# The US-Iran Economic War

**By Pepe Escobar**

January 10, 2012 "Asia Times" --NEW YORK - Here's a crash course on how to further wreck the global economy.

A key amendment to the National Defense Authorization Act signed by United States President Barack Obama on the last day of 2011 - when no one was paying attention - imposes sanctions on any countries or companies that buy Iranian oil and pay for it through Iran's central bank. Starting this summer, anybody who does it is prevented from doing business with the US.

This amendment - for all practical purposes a declaration of economic war - was brought to you by the American Israel Public Affairs Committee (AIPAC), on direct orders of the Israeli government under Prime Minister Benjamin "Bibi" Netanyahu.

Torrents of spin have tried to rationalize it as the Obama administration's plan B as opposed to letting the Israeli dogs of war conduct an unilateral attack on Iran over its supposed nuclear weapons program.

Yet the original Israeli strategy was in fact even more hysterical - as in effectively preventing any country or company from paying for imported Iranian oil, with the possible exceptions of China and India. On top of it, American Israel-firsters were trying to convince anyone this would not result in relentless oil price hikes.

Once again displaying a matchless capacity to shoot themselves in their Ferragamo-clad feet, governments in the European Union (EU) are debating whether or not to buy oil from Iran anymore. The existential doubt is should we start now or wait for a few months. Inevitably, like death and taxes, the result has been - what else - oil prices soaring. Brent crude is now hovering around $114, and the only way is up.

**Get me to the crude on time**

Iran is the second-largest Organization for Petroleum Exporting Countries (OPEC) producer, exporting up to 2.5 million barrels of oil a day. Around 450,000 of these barrels go to the European Union - the second-largest market for Iran after China.

The requisite faceless bureaucrat, EU Energy Commissioner Gunther Ottinger, has been spinning that the EU can count on Saudi Arabia to make up the shortfall from Iran.

Any self-respecting oil analyst knows Saudi Arabia does not have all the necessary extra spare capacity. Moreover, and crucially, Saudi Arabia needs to make a lot of money out of expensive oil. After all, the counter-revolutionary House of Saud badly needs these funds to bribe its subjects into dismissing any possibility of an indigenous Arab Spring.

Add to it Tehran's threat to block the Strait of Hormuz, thus preventing one-sixth of the world's oil and 70% of OPEC's exports from reaching the market; no wonder oil traders are falling over themselves to lock up as much crude as they can.

Forget about oil at an accessible $50 or even $75 a barrel. The price of oil may be destined to soon reach $120 a barrel and even $150 a barrel by summer, just as in crisis-hit 2008. OPEC, by the way, is pumping more oil than at any time since late 2008.

So what started as an Israeli-concocted roadside improvised explosive device has now developed into a multiple economic suicide bombing targeting whole sections of the global economy.

No wonder the chairman of the Iranian parliament's national security and foreign policy commission, Ala'eddin Broujerdi, has warned that the West may be committing a "strategic blunder" with these oil sanctions.

Translation: as it goes, the name of the game for 2012 is deep global recession.

**Obama rolls the dice**

First Washington leaked that sanctions on Iran's central bank were "not on the table". After all, the Obama administration itself knew this would translate into an oil price hike and a certified one-way ticket for more global recession. The Iranian regime, on top of it, would be making more money out if its oil exports.

Still, the Bibi-AIPAC combo had no trouble forcing the amendment through those Israel-firster Meccas, the US Senate and Congress - even with US Secretary of the Treasury Tim Geithner expressly against it.

The amendment just passed may not represent the "crippling sanctions" vociferously demanded by the Israeli government. Tehran will feel the squeeze - but not to an intolerable level. Yet only those irresponsible people at the US Congress - despised by the overwhelming majority of Americans, according to any number of polls - could possibly believe they can take Iran's 2.5 million barrels of oil a day in exports off the global market with no drastic consequences for the global economy.

Asia increasingly will need more oil - and will continue to buy oil from Iran. And oil prices will keep flirting with the stratosphere.

So why did Obama sign it? For the Obama administration, everything now is about electoral calculus. Those terminal wackos in the Republican presidential circus - with the honorable exception of Ron Paul - are peddling war on Iran the moment they're elected, and substantial swathes of the American electorate are clueless enough to buy it.

No one, though, is doing some basic math to conclude the American and European economies certainly don't need oil flirting with the $120 level if some minimal recovery is in the cards.

**Show me your balls** Apart from that self-defeating, terminally in crisis euro/North Atlantic Treaty Organization bunch, everyone and his neighbor will be bypassing this Israeli-American declaration of economic war:
- Russia already said it will circumvent it.
- India is already paying for Iranian oil via Halkbank in Turkey.
- Iran is actively negotiating to sell more oil to China. Iran is China's second-largest supplier, only behind Saudi Arabia. China pays in euros, and soon may be paying in yuan. By March they both will have sealed an agreement about new pricing.
- Venezuela controls a bi-national bank with Iran since 2009; that's how Iran gets paid for business in Latin America.
- Even traditional US allies want out. Turkey - which imports around 30% of its oil from Iran.
- Will seek a waiver exempting Turkish oil importer Tupras from US sanctions.
- And South Korea will also seek a waiver, to buy around 200,000 barrels a day - 10% of its oil - from Iran in 2012.

China, India, South Korea, they all have complex two-way trade ties with Iran (China-Iran trade, for instance, is $30 billion a year, and growing). None of this will be extinguished because the Washington/Tel Aviv axis says so. So one should expect a rash of new private banks set up all across the developing world for the purpose of buying Iranian oil.

Washington wouldn't have the balls to try to impose sanctions on Chinese banks because they will be dealing with Iran.

On the other hand, one's got to praise Tehran's balls. After a relentless campaign of covert assassinations; abductions of Iranian scientists; cross-border attacks in Sistan-Balochistan province; Israeli sabotage of its infrastructure, with viruses and otherwise; invasion of territory via US spy drones; non-stop Israeli and Republican threats of an imminent "shock and awe"; and the US sale of $60 billion of weapons to Saudi Arabia, still Tehran won't balk.

Tehran has just tested - successfully - its own cruise missiles, and in the Strait of Hormuz of all places. Then when Tehran reacts to the non-stop Western aggressive barrage, it is blamed with "acts of provocation".

Last Friday, the New York Times editorial board was totally in love with the Pentagon's threats against Iran, as well as calling for "maximum economic pressure".

The bottom line is that average Iranians will suffer - as average, crisis-hit, indebted Europeans will also suffer. The US economy will suffer. And whenever it feels the West is getting way too hysterical, Tehran will keep reserving the right to send oil prices skyrocketing.

The regime in Tehran will keep selling oil, will keep enriching uranium and, most of all, won't fall. Like a Hellfire missile hitting a Pashtun wedding party, these Western sanctions will miserably fail. But not without collecting a lot of collateral damage - in the West itself.

***Pepe Escobar*** *is the author of Globalistan: How the Globalized World is Dissolving into Liquid War (Nimble Books, 2007) and Red Zone Blues: a snapshot of Baghdad during the surge. His new book, just out, is Obama does Globalistan (Nimble Books, 2009).*

*He may be reached at pepeasia@yahoo.com.*