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Clouds of Uncertainty Continue to Loom Over Iran-nuke Deal

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While the very first anniversary of the historic Iran-nuke deal was celebrated only a few days ago, the deal has largely failed to bring Iran-US relations back to normalization due primarily to the financial sanctions that the U.S. has not yet completely lifted and the fact that hardliners in both the U.S. and Iran continue to oppose it. While opposition forces in both countries can be found explicitly criticizing the deal, the big questions for them remain unanswered. For the opposition in the U.S., the question that we must be raising is: what else if not the deal? A military attack on Iran—and that, too, at a time when the U.S. has largely failed to shape the

outcome of Syrian crisis to its own advantage? The big question for Iran's hardliners is: what other way to recover and boost Iran's economy?

The West, particularly Europe, is an energy deficient territory. With a huge portion of Europe's economy depending upon import of oil from the Middle East and with Iran needing transfer of technology and investments from Europe, there is practically nothing, except the U.S. imposed financial sanctions, that should stop them from engaging in a mutually beneficial relationship, if not an alliance. However, this is not happening (read: On July 8, the US House of Representatives passed a bill that seeks to block US aircraft sales to Iran, potentially undercutting the Boeing deal with Tehran estimated to be worth as much as \$25 billion) and the likely cost is that President Hassan Rouhani may very well end up facing his predecessor, Mahmoud Ahmadinejad, in next summer's vote.

The central dilemma is financial sanctions and inability and unwillingness of banks to finance the deals Iran has recently signed with some European companies (read: Over the years, European banks have paid billions of dollars in penalties for their collaboration with Iranian financial institutions, which was at times considered a violation of US sanctions. In the most notorious case, French PNB Paribas had to pay almost \$9 billion in fines over breaching the Iran sanctions, and they really do not want to get such harsh sentences again).

While the deals are yet to materialize, the unfortunate delay is strengthening the hands of hardliners in Iran that Rouhani may not be able to deal with. With elections due in the next year, slow economy recovery is quite likely to translate into political defeat for the moderates, which in turn may lead to resumption of "bad relations" between Iran and the West.

Already, hardliners are blaming the president's faction for the failure of the deal to deliver a swift improvement in living standards. The blame is gaining some 'popular currency' despite the fact that this slow recovery is due as much to low prices for oil as to the delay in the arrival of "promised" foreign investment. "The political infighting has intensified in Iran. The legitimacy of the establishment is at stake," told a senior official to Reuters. "It will deepen further until the presidential election next year," the official said, adding that Rouhani himself now had "serious doubts about running for a second term".

While the hardliners are accusing Rouhani for his failure and for believing the "treacherous Americans", the Americans themselves have practically left no stone unturned to add substance to the Iranian hardliners' stance. What is happening is that the U.S., which has through decades enmeshed itself in a web of multifarious, complicated sanctions against Iran, has failed to abide by its part of the bargain, and as a result of its secondary sanctions – which are still in place – the banking transactions between Iran and the European countries are virtually non-existent or taking place slothfully. The Iranian business community believes that the U.S. has failed to spell out exactly what is permitted and what is not, leading to the uncertainty that makes international banks reluctant to process Iranian-linked transactions. This uncertainty has permeated in other sectors too. As a recent report concluded, "Iranians based in Dubai, historically one of Iran's main trading partners, complain they cannot get letters of credit to finance deals with their home country, while others have even had their company bank accounts closed in recent weeks."

Such a situation is creating a tricky situation in Iran where hardliners are being increasingly found arguing for a president-to-be who is closer to their camp and gets his directions from Khamenei's allies directly. While they continue to blame the president for his failure, the actual reason is not the hypothetical failure; it has concrete financial interests at its core as most of the hardliners happen to have control over a huge portion of Iran's economy.

As such, one of the central reasons for why investment is not reaching Iran is that European and Asian conglomerates that would otherwise want to invest in the Iranian market do not know how to bypass many U.S. sanctions which continue to extend to organizations and individuals having ties with the Iranian Revolutionary Guard Corps (IRG) which, by some estimates, directly or indirectly control over 40% of Iran's economy and are eager to fully utilize the new phase of Iranian politics—that is the post deal phase—to extend their control over economy into control over polity. Hence, the look for a 'weak' president who can be made to protect their interests.

To cut short, the whole story is not so difficult to understand: if the U.S. fails to honour its commitments as promised under the JCPOA and refuses to take the steps that concretely benefit Iran's damaged economy the hardliners in Tehran will have the pretext to intensify their propaganda campaign against Rouhani and the entire reformist camp. Their propaganda crusade, which has already started, will be aimed at instilling the conviction that President Rouhani has been unable to cure the nation's economic woes, and his initiative for direct negotiations and rapprochement with the U.S. was fruitless and unproductive; and the country would need a true revolutionary to come back and solve the problems through his assertive, uncompromising approach and resistance against the "bullying powers" and follow "resistance economy."

While politics over the nuke-deal continues to happen in Iran, as also in the U.S. (read: Donald Trump has repeatedly argued in favour of terminating the deal), its future will continue to hand in uncertainty until next years' elections in both countries. The deal will face a disastrous end if hardliners happen to capture power. Were 'moderates' to prevail in the U.S., its outcome will still depend upon the degree to which the U.S. honours the commitments it has made with Iran in the deal.