

France, Germany, UK Launch a New ‘Non-Dollar’ Mechanism to Trade with Iran, but Will it Work?

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Money talks, and no one knows this better than the current occupant of 1600 Pennsylvania Avenue. It's how the Trump Administration communicates with its enemies, as well as with its allies – through the application powerful long-range financial instruments. But Europe is moving in for another attempt at breaking Washington's blockade of Iran.

After ripping up the JCPOA Iran Nuclear Deal in May 2018, the US began constructing a comprehensive global economic blockade designed to starve and break the Iranian economy. Of course, no one is happier about this than [Israel](#) (arguably, the architect of the JCPOA sabotage), along with regional rival Saudi Arabia. If Washington choking-off Iran wasn't enough, it has also vowed to sanction anyone who dared to trade with Iran. In the fall of 2018, Europe tried to bypass this by devising an alternative clearing mechanism for financial transactions for avoiding using the US dollar, called the “Special Purpose Vehicle” (SPV). When the US nixed it, it seemed any chance for an economic lifeline for Iran was off the table.

Still, Europe seems to be determined to try and bypass the ramparts of American economic statecraft. This week France, Germany and the UK have announced the creation of a new payment system is called INSTEX – short for ‘Instrument in Support of Trade Exchanges’, to be based in Paris. This new improved version of the previous ‘SPV’ vehicle, now ready to facilitate “legitimate trade” with Iran by bypassing any US dollar transactions, and with an initial focus on crucial goods like food and medical supplies. Later on, organisers hope to expand its capabilities to cover all goods and services.

In their official [joint statement](#), the working group have indicated that they will seek to expand the number of countries using this new channel.

Corporate Concerns, Fears

In light of this week's INSTEX announcement, the question now remains whether of not Mnuchin's sanctions armada will pursue European countries attempting to bust Washington's unilateral measures. While the INSTEX may provide the framework for a viable work-around, it is still yet to be seen just how many companies will want to risk drawing the gaze of Washington's financial eye of *mordor*. In other words, a company like [Thyssenkrupp](#) could deliver product to Iran via INSTEX, but by doing so they may risk losing their access to the lucrative US market – should Washington decide to punish the German corporation for its insubordination. No doubt firms will be deploying teams of lobbyists to Washington in search of exemption wavers. This same risk applies to small to medium size enterprises too, although smaller players cannot afford Washington's pay-to-

play lobby game.

Multipolar Weakness

Immediately after the initial Special Purpose Vehicle, or “SPV” idea was floated in Brussels [this past fall](#), the US immediately began threatening to sanction anyone who defied its decree by continuing to trade with Iran. France, Germany and the EU itself, had vowed to bust Trump’s Iran sanctions through the SPV. This is an important concept, because it signals the first deliberate move by major state actors to move away from the US dollar as a world reserve currency. The reserve currency issue is paramount because it’s one of the fundamental prerequisites in transitioning from a unipolar world order with America in the cat bird seat, to establishing what many analysts and international relations scholars refer to as a ‘multipolar world order’ with power-sharing arrangements among ‘multiple equals.’ Naturally, the US was having none of it, and proceeded to threaten to sanction the international inter-bank financial messaging clearing system known as SWIFT, based in Belgium. Trump’s éminence grise and master of the coin, the US Treasury Secretary Dept’s resident *Little Finger*, Steve Mnuchin, then threw down the gauntlet to the Brussels rebellion saying, “We have advised SWIFT that it must disconnect any Iranian financial institutions that we designate as soon as technologically feasible to avoid sanctions exposure.” And that was that. No more SPV for the Europe’s multipolar crusaders.

Will INSTEX meet a similar fate? That depends on whether the European partners have the political will and determination to see this initiative through to the end.

Washington is certain to launch a counter move in order to try and intimidate western corporations from participating in trade with Iran, so onus is really on France, Germany and the UK to prove they have the stones to stand to Trump and be ready to elevate this issue to the UNSC level – and openly challenge the US on principle, and international law, something they have not yet been willing to do, and thus reducing any independent EU actions to remain merely symbolic and ‘good natured’, but never implemented to the point of being effective. They could start by asking Washington and Tel Aviv to present the evidence that they claim to have and which proves that Iran is in breach of the JCPOA by still pursuing a nuclear weapon. To date, no such evidence has been produced, other than a bizarre off-Broadway show and Powerpoint presentation delivered by Bibi Netanyahu. Team Europe has to be ready to tell Trump: put up, or shut up, and we’ll see you in court. If they aren’t, then their status as an offshore outpost of the US will persist.

Worse than that, the EU will continue to be a paper tiger in terms of its federalist foreign policy aspirations. If Brussels and its member states are unable to pursue a foreign policy independent of Washington’s, then it will be another nail in the coffin of the European Project.

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