



Iran-EU Trade


The Islamic Revolutionary Guard Factor

For many, the nuclear deal with Iran-conducted in the P5+1 framework- represents the crown jewel of European diplomacy due to the key involvement as a lead negotiator of the European Union's High Representative for EU foreign affairs. The deal may be considered an important step for the relevance of EU diplomacy on the international level.

The deal has also been part of the strategy of Iran's President Hassan Rouhani: a strategy aimed at reviving the national economy through the easing of Western-imposed sanctions and attracting foreign investments. Only a significant economic improvement would enable Rouhani, and the Moderation and Development Party he currently leads, to secure victory in Iran's 19 May 2017 presidential elections. Rouhani's efforts for establishing economic ties with the most developed countries have been marked by a staggering 63% increase over the first three quarters of last year in the trade volume between the EU and Iran, a figure which the current EU High Representative, Federica Mogherini, commented as an evident success related to the mediation efforts of the European diplomacy.

In contrast to the EU-Iran example, the nuclear deal with Iran was not followed by an increase in US-Iran trade. Republican-controlled Congress and the Donald Trump administration are both considering new economic sanctions on the Ayatollah's regime. As such, the EU's policy of strengthening its economic ties with Iran is problematic as it may put it in clear contrast with the position of the EU's most powerful ally, the US. Furthermore, given the nature of the Iranian economy, it could also paradoxically contribute to regional instability.

Iran's Islamic Revolutionary Guard Corps (IRGC), have historically held tight control over Iran's economy by permeating all of its sectors. In particular, the current supreme leader, Ayatollah Ali Khamenei, consistent with his political vision for the country, strongly encouraged and supported the control by the IRGC over Iran's vast natural resources which constitutes its main export goods. The power derived from strong political support they enjoy and from the control of Iran's energy industry makes the IRGC an indispensable interlocutor when it comes to Iran's economic affairs. Both the EU establishment and current Iranian president Rouhani, less favorable than the Supreme Leader to the IRGC involvement in the economy, argue that enhanced trade relations



would strengthen Iran's private sector and weaken the control of the IRGC on local businesses and companies in Iran.

Yet, most businesses and companies within Iran are directly controlled by current or former members of the IRGC and the remaining ones are forced to operate within a system shaped by the IRGC's economic interests and this capillary control of the Pasdaran over Iran's emerging private sector, makes it impossible for Western companies to make any significant inroads into Iran's economy. On the other hand, making business with the IRGC controlled private sector in Iran only increases their political and financial power.

The strengthening of Iran's IRGC is particularly counterproductive for the strategic long-term interests of the EU and European countries. This is clear when looking at the vulnerable geopolitical situation facing the MENA region and the destabilising impact of the IRGC's actions regionally. European interests are damaged by IRGC's actions in both Iraq and Syria. The Revolutionary Guards are currently arming and training Shiite Popular Mobilization Units in Iraq and the crimes committed there are igniting sectarian tensions and weakening popular support for the EU-backed Iraqi central government. The IRGC are also a crucial destabilising factor in the Syrian conflict as they coordinate the common efforts of Assad loyalists and Hezbollah fighters while providing them with sophisticated military equipment. Such IRGC involvement could cause an escalation in Israeli air strikes on Syrian soil and devastating consequences in the region, triggering a new refugee exodus towards the EU.

Further negative consequences of establishing closer ties between European and IRGC-controlled companies are related to European companies' relations with some of its important strategic partners; the countries of the Gulf Cooperation Council (GCC). The continued relevance of Middle Eastern oil for European economies and the importance of GCC investments in the EU, aimed at ensuring European economic stability in times of crisis, are making relations between EU and GCC countries increasingly important. One should also consider that European cooperation to help IRGC controlled companies to export Iran's natural gas could cause, in the long term, the development of an Iranian strategy aimed at using Russian-style energy diplomacy against EU countries. Indeed, rather than embracing an excess of good faith with Iran, the EU would be more likely to benefit from an enhanced cooperation with countries sharing a common interest in stabilising the Middle East such as the members of the GCC.

Only a strong EU-GCC cooperation, underwritten by US support, can effectively contrast Russian and Iranian efforts aimed at increasing their national influence in the Middle East at the expenses of regional stability.

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