

As Sanctions Bite, Iranians Invest Big in Georgia – The Wall Street Journal

20:11 21-06-2013



The Wall Street Journal published an article with the title 'As Sanctions Bite, Iranians Invest Big in Georgia'. According to the article, despite the U.S sanctions against Iranian business, Iranian products are pouring into Georgian markets. Iran's government itself is buying Georgian land, Iran's agriculture minister has told Iranian media.

'Economic sanctions against Iran have made it increasingly hard for Iranians to do business abroad. But Iranian businessmen are flocking to Georgia, a longtime U.S. ally in the Caucasus region, to pursue profits evaporating in much of the world.

In recent months, Iranian nationals have taken the reins of a private Georgian airline, a major trade bank and a scrap-metal plant. Persian is

often heard, such as on a recent night at a Tbilisi casino, where Iranian tourists played roulette and sipped drinks brought by Russian hostesses.

Iranian products ranging from roofing materials to sour-cherry jam are pouring into Georgian markets, made more attractive by Iran's weak currency. Iran's government itself is buying Georgian land, Iran's agriculture minister has told Iranian media.

"It's all Iranian, even that one with the sticker 'Italy,'" said Iasha Tsatsanidze, a Georgian trader, pointing to a plastic garden hose among goods he was selling at a Tbilisi market last month. "It's cheap and good quality."

This is a boom being closely watched by U.S. authorities charged with enforcing sanctions that aim to block Iran from obtaining nuclear weapons. "We are focused intently on shutting down any Iranian attempts to evade sanctions, including through possible business connections in Georgia," said David Cohen, the U.S. Treasury's top official overseeing Iran sanctions. "We are working closely with the Georgians on the issue." Two delegations from the Treasury have visited Tbilisi in recent months to discuss the matter, according to U.S. and Georgian officials.

In some cases, they may have reason for concern. The business branch of Iran's Islamic Revolutionary Guard Corps has some 150 front companies in Georgia for the purpose of evading sanctions and importing dual-use technology, according to two members of the Revolutionary Guard and to the head of a Tbilisi facilitator agency—who said he helped set up such firms registered under Georgians' names.

"Investing in Georgia is a way of skirting the sanctions," Iranian media quoted an Iranian development official as saying in December.

In Tbilisi, Javad Golchinfar, an Iranian who helps his countrymen set up Georgian businesses, said in an interview: "Especially in the banking sector, Georgia has become a key place to evade sanctions."

Georgian officials said they closely monitor the trade to prevent just that. "There's intense and routine coordination between the U.S. and Georgia on enforcing Iran sanctions," a senior Georgian official said.

Iran takes the position that the sanctions are illegal and its companies have the right to do business everywhere. Economics Minister Shamseddin Hosseini said in an interview that to offset declining commerce with Europe and Mideast states, Iran looks to expand trade with Asia and the Caucasus region.

"It's the new Dubai here" in Georgia, said a 25-year-old Iranian trader named Amin Akbari, referring to the United Arab Emirates financial center that historically has been the main overseas locus of Iranian business. Mr. Akbari's Tbilisi company, Saint Rich Amin, imports Iranian asphalt to Georgia and uses Georgia's Black Sea port to transport Ukrainian

wheat to Iran—all legitimate trades.

Commerce such as that, a large part of the Iran-related business here, doesn't normally run afoul of sanctions. Yet U.S. and European officials suspect that some illicit funds handled by other Iranians are mixing into the financial flood here. Some recent developments suggest why Washington is concerned.

In the past two months, Georgian customs has caught Iranians landing from Dubai with a total of \$315,000 in smuggled cash, according to the agency's website.

Among Iranian companies marketing products in Georgia is one that counts among its customers back home the hard-line Revolutionary Guard.

The company, Parsian Civilization Development Co., sells products in Georgia ranging from Iranian tomato sauce to bathroom tiles. "Georgia is a good market for us," said its general manager, Hamid Reza Miraftab.

In Iran, though, Parsian sells a line of equipment that includes mobile-phone jammers. A list of customers on Parsian's website is a who's who of Iranian power centers: Besides the Revolutionary Guard there is the Interior Ministry, the office of the Supreme Leader and the Atomic Energy Organization of Iran.

Mr. Miraftab didn't respond when asked about Parsian's business in Iran. There is no suggestion the group's Georgia business violates sanctions.

The surging Iranian presence in Georgia has startled the Obama administration because of deep U.S.-Georgia ties that developed after the 1991 breakup of the Soviet Union. In 2008, the U.S. publicly supported Georgian President Mikhail Saakashvili in Georgia's military clash with Russia. The U.S. also has supported Georgia's application, still pending, to join the North Atlantic Treaty Organization. In addition, Georgia has been one of the few countries sending sizable troop deployments to back the U.S.-led war in Afghanistan.

But when it comes to Iran, Georgia, which recently elected a prime minister who takes a less pro-American stance than Mr. Saakashvili, seeks to forge an independent line, its officials said.

A large portrait of George W. Bush stands along the highway to the Tbilisi airport, honoring the former U.S. president for his support in the 2008 war. Yet a few miles along the same road is a billboard for Sepahan Oil Co., an Iranian company subject to U.S. sanctions. Sepahan's office in Tehran didn't respond to requests for comment.

Georgian officials said they regard Iran as too important diplomatically and economically to isolate or ignore. Although Georgia has shunned heavily sanctioned Iranian crude oil and natural gas, it imports lubricants and asphalt from Iran, some of it over land, according to Iranian businessmen in Tbilisi. Such trade could violate U.S. sanctions if it involves companies such as Sepahan.

According to Georgian government officials, the closer ties between Iran and Georgia stem both from intimidation—after Iran threatened to recognize breakaway Georgian regions—and a need to tap into Tehran's economic potential. "It's not our interest to be on a high level of enmity with Iran," one official said.

In 2010, Georgia decided to lift visa requirements for Iranian nationals. It is one of just three countries in Europe and the broader Middle East that grant Iranians such easy access. The others are Turkey and Armenia.

Companies registered by Iranians in Georgia shot up to 1,489 last year from just 84 in 2010, a corporate registry shows.

More recently, the welcome has led growing numbers of Iranian nationals to move to Tbilisi from Dubai—which, under U.S. pressure, has been tightening its own restrictions on Iranian businesses, according to Georgian officials and Iranian businessmen.

Three men, in particular, have driven the Iranian investment boom in Georgia, according to corporate documents and Georgian and Mideast businessmen.

Houshang Hosseinpour, Pौरya Nayebi and Houshang Farsoudeh have jointly established one of Georgia's first private airlines, FlyGeorgia; have gained control of a bank, JSC InvestBank; and have opened a string of other ventures. They also negotiated last year to buy a Sheraton hotel in Tbilisi and the Poti industrial zone on the Black Sea, both from an investment fund controlled by one of the U.A.E.'s royal families. Mr. Nayebi said those efforts have been put on hold. The trio's rapid expansion has raised alarms in Washington and Europe rooted in worries their efforts might be linked to Iran's government, said Western officials. In visits to Tbilisi, U.S. Treasury officials have specifically raised the matter of the men's acquisitions, according to Georgian and American officials, based partly on their bank's dealings in the Iranian currency.

Messrs. Hosseinpour and Nayebi, in separate interviews, denied any financial ties to Iran's government. They said they

simply saw opportunity in Georgia after Dubai's welcome mat frayed.

"I have no connections to Iran," Mr. Hosseinpour said. "We have nothing to do with evading sanctions."

Mr. Nayebi said, "We are not working for Iran's government. We hate them and worked very hard to set up our businesses abroad away from Iran." The third man, Mr. Farsoudeh, didn't respond to interview requests.

Mr. Hosseinpour, in his mid-40s, was born in Tehran and later obtained residency permits in Canada and the U.A.E., plus in 2011 a passport from the tiny Caribbean nation St. Kitts and Nevis. His two partners also hold St. Kitts passports.

Mr. Hosseinpour said he initially ran a trading business in Dubai focused on supplying cars and auto parts in the Middle East and North Africa. His family had hailed from the Caucasus region, he said, and he was drawn to Georgia after the 2008 Russian-Georgian conflict. He said he had bought about 500 acres near Georgia's border with Armenia to raise corn and wheat.

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Iranian airlines are increasingly cut off from international destinations in buying fuel and spare parts. Mr. Hosseinpour said that last year he founded FlyGeorgia, which established direct flights to Tehran. It is 65%-owned by him and Mr. Farsoudeh, Georgian corporate records show, with Mr. Nayebi as chairman.

Business wasn't booming on a recent FlyGeorgia flight to Tbilisi from Düsseldorf, Germany. On a largely empty plane, fliers were served Georgian wines by hostesses in tight-fitting red dresses, practices hardly suggestive of a link to Iran's theocracy.

Messrs. Hosseinpour, Nayebi and Farsoudeh gained control of the Georgian bank InvestBank in 2011 through a Liechtenstein-based investment fund called KSN Foundation, Georgian corporate documents show. The bank that year reported holding some assets in Iran's rial, the only Georgian bank to do so.

This is a red flag for Washington. The U.S. has passed a law, taking effect July 1, that calls for sanctioning any firm dealing in the currency outside of Iran. InvestBank held no rials at the end of 2012, a newer audit showed.

Liechtenstein regulators began a preliminary inquiry into the foundation through which the Iranians bought InvestBank after learning the U.S. Treasury was investigating the bank on concerns it could be used to bypass U.S. sanctions on Iranian banks, said a top Liechtenstein financial regulator. Georgian financial regulators said that they are cooperating with the Treasury in investigating InvestBank.

The Georgian regulators said they hadn't found evidence the bank helped Iran avoid sanctions. They did say that the bank's Iranian owners hadn't properly disclosed changes in the bank's board, and the Georgian central bank is looking into "whether any unlawful change in the ownership structure...has taken place," said a central-bank legal officer.

Mr. Nayebi, InvestBank's chairman, said that "maybe [bank officials] didn't update" board changes with the regulator. He said the problem might have arisen because he was "too busy" with other Georgian ventures, such as one in agriculture.

"The U.S. government is wasting its time" in scrutinizing InvestBank, Mr. Nayebi said. "We didn't do anything in breach of sanctions."

Giorgi Kadagidze, the Georgian central bank's chief regulator, said his government is taking extra steps to make sure no sanctioned Iranian company can penetrate Georgia's banking system. Georgia recently amended its laws to bar any country subject to international sanctions from opening "microfinance" outlets that make small loans.

"Everything regarding Iranians makes us take a much closer look because of the sanctions," Mr. Kadagidze said.

Georgia banking officials said they have thwarted several efforts by Iranian banks or people linked to the Tehran regime to open finance offices in Georgia.

Two years ago, Mr. Kadagidze said, top managers from Iran-based Bank Pasargad visited Tbilisi three times seeking to open a branch. Denied a license, the bank complained to the Georgian Foreign Ministry, he said.

The U.S. has since blacklisted the bank, a designation that bars Americans from dealing with it and also puts pressure on foreign banks not to. A Pasargad public-relations official declined to comment.

Iranian businessmen search out channels to finance their Georgian enterprises. Mr. Akbari said for his wheat exports, letters of credit are issued using accounts in China and Qatar.

One Iranian trader in Tbilisi said he pays for imports from Iran by using a branch in neighboring Armenia of Iran's Bank Mellat, which is sanctioned by the U.S. and EU but not the U.N.

Some Iranians in Georgia said they had to send cash overland to Tehran to pay for imports—worth the risk because Georgia is a rare friendly market. "We send the payments...by car through Turkey and Armenia," said Mohsen Bashiri,

who runs a Tehran-based company selling copper cable in Tbilisi. "We hope we can expand" in Georgia', the article says.

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