

France boosts trade ties with Iran despite US sanction threats

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Despite ?recently-imposed US sanctions on Iran, France is boosting trade ties with Tehran after Iran’s 2015 nuclear agreement to curb its uranium enrichment program. Since the nuclear deal, the French press has begun to call Iran an “El Dorado” for French auto, energy, and high-tech firms.

These deals point to sharp objective economic conflicts between the European Union (EU) and the United States, which underlie the growing strategic and military tensions between the two blocs. Washington has threatened to abandon the Iranian nuclear deal, undertaking a 90-day review of its policies toward Tehran. Two weeks ago, the US Congress overwhelmingly passed a bill targeting Russia, North Korea, and Iran, accusing Iran of terrorism and involvement in regional wars.

US sanctions are aimed not only at Iran but at other powers, including China and the EU, who are developing trade ties with Tehran. US sanctions on Moscow, Pyongyang and Tehran have been sharply criticised by European powers, and Germany and France have threatened to take retaliatory sanctions against the United States.

As Iran concludes multi-billion-dollar deals with European firms, including Germany’s Volkswagen and Italy’s Ferrovie dello Stato, French capital is moving aggressively into Iran. This includes France’s auto companies, which are desperate to boost sales amid the economic crisis in Europe.

On Monday, Iran and French car manufacturer Renault signed a €660 million deal to produce 150,000 cars a year. Renault aims to double its market share to 20 percent of the Iranian auto market by 2020. Iran produces about 1,350,000 vehicles a year and hopes to produce 3 million a year by 2025. With the new deal, Renault expects to add 150,000 vehicles a year to the

Iranian market above its current capacity of 200,000 vehicles a year in Iran.

The Renault deals comes after another French carmaker, PSA Peugeot Citroën, which has 35 percent of the Iranian market, signed a deal last year to open a plant producing 200,000 vehicles annually. Peugeot was a major producer in Iran before sanctions were imposed. PSA only avoided a fall in overall global sales last year due to increased sales in Iran.

Last month, France’s Total and the China National Petroleum Corporation (CNPC) signed a 20-year, \$4.9 billion contract with Iran’s Petropars to invest in the South Pars offshore gas field, which is split between Iranian and Qatari waters. With an initial \$1 billion investment, Total will have a 50.1 percent stake; CNPC and Petropars will own 30 and 19.9 percent, respectively.

Total CEO Patrick Pouyanné called the occasion “historic” and encouraged other companies to invest in Iran. “We aren’t a political organisation, but I hope this agreement will encourage other companies to come to Iran because economic development is also a way of building peace,” he told AFP. “We are here to build bridges, not walls.”

Total is working to circumvent US sanctions, appointing a compliance officer to ensure that it is not targeted by Washington—as in 2014, when the US imposed a \$9 billion fine on France’s largest bank, BNP-Paribas, for violating the embargo. Iran’s oil minister Bijan Namadar Zanganeh said Iran’s oil industry needs some \$200 billion in investment over the next five years.

The calculations of Total, the oil company through which French imperialism has long transacted its neo-colonial policies in Africa, speak for those of European capital as a whole. They are not seeking to build peace,

but to seize control of profits and markets which Iran's theocratic regime prefers to offer to European firms rather than to a hostile American government. In particular, they are anticipating enormous profits to be made from the policies of economic liberalisation, austerity, and job cuts that President Hassan Rouhani is preparing against workers in Iran.

The European powers long enjoyed special access to Iranian markets, as Washington cut ties to the regime that emerged from the 1979 revolution against the CIA-backed Shah of Iran. Particularly after the Stalinist bureaucracy's dissolution of the Soviet Union in 1991, US-EU rivalries surged in the Persian Gulf. France's companies grabbed Iranian market share in the 1990s, while its diplomats argued that European influence in the Persian Gulf was necessary to build a "multi-polar" world. These tensions culminated in the illegal and unilateral US invasion of Iraq in 2003.

In 2006, however, Washington and the European powers jointly voted to impose sanctions against Iran over its uranium enrichment program, which Iran insisted was for peaceful purposes. Over the last decade, China has increasingly developed its trade with Iran, which joined the Chinese-led Asian Infrastructure Investment Bank (AIIB) and became a focus of China's plans for a web of transport, energy and trade routes across Eurasia.

The US-backed UN sanctions slashed Franco-Iranian economic ties. Trade in 2014 amounted to only €514 million, compared with €4 billion in 2004. France's market share in Iran fell from 7 percent to 1 percent.

Since the 2015 nuclear deal, European ruling circles are desperate to re-establish their presence in Iran, which has the world's second-largest gas reserves and fourth-largest oil reserves, and an internal market of nearly 80 million people. The EU is likely to clash with Washington, should it seek to reimpose sanctions on Iran in the near future. After the nuclear deal was initially ratified, the European Council on Foreign Relations issued an analysis on August 26, 2015, headlined "Europe won't bow to an anti-Iran-deal US Congress."

It said, "Europeans are now looking beyond a nuclear-centric vision of Iran to focus on how they can use the opening up to engage Iranian President Hassan Rouhani's administration. Both Iran and Europe are eager to reignite their once-prosperous trade relations,

and Europeans would also like to work with Iran to more constructively de-escalate conflicts in the Middle East. This kind of progress can't be easily undone, and if it is, European policy makers may blame Washington rather than Tehran for prematurely derailing an agreement that was given virtually global acceptance."

Now, European businesses hope that the re-election of the pro-business Hassan Rouhani as Iran's president will help their business interests. Tehran signed multiple contracts, worth up to €30 billion, just during Rouhani's visit to France last year.

As Washington now threatens or actually imposes sanctions against Iran, Russia, China, and North Korea—which the Pentagon is preparing to target for military action—European corporations are coming into strategic conflict with their "allies" and rivals in the United States.



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