

**"Washington's confrontation with Tehran over oil is unlikely to force a regime change."**

US Secretary of State Michael R Pompeo recently announced that the Trump administration was ending all the waivers granted to eight countries including Greece, Italy, India, Japan, China, Turkey and South Korea to wean them away from Iranian oil. The US had granted these countries temporary waivers to import Iranian oil when the Trump administration re-imposed sanctions on Tehran in November.

Addressing the media, Pompeo had said, "Today's announcement builds on the already significant successes of our pressure campaign. We will continue to apply maximum pressure on the Iranian regime until its leaders change their destructive behaviour, respect the rights of the Iranian people, and return to the negotiating table." The goal of the exercise is to reduce Iranian crude oil exports to zero and deprive the present Iranian regime of all its foreign exchange from oil exports.

However, this move of the Americans could trigger a rise in oil prices on the world market. The prices had risen already when the US announced sanctions on Iranian oil buyers. Global crude prices rose by three per cent in Asia followed by the Brent crude futures climbing to more than \$74/barrel, but remained below their October high of \$86/barrel.

Though Pompeo did say the move was aimed at squeezing Iranian economy, he did not mention the word "embargo", which needs to be enforced by the US navy and could be interpreted by the Iranians as an act of war. Therefore, the new measure taken by the Trump administration appears to be a threat to impose unilateral sanctions on countries that continue to purchase Iran's oil. China and India are the biggest buyers of the Iranian crude oil. Until March, India was restricted to daily purchases of some 2,58,000 barrels per day of Iranian oil. As for China and Japan, they imported 6,13,000 and 1,08,000 barrels of Iranian oil per day. Consequently, without foreign capital, Iran will be not be able to produce more oil and gas for export. Iran also needs a legal framework that would help to attract foreign investment. Meanwhile, the Trump administration, by escalating its economic warfare against Iran, is hoping to weaken the Islamic Revolutionary Guard Corps (IRGC) and its elite Quds Force and turn ordinary Iranian citizens against the Islamic regime.

Some weeks ago, the US had designated the IRGC as a terrorist organisation. This marked the first time the US administration labeled a branch of a foreign government a terrorist entity. Both Saudi Arabia and Israel applauded the US move, but Washington's move will certainly put countries such as Iraq and Lebanon in even more difficult situations as they have no alternative but to deal with the IRGC's military and financial presence. The designation of the IRGC as a terrorist institution allows the US to prosecute individuals and firms which have provided the IRGC with material support. Once again, this includes European and Asian companies that deal with the affiliates of the IRGC. Meanwhile, the response of Iran's supreme leader to the US measures has been to replace Major General Mohammad Ali Jafari with General Hossein Salami as the head the IRGC. Salami is well known for

his warmongering against the US. Like many of his generation, he joined the IRGC during the Iran-Iraq war in the 1980s and held a number of posts, including as the in-charge of the institution's internal affairs. As we can see, Iran's response to the harsh American sanctions is to play the card of brute force against the US.

This said, while the ideological enmity between Iran and the US is taking irrational dimensions, the EU and the UN need to take a more proactive role in order to ease escalating tensions and dangers of war in the Persian Gulf region. While the Trump administration is running out of ways to demonstrate its hostility toward Iran before the US presidential elections, the harsh reactions of the regime of the Ayatollahs has already helped the re-election of Benjamin Netanyahu in Israel.

Iran has no way to impose economic sanctions on the US and its allies in the Middle East. But its militias and proxies can retaliate to any military provocation from the US or Israel. To be sure, the organic connection between the Lebanese Hezbollah and the IRGC has lasted for over three decades. Moreover, Hezbollah's ties to Iran constitute a strategic partnership and the Ayatollahs and the IRGC consider Nasrallah and a few other senior Hezbollah officials as reliable allies in an eventual confrontation with Israel or the US.

So, as the US rhetoric against Iran heats up, more arguments will no doubt be made that there will be military limits to Trump's confrontation with the regime of the Ayatollahs. As a matter of fact, while ratcheting up the pressure on Iran by scrapping sanction exemptions that allowed the Islamic republic to export oil to key allies, in a closed-door meeting with Iranian-American community leaders at the Renaissance Dallas Hotel, Pompeo affirmed that the Trump administration is "not going to do a military exercise inside Iran" to expedite a regime change. This is a significant move coming from the Trump administration, which shows that despite all the enmity shown against Iran, the decision to overthrow militarily the regime in Tehran is not for tomorrow.

## GS World Team...

### America-Iran Dispute

#### Why in the discussion?

- Recently, Foreign Minister of America Mike Pompeo said that the US will speed up the campaign to put pressure on the Iranian government effectively and it will continue until Iran's leaders change 'destructive behavior', Do not respect the rights of their people and do not sit at the negotiating table.
- This comment from Pompeo has come after US President Donald Trump's announcement that his administration will not issue additional 'significant deduction exceptions' to countries importing oil from Iran.

#### key points

- In November last year, the US had given a concession to India and seven other countries for importing oil from Iran for a period of 180 days, which will end

on May 2.

- India, China, Japan, South Korea and Turkey will be most affected by this decision.
- Iran is the third largest supplier of India in the world after Saudi Arabia and Iraq.
- Iran supplied 18.4 million tonnes of crude oil to India during the period from April 2017 to January 2018.
- With the decision, eight countries including India will have to bring down their imports of oil from Iran by May 2. Whereas, Greece, Italy, Japan, South Korea, and Taiwan have already made significant reductions in their oil imports from Iran.

#### Effect of restriction

- The main source of Iran's revenue is the oil export which will be in crisis due to restrictions.

- In 2018 Iran's share in global oil production was 4%. There is likely to be an impact on global oil supply chains after Iran's sanctions.
  - There may be significant increase in oil prices due to interruption in supply.
  - The world's three largest energy producers, America, Saudi Arabia and the United Arab Emirates have said they will ensure adequate supply in the global oil market.
  - The United States has said that it will curb financial strain on any institution or company that violates oil restrictions, in which Such restrictions are included companies prohibit the use of Swift Banking International Transaction System, the seizure of any American assets and transactions in dollars.
- Influence on India**
- **Oil supply for refineries:** This decision of US is likely to have a great impact on India.
  - The US has recently banned another top supplier Venezuela, Venezuela. In these circumstances, the recent decision of the US can create problems for India.
  - An increase in the import bill will put pressure on the rupee. Increase in crude oil prices will increase inflation.
  - Iran granted privilege to India
  - Iran gives a credit limit of 30 days to other countries and India 60 days.
  - Iran also provided facility to pay India directly in rupees. It was arranged in that 55% of the total amount will be paid in European banks and the remaining 45% will be paid in India-based bank, which will be used for import from India.
  - After this, in the event of closure of payments by European banks, Iran provided India with a 100% payment in rupees, the system continued with Iran until the P5+1 treaty was concluded.
  - Again, 55% payment in Euro and 45% in rupees was provisioned.
  - Iran also offers a discount in freight for the supply of crude oil to India.

#### Expected Questions (Prelims Exams)

##### 1. Consider the following statements-

1. Saudi Arab produces most energy in the world.
2. Iran provides India 60 days credit limit and others, of 30 days.
3. Iran is the founding member of OPEC.

Which of the above statements are correct?

- (a) 1 and 2
- (b) 2 and 3
- (c) 1 and 3
- (d) 1, 2 and 3

#### Expected Questions (Mains Exams)

- Q. The increasing tension between Iran and America has created tension in front of India. What strategy should India adopt to tackle this? Discuss. (250 Words)**

**Note:** Answer of Prelims Expected Question given on 1 May. is 1 (a)