

# Comments on Iran in Gulf News, Jul 15, 2015

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## Iran nuclear deal to spur UAE trade, investment

The United Arab Emirates is set for a boost in trade and investment following Tuesday's announcement world powers reached a deal with Iran over its nuclear programme.

Decades of multi-layered sanctions against Iran aimed at curbing its nuclear programme are now set to be lifted, paving the way for the international community to trade with a market that many see as untapped for the past 25 years.

"It is a historic deal. We are going to see stronger business relations between Iran, UAE and all other Gulf countries. Iran['s] market will open up to firms from all across the globe," Hussain Asrar Haghghi, executive vice-president of the Iranian Business Council in Dubai, whose membership has fallen from 450 companies in 2008 to slightly more than 100 today, told *Gulf News* by phone.

Iran is a major trading partner of the UAE with non-oil export trade to Iran valued at \$11.5 billion (Dh42.2 billion) in 2014, according to the National Bureau of Statistics. But under the sanctions UAE-Iran bilateral non-oil export trade dropped from 16 per cent of all non-oil export trade in 2011 to 11 per cent in 2014.

"We expect this ratio to significant increase by [the] end of 2016," Alp Eke, director, senior economist, Economic Department at the National Bank of Abu Dhabi (NBAD), told *Gulf News* by email.

Iran needs billions of dollars of investments to develop key infrastructure in an economy that has shrunk 35 per cent in

the past four years to \$340 billion, according to Eke. Much of the goods for the infrastructure developments will have to pass through neighbouring hubs, such as the UAE's shipping and aviation hubs, before reaching Iran.

***"Iran doesn't have the capacity that the UAE has. Iran needs the UAE because of the infrastructure ... Even the Chinese and European goods are expected to go through Dubai first, then to Iran," Nasser Saidi, founder and president of Nasser Saidi & Associates and former chief economist at Dubai International Financial Centre, told Gulf News by phone.***

Haghighi said the Iranian Business Council in Dubai expects "big growth" in the trading of spare parts and food products and there to be "big demand for cement and steel in the coming days."

Air links

The UAE's already significant air links to Iran are also likely to increase as business between Iran and the international community picks up and spurs air travel to and from the Islamic Republic.

"The Iranian market is an important one, not least with sizeable expatriate communities in other parts of the region and world as a whole. As diplomatic progress advances I would expect to see a strong pick up in air services as trade and tourism pick up," John Strickland, Director of UK-based aviation advisory JLS Consultants, told Gulf News by email.

Emirates announced earlier this month its second destination in Iran, Masshad, the country's second largest city, in addition to its existing service to Tehran. Etihad Airways also flies to Tehran, meanwhile Dubai-based flydubai flies to 10 points in Iran with narrow-body aircraft and Sharjah-based low-cost Air Arabia flies to six with similar aircraft, according to their websites.

A flydubai spokesperson told Gulf News by email: "Iran, which is in our geographic focus, remains an untapped market with much potential."

Tapping into businesses

Iranian government and private investors are also likely to

tap into a number of sectors in the UAE. Iranian nationals accounting for roughly 2.6 per cent of the Dubai real estate market in terms of value, according to the Real Estate Regulatory Authority (Rera), which is expected to increase, according to Eke.

“Iran is estimated to have around \$100 billion in net foreign assets, more than half are frozen... As Iran gradually acquires assets they will be looking for investment opportunities in the region. UAE stock exchange, real estate market and bilateral trade will most definitely benefit significantly,” Eke said.

***Saidi also said there will be a “massive infrastructure spend over the next five years” in the oil sector and on ports, airports, and planes.***

Earlier this year, Boeing’s Marty Bentrutt, vice-president, sales, Middle East, Russia and Central Asia, said Iran’s need for commercial aircraft was in the “ballpark” of the Islamic Republic’s self-assessed figure of 400.

***Tuesday’s agreement will also pave the way to rebuild Iran’s banking and financial sector, which Saidi said would be the last sector to pick up under the accord.*** Sanctions banned international sanctions with Iranian banks, which said affected the UAE operations of Iranian banks Bank Melli Iran and Bank Sedarat Iran, Haghghi said.

Meanwhile, according to Chiheb Ben-Mahmoud, Executive Vice-President – Head of Hotels & Hospitality, Middle East & Africa at JLL, there are huge opportunities for services providers and suppliers and hospitality management.

“There is an opportunity in terms as an operating market because the whole infrastructure needs to be brought up to standards. The investment is another issue. It is not only a matter of sanctions, but whether Iran will welcome freehold into real state,” he said. “Investors are watching the Iranian market closely and want to see how it opens.”