

# Iranian economy on verge of collapse, says Israel

Sanctions creating great economic difficulties, says finance minister in a further indication that military action may be on hold

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Sanctions against the Iranian regime are pushing the Islamic Republic's economy into deep crisis, according to key Israeli officials in comments seen as a further indication unilateral military action may have been put on hold.

The Iranian rial fell 5% to an all-time low against the US dollar on Saturday, according to financial websites. The value of the rial has fallen by almost 57% since June last year, leading to big price increases for imported goods.

Israel's finance minister, Yuval Steinitz, said Iran's economy "is not collapsing, but it is on the verge of collapse". The loss of oil revenue would approach \$45bn-\$50bn (£28bn-£31bn) by the end of the year, he told Israel Radio. "The Iranians are in great economic difficulties as a result of the sanctions."

His comments followed the leak last week of an internal foreign ministry report, which said international sanctions were having a profound effect on Iran's economy and could be destabilising the government. But the measures had yet to persuade the regime to abandon its nuclear programme and, therefore, additional sanctions were needed.

According to an anonymous Israeli official quoted in Haaretz, Israel had stepped up efforts to persuade the EU to impose a fresh round of sanctions.

The move suggests a distancing by Israel from the military option, at least for the next few months. In his address at the UN general assembly last week, Binyamin Netanyahu, said Iran was likely to cross the "red line" he set for its uranium enrichment process by next spring or summer.

That was widely interpreted as the Israeli prime minister backing away from the immediate threat of a military strike, although he sought to keep his options open in subsequent interviews. "I haven't conceded Israel's right to defend itself at any point," Netanyahu told reporters.

Ävigdor Lieberman, his hardline foreign minister, who has never expressed full-throated support for a military strike, suggested that Iran could face an Egyptian-style people's revolution. "The opposition demonstrations that took place in Iran in June 2009 will come back in even greater force," he told Haaretz.

"The situation in Iran and the feelings of the man on the street is one of economic catastrophe ... There's a shortage of basic goods, a rise in crime, and people are trying to flee the country, sending money abroad."

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