas are not the only forms of energy that Iran is looking to export in order to subvert the US-led sanctions. One of the most critical aspects of Iranian energy exports is the sale and delivery of electrical power, particularly to Pakistan which, as already mentioned, suffers from a painful and perpetual energy shortage. Iran is poised to become Pakistan’s energy benefactor as there has been renewed interest in upgrading and expanding the shared energy infrastructure of the neighbor countries. It was recently reported that [an Iranian firm is planning a one gigawatt power project in Pakistan](#) that will connect the Iranian port at Chabahar with the Pakistani port of Gwadar. This is a hugely significant deal because it will provide much needed electrical power to Pakistan while solidifying, in physical form, the close relations between the two countries. However, what this project also indicates is the growing importance of Iranian ports, especially Chabahar, as well as other infrastructural and technological projects, to the future of Iranian economic development.

## Beyond Energy

One of the most common misconceptions regarding Iran is the belief that the future of the Islamic Republic's economic development rests solely on the energy sector. On the contrary, Tehran is in the process of developing a number of ports and other projects that will spur growth and development in the coming decades. The first and most important of these projects is the Iranian port of Chabahar. Situated on the coast of Iran, Chabahar is intended to be a port of regional and international importance. Tehran recently announced that [it will invest \\$25 billion into the Chabahar port](#) to transform it into one of the great energy hubs of the world. Naturally, China figures prominently in this vision, as it looks to Chabahar for that coveted land-based access to the Indian Ocean. However, China is not the only regional player that is interested in the port. Recently, Iranian representatives met with their Indian and Afghan counterparts to discuss regional trade and the role of Chabahar. In light of this meeting, it is clear that Chabahar is fast becoming one of the most important ports in Asia. Additionally, the port would make Iran an integral player in commercial shipping, providing access to the Iranian market to international companies that would otherwise be impossible. This opening of Iran via the Chabahar port undoubtedly figures prominently in Tehran's plans to integrate itself into the world economy on its own terms, rather than those dictated by the Western imperial powers.

Iran is not solely relying on Chabahar. In fact, [Iran has recently announced](#) more than \$4 billion of investment into a number of Iranian ports. This level of investment demonstrates Iran's willingness to invest in its own economic future while, at the same time, showing outside observers that development is not just an idea, it is a reality. These ports, Tehran hopes, will transform the country into a shipping center that could rival those of the Gulf monarchies and make Iran an indispensable partner for the region and the world's powers. The Islamic Republic has also turned its eyes to the sky in search of development. Iran has recently launched a full-fledged space program and is [currently constructing a national space center](#) to be used for the launch of satellites by itself and other Muslim countries. Iran's foray into the space sector benefits the country in a number of ways. First, and perhaps most importantly, this development is a major propaganda victory for Iran. It catapults the country into the top tier of world powers, gaining Tehran the respect of nations around the world. Beyond the propaganda however, the development of a space program provides fertile ground for Iranian science to make other technological breakthroughs in a number of different sectors.

Lastly, the space center helps integrate Iran into the region and Muslim world by making it an attractive partner for other nations wishing to launch satellites or other projects. The space center, like the ports and pipelines, helps Iran overcome the isolation imposed upon it by the US, Europe, and Israel. Iran has had to endure an unprecedented international assault in recent years. Because of the unwillingness of the government and the Iranian people to bend to the will of the Western imperialist ruling class, the Islamic Republic has been attacked quite literally from all sides. Having to endure a covert war of sabotage and terrorism while being demonized internationally, Tehran has managed to repel these attacks to this point. Despite economic hardship caused by the US-imposed sanctions, Iran continues to keep an eye toward development and progress. As the world saw recently at the Non-Aligned Movement Summit, Iran is not as isolated as the US and Israel would like to see. On the contrary, Iran looks to other nations of the world for partners while taking the initiative to build its own future. Of course, nothing infuriates the forces of international finance capital and imperialism more than economic independence. For this reason, Iran

will remain the bogeyman for much of the Western world while working to shape its own economic future.

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