

Postcard from Iran.



Conclusion:

There is so little information on Iran you cannot even find the Teheran Stock Exchange on Bloomberg. Yet this is an exchange with a market cap of US170billion, turning over up to US150m/day with zero foreign participation, entirely on the back of domestic mutual fund and retail investors. The market multiple is mid-single digit, and equity yields are typically 20%. There is no bond market, and very little debt. With a GDP of US400+billion, somewhere between Taiwan and Thailand in size, a population of 82m, a strong demographic, with cheap, well-educated labour and a well-developed manufacturing base particularly in autos and auto parts, in addition to significant commodity potential, the opportunities in what despite sanctions remains a vibrant economy look compelling. Absent a deal on the nuclear issue any involvement cannot be undertaken by a regulated entity and must be entirely personal, but what we saw on this initial trip piqued my interest.

Iran is an oasis of order, courtesy and tolerance in an increasingly ugly neighbourhood. Disregard Netanyahu: the Sunnis have the bomb already in Pakistan, a substantially more worrisome threat than the Natanz centrifuges. Iran has quietly annexed and pacified southern Iraq to protect the Shia holy sites at Najaf and Karbala from the advance of the Islamic State, forcing the jihadists north where the absurdity of Australian F16s dropping multi-million dollar missiles onto Toyota pick-up trucks within sight of the Turkish border is not lost on the Iranians. Should a nuclear deal fail in the extended deadline that has since been set, much of the optimism engendered by Rouhani's preparedness to

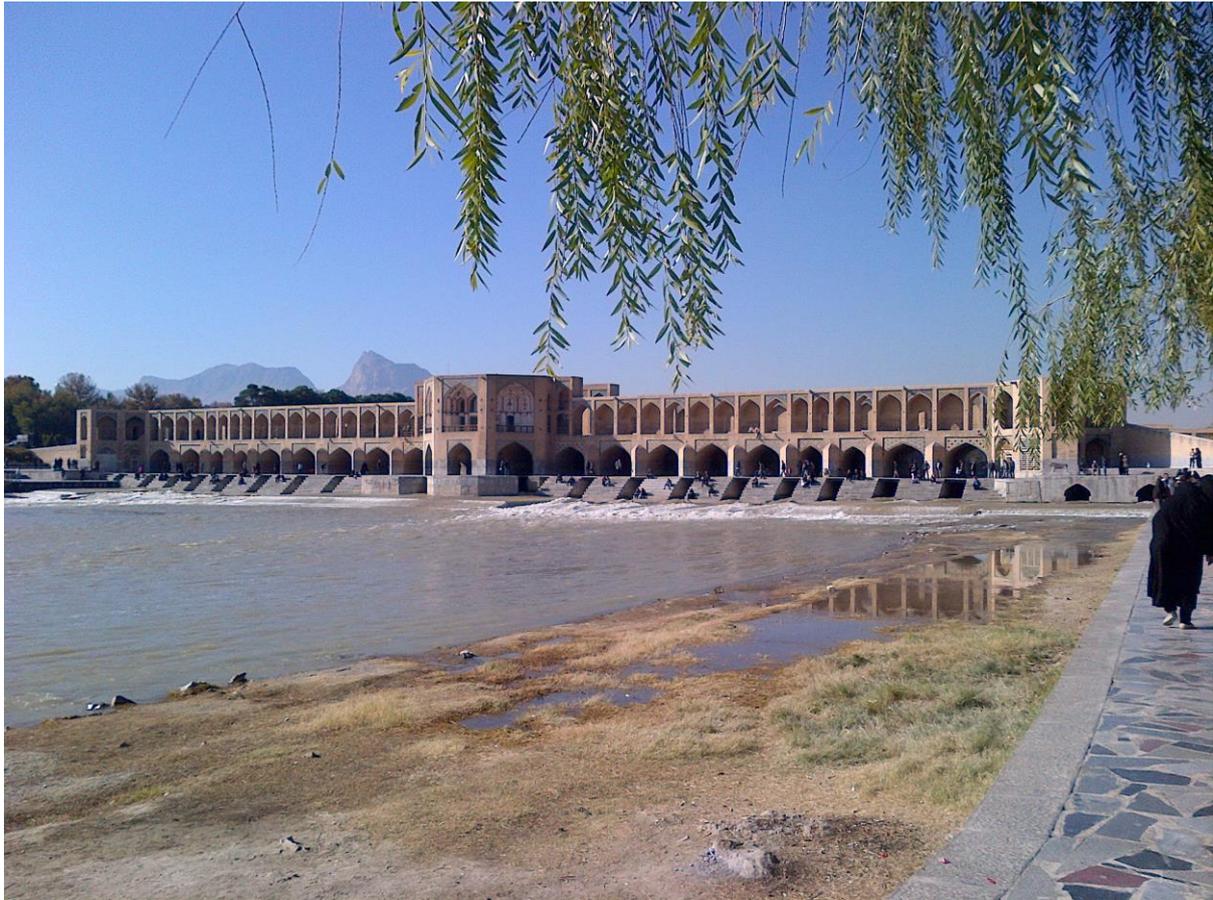
negotiate will evaporate. But longer term the geo-political arguments appear self-evident and the economic benefits of a deal to all parties remain compelling.

The trip:

3am on a chilly night at Shiraz airport, and a gaggle of French women nervously re-arranging their headscarves under the malevolent gaze of an immigration officer proved a frigid welcome to the Islamic Republic. This brush with petty officialdom however proved to be the only Midnight Express experience of our trip, and the sole hostility I encountered in the course of the rest of our journey came from the basilisk glares of this same French group whom we encountered intermittently over the following week who clearly endorsed Edith Cresson's famously dismissive opinion of Englishmen.

Over 10 days we drove the better part of 2000km, working our way north from Shiraz in a venerable Peugeot with no air-con and intermittent reverse gear, through an arid and semi-desert landscape crossing several mountain ranges. The infrastructure was good, with well maintained, well-policed and orderly 6 lane highways. An upgraded if under-used railway line from Shiraz to Teheran and new metro lines under construction in Isfahan, Qom and Shiraz indicate a level of urban planning and foresight unusual in SEAsia and non-existent in India. Commercial traffic to and from the Gulf was heavy, the trucks old Mercedes diesels, with newer Scania and Volvo models. The cars were of similar vintage to ours, local Peykan's and old French models; newer vehicles were invariably Hyundai or KIA, whose dominance in Teheran was pronounced. Around Natanz and the approach to Kashan military activity was heavy; we were advised NOT to try and photograph the anti-aircraft facilities! Private construction appeared robust in every city we visited, with an emphasis on new apartment blocks and small commercial buildings. In the shopping areas pedestrian traffic was consistently heavy, although the quality of what was on offer looked poor; the street markets outside in the Bazaar in Teheran were an impenetrable melee. The mosques by contrast were largely deserted, save for the tour groups. Female fashions invariably pushed hard on the envelope of the acceptable and many would have not looked out of place at the cheaper end of Oxford Street while the subtle fashion statements of the younger mullahs in Qom were a source of amusement. An astonishing amount was being spent on nougat, rated according to the pistachio content, and baklava with a typical shopper leaving high-end confectioners looking like a Chinese coal miner's wife after a free trip to Prada.

Food was good but surprisingly bland, and the menu monotonous: lemon juice, pomegranate, walnuts, pre-packaged yoghurt, tomatoes and cucumber, lamb and chicken, rarely olive oil and never chillies. Restaurants and cafes were invariably packed, and we had regularly to wait for tables. Alcohol is non-existent, and so surprisingly was coffee, at least before 3pm, with hotels serving only Nescafe and cafes, which serve the function of bars, opening in the afternoons where such courtship as is allowed is carried out over cakes until midnight.



The hotel infrastructure is basic and the service offering somewhat Soviet (Homa the biggest hotel chain is an Iran Air subsidiary and is state owned) but with tourist interest rising sharply, at roughly 5million a year on current rates, occupancies are very tight and prices high. In Kashan we came across some promising private sector ventures. Teheran is notably ill-served.

I would emphasize the warmth of the welcome, from all age groups. The spontaneity of the approach, particularly from the young, was striking. There is sometimes a restrained commercial motive: running around the Naqsh-e Jahan Square in Isfahan in search of exercise I was politely asked on each lap, four times, whether I wouldn't rather be viewing carpets? (You will not find anyone else jogging in Iran, and shorts are verboten).

While the burqa is ubiquitous, headscarves cling at ever more perilous angles to the back of the head among the young. Plastic surgery is big business, with an astonishing number of nose jobs evident among both sexes, with a bandaged proboscis a common sight, and the finished article, a bizarre Japanese manga version with a slight upturned tip, proudly displayed.

We visited during Muharram, the first month of the Islamic calendar, shortly after the Ashura festival commemorating the martyrdom of the Shia Imam Hussein and his 6 month old son at Karbala in 680AD. Even to my Catholic taste, the extent to which the Shia devout luxuriate in the detail of the atrocities, with gory tableaux moulding into a history of Shia oppression embracing recent events in Syria and Iraq, came as a shock. This sense of deep historic injustice is crucial in understanding Iranian nuclear ambitions.



A number of people we met, formally in Teheran and informally in cafes in Isfahan and Yazd, talked of Iran as a post-Islamic state, and were openly scornful of the mosque and religiously-imposed restrictions. Our driver, who had spent 8 years as a prisoner of war in Iraq, during which time he had taught himself English, French and Arabic, came from the generation who had confronted the Shah and borne the brunt of privation during the Iraqi conflict and remained devout. The generations do not mix well as I discovered to my embarrassment at lunch at the Divan, Teheran's most expensive restaurant where we went to celebrate the end of our journey. The young, entitled and increasingly affluent Iranian set was clearly anathema.

Our last visits were to the Shah's palace, and that of his father, high on the slopes of northern Teheran. Surprisingly modest in size (I have seen more ostentation in Singapore "Good Class Bungalows") and relatively tasteful, we toured rooms where Jimmy Carter, de Gaulle and Thatcher had once paid court. And then, at the last minute, we opted to stop at the Khomeini mausoleum, adjacent to the

international airport. Fifteen years in construction, this massive construction, already bigger than Wembley Stadium and still growing, was a truly immodest monument to the old man who bought theocracy to Persia. Power and hubris go hand in glove, no matter what the regime.

Nick.

(Ryszard Kapuscinski, Shah of Shahs, and Empire of the Mind, Michael Axworthy worth reading)



