

TOPIC OF THE WEEK

NOV'18 (08 to 14)

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India-Japan: US sanctions on Iran oil

The United States temporarily exempted eight countries, including India and China from the US sanctions for buying Iranian oil.

US Secretary of State Mike Pompeo announced the list of the countries temporarily exempted from the sanctions. The countries include India, China, Japan, Italy, Greece, South Korea, Taiwan and Turkey. These countries showed a significant reduction in oil purchase from the Persian Gulf country after the Trump administration reimposed sanctions on Tehran.

Pompeo warned companies globally that they would be subject to severe penalties including potential sanctions if they continued to have commercial transactions with Iran. Asserting that the US wants Iran to change its behaviour, Pompeo said that at the center of it is an unprecedented campaign of economic pressure.

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The sanctions were announced against more than 700 individuals, entities, aircraft and vessels, as part of its largest ever single-day action targeting Iran. They cover Iran's banking and energy sectors and reinstate penalties for countries and companies in Europe, Asia and other continents that do not halt Iranian oil imports. Over 300 of those sanctions are new targets

Background:

In May 2018, US President Donald Trump pulled the US out of the 2015 landmark Joint Comprehensive Plan of Action (JCPOA) terming it as disastrous. Under the Obama-era deal, which involved five permanent members of the UN Security Council and Germany, Iran had agreed to stop its nuclear programme in exchange for relief from economic sanctions.

After the US' withdrawal from the deal, Trump signed fresh sanctions against Iran, which claims its nuclear programme is peaceful and for civilian purpose. The US, however, decided to grant narrow and temporary waivers to permit the continuation of three non-proliferation

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projects currently underway. The nation though warned that Iran will never come close to getting a nuclear weapon on President Trump's watch.

Key Highlights:

- The US is looking to continue negotiations to get all of the nations to bring down their crude imports from Iran to zero.
- Over 20 importing nations have already zeroed out their imports of crude oil, taking more than 1 million barrels of crude per day off the market.
- The Iranian regime, since May till date, has lost over USD 2.5 billion in oil revenue.
- Besides this, 100 per cent of the revenue Iran receives from the sale of oil will be held in foreign accounts.
- Iran would be able to use the money for humanitarian trade or bilateral non-sanctioned goods.

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Reactions:

- Iran's President Hassan Rouhani said that the Islamic republic will proudly bypass sanctions imposed by the United States, which came into effect, targeting the country's oil and financial sectors.
- Rouhani announced that they will proudly bypass the illegal and unjust sanctions because they are against international regulations.
- China has denounced the new US sanctions targeting Iran's oil and financial sectors as long-arm jurisdiction and vowed to continue its bilateral trade with the Islamic republic.
- The main objective of the United States is to starve the Iranian regime of the revenue it uses to fund violent and destabilising activities throughout the Middle East and around the world.

Conclusion:

India is world's third-biggest oil consumer and it meets more than 80 per cent of its oil needs through imports.

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Iran is India's third-largest supplier after Iraq and Saudi Arabia and meets about 10 per cent of total needs. Currently, India pays Iran in Euros using European banking channels.

India previously resisted US's call to reduce crude oil imports from Iran to zero, citing the increasing energy needs of its 1.3 billion population. However, India has taken steps to reduce its oil purchase from Iran.

Suggested Reading:

- <https://economictimes.indiatimes.com/industry/energy/oil-gas/india-china-among-eight-countries-exempt-from-us-sanctions-on-iran-oil/articleshow/66520204.cms>
- <https://www.ndtv.com/world-news/us-to-exempt-india-china-and-japan-from-iran-oil-sanctions-says-us-secretary-of-state-mike-pompeo-1943269>