



WASHINGTON (AFP)— Tough sanctions on Iran are biting hard, slashing oil revenue and pushing the country close to recession as it seeks ways such as bartering to stay afloat, a US government report said Tuesday.

"The combination of the various US and international trade, investment, and financial sanctions has adversely affected the Iranian economy and its future outlook," the US Government Accountability Office wrote in its report.

The congressional watchdog released the report as world powers, including the United States, met with Iranian negotiators in Kazakhstan on Tuesday for key talks on Iran's suspect nuclear program.

Iran is under the toughest sanctions regime -- including four separate UN resolutions -- ever devised. The measures are aimed at forcing the country to rein in its nuclear program, which Western powers suspect is a covert bid to develop an atomic bomb.

Tehran has denied the allegations, and has refused to halt its uranium enrichment program, which it says is for civilian purposes only.

Since US and international sanctions were sharply tightened in 2010, "the Iranian economy has consistently underperformed the economies of comparable peer countries across a number of key economic indicators," the GAO said.

"For example, Iran's oil export revenues fell by 18 percent from 2010 to 2012, while its peers' oil export revenues increased by 50 percent," it said.

Iranian exports fell from 2.5 million barrels a day in 2011 to around 1.3 mbpd in November 2012, it said, citing the International Energy Agency.

Iran's ability to ship and sell its oil -- a key source of foreign currency and vital to its economy -- has been reduced, while financial sanctions have closed access to international banks and financial institutions.

Inflation rose to an estimated 27 percent in late 2012, while unemployment is forecast to hover between 15 and 16.6 percent in coming years.

The GAO, using IMF and private analyst services data, said Iran's global domestic product shrank 1.4 percent last year, and it cited one analyst, IHS Global Insight, which said GDP will contract a further 1.3 percent in 2013.

"According to IHS Global Insight, the US and EU sanctions that target Iranian oil exports and the Central Bank of Iran are harsher and more punitive than previously enacted sanctions, and will likely push the Iranian economy into recession."

The economic downturn is forcing Iranian leaders into creative ways to try to circumvent the sanctions, including introducing a bartering system for its oil with some nations.

"Open sources reported Iran has entered into barter agreements with countries including India, exchanging oil for food, medicine, and commercial products in lieu of using traditional payment methods," the report said.

It is also selling its oil at a discounted price, as much as 10 percent lower, according to one official interviewed by the GAO.

"However, these recent agreements have thus far not fully offset the reduced exports to the EU and others," it added.

In another sign of the hardship, the GAO found that US and European Union imports of humanitarian goods -- including medicines, medical devices, wheat and barley -- had leaped by 35 percent in the first 10 months of last year. The EU was the main supplier of such goods.