

The Berlin-Dubai-Tehran Axis

The German-Emirati Joint Council for Industry & Commerce seeks new business in Iran even as Merkel promises additional sanctions.

By MATTHIAS KÜNTZEL

Although Iranian President Mahmoud Ahmadinejad ordered the increase of uranium enrichment to 20%—bringing Tehran much closer to weapons-grade nuclear material—China still opposes new United Nations sanctions. The responsibility for stopping the Iranian bomb thus rests with a "coalition of the willing." The attitude of Germany—Iran's most important Western trading partner—will be critical to the success of such a coalition. But while the recent announcement by Siemens and Munich Re to exit the Iranian market have garnered headlines, hundreds of German manufacturers remain determined to continue doing business as usual with Tehran.

Much of that business goes undetected via Dubai. Iran's Mullahs use the United Arab Emirates as a back door through which to funnel goods that cannot be brought in through the front door because of existing sanctions. The role of the German-Emirati Joint Council for Industry & Commerce, founded only last year, on May 20, raises serious questions about the German government's commitment to meaningful sanctions.

Karl-Theodor zu Guttenberg, the German economics minister at the time (who has since become defense minister), considered the Joint Council so important that he took time from his busy schedule to attend the founding festivities. Partly financed by German taxpayers, the council announced just a few months ago, on Nov. 5., the formation of an "Iran Working Group" to assess "how new trade and investment flows can be created—including [for] German companies—using the United Arab Emirates as a gateway to the Iranian market."

This state-funded institution thus directly contradicts official German government policies. Berlin publicly says it wants to deter or dissuade German firms from doing business with Iran. Chancellor Angela Merkel even declared in November 2007 that "We have to do all we can to ensure that trade routes do not simply take a diversion to get to Iran." But this is precisely what the Iran Working Group is trying to facilitate under the authority of the German economics ministry. Has the Chancellor been informed?

Dubai is in fact already the "gateway to the Iranian market"—and not only for German companies. The tiny emirate is considered to be the hub for much of the world's illegal trade with Iran. Virtually nothing is produced in Dubai and yet, its activities have somehow catapulted the UAE to the top of the list of countries exporting to Iran

in 2009. An astounding 80% of all Emirati imports are re-exported, one-quarter of which goes to Iran via Dubai.

Some 8,000 Iranian firms and 1,200 Iranian trading companies are registered in the emirate. Every week, about 300 flights shuttle between Dubai and Iran. Dubai has one of the world's largest artificial harbors, Jebel Ali, a mere 100 miles away from the Iranian container port of Bandar Abbas. Between 2005 and 2009, the value of goods exported from Dubai to Iran tripled, reaching \$12 billion. In 2008, total German exports to the UAE reached \$11 billion, an increase of 40% over the previous year. In the vehicle construction and mechanical engineering sectors, exports rose by more than 60%. The desire of the German-Emirati Joint Council to open the "gateway to Iran" even wider is therefore rather worrisome.

On Nov. 17, 2009, the Joint Council's Iran Working Group met at Dubai's Monarch Hotel. The minutes of the meeting, which I have before me, describe the proceedings and the mood of the 15 participants. There were many complaints about the obstacles the U.S. has created to prevent them from doing business with Iran. At the same time, the working group members encouraged one another with statements like "Iranians have always respected and appreciated German products" or Iran is like a "sleeping giant."

The document notes that "Iranian residents are ready for business," urging members "to establish relationships, calculate risks, and use the Iranian presence here in Dubai." This needs "to be done very tactfully due to the sensitivity of the subject," warns the council's managing director, Peter Göpfrich.

The founding of the Iran Working Group only three months ago is not just of anecdotal interest. With a crucial round of international sanctions negotiations upcoming, the German government has a choice to make. It can feign seriousness about sanctions in order to impress the Israelis and Americans and discourage them from taking further action, or it can put real pressure on Tehran in order to prevent the Iranian bomb.

Let's hope it's the latter. If Berlin's assurances are sincere, then it must close this "gateway to the Iranian market." This means as a first step bringing about the end of the Iran Working Group and the dismissal of the executive officers of the semi-governmental German-Emirati Joint Council for Industry & Commerce. Unless this happens, Mrs. Merkel's assurances to be counted among the "coalition of the willing" mean nothing.

Mr. Küntzel is author of "The Germans and Iran: The Past and Present of a Fateful Friendship." (Wolf Jobst Siedler, 2009). John Rosenthal translated this article from the German.