The New York Times

Iran Shifts Assets Out of Europe Banks

By WILLIAM YONG
8/29/2010

Iran has transferred assets out of European banks in its latest effort to defend itself against the effects of sanctions that are part of what Iranian officials have called an "economic war" against the country by the United States and other Western countries.

Iran's "Central Bank had previously specified a list of its banking reserves in Europe and has transferred them," the bank's governor, Mahmoud Bahmani, was quoted as saying by Iran's semiofficial Fars news agency on Saturday.

Mr. Bahmani did not specify the amount or date of the transfers but said the move had been envisioned "six months in advance" of the new round of trade and financial restrictions placed on Iran by Western nations because of their concerns over the nature of Iran's nuclear program.

"We are currently facing an all-out economic war and we have to be completely prepared," Mr. Bahmani told a conference on Islamic banking here on Saturday.

This month, the head of one of Iran's largest banks, Bank Saderat, said in comments on the bank's Web site that European assets worth about $432 million had been frozen by the nations holding them. Bank Saderat is one of several Iranian banks blacklisted by the United States on suspicion of channeling money to Iran's nuclear program.

A fourth round of United Nations Security Council sanctions, reinforced by separate restrictions imposed by the United States and the European Union, have made it increasingly difficult for Iran to conduct its international business. In recent weeks, South Korea and Japan have also expressed willingness to impose sanctions on Iran, with whom they are major trading partners.

Banks dealing with Iran have also been subjected to harsh penalties. This month, the United States Justice Department imposed a $298 million fine on Barclays for trading with countries that are under United States sanctions, including Iran. As traditional sources of trade close their doors to Iran, analysts said, the Islamic Republic will have to seek alternatives in Asia and the Middle East.

"They will probably forward assets to other banks globally," said an analyst based here who spoke on the condition of anonymity because he was not authorized to speak publicly. "It makes life a lot harder to find new banking routes, but it never makes it impossible."

Assets that Iran transferred from Europe might pass through companies in Dubai, which has tried to maintain a balance between preserving about $12 billion in annual trade with Iran and convincing its Western partners that it is on board with sanctions.

Still, there is no doubt that years of international sanctions have contributed to high unemployment, inflation and stagnation in important sectors of Iran's economy. The last 12 months have brought growing reports of mass layoffs, unpaid wages and factory closings because of outstanding government debts.

The government of President Mahmoud Ahmadinejad has been reluctant to reveal current economic growth figures, although critics of his administration say the country could grow as little as 0.5 percent this year.

"Generally for the business community, you talk to people and they are suffering," said a consultant who has significant dealings with both Iranian and international businesses.

Official figures value Iran's imports at around $55 billion, but the real figure could be much higher because of smuggling and black market trade. Many economists blame Mr.

Ahmadinejad's expansionist policies for a surge in Iranian imports over the last five years. And an influx of cheap imports has depressed domestic production.

Last week, parliamentary leaders announced a "double urgency" bill to cut unnecessary imports and bolster domestic production after a call by Mr. Bahmani to limit imports to "necessary goods."

"Reducing the consumption of imported goods means confronting the sanctions," Mr. Bahmani said this month. "There is no other way."