



# When It Comes To Iran, America Is Still Running The Show

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When President Trump announced last month that America would leave the global nuclear deal with Iran and reimpose U.S. sanctions, Europe's leaders vowed to create financial mechanisms that would enable their firms to do business with Tehran and protect them from U.S. financial retaliation.

On the eve of Trump's May 8 decision, for instance, senior diplomats from the European Union, Britain, France, and Germany met with Iran's deputy foreign minister in Brussels, pledging to find ways to continue delivering economic benefits to Iran in hopes of keeping as much of the nuclear deal in place as possible.

When Trump formally announced his decision, European officials reacted angrily, with French Finance Minister Bruno Le Marie declaring that it was "not acceptable" for the United States to play "economic policeman of the planet." Since then, Tehran has pressed Europe's leaders to take such steps as preventing its firms from complying with the sanctions and finding creative ways to finance deals with Iran.

A month on from Trump's announcement, however, there are growing signs that side-stepping America is easier said than done. One big bank or business after another, European or otherwise, is choosing continued ties to the U.S. economy over new trade and investment opportunities with the Islamic Republic.

That decision reflects a basic reality: however much President Trump rankles world leaders by abandoning global pacts and questioning long-held orthodoxies on trade and other issues, America's economy remains simply too big and too enticing to keep the United States truly isolated.

With his announcement, the president restored the multi-faceted U.S. sanctions that were suspended under the 2015 nuclear agreement between Iran and the "P5+1" - the five permanent members of the United Nations Security Council (the United States, Russia, China, Britain, and France), plus Germany.

Those sanctions prohibit transactions with a long list of Iranian banks, companies, and individuals, and the President gave businesses and banks either 90 or 180 days to end their Iranian ties. Once again, banks and businesses will need to choose between business with Iran and maintaining access to the U.S. financial system. Top U.S. officials have signaled that the administration is weighing additional sanctions as well.

Just last week, Reuters reported that the Swiss Banque de Commerce et de Placements, which was reportedly involved in Iran-related financial transactions in commodities, suspended its transactions with Iran and plans to end its Iran-related activities. That followed a decision earlier in May by DZ Bank, Germany's second-largest lender, to stop its financial transactions with Iran in July.

Moreover, the exodus from Iran extends far beyond Europe. India's IndusInd Bank and UCO Bank have directed exporters to complete their financial transactions with Iran by early August. Indian exporters had sidestepped previous U.S. sanctions by receiving payments in rupees (India's national currency) rather than dollars, but Indian banks now apparently don't want to take any chances in running afoul of the new U.S. policy.

These and other announcements in the aftermath of Trump's decision are contributing to Iran's growing financial woes - woes that, at some point, could force Tehran back to the bargaining table, even though Iranian leaders are currently threatening to abandon the nuclear deal and advance their nuclear program.

Iran's Parliament Research Center, an official government body, reported last week that capital is increasingly fleeing the Islamic Republic while Iran's national currency, the rial, continues to lose its value. Some \$59 billion left the country between March 2016 and March 2018 - \$20 billion in the first of those two years, \$39 billion in the second - and the research body is predicting that the figure will be even higher for the year that started in March 2018. Meanwhile, the rial is down 40 percent since Trump, in October of 2017, disavowed the nuclear deal and threatened to leave it unless global powers moved to amend it.

In a sense, America's policy on Iran of recent years is coming full circle. Working alone and with the global community, Presidents Bush and Obama put in place an increasingly tough set of sanctions that had the Islamic Republic reeling economically before Obama took the U.S. foot off the pedal, opting for negotiations with Iran over its nuclear program rather than continued pressure.

Now, Trump is restoring economic pressure in hopes of forcing the Iranian regime to choose - as Secretary of State Mike Pompeo made clear in his recent speech outlining the administration's Iran policy - between its nuclear program and terror sponsorship or the solvency of its economy.

With Iran's economy reeling and its population restive, the choice could prove an increasingly tough one for the mullahs.

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