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# Europe at war with Iran

By Pepe Escobar
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No one ever lost money betting on the foolishness of European Union (EU) politicos. And if you are an oil trader, rejoice - all the way to the bank; as expected, EU foreign ministers - meekly following the Barack Obama administration - have given a green light for a full Iranian oil embargo.

The embargo applies not only to new contracts but also existing contracts - to be voided by July 1, and includes extra sanctions targeting Iran's central bank and petrochemical exports to the EU. It's always crucial to remember the embargo - a de facto European declaration of economic war - was forcefully proposed in the first place by the neo-Napoleonic "liberator" of Libya, France's President Nicolas Sarkozy. The official EU excuse for the economic war is "serious and deepening concerns over the Iranian nuclear program".

It didn't help that Moscow had already warned the EU to stop acting as mere pawns of Washington - once again shooting themselves in their Ferragamo-clad feet. The Russians know all there is to know about how this embargo may horribly backfire.

The EU defends its strategy - or economic war - as the only way to avert "chaos in the Middle East". Yet the economic war may end up sparking the full-blown war it is theoretically trying to avert; talk about an array of unintended consequences waiting in the wings.

And that leads us straight to the Strait of Hormuz drama. Tehran has repeatedly said that it would close Hormuz only if - and we should repeat - only if Iran is blocked from exporting its oil. This would represent a deathblow to the Iranian economy - totally dependent on oil exports - not to mention the regime controlled by Supreme Leader Ayatollah Ali Khamenei. Regime change is the real agenda of Washington and its European poodles (see The myth of 'isolated Iran' Asia Times Online, January 19) - but that cannot be spelled out to global public opinion.

**The tracks of my tears**

Of the top five Iranian oil importers, four are in Asia; two BRICS members (China and India), plus US allies Japan and South Korea. It's fair to argue that all these importers would severely blame the Americans/Europeans for their provocations (in fact some are already doing that) should Iran consider blocking - or activating a series of mines - in the Strait of Hormuz.

The EU for its part imports around 600,000 barrels of oil a day from Iran; that's about 25% of Iran's daily exports of 2.6 million barrels. The top EU importer is Italy. Other key importers are Spain and Greece. All these Club Med countries, to put it mildly, are currently mired in deep economic mess.

The EU insists on spinning its so-called "dual track" approach towards Iran. Stripped of spin, dual track essentially translates in practice as "shut up, bow to our sanctions, stop enriching uranium and sit on the table to negotiate on our terms".

So when the EU's foreign policy head - the stupendously innocuous Catherine Ashton - spins about the "validity of the dual track approach", serious diplomats across the developing world can only interpret it for what it is; a joke. That's not exactly an incentive for Iran to renew nuclear negotiations with the "Iran Six" group (permanent United Nations Security Council members the US, Britain, France, Russia, China, plus Germany).

Meanwhile, the Lord of the European poodles - the Obama administration - is applying all sorts of pressure over Asian powers to stop buying Iranian oil. Fat chance. For all of them - including Japan and South Korea - it will remain business as usual; they need Iran's oil even more than the West.

Even BP - the sterling polluter of the Gulf of Mexico - has asked the Obama administration for an exemption from sanctions. It all has to do with a key Pipelineistan chapter - the development of the immense Shah Deniz II gas field in Azerbaijan.

There's no way Europe can benefit from Caspian Sea gas without a massive $22 billion investment to develop Shah Deniz II - of which Iran holds a 10% participation. Shah Deniz II would be essential to supply the Nabucco pipeline - if it ever gets built. Nabucco bypasses Iran's strategic ally Russia - which happens to maintain a stranglehold over Europe's gas supply, as Europeans themselves never cease to complain in Brussels.

If Iran blocks it, the deal dies. So we have a post-surrealist situation of Britain's Big Oil - via BP - imploring for the US to exempt it from sanctions, otherwise European energy security will be at risk. Britain also happens to be an implacable foe of Tehran's regime, but still relies on Iran to "save" Europe from the claws of Gazprom. You can't make this stuff up.

## The City never sleeps

The name of the game in Iran will always be regime change because the perennial wet dream of Washington and the European poodles is to grab Iran's fabulous oil (12.7% of global reserves) and gas wealth. And the fact is that wealth is increasingly profiting the Asian Energy Security Grid - and not the West.

The huge North and South Azadegan fields - 26 billion barrels - are being exploited by - who else - China; China National Petroleum Corporation is developing both, investing $8.4 billion over the next 10 years. As for the Yadavaran field, it is being developed by the China Petroleum & Chemical Corporation; in four years, it will be producing almost 200,000 barrels a day. And all this without even mentioning the largest gas field in the world - South Pars, of which Iran holds a great portion, alongside Qatar.

And then there's the crucial petrodollar front. Dominique Strauss-Kahn (DSK), slightly before he was forced to resign as the International Monetary Fund's director general over a sex scandal, was insisting on the end of the US dollar as the world's reserve currency, proposing instead the IMF's special drawing rights - the IMF's virtual currency including the US dollar, euro, pound, yen and yuan.

Well, it's already happening, via other means. Memo to an asleep at the wheel Washington/Brussels axis; China and India are already bypassing US/EU sanctions on Iran.

Three BRICS members (Russia, India and China), plus Japan and Iran - a mighty mix of the world's largest producers and consumers of energy - are already trading, or about to trade, in their own currencies. Russia and Iran have just started trading in rials and roubles. All of these powers have bilateral agreements - inexorably surging to multilateral; and that translates as the US dollar slowly fading as the global reserve currency, with all the seismic consequences this implies.

It's as if a stunned world was watching a ritual *seppuku* in slow motion committed by the Washington-dominated West.

There is also the auspicious orange in this Year of the Dragon pie - the upcoming foreign exchange bourse trading in yuan in the City of London. Beijing wants it - and the City badly wants it. Tehran already sells oil to Beijing in yuan. Think of Iran using the City foreign exchange to use their yuan and thus keep access to all global markets - no matter the US/EU sanctions/embargo avalanche.

Obviously, City players are aware that a "free trade" yuan bourse in London may play to Iran's advantage; but unlike those morons in Brussels, at least City slickers are aware that business is business.