

Europe joins the economic “gold rush” to Tehran

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Just two weeks after the lifting of punitive international sanctions on Iran, a scramble is underway to take advantage of trade and investment possibilities. A two-day visit by Chinese President Xi Jinping to Tehran last week was followed by Iranian President Hassan Rouhani’s trip this week to Italy and France, leading to a series of multi-billion dollar deals.

The international sanctions were lifted on January 16 only after Tehran implemented the onerous demands of the Joint Comprehensive Plan of Action (JCPA) reached last July with the P-6 group—the US, Britain, France, Russia, China and Germany—over its nuclear programs. Iran, which has repeatedly denied allegations that it planned to build a nuclear weapon, was compelled to ship out its low-enriched uranium, dismantle thousands of gas centrifuges and incapacitate its heavy-water reactor.

For the European powers, the opening up of Iran provides opportunities to boost their own depressed economies and to make up ground lost to China as a result of the US-led sanctions. For Iran, investment and trade is a dire necessity to boost its crippled economy as the government confronts mounting social tensions. As a result of falling oil prices, the economy grew last year by just 0.8 percent, compared to 4.3 percent in 2014. Iran is hoping to attract up to \$50 billion in foreign investment annually.

Rouhani’s European tour was the first by an Iranian president in well over a decade. He was accompanied by a 100-strong trade delegation of ministers, senior officials and business representatives. He received red carpet treatment and met with top leaders in Italy and France, including both prime ministers, and French President Francois Hollande, as well as Pope Francis in the Vatican.

In Rome, Rouhani declared that the nuclear

agreement had been a “win-win” for both sides. “We invite you to invest and we will provide stability and ensure that you can make adequate returns,” he promised. In Italy, agreements were signed worth an estimated \$18 billion in industries ranging from natural gas to high-speed rail.

In Paris, Rouhani told business leaders that he wanted to “turn the page” on the old “bitterness” between Iran and France and “open a new relationship.” Pierre Gattaz, president of the French employer federation Medef, urged French companies to “rush” to Iran and “not waste any time.”

At Rouhani’s meeting with Hollande, a range of deals were formally signed, including the purchase of 118 Airbus aircraft and an oil contract with Total to buy 150,000–200,000 barrels of oil a day from Iran. PSA Peugeot Citroen sealed a joint venture with Iran Khodro to produce 200,000 cars a year and invest more than \$280 million over the next five years.

Other major European powers are also lining up. On January 16, British Foreign Secretary Philip Hammond commented: “I hope British businesses seize the opportunities available to them through the phased lifting of sanctions on Iran.” Just days earlier, former Chancellor Gerhard Schroeder was part of a large German trade delegation to Iran, seeking to revive longstanding economic ties that were hard hit by sanctions.

Even before the lifting of sanctions, Tehran had become a magnet for business delegations. The *New Yorker* commented: “The Great Race—for what a Western ambassador in Tehran described as ‘the last gold mine on Earth’—has begun. With 80 million people, Iran is the largest economy to return to the global marketplace since the Soviet Union’s demise, a quarter century ago. It urgently needs to refurbish its

crumbling infrastructure. Unlike Eastern Europe, however, Iran is flush with cash, after gaining access to \$100 billion in oil revenues that had been locked away in foreign banks during sanctions.”

Moreover, Rouhani’s pledge to “provide stability” and ensure profits is a guarantee to foreign investors that the reactionary clerical regime in Tehran will implement its pro-market agenda and use police-state measures to suppress any opposition in the working class. Last May, the government hiked up fuel prices by a massive 40 percent and ended the rationing system that provided cheap subsidised petrol.

Rouhani is part of a faction of the ruling elite that has repeatedly sought to establish a rapprochement with the US as a means of opening up the country to Western investment. The government is hoping for a much-needed economic boost to stem mounting social tensions. Some 60 percent of the population is under the age of 30 and the official youth unemployment rate is 25 percent.

The European “rush” to Iran has left the United States on the economic sidelines. While most international sanctions have been lifted, the US trade embargo will not be lifted for another eight years, with a few exceptions, including passenger aircraft. Having lost out in the initial round to Airbus, Boeing will no doubt be keen to bid for the next round of sales. Iran has indicated it wants to purchase a total of 400 aircraft.

Washington has previously used threats and provocations against Iran as a means of disrupting the plans of its rivals to secure close relations with the energy-rich state. In 2004–05, the so-called EU Three—France, Germany and Britain—attempted to negotiate an agreement with Iran over its nuclear programs, only to have the talks effectively sabotaged by the US. Having frozen its uranium enrichment program, Tehran reacted angrily to a US-EU deal, which, in the words of one Iranian negotiator, was “too ridiculous to be called an offer.”

The breakdown of talks led to escalating tensions as the US ratcheted up its threats of war against Iran. After Obama came to office, Washington pressured its allies and the UN to impose draconian sanctions that cut Iran off from the international financial system and dramatically reduced its exports of oil.

Last year’s nuclear deal is often hailed as a triumph for peace and stability. In reality, the US agreed to the

JCPA in part because it feared a breakdown of the sanctions coalition. More fundamentally, however, it was a tactical shift aimed at preparing for confrontation and conflict with larger adversaries, China and Russia.

The United States cannot simply stand by and allow its European and Asian rivals to consolidate an economic base and political ties with Iran. The country is the second largest economy in the Middle East and has the fourth largest reserves of oil, and second largest of gas, in the world. US imperialism will either have to join in the scramble, or, as it has done before, use sanctions and military threats to undermine its rivals, and thus bring the region to the brink of another new war.



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