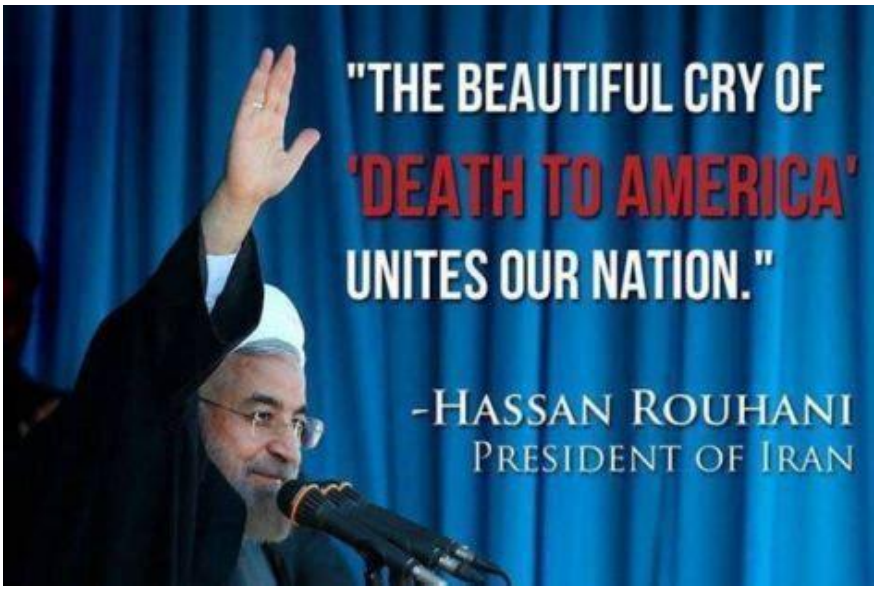
TRUMP FORCES THE WORLD TO BLOCK OIL FROM IRAN



On Monday (4/22), the Trump Administration announced full sanctions on all countries importing Iranian oil would be in effect next week on May 2. In announcing the decision, Secretary of State Mike Pompeo said:

> *"The goal remains simple: to deprive the outlaw regime of the funds it had used to destabilize the Middle East for four decades and incentivize Iran to behave like a normal country… We have made our demands very clear to the ayatollah and his cronies:*
>
> *End your pursuit of nuclear weapons, stop testing and proliferating ballistic missiles, stop sponsoring and committing terrorism, halt the arbitrary detention of US citizens. Our pressure is aimed at ending these and others and it will continue to accelerate until Iran is willing to address them."*

China, India and Turkey can do little to resist Donald Trump's extra-territorial sanctions against Iran. Why? Washington has established hegemonic control over global finance and the dollarized payments system.

The cost of defying the White House on a large scale is punitively high. "Anyone doing business with Iran will not be doing business with the United States," tweeted president Trump.

A cell at the US Treasury called the Office of Foreign Assets Control – or simply OFAC to its

victims – has perfected the art of economic strangulation through the global banking, insurance and shipping nexus.

All three countries will be forced to cut Iranian crude imports as temporary “waivers” are phased out in early May. Shipments will not fall to zero because there is always leakage. The Trump administration is likely to turn a blind eye to some trade as part of its carrot and stick approach.

The best historical parallel for OFAC is the British Royal Navy in the early 19th century when it stamped out the Atlantic slave trade by blockading embarkation points in Africa and ultimately by boarding any vessel of any neutral nation on the high seas. Protest was ignored.

Juan Zarate, a former OFAC chief, described the method in his book Treasury’s War as the boa constrictor’s lethal embrace.

“It is a new kind of war, like a creeping financial insurgency, intended to constrict our enemies’ financial lifeblood, unprecedented in its reach and effectiveness,” he wrote.

One stealth weapon is a “scarlet letter”, derived from Section 311 of the US Patriot Act. It allows the US Treasury to cripple a bank by accusing it of money laundering or underwriting terrorist activities, a broad category. This quickly renders any financial entity radioactive.

The EU deems Trump’s renewed blockade of Iran to be an “illegal” breach of UN Security Council Resolution 2231, insisting that the clerical regime has stuck to the terms of the nuclear deal (whatever other mischief it may be up to in the Middle East).

Brussels says the threat of secondary sanctions against European companies is outrageous and has invoked a “blocking statute” to protect them from the fallout.

It has so far proved a hollow gesture.

“It didn’t achieve much,” said Dr. Ellie Geranmayeh from the European Council on Foreign Relations. “There has been an exodus of companies from Iran.”

Siemens, Peugeot, Renault, Daimler, Volkswagen, Maersk, Hapag-Lloyd, Total, Scania, Deutsche Telekom and Allianz, among others, have suspended operations in Iran. “We haven’t had any cases publicly where companies have been investigated or fined for exiting Iran,” said Geranmayeh.

No European firm of any importance can function if it loses access to the US capital markets and payments system, even if it has no direct operations in the US. European banks are still smarting from $16bn (£12bn) of fines and a legal nightmare after the last round of Iranian sanctions busting.

India's banks and corporations have fewer ties to the US but the major Indian refiners are already taking steps to slash their imports from Iran regardless. Officials have briefed the Indian media that the country will have to toe the line.

Energy minister Dharmendra Pradhan concedes that imports from Iran will have to be replaced. "There will be additional supplies from other major oil producing countries," he said.

China is the biggest importer of Iranian oil at 600,000 barrels a day (b/d). It is a tougher nut to crack. Its refineries are geared to super-heavy crude from the Iranian fields, an increasingly scarce variant in today's lopsided market.

Beijing has denounced the "long-arm jurisdiction" imposed by the US as a breach of lawful and legitimate trade, but president Xi Jinping is walking a fine line as Sino-US trade talks reach a critical juncture.

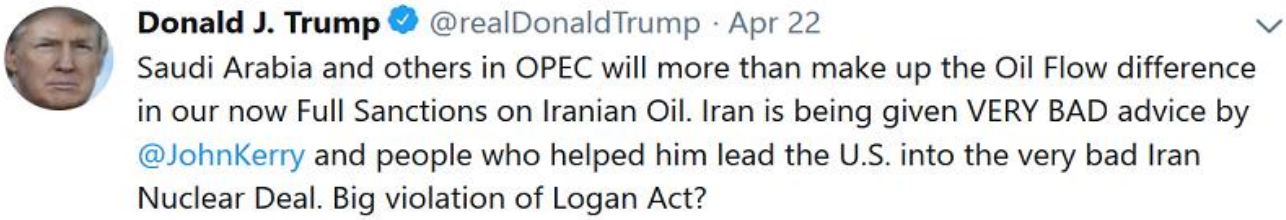
"After the big headline from Trump what we are really seeing is a series of mini-waivers," said Helima Croft from RBS. "There is a lot of latitude from the US side but they are keeping it opaque. We expect the Chinese to halve their imports but are not going to zero."

Chinese companies have to tread carefully. The state-owned giant Sinopec has joint ventures in the US and deep links to US banks. It faces an impossible dilemma. "We are very concerned," said Huang Wensheng, Sinopec's vice-president.

RBC expects Iran's worldwide exports to drop to around 600,000 b/d as leakage occurs and the US tolerates a de facto compromise.

But that is still enough to take up to 800,000 b/d off the global market at a time when Venezuela's production is in free fall and Libya is on the brink of a fresh civil war. Saudi Arabia and Russia have spare capacity but views differ widely over how big that safety buffer is if anything goes wrong in one of the world's geostrategic hotspots.

President Trump's response to this:



The Europeans, primarily France and Germany, are in a state of outrage. France's finance minister Bruno Le Maire huffed: "Europe must have the means to defend its economic sovereignty.

We’re at a moment of truth.”

“The Europeans have never gone to such length before to counter sanctions overreach by the US,” notes Geranmayeh.

Yet as Bloomberg reported yesterday (4/24): Hezbollah Donation Boxes Show Trump’s Sanctions Are Hurting Iran. Why then would EU leaders be on Iran’s side?

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