



# GLOBAL BRITAIN AND THE IRAN NUCLEAR DEAL

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Brexit is increasingly casting uncertainty over Britain's new international role. Since 1945, the foreign policy of the UK has leaned either towards greater integration with the EU or fostering the special transatlantic relationship with the US. In theory, the June 2016 vote, marking Britain's permanent decision to leave the EU, encourages the UK to develop an even deeper economic and political synergy with the other side of the Atlantic. However, interestingly, in the wake of US President Donald Trump's decision to decertify the Joint Comprehensive Plan of Action (JCPOA), the UK government firmly sided with the EU's main economies (Germany and France), and opposed the US decision. Britain is attempting to save the agreement with Iran.

## THE ORIGINAL LOBBYING

Even before obtaining any position in the UK Government, Jack Straw was the staunchest supporter of British engagement with the Islamic Republic of Iran. As UK Foreign Secretary, serving during one of Tony Blair's governments (2001-2006), Straw lobbied with people in government and businesses to increase Britain's economic and political engagement with the Islamic Republic. The sanctions relief provided by the JCPOA helped him make a strong case for opportunities in Iran's largely unexplored market, with British construction companies keen to exploit Iran's critical need for infrastructure refurbishment and British Petroleum (BP) increasingly purchasing oil and gas from the National Iranian Oil Company (NIOC); the state-backed oil giant. Straw is one of the main political voices of an influential business community, grouped around the British Iranian Chamber of Commerce (BICC) led by former Conservative MP, Lord Norman Lamont of Lerwick. The pro-Iran stance of both Labour's Straw and Conservative Lord Lamont reveals the bi-partisan support to the development of a solid business relationship with Iran which commenced with the creation of the BICC

in 1988, when Margaret Thatcher resided in Number 10, continued during the Blair era and still influences British foreign policy decision making until now.

### **TEHRAN'S STRATEGY**

Iran needs to attract investments from major foreign firms in order to develop its gas industry and the extraction capabilities needed to increase output, exports and, thus, revenues. To that end, Tehran has been salivating for investments from France's Total and BP. British companies have also expanded their interests to other areas of Iran's energy sector to include investments in renewable energies. The UK firm, Quercus, has entered the Iranian solar energy market with a commitment to invest more than €600 million into what will be, once completed, one of the largest solar plants in the world. The firm's investment into a 600MW solar photovoltaic plant in the central region of Iran constitutes one of the largest single investments in the country's energy sector by a UK firm since the lifting of international sanctions, and the first investment by Quercus outside of the EU.

However, Quercus is the exception that proves the rule. The impact of the lifting of sanctions against Iran on the British economy has been overstated. For example, the BICC suggested that Iranian investments could provide a much-needed stimulus to London's luxury property market. However, research conducted by Ronald Fletcher Baker LLP demonstrated that this expectation cannot materialise due to a major obstacle for Iranian Investors: the transfer of funds from Iran to the UK for purchases is prevented by limitations imposed on Iran's Revolutionary Guards Corp (IRGC) to operate freely in Britain's market and by the absence of a framework which would allow British-Iranian banking cooperation.

### **COLLIDING WITH GLOBAL BRITAIN**

Most importantly, the BICC-led effort, promoting cross investments between Iran and Britain, collides with the project of the UK government's post-Brexit trade policy of focusing on those areas of the world in which Britain played a pivotal role in the past. Such areas include the Arab Gulf countries, where Britain was the key international player, particularly until the 1970s. Since the Brexit vote the UK Foreign Secretary, Boris Johnson, has visited several Arab Gulf states, at least once, to reaffirm Britain's interest of enhancing cooperation with countries in the region and maintain the long standing legacy of mutual friendship with its historical local allies such as Bahrain and Kuwait.

Following its departure from the world's largest trade bloc, the EU, Britain is widely expected to look for reliable alternative commercial partners to make up for its losses. Although the BICC considers Iran one of the best opportuni-

ties in terms of emerging markets, Britain's increased political and economic engagement with the Islamic Republic is particularly problematic as it endangers the UK's potential to develop even tighter commercial relations with key UK allies such as Saudi Arabia and the US, which are both hostile to the regime in Tehran. Notably, the threat of US secondary sanctions, targeting European companies doing business in Iran, is causing important EU companies, such as Total, to re-think their investment plans in the country, in order not to be excluded from the far more profitable US market. Such secondary sanctions could potentially have an even greater impact on British firms as the UK is expected to face severe financial turbulences from 2019, when it officially leaves the EU.

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We at the Euro-Gulf Information Centre (EGIC), will continue to monitor and assess the changing relations between Europe and the Arab Gulf since the US decision to withdraw from the JCPOA. British-Iranian engagement is certainly fruitful for Tehran as the government seeks to maintain the highest possible level of JCPOA-related investments. On the other hand, London, already facing initial post-Brexit turbulence, might find it increasingly difficult to maintain its commitments in Iran while further developing its special relationship with the US.