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The Geopolitics and Economics of the Iran Nuclear Deal

By Eric Draitser

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The Joint Comprehensive Plan of Action agreed to in Vienna by the P5+1 countries and Iran is clearly a landmark agreement, one which will significantly alter the political and economic balance of power in the Middle East, as well as the global strategic picture. However, amidst the chorus of celebration from many capitals around the world, and condemnations from Israel, some of the Gulf states, and certain segments in Iran, much of the geopolitical significance of the agreement has been overlooked.

From this perspective, the deal is more than simply a new chapter in Iran's relations with the West and the world at large; it is the agreement by which Iran will transform itself from a potentially powerful, though politically and economically isolated country, to an emerging regional power that will become a linchpin of the strategies of both the western and non-western worlds. Of course, this potential benefit came at the cost of major concessions from Tehran, concessions which are in many ways difficult to justify, especially within the context of Iranian domestic politics where issues of national pride have a very real political currency and cannot necessarily be measured in rials, euros, and dollars.

However, an analysis of the impact of the deal cannot simply be relegated to what is in Iran's immediate interests, nor those of the P5+1 countries, but rather must take into account the long-term strategic imperatives of each. Moreover, the emerging non-western alliance of BRICS, Shanghai Cooperation Organization (SCO), New Silk Road, and Eurasian Economic Union (EEU) broadly speaking, factor significantly into this deal. So too does Turkey, both an important trading partner for Iran, but also a political adversary.

Seen in this way, the agreement reached in Vienna is a watershed in early 21st Century geopolitics and economic development, one which will have vast implications for years, and perhaps decades, to come.

A Nuclear Deal, a Business Deal

While the specifics of the agreement hinge on a number of specific issues such as the timetable for the lifting of sanctions and the arms embargo, the accepted level of uranium enrichment, and many other technical specifications, the agreement is not, in and of itself, a purely technical deal. Rather, it is in many ways an economic agreement. Put slightly differently, the deal was made possible, and driven to its completion, because of economic incentives on both sides.

For Iran the motivation is clear: ending the sanctions will allow it to return to normalcy and its economy to regain its dynamism lost since the imposition of sanctions in 2007, as well as providing Iran with access to an international market both for imports and exports, as well as financing and investment. In short, Iran's central concern was having the ability to reintegrate itself into the global economy in order to continue to grow its economic and political power.

For the US and its western partners, this agreement provides a new opportunity for corporations to rake in untold billions of dollars in profits by penetrating a virtually untapped market for everything from consumer goods to energy investments and financial services. In this way, Iran offers the potential for massive profits from a market comprised of tens of millions of highly educated citizens and thousands of small and medium sized companies looking to make deals and grow in the near and long term.

From the financial side, the benefits are clear. As the Wall Street Journal recently wrote:

Iran's \$100 billion stock market is a major focus, given that there is no limit on foreign investment and [investors] view it as severely undervalued... If Iran transitions from a fringe market dominated by local investors to an open one with a size commensurate with its economy,

the upside could be huge. Companies listed on the Tehran exchange are worth about 28% of the country's gross domestic product, a lower ratio than most of the largest emerging markets.

In other words, international investors, be they western corporations, venture capitalists, or asset managers see in Iran an emerging market that, unlike some other emerging markets in the world, already has much of the technical infrastructure in place to rake in massive profits. Rather than having to wait to train the engineers, computer technicians, scientists, and entrepreneurs, these capitalist interests will be able to simply enter the market with their major cash holdings, and immediately capitalize on it.

There is, of course, also the question of investment in Iran's vast energy sector. It is certainly no secret that the Islamic Republic has one of the largest reserves of energy in the world, as it has been a major player on the global market for decades. However, because of the sanctions, not only has the world been closed off to Iran to a large extent, but Iran has likewise been a no-go zone for energy investments, especially for major corporations. In one of the most high profile examples of this point, France's energy giant Total was forced to suspend its billions of investments in Iran in 2008 due to sanctions and the political risk associated with the country. Undoubtedly Total and its western and non-western competitors are anxious to get back into Iran.

As Bloomberg correctly noted in late March 2015 on the eve of the initial framework agreement which laid the groundwork for the negotiations in Vienna, "*[Iran] is emerging again as a potential prize for Western oil companies such as BP, Royal Dutch Shell Plc, Eni SpA and Total SA. The Chinese can also be expected to enter the race, while U.S. companies, more burdened by sanctions and legacy, will be further down the pack... 'Iran is the big prize... The resource size is very attractive.'*" Depending on political circumstances both in the US and Iran, US oil companies such as Exxon-Mobil and Chevron might have a difficult time penetrating that market, but that shouldn't be an issue for their European competitors, nor for China's massive Sinopec and Chinese National Petroleum.

It is important to remember that the market for consumer goods in Iran is massive, stemming from the upper-middle income nature of Iran's population, and its long-standing taste for western trends. Companies such as Coca-Cola and Starbucks, Apple and Dell are all highly desirable in a country where more than half the population has internet access, literacy among the 15-24 year old demographic is 98%, and per capita income is higher than Brazil and South Africa, both

members of BRICS. Iran is also a massive potential market for automobile and airplane manufacturers, both sectors highly sought after by Iranian consumers and companies.

One could easily wonder though why the Obama administration, and the major segment of the US ruling establishment that it represents, would push so hard for this deal when it's unlikely that US companies are going to benefit from it to nearly the same extent as those in Europe and other parts of the world might? Is it merely that Obama is trying to shore up his own legacy, crowning his tenure in office with a deal of historic proportions, or is there another motive?

Neutralizing Iran: A Lever against Eurasia?

Anyone who understands the imperial and hegemonic agenda of the US should immediately understand that there is an ulterior motive for Washington in securing this deal, one which has nothing to do with morality, peace, or cooperation. Instead, the US wants to transform Iran from a regional and global adversary into something of an asset. This is not to say that Tehran and Washington will become instant allies, but rather the idea that Iran could be made into a neutral party, one that will cease to be an obstacle to the US agenda.

Essentially, the strategy relies on the tried and true colonial tactic of "divide and conquer," or perhaps more appropriate in this case, "divide and neutralize." What the US would like to achieve is a sort of fracturing of the Iranian political establishment, where the business elites with tremendous influence in Iranian society will have a vested interest in not creating or exacerbating tensions with their associates in the West, thereby making Iran into a de facto partner for western-led hegemony. Were Iran's political leadership to become less assertive in the region and internationally thanks to internal pressure from powerful economic and business interests, this would greatly benefit US plans, and of course those of its allies in Saudi Arabia, Qatar, Turkey and, despite its belligerent rhetoric, Israel.

Consider for a moment how Iran might have responded to the war in Syria had it not been economically isolated from the West. Does anyone truly believe that Tehran would have been as steadfast in its support for Damascus and Hezbollah if it stood to lose hundreds of billions of dollars in long term investment and ran the risk of crippling its own economy? It may seem counter-intuitive, but the harsh sanctions and restrictions on Iran gave it far more freedom to act independently in the region as it was exposed to far less economic risk. Were Iran instead cooperating with the West, it is a virtual certainty that the Syrian government would have long since fallen, and Syria would be a failed state similar to Libya or, at best, a puppet state of Turkey.

The importance of this point should not be understated. Iran's lack of economic engagement with the West allowed it to grow into the counter-terrorism force that it has become in the region. Military experts understand that, despite the bellicose language employed by Obama and US political elites and their media mouthpieces, Iran is the single most effective force fighting against the Islamic State and Wahhabi extremism generally throughout the Middle East. Take away Iran's motivation to be assertive, and complicate the puzzle with competing interests in Iran's domestic politics, and suddenly you find that that force becomes far less potent, and the region becomes far more dangerous.

Perhaps the single most important objective for US strategic planners though is to prevent Iran's integration into the emerging non-western, Eurasian political, economic, and military architecture. Washington has watched over the last few years as institutions such as BRICS, the SCO, the New Silk Roads, and the EEU grew from drawing board ideas into tangible realities which now threaten to coalesce into all-encompassing geopolitical alliances.

With Russia and China becoming closer by the day, and the former Soviet Republics of Central Asia following suit, regional integration has been proceeding at breakneck speed. Add to that the emergence of a still chaotic, but increasingly less NATO-dependent Afghanistan, along with the newly added SCO members India and Pakistan, and it is clear that the United States is faced with a daunting geopolitical imperative.

Therefore, the US must create a mechanism to slow down, if not stop and reverse, this burgeoning integration. It is here that Iran serves its most useful purpose in the eyes of imperialists in the US whose primary goal is the maintenance and expansion of US hegemony for another hundred years.

While Iran already has "observer" status in the SCO, its formal relationship with the bloc is uncertain at best. There are some who believe that the lifting of sanctions and normalization of relations would lead to Iran's quick accession to the SCO. However this is perhaps a bit of wishful thinking.

With Iran free to make such decisions, it might decide that it has vested economic interests in the West that would make jeopardizing them with Russian and Chinese friendship a risky move. Iran could be made to feel that the advantages it will easily gain from cooperation with the West outweigh the potential of junior status within the SCO-EEU-New Silk Road framework, especially with Iran being a competitor with Russia for energy exports both to Europe and China. Indeed, this is part of the calculus as far as Washington sees it, that is to say, those in

Washington with even a little vision. They want to force Iran into a competitive, rather than cooperative, relationship with Russia. Additionally, they'd like to see Iran playing the role of SCO home-wrecker, as it plays China against India in major investments such as Chabahar, the all-important Iranian port seen as a major prize by both Beijing and Delhi.

In this way, the US wants to remake Iran from a bulwark against US-NATO-GCC-Israeli hegemony, into a weapon to be used as a wedge against BRICS-SCO-EEU-New Silk Road cooperation. If this sounds far-fetched, it shouldn't; this is precisely the same sort of tactics the US employed throughout the Cold War with many different countries that it sought to "weaponize" against the Soviet Union and the non-aligned states.

With a "New Cold War" being trumpeted by many, as well as the growing US-China conflicts in the South China Sea, Washington seeks to remake the geopolitical chessboard in both Eastern Europe and Asia. In order to do so it must realign its strategy and forge new alliances, de facto or otherwise. The seemingly eternal villain of Iran might just fit the bill.