

Iran threatens retaliation over oil embargo



REUTERS

Iranian soldiers sing national anthems during the anniversary ceremony of Iran's Islamic Revolution at the Khomeini shrine in the Behesht Zahra cemetery, south of Tehran, February 1, 2012.

TEHRAN: Iran's supreme leader threatened on Friday to retaliate against the West for sanctions, a day after a U.S. newspaper said defense secretary Leon Panetta believed Israel was likely to bomb Iran within months to stop it building a nuclear bomb.

Ayatollah Ali Khamenei's defiant televised speech marking the anniversary of the 1979 Iranian revolution was the first time the top authority has spoken publicly about the impact of the new sanctions, which have strangled the Iranian economy since the start of the year.

The long-simmering confrontation between the West and Iran over its nuclear program entered a decisive phase last month. Iran began enriching uranium at a deep underground bunker and the United States and Europe imposed new sanctions to prevent Tehran selling oil, putting its economy in a downward spiral.

Iran holds a parliamentary election in a month - its first since a 2009 presidential vote triggered a failed popular uprising - and its tightly-controlled political system will have to cope with the economic hardship caused by sanctions.

"In response to threats of oil embargo and war, we have our own threats to impose at the right time," Khamenei told worshippers in his televised speech.

"Sanctions will not have any impact on our determination to continue our nuclear course," he said.

"Such sanctions will benefit us. They will make us more self-reliant ... We would not achieve military progress if sanctions were not imposed on Iran's military sector."

Behind the sanctions looms an underlying threat of war. Panetta said he would not comment on - but did not dispute - a report by Washington Post columnist David Ignatius that Panetta thinks Israel is likely to attack Iran in the next few months.

Ignatius travelled with Panetta to Brussels this week. His column on Thursday was the strongest suggestion yet that Washington policymakers were bracing for an Israeli attack.

"Panetta believes there is a strong likelihood that Israel will strike Iran in April, May or June - before Iran enters what Israelis described as a 'zone of immunity' to commence building a nuclear bomb," columnist David Ignatius wrote.

"Very soon, the Israelis fear, the Iranians will have stored enough enriched uranium in deep underground facilities to make a weapon - and only the United States could then stop them militarily," Ignatius wrote.

Panetta told reporters: "David Ignatius can write what he will but - with regards to what I think and what I view - I consider that an area that belongs to me and nobody else."

Asked if he disputed the story, he said: "No ... I'm just not commenting."

Three U.S. national security officials told Reuters on Friday Washington had no specific intelligence that an Israeli attack on Iran was imminent, but they were concerned because of recent public statements by Israeli officials. The U.S. officials also said they believed Israel would not warn Washington in advance if it planned to strike.

Washington, which like Israel has not ruled out an attack on Iran to stop it from developing an atomic bomb, has made clear it believes sanctions should be given a chance to work before a military strike is considered. U.S. officials have repeatedly tried to persuade Israel to hold fire.

SANCTIONS PAIN

Obama signed new sanctions into law on New Year's Eve that would block any institution dealing with Iran's central bank from the U.S. financial system. The European Union announced similar measures last week.

The sanctions, if fully implemented, would make it impossible for countries to buy Iranian oil. To prevent havoc on energy markets, Washington is offering waivers to countries if they cut their trade with Iran gradually.

There are signs that other imports are also being affected, with ships bringing grain sailing away from Iranian ports because they have not received payment for their cargo.

A leading agricultural consultancy said on Friday Ukraine had cut its exports of corn to Iran by 40 percent last month because EU sanctions were preventing firms from getting paid.

The sanctions are causing real hardship for Iranians with just four weeks to go before the parliamentary election.

The last time Iranians voted three years ago, a disputed result led to eight months of violent street protests, by far the worst unrest the country has seen since the 1979 revolution that installed rule by Shi'ite clerics.

The authorities put down that revolt with force, but in the past year the "Arab Spring" has shown the vulnerability of governments in the region to public outrage fuelled by anger over economic hardship.

"Prices are going up every day, life is expensive. I buy chicken or meat once per month. I used to buy it twice per week," said vegetable seller Hasan Sharafi, 43, father of four, in the central city of Isfahan.

"Sometimes I want to kill myself. I feel desperate. I do not earn enough to feed my children."

It remains to be seen how tightly Iran will be squeezed by the new sanctions. The EU, which collectively bought about a fifth of Iran's oil last year, is halting all purchases.

Iran is scrambling to find new buyers and persuade its existing customers to keep doing business with it. Major Iranian oil customers are seeking waivers from Washington from the sanctions, while also looking for alternative suppliers.

Saudi Arabia, Iran's regional rival, has promised to make up any shortfall in supply.

China, which bought about a fifth of Iran's crude last year, has denounced the sanctions, but has also cut its purchases of Iranian oil by half in January and February this year and is seeking deep discounts for the oil it continues to buy.

An article in the People's Daily on Friday said tension between Tehran "is disturbing global energy markets and has cast a shadow over the global economic recovery."