Iran: War or Privatization: All Out War or "Economic Conquest"?

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In-depth Report: IRAN: THE NEXT WAR?

Author's Note

This article first published in July 2008 raises important issues which are relevant to the current situation.

What is Washington's agenda pending a final acceptance of the Iran nuclear deal?

War on Iran (in support of Israel) or the acquisition of Iran's oil wealth through "foreign investment" in key areas of the Iranian economy?

It is worth noting that already in 2008, Iran had contemplated a divestment program which was to transfer the ownership of State assets into private hands including foreign capital.

In response to this initiative, the US Congress had called for the imposition of economic sanctions.

Under the threat of war, was this 2008 initiative by Tehran to privatize key industries intended to meet the demands of the Washington?

The issue of investing in Iran is currently (in the post-sanctions era) is a talking point on Wall Street, and among the Texas oil conglomerates.

One can assume that if the normalization of US-Iran relations goes ahead, privatization and foreign investment in Iran's oil economy will be part of that process.

The following is what I wrote seven years ago in relation to Tehran's State divestment program, which was applauded by the IMF.

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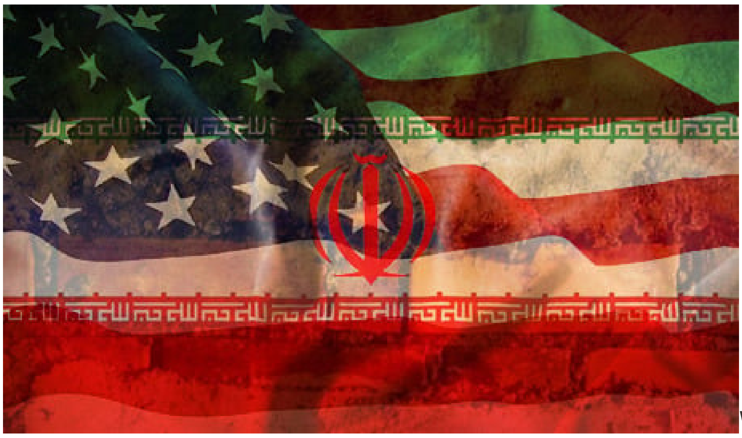
Is the war against Iran on hold?

Tehran is to allow foreign investors, in what might be interpreted as an overture to the West, to acquire full ownership of Iran's State enterprises in the context of a far-reaching "free market" style privatization program.

With the price of crude oil at 140 dollars a barrel, the Iranian State is not in a financial straightjacket as in the case of most indebted developing countries, obliged by their creditors to sell their State assets to pay off a mounting external debt.

What are the political motivations behind this measure? And why Now?

Several Western companies have already been approached. Tehran will allow foreign capital "to purchase unlimited shares of state-run enterprises which are in the process of being sold off".



While Iran's privatization program was launched during the government of Mohammed Khatami in the late 1990s, the recent sell-off of shares in key state enterprises points to a new economic design. The underlying measure is far-reaching. It goes beyond the prevailing privatization framework applied in several developing countries within America's sphere of influence:

> "The move is designed to attract greater foreign investment and is part of the country's sweeping economic liberalization program.
>
> Iran will no longer make a distinction between domestic and foreign firms that wish to purchase state-run companies as long as the combined foreign ownership in any particular industry does not exceed 35%. … As an example, a foreign firm may purchase an Iranian steel company but it would not be allowed to buy every business enterprise in Iran's steel industry.
>
> Among the new incentive measures announced, foreign firms may also transfer their annual profit from their Iranian company out of the country in any currency they wish." (Iran to Allow 100% Foreign Ownership, Press TV, June 30, 2008)

It is important to carefully analyze this decision. The timing of the announcement by Iran's Privatization Organization (IPO) coincides with mounting US-Israeli threats to wage an all out war against Iran.

Moreover, the divestment program is compliant with the demands of the "Washington Consensus". The International Monetary Fund (IMF) has confirmed, with some reservations, that Tehran is committed to a "continued transition toward a viable and efficient market economy" while also implying .that the building of "investor confidence" requires an acceleration of the privatization program.

In its May 2008 Review (Art. 4 Consultations), the IMF praised Tehran for its divestment program, which essentially transfers the ownership of State assets into private hands, while also underscoring that the program was being carried out in a speedily and efficient fashion.

Under the threat of war, is this renewed initiative by Tehran to privatize key industries intended to meet the demands of the Bush Administration?

The Bretton Woods institutions are known to directly serve US interests. They are not only in liaison with Wall Street and the US Treasury, they are also in contact with the US State Department, the Pentagon and NATO. The IMF-World Bank are often consulted prior to the onslaught of a major war. In the war's aftermath, they are involved in providing "post conflict reconstruction" loans. In this regard, the World Bank is a key player in channelling "foreign aid" to both Iraq and Afghanistan.

The privatization measures suggest that Iran is prepared to allow foreign capital to gain control over important key sectors of the Iranian economy.

According to the chairman of the Iranian Privatization Organization (IPO) Gholamreza Kord-Zanganeh some 230 state-run companies are slated to be privatized by end of the Iranian year (March 2009). The shares of some 177 State companies were offered on the Tehran Stock Exchange in the last Iranian year (ending March 2008).

Already the state-owned Telecommunication Company of Iran (TCI) has indicated that "a number of foreign telcos have expressed an interest in acquiring its shares when the government sells off part of its interest in a month's time. Local press reports did not name the potential investors. TCI has a monopoly in Iran's fixed line market and is also the country's largest cellular operator via its subsidiary MCI." France's Alcatel, the MTN Group of South Africa and Germany's Siemens already have sizeable interests in Iran's telecom industry.

Other key sectors of the economy including aluminum, copper, the iron and steel industry have recently been put up for privatization, with the shares of State companies floated on the Tehran Stock Exchange (TSE)

More than Meets the Eye

Is this decision by Tehran to implement a far-reaching privatization program, in any way connected with continuous US saber rattling and diplomatic arm twisting?

At first sight it appears that Tehran is caving into Washington's demands so as to avoid an all out war.

Iran's assets would be handed over on a silver platter to Western foreign investors, without the need for America to conquer new economic frontiers through military means?

But there is more than meets the eye.

Washington has no interest in the imposition of a privatization program on Iran, as an "alternative" to an all out war. In fact quite the opposite. There are indications that the Bush adminstration's main objective is to stall the privatization program.

Rather than being applauded by Washington as a move in the right direction, Tehran's privatization program coincides with the launching (May 2008) of a far-reaching resolution in the US Congress (H.CON. RES 362), calling for the imposition of Worldwide financial sanctions directed against Iran:

> "[H. CON. RES. 362] urges the President, in the strongest of terms, to immediately use his existing authority to impose sanctions on the Central Bank of Iran, … international banks which continue to conduct financial transactions with proscribed Iranian banks; … energy companies that have invested $20,000,000 or more in the Iranian petroleum or natural gas sector in any given year since the enactment of the Iran Sanctions Act of 1996; and all companies which continue to do business with Iran's Islamic Revolutionary Guard Corps." (See full text of H.CON RES 362) (emphasis added)

The resolution further demands that "*the President initiate an international effort to immediately and dramatically increase the economic, political, and diplomatic pressure on Iran …. prohibiting the export to Iran of all refined petroleum products; imposing stringent inspection requirements on all persons, vehicles, ships, planes, trains, and cargo entering or departing Iran; and prohibiting the international movement of all Iranian officials not involved in negotiating the suspension of Iran's nuclear program.*"(emphasis added)

Were these economic sanctions to be carried out and enforced, they would paralyze trade and monetary transactions. Needless to say they would also undermine Iran's privatization program and foreclose the transfer of Iranian State assets into foreign hands.

Economic Warfare

Now why on earth would the Bush administration be opposed to the adoption of a neoliberal-style divestment program, which would strip the Islamic Republic of some of its most profitable assets?

If "economic conquest" is the ultimate objective of a profit driven military agenda, what then is the purpose of bombing Iran, when Iran actually accepts to hand over its assets at rock-bottom prices to foreign investors, in much the same way as in other compliant developing countries including Indonesia, the Philippines, Brazil, etc?

The largest foreign investors in Iran are China and Russia.

While US companies are notoriously absent from the list of foreign direct investors, Germany, Italy and Japan have significant investment interests in oil and gas, the petrochemical industry, power generation and construction as well as in banking. Together with China and Russia, they are the main beneficiaries of the privatization program.

One of the main objectives of the proposed economic sanctions under H. RES CON 362 is to prevent foreign companies (including those from the European Union and Japan) , from acquiring a greater stake in the Iranian economy under Tehran's divestment program.

Other countries with major foreign investment interests in Iran include France, India, Norway, South Korea, Sweden and Switzerland. Sweden's Svedala Industri has major interests in Iran's copper mines.

France, Japan and Korea have interests in the automobile industry, in the form of licensing agreements with Iranian auto manufacturers.

Italy's ENI Oil Company is involved in the development of phases 4 and 5 of the South Pars oil field amounting to 3.8 billion dollars.(See Iranian Privatisation Organization, 2008 report) Total and the Anglo-Dutch conglomerate Shell are involved in natural gas.

While the privatization process does not allow for the divestment of Iran's State oil company, it creates an environment which favors foreign investment by a number of countries including China, Russia, Italy, Malaysia, etc. in oil refinery, the petrochemical industry, the oil services economy as well as oil and gas infrastructure including exploration and oil-gas pipelines.

While several US corporations are (unofficially) conducting business in Iran, the US trade sanctions regime (renewed under the Bush adminstration) outlaws US citizens and companies from doing business in Iran. In other words, US corporations would not be allowed to acquire Iranian State assets under the privatisation program unless the US trade sanctions regime were to be lifted.

Moreover, all foreign firms are treated on an equal footing. There is no preferential treatment for US companies, no corrupt colonial style arrangement as in war-torn Iraq, which favors the outright transfer of ownership and control of entire sectors of the national economy to a handful of US corporations.

In other words, Tehran's privatization program does not serve US economic and strategic interests. It tends to favor countries which have longstanding trade and investment relations with the Islamic Republic.

It favors Chinese, Russian, European and Japanese investors at the expense of the USA.

It undermines and weakens American hegemony. It goes against Washington's design to foster a "unipolar" New World Order through both economic and military means.

And that is why Washington wants to shunt this program through a Worldwide economic sanctions regime which would, if implemented, paralyze trade, investment and monetary flows with Iran.

The proposed economic sanctions' regime under H. CON 362 is intended to isolate Iran and prevent the transfer of Iranian assets into the hands of competing economic powers including China, Russia, the European Union and Japan. It is tantamount to a declaration of war.

In a bitter irony, H CON 362 serves to undermine the economic interests of several of America's allies. The Resolution would prevent them from positioning themselves in the Middle East, despite the fact that these allies (e.g. France and Germany) are also involved through NATO in the planning of the war on Iran.

War and Financial Manipulation

The Bush administration has opted for an all out war on Iran in alliance with Israel, with a view to establishing an exclusive American sphere of influence in the Middle East.

A US-Israel sponsored military operation directed against Iran, would largely backlash on the economic and financial interests of several of America's allies, including Germany, Italy, France, and Japan.

More generally, a war on Iran would hit corporate interests involved in the civilian economy as opposed to those more directly linked to the military industrial complex and the war economy. It would undermine local and regional economies, the consumer manufacturing and services economy, the automobile industry, the airlines, the tourist and leisure economy, etc.

Moreover, an all out war feeds the profit driven agenda of global banking, including the institutional speculators in the energy market, the powerful Anglo-American oil giants and America's weapons producers, the big five defense contractors plus British Aerospace Systems Corporation, which play a major role in the formulation of US foreign policy and the Pentagon's military agenda, not to mention the gamut of mercenary companies and military contractors.

A small number of global corporations and financial institutions feed on war and destruction to the detriment of important sectors of economic activity, Broadly speaking, the bulk of the civilian economy is threatened.

What we are dealing with are conflicts and rivalries within the upper echelons of the global capitalist system, largely opposing those corporate players which have a direct interest in the war to the broader capitalist economy which ultimately depends on the continued development of civilian consumer and investment demand.

These vested interests in a profit driven war also feed on economic recession and financial dislocation. The process of economic collapse which results, for instance, from the speculative hikes in oil and food prices, triggers bankruptcies on a large scale, which ultimately enable a handful of global corporations and financial institutions to "pick up the pieces" and consolidate their global control over the real economy as well as over the international monetary system.

Financial manipulation is intimately related to military decision-making. Major banks and financial institutions have links to the military and intelligence apparatus. Advanced knowledge or inside information by these institutional speculators regarding specific "false flag" terrorist attacks, or military operations in the Middle East is the source of tremendous speculative gains.

Both the war agenda and the proposed economic sanctions regime trigger, quite deliberately, a global atmosphere of insecurity and economic chaos.

In turn, the institutional speculators in London, Chicago and New York not only feed on economic chaos and uncertainty, their manipulative actions in the energy and commodity markets contribute to spearheading large sectors of the civilian economy into bankruptcy.

The economic and financial dislocations resulting from the hikes in the prices of crude oil and food staples are the source of financial gains by a handful of global actors. Speculators are not concerned with the far-reaching consequences of a broader Middle East war, which could evolve into a World War Three scenario.

The pro-Israeli lobby in the US indirectly serves these powerful financial interests. In the current context, Israel is an ally with significant military capabilities which serves America's broader objective in the Middle East. Washington, however, has little concern for the security of Israel, which in the case of a war on Iran would be the first target of retaliatory military action by Tehran.

The broader US objective consists in establishing, through military and economic means, an exclusive US sphere of influence throughout the Middle East.

No. The War on Iran is Not On Hold.

Michel Chossudovsky *is the author of the international bestseller America's "War on Terrorism" Global Research, 2005.*

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