Sale of goods or services to car industry and transactions in riyal to attract penalties under new executive order.

The US has announced new sanctions against Iran, directly targeting the rial currency and the vital car industry, just days before presidential elections in the Middle Eastern country.

The new measures, which could lead to more economic deprivation inside Iran, were accompanied on Monday by warnings of additional "powerful" and "painful" measures if Iran refused concessions in inconclusive talks on its nuclear programme.

President Barack Obama signed an executive order authorising sanctions on foreign banks and financial institutions that make transactions in the rial currency or keep accounts denominated in the rial outside the country.

The ninth set of sanctions signed by Obama against Iran will also penalise anyone involved in the significant sale of goods and services to Iran's car industry - a move that could hit foreign car companies in Europe and Asia.

Also subject to penalties will be anyone who provides material support to Iranians and others who have been blacklisted under previous US sanctions.

An exception will be made for some activities related to a pipeline project to move natural gas from Azerbaijan to Europe and Turkey.
Permission to blacklist

The executive order allows the Treasury to blacklist from the US financial system any institution that handles significant transactions or accounts in the rial outside Iran.

Additionally, the White House said, it was "taking aim at a major revenue generator for Iran" by authorising the Treasury to blacklist anyone involved in the sale, supply, or transfer to Iran of significant goods or services for the manufacture or assembly of cars, lorries, motorcycles or other vehicles.

"The steps taken today are part of President Obama's commitment to prevent Iran from acquiring a nuclear weapon, by raising the cost of Iran's defiance of the international community," Jay Carney, White House spokesman, said.

The strategy represents a significant escalation of the sanctions as, for the first time, the US is attacking the rial, which has lost two-thirds of its value over the last two years.

The appetite has been growing on Capitol Hill for even tougher measures against Iran, prompted in part by politicians' concerns about Israel, which considers a nuclear-armed Iran to be an existential threat.

Last month the House Foreign Affairs Committee approved legislation that would impose even tougher economic sanctions against Iran, while the Senate resolved the US should back Israel if it is forced to take military action against Iran.

Harsher steps to isolate Iran were on the agenda on Tuesday at a Senate Banking Committee hearing, where officials from the Treasury, Commerce and State departments were set to testify.
An amendment being pushed by two of the panel's members, Senator Joe Manchin, a Democrat, and Senator Mark Kirk, a Republican, would go even further than Monday's announcement by targeting all Iranian foreign assets overseas - such as euros Iran might be holding in Japan.

**Economic pressure**

The US has already targeted other major sectors, most prominently Iranian oil exports, and last week targeted Iranian petrochemicals - the largest source of funding for Iran's nuclear programme after oil.

Analysts say the new move by Obama is a sign that the administration is committed to a strategy of ever increasing economic pressure on Iran as the showdown over its nuclear programme hits a critical point.

The announcement of new sanctions came as the campaign gathers pace in the run-up to elections on June 14 to succeed President Mahmoud Ahmadinejad.

While the campaign has featured debate on the economic pain exerted by US and international sanctions, the poll is unlikely to alter Iranian nuclear policy, which is controlled by Supreme Leader Ayatollah Ali Khamenei.

The US has said it will not rule out taking military action against Iran over its nuclear programme and that time is running out for diplomacy to succeed.

Talks between Iran and the five members of the UN Security Council plus Germany are on hold pending the election.

Iran denies that its nuclear enrichment activities are intended to produce a nuclear bomb and says the programme is purely intended for power generation.