Defiance expected to Trump's Iran oil sales curbs

New York, May 14 (RHC)-- Signs have appeared that show U.S. President Donald Trump's threat of curbing Iran's oil exports once new sanctions are put in place is easier said than done as world's biggest buyers are already reluctant to forego their Iran import plans. A report by Bloomberg said Chinese and Indian buyers were likely to continue buying oil from Iran.

Shipments to top buyer China would stay the same, given being initially blacklisted didn't stop its imports the last time restrictions were in place. Bloomberg also quoted refiners in India, another major consumer of the Islamic Republic's supply, as saying that they could continue making payments for purchases as long as the European Union would not impose curbs.

The report emphasized that the effect of Trump's withdrawal from the Iran nuclear agreement on oil markets would be more muted than what traders initially thought if the world's top crude buyers skirted the sanctions. "I don't see there'll be a big impact from the U.S. pulling out of the deal," Bloomberg quoted Lim Jaekyun, a commodities analyst at KB Securities Co., as saying by phone from Seoul. "Iran can mainly supply China and India where demand continues growing."

Last week, Trump signed a presidential memorandum to re-impose what he described as the "highest level of sanctions" against Iran. He also emphasized that the U.S. would punish other countries that violate the regime of sanctions against Iran.

The memorandum specifies that many of the sanctions should be re-imposed in 90 days -- by August 6, 2018. The most important ones -- as reported by media -- would be a ban on Iran over buying or acquiring U.S. dollars. Another set of sanctions will once again be clamped down on Iran within the next 180 days.

The most important sanctions would be those concerning Iran's oil sales and energy sector investment as well as transactions with the Central Bank of Iran (CBI).

During the previous sanctions that began in 2012, refiners in Asia managed to keep buying limited volumes by seeking exemptions and arranging alternative measures for payments and shipping, wrote Bloomberg. This time, the U.S. pullout from the nuclear accord is unilateral, so the pressure may not be as strong.

"Chinese buyers may keep the status quo in buying Iranian oil just like last round of sanctions," said Guo Chaohui, an analyst at Beijing-based CICC, as reported by Bloomberg. "They were blacklisted before, which didn't stop them. As long as it doesn't expand to a US- China trade level, everything will be the same."

Since the U.S. is alone in the withdrawal, the EU may not reinstate sanctions on shipping insurance, which were critical in disrupting exports last time. That means only as much as 350,000 barrels a day of Iranian oil may be removed from the global market this time, much less than the 1 million barrels during the last sanctions, Bloomberg quoted analysts as saying.

China and India, as well as Russia and Turkey, will likely keep purchases of Iranian crude at current levels, the report added.

Japan and South Korea may comply with the sanctions due to concerns they could lose the security umbrella provided by their U.S. ally against North Korea, Bloomberg quoted Ehsan Khoman, Dubai-based head of Middle East and North African Research at Mitsubishi UFJ Financial Group Inc. (MUFG), as saying.

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