

U.S. Efforts to Force Iran Out of European Energy Markets Has Failed

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Despite the European Union attempts to save the Joint Comprehensive Plan of Action, which saw Iran reduce its low-enriched uranium by 98% and eliminate its stockpile of medium-enriched uranium in return for economic relief, JCPOA is hanging by a thread because of Washington's withdrawal from the deal in October 2017.

The European Statistical Office revealed that from January to September trade between the EU and Iran was at €3.86 billion, a massive 74.92% drop compared to the same period in 2018. The report revealed that Germany (€1.23 billion), Italy (€734.78 million) and the Netherlands (€376.73 million) were Iran's top three trading partners in EU while trade with Greece (€32.08 million), Luxembourg (€506,316), Spain (€207.36 million), France (€296.5 million) and Austria (€102.11 million) had plunged by 97.13%, 91.38%, 91.17%, 86.79% and 82.38% respectively.

Although Iran's trade with Cyprus at €6.25 million and Bulgaria at €64.97 million increased by 85.12% and 29.24% respectively year-on-year— the highest among EU states — it still does not offset the massive decline in trade with Greece, Luxembourg, Spain, France and Austria. The major decline in trade is attributed due to European companies' unwillingness to risk losing business with the U.S. for the sake of the much smaller Iranian market. Effectively, U.S. President Donald Trump's economic war with Iran is to diminish Iranian-EU trade so that for the U.S. may reap benefits from boosting its own oil and other commodities. However, this is set to change.

With this dramatic downturn in trade with the EU, Iran is now pushing to diversify its economy even further to overcome a reliance on oil and take a number of measures in an attempt to counter U.S. economic aggression, including increasing taxes, cutting energy subsidies and to borrow money from friendly states. Iranian President Hassan Rouhani explained on Sunday in parliament that oil revenues are expected to drop by at least 70% and that Iran's budget next year "is designed to resist against sanctions and to announce to the world that we run this country despite sanctions."

The Iranian president explained that the new budget will reach \$115.3 billion because of the reduction of oil exportation from 2.8 million barrels of oil a day before Trump's May sanctions to 500,000 barrels a day. In addition, Iran will sell more bonds in the domestic market and plans to increase revenues from taxes by 13%, but these changes come as the International Monetary Fund has already forecasted that the Islamic Republic will have a reduction of its economy of about 9.5% this year.

This "budget of resistance," as described by Rouhani, is "contrary to what the Americans

thought. With the pressure of sanctions, our country's economy would encounter problems, thank God we have chosen the correct path... and we are moving forward."

Iran's Deputy Foreign Minister Abbas Araqchi [announced on Monday](#) that the European signatories to the JCPOA will not activate the "trigger mechanism" for the time being that could see the return of sanctions against the Islamic Republic. It is unlikely that the EU or Iran will withdraw from what remains of JCPOA as they attempt to bypass U.S. sanctions which can see the besieged country improve its economy through increased trade with Europe.

Not only has the EU pledged to maintain its nuclear deal commitments, in a [joint statement](#) late last month, Belgium, Denmark, Finland, the Netherlands, Norway and Sweden said they will attain shares in Instrument in Support of Trade Exchanges (INSTEX), that was launched by Britain, France and Germany in January to allow European companies to trade with Iran without using U.S. dollars so they could be protected from U.S. sanctions.

In their joint statement, [they said](#):

"In light of the continuous European support for the agreement and the ongoing efforts to implement the economic part of it and to facilitate legitimate trade between Europe and Iran, we are now in the process of becoming shareholders of INSTEX, subject to the completion of national procedures."

This is also a part of a wider move to counter strong U.S. efforts to muscle in on the European oil market as U.S. sanctions have scared buyers from acquiring Iranian and Venezuelan crude. The so-called hydro-fracking and shale revolution that began a few years ago has seen the U.S. aggressively seek to export its oil to new markets. It is now unsurprising that earlier this year U.S. crude shipments to Europe reached new records, behind Russia but still more than Nigeria and Libya who are important OPEC members.

Therefore, a major reason for the false allegations by Trump that Iran was violating the JCPOA was to force Iran out of the European market to push on the U.S. entrance. It appears that Trump's plan has failed. Not only has Iran formulated its "budget of resistance," but with Belgium, Denmark, Finland, the Netherlands, Norway and Sweden becoming shareholders INSTEX, they are prepared to continue their economic relations with Iran while being protected from U.S. repercussions. Effectively, although the U.S. has achieved a short-term reduction in European-Iranian trade, it will not only recover, but also be strengthened as new mechanisms are being made to bypass U.S. banks and dollars.

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