



Costco does its part to squeeze Iran

The warehouse retailer cancels memberships tied to pariah state. Hey, every little bit helps.

By Jonathan Berr – June 12th, 2013

Iran, which has been subject for years to what the U.S. government calls "unprecedented" economic sanctions to thwart its illicit nuclear ambitions, is suffering a fresh economic indignity. From Costco (COST +0.06%). This isn't from The Onion.

No less of an authority than The Wall Street Journal is pointing out that the warehouse retailer has decided to cut off Iran's embassies and overseas businesses. Costco's Japanese subsidiary had two memberships in the name of the Embassy of the Islamic Republic of Iran, and Iran Air was a member at Costco's U.K. affiliate. The warehouse club retailer canceled both memberships in the second quarter.

Costco isn't giving up a whole lot, though. Sales to the embassy were \$5,178 in the second and third quarters, generating a profit of \$160. No sales were associated with the Iran Air membership, according to a Costco SEC filing that the paper quotes.

Of course, the Iranian government isn't going to buckle because its citizens can't buy pallets of toilet paper or chocolate cakes that could feed its army. Every bit of pressure on the regime in Tehran certainly is welcome. Although the State Department argues that the international community has created "a strong, inter-locking matrix of sanctions," they aren't iron-clad.

Earlier this week, the U.S. government blacklisted what The New York Times called "a global network of front companies controlled by Iran's top leaders" designed to evade the sanctions. In April the U.S. hit a Malaysian bank and several businessmen with financial penalties for illegally doing business with Iran, according to Reuters.

The sanctions have certainly had an impact. Steve Hanke of the Cato Institute estimates that Iran's inflation rate in 2012 was 110%, almost four times higher than the government's official figure of 27.4%. Even so, Iranians are managing to get by, thanks to an influx of gold among other reasons.

"While the collective punishment delivered by the sanctions has been devastating," wrote

Henke, also a professor at Johns Hopkins, earlier this year, "it has ultimately failed to deter the Iranian regime from developing nuclear capacity." Chances are Costco's moves won't change that.