Relations EU/Iran

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PURPOSE: to assess existing contacts between the EU and Iran and in particular, to examine the current political and economic conditions in Iran with a view to recommending a deepening of future links between the two communities. CONTENT: relations between the European Union and Iran have been strengthened in recent years thanks largely to the arrival of the reform minded President Khatami. An existing Agreement between the EU and Iran lapsed in 1977, shortly before the Islamic Revolution. Thanks, in large part, to the softening of policies under the new reformers the EU and Iran have agreed to reactivate relations by meeting every six months, in troika format. Known as the Comprehensive Dialogue, the meetings air matters of mutual concern and cover: - global issues (terrorism; human rights and proliferation); - regional issues (Iraq, Gulf, Central Asia, the Middle East Peace Process) - areas of cooperation (drugs, refugees, energy, trade and investment). In this Communication, the European Commission evaluates the current political and economic situation in Iran with a view to assessing future EU involvement in Iran. As part of its assessment, the report notes that whilst human rights are beginning to improve a number of issues remain outstanding. Notably, the harsh sentences given to thirteen Jews in Shiraz and the death penalty awarded to leaders of a student protest movement. Similarly, the delay in reforms relating to the freedom of the press confirm that Iran has a long way to go before it can claim to be an open society. Human rights remain a matter of concern since any future contractual arrangements between the EU and Iran will require a discussion on human rights. Further problems foreseen by the Communication relate to the economic situation in Iran. The EU is the largest trading partner for Iran which exports petroleum, carpets, caviar and pistachios. EU exports to Iran are dominated by manufactured goods, vehicles, chemicals and pharmaceuticals. The Communication notes that the EU potential to export to Iran could be greater were in not for the fact that the legal system remains instransparent and arbitrary. Moreover, difficulties have been reported with regard to the treatment of expatriate personnel of foreign companies. Added problems such as obstacles obtaining import licenses, foreign ownership rights and the repatriation of profits, discourage greater EU investment. In spite of these hurdles the Commission communication notes that the process of reform currently taking place has had a number of positive side-effects. Discussions under the Comprehensive Dialogue serve to highlight matters of mutual concern and areas where co-operation is both desirable and feasible. It is therefore recommended that closer ties be strengthened, subject to the continuation of the reform process. Specifically, the Communication proposes: The encouragement of political and economic reform through: - more frequent official and unofficial bilateral contacts; -the development of exchange and co-operation in areas ofmutual interest and concern such as drugs, rule of law, refugees; - a readiness to engage in dialogue on human rights; - the strengthening of CFSP by deepening the dialogue in areas such as regional security, weapons of mass destruction, proliferation. The Promotion of bilateral economic relations through: - the negotiation of a Trade and Co-operation Agreement; - the continuation of Commission - Iran working groups on energy, trade and investment.