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While a nuclear agreement between Iran and the P5+1 is a diplomatic breakthrough, there has also been a massive realignment of investment and infrastructure targets across the Middle East that has been in process for many months, if not years, in anticipation of this week's announcement. Iran is open for business and many of the good opportunities, as one financial advisor put it, had been "locked up" well before July 14. Sanctions were an effective tool to create a forbidden fruit, in some ways, stalling economic growth and diversification in Iran, creating a heavy state presence in the economy, but also creating a cultural hunger for many of the consumer products and experiences readily available in the Gulf and the West. Iranians have not been behind an iron curtain, thanks to a media revolution that has been less effective at bringing about political opening, but extremely effective at mobilizing a captive, educated middle class population to imagine what their lives could be like in a post-sanctions moment. They are ready; perhaps the Gulf and the West are not.
While Saudi Arabia and most of the Gulf Cooperation Council (GCC) states are still struggling with the challenge of diversification (only the United Arab Emirates and Bahrain have 50 percent or more of their gross domestic product composed of non-carbon resources), real estate, manufacturing, transport, trade, restaurants and hotels, and construction account for a combined 70 percent of real GDP in Iran. Energy resources, of course a major asset in Iran, will propel investment there. Iran has 18.2 percent of the world's proven gas reserves (topping Russia and Qatar) and 9.3 percent of oil reserves. Once sanctions end and the currency stabilizes with increased capital flows, Iran should be able to access its significant reserves (estimated between $90 and $110 billion).

It is impossible to measure what Iran's economy could have been without the sanctions, but some banking analysts suggest that the economy, given the last oil boom, could have easily been a G-20 economy, rivaling the size of Saudi Arabia. One estimate, assuming non-oil growth, inflation, and the exchange rate had been stable at the pre-sanction level over the period, suggests the Iranian economy could have grown by $135 billion from 2011-13.

In fact, even with sanctions, Iran is the world's 18th largest economy by purchasing power parity. In the Middle East North Africa (MENA) region, Iran's economic size is second only to Saudi Arabia, and its population, with 78 million people, trails only Egypt. Iran is a country of young people, like most of the MENA region, with 52 percent of the population under 30. However, according to a United Nations Development Program report, Iran rivals Poland in its education participation (expected years of schooling is about 15), outperforming Russia, Turkey, South Africa, and Tunisia. Iran shares some of the challenges of its neighbors in youth unemployment and female participation in the labor force. Official Iranian statistics cite unemployment levels at 11.9 percent, while youth unemployment is probably closer to 30 percent. Female labor participation is a shocking 16 percent. Sanction relief will not change these problems. But, as is the case with similar demographic and social structure obstacles in Saudi Arabia, consumer product, financial services, and infrastructure growth finds ways around these challenges.

An Iranian economic ascent sparks regional competition on many fronts, but it could also ignite a regional economic boom. The first tranche of investment is likely to target infrastructure, and the Gulf states, particularly the UAE and Saudi Arabia, with their well-developed construction and real estate industries, stand to gain. Required investment in the oil and gas sector could easily amount to $300 billion. The whole Gulf could benefit, whether engaging the Iranian investment opportunity or not, simply by creating a lower risk premium for corporate and sovereign debt markets in post-sanction, normalized capital markets.

Of the GCC states, the UAE is most likely to gain, or to be an early winner in a post-sanction Iranian economic opening. The UAE has already strong trade relationships with Iran. More than a third of Iranian imports originate in the UAE, mostly from re-export. It is the lifting of sanctions in the financial sector that could create the most substantial change between the UAE and Iranian commercial and investment ties. This is a sticky issue, as most of the financial restrictions after 2011 made at the behest of the United States aimed to stem transfers possibly linked to financing military and terror operations. A more likely area of mutual gain will be in property markets, a long time source of out-going investment from Iran to its Gulf neighbors.

All of these changes and opportunities entail risk, not just for the Arab Gulf states, but also for Iran. The Iranian people have the capacity to harness tremendous economic growth. Imagining the benefits of a post-sanction Iranian economy should encourage both political and financial ties.

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