
IRAQ TO ASK US FOR EXEMPTIONS ON SOME IRAN SANCTIONS

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Reuters/Baghdad

Iraqs economy is so closely linked to Iran that Baghdad is going to ask Washington for permission to ignore some US sanctions on its neighbour, Iraqi government and central bank officials said.

US President Donald Trump withdrew the US from an international deal aimed at limiting Irans nuclear programme earlier this year and reimposed trade sanctions. Washington has said there will be consequences for countries that do not respect the sanctions.

Baghdad is in a difficult position. Iraq imports crucial supplies from ally Iran but its other major ally is the US, which provides security assistance and training.

The request would mark an important change in political tactics for Iraqi Prime Minister Haider al-Abadi. He initially said Baghdad would respect all the US sanctions but faced heavy criticism from rivals.

The officials told Reuters a delegation will travel to Washington to ask for exemptions in applying the sanctions. They did not say when that trip would take place. The government plans to ask Washington for a waiver. Its going to happen soon, one central bank official said. An official in Abadis office declined to comment.

An official in the US State Department said it was discussing Iran policy with its partners around the world. We have given the same message to all countries around the world that the President has said, the United States is fully committed to enforcing all of our sanctions, the official said. Iraq is a friend and important partner of the US and we are we are committed to ensuring Iraqi stability and prosperity.

Iraqi officials fear shortages of key items if Baghdad complies with all the sanctions. This could lead to political turmoil at a delicate time in Iraqi politics.

Iraq imports a wide range of goods from Iran including food, agricultural products, home appliances, air conditioners and spare car parts. The goods element of Iranian imports to Iraq was about \$6bn for the 12 months ending March 2018, about 15% of Iraqs total imports for 2017.

There are also energy contracts between the two countries contributing to a volume of trade of \$12bn last year.

The officials said they were asking each ministry to put together a list of imports that are essential

for Iraq's economy. Those items will make up the request for exemptions.

The US sanctions that came into effect earlier this month target Iran's trade in gold and other precious metals, its purchases of US dollars and its car industry. Other sanctions will come into force in November.

Abadi has said Iraq will still respect the requirement on US dollar purchases, which is a major part of the sanctions and one of the most awkward for businesses, given energy and other big trade deals. It means that Iraqi banks and the government cannot pay the Iranian government or Iranian entities in dollars. The central bank circulated a warning to private banks to abide by the ban on dollar transactions but it will allow transactions in euros, one central bank official said.

Several European countries, including France, Britain and Germany wanted the US to stick by the international nuclear deal. The EU is working to maintain trade with Iran. We were encouraged by the position of European Union states towards Iran in respect to the American sanctions. They keep dealing with Iran in euros so why shouldn't we? a second Iraqi central bank official said.

The sanctions are particularly sensitive for companies with US operations. Trump has said that those who do business in Iran will not be able to do business in the US. But most Iraqi private companies will be relatively unharmed by the sanctions, said a Western diplomat in Baghdad. Plenty of Iraqi businesses don't have US investments, don't deal in dollars. Those can carry on dealing with Iran without issue, he said.

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