

US Sanctions as a Tool to Perpetuate Neocolonialism

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It's an evident fact that neocolonial powers are ruled by behemoth corporations whose wealth is measured in hundreds of billions of dollars, far more than the total GDP of many developing nations. The status of these multinational corporations as dominant players in international politics gets official imprimatur when the Western governments endorse the congressional lobbying practice of so-called "special interest" groups, which is a euphemism for corporate interests.

Since the Western governments are nothing but the mouthpiece of business interests on international political and economic forums, therefore any national or international entity which hinders or opposes the agenda of corporate interests is either coerced into accepting their demands or gets sidelined.

In 2013, the Manmohan Singh's government of India had certain objections to further opening up to the Western businesses. The Business Roundtable, which is an informal congregation of major US businesses and together holds a net wealth of \$6 trillion, held a meeting with the representatives of the Indian government and literally coerced it into accepting unfair demands of the Western corporations.

The developing economies, such as India and Pakistan, are always hungry for foreign direct investment (FDI) to sustain economic growth, and this investment mostly comes from the Western corporations. When the Business Roundtables or the Paris-based International Chamber of Commerce (ICC) form pressure groups and engage in "collective bargaining" activities, the nascent and fragile developing economies don't have a choice but to toe their line.

State sovereignty, that sovereign nation states are at liberty to pursue independent policies, particularly economic and trade policies, is a myth. Just like the ruling elites of the developing countries which maintain a stranglehold and monopoly over domestic politics; similarly, the neocolonial powers and multinational corporations control international politics and the global economic order.

Any state in the international arena which dares to transgress the trade and economic policies laid down by neocolonial powers and multinational corporations becomes an international pariah like Castro's Cuba, Mugabe's Zimbabwe; or more recently, Maduro's Venezuela.

Venezuela has one of the largest known oil reserves in the world. Even though the mainstream media's pundits hold the socialist policies of President Nicolas Maduro responsible for economic mismanagement in Venezuela, fact of the matter is that

hyperinflation in its economy is the effect of US sanctions against Venezuela which have been put in place since the time of late President Hugo Chavez.

Another case in point is Iran which was cut off from the global economic system from 2006 to 2015, and then again after May last year when President Donald Trump annulled the Joint Comprehensive Plan of Action (JCPOA), because of Iran's supposed nuclear ambitions. Good for Iran that it also has one of the largest oil and gas resources, otherwise it would have been insolvent by now.

Such is the power of Washington-led global financial system, especially the banking sector, and the significance of petro-dollar, because the global oil transactions are pegged in the US dollars all over the world, and all the major oil bourses are also located in the Western financial districts.

The crippling "third party" economic sanctions on Iran from 2006 to 2015 have brought to the fore the enormous power that the Western financial institutions and the petro-dollar as a global reserve currency wields over the global financial system.

It bears mentioning that the Iranian nuclear negotiations were as much about Iran's nuclear program as they were about its ballistic missile program, which is an equally dangerous conventional threat to Israel and the Gulf's petro-monarchies, just across the Persian Gulf.

Despite the sanctions being unfair, Iran felt the heat so much that it remained engaged in negotiations throughout the nearly decade-long period of sanctions, and such was the crippling effect of those "third party" sanctions on Iran's economy that had it not been for its massive oil and gas reserves, and some Russian, Chinese and Turkish help in illicitly buying Iranian oil, it could have defaulted due to the sanctions.

Notwithstanding, after the brutal assassination of Jamal Khashoggi at the Saudi consulate in Istanbul on October 2, and the clear hand of Saudi Crown Prince Mohammad bin Salman in the murder, certain naïve political commentators of the mainstream media came up with a ludicrous suggestion that Washington should impose sanctions on Saudi Arabia.

As in the case of aforementioned Iran sanctions, sanctioning Saudi Arabia also seems plausible; however, there is a caveat: Iran is only a single oil-rich state which has 160 billion barrels of proven oil reserves and has the capacity to produce 5 million barrels per day (mbpd) of crude oil.

On the other hand, the Persian Gulf's petro-monarchies are actually three oil-rich states. Saudi Arabia with its 266 billion barrels of proven oil reserves and 10 mbpd of daily crude oil production, and UAE and Kuwait with 100 billion barrels of proven reserves each and 3 mbpd of daily crude oil production each. Together, the share of the Gulf Cooperation Countries (GCC) amounts to 466 billion barrels, almost one-third of the world's 1477 billion barrels of total proven oil reserves.

Therefore, although imposing economic sanctions on the Gulf states might sound like a good idea on paper, the relationship between the Gulf's petro-monarchies and the industrialized world is that of a consumer-supplier relationship. The Gulf states are the suppliers of energy and the industrialized world is its consumer, hence the Western powers cannot sanction their energy suppliers and largest investors.

If anything, the Gulf's petro-monarchies had "sanctioned" the Western powers in the past by imposing the oil embargo in 1973 after the Arab-Israel War. The 1973 Arab oil embargo against the West lasted only for a short span of six months during which the price of oil quadrupled, but Washington became so paranoid after the embargo that it put in place a ban on the export of crude oil outside the US borders, and began keeping sixty-day stock of reserve fuel for strategic and military needs.

Recently, some very upbeat rumors about the shale revolution have been circulating in the media. However, the shale revolution is primarily a natural gas revolution. It has increased the probable recoverable resources of natural gas by 30%. The shale oil, on the other hand, refers to two starkly different kinds of energy resources: firstly, the solid kerogen - though substantial resources of kerogen have been found in the US Green River formations, the cost of extracting liquid crude from solid kerogen is so high that it is economically unviable for at least a hundred years; secondly, the tight oil which is blocked by shale - it is a viable energy resource but the reserves are so limited, roughly 4 billion barrels in Texas and North Dakota, that it will run out in a few years.

More than the size of oil reserves, it is about per barrel extraction cost, which determines the profits for the multinational oil companies. And in this regard, the Persian Gulf's crude oil is the most profitable. Further, regarding the supposed US energy independence after the purported shale revolution, the US produced 11 million barrels per day (bpd) of crude oil in the first quarter of 2014, which is more than the output of Saudi Arabia and Russia, each of which produces around 10 million bpd. But the US still imported 7.5 million bpd during the same period, which is more than the oil imports of France and Britain put together. More than the total volume of oil production, the volume which an oil-producing country exports determines its place in the hierarchy of petroleum and the Gulf's petro-monarchies constitute the top tier of that pyramid.

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