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Focus

PRISONER SWAP
PUTS REPS IN
A TOUGH SPOT

By Kathleen Hennessey

Iran's release of five Americans gives President Barack Obama the opportunity to deliver a harsh reminder to the Republicans wanting to succeed him: You can promise to pull back the hand I've extended to Iran and Cuba - nations the US once cut off - but it won't be easy and it may be lonely. As Republican candidates vow to rewind Obama's rapprochements on their first day in office, many US allies and business interests have pressed forward with outreach to Iran. The next president may find Iran has established itself as world player, a useful diplomatic power broker and a potential market for US businesses.

Vowing to isolate Tehran may only isolate the US from many of its allies. Similarly, in Cuba, where Obama reversed decades of Cold War policy, American businesses are eyeing a new market while US tourism is on the rise. Reversing the tide may prove as difficult as un-ringing a bell. "It's easy to reverse the policies, it's hard not to be isolated in the process," said Jon Alterman, Middle East analyst at the Center for Strategic and International Studies. "Can you force the rest of the world to see things the way you do? That's a big question."

The diplomacy with Iran after decades of a divide fulfills Obama's first inaugural promise "to extend a hand if you are willing to unclench your fist." But Republicans argue Obama reached out well before Tehran eased its grip. Its missile program has violated existing UN prohibitions, it supports terrorist groups and it has remained a key ally of Syrian President Bashar Al-Assad, they say.

But Saturday was a clear reminder of the forces working against the Republican contenders in Iran. The release of Americans - four of them negotiated as a prisoner swap alongside nuclear talks and one worked out separately - removed a key argument that the US should not lift sanctions while Americans are being held. Meanwhile, the US and other Western nations declared Iran had kept up its end of the landmark nuclear agreement completed last summer, triggering the removal of the billions of dollars in economic sanctions and beginning to open up the gates for international businesses. "Today marks the first day of a safer world," Secretary of State John Kerry said.

'Propaganda'

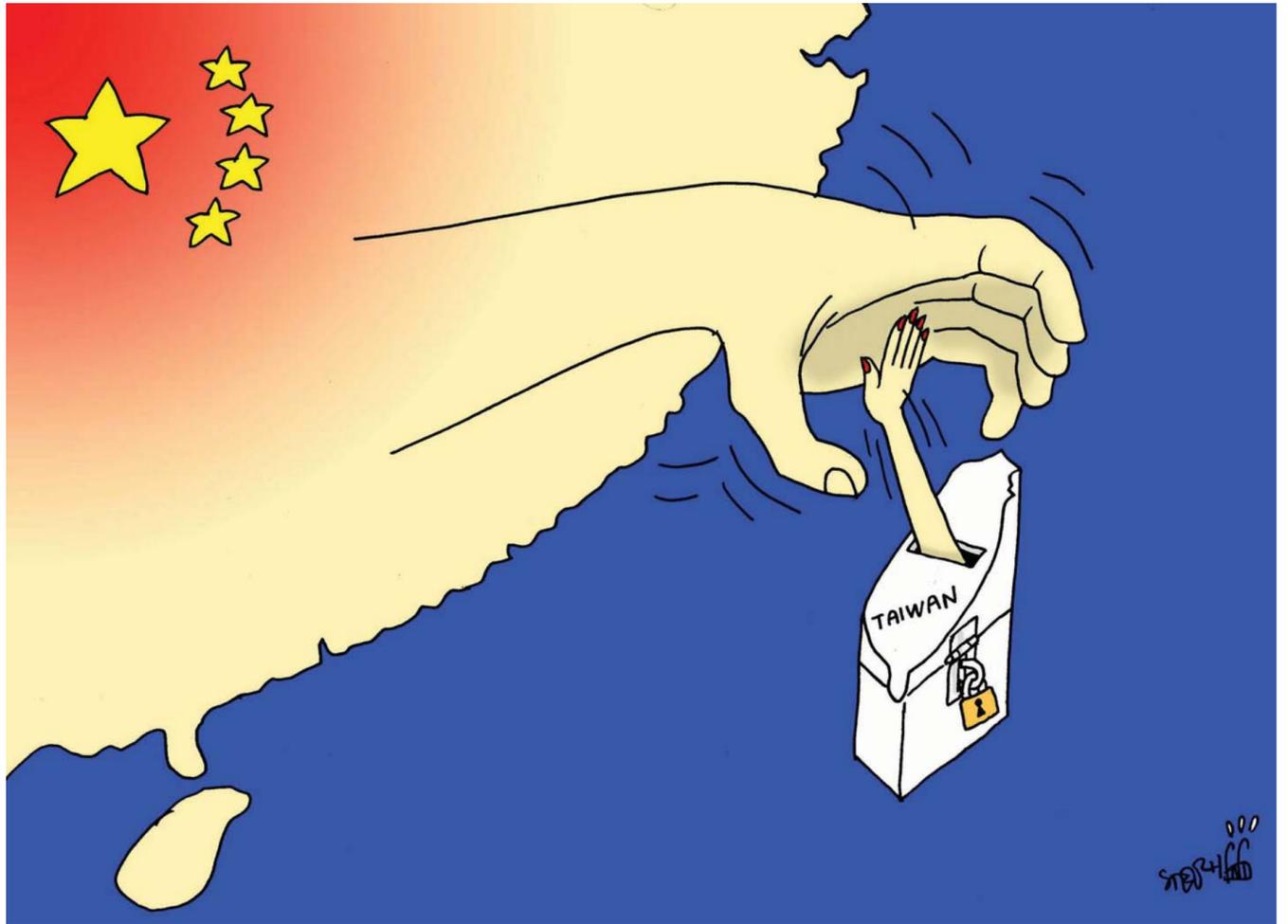
Republicans did not see the moment of an achievement. While they gently praised the return of the Americans, they blasted the release of Iranian prisoners by the US as part of the swap. "While we celebrate their return," Texas Sen Ted Cruz said of the released Americans, "this deal serves as piece of propaganda for both Iran and the Obama administration." Cruz reprised his promise to "rip to shreds this catastrophic Iran nuclear deal."

Former Florida Gov Jeb Bush said he saw "weakness" in the Obama administration's dealings with Iran. "Let's take a step back here," Bush told a town hall meeting in New Hampshire. "The bigger issue is that we've legitimized a regime who shows no interest in actually moving toward the so-called community of nations." In truth, the US has not been alone in shifting its pose toward Iran, which is part of what would make undoing it difficult. The nuclear deal was negotiated alongside France, Britain, Germany, Russia and China, a coalition that managed to hang together through lengthy discussions and difficult domestic politics. Since then, Iran has joined in international talks seeking an end to the Syrian civil war. White House officials say they see those talks as a test of whether other conversations are possible.

Some Republicans have acknowledged it may be difficult to cut off these ties. Bush has said "maybe we should check with our allies" before shredding the deal. Donald Trump, playing up his skills as a boardroom broker, has suggested he would renegotiate the nuclear deal. But others, including Marco Rubio and Cruz, have put tearing up the deal on their Day 1 to-do list. What would happen on Day 2 is unclear. In a global economy, imposing unilateral US sanctions would have limited impact on Iran and could serve to disadvantage US businesses. Iran has suggested businesses are waiting at the gates to engage - indeed, the transport minister on Saturday announced a deal with the European consortium Airbus to buy 114 passenger planes after sanctions are lifted.

Rubio has warned US businesses not to "gamble" on Iran, saying Tehran will inevitably violate the agreement, and if he's in the White House he'll ensure a harsh punishment. He's made similar warnings about Cuba, cautioning US companies that doing business under the current leadership would be difficult and expensive. Cuban officials have raised concerns about the Republicans' promises to backtrack, saying that casts uncertainty over negotiations. But there's little sign that the GOP rhetoric on Iran is slowing down Tehran's increasing role as a player on the world stage. —AP

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DEAL MARKS US-IRAN THAW, BUT SAUDIS SULK

By Dave Clark and Nicolas Revise

The implementation of the Iran nuclear deal marked a major step forward in Washington's cautious rapprochement with Iran, but will further strain ties with Saudi Arabia. While President Barack Obama's government insists its goal was simply to halt the spread of atomic weapons, experts detect an effort to bring a new balance to its Middle East relationships. That bore fruit this week with the quick release of 10 US sailors captured in the Gulf by Iranian forces, the freeing of five US prisoners in Iran and the formal implementation of the accord.

But, inevitably, with Tehran and Riyadh daggers drawn, the thaw in ties with Shiite powerhouse Iran can only feed paranoia in the Sunni Gulf monarchies, traditionally close US allies. "One of Obama's visions for this region, at least in the Gulf, is equilibrium. He uses that phrase a lot," said Frederic Wehrey of the Carnegie Endowment for International Peace.

'Equilibrium Shattered'

Beyond ongoing wars in Syria and Yemen, where Saudi-backed forces are fighting Iran-backed forces, broader regional peace can only come when if the two build a working relationship. But, whatever Washington's ambitions, the rival powers are far from that. In fact, the US outreach to Iran over the nuclear deal has only served to make Saudi Arabia more anxious. At the New Year, Riyadh executed a Shiite cleric for sedition, provoking protests in Iran that led to the sacking of the Saudi embassy and a breakdown in diplomatic relations.

Wehrey said Obama had hoped that if the rivals could, "if not reach some detente or rapprochement, at least be balanced and to sort of get along" then US focus could turn to Asia. "Of course that ambition of equilibrium has been shattered," the Oxford University academic added. Experts predict that after the dust settles following implementation of the Iran deal, Obama will arrange a visit to the Arabian peninsula to mollify skeptical Saudi and Emirati leaders.

And Secretary of State John Kerry preempted the signature by flying to London on Thursday for talks with the angry Saudi foreign minister, Adel Al-Jubeir. Jubeir, a former ambassador to Washington, is used to getting a sympathetic

hearing from his ally, but Kerry made it clear going in to the meeting that there were issues to discuss. Kerry did not say so, but officials in Washington have made it clear that the administration was dismayed by Sheikh Nimr Al-Nimr's execution, which dramatically worsened the crisis. "The United States will stand with our allies and friends in the region, and we do. But we also want to see diplomacy work," Kerry told reporters ahead of the talks.

'Destruction'

For his part, Jubeir was keen to remind Kerry how Saudi Arabia had worked closely with its US partner in the past, and had tough words for the Iranian leadership Kerry is courting. Asked whether he was worried the windfall that Iran is about to enjoy as trade sanctions are lifted, Jubeir told Sky News: "Every country in the world is worried about this." "Iran's record has been one of war and destruction, terrorism, destabilization, interference in the affairs of other countries," he insisted, speaking after talking with Kerry.

Last week, Jubeir could be forgiven for seeking to underline what he sees as the Iranian threat to America: Iranian forces seized two boatloads of US sailors in the Gulf. Instead, the sailors were released within 16 hours and the State Department chalked up the resolution of the crisis to Kerry's relationship with Iran's foreign minister. Many in Washington, never mind Riyadh, are furious - alleging that the White House is soft-pedaling Iranian provocations to protect the Iran nuclear deal, despite the loss of face.

Junior Partner

"In my opinion what's paramount for Obama is to protect the Iran deal," said Karim Sadjadpour, Iran expert and another senior associate of the Carnegie Endowment. "You could argue it's not only the top of his agenda for the Middle East but arguably what his administration believes to be the crowning foreign policy achievement." Before Iran's Islamic revolution, former US presidents like Richard Nixon had a two-pillar strategy of maintaining ties with both the Shah's Iran and Saudi Arabia. After the United States cut its own ties with Tehran in 1979 in the wake of the embassy hostage drama, Riyadh became the preferred partner, and with the oil boom a rich one. —AFP

SANCTIONS GO, BUT DOUBTS
IN IRAN ABOUT BETTER TIMES

By Ali Noorani

Mohammad Ehsani has just about had enough. A trader in Tehran's ancient Grand Bazaar, he doesn't think the lifting of international sanctions on Iran will benefit him at all. "Business will become even worse," he said, as one of his few customers haggled for a \$2 towel to be sold even cheaper. His frustration obvious, Ehsani surrendered, selling the item at a barely breakeven price. To him, an opening up of Iran's economy after the nuclear deal with the West spells disaster. "It will take a couple of years and a lot of local companies will go bankrupt during the transition," he said, complaining of taxes of \$7,000 a year, against sales of around \$100 a day. "Customers will seek foreign brands. Domestic goods don't have a chance. I plan to quit."

Nuclear-related sanctions on Iran were lifted Saturday in Vienna, after UN inspectors said the Islamic republic had met commitments given under a deal last July to scale back its atomic program. With 79 million people, Iran's economy has much potential if it becomes more accessible, as promised by President Hassan Rouhani, a moderate elected in 2013 on a pledge to end the nuclear crisis. The United Nations first imposed economic sanctions in 2006 after Iran was suspected of trying to develop an atomic bomb under the guise of civilian energy production, something it has always denied.

'Doesn't Mean Anything'

Not only did sanctions bar many companies it also stifled those who did business from operating freely. In 2012, the United States and the European Union ratcheted up the pressure, slapping punitive measures on Iran's energy and banking sectors. Re-admission to the SWIFT system of international transactions is likely to be transformational for liquidity - being shut out caused the economy to tank as cash dried up. But talk of a boom - foreign business delegations, particularly from Europe, surged after July's final nuclear deal - seems a world away to Ehsan Ahmadi, a 30-year-old salesman, browsing in the bazaar. "Removing sanctions will only benefit the government," he said. "It doesn't

mean anything to us. It's the people who feel the pain because prices will never go back to what they were."

Inflation has been slashed to 13 percent during Rouhani's presidency. It hit more than 40 percent under his hardline predecessor Mahmoud Ahmadinejad, eroding people's savings and spending power. But the possibilities remain vast, according to Faranak Asgari, chief executive of tourism business Tolran.com, which is aiming to cash in on an influx of foreign travellers. "This is the best news Iran has had in 37 years," she said, a reference to the Islamic revolution of 1979, which ushered in clerical rule and a changed political and business environment. "Right now we have very low international investment. It may take a few years but it brings great opportunities for a large untapped market like ours. It will help the people economically," she said.

'They are Terrorists'

The lifting of sanctions, the main reason Iran's supreme leader Ayatollah Ali Khamenei backed Rouhani's government in the nuclear talks, could also mark a psychological shift among sceptical foreigners. "When under sanctions people think they are terrorists," Asgari said of some perceptions of Iran. "The world is afraid. Sanctions are not just economic. They also intimidate people." Deep problems, however, must be addressed. Iran needs billions of dollars of investment. Plummeting oil prices - gross domestic product fell to \$415 billion in 2014 from \$576 billion in 2011 - has led Rouhani to seek a less oil-based economy. Only 25 percent of next year's budget is forecast to come from selling crude.

But last November the government outlined 50 oil and gas projects, inviting international oil and gas companies to invest \$25 billion under improved contractual terms. Other industries in need of Western technology and modernization, such as aviation, auto production and tourism, are expected to make similar offers. A Western diplomat based in Brussels insisted the nuclear deal was a security decision and not business based, yet it aimed to ensure there are no legal barriers to investing in Iran. "But we have to be realistic, and not expect that on the first day everything will be smooth," he said. —AFP

DEAL WIN MAY BE SHORT-LIVED FOR ROUHANI

By Arthur Macmillan

It is the hard-fought central pillar of his presidency, an election pledge delivered, but Hassan Rouhani may yet find it difficult to capitalize on Iran's nuclear deal with world powers. The agreement, finally implemented Saturday in Vienna, consumed Rouhani's first two-and-a-half years in office but it will lift sanctions that had crippled Iran's economy. Having ended the 12-year international crisis over Iran's nuclear program, Rouhani wants to bolster his position at home, where Iranians want to see concrete economic improvements.

If candidates aligned with the moderate president make gains in parliamentary elections on February 26 they could shift the balance of power away from conservatives, allowing him to enact some social and political reforms. In Rouhani's favor is a high approval rating - more than 60 percent, analysts say - but his fate remains tied to the nuclear deal. A win for a Republican in November's US presidential election could see the agreement fall apart.

"If sanctions are removed with no problems, Rouhani will benefit as he will be seen as a good politician who kept his promise," Foad Izadi, a politics professor at Tehran University, told AFP. "But if what is happening in Congress continues, and the deal unravels without positive results, Iranians will reconsider what Rouhani did. They will be able to ask him: what happened?" Only in the United States have politicians spoken of ripping up the agreement. The other five powers involved - Britain, China, France, Russia and Germany - remain squarely behind it.

Republican in the White House?

The Republican-majority House of Representatives has proposed a bill that would bar President Barack Obama from lifting some sanctions. Although Obama can veto the measure, it shows the potential pitfalls for the nuclear deal - no Republican candidate running for president has pledged to keep it. Rouhani, facing a re-election race in

June 2017, remains exposed to such a shock. "Many Republicans were against the Iran talks from the beginning," Izadi said. "If they get their way Rouhani may not get a second term as president."

Such a result would be a first since the Islamic republic's formation in 1979. Rouhani is its seventh president. The first one fled and the second was assassinated, but the four who preceded him each served two consecutive four-year terms. Amir Mohebbian, a moderate conservative political analyst and strategist close to Foreign Minister Mohammad Javad Zarif, said Rouhani's government remains vulnerable to public opinion.

Managing People's Perceptions

The biggest potential weakness is that Iran's president has offered hope of better times yet the economy is flat. Rouhani has managed to cut inflation to 13 percent from above 40 percent under his hardline predecessor Mahmoud Ahmadinejad, but growth remains weak. Iran's currency, the rial, has lost ground against the dollar since the nuclear deal was struck on July 14 last year. And income from oil sales has plummeted because of the falling price of crude. "Ordinary people's short term memories are awake. They still see the situation as worse

than before. They need to see a positive," Mohebbian said.

And if Rouhani cannot exploit the nuclear deal's benefits his opponents may be able to use it against him. "If I was him I would let the population know that after the nuclear agreement the economic situation will be better," Mohebbian said. "If people are disappointed now it shows Rouhani does not look at this closely enough. Without good perception management maybe he will be the first president in Iran to serve one term only."

Rouhani's supreme leader, Ayatollah Ali Khamenei, had the final word on the nuclear agreement, backing Rouhani because he wanted sanctions to end. But Khamenei said in October that any new sanctions - even Obama's White House has threatened penalties over Iran's ballistic missile program last month - could constitute a breach.

Ellie Geranmayeh, an Iran specialist at the European Council on Foreign Relations, said getting the deal implemented is "perhaps a bigger victory" for Iran's president than the original agreement. "It was important for Rouhani that sanctions be lifted before the elections, even if the tangible impact in the next month is nominal," she said, agreeing that the vote's outcome remains unpredictable.

But Rouhani and his allies can push the nuclear deal as a solid victory, which also saw seven Iranians jailed in America exchanged for four dual citizens held in Tehran in an apparent goodwill gesture. "He has proved both domestically and to the West that he can deliver," Geranmayeh said, allowing him "to contrast his pragmatic diplomacy" against Ahmadinejad's antagonism. "He will ask the people who served Iran's national interests better?" Geranmayeh added of Rouhani. —AFP

