

EUROPEAN PARLIAMENT

1999



2004

Session document

FINAL
A5-0418/2001

26 November 2001

REPORT

on the communication from the Commission to the European Parliament and the Council on EU relations with the Islamic Republic of Iran
(COM(2001) 71 - C5-0338/2001 - 2001/2138(COS))

Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

Rapporteur: Michael Gahler

CONTENTS

	Page
PROCEDURAL PAGE	4
MOTION FOR A RESOLUTION.....	5
EXPLANATORY STATEMENT	12
OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY.....	17

PROCEDURAL PAGE

By letter of 9 February 2001, the Commission forwarded to Parliament its communication on EU relations with the Islamic Republic of Iran (COM(2001) 71 - 2001 -2138/(COS)).

At the sitting of 3 September 2001 the President of Parliament announced that she had referred this communication to the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy as the committee responsible and to the Committee on Industry, External Trade, Research and Energy for its opinion (C5-0338/2001).

At its meeting of 20 March 2001 the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy appointed Michael Gahler rapporteur.

It considered the Commission proposal and the draft report at its meetings of 8 October, and 21 and 22 November 2001.

At the last meeting it adopted the motion for a resolution by 29 votes with 4 abstentions.

The following were present for the vote: Baroness Nicholson of Winterbourne, acting chairman; William Francis Newton Dunn and Catherine Lalumière, vice-chairmen; Michael Gahler, rapporteur; Alexandros Baltas, Gunilla Carlsson, Michael Cashman (for Gary Titley), John Walls Cushman, Véronique De Keyser, Rosa M. Díez González, Pere Esteve, Giovanni Claudio Fava (for Klaus Hänsch), Pernille Frahm (for André Brie), Jas Gawronski, Alfred Gomolka, Efstratios Korakas, Hanja Maij-Weggen (for Ingo Friedrich), Pedro Marset Campos, Linda McAvan, Philippe Morillon, Pasqualina Napoletano, Raimon Obiols i Germà, Arie M. Oostlander, José Pacheco Pereira, Jacques F. Poos, Jannis Sakellariou, Amalia Sartori, Jürgen Schröder, Elisabeth Schroedter, Ioannis Souladakis, Paavo Väyrynen, Matti Wuori and Christos Zacharakis.

The opinion of the Committee on Industry, External Trade, Research and Energy is attached.

The report was tabled on 26 November 2001.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the communication from the Commission to the European Parliament and the Council on EU relations with the Islamic Republic of Iran (COM(2001) 71 - C5-0338/2001 - 2001/2138(COS))

The European Parliament,

- having regard to the Commission communication (COM(2001) 71 - C5-0338/2001)¹
- having regard to UN Resolution 2001/17 of 20 April 2001 of the Human Rights Commission on the human rights situation in the Islamic Republic of Iran,
- having regard to the interim report of 10 August 2001 (A/56/278) and the report of 16 January 2001 (E/CN.4/2001/39) of the Special Envoy of the UN Committee on Human Rights for Iran, Maurice Copithorne, on the human rights situation in the Islamic Republic of Iran,
- having regard to its resolutions of 18 May 2000², 13 April 2000³, and 16 September 1999⁴ on the human rights situation in Iran,
- having regard to its resolution of 5 July 2001 on human rights in the world in 2000⁵ and the European Union Human Rights Policy,
- having regard to the dialogue established since 1995 and extended in October 1998 through an exchange of views between the European Union and Iran on global issues such as terrorism and human rights, regional issues and the areas of cooperation: drugs, refugees and energy,
- having regard to the Commission's regret at the extension by five years of the sanctions imposed on Iran and Libya (ILSA, HR 1954) by the US Congress on 26 July 2001,
- having regard to its resolution of 25 October 2001⁶ on the progress achieved in the implementation of the common foreign and security policy which recommends opening the way to the conclusion of a trade and cooperation agreement with Iran,
- having regard to the Commission's statement in its communication that it 'goes without saying that the scope for promoting bilateral relations will depend on the progress of political, economic and legislative reform in Iran',
- having regard to the condemnation by President Khatami of Iran of the terrorist attacks on the USA of 11 September 2001,
- having regard to the visit by the Iranian Foreign Minister, Kamal Kharrasi, to the European Union institutions on 10 September 2001, which represents a major step

¹ Not yet published in the Official Journal.

² OJ C 59, 23.2.2001, p. 282

³ OJ C 40, 7.2.2001, p. 421

⁴ OJ C 54, 25.2.2000, p. 112

⁵ See text adopted on 5 July 2001.

⁶ See text adopted on the 25 October 2001.

forward in diplomatic contacts between Iran and the EU since the Islamic Revolution of 1979,

- having regard to the ad hoc visit by the EU's Foreign Policy Troika, which resulted from the action plan adopted at the special summit of Foreign Ministers on 21 September 2001 in Brussels¹ on measures to increase the fight against terrorism and took them to the Islamic Republic of Iran, the Mashreq States and Pakistan,
 - having regard to Rule 47(1) of its Rules of Procedure,
 - having regard to the report of the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy and the opinion of the Committee on Industry, External Trade, Research and Energy (A5-0418/2001),
- A. whereas it is very much in the interests of the EU, as part of a foreign policy strategy for conflict prevention, that Iran should become a factor for stability in the region,
- B. whereas the EU can help Iran to develop good-neighbourly relations with all the countries in the area and contribute effectively to the development of regional cooperation,
- C. whereas the EU should do everything within its power to further the continuation of Iran's constructive participation in the international coalition against terrorism under the auspices of the UN,
- D. whereas Iran is already host to some 2.8 million refugees, mainly from Afghanistan and Iraq, who pose a threat to the stability of Iran and beyond and who therefore need substantially increased international humanitarian aid, which is all the more urgent in view of the massive increase in the influx of refugees into Iran as a consequence of the fighting in Afghanistan,
- E. whereas Iran has now had a government for 22 years which persecutes and oppresses adherents of other faiths; disappointed that the first election of President Khatami, which seemed to give grounds for hope, did not bring about substantial democratic and political change,
- F. whereas more democracy and greater respect for human rights would allow the human resources in Iran to be tapped on a large scale and thereby substantially boost Iran's position as a regional economic player, which might make it a more stable partner in the region,
- G. whereas the EU, with an annual volume of exports in excess of € 4 billion, is Iran's main trading partner and Iran exports goods with a value of € 4.5 billion to the EU every year, with oil accounting for 75% of these exports, and whereas there still remains a great potential for expansion of cooperation in other areas,
- H. whereas the peaceful development of civil society and of the economy depends on the continued evolution of domestic political, legislative and economic framework conditions in Iran, away from autocratic and repressive structures, towards more democracy and

¹ SN 140/01 of 21.9.2001.

economic and political liberalisation,

- I. whereas a large majority of Iran's electorate, through its extremely high turnout at the parliamentary, presidential (67% turnout in 2001) and municipal elections since 1996, has shown not only an acceptance of political institutions, but also a considerable desire to press ahead with both political and economic reform (77% majority for President Khatami in 2001), in contrast with 'the desire of a majority of the Shiite religious leaders to consolidate an Islamic theocracy',
- J. having regard to President Khamati's declaration of 8 August 2001, inaugurating his second term of office, that he intends to strengthen the civil institutions of the country, but fearing that these good intentions will likewise come to naught because of the reactionary clerics,
- K. whereas any EU policy vis-à-vis Iran must take into account the contradictions in the social and political system, and a policy of closer cooperation therefore makes sense only if progress in political, economic and social reforms in Iran is strongly urged,
- L. whereas a 'cultural dialogue' will have an important part to play in this context in promoting understanding and exchange between religions and societies; whereas the European Union intends to intensify its relations with the Arab States and Iran along these lines,
- M. whereas the human rights situation in Iran is still a matter for concern; whereas the promised reform of the press and the judicial system has not taken place and, particularly in the last few months, freedom of the press and freedom of assembly have again been severely curtailed, the last example of this development being the arrest of the film director Tahmineh Milani on 31 August 2001 for 'insulting Islamic values',
- N. particularly concerned about the imprisonment of Ali Afshari, Akbar Ganji, Ezzatollah Sahabi, Yusefi Eshkevari, Khalil Rostamkhani and Said Sadr for participating in the Conference 'Iran after elections - The dynamics of reform in the Islamic Republic', which took place in Berlin in April 2000, and about the fate of Abbas Amir Entezam, Iran's longest-serving prisoner of conscience,
- O. whereas women continue to be subject to severe restrictions, despite the fact that their situation is substantially better than in most countries in the region; whereas female members have been elected to Parliament, with the highest proportion so far of 5.5% in the 2000 parliamentary elections; whereas there are some women in leading positions in ministries and business, and female students represent over 50% of enrolments at university level,
- P. whereas Iran is a multi-ethnic country in which minorities amount to approximately 50% of the whole population, and whereas minorities' rights are not fully respected with regard, in particular, to the Azeri minority, who represent a large part of Iranian society,
- Q. whereas President Khatami has appealed to ethnic minorities, offering the prospect of a relaxation of cultural restrictions,
- R. whereas Iran faces substantial economic and social problems, such as high inflation and unemployment, foreign debts, low production output and low levels of industrial capacity utilisation, rapid demographic growth and alarming environmental pollution and is

therefore, in view of its high economic potential and rich energy resources, interested in increased foreign investments and closer trade and cooperation ties with the EU,

- S. whereas the cultivation of drugs in Afghanistan, formerly sponsored by the Taliban, is responsible not only for between 1.5 and 2 million Iranian drug addicts - which is a tragedy in itself – and for causing serious economic, social, cultural and security-related harm in Iran, but is also making Iran, because of its geographical location, a transit country for the bulk of EU drug imports,
- T. whereas Iran, a partner of the United Nations Drugs Control Programme, has made considerable efforts to fight against drug smugglers equipped with military weapons such as armoured vehicles and anti-aircraft missiles, and has paid a heavy price for its fight against drugs with more than 3,000 law enforcement officials killed over the last 10 years,
 - 1. Is in favour of closer cooperation between the EU and Iran, and advocates a two-pronged policy for this, comprising on the one hand a critical dialogue to raise the issues of the human rights situation, nuclear, chemical and biological weapons of mass destruction and the need for economic reforms in Iran and, on the other hand, arrangements for cooperation in various fields with a view, inter alia, to promoting the rule of law and democracy, which would provide a more solid base for this cooperation in the abovementioned areas;
 - 2. Stresses this necessity once again in the light of the events of 11 September and the associated far-reaching changes in foreign policy, and calls on the Commission, in view of the extraordinary circumstances, to make humanitarian assistance available to Afghan refugees in Iran without delay;
 - 3. Hopes that the readiness for political action displayed by the international community after the terrorist attacks will remain in evidence;
 - 4. Calls on Iran to reconsider its policy in the Middle East and help to reconcile two objectives: firstly, the creation of a viable and democratic Palestinian State and an end to the occupations, and secondly, the right of Israel to live in peace and security within internationally recognised borders; calls on Iran, furthermore, to confirm this right and use its influence in the Middle East to persuade those movements with which it maintains relations to refrain from the use of violence; further calls on Iran to use its influence to secure the release of Israeli soldiers being held by these groups;
 - 5. Urges Iran to adopt a constructive attitude vis-à-vis the other coastal countries as regards the delimitation of boundaries in the Caspian, refraining from unilateral initiatives which could endanger the ongoing process that should lead to a new international agreement on the matter;
 - 6. Supports the desire for political, economic and social reform democratically expressed by the people of Iran and its recently elected representatives at the presidential, parliamentary and municipal elections, and hopes that efforts to achieve political, economic and judicial reform will finally bear fruit during this second term of office;
 - 7. Considers that the readiness expressed by Iran to discuss human rights issues is a positive development with a view to the normalisation of relations between the EU and Iran, and expects that, in consequence, the rights of the individual in criminal cases and minority

rights, for instance, will no longer be denied in future on grounds of national security; expects improvements, notably concerning the release of prisoners of conscience and compliance with international standards for fair trial, the prohibition of torture, the abolition of special courts such as Revolutionary and Press Courts and the Special Court for the Clergy for offences which can be dealt with in the normal judicial framework, freedom of belief for all religions (not only those recognised in the Constitution) and the abolition of the death penalty;

8. Assumes that any future trade and cooperation agreement with Iran will contain a substantive human rights clause based on the corresponding article in the Cotonou Agreement;
9. Advocates a selective rapprochement between the EU and Iran with the aim, inter alia, of strengthening the existing moves towards democratic institutions and the development of civil society; and asks to be kept fully informed of the future concrete rapprochement measures chosen by the Commission;
10. Considers that closer trade and economic cooperation between the EU and Iran is possible if Iran adopts a policy of economic liberalisation, as provided for in the five-year plan launched in 1999; recommends a reinforced economic liberalisation and privatisation process and a greater openness to foreign investment and economic activities through the removal of tariff and non-tariff trade barriers;
11. Welcomes, therefore, the exploratory talks between the Commission and the Iranian Government in the fields of energy, trade and investment, drugs and refugee/asylum issues, and advocates extending these talks to other fields of mutual interest, especially in the field of the fight against drugs, which requires further steps in order to meet Iran's technical and educational needs; calls on the Council and Commission to urge the future rulers of Afghanistan to put an immediate end to the widespread production of drugs in their country and their illegal export;
12. Takes the view that it is necessary to embark on a dialogue on further areas of mutual interest, such as human rights, foreign and security policy, weapons of mass destruction and the proliferation of nuclear weapons;
13. Draws attention to the importance of cultural dialogue in this context, for example in the form of the establishment of a forum for dialogue and other mutual cultural contacts;
14. Underscores the need to sensitively and effectively improve the precarious human rights situation, and calls for the rights of religious minorities and the dignity of women to be respected, the violation of which is apparent in the imposed dress code, as well as in the numerous provisions of family law which discriminate against women; supports therefore the proposal by UN Special Envoy Copithorne to draw up a timetable for implementing the requisite legal and administrative changes in order to ensure equal legal status for women;
15. Notes the existence of many ambitious young people in Iran and recognises their role in Iran's reform process; wishes to encourage access by young Iranians to the outside world, in particular through the development of academic exchanges; wishes the cultural, scientific and cooperation departments of the EU and its Member States to be given more facilities to set up missions in Iran;

16. Hopes that, for the first time since 1996, the UN General Assembly's special human rights envoy will be invited back to the country;
17. Calls also on Iran to empower the Islamic Human Rights Commission to carry out impartial and thorough investigations into allegations of human rights violations including torture, disappearances and extrajudicial executions, and calls for the methods and findings of such investigations to be made public;
18. Hopes that further efforts will be made to carry out the promised reform of the press and judiciary; calls for the abolition of the present measures, many of which are arbitrary and punitive, by a predictable, judicially based system with suspension provisions limited to six months;
19. Encourages the forces of reform in parliament and in civil society to continue to address boldly the task entrusted to them by the electorate of consolidating democratic structures and building an open democratic society; notes, however, that since President Khatami's re-election in his second term of office there have been no signs of any significantly more far-reaching approach to reform and that, on the contrary, the number of executions, for example, has drastically increased since then; believes that the return of an almost unchanged cabinet has visibly dashed the hopes of the reformist parliament;
20. Considers that the conclusion of a trade and cooperation agreement with Iran is possible if it makes substantive progress in amending its legislation governing the market and investments to comply with WTO requirements; welcomes in consequence the forwarding of a proposal from the Commission to the Council on 19 November 2001 concerning such a trade agreement between the EU and Iran and the positive evaluation of and support for this expressed at the General Affairs Council on 17 October 2001;
21. Favours converting Iran's current observer status within the Commission-funded Inogate programme into full-member status, in the light of the importance attached in the Green Paper on the security of energy supply to establishing ongoing dialogue with producer countries with a view to achieving greater transparency on the market and price stability;
22. Welcomes the adoption by Iran, on 16 July 2000, of Regulation 14.4 establishing a list of 77 mainly industrial products to which import liberalisation is to apply; urges the Iranian Government to pursue this liberalisation process further, since it is certain to be conducive to the commencement of its negotiations on WTO membership;
23. Welcomes further the Iranian Parliament's approval of the Bill on foreign investment in Iran in May 2001, which is more flexible than the 1955 Act currently in force, as well as its recent approval of a law enabling Iran to join the New York Convention on international arbitration, which will help build the climate of confidence required to attract investment from abroad;
24. Recommends that the Commission and the Council call on Iran to participate in the Sixth Framework Programme in order to encourage the country's research and innovation activities, as well as promoting research relations between the EU and Iran;
25. Encourages Iran to make further progress in liberalisation in such areas as the rule of law, the rights of minorities and freedom of the press;

26. Recognises the very large economic and financial burden of Iran's refugee population and regrets the relatively low commitment of the EU and international institutions to help; believes that the new pressure of Afghan refugees calls for immediate EU action; encourages the Commission to launch a humanitarian aid programme to help Afghan and Iraqi refugees in Iran and to coordinate technical aid from the EU Member States to secure Iran's borders;
27. Encourages the Commission to launch a humanitarian aid programme to help Afghan and Iraqi refugees in Iran and to coordinate technical aid from the EU Member States to secure Iran's borders;
28. Proposes, therefore, to send an ad hoc delegation to Teheran, and to invite the Iranian Parliament to send a delegation to Brussels in return, in order to prepare future parliamentary relations between the European Parliament and the Majlis, for example in the form of Iran's inclusion in a parliamentary delegation for the Persian Gulf;
29. Instructs its President to forward this resolution to the Commission and the Council.

EXPLANATORY STATEMENT

1. Introduction

Since 1998, following the election of President Khatami for the first time in 1997, the EU has held a dialogue with Iran in the form of six-monthly Troika meetings, which permit an exchange of views on:

- global issues (terrorism, human rights and the proliferation of nuclear weapons),
- regional issues (Iraq, the Gulf, Central Asia, the Middle East Peace Process),
- areas of cooperation (drugs, refugees, energy, trade and investments).

There are now also Commission-Iran technical working parties on energy, drugs and refugee issues and on trade and investments.

However, there is as yet no treaty framework between the EU and Iran to permit the development of closer relations.

On 7 February 2001 the Commission submitted a communication on EU relations with Iran (COM(2001) 71) in which it proposes negotiations on the conclusion of a trade and cooperation agreement. The Council approved this communication on 14-15 May 2001 and called on the Commission to submit a draft for a negotiating mandate to that end.

This report aims to set out the opinion of the European Parliament on the question of an EU-Iran trade and cooperation agreement and on proposals for parliamentary cooperation between the EP and the Iranian Parliament (Majlis).

2. Geopolitical situation of Iran and the EU's interests in the region

With a view to a long-term foreign policy strategy of conflict prevention the EU has an interest in Iran becoming a stability factor in the region. All Iran's neighbours are more or less 'producers' of permanent instability: to the east Afghanistan, with its Taliban regime as a centre (inter alia) of world-wide drugs exports, and Pakistan with its nuclear potential, its military regime and its recurring conflicts with India; to the north the weak Central Asian states of Turkmenistan, Uzbekistan and Tajikistan with their unresolved border issues; to the north-west the conflict regions of the Southern Caucasus and Eastern Turkey with its Kurdish problem; to the west Iraq under Saddam Hussein. On the other hand, in the south, where the world's largest oil reserves are to be found, a political reconciliation has already been reached in the form of a treaty with Saudi Arabia and is also achievable, and desirable, with the Gulf Emirates.

The changed political climate in the world following the terror attacks and the counter-measures that have been taken clearly show the need for stability in this region. These tragic events have, however, shown that the international community is fully capable of taking political action, for example in the form of the international coalition against terror. We would do well not to forget this, particularly in view of the often entrenched positions between the opposing parties in the region. Furthermore, owing to the increase in the number of refugees fleeing the fighting in Afghanistan and making mainly for Pakistan but also in many cases for Iran, a significant increase in humanitarian aid is a top priority.

Iran itself possesses the world's third-largest oil deposits (10%) as well as its second-largest gas deposits (16%). The volume of Iran's trade with the EU falls far short of the potential which it ought to have in view of its population (63 m) and its natural resources. Nevertheless, the EU is Iran's largest trading partner (accounting for some 40% of the country's total imports). EU exports since 1995 have been in the range of EUR 3.5 to 5 bn and cover mainly manufactured goods, motor vehicles, chemicals and pharmaceuticals. Iran's exports to the EU (some 36% of its total exports) range between EUR 3.7 and 5.7 bn and consist primarily of oil (80% of total exports), carpets, pistachio nuts and caviar.

More democracy and a correspondingly greater concern for human rights would greatly increase the availability of its human resources and thus significantly improve Iran's position as a regional economic factor, making it into a more stable partner in the region.

The drug trade based in Afghanistan has direct consequences not only for Iran (with 1.5 to 2 m drug addicts) but also for the EU. The approximately 2 m refugees staying in Iran, mainly from Afghanistan and Iraq, are also a factor contributing to destabilisation within Iran and beyond its borders.

3. Internal situation in Iran

A central issue for the internal development of Iran is the extent to which the peaceful development of civil society and the economy can be successfully achieved on the basis of the political framework conditions which exist in Iran. These are characterised by the dualism between autocratic and repressive structures on the one hand and more democratic institutions and social groups on the other. Iranian society is torn between on the one hand the claim by the majority of the Shiite clergy to be creating an Islamic religious state, and on the other the desire of the majority of voters for a civil society. The local and parliamentary elections at the beginning of 2000 and the re-election of President Khatami on 8 June 2001 were a clear sign of support for Khatami's programme of civil, judicial and economic reforms. That Khatami's share of the vote increased once again is, however, also a clear signal from an increasingly impatient electorate that in his second term of office he should finally make some concrete progress with the expected reforms, for the political, social and economic problems which led to the 1979 revolution have still not been resolved.

At the same time, however, the Khatami government's efforts to bring about reform are coming up against clear barriers in the form of the dualism of political life, both between its formal and informal structures, and within the formal structures themselves. These formal structures pit the President against the 'Supreme Leader', the army against the Revolutionary Guard in the armed forces, and - in the legislative field - Parliament against the Council of Guardians. Alongside these there are also the Council of Experts, the Discernment Council, the Council of Ministers and the judiciary.

The 'informal' centres of power include the 'Patriarchs', i.e. the political clergy in the executive, legislature and judiciary, the most senior non-clerical civil servants, the members of 'revolutionary' organisations, i.e. the religious security forces, revolutionary committees, the media, almost all of which form the regime's power base.

This 'élite', whose power struggles and debates take place mainly in the prosperous suburbs of North Tehran, is roughly divided into two ideological groups, within which further divisions exist. The Western-imposed categories of 'radical' and 'moderate/reforming' are unhelpful to the extent that they fail to describe adequately the complex orientations of the decision-making circles. More accurate categories are those such as Islamic Left, New Left, Modernising Right and Traditional Right. These formal and informal political structures are to blame not only for the considerable inefficiency and incoherence of the country's foreign and defence policy but for the relative stagnation of the political system as a whole. They provide the framework for the ongoing power struggle in the country, exemplified by the disputes over the confirmation of some appointments to the Council of Guardians in the run-up to President Khatami's taking office.

The traditional right, headed by the 'Supreme Leader' Khomeini, responded straight away to the outcome of the parliamentary elections with a wide-ranging ban on the reformist press and the arrest of several prominent members of the reform movement, and recently also banned the leading reformist daily 'Hambasteghi' immediately after the President took office on 8 August. Reforming legislation on the press and freedom of opinion has been blocked.

The reforming trends in Iran ultimately concern whether the theocratic supremacy of the clergy can be democratically called into question. President Khatami himself supposes that the Iranian people, in the light of their traditions and history, would not vote against a religious state. If it came down to it, he has hinted that he would prefer democracy. In his inaugural speech at the start of his second term of office on 8 August he announced he would be strengthening civil institutions and warned that narrow-minded views and increasing violence under the cloak of Islam might lead to a secular backlash.

The more radical reformers, on the other hand, who have turned their backs on Khatami – students, intellectuals, sympathisers with the freedom movement – want to limit the clergy's position of power in line with the will of the majority. The judicial system has criminalised this wing of the reform movement and attempted to silence them. In view of the radicalisation at both ends of the political spectrum, Mr Khatami has become more and more a man of the centre, seeking to achieve a reconciliation with the more moderate opponents of reform.

Any EU policy towards Iran must be aware of these contradictions in the social and political system. Any stepping-up of cooperation policy therefore presupposes further progress with political, economic and social reforms.

4. Challenges to cooperation

The human rights situation, the question of weapons of mass destruction and the need for economic reforms in Iran remain worrying problems for the European Parliament, on which a regular dialogue needs to be held.

Human rights

The willingness which Iran has hinted at to discuss human rights questions is a necessary precondition for any treaty relations with Iran in future. The consensus resolution adopted on 20 April in the UN Committee on Human Rights, at the initiative of the EU, on human rights in Iran is an important step which must lead to the issue of an entry permit for Mr Copithorne,

the UN Special Rapporteur. This resolution notes important progress, e.g. in the field of education for women, the development of democracy and the health system. However, it also criticises Iran's refusal, on the grounds of national security, to allow individual rights in criminal trials, or the rights of minorities, particularly those of Baha'is, and the fact that the death penalty and mutilation by way of punishment are carried out in public. The death penalty is still carried out publicly by hanging or beheading, and there are very recent examples of the judicial stoning of women.

Although many Iranian women have now liberated themselves 'behind the chador', and now account for 57% of new students at the country's universities, very little has happened in principle to change the systematic discrimination against women, which derives less from Islamic law itself than from the interpretation of that law by a few (male) clerical lawyers. Reforming laws adopted by the Parliament have been rejected by the Council of Guardians. As a result, among other things the minimum age of marriage for girls with judicial consent still remains 9 (!), rather than 14 as called for by Parliament. Such a state of affairs can only be described as legally sanctioned potential child sexual abuse.

Support for terrorist groups

Even though Iran appears since 1995 to have stopped supporting terrorist acts in the EU, its continuing hostile attitude to the Middle East peace process and its financial, political and ideological support for certain Palestinian groups such as Hamas, Hizbollah or the Jihad Islami (Islamic Holy War) still give rise to Western criticisms, particularly from the USA and Israel. The aim of a lasting reconciliation between Israelis and Arabs is clearly in the interests of all those directly and indirectly involved. Our policies must therefore also try to ensure, in our dialogue with Iran, that it brings its real influence to bear on these organisations with a view to a peaceful solution.

Liberalisation of the economy

A deepening of commercial and economic cooperation between the EU and Iran will depend on whether Iran embarks on a course of economic liberalisation. The most important instrument for the reform of the economy is the five-year plan begun in 1999. One of its priorities is the privatisation of state businesses, which is still being blocked politically. In particular the religious foundations (Bonyads) with close links to the bazaar have no interest in any further privatisation and the consequent more lively competition, since this would deprive them of their monopoly in a number of areas. It is estimated that the Bonyads, which are under the direct responsibility of the religious leaders and are not answerable to the government or to parliament, control 40% to 70% of Iran's industrial production. However, even groups which favour political liberalisation are not necessarily 'economic liberals', particularly not in relation to the liberalisation of foreign trade.

Iran has considerable and growing economic social problems such as high inflation and unemployment, foreign debt, low productivity and low use of industrial capacity, high population growth and environmental pollution on a sometimes alarming scale. An increasing 'brain drain' of well-trained graduates could in the medium term jeopardise the reform and development capacity of economy and society.

The framework conditions for foreign investment are still not very favourable. An opaque tax policy, and the delay in the adoption of a new investment law, are not designed to attract the urgently needed investments from abroad. Between January 1994 and December 2000 foreign investments of only USD 2.6 bn were registered. In order to achieve the growth of 6% which is sought after, even with a falling oil price (the 2000-2001 state budget is based on an estimated oil price of USD 13.8 per barrel), experts estimate that at least USD 14 bn per year are needed.

5. Areas and sectors of cooperation

In view of these difficult framework conditions, the approach adopted hitherto of a selective rapprochement between the EU and Iran is the right one – e.g. the exploratory talks between the Commission and the Iranian government in the fields of energy, trade and investment, drugs and refugee/asylum issues. Other areas of mutual interest still need to be defined, such as the launching of a dialogue on human rights or foreign and security policy issues, including regional security, weapons of mass destruction or the proliferation of nuclear weapons.

What needs to be investigated is in what ways people-to-people contacts can be developed and ultimately how contacts between MEPs and Members of the Assembly of the Islamic Council (Majlis) can be built up.

The conclusion of a trade and cooperation agreement with Iran would be the logical consequence of such a policy of reinforced cooperation. However, Iran will still have a lot of work to do on its market and investment legislation in order to meet the requirements of WTO conformity. The country's progress in terms of liberalisation would also have to be judged in the light of criteria such as the rule of law, the rights of minorities, freedom of the press, regulatory framework conditions for the economy and Iran's approach to foreign and security policy.

The European Parliament should do what it can by means of a parliamentary dialogue with the Majlis to strengthen the hand of the reforming groups which are currently just finding their place in the institutional structure. The development of parliamentary relations could take place gradually, and could initially be prepared by the visit of an ad hoc EP delegation to Tehran.

6 November 2001

OPINION OF THE COMMITTEE ON INDUSTRY, EXTERNAL TRADE, RESEARCH AND ENERGY

for the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy

on the communication from the Commission to the European Parliament and
the Council on EU relations with the Islamic Republic of Iran
(COM(2001) 71 – C5-0338/2001 – 2001/2138 (COS))

Draftsman: Carlos Westendorp y Cabeza

PROCEDURE

The Committee on Industry, External Trade, Research and Energy appointed Carlos Westendorp y Cabeza draftsman at its meeting of 11 July 2001.

It considered the draft opinion at its meetings of 17 September, 9 October and 6 November 2001.

At the last meeting it adopted the following conclusions unanimously.

The following were present for the vote: Carlos Westendorp y Cabeza, chairman and draftsman; Renato Brunetta and Peter Michael Mombaur, vice-chairmen; Konstantinos Alyssandrakis, Giles Bryan Chichester, Christos Folias, Pat the Cope Gallagher, Norbert Glante, Michel Hansenne, Roger Helmer, Hans Karlsson, Constanze Angela Krehl (for Mechtild Rothe, pursuant to Rule 153(2)), Werner Langen, Eryl Margaret McNally, Nelly Maes, Erika Mann, Hans-Peter Martin (for Massimo Carraro), Angelika Niebler, Barbara O'Toole (for Gérard Caudron), Reino Paasilinna, Elly Plooij-van Gorsel, Samuli Pohjamo (for Astrid Thors), Bernhard Rapkay (for Harlem Désir), Imelda Mary Read, Paul Rübig, Ilka Schröder, Esko Olavi Seppänen, Claude Turmes (for Yves Piétrasanta), Alejo Vidal-Quadras Roca, Dominique Vlasto, Anders Wijkman, Myrsini Zorba and Olga Zrihen Zaari.

SHORT JUSTIFICATION

This opinion seeks to set out the position of the Committee on Industry, External Trade, Research and Energy on the trade and cooperation agreement between the EU and Iran proposed by the Commission in its communication of 7 February 2001 (COM(2001) 71).

1. Political situation

After almost twenty years of Islamic Revolution and serious difficulties both at home and abroad, the growing desire for change amongst the population in the mid-1990s led to encouraging moves towards greater political and economic openness in Iran.

Iranian politics has since come to be dominated by a dual system in which democratic political structures exist alongside their autocratic counterparts, and by a struggle between the reformists and more hardline elements. Although the conservatives held absolute sway in the decade following the Revolution of 1979, the reformist camp has been gradually gaining influence since then.

Pressure from the more progressive elements in society has led to a number of modest reforms with the qualified support of the hardliners. However, the latter still control the judiciary, the legislature and the armed forces and have thus been able to block reforms less palatable to the regime, such as press freedom or constitutional change. The hardliners have by and large succeeded in resisting the increasingly widespread calls in society for more liberal reforms to which they are openly hostile, thereby testing President Khatami's ability to deliver such reforms.

2. Economic situation

Although it has large oil and gas reserves, Iran still has a difficult socio-economic situation to contend with in the form of high unemployment and inflation rates, sizeable foreign debt, industrial capacity that is underexploited, alarming environmental pollution levels and rapid population growth. Its centralised, inefficient economy is in need of structural reforms to iron out the distortions affecting it. Although the third Five-Year Development Plan adopted in April 2000 is designed to act as the main catalyst for these reforms, political opposition is holding back one of its key components, the privatisation of state-owned undertakings.

The EU is Iran's main trading partner, accounting for about 40% of the country's imports and 36% of its exports. However, many difficulties for importers and investors remain. The administrative and legal environment for trade and investment is lacking in transparency and arbitrary, and therefore discouraging for importers and potential investors.

3. EU-Iran relations

In spite of the aforementioned political change of course, the EU at present has no contractual relations with Iran, nor is there any significant financial cooperation between the two sides. In 1995 the EU and Iran commenced dialogue, which was extended to new areas after the election of President Khatami and in 1998 became Comprehensive Dialogue, albeit with a very limited scope. This dialogue takes place every six months in the form of a troika. Technical working groups involving the Commission and Iran have also been set up to deal

with areas of mutual interest such as energy, drugs, refugees and trade and investment. However, the absence of a contractual framework hinders further cooperation.

Iran has expressed great interest in closer ties with the EU and would be willing to negotiate a **trade and cooperation agreement**. President Khatami has made stronger ties with the EU a major policy objective of his second term in office.

In stark contrast, since the hostage crisis of 1980-81 the United States has been enforcing the Iran and Libya Sanctions Act (ILSA), which bans foreign investment in either of those countries. That Act was last renewed for a further five years on 27 July 2001.

As the Commission states in its communication, there are both political and economic grounds for developing closer EU ties with Iran. Increased democracy and greater respect for human rights would help make the country a more stable partner in the region. Iran is an important source of oil and gas in a strategic location with its own strong interests in adjacent areas such as Central Asia. It could in future have significant potential as a regional economic partner, offering substantial opportunities for trade and investment. However, this potential will only develop if it engages in a major overhaul of its trade and economic policies.

In its communication the Commission proposes developing closer ties with Iran that extend beyond political and economic matters and embrace also environmental issues, the fight against drugs and immigration, provided that the reform process in Iran continues. To that end the Commission suggests that it and the Council regularly review progress in the light of benchmarks in areas such as the rule of law, press freedom, minority rights and Iran's approach to foreign relations and security matters. In the economic field, the Commission proposes that the negotiations on a trade and cooperation be gradual and subject to conditions.

The Committee on Industry, External Trade, Research and Energy backs these proposals, since it can correctly be assumed that in the right circumstances, closer ties between the EU and Iran will help drive the reform process in Iran forward and bolster regional stability.

CONCLUSIONS

The Committee on Industry, External Trade, Research and Energy calls on the Committee on Foreign Affairs, Human Rights, Common Security and Defence Policy, as the committee responsible, to incorporate the following points in its motion for a resolution:

1. Believes that, in the wake of the September 11 atrocities, better understanding between the Islamic world and the West is an essential element in the fight against terrorism and in the building of a lasting and stable peace; strongly supports closer dialogue between the EU and Iran as an important contribution to that wider process.
2. Stresses the importance to the EU of fostering and encouraging political and economic reform in Iran; asks, therefore, that any progress in economic dialogue be matched by progress in political dialogue, so as to ensure that democratic principles and the rule of law are upheld.
3. Favours converting Iran's current observer status within the Commission-funded Inogate

programme into full-member status, in the light of the importance attached in the Green Paper on the security of energy supply to establishing ongoing dialogue with producer countries with a view to achieving greater transparency on the market and price stability.

4. Welcomes the adoption by Iran, on 16 July 2000, of Regulation 14.4 establishing a list of 77 mainly industrial products to which import liberalisation is to apply; urges the Iranian Government to pursue this liberalisation process further, since it is certain to be conducive to the commencement of its negotiations on WTO membership.
5. Welcomes further the Iranian Parliament's approval of the Bill on foreign investment in Iran in May 2001, which is more flexible than the 1955 Act currently in force, as well as its recent approval of a law enabling Iran to join the New York Convention on international arbitration, which will help build the climate of confidence required to attract investment from abroad.
6. Calls on the Commission and the Council to step up their efforts to strengthen bilateral economic relations by maintaining and promoting further the working groups on energy and trade and investment and by negotiating a trade and cooperation agreement aimed at helping Iran to bring the much-needed structural reform of its trade and economic policies to fruition and fostering moves towards greater political openness in that country.
7. Believes that moves towards this agreement must be gradual and dependent upon the progress made by Iran in the various areas of interest to the EU; believes that the Commission and the Council should regularly review such progress in the light of indicators or benchmarks in areas such as the rule of law, rights of minorities, press freedom, the regulatory environment for the economy and Iran's foreign and security policy.
8. Believes that the fulfilment of all of these conditions and the satisfactory progress of the agreement should make it possible to gauge the extent to which Iran is in a position to negotiate future WTO membership.
9. Recommends that the Commission and the Council call on Iran to participate in the Sixth Framework Programme in order to encourage the country's research and innovation activities, as well as promoting research relations between the EU and Iran.