

Sanctions against Tehran – Why is the European Union Hesitating?

By Matthias Küntzel

“Great Britain isolated!” Numerous German commentators summed up the result of the last EU summit with headlines like this. The German weekly “Die Zeit” even saw the “force” with which Great Britain was “pushed away from continental Europe” as being a sign of a “rebirth” for Europe and “a split ... in the West”. [1]

Here, however, I will not address the debate over the fiscal union, but rather a different “split in the West” and a danger that even the most robust fiscal policies will not be able to eliminate: the risk of an Iranian bomb or the bombing of Iran.

On this, Berlin and London are diametrically opposed as well – albeit in a different constellation: While London’s Iran policy can count on approval from the USA and important EU actors, the Berlin approach towards Iran is more isolated than it may seem on the surface. This is demonstrated in the discussion over Iran’s Central Bank.

Fight over the Central Bank of Iran (CBI)

Today, the sanctioning of Iran’s Central Bank is seen as the key instrument for avoiding war while at the same time halting the regime’s nuclear ambitions. Accordingly, last week the U.S. Congress passed the Iran Threat Reduction Act, which bars foreign banks from operating in the United States if they conduct transactions with the CBI. “This may cause short term difficulties for the world's oil market, and it may rankle some of our allies” explained Congressman Howard Berman, “but it is necessary, because stopping Iran's nuclear program is of paramount strategic importance, and we're running out of time.” [2] Berman’s concern regarding “some of our allies” refers, in particular, to Berlin.

While Great Britain severed all connections with the CBI, and similar calls were made by France and others for freezing the CBI accounts in Europe, Berlin has

taken a different tack: “The Federal Government does not support this demand.” [3] Why?

Because “Germany – ahead of France and Italy – is by far the country with the largest volume of business dealings with Iran”, explained the *Frankfurter Allgemeine Zeitung*. “In the case of much more severe financial sanctions, this business could be threatened.” There are “strong voices within the German Federal Government that don’t want to jeopardize German-Iran business as long as this could then be taken over by companies from other areas like Russia or Asia.” [4]

Of course Berlin also wants to stop Iran from building nuclear weapons. But business takes priority. According to *Spiegel*, Germany’s Minister of Economics and Technology Philipp Rösler is “basically in agreement with using a more severe boycott to address the nuclear threat from Iran, as long as ‘*existing contracts that have been permissible in the past are not unduly affected*’, as officials of his ministry announced.” [5] This is an absurd argument. Germany, however, holds a technological key that could bring Iran’s economy to a standstill: Two thirds of Iranian industrial firms and three quarters of the country’s small and medium enterprises use machinery and equipment of German origin. Therefore, “the Iranians are totally dependent on German spare parts and suppliers”, stated Michael Tockuss, the former President of the German-Iranian Chamber of Industry and Commerce in Tehran. [6] Thus the concept of Western sanctions is threatened by Philipp Rösler’s priorities.

Germany as the “Main Focus” of the Talks

In late October 2011, David Cohen, the United States Treasury Department Under Secretary responsible for the Iran sanctions, travelled to Berlin and other European capitals to convince Europeans of the necessity of CBI sanctions. [7] When the EU foreign ministers discussed the Iran file on November 14th, Germany, “as the leading European exporter to Iran, and the country with the largest historical responsibility for Israel, [was] the main focus of these talks.” [8] There were not, however, any results from this meeting and it was adjourned until December 1, 2011.

In the meantime, pressure has built up on the hesitating states: Germany, as well as Italy, Finland and Sweden. On November 21st, the U.S. President characterized the CBI as a “money laundering concern” and warned against cooperation with it. On the same day, Canada and Great Britain unilaterally severed their ties with the CBI, while France’s Prime Minister Nicolas Sarkozy not only called for a boycott of Iran’s Central Bank, but also a cessation of Iranian oil imports into the EU. [9]

On November 30th, one day after the staged attack on Great Britain's embassy in Tehran, David Cohen returned again to the German chancellor's office to advocate for a boycott on the central bank. "Afterwards, the visitor's message was clear in Berlin: only after all possibilities have been exhausted in terms of sanctions can the worst option be excluded – the military one." [10] On December 1st, the EU foreign ministers continued their talks on Iran.

Kid Gloves following Embassy Attack

At this meeting, the German Federal Government remained resolute and continued to reject CBI sanctions. It did, however, join in the call for a European embargo on oil imports, a measure with fewer impacts on German economic interests. In the first three quarters of 2010, only about 1.8 percent of German oil imports came from Iran. In 2011, this figure fell further to 0.86 percent. [11]

Nevertheless, the second European foreign affairs ministers' meeting also failed to increase pressure on Iran. The Iranian central bank is not even mentioned in the final statement and the decision over an oil embargo has been put off since the tense economic conditions in countries like Greece and Spain allegedly preclude such a step. Now "technical experts" are dealing with this recommendation and the debate has been adjourned until late January, according to Catherine Ashton, the EU's foreign policy chief. [12] A monumental result, indeed! No wonder then that even *Bloomberg.com*, a business-oriented information service, mocked this meeting: "Who would have thought a week in which protesters rampaged through the U.K. Embassy in Tehran would end with Europe going soft on the Iranian regime?" [13]

Nevertheless, the foreign ministers condemned the storming of the British embassy in Tehran and promised to respond with appropriate measures. [14] But on the very same day, German Foreign Minister Westerwelle announced that he was planning to receive Iranian Foreign Minister Ali Akbar Salehi for bilateral talks. [15] The two foreign ministers met in Bonn on December 4, 2011.

The Westerwelle-Salehi talk

While London reacted to the embassy attack by expelling 25 Iranians who were working in Iran's embassy in London, Iran's ambassador in Berlin showed satisfaction with his country's relationship with Germany: "Our ministers talked with one another over the phone. Our foreign minister may come to Bonn for the Afghanistan conference. And Mr. Westerwelle asked for a meeting between the two ministers." [16]

The European Union, however, has banned precisely Ali Akbar Salehi, the current foreign minister, from entrance into the EU, because, as the former head of the Iranian Atomic Energy Organization, he had played a leading role in the development of nuclear weapons. [17] In early 2011, Iranian President Ahmadinejad made him the new foreign minister. For this reason, the EU lifted the travel ban on Salehi in May 2011. Tehran learned how a sanctioned person could be freed of all sanctions: by promoting this person to become a minister. [18]

A meeting with a representative of the Holocaust-denying regime is reason enough to cause some complaint. But there was no complaint heard in Germany.

The situation was further exacerbated by the IAEA report of November 8, 2011 that gave proof of Iranian nuclear weapon's research. Four weeks later, Mr. Westerwelle met with a key figure in this nuclear weapons program acting as if such a report didn't exist at all.

Germany stands alone within the West in practicing this sort of dialog. It signals to the Iranian regime that it has a partner within the EU that undermines the Western efforts to put pressure on the regime. This is certainly no way to impede the Iranian nuclear weapons program.

This was confirmed by Mr. Salehi after the meeting with his German counterpart. "The unity the Europeans have is only superficial", he stated in an interview with the Iranian news agency *Mehr News*. "Each member goes after its own maximal interests ... they have this profiteering approach and with such a rift, such sanctions cannot be imposed." [19]

The question remains how this policy can be reconciled with the German chancellor's pro-Israel declarations. Is there a gulf between the German chancellor's office and the foreign office as far as Iran is concerned? [20] Probably not so much. There has never been such a weakened foreign minister and rarely such a strong Chancellor when it comes to foreign policy. We must therefore suspect that Angela Merkel is in agreement with Germany's Iran policy. After all, the rejection of unilateral action against Iran can be traced back to her.

Coalition of the Unwilling

If the German Federal Government were really focused on "a rapid and robust tightening" of the sanctions, Germany would have long since joined the "coalition of the willing" pushed for by France and Great Britain since 2007. Berlin has repeatedly rejected it. One exception occurred on January 26, 2010.

On this day, and in the company of Israeli President Shimon Peres, the Chancellor declared that Germany is “prepared, along with a group of willing states, to place stricter bans on trade with Iran.” [21]

A trade embargo from a “group of willing states”, for example Germany and Italy, could in fact be decidedly effective. According to statistics from the German Office for Foreign Trade in September 2007, German companies are market leaders in seven of the nine engineering sectors in Iran. Italy leads the list in the final two categories. [22] A core part of Iran’s economy therefore rests in the hands of the Germans and Italians without a Russian or Chinese ability to jump in with spare parts on short notice.

If France joined into this “group of willing states”, pressure on Tehran would be even more immense. After all, in the first eight months of 2011, 64 percent of all European exports to Iran came from these three countries (total value: EUR 6.7 billion). Germany tops this list with export volumes equaling EUR 2 billion – followed by Italy (EUR 1.2 billion) and France (EUR 1.1 billion). [23]

But in February 2010, the Chancellor issued a refusal of all “coalitions of the willing” and declared: “As Europeans, we want to take all steps together.” [24] This, however, corresponds more closely with a “coalition of the unwilling”. Taking all steps together means leaving the speed and the reach of the sanctions up to the least inclined country.

This is where the exemplary character of Great Britain’s new Iran policy rests: it bolstered the unilateral policy variant with its decisive and one-sided CBI boycott. It pressed forward instead of waiting for a consensus from all 27 EU member states and also showed which means would be available to Germany if it really wanted to work to stop Iran from getting the bomb or to avoid the bombing of Iran.

At the moment, the headlines in the European media are dominated by the budgetary deficits of EU member states. Perhaps Berlin will prevail with its concept of a “fiscal union”. It seems to me quite unlikely, however, that Europe under German leadership will accept the Iranian nuclear bomb. The decision over which direction the EU will take is open. It has just been postponed until the end of January.

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- [11] Bundesamt für Wirtschafts- und Ausfuhrkontrolle, Rohölimporte September 2011, auf: <http://www.bafa.de>.
- [12] EU tightens Iran sanctions and mulls oil ban, on: www.reuters.com, December 1, 2011. The corresponding passage from the Foreign Minister’s Decision is phrased as follows: “The Council agreed to broaden existing sanctions by examining, in close coordination with international partners, additional measures including measures, aimed at severely affecting the Iranian financial system, in the transport sector, in the energy sector, measures against the Iranian Revolutionary Guard Corps, as well as in other areas. The Council tasked preparatory Council bodies to further elaborate these measures for adaption, no later than by the next Foreign Affairs Council.” (3130th Foreign Affairs Council meeting, Brussels December 1, 2011, Council conclusions on Iran)
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[20] This impression could have arisen in May 2011, since Angela Merkel was the one who enabled sanctioning of the European-Iranian Trade Bank in Hamburg, thereby stopping the Foreign Office, which had sought to expand the bank’s areas of activity. cf. Matthias Küntzel, Berlin lässt iranische Bank fallen, May 15, 2011, at: <http://www.matthiaskuentzel.de/contents/berlin-laesst-iranische-bank-in-hamburg-fallen> .

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