

How US Sanctions on Iran Could Herald a Profound Global Power Shift

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Global Research, November 05, 2018

[Middle East Eye](#) 2 November 2018

Region: [Middle East & North Africa, USA](#)

Theme: [Global Economy](#), [Law and Justice](#)

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On Monday, the US will ratchet up its brutal and merciless economic war against Iran, raising sanctions to a new level. The Trump administration has said its goal is to reduce Iranian oil exports to zero, although [waivers](#) were being negotiated with some countries.

Such a move could bankrupt Iran and destroy the government's ability to deliver public services, fomenting popular rebellion.

John Bolton, President Donald Trump's national security adviser, has been clear about the logic behind this: he wants to [install a new government](#) friendly to the US. He spelled out these plans to the opposition group Mujahedin-e-Khalq (MEK) at a Paris conference last year, although he has subsequently backtracked, saying regime change is "[not American policy](#)".

Beset by contradictions

The US is not simply intent on waging an economic war, but also wants to build up a military and strategic coalition against Iran. This seems to have been the most important item on the agenda of last week's [Manama dialogue](#) in Bahrain, where US **Defence Secretary James Mattis** took aim at Iran.

Mattis is keen on the creation of a what amounts to an [Arab NATO](#) built around a regional network of Sunni Arab states in the shape of the emerging Middle East Strategic Alliance, potentially including Benjamin Netanyahu's [Israel](#). The primary outside backers would be the US, France and Britain.

But this twin-pronged military-economic strategy is doomed to failure, and will likely end in humiliation for the US. In the medium term, it will backfire; the US and its allies will lose influence, while Iran will gain confidence and power. In the worst case scenario, it will result in a war whose consequences will be incalculable.

For starters, Trump's sanctions policy is beset by contradictions. It will not and cannot work, because the US will be unable to isolate Iran in the way it hopes to.

The problem was set out clearly in an excellent [article](#) by Gardiner Harris in the New York Times earlier this week, which noted that China and India, the largest buyers of Iranian oil, will continue to make substantial purchases. Turkey and Russia are likely to do the same, which is not much of a surprise.

Epic miscalculation

Much more remarkable, France and Germany, as well as Britain, have expressed their intention to continue to do business with Iran in defiance of US will. They are looking at the creation of a “special purpose vehicle” that would enable them to continue trading with Iran independently of the US dollar.

The case of China, the largest buyer of Iranian oil, is yet more important. While it is true that two large state Chinese oil companies have [halted purchases](#) from Iran, China is virtually certain to continue purchasing large amounts of oil.

The option is open to Trump to raise the stakes and punish China through sanctions or other means, but even he likely lacks the appetite to open up an economic war on a second front.

The same consideration applies to Narendra Modi’s India, which has infuriated the US by continuing to buy Iranian oil. Does Trump truly want to turn India into an enemy?

All of this means that the Trump administration has made an epic miscalculation. Trump thinks that he can take the international community with him as he embarks on his economic war against Iran. He can’t – and this spells mortal danger for the US. Trump is playing for very high stakes; if he loses, much of the global power of the US will collapse.

Weakening financial muscle

This is because over the last few decades, successive US presidents have used the reserve currency status of the US dollar as a weapon to isolate the country’s enemies and to enforce its will. In this way, it has been able to strike terror in its enemies and to reward allies.

This financial muscle has been a far more potent tool than military might. If Trump fails in his economic war against Iran – and I believe he will – it will signal to the world that the dollar can no longer be used as a foreign policy weapon.

Sixty years ago, Britain’s humiliation over Suez marked the moment when we could no longer exert our muscle across the Middle East. If Trump fails on Iran, the cry will go round the chanceries of the region that the US is a paper tiger.

We would therefore see the end of US global hegemony and the emergence of rival economic areas, with the power and reach to operate independently of US economic pressure.

One would be based around Shanghai. This is already in the process of formation, and on a trip to Pakistan last week, I was intrigued to hear leading public intellectuals speculating that the G7 group of leading economic nations – hitherto a private fiefdom of the United States – could soon break into two. A second sphere could be erected around the eurozone and a third confined to the US, Latin America, a handful of US dependencies and perhaps the UK.

Increasing isolation

In this new world, it is by no means obvious that the US would be widely viewed as a force for global stability. This is already obvious in the Middle East, where the US caused chaos with the invasion of Iraq and turned its back on the nuclear deal with Iran.

It is the US ally, Saudi Arabia, that has been accused over many years as being the source

of jihadi movements that have created mayhem across the globe. It is primarily Saudi Arabia and its [Gulf allies](#) – backed by the US and Britain – that have brought about the humanitarian calamity in Yemen. And that is before we come to the terrible murder of [Jamal Khashoggi](#).

There are many problems with Iran. It, too, has a record of conducting assassinations abroad and repression at home. Nevertheless, in a region that has suffered chaos in recent years, this 3,000-year-old state looks more like a source of stability, and Trump’s America – untrustworthy and increasingly isolated – a force for chaos.

We may be about to see a power shift of profound consequences. Though it will start in the Middle East, its ripples will swiftly spread across the globe.

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Michel Chossudovsky

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ISBN Number: 978-0-9737147-6-0

Year: 2015

Pages: 240 Pages

List Price: \$22.95

Special Price: \$15.00

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