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EUROPE MUST DECIDE

European governments have to put massive pressure on Iran and confront it with the alternative of either changing course or suffering devastating economic blows

by Matthias Küntzel

We stand at a historic crossroads. Disregarding Security Council decisions, Iran's rulers are stepping up their nuclear programme. Will Europe continue soft-soaping the Mullahs or will it show some resolve? Will it accept the fact that, by seeking nuclear weapons, the Iranian dictatorship is escalating its holy war at the gates of Europe? Or will it summon up the will to raise the economic price Iran must pay to a point where the regime – which is facing mounting popular discontent – has to give way?

If any power is still able to get the regime in Tehran to back off without the use of military force, then that power is the European Union. The USA can't do it because it has no trade with Iran. China, Japan and Russia can't do it either, because Iran can get along without them. But Iran needs Europe. Iran gets 40% of its imports from the EU, which in turn takes in 25% of Iranian exports.

While Japan and China are interested in Iran essentially as a source of energy supplies, Germany, Britain, Italy, the Netherlands and France provide the Iranian economy with vital investments. Trading partner number one was and is Germany; as the former President of the German-Iranian Chamber of Commerce in Tehran, Michael Tockuss, has explained, "some two thirds of Iranian industry relies on German engineering products. The Iranians are certainly dependent on German spare parts and suppliers."

Certainly dependent! The potential leverage of economic sanctions couldn't be clearer. Since then a study by the Iranian Parliament has stated the

obvious: without European spare parts and industrial goods the Iranian economy would grind to a halt within a few months. If anyone is still in a position to use this lever before it is too late, then it is Germany and the EU.

Of course Europe should have done so back in 2003, when Tehran was obliged to admit that it had been pursuing a secret nuclear programme for the past eighteen years. Nuclear weapons in the hands of the world's number one sponsor of terrorism? The public was alarmed. But what happened?

Instead of immediately cutting technology transfers to Iran, European exports to Iran rose 29 % to € 12.9 billion between 2003 and 2005. Prior to 2003, government-backed export guarantees had fuelled the expansion in trade by countries such as Italy, France and Austria. After the exposure of Iran's secret nuclear programme, these export guarantees were not stopped but generously increased, as we can see here in the case of Germany.

In its 2004 annual report on export guarantees, Berlin's Economics Ministry dedicated a special section to Iran that captures its giddy excitement about business with Tehran: "Federal Government export credit guarantees played a crucial role for German exports to Iran; the volume of coverage of Iranian buyers rose by a factor of almost 3.5 to some € 2.3 billion compared to the previous year," the report said. "The Federal Government thus insured something like 65% of total German exports to the country. Iran lies second in the league of countries with the highest coverage in 2004, hot on the heels of China."

This policy was a stab in the back from Europe for Iranian student and human rights groups, since there can be no question here of "change through trade". On the contrary. Three quarters of all Iranian industrial firms are in state hands. The export deals are not being struck with the private sector, but with the regime's "Revolutionary Foundations" such as the "Martyrs Foundations" run by Islamist hardliners. These "little kings", as they are known in Iran, are personally appointed by the revolutionary leadership and Parliament has no control over them. Most are or have been involved in terrorism or weapons of mass destruction programmes.

European export support bolsters the Mullahs' nuclear ambitions in three ways. Firstly, a proportion of any money lent to the regime is spent on nuclear research. Iran wants to allocate 1.4 billion dollars for the construction of 20 new nuclear reactors. Iranian state TV reported last week that a Parliamentary Committee has now approved this expenditure. Secondly, every export deal strengthens the internal position of the hardliners, who are invariably hardliners on the nuclear issue too. Thirdly, the country is getting state-of-the-art technology of a sort that can be used in the nuclear sphere. For example, in August 2003 Siemens – a firm with expertise in the field of nuclear power station construction – signed a contract for the delivery of 24 power stations. To make this deal, Siemens had to commit itself to “technology transfer with regard to small and medium-sized power stations”.

2005 marked a further watershed. Now, a hardliner had become President. Ahmadinejad's tirades about Israel, the Holocaust and the Twelfth Imam shed a harsh new light on the special threat presented by Iran's nuclear programme. This was not only a good opportunity, but also a truly compelling reason for a change of export policy towards Iran. Indeed, the OECD raised Iran's rating of the risk regarding possible export guarantees. Exports became more expensive and the mood among exporters worsened. Nevertheless, in 2006 German exports to Iran fell by only 6 % - last year, German exports worth € 4.1 billion made its way to Iran.

In addition, Austria and Germany for example – despite the Holocaust denial and threats to annihilate Israel – continued to promote their exports as if nothing had happened. In 2006, some 20 % of all German Hermes export credit guarantees were still being devoted to business with Iran.

The real pan-European support for Iran, however, relates to the Nabucco project for a giant pipeline running directly from the Iranian gas fields to the city of Baumgarten in Lower Austria. Austria's OMV is heading up the international group which is to carry out the five billion Euro project. The final decision on this project is to be made at the end of this year. If this pipeline is built, the relationship between Europe and the Mullahs would

change. In this case Iran's Islamist regime would become Europe's new strategic partner.

It was precisely in February 2006, as the Iranian president's tirades reached their height, that the European Investment Bank decided to put a billion dollars into this project. However, this Bank is an EU body. It gets its capital from the EU member states. As the EU's financial instrument, it is obliged to pursue the EU's political goals. Does propping up the economy of a regime that publicly hangs young women and men for their sexual relationships count as one of the EU's political goals?

Today, in 2007, Iran is on the verge of being able to produce enriched uranium on an industrial scale. But Europe continues to oppose the establishment of an effective sanctions regime by a "coalition of the willing" going beyond the limits of the Security Council resolutions. On the contrary, European governments even intend to grant new export credit guarantees for trade with Iran. As the semi-official *Nachrichten für den Außenhandel* (News for Foreign Trade) put it just two weeks ago: "There are no recent changes with respect to loan guarantees for German exports to Iran. ... According to the German Minister for Economy ... Iran related export credit guarantees are still available" (22 February 2007). The same tune could be heard from Vienna. Against this background, it comes as no surprise to find that firms such as Royal Dutch Shell, Spain's Repsol, France's Total and Germany's E.on are racing to cut the most profitable deals with the Mullahs.

What do the turning points of 2003, 2005 and 2007 show us? They show the stubbornness with which business and political leaders constantly follow the same paradigm: Iran's nuclear ambitions are treated as a negligible quantity, with "business as usual" taking priority. They act as if it is a matter of secondary importance from the point of view of European interests whether Iran has nuclear weapons or not and are taking their distance from those advocating sanctions. They seem to have fallen prey to the illusion that a nuclear Iran would have no impact on Europe. But there could be no bigger mistake. An Iran with nuclear weapons would be a nightmare not only for Israel, but also for Europe itself.

If Iran were to develop nuclear weapons, the whole of the Middle East would go nuclear too – whether because the Iranian regime would fulfil its promise to pass the technology on to its friends or because the Arab regimes would seek their own nuclear capability in Iran’s wake. The specific danger presented by the Iranian bomb, however, stems from the unique ideological atmosphere surrounding it - a mixture of death-wish and weapons-grade uranium, of Holocaust denial and High-Tec, of fantasies of world domination and missile research, of Shiite messianism and plutonium. There are other dictatorships in the world. But in Iran the fantasy-worlds of antisemitism and religious mission are linked with technological megalomania and the physics of mass destruction. For the first time we face a danger that first appeared on the horizon 70 years ago: a kind of “Adolf Hitler” with nuclear weapons.

Does anyone here really believe that Europe would be hardly affected by this? As Angela Merkel told us recently, “We must take the Iranian President’s rhetoric seriously”. Quite right! Ahmadinejad is gleefully contemplating the end of liberal democracy as a whole: “Those with insights can already hear the sounds of the shattering and fall of the ideology and thoughts of the liberal democratic systems”, as he wrote in a letter to President Bush, reiterating the shared view of the entire theocratic elite. He sees himself and his country as being in the midst of a “historical war that has been underway for hundreds of years” and drums into the heads of his followers that “we must make ourselves aware of the baseness of our enemy, such that our holy hatred will spread ever further like a wave.” In order to win *this* war, the Shahab 5 medium-range missile, which can carry nuclear warheads and strike almost any target in Europe, is being built. In order to win *this* war, thousands of suicide bombers have been recruited and Hezbollah cells established throughout Europe – cells whose members are under the direct command of the Iranian secret services.

Europe will at once find itself in a new situation if Iran gets the bomb. Whether or not Iran formally declares itself to be a nuclear power is secondary. In the same way as the death sentence on British author Salman Rushdie succeeded in striking fear into thousands of hearts, so will Iran’s

nuclear option serve to torpedo any prospect of peace in the Middle East and keep Europe in line.

Something has to happen to prevent this scenario from becoming a reality. Which brings me back to the final remaining non-military resort in the conflict with Iran: tough sanctions.

Of course, even outside America there are firms that are behaving responsibly, firms about which it could be said that, even if they perhaps don't always engage in "fair trade", they are at least committed to "terror-free trade", firms that have either totally ceased involvement in Iran or reduced their activities to a minimum. Among them are the Swiss banks UBS and Credit Suisse, the oil major BP and Allianz. They no longer want to get their hands dirty.

But then there is the far longer list of firms that want to do business with the jihadists in Tehran, albeit in increasing secrecy, since they wish to keep their partnership with the Iranian regime out of the public eye. Among them are giants like BASF, Henkel, Continental, Bahlsen, Krupp, Linde, Lurgi, Siemens, ZF Friedrichshafen, Mercedes, Volkswagen, Scania, Volvo, MAN, Shell, Total, Hansa Chemie, Hoechst, OMV, Renault and SAS. We should call such firms what they are: profiteers of terrorism.

Tehran is purposely driving on towards nuclear weapons. Time is at a premium. The security environment for the twenty-first century is being decided right now. Tomorrow, will we already be living in the shadow of the Iranian bomb? Or can the international community still stop Ahmadinejad and his regime?

If respect for the victims of the Holocaust still counts for anything in Europe today, then any firm that does business with the antisemitic regime – a regime that promotes suicide terrorism, finances Hezbollah and has explicitly stated its goal of destroying Israel - must be exposed. If Germany's and Austria's civil societies wishes to make good on its claim that it has learned the lessons of history, then pressure must be exerted on their governments until they do what has to be done to prevent the Iranian bomb. If European governments fail to put prompt and massive pressure on Iran and confront it with the alternative of either changing course or suffering

devastating economic blows, all that will remain will be the choice between a bad solution – the military option – and a dreadful one – the Iranian bomb. Germany and Europe must cease to be the silent partners in terrorism. We must put a stop to the international competition to see who can make the dirtiest deal in Iran. We must break with an approach that is leading with businesslike efficiency towards catastrophe.

More about Germany

In 2006, some 20% of all German Hermes export credit guarantees were still being devoted to business with Iran. Today, in 2007, Iran is on the verge of being able to produce enriched uranium on an industrial scale. But Berlin continues to oppose the establishment of an effective sanctions regime by a “coalition of the willing” going beyond the limits of the Security Council resolutions. On the contrary, the German government even intends to grant new Hermes export credit guarantees for trade with Iran. As the Minister for the Economy defiantly announced two weeks ago, the policy will not be changed just “because of new political obstacles. (...) Iran-related export credit guarantees are still available” (*Nachrichten für Außenhandel*, 22 February 2007). Undeterred, the Federal Government’s home page is appealing for German firms to participate in Iranian trade fairs: in April 2007, the “Iran Oil and Gas Show”; in May 2007, the “Iran Food and Bev Tec” Show; in October 2007, the “International Industrial Show”; in November 2007, “Iranplast – The International Plastic and Rubber Show”. For this latter event, the Federal Government website informs us, “the German engineering industry, with a market share of 47% of all imported equipment, is the most important partner”.

More about Austria

Austria has adopted the German approach to Iran, albeit in a less spectacular fashion. In Austria too exports to Iran have been covered by government guarantees. And here too, in 2005, according to the

Österreichische Kontrollbank, Iran comes near the top of the list – in fifth place – of countries benefiting from such guarantees.

Today, in 2007, Iran is on the verge of being able to produce enriched uranium on an industrial scale. But Berlin and Vienna continue to oppose the establishment of an effective sanctions regime by a “coalition of the willing” going beyond the limits of the Security Council resolutions. On the contrary, both governments even intend to grant new Hermes export credit guarantees for trade with Iran. As the semi-official *Nachrichten für den Außenhandel* (News for Foreign Trade) put it just two weeks ago: “There are no recent changes with respect to loan guarantees for German exports to Iran. ... According to the German Minister for Economy ... Iran related export credit guarantees are still available” (22 February 2007). The Österreichische Kontrollbank put out the same message on the very same day: cover for export credits would continue to be available as before.

Austria’s real contribution, however, lies in another sphere. I am not referring here to the 30,000 Glock pistols supplied directly to the regime with official agreement. I am referring to the Nabucco project to build a giant pipeline from the Iranian gas fields to Baumgarten in Lower Austria. The final decision on this project is to be made at the end of this year. If this pipeline is built, the relationship between Europe and the Mullahs would change. In this case Iran’s Islamist regime would become Europe’s new strategic partner.

Austria’s OMV (Oesterreichische Mineralölverwaltung) is heading up the international group of firms which is to carry out the five billion Euro project. The OMV’s Mission Statement proclaims that “we promote open-minded thought and action as well as the observance of universal values”. These words are blatantly contradicted by the statement of OMV’s exploration chief Helmut Langanger, that “Iran would be an ideal partner for us”.

This venture with Iran has a pan-European dimension as well. It was precisely in February 2006, as the Iranian president’s tirades reached their height, that the European Investment Bank decided to put a billion dollars into this project. However, this Bank is an EU body. It gets its capital from

the EU member states. As the EU's financial instrument, it is obliged to pursue the EU's political goals. Does propping up the economy of a regime that publicly hangs young women and men for their sexual relationships count as one of the EU's political goals?

More about Great Britain

British trade with Iran is relatively small in comparison to Germany. Between 2003 and 2005 Germany's export to Iran was about five times larger than exports from British firms. The governmental policies of both countries, however, are quite similar. In Britain, there is a separate government department, the "Export Credits Guarantee Department" or ECGD that reports to the Secretary of State for Trade and Industry and derives its powers from the "Export and Investment Guarantees Act 1991". According to the ECGD's annual list of guarantees the British export credit guarantees for business with Iran rose by a factor of 2,6 - from 30 Million pounds in 2003 to an amazingly 77 Million pounds in 2004.

Is this boosting of business with Iran compatible with the ECGD's declared goal "to ensure its activities with other Government objectives including those on sustainable development, human rights, good governance and trade"? Not at all.

In Britain, the last ECGD annual report of 2006 shows that here the third largest liability was decided in favour of business with Iran.

Today, in 2007, Iran is on the verge of being able to produce enriched uranium on an industrial scale. Nevertheless, the British governmental organisation "UK Trade & Investment", undauntedly beats the drum for more trade with Iran as well: "Iran is one of the most exciting countries in the region for business development, " tells us its website of today. "The main opportunity for UK business is in providing capital and equipment to Iran's priority sectors: Oil, gas and petrochemicals, Mining [and] Power."

My press conferences about Europe and Iran took place in Berlin on March 6, 2007, in Brussels on March 7, 2007, in Vienna on March 8,

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