



Center for Iranian Studies in Ankara

# GERMAN-IRANIAN ECONOMIC RELATIONS UNDER THE SHADOW OF THE U.S. SANCTIONS

Christian Lekon





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# IRAM

Center for Iranian Studies in Ankara

## German-Iranian Economic Relations Under the Shadow of the U.S. Sanctions

ABD Yaptırımlarının Gölgesinde  
Almanya-İran Ekonomik İlişkileri

روابط اقتصادی آلمان و ایران در سایه تحریمهای آمریکا

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## SUMMARY

- Germany's strong role in selling technology products to Iran has a long tradition.
- After the JCPOA, there were high expectations of lucrative markets for German firms, particularly in high tech industries.
- After the US withdrawal from JCPOA, and announcements about new sanctions, German-Iran trade volume declined drastically.
- US Ambassador to Germany, Richard Grenell plays pivotal role in pushing German firms to abandon Iran.
- INSTEX mechanism seems to play only minor role in alleviating sanction-related barriers.

**Keywords:** Germany, Iran, JCPOA, Sanctions, Trade, INSTEX

## ÖZET

- Almanya'nın teknolojik ürün ihracatı ile ilgili İran'daki varlığı oldukça gerilere gitmek-tedir.
- Nükleer Anlaşma (KOEP) sonrasında İran pazarının sunduğu yüksek karlılık birçok Alman firmasını cezbetmiştir.
- ABD'nin nükleer anlaşmadan ayrılması sonrasında uygulanmaya konulan yaptırımlar ve ABD'nin buna ilave olarak ihdas ettiği yaptırımlar Almanya-İran ticaretinin drama-tik bir şekilde azalmasına neden olmuştur.
- ABD'nin Almanya'daki büyükelçisi Richard Grenell'in yaptırımların uygulanması konusunda ortaya koyduğu aktif diplomatik çabalar Alman firmalarının İran pazarından ayrılmalarında oldukça etkili oldu.
- İran'a uygulanan yaptırımların etkinliğini azaltmak için kurulan INSTEX mekanizmasının etkilerinin son derece sınırlı olacağı öngörülmektedir.

**Anahtar Kelimeler:** Almanya, İran, KOEP, Yaptırımlar, Ticaret, INSTEX

## چکیده

- آلمان از دیرباز نقش مهمی بعنوان صادرکننده محصولات تکنولوژیک به ایران داشته است.
- پس از انعقاد قرارداد هسته ای انتظار می رفت که ایران به بازاری جذاب برای شرکت های آلمانی، به ویژه در صنایع با تکنولوژی بالا تبدیل شود.
- پس از خروج ایالات متحده از برجام و اعمال تحریمهای جدید علیه ایران، حجم مبادلات تجاری میان آلمان و ایران به شدت کاهش یافت.
- ریچارد گرینل ، سفیر ایالات متحده در آلمان، نقش مهمی در اعمال فشار به شرکت های آلمانی برای ترک ایران ایفا کرده است.
- به نظر می رسد سازوکار ویژه مالی اروپا برای تجارت با ایران (اینستکس) تنها نقشی جزئی را در کاهش موانع مربوط به تحریم ها بازی کند.

**کلید واژه ها:** آلمان، ایران، برجام، تحریمها، تجارت، اینستکس

## Introduction

The brief hopes of a new boom for Germany's business with Iran have been rudely shattered by the emergence of renewed US sanctions against Teheran. Notwithstanding the indications of a long-term decline in American dominance, the collapse of German aspirations to fully recapture the Iranian market also reflects the continuing US hegemony within the global system. Facing the contradictory aims to keep up a working relationship with Iran and to humor the USA, German interests in Iran find themselves in a no-win situation. Based upon journalistic sources, this paper provides brief overviews of the history of German-Iranian economic relations and of the contemporary pattern of German-Iranian trade, followed by discussions of the impact of the new round of American sanctions against Iran upon that trade as well as of the US pressure to bring Germany into line with respect to Iran.

## 1. German Iranian Economic Relations from the Qajar Dynasty to the Islamic Republic

Germany's strong role in selling technology products to Iran has a long tradition. It started in 1868, when one of the founders of the electronics company Siemens visited Iran (then still known as Persia in Western languages) for negotiations about the building of telegraph lines. Five years later, Iran's ruler Nasir ad-Din of the Qajar Dynasty (1796-1925) visited Berlin, capital of the recently founded German Empire. In 1885, Iran set up a permanent diplomatic representation in the German capital. German-Ira-

nian relations continued and intensified under the Pahlavi Dynasty (1925-1979). When the Iranian central bank was established in 1928, its first director was a German banker. After the interruption of World War II, West Germany and Iran re-established diplomatic relations in 1952. The 1960s and 1970s turned out to be the golden era of German-Iranian economic relations, as West Germany provided about 30% of the infrastructure needed for Iran's ambitious industrialization drive; machines and other appliances made in Germany were especially prominent in the sugar and textile manufacturing, mining, transport and electrification sectors. Thus, by the time of the Islamic Revolution of 1979, West Germany was with a market share of about 20% Iran's leading supplier of imports.<sup>1</sup> In turn, Iran was West Germany's second-most important non-European export market.<sup>2</sup>

Although West Germany remained Iran's most important trade partner after the revolution, the overall amount of mutual trade declined. Furthermore, projects concerning nuclear cooperation and for German companies building a metro system for Teheran were put on ice. Politically, the two countries also entered a stormier period, even though in 1984 West German foreign minister Genscher made the first visit to Iran by a Western top-level diplomat. But 1984 was also the year of the Rushdie affair, and Iran's relation with Germany (recently unified) further soured due to the Mykonos affair in 1992 when the Iranian secret service

<sup>1</sup> Koovoshy, Javad (25 December 2018). *Deutsch-iranische Wirtschaftsbeziehungen: Im Schatten der Globalisierung*. *Iran Journal*. <http://iranjournal.org/wirtschaft/deutsch-iranische-wirtschaftsbeziehungen> (accessed 23 June 2019)

<sup>2</sup> *Die Welt* (26 May 2019). *Iran-Geschäft bricht ein: Deutsche Firmen fliehen wegen US-Sanktionen*. [www.welt.de/wirtschaft/article194196223/Iran-Geschaefft-bricht-ein-Deutsche-Firmen-fliehen-wegen-US-Sanktionen.html](http://www.welt.de/wirtschaft/article194196223/Iran-Geschaefft-bricht-ein-Deutsche-Firmen-fliehen-wegen-US-Sanktionen.html) (accessed 23 June 2019)

assassinated several opposition politicians in a Berlin restaurant. Finally, Iran's atomic program fueled tensions with the West, leading to a bout of international sanctions.<sup>3</sup>

The impact of these sanctions can be seen from the Table below. Between 2010 and 2013, annual German exports to Iran fell by about one half; in the case of German import from Iran, the decline was with two-thirds even more drastic. In the following years, the volumes picked up slightly but still remained at a low level if compared to the mid- to late 2000s.

**Table 1: German Trade with Iran in Billion Euro, 2006 – 2015**

Year	Exports	Imports
2006	4,15	0,41
2007	3,6	0,58
2008	3,92	0,59
2009	3,78	0,54
2010	3,79	0,92
2011	3,08	0,79
2012	2,52	0,34
2013	1,84	0,27
2014	2,38	0,3
2015	2,05	0,33

**Source:** J. Rudnicka, 'Wert der deutschen Importe aus dem und Exporte in den Iran von 2006 bis 2018 (in Milliarden Euro)', *Statista*, 26 February 2019, <https://de.statista.com/statistik/daten/studie/386316/umfrage/aussenhandel-zwischen-deutschland-und-iran> (accessed 28 June 2019).

After the nuclear deal and the removal of most sanctions in 2015-16, there were initially high expectations of a lucrative market for German firms: Iran possessed substantial in-

<sup>3</sup> Koovoshy. Deutsch-Iranische Wirtschaftsbeziehungen. op. cit.

dustrial and health sectors which, after years of sanctions, were in dire need of investments and state-of-the arts technologies.<sup>4</sup> Furthermore, there was also the hope that improved trade relations might usher in long-term political change in Iran.<sup>5</sup> Just like Genscher more than two decades earlier, Germany's economics minister Gabriel was the first Western top politician to visit Iran after the apparent end of the nuclear dispute. He was duly followed by other German ministers, both from the federal and the provincial level.<sup>6</sup> As can be seen from the data below, German-Iranian trade indeed picked up in the following years but still failed to reach the levels of the 2000s. Furthermore, by now China had replaced Germany as Iran's most important trade partner.<sup>7</sup> German machine builders did best, with their sales in Iran in 2018 being double the amount of 2015.<sup>8</sup>

**Table 2: German trade with Iran in Billion Euro, 2015 – 2018**

Year	Exports	Imports
2015	2,05	0,33
2016	2,57	0,31
2017	2,97	0,41
2018	2,71	0,44

**Source:** Dierig, 'Schlechter', op. cit.; Schneider and Bidder, 'Deutsche Firmen', op. cit.

<sup>4</sup> Dierig, Carsten (26 June 2019). Schlechter als jetzt kann der Handel mit dem Iran kaum laufen. *Die Welt*. <https://www.welt.de/wirtschaft/article195908685/US-Sanktionen-gegen-Iran-lassen-die-deutsche-Wirtschaft-kalt.html> (accessed 28 June 2019)

<sup>5</sup> Klein, Rahel (9 May 2019). Deutschland und Iran: Durch gute und schlechte Zeiten, *Deutsche Welle*. <http://www.dw.com/de/deutschland-und-iran-durch-gute-und-schlechte-zeiten/a-48676496> (accessed 23 June 2019)

<sup>6</sup> Klein (5 January 2018). Deutschland und Iran. op. cit.; Schneider, Anna-Sophie - Bidder, Benjamin (5 January 2018). Deutsch Firmen in Iran: Boom, wo bist du?', *Der Spiegel*. <http://www.spiegel.de/wirtschaft/unternehmen/iran-die-grossen-hoffnungen-der-deutschen-wirtschaft-zerplatzen-a-11866183.html> (accessed 26 June 2019).

<sup>7</sup> Koovoshy. Deutsch-iranische Wirtschaftsbeziehungen. op. cit.; Schneider and Bidder. Deutsche Firmen. op.

<sup>8</sup> Dierig. Schlechter. op. cit.

There were several factors behind this otherwise rather disappointing development: First, the hegemonic power. Trump's victory in the US Presidential elections of 2016 followed closely upon the heels of the lifting of most sanction in the same year. There was - not without reason, as it turned out - the fear that the USA would reactivate their sanctions against Iran. Furthermore, US sanctions concerning the financial sector still remained in place. The two big German banks, i.e. Commerzbank and Deutsche Bank, having previously burned their hands when they faced penalties in the USA for having violated the American sanctions, were not willing to provide financial services and credits for German companies dealing with Iran. Other financial institutions like the *Sparkassen* and *Volksbanken*, which did not have substantial business in the USA, were more willing to lend but could only provide comparatively smaller amounts.<sup>9</sup>

Second, the competition. During the first round of sanctions against Iran, Asian providers filled the gap left by the partial withdrawal of European firms.<sup>10</sup> In the case of Germany, this became particularly obvious with respect to its flagship export product, i.e. machines. While Germany had held almost one third of the market share for imported machines in 2007, this had fallen to about 10% in 2016. In contrast, China increased its share from less than 10% to about one half during the same period. In this context, the first and the second factor hindering German export interlinked: Chinese companies worked with banks which were not vulnerable

to US sanctions or even had their own financial resources.<sup>11</sup>

Third, the domestic situation in Iran. Some of the more prominent German companies have found it difficult to agree with their potential Iranian partners on the distribution of profit and expenses for the planned joint venture (the oil and gas company Wintershall) or to get suitable new import laws (the car producer Volkswagen).<sup>12</sup> Linking the third factor with the first, Iranian banks had been hit by the previous sanctions, the country's economic difficulties and governmental interference. German companies dealing with Iran thus needed to rely on big international banks, which however - as we have seen - were afraid of falling foul with the USA.<sup>13</sup> Matters were not helped by the fact that a great part of Iran's economy were controlled by the state, religious foundations and the military, which were skeptical to its opening to foreign interests. And the inter-governmental rivalry between the moderate faction around Rouhani and the hardliners around Khamenei added a further element of insecurity.<sup>14</sup>

### 2. German-Iranian Trade in 2017-18

It is important to keep in mind that overall Iran is a relatively minor trade partner for Germany, as can be seen from the data for 2017: Then, exports to Iran accounted to merely 0.2% of Germany's total exports. In the case of imports, Iran's share was even miniscule: Only 0.04% of Germany's imports that year were of Iranian origin.<sup>15</sup>

<sup>9</sup> Dierig, Schlechter. op. cit.; Schneider and Bidder. Deutsche Firmen. op. cit.

<sup>10</sup> Bidder, Benjamin (6 May 2018). Sanktionen: Wie wichtig ist der Iran-Handel wirklich für Europa?. *Der Spiegel*. [www.spiegel.de/wirtschaft/unternehmen/iran-wie-wichtig-ist-der-handel-zwischen-der-eu-und-iran-a-1207017.html](http://www.spiegel.de/wirtschaft/unternehmen/iran-wie-wichtig-ist-der-handel-zwischen-der-eu-und-iran-a-1207017.html) (accessed 26 June 2019)

<sup>11</sup> Schneider and Bidder. Deutsche Firmen. op. cit.

<sup>12</sup> Schneider and Bidder. Deutsche Firmen. op. cit.

<sup>13</sup> *Tagesschau* (9 May 2018). Wie wichtig ist der Iran für deutsche Firmen?. [www.tagesschau.de/wirtschaft/iran-deutschland-wirtschaft-101.html](http://www.tagesschau.de/wirtschaft/iran-deutschland-wirtschaft-101.html) (accessed 23 June 2019)

<sup>14</sup> Koovoshy. Deutsch-iranische Wirtschaftsbeziehungen. op. cit.

<sup>15</sup> Wie wichtig. op. cit.

**Table 3: Sector Share of Germany's Exports to Iran 2018 (2,7 Billion Euro)**

Commodity	Share (%)
Machines	39%
Chemical products	13%
Pharmaceutical products	10%
Electrical equipment	6%
Cars and car parts	6%
Computers, electrical and optical products	5%
Food, fodder	2%
Metals	2%
Rubber and plastic products	2%
Glass, glass products, ceramics, etc.	2%
Metal products	2%
Tobacco products	1%
Paper, cardboard and related products	1%

Source: Export nach und Import aus Iran, Islamische Republik, *Außenwirtschaftsportal Bayern*, <https://www.auwi-bayern.de/Asien/Iran/export-import-statistik.html> (accessed 28 June 2018).

Furthermore, the figures for 2018 show a substantial trade deficit on the Iranian side, with the value of Germany's exports being six times as large as its imports from Iran. The imbalance in the trade relations also manifests itself in the fact that Germany sells mainly industrial goods to Iran and receives largely agricultural products and raw materials from there.

**Table 4: Sector Share of Germany's Imports from Iran 2018 (440 Million Euro)<sup>16</sup>**

Commodity	Share (%)
Agricultural, forestry and hunting products, food and fodder (mainly pistachios and other kinds of nuts, also skins and sheep intestines) <sup>17</sup>	45%
Oil and gas	26%
textiles (incl. carpets) <sup>18</sup>	5%
Metals (incl. semi-industrial products to be used for the car industry) <sup>19</sup>	5%
Pharmaceutical products	5%
Chemical products	5%

### 3. The Impact of the Renewed US Sanctions

Trump made good his promise to scuttle the nuclear deal and announced new sanctions in mid-2018. This had not immediately a drastic effect on German-Iranian trade because of the time lag between the business contracts and the actual delivery.<sup>20</sup> But then the sanctions axe hit: During the first four months of 2019, German exports to Iran declined by 49% while imports from Iran fell by 39% compared to the same period one year earlier.<sup>21</sup> Furthermore, of the about 120 German companies having had branches in Iran, only half remained by May 2019.<sup>22</sup> With China once more stepping into the gaps left by

<sup>16</sup> Export. op. cit.

<sup>17</sup> Iran-Geschäft. op. cit.

<sup>18</sup> Iran-Geschäft. op. cit.

<sup>19</sup> Wie wichtig. op. cit.

<sup>20</sup> Dierig. Schlechter. op. cit.

<sup>21</sup> *Deutsche Welle* (28 June 2019). Deutsch-iranischer Handel bricht ein. <https://www.dw.com/de/deutsch-iranischer-handel-bricht-ein/a-49385014> (accessed 28 June 2019)

<sup>22</sup> Iran-Geschäft. op. cit.

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the Germans, some market shares might have been lost permanently. Under these circumstances, the additional sanctions imposed by the USA in June 2019 will not make matters much worse for Germany anyway.<sup>23</sup>

On the face of it, the new US sanctions do not prevent German companies to deal with Iran straight through the board; they only prohibit business concerning aviation technology, armaments and the oil sector. The tricky element, however, is the fact that any kind of supplies to these sectors are also targeted. Thus, a company selling steel plates to an Iranian buyer might - consciously or not - end up violating the sanctions. In other words, the dividing line between permitted and non-permitted items is blurred, thus causing a high degree of insecurity.<sup>24</sup>

As those companies which are deemed of having violated the sanctions will face difficulties with their American business, especially large German firms which have US branches, are listed on the US stock market or even owned by US investors have an incentive to leave Iran. The *mittelständische* (middle-sized) companies, which are strongly represented in Germany's machine exports, are somewhat less exposed in this respect. Nevertheless, most of them also do business in the USA and, forced to choose, rather prefer to lose their Iranian than their American connections. In addition, the arrest of a leading Huawei representative demonstrated that CEOs of companies with strong Iranian contacts might have to think twice before entering the USA. Thus, only companies having set up production facilities in Iran, which cannot be

easily dismantled, must stay willy-nilly in Iran. In addition, there is the problem which already handicapped German firms during the window of opportunity between 2016 and 2018: As financial transfers are also targeted by the sanctions, many German banks refuse to provide financial service or credits for businesses dealing with Iran. Thus, even those involved with the non-sanctioned sectors are hit by the American sanctions.<sup>25</sup>

Germany did not passively accept the US actions. To deal with the problem of intimidated private banks refusing to provide financial services for companies doing business with Iran, it together with France and Great Britain set up an organization called Instrument in Support of Trade Exchanges (INSTEX) in January 2019. Having its headquarters in the French finance ministry, INSTEX is to act as a clearing house which offsets the claims of European companies with those of Iranian ones. On hearing the good news, an Iranian official spokesman showed a positive but refrained reaction. Iran's wait-and-see attitude was not unjustified, considering that INSTEX cannot protect companies against US penalties for sanction-busting and is thus only of help for those which anyway do not have much business interests in the USA.<sup>26</sup> Another problem is the above-mentioned Iranian trade deficit: The value of Iran's exports is not high enough to offset that of its imports from Germany.<sup>27</sup> Thus, INSTEX's main function is that of a sign of defiance against the USA. It did not prevent the exodus of German companies from Iran.<sup>28</sup>

<sup>23</sup> Dierig, Schlechter. op. cit.

<sup>24</sup> Nave, Jose Campos (interview) (7 December 2018). Mittelständler mit Iran-Geschäft sind wie gelähmt. *Wirtschaftswoche*. [www.wiwo.de/unternehmen/mittelstand/iran-sanktionen-mittelstaendler-mit-iran-geschaef-sind-wie-gelaehmt/23728934.html](http://www.wiwo.de/unternehmen/mittelstand/iran-sanktionen-mittelstaendler-mit-iran-geschaef-sind-wie-gelaehmt/23728934.html) (accessed 26 June 2019)

<sup>25</sup> Tockuss, Michael (7 August 2018) (interview). Deutsch-iranische Wirtschaftsbeziehungen: Wir erwarten keinen nennenswerten Rückgang. *Deutschlandfunk*. [http://www.deutschlandfunk.de/deutsch-iranische-wirtschaftsbeziehungen-wir-erwarten.694.de.html?dram:article\\_id=424882](http://www.deutschlandfunk.de/deutsch-iranische-wirtschaftsbeziehungen-wir-erwarten.694.de.html?dram:article_id=424882) (accessed 23 June 2019)

<sup>26</sup> *Wirtschaftswoche* (31 January 2019). Iran-Sanktionen der USA: EU gründen Schutzschirm. [www.wiwo.de/politik/europa/iran-sanktionen-der-usa-eu-staaten-gruenden-schutzschirm/23935154.html](http://www.wiwo.de/politik/europa/iran-sanktionen-der-usa-eu-staaten-gruenden-schutzschirm/23935154.html) (accessed 26 June 2019)

<sup>27</sup> Iran-Geschäft. op. cit.

<sup>28</sup> Rinke, Andreas (18 March 2019). Iran, Nord Stream, Huawei: Deutschland stimmt sich gegen US-Druck. *Reuters*. <http://de.reuters.com/article/>

## 4. Germany and Iran: Grenell to the Rescue

Trump's man in Berlin, US ambassador (or, as one might argue, proconsul) to Germany Richard Grenell quickly announced the new rules of the game: Having just become accredited as ambassador in May 2018, Grenell immediately demanded that German companies should leave Iran.<sup>29</sup> Half a year later, when the exodus of German companies from Iran was in full force, he smugly commented that these companies had realized that the US market was more important than the Iranian one. Those who stayed he charged of providing the Iranian regime with funds for terrorist activities.<sup>30</sup> In February 2019, Grenell castigated INSTEX as disregarding US policies.<sup>31</sup> As we have seen, he need not have worried about the effectivity of INSTEX too much. Be that as it may, in May 2019 the ambassador threatened that those doing business with Iran might not be given visa to the USA.<sup>32</sup>

Besides making friendly pronouncements like this, Grenell also had to deal with some specific issues of potential German disobedience. One was the case of the Europäisch-Iranische Handelsbank (European-Iranian Trade Bank, EIHB), an institution owned by the Iranian state with headquarters in Hamburg. Intending to evade a potential freezing of its assets due

to US pressure, the EIHB wanted to draw these assets worth between 300 and 380 Mio Euro from the German central bank in cash and then transport it by airplane to Iran. The request was investigated by BaFin, the financial watchdog of the German state. In July 2018, Grenell requested the German government to prevent this transaction, thereby provoking protests from representatives of the oppositional Green Party and Left Party. From the German point of view, preventing the EIHB from going ahead would have been a further nail into the coffin of the nuclear deal. Furthermore, it was argued that legally it was only possible to prevent the transfer if evidence could be provided that the money would be used for illegal purposes.<sup>33</sup>

Illegal purposes are exactly what Grenell claimed. According to him, Teheran would use the EIHB assets to finance terrorist activities. The German intelligence community was not convinced; it rather tended to believe the Iranian claim that the money would be used to support business travelers cut off from credit cards. Nevertheless, BaFin turned the tables on EIHB by arguing that Iran had been blacklisted by the international Finance Activities Task Force. It was thus difficult to prove that all required preventive measures against money laundering and financing terrorism would be taken. Under these circumstances EIHB dropped its plans for the cash transfer flight in September 2018.<sup>34</sup> Apparently, the German central bank had quickly changed its rules for cash withdrawals. The US

deutschland-usa-huawei-idDEKCN1QZ0KT (accessed 23 June 2019)

<sup>29</sup> *Sächsische Zeitung* (10 May 2018). Erster Ärger gleich nach Amtsantritt. [www.saechsische.de/erster-aerger-gleich-nach-amtsantritt-3933238.html](http://www.saechsische.de/erster-aerger-gleich-nach-amtsantritt-3933238.html) (accessed 23 June 2019)

<sup>30</sup> Grenell, Richard (22 November 2018). US-Botschafter begrüßt Rückzug deutscher Firmen aus dem Iran. *Wirtschaftswoche*. [www.wiwo.de/politik/ausland/richard-grenell-us-botschafter-begruesst-rueckzug-deutscher-firmen-aus-dem-iran/23667120.html](http://www.wiwo.de/politik/ausland/richard-grenell-us-botschafter-begruesst-rueckzug-deutscher-firmen-aus-dem-iran/23667120.html) (accessed 23 June 2019)

<sup>31</sup> *Tagesschau* (10 January 2019). Grenell kritisiert EU-Iran-Handel: "Das ist Missachtung der US-Politik". [www.tagesschau.de/ausland/grenell-iran-eu-101.html](http://www.tagesschau.de/ausland/grenell-iran-eu-101.html) (accessed 23 June 2019)

<sup>32</sup> *N-tv* (9 May 2019). US-Botschafter sieht "Heuchelei": Grenell keilt gegen deutsche Nato-Politik. [www.n-tv.de/politik/Grenell-keilt-gegen-deutsche-Nato-Politik-article21013238.html](http://www.n-tv.de/politik/Grenell-keilt-gegen-deutsche-Nato-Politik-article21013238.html) (accessed 23 June 2019)

<sup>33</sup> *Manager Magazin* (10 July 2018). Bis zu 380 Millionen Euro: USA wollen Irans Bargeld-Flug aus Deutschland verhindern. <http://www.manager-magazin.de/politik/deutschland/iran-richard-grenell-will-bargeld-flug-aus-deutschland-verhindern-a-1217563.html> (accessed 23 June 2018)

<sup>34</sup> *Der Spiegel* (4 September 2018). Millionenschwerer Bargeld-Transfer: Iran verzichtet auf umstrittenen Geldtransport aus Deutschland. <https://www.spiegel.de/wirtschaft/unternehmen/iran-verzichtet-vorerst-auf-bargeld-transfer-aus-deutschland-a-1226565.html> (accessed 26 June 2019)

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embassy indicated that this had been due to American pressure.<sup>35</sup>

Grenell had an easier task when he pressed for action to be taken against Mahan Air. In January 2019, the German authorities announced that this Iranian airline was no longer permitted to start or land on German territory. According to the German foreign ministry, Mahan Air transported persons and supplies into Middle Eastern war zones, especially Syria. Furthermore, there were also indications of activities by Iranian secret agents in Europe. For once, the Germans had really been good boys; the decision against Mahan Air was praised not only by Grenell but even by Secretary of State Pompeo.<sup>36</sup>

### Conclusion

The dream that the nuclear deal would open the road of a bonanza for German companies trading with Iran has come to an abrupt end. Despite having regained some ground by 2018, Germany had not recaptured the position it held in Iran during the 2000s - not to speak of that of the 1960s and 1970s. And currently, German-Iranian trade is in a condition of collapse. Although there were also problems related to Iran's domestic situation and to the increasing competition coming from China, the main reason for this is that Germany's economic interests have taken collateral damage from the American-Iranian conflict.

Forced to choose between compliance and non-compliance with the US preference, Germany largely opted for the latter. While symbolically raising a flag of deviance through the establishment of INSTEX, the German government humored the USA by preventing EIHB's cash transfer and banning Mahan Air. Most importantly, German companies started to withdraw from the Iran business in order not to endanger their US interests. This is almost a textbook example of a powerful state using access to its domestic market and especially its dominance of the global financial system to bring a wayward ally into line. As such, the EU provides an even bigger market than the USA. However, this fact cannot be used as a bargaining chip against Washington's bullying as long as the EU lacks a fully unified foreign policy overriding separate national interests. For the time being, sheriff USA sits firmly in the saddle.

But there is an irony in here. By wrecking the Iranian business of what is, after all, an allied country, Trump's reposition of the sanctions regime opens the doors for its major global competitor. China thus improves its own economic position in Iran at the expense of Germany and thereby, one might argue, ultimately US-American interests. Thus, the current dismantling of German-Iranian economic relations can also be interpreted as one aspect of the American global hegemony's present self-destruction.

<sup>35</sup> Jones, Claire - Chazan, Guy (5 August 2018). Iran Nuclear Deal: Bundesbank Rule Change Hits E 300 m Iran Bank Transfer. *Financial Times*. <http://www.ft.com/content/24feb850-98a1-11e8-9702-5946bae86ebd> (accessed 26 June 2018)

<sup>36</sup> *Handelsblatt* (21 January 2019). Betriebserlaubnis entzogen: Iranische Mahan Air darf nicht mehr nach Deutschland fliegen. <http://www.handelsblatt.com/unternehmen/handel-konsumgueter/betriebserlaubnis-entzogen-iranische-mahan-air-darf-nicht-mehr-nach-deutschland-fliegen/23890884.html> (accessed 26 June 2019)

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