FINANCIAL WARFARE: US Sabotage of Iran's Currency: A New Twist of the Screw to War

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In-depth Report: IRAN: THE NEXT WAR?

A new twist of the screw on Iran has emerged following the latest US sanctions aimed at the Islamic Republic's vital oil economy – specifically destabilising the country's currency and its ability to conduct normal domestic business.

Iran's currency, the riyal, was thrown into turmoil – losing 10-12 per cent of its value against foreign currencies – days after US President Barack Obama signed off new sanctions against the Persian Gulf country's Central Bank. The slide in value is just the latest drop in a prolonged, precipitous fall.

Since last September, when Western governments resumed browbeating diplomacy towards Iran over its legitimate civilian nuclear energy programme, the Iranian riyal has lost 35 per cent – more than a third – of its value.

Following the latest US sanctions, the Iranian currency is now trading at 16,8000 riyals to the US dollar. One year ago, the currency was trading at 10,500 riyals to the greenback. That represents a slump of 60 per cent – caused by the foreign policy meddling of Western governments and Washington in particular.

In any rational calculation, this attack on the economy of a sovereign state by foreign powers can be rightfully seen as a threat to its vital interests – yet another act of war in a mounting list of deeply hostile acts, including a host of covert assassinations and abductions of Iranian scientists and military personnel, terrorist sabotage of infrastructure, and invasion of Iranian territory with US spy drones, as well as overt threats of imminent military attack on the country. The US sale of $60 billion of weapons to Saudi Arabia at the end of last month can also be seen as part of Washington's campaign of aggression.

The Iranian government and its Central Bank are putting on a brave face in light of the currency destabilisation, denouncing the US sanctions as a "laughing stock" and claiming that it has ample foreign reserves from several years of record oil prices.

Nevertheless, the massive destabilisation of the country's currency is causing serious disruption in daily commercial and civilian life. Currency traders in the capital, Tehran, are reportedly unable to keep up with the plummeting exchange rates; some businesses are dealing only in dollars, seeing the national currency as a liability; and people are resorting to selling household possessions in order to store up foreign cash reserves.

The disruptive impact is also hitting wide-ranging sectors, from stoking house price inflation to undermining customary regional trade. Despite hostility from US-backed Gulf governments, Iranian small businessmen have long-held traditional links with neighbouring countries, such as Bahrain and the United Arab Emirates, selling textiles and food items. This trade is now being jeopardized from the havoc of uncertain currency exchange.

Officially, the US has entitled itself to legally impose penalties on any foreign entities and businesses involved in transactions with Iran's Central Bank. Since the Iranian Central Bank oversees and facilitates trade by the nationally owned oil companies, the new US sanctions, signed into law on New Year's Eve, will undoubtedly deal a severe blow to Iran's oil industry. Some 80 per cent of Iran's national revenues are earned from its abundant oil and gas resources – the third largest in the world behind Saudi Arabia and Iraq.

The Islamic Republic has limited oil-refining capacity – one of the reasons why it is keen to develop civilian nuclear energy. Most of its earnings from hydrocarbons are derived from crude oil exports. Major buyers of Iranian crude include China, India, Japan and South Korea, as well as the European Union. Before the latest US sanctions, Washington and its allies, Britain and France, had already instated bilateral sanctions against Iranian oil companies and banks. With Washington now targeting Iran's Central Bank, the impact will entail multilateral prohibitions that will close the net on Iranian Asian markets. A comparable impact can be expected on Iran's nascent partnerships in Latin America.

A similar move against Iran's Central Bank is being contemplated by the European Union in the coming weeks. If that happens, then Iran's economic lifeline to the world economy will be severed. But on the short term, it seems, the orchestrated choking of Iran's oil industry by a handful of Western powers is aimed at destabilising the country's currency to an unbearable degree.

Given the latest provocation in a long list of acts of aggression it is understandable that Iran recently conducted a 10-day military exercise – successfully testing its own cruise missiles – in the Strait of Hormuz. Some one-third of the world's maritime trade in crude oil passes through this narrow channel in the Persian Gulf. Iran has warned that if its oil economy is choked or if the country comes under attack then it will close off the Strait, which falls into its territorial waters.

But, in the context of systematic Western sanctions and destabilisation over trumped-up claims about Iran's non-existent nuclear weapons programme, it is surely risible that Iranian warnings regarding the Strait of Hormuz are being portrayed perversely in the Western mainstream media as "acts of provocation". After test-firing a new surface-to-air missile during its military exercises, the Financial Times reported: 'Iran raises tensions with missile test'. Such double-think in the so-called quality Western press is a bit like excoriating a victim of gang rape for reaching for the pepper spray.

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Finian Cunningham has written extensively on international affairs, with articles published in several languages. Many of his recent articles appear on the renowned Canadian-based news website Globalresearch.ca. He is a Master's graduate in Agricultural Chemistry and worked as a scientific editor for the Royal Society of Chemistry, Cambridge, England, before pursuing a career in journalism. He specialises in Middle East and East Africa issues and has also given several American radio interviews as well as TV interviews on Press TV and Russia Today. Previously, he was based in Bahrain and witnessed the political upheavals in the Persian Gulf kingdom during 2011 as well as the subsequent Saudi-led brutal crackdown against pro-democracy protests.