

POLICY BRIEFING

Iran at a crossroads: What will follow the nuclear deal?

Abstract

The agreement reached in Geneva on Iran's nuclear programme should allow Iran to return to the international scene as a political as well as a trade partner. While the terms of the deal will require attention and effort, hopes in Europe, Iran and the MENA region are running high for the first time in many years. Tehran could soon play the role of constructive regional power, helping resolve a wide range of regional security problems and serving as a motor of economic growth for the entire region. If the country's recently-elected president, Hassan Rouhani, also manages to carry out his ambitious political and economic reform programme, the Iranian people may gain civil rights and enjoy a more prosperous economic future. The EU has a strategic interest in supporting reformist forces within Iran.

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AUTHORS:

Pekka HAKALA and Roberto BENDINI (economy and trade)
Directorate-General for External Policies of the Union
Policy Department
WIB 06 M 071
rue Wiertz 60
B-1047 Brussels

Editorial Assistant: Agnieszka PUNZET

CONTACT:

Feedback of all kinds is welcome. Please write to:
pekka.hakala@europarl.europa.eu.

To obtain paper copies, please send a request by e-mail to:
poldep-expo@europarl.europa.eu.

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1 The beginning of a new era?

1.1 Election of a moderate president

Iran is a regional power with enormous potential.

Iran matters. It is the leading Shi'a Muslim country in the world, with religious and political influence among people and political leaders throughout the MENA region. Its population of nearly 80 million is bigger than that of any country in the region except Egypt (with Turkey a close third). It has the world's fourth-largest proved reserves of oil — most of it cheap to produce — and the second-largest proved reserves of natural gas, some 17 % of the global total. With the world's 17th economy, Iran also has an educated population with huge potential ... if the brain drain can be reversed. Few doubt the country's enormous political and economic potential.

Hassan Rouhani won the June 2013 presidential elections with a reformist programme.

It is therefore no surprise that the first-round victory of the moderate cleric Hassan Rouhani in Iran's June 2013 presidential election led world leaders to court the new president. Rouhani campaigned on the slogan 'hope and prudence'. His success has been interpreted as a reflection of the Iranian people's desire to reverse the isolationist policies pursued by the former, hard-line president, Mahmoud Ahmadinejad. Rouhani's message appealed to reform-minded voters who believed that he would ease tensions with the West, ensure greater freedom of expression and launch a much-needed economic recovery plan. Yet many international observers believe the new president and his reformist supporters will need all the external support they can get if they hope to change domestic policies and return to a more pragmatic agenda. Even with this support, Rouhani may be unable to implement his programme and offset the authority of the Supreme Leader, Ayatollah Ali Khamenei, and the other influential, unelected components of Iran's establishment.

Iran seeks international recognition for its role as a regional power.

World leaders have made clear that a breakthrough on the nuclear issue could open the door to normalising relations with the Islamic Republic. This normalisation, in turn, would have a significant impact on geopolitics in the greater Middle East. The Syrian civil war, ethnic and sectarian strife in Iraq, the conflict in northern Yemen and other looming issues may benefit from Tehran's input if its role as a regional power is recognised. President Rouhani has announced that his government seeks stability and security, based on broader cooperation and interaction with neighbouring countries and other regional powers. Rouhani's mandate began with promising foreign policy indications. US President Barack Obama called the new president on 27 September 2013, breaking more than three decades of US silence towards Iran. Observers heralded the call 'the beginning of a new era'.

1.2 Aftermath of the Geneva breakthrough

The interim agreement reached on the country's nuclear programme

The most recent – and by far most successful – iteration of negotiations between Iran and the 'P5 + 1' group (the five permanent members of the UN Security Council and Germany) took place in Geneva, with the EU playing a

represented a major diplomatic breakthrough, particularly for the EU.

leading role. EU High Representative for Foreign Affairs and Security Policy Catherine Ashton was the chief negotiator in the talks, representing the P5 + 1 group. Iran's Foreign Minister, US-educated Mohammad Javad Zarif, led the Iranian delegation.

Tough discussions produced an agreement on 24 November 2013. The [joint plan of action](#) adopted by all parties includes Iran's affirmation that it would adhere to the [Non-proliferation Treaty](#) (NPT) and neither seek nor develop nuclear weapons. The 'comprehensive solution' defined in the talks – which proceeded on the basis of 'nothing is agreed until everything is agreed' – allows Iran to exploit nuclear energy for peaceful purposes. Iran may pursue a mutually defined enrichment programme as well as a step-by-step process leading to the removal of all sanctions imposed on its nuclear programme by the UN Security Council, individual states (including the US) and multilateral bodies (EU).

The agreement foresees an international monitoring mechanism.

The 'P5 + 1' group and Iran will be responsible for concluding and implementing intermediate measures. A joint commission, with members from 'E3/EU+3' (the EU's term for the P5 + 1 group) and Iran, will be established to monitor the implementation of short-term measures and address issues that may arise. The IAEA is to be responsible for verifying nuclear-related measures. The joint commission will work with the IAEA to resolve past and present issues of concern about the Iranian nuclear programme.

Iran will be able to repatriate some of its frozen funds and resume exports of petrochemical products to Europe and the US.

Under the terms of the agreement, the EU and the US have agreed not to try to further reduce Iran's crude oil sales; this will allow Iran's current customers – China, India, Turkey, South Korea and Japan – to purchase the same amount of crude they currently buy. The agreement would also allow Iran to repatriate an agreed amount of revenue frozen under the sanctions. The US and EU have also pledged to suspend their sanctions on Iran's petrochemical, gold and precious metals exports. The European Union estimates that some sanctions on Iran could be relaxed in January 2014, once a number of legislative changes are implemented.

Rouhani's popularity has grown at home, but he is not immune to his opponents' efforts to undermine his policies.

Within Iran, the deal might strengthen Rouhani's position against those hardliners opposed to his policy of detente and reforms, and could boost his popularity. Rouhani is trying to strike a balance between delivering on campaign pledges, including economic reforms and greater freedoms, and avoiding the impression that he is compromising Iran's security. Returning to Tehran from Geneva, he received a hero's welcome and the confirmed support of the Supreme Leader. However, many powerful personalities in Iran fear losing their privileged business positions and may sabotage the president's efforts.

The agreement may still run aground.

Not all Rouhani's international interlocutors are supportive. Many members of the US Congress and the Israeli political establishment are not inclined to believe Rouhani's promises and have pushed for new sanctions to begin in six months – or even sooner – if Tehran fails to follow through. The White

House has warned that such new sanctions could jeopardise a fragile agreement, which it maintains offers a unique opportunity to prevent Iran from developing nuclear weapons. However, the Israeli Prime Minister has called the deal a 'historic mistake'. Widely considered the only nuclear power in the region, Israel has said it would consider military action against Iran to prevent the Islamic Republic from acquiring nuclear weapons.

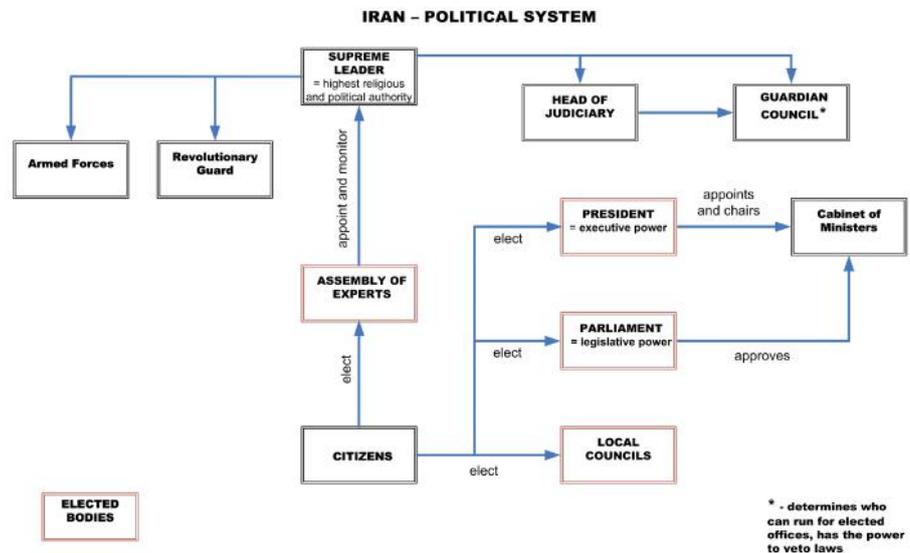
2 Internal challenges

2.1 Politics

The Iranian political system is dominated by the Supreme Leader, the highest political and religious authority in the country.

The Iranian political system is a combination of a modern Islamic theocracy and a democracy. Iran's president does have real power on domestic policy and its implementation. Yet many of the country's authorities are appointed and dismissed by the Supreme Leader rather than the president. According to Iran's constitution, the Supreme Leader is responsible for the delineation and supervision of the country's 'general policies', which means that he sets the tone and direction for Iran's policies. The Supreme Leader also is commander-in-chief of the armed forces and controls the Islamic Republic's intelligence and security operations; he alone can declare war or peace. He has the power to appoint and dismiss the leaders of the judiciary, the state radio and television networks, and the supreme commander of the elite paramilitary Islamic Revolutionary Guard Corps. The Supreme Leader also appoints provincial religious leaders and supervises *bonyads*¹, the financial institutions linked to the informal economy, public subsidies and lending markets.

Figure 1:
The political system



¹ See the chapter on the economy

The president is the head of the executive but does not have the power to control all ministerial appointments.

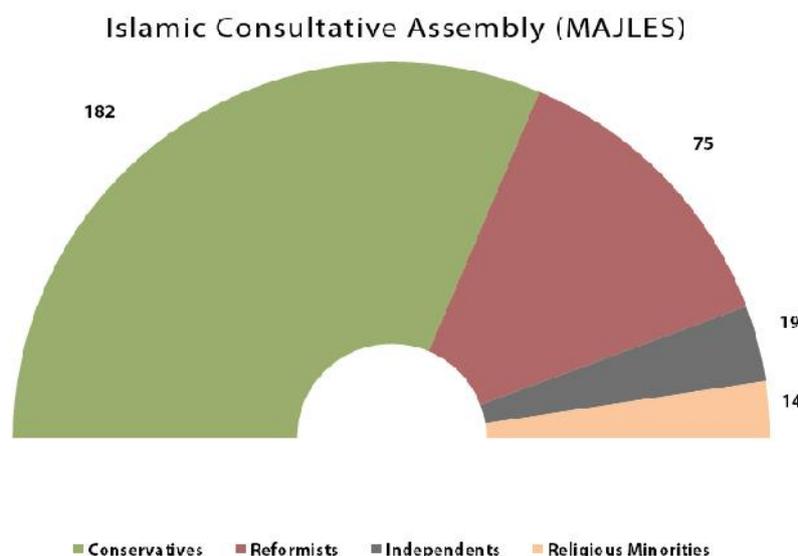
The President chairs the meetings of his cabinet, composed according to directions of the Supreme Leader, of Ayatollah Sadeq Larijani (head of the judiciary), Ali Larijani (Speaker of the *Majles*) and the Islamic Revolutionary Guard Corps (IRGC). The new president's ability to deliver on reform in key areas – such as political and economic liberties, human rights and the nuclear issue – will depend on the ministers that these influential figures have named to strategic positions in finance and economic affairs, intelligence, defence, internal affairs and justice. Two of these appointees – Mustafa Pour-Mohammadi, Minister of Justice, and Abdolreza Rahmani Fazli, Minister of the Interior – are well known for masterminding crackdowns on civil society activists and political dissidents. While their nomination may well serve the powers that selected them, they hardly appear the ideal candidates for a reform-minded president.

The cabinet is a combination of the 'President's men and women' and confidantes of the Supreme Leader.

The President also appointed Eshaq Jahangiri the First Vice President and Elham Aminzadeh, a well-known legal expert, the Vice President for Legal Affairs. Aminzadeh, a professor of law, is the highest female office-holder in Iran. There are two other female ministers in the cabinet: Masoumeh Ebtekar, Minister of State for Environmental Protection, and Shahindokht Molaverdi, Minister of State for Women's Affairs.

Given Iran's political configuration, it would be impossible to introduce radical changes to the current system. However, the power of Iranian citizens is not negligible. Civil society is well organised and strong, particularly in comparison with other countries in the Gulf region.

Figure 2:
Distribution of seats in the Majles



Source: © European Parliament, DG EXPO, Policy Department, 2013, PH/AP

The parliament has legislative power, but the appointed Council of Guardians has the ultimate say on laws.

The Iranian Islamic Consultative Council (*Majles*) is a unicameral parliament whose 290 members are publicly elected every four years. The *Majles* drafts legislation, ratifies international treaties and approves the country's budget. Parliamentary sessions are open to the public, and debates – often very lively and outspoken – are broadcast on state television. However, the parliament's

legislative power is restrained by the Council of Guardians, the influential oversight body that examines all laws passed by the parliament and verifies their compatibility with shari'a (Islamic law).

2.2 Human rights

Human rights in Iran remain a source of continuing concern.

Human rights in Iran remains a source of concern, and negative developments have eroded civil and political rights, such as the freedoms of expression, association and assembly. Amnesty International reports that 'dissidents and human rights defenders, including minority rights and women's rights activists, [are] arbitrarily arrested, detained incommunicado, imprisoned after unfair trials and banned from travelling abroad. There [are] scores of prisoners of conscience and political prisoners.'

Iran's penal code allows torture, degrading treatment and the death penalty.

The Iranian penal code allows torture. Cruel, inhuman or degrading treatment and punishment and death penalty, including public executions and executions of juveniles, are common and committed with impunity. Flogging and amputation continued to be applied as forms of judicial punishment.

Capital punishment is widely applied, and there has been no change for the better since Rouhani was elected.

Official sources acknowledged 314 executions in 2012, but a total of 544 were recorded. The true figure may be considerably higher. Crimes punishable by death include murder, rape, trafficking and possessing drugs, armed robbery, espionage, sodomy, adultery, apostasy and *moharebeh* (enmity against God). The majority of those executed in recent years were convicted of drug-related offenses following flawed trials that international observers judged to be flawed in revolutionary courts. The number of executions increased after late December 2010, when an amended anti-narcotics law entered into force. In 2013, official Iranian sources counted 331 executions, while Amnesty International has estimated 593. The organisation points out that at least 367 of these have taken place since Rouhani was elected.

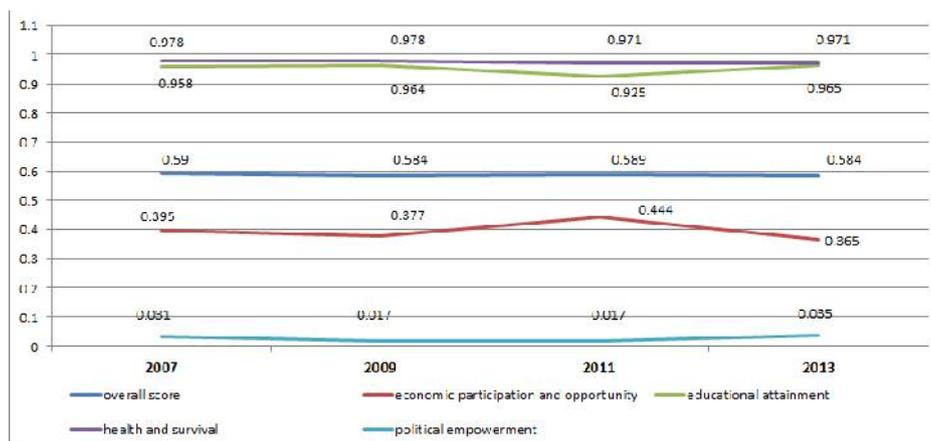
Iran leads the world in its executions of juvenile offenders.

Iran leads the world in the execution of juvenile offenders (i.e. individuals aged less than 18 when they allegedly committed the crime). Iranian law allows capital punishment for persons who have reached puberty, defined as 9 for girls and 15 for boys. In late 2012, there were more than 100 juvenile offenders on death row. In January 2012, the Guardian Council approved the final text of an amended penal code. Children convicted for 'discretionary crimes', such as drug-related offenses, will no longer be sentenced to death under the amended code, but a judge may still sentence juveniles to death if they are convicted of crimes that include rape, sodomy, and murder, and if the child is considered to understand the nature and consequences of the crime – a vague standard, susceptible to abuse.

Women, LGBTI and other minorities face discrimination.

Women, religious and ethnic minorities, and members of the LGBTI community have been subject to discrimination in law and practice. Women are discriminated against in legal provisions on marriage and divorce, child custody, nationality, international travel and access to education.

Figure 3:
World Economic Forum
Gender Gap Index



Source: © European Parliament, DG EXPO, Policy Department, 2013, PH/AP

There are only few countries with greater gender inequality.

In terms of equality of women, the World Economic Forum² ranks Iran 130th out of 136 countries. Iran scores particularly badly in terms of female labour force participation (17%), women’s estimated earned income compared to men’s (21%), and the number of women in parliament (3%). Women’s enrolment in tertiary education is actually quite high in Iran – in this regard, the country ranked first in the index. In general, however, Iran’s position in the overall index has steadily declined over the past six years, with indicators related to economic participation, education and health faring particularly poorly.

One in three Iranians belongs to an ethnic minority.

Members of the country’s minority communities – which make up one third of the population and include Arabs (2%), Azeris (16%), Baluch (2%), Kurds (10%) and Turkmen (2%) – do not enjoy the same access to employment, education and other social and cultural privileges as other Iranians. The use of minority languages in government offices and for teaching at schools remains prohibited.

Iran is classified as the most restrictive country for internet freedom.

Freedom of expression, including internet freedom, is tightly restricted. The authorities have taken steps to create a controlled national internet (the ‘*halal* internet’), monitor telephone calls and internet traffic, block websites (particularly foreign ones). Journalists, bloggers and activists who have dared to speak out have been harshly penalised. The 2013 [Freedom on the Net report](#) from Freedom House classifies Iran as the most restrictive country of the 99 countries surveyed. The report notes that the Iranian government uses ‘advanced methods of blocking access to information related to politics, social issues and human rights’. Tehran imposes restrictions on online activity, and those who have used the internet outside the strict limits have been prosecuted.

² The Global Gender Gap Report 2013, World Economic Forum, available at www.weforum.org

3 Economy and trade

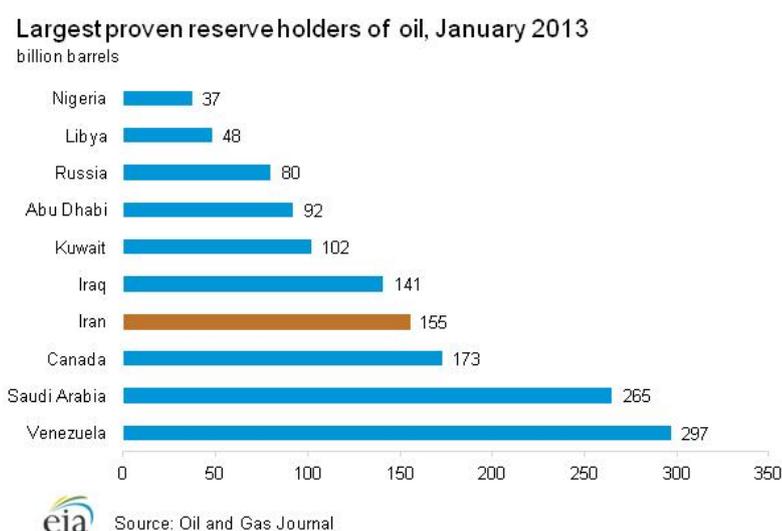
3.1 Structure of the economy

Iran's economy is dominated by its large hydrocarbon sector.

Iran is a lower middle-income country whose economy has been weakened by years of international sanctions and inappropriate economic policies. Iran is characterised by a large hydrocarbon sector, small-scale private agriculture and services, and a large state presence in manufacturing and finance.

Iran has the world's fourth-largest proven oil reserves and the world's second-largest natural gas reserves. Yet international sanctions and the lack of foreign investment and technology have dramatically impacted the country's energy sector³.

Figure 4:
Largest proven reserve holders of oil, January 2013



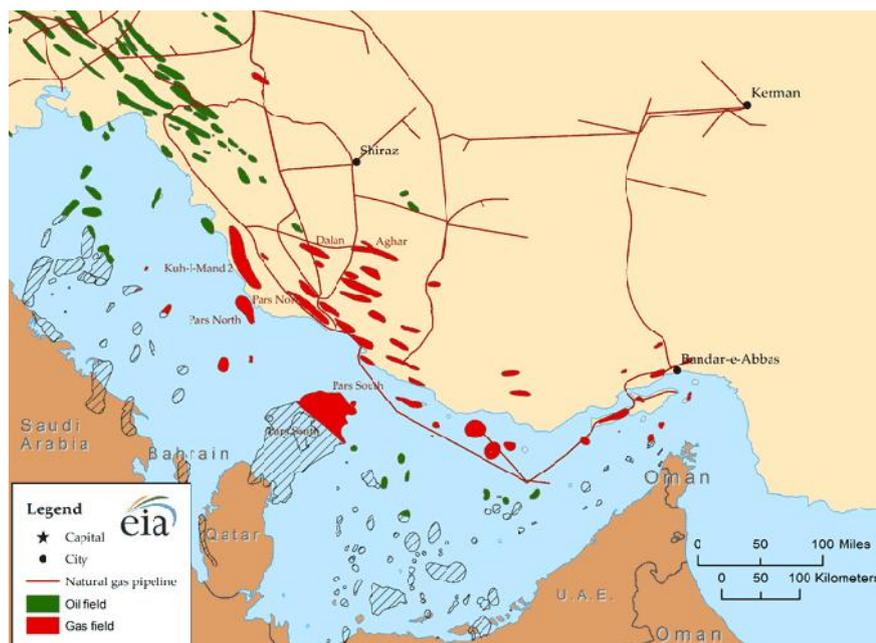
Iran is the second-largest producer within OPEC, although its exports declined steeply following international sanctions.

Iran's crude oil production fell dramatically in 2012, when the United States and the European Union tightened sanctions on the country's oil exports. Once the third-largest exporter of crude oil, Iran's exports dropped to 1.5 million bbl/d that year. Although it remained the second-largest producer in the Organisation of the Petroleum-Exporting Countries (OPEC) and among the top ten exporters of 2013, Iran's production exceeded Iraq's only narrowly. In August 2012, its crude oil production fell below Iraq's for the first time since 1989.

More than half of Iran's oil reserves are located in five giant fields, the largest of which is the Marun field.

³ EIA, [Iran report](#) (2013)

Figure 5:
Iran: Oil and Gas fields



Iran intends to make up for lost revenue by increasing its production.

Iran has said that once the sanctions are lifted, it intends to increase its oil production from the current 2.7 million barrels a day to its former level of 4 million (2011). This effort to recoup revenues lost under sanctions would contravene production quotas imposed by OPEC to keep the current, high price level above USD 100/barrel (which many analysts consider artificially high). However, Iran's exports are unlikely to increase in the next six months, its return to old levels of productivity will be a lengthy process.

Nonetheless, Iran has already begun talks with potential investors in its energy industry. Oil Minister Bijan Zanganeh has named seven Western oil companies the country hopes to lure back its vast oil and gas fields once sanctions are lifted. The minister also announced that new investment terms would be outlined in April 2013 for France's Total, Royal Dutch Shell, Italy's ENI, Norway's Statoil, Britain's BP and US companies Exxon Mobil and ConocoPhillips.

3.2 Enormous economic challenges and structural problems

Iran's economy is in shambles.

Iran is experiencing a very difficult economic phase. In 2012, US President Obama described the country's economy as in 'shambles'.⁴ Over the past two years, the country has experienced negative growth, increasing unemployment, rising consumer prices and a sharp deterioration in the business climate⁵. The economic situation seriously worsened during the last years of the presidency of Mahmoud Ahmadinejad, and in August 2013

⁴ Jahangir Amuzegar (Carnegie Foundation) [Economic crisis in Iran](#) (3 May 2012)

⁵ World Politics Review, [Economic Crisis First Order of Business for Iran's Rowhani](#) (18 June 2013)

President Rouhani has said that sanctions are not the only reason for economic hardship.

observers warned that the country risked 'food shortages as reserves of basic commodities shrink and foreign currency revenues decline'⁶. In a speech to the Iranian parliament, the newly appointed Rouhani stated that 'for the first time since the war with Iraq in 1980s Iran has experienced negative economic growth for two successive years ... in addition to high inflation [which is] the highest in the region and maybe in the world'. Rouhani also argued that international sanctions were not the only cause of the severe recession that hit Iran.

Economic reform is Rouhani's first political priority.

Yet sanctions have worsened – if not caused – the country's economic woes, and Rouhani's work to lift the sanctions constitutes a response to the Islamic Republic's economic travails. His efforts must succeed quickly to prevent the situation from becoming dire. Increased sales of oil may help readjust economic performance and make more capital available for investments in infrastructure, services and other strategic economic sectors. However, the overall reform of the country's economy promised by Iran's new government is an enormous task.

The reforms are opposed by many influential forces.

The new government has acknowledged that without a serious programme of reforms, the local economy might suddenly collapse. Yet much-needed reforms may face resistance from both traditional elements of Iranian society and other groups. The limited privatisation programme launched by Ahmadinejad is far from completed, and a number of state-owned companies have been purchased by religious associations or the Revolutionary Guard, who are managing them with inefficient, obsolete methods.

Rouhani views poor management as the root cause of the current economic recession.

Rouhani has suggested that poor management and the society's lack of confidence in government institutions constitute the roots of the current economic recession. During the presidential campaign, Rouhani stressed the need to restore confidence and secure economy stability. But these goals will be difficult to achieve unless the economy is radically modernised, which may entail overhauling many of the policies that Tehran has followed since the creation of the Islamic Republic.

The country's extensive system of subsidies is hard to dismantle.

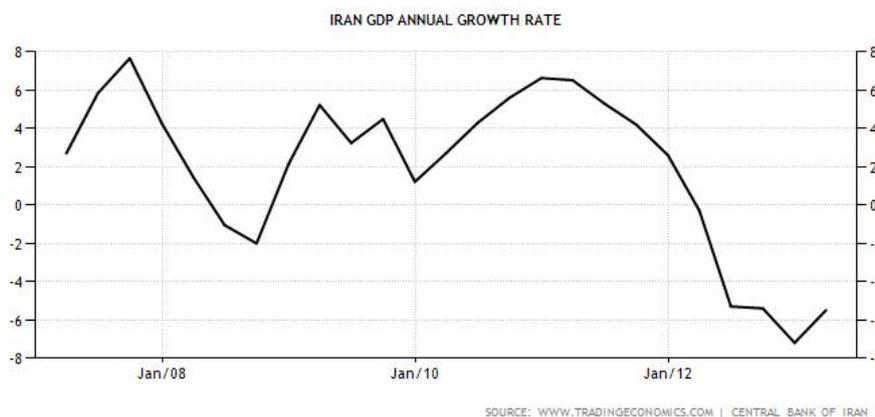
In an attempt to appeal to public opinion and gain support, the Iranian government set up an extensive system of subsidies, including for oil, gas, electricity, water, bread and milk. These subsidies, which largely benefit the middle and upper classes, cost the country an estimated USD 80 billion per year. The Ahmadinejad administration attempted – unsuccessfully – to reform the subsidy system in order to raise prices of a number of subsidised items (and eventually achieve parity with world prices). This programme aimed to discourage energy waste and reduce public spending, which had reached untenable levels. The government proposed to replace the subsidies with a 'safety net' for the poorest members of the population in the form of

⁶ The Financial Times, Iran's president Hassan Rohani braced for struggle with economy (2 August 2013)

cash grants – a form of assistance that would have cost the government less. However, the reform failed, and a new system has been institutionalised in which abuses are the rule rather than the exception.

Failed reforms and foreign sanctions led Iran’s oil exports to drop to around 1 million barrels per day – down from earlier levels of 2.5 million. Gross domestic product shrank by 5-6 %. Inflation soared to almost 50 %, and unemployment to 35 %⁷.

Figure 4:
Iran GDP annual growth rate



The sanctions have affected the entire economy, but politically protected economic operators have fared relatively well.

Mismanagement and corruption depress the business environment.

The Iranian economy has a large informal sector.

The *bonyads* are heavily involved in the economy

In general, Iran depends on oil and gas exports for 80 % of its foreign exchange earnings and nearly 70 % of the annual budget. The significant reduction in crude oil output rapidly affected the entire domestic economy. However, the sanctions’ effects were not evenly distributed: uncompetitive and unprofitable farmers and politically-supported medium-size local industries have actually benefited from falling imports and reduced foreign competition.

Mismanagement and generalised corruption, compounded by political uncertainties and favouritism privileging semi-governmental and religious organisations, have damaged the local business environment. Investors have grown more hesitant to invest their capital in Iranian projects. The consequences have been particularly devastating for the oil sector. Poor maintenance of aging oil wells and a lack of new investment forced Iran to reduce its oil production. The country’s limited industrial basis and inefficient agriculture also means that Tehran imports many products and services that could otherwise be produced locally. Despite its rich oilfields, for example, Iran does not produce enough refined gasoline to satisfy internal demand⁸.

Large segments of the Iranian economy are informal, with ownership extremely difficult to ascertain and unreliable or unavailable statistics.

Much of Iran's non-petroleum economy is dominated by '*bonyads*' - foundations or semi-private charitable trusts. Bonyads are involved in all

⁷ The New York Times, [Iran's economic crossroad](#) (4 December 2013)

⁸ See Bijan Khajepour, [Economic Challenges of the Rohani Administration](#) (2013)

but operate largely outside market mechanisms.

kinds of businesses, from pilgrim tour organisations to pistachio nut farming and trade, from soft drink production to car manufacturing. They control an estimated 20-30 % of Iran's GDP and are exempt from taxes and state control. They are often closely linked to powerful politicians. The pistachio trade, for example, is the country's third most important export item after hydrocarbons and carpets, and is principally controlled by the influential and wealthy Rafjansani clan. The financial and political power of the large bonyads makes it extremely difficult for private companies to compete.

Iran is not an enticing environment for FDI.

Another structural problem is the country's oversized public sector. Corruption and mismanagement are widespread, and the economy suffers from inefficiency and excessive bureaucracy. The World Bank ranks Iran 152nd of 189 countries in its [Ease of Doing Business ranking](#) – confirming Iran unattractiveness for foreign direct investment.

3.3 Trade questions

Iran's first trading partner is the UAE, but the country is increasingly looking east.

Iran's principal exports are oil and gas. With sanctions, its European markets were gradually been replaced by others in Asia (India, China, South Korea and Japan). Other exports (agricultural products such as pistachios and industrial goods, such as cars) are limited, but on the rise. Because its economy is relatively poorly diversified, the country imports machinery, finished industrial products and foodstuffs.

The EU's trade with Iran is subject to the EU general import regime, since Iran is not a member of the World trade Organisation (WTO), and there is no bilateral agreement between the EU and Iran. Iran applied to join the WTO in 1996, but has demonstrated little interest in proceeding with the accession process. This has not proven to be an insurmountable problem for Tehran, as the majority of its exports are hydrocarbons and other energy sources, which are not included in the WTO legal framework.

The Emirates are Iran's first trading partner. This is essentially due to the large Iranian community based in the UAE and to the fact that a large share of Iranian imports arrive via the Emirates. Goods destined for Iran are usually unloaded in Dubai's Port Rashid or Jebel Ali and then re-exported to Bandar Abbas, in some cases circumventing the sanctions imposed on Iran.

Turkey is a major market for Iranian exports, and Turkey's commercial ties with Iran have recently increased. China and other Asian countries (India, Korea and Japan) have also become important markets for Iran's exports.

The EU is currently Iran's fourth trading partner, absorbing nearly one tenth of Iran's exports. Most [EU imports](#) from Iran are energy-related. EU exports to Iran are principally machinery, transport equipment and chemicals.

4 Regional issues

4.1 A more constructive role in the Syrian crisis?

Iran is a steadfast supporter of the regime of Syrian President Bashar al-Assad and considers Syria a key ally in its 'axis of resistance' to Israel.

Iran is the only state in its region that supports Syrian President Bashar al-Assad in the Syrian civil war. Iran's support is based more on strategic interests than sectarian solidarity. Syria serves as Iran's gateway to the Levant and a key member of the 'axis of resistance' –Middle Eastern states opposing the Israeli occupation of Palestine and resisting US hegemony in the region. In a confirmation of the alliance between Tehran and Damascus, Hojjatolislam Mehdi Taeb, a senior Iranian cleric and close confidante of Ali Khamenei, recently called Syria an important province of Iran'. For decades, the two states have shared an opposition to Israel and western hegemony in the region. In the 1980s war between Iran and Iraq, Syria was the only Arab country to support Iran – a solidarity that has endured since.

Iranian support has been vital to Assad's survival.

The Iranian government has given Syria vital political and military support in the past two and a half years, but its most important contribution may have been its role in keeping the Syrian economy afloat. By lending the Assad regime billions of dollars and by selling its oil to Damascus at a large discount, Iran has allowed the Syrian government to continue paying government salaries and pensions. These, in turn, have been crucial for Assad to maintain support among key segments of the population.

Sanctions do not appear to have materially reduced Iran's ability to arm the Syrian regime and militant movements in the Middle East. Iran's arms exports contravene the UN Security Council's Resolution 1747. Yet by all accounts, Tehran's support of Damascus has continued.

Iranian-organised militias dominate the Syrian regime's 'supplementary forces'.

The Quds Force⁹, a special unit of Iran's Revolutionary Guards devoted to 'extraterritorial operations', has been actively involved in the Syrian civil war. Since the founding of the Islamic Republic, the unit has been charged with 'exporting' Iran's Islamic revolution. The Quds Force reports directly to the Supreme Leader. Its commander, Major General Qassem Suleimani, is often described as the Middle East's most powerful operative and, more recently, as Ahmad Jarba, leader of the National Coalition for Syrian Revolutionary and Opposition Forces and Col. Ahmed Hamada, a senior commander of the Free Syrian Army have called him the *de facto* leader in Damascus¹⁰.

Iranian-led troops include Shi'a fighters from a wide range of Middle Eastern countries.

According to US, Saudi and Jordanian intelligence, Iran has organised several Iraqi Shi'ite militias that are heavily involved in the civil war in Syria. One of these, the 'People's Army' (*Jaish al-Shabi*), is considered a part of the official Syrian security apparatus. Other militias, such as Liwa Abu Fadl al-Abbas, Kataeb Sayyed al-Shuhada, Liwa Zulfiqar and Liwa Ammar ibn Yassir operate in the areas under the control of the Assad regime. These militias consider

⁹ ('Jerusalem Force')

¹⁰ Ed Blanche: Iran's Foreign Legion', The Middle East, December 2013

the fighting in Syria and in their own countries part and parcel of the same project to protect Shi'a populations from Sunni extremists such as al-Qaeda. In addition to Shi'ite militants from Iraq, Iran trains mercenaries from Yemen, Bahrain and Saudi Arabia in urban warfare and handling heavy weaponry and artillery at Amir al-Momenin, an IRGC base near Tehran.

Iran is the main supporter of Hezbollah, another major force in the Syrian conflict.

Hezbollah, another key element of the 'axis of resistance', also receives substantial financial backing from Iran. Hezbollah would be unable to effectively arm itself without its supply of Iranian arms, which transits through Syria. Hezbollah's leader, Hassan Nasrallah, has been unwavering and unconditional in his support for the Assad regime due to its role in resisting Israel and the US.

Iran's role in the region may become more constructive.

Iran's emergence from international isolation will mean that it will be invited to contribute to efforts to end the civil war in Syria at the Geneva II Conference, scheduled for 22 January 2014. A real peace process in Syria would also spell relief for Jordan, Lebanon and Iraq, the countries most affected by war's spill-over.

The country must be involved in any regional efforts to resolve the crisis.

Iran's sponsorship of Hezbollah and its support of the Assad regime are likely to continue. However, Iran's foreign policy toward the region may become more pragmatic if its strategic and economic interests are satisfied in the framework of a long-term comprehensive solution. Whilst the UN, the Arab League and Russia have advocated including Iran in international efforts to solve the Syrian conflict, the US and the European permanent members of the UN Security Council have not; in their eyes, Iran has fuelled the problem by providing direct military and material assistance to the Syrian government.

It may prove more difficult to constrain Hezbollah's influence.

Yet the prospect of peace in Syria does not please everyone. Hezbollah is increasingly worried about its fate in a post-Assad era: a stable Syrian government might open the door to an Israeli-Lebanese-Syrian peace process. While unlikely, this scenario might involve reintegrating Hezbollah forces into the Lebanese army and transforming the group into a purely political party without an armed resistance wing. And while Hezbollah might now fear this outcome, it would be a giant step towards resolving Lebanon's perpetual political deadlock.

Iranians are increasingly critical of their country's involvement in the war in Syria.

Public opinion in Iran also favours a resolution of the Syrian crisis. Iranians are increasingly ambivalent about their country's role in the conflict and are growing reluctant to step up their involvement. Less than half of Iranians now say they favour economic, military, or political support for Syria¹¹.

¹¹ <http://www.gallup.com/poll/165878/iranians-support-syria-softens.aspx>

4.2 Bridging the Gulf?

Rouhani has prioritised improving relations with Iran's Gulf Cooperation Council (GCC) neighbours.

Under the new president, Iran has also prioritised improving relations with the Gulf Cooperation Council (GCC). Since the beginning of Rouhani's mandate, Iran has made diplomatic efforts to build bridges across the Gulf. The Gulf States, even Saudi Arabia, have welcomed the nuclear agreement reached in Geneva. Foreign Minister Zarif has visited Kuwait, the UAE and Oman and has participated in the Manama Dialogue Regional Security Summit. In return, the UAE foreign minister Abdullah Bin Zayed Al Nahyan and Sultan Qaboos of Oman have visited Tehran. Given the old economic links between the UAE (especially Dubai) and Iran, and the intimate diplomatic ties between Oman and Iran, this rapid rapprochement was to be expected.

After an initial period of hesitation, even Saudi Arabia – which long harboured animosity towards Iran – has welcomed the joint action plan as 'a primary step toward a comprehensive solution'. Zarif's visit to Saudi Arabia, which he has called 'an important and influential country in the region', has been planned, but no date has been set yet. Regarding Bahrain, a country with a Shi'a majority and unsettled political problems, Iran stresses cooperation, diplomacy and dialogue.

The thaw in cross-Gulf relations may also mean progress on the issue of the three contested islands in the straight – Greater and Lesser Tunb and Abu Musa – which are a source of discord between Iran and the UAE since the independence of the Emirates in early 1970s.

5 Policy options

The European Parliament (EP) supports the European Union's commitment to a diplomatic solution to the nuclear programme. Yet the EP has also called on the Union to devise a broader strategy that goes beyond the nuclear issue and addresses Iran's regional role. Areas of common interest and concern include Afghanistan, Iraq, Syria, a common security framework in the Gulf, counter-terrorism, drug trade and energy security.

The EP's Committee on Foreign Affairs is preparing a recommendation for the European External Action Service, the Council and the Commission on the EU's strategy on Iran. The recommendation is expected to be adopted by the plenary in February 2014.

5.1 Iran's potential role in the region

Iran shares a fear of extremist Sunni Islamism.

Iran could potentially play a far more constructive role in the region. Keen on having its position as a regional power recognised, Iran exercises significant leverage in the so-called 'axis of resistance', which Tehran considers its strategic alliance. Iran's influence on rulers in Baghdad and Damascus, as well as on its allies in Lebanon (Hezbollah), should encourage international interlocutors to include Iran in Syrian peace talks. Iran, its Arab neighbours and the West all share a fear the rise of militant, extremist and intolerant

forms of Sunni Islamism.

5.2 Human rights and other domestic issues

Domestic reforms in Iran should be supported without interfering in domestic political processes.

Closer political relations between the European Union and Iran will also offer more channels for direct dialogue on human rights issues. The fact that political reform in Iran has been conceived endogenously is encouraging. Reformist groups within Iranian society should be supported, although too direct a support may create a backlash against progressive elements; anti-Western sentiment is still quite strong in Iran. Conservative/regressive forces will not hesitate to accuse the West of interfering in internal affairs and the reformists of being agents of the enemy.

Rouhani's plan to extend civil rights and improve the status of women and minorities should be supported.

The EU supports a multilateral approach to human rights issues. The UN General Assembly has each year passed a resolution urging Iran to improve human rights. The EU supports the most recent draft resolution, approved by the Third Committee on 19 November 2013 and submitted to the General Assembly for vote in December. The text expresses concern with serious continuing abuses in Iran, but also welcomes President Rouhani's pledges on human rights issues, such as discrimination against women and members of ethnic minorities and freedom of expression and opinion. The draft resolution praises Rouhani's plan to implement the 'Charter of Citizens' Rights' and encourages Iran 'to take concrete action to ensure these pledges can result in demonstrable improvements as soon as possible and to uphold the government's obligations under its domestic laws and under international human rights law.'

The UN's Special Rapporteur on Human Rights in Iran, Ahmad Shaheed, has served as a key figure in the multilateral human rights dialogue with Iran. His current mandate expires in March 2014, and the EU should strongly support the prolongation of his mandate and should do what it can to facilitate cooperation between Shaheed and the Iranian authorities.

Internet freedom is a prerequisite for social and political reform.

Gradually opening Iranian society will be crucial for reformist forces within the country. Unrestricted access to the internet for information and communication constitutes a human right.. Social media (e.g. Facebook and Twitter) have become a part of Iranians' daily lives, and attempts to restrict their use would risk being hugely unpopular. The EU should therefore support Iranian and international activists who are discussing the freedom of the internet with Iranian – leaders.

Women's educational and economic opportunities will enhance their role in Iranian society.

Women's rights, another priority for the European Union, could be tied to the economic reform agenda. Iran's nearly 40 million women constitute an enormous, insufficiently tapped potential, and their collective empowerment would boost the Iranian economy. Women's economic and educational achievement will also lead to improvements in Iranian women's social rights, even in a context dominated by conservative forces.