

Working Paper No 45/2014

Relations of Iran with Greece and the EU

By

Evangelos Venetis

Research Fellow, Middle Eastern Studies Programme, ELIAMEP, Greece

The Middle East Research Project

May 2014

Copyright © 2014

HELLENIC FOUNDATION FOR EUROPEAN AND FOREIGN POLICY (ELIAMEP)

49, Vassilissis Sofias Ave., 106 76 Athens, Greece

tel: (+30) 210 7257110-1, fax: (+30) 210 7257114, e-mail: eliamep@eliamep.gr,

url: www.eliamep.gr

All rights reserved

Working Paper Nr 45/2014

Relations of Iran with Greece and the EU

Evangelos Venetis

Research Fellow, Middle Eastern Studies Programme, ELIAMEP, Greece

1. INTRODUCTION

This paper analyzes the diplomatic momentum in the relations between the Islamic Republic of Iran (hereinafter 'Iran'), Greece and the European Union in the aftermath of the election of Hassan Rowhani as President of the Islamic Republic of Iran in June 2013.

The election of the reformist candidate Hassan Rowhani as president of the Islamic Republic of Iran has marked a shift in the foreign policy aesthetics of Iran compared with the two terms of the conservative president Mahmoud Ahmadinejad. Rowhani has made clear to the West that the Iranian foreign policy his government will adopt will be that of rapprochement, dialogue and mutual understanding with the West.

The change in the *modus operandi* of Iran has sparked considerable expectations in the European Union and the United States. Western leaders viewed initially with surprise and skepticism but they are gradually becoming more convinced that Iran is really after a settlement on its relation with the West.

In this process the role of Greece, one of the few western countries with which Iran has maintained positive and friendly relations for decades, is potentially important in the context of relations between Iran and the European Union.

2. Iran - EU relations

Iran and the EU currently have limited political relations due to the EU and the international community's concerns over Iran's nuclear enrichment program. The EU is also following the situation of human rights closely. The nuclear sanctions which have been imposed on Iran in the pretext of Tehran's refusal to cooperate with the IAEA and the international community over its nuclear programme, have created a very tense atmosphere in the relations between Tehran and Brussels. The European Commission has no Delegation in the Islamic Republic of Iran (IRI) but is nevertheless working in close collaboration with the EU member states' embassies in Tehran.

In June, 2009, the EU presidency expressed its concerns regarding irregularities in the re-election of Iranian President Mahmoud Ahmadinejad as well as the violence that followed the vote. Four years later Brussels would express hope and optimism over the election of the moderate Hassan Rowhani in the presidential elections. This time the EU did not raise any objections over issues related to the election process such as transparency and the like.

As a whole there is considerable potential for deeper relations between Iran and the EU. Actual cooperation between the EU and Iran is already the case but the scope is currently well below the actual potential.

The Nuclear Programme of Iran

The EU supports the right of all countries to develop nuclear energy for peaceful purposes as dictated by the Nuclear Non-Proliferation Treaty and in compliance with the International Atomic Energy Agency. The EU doubts the entirely peaceful nature of the Iranian nuclear programme and has supported a dual track approach, offering financial and technological incentives if Iran agrees to cooperate while voting in favor of the United Nations Security Council sanctions as long as Iran refuses.

In the aftermath of the Geneva Interim Agreement on Iranian nuclear programme (24 November 2013), a breakthrough in the stalemate over the Iranian nuclear issue, the EU Foreign Affairs Commissioner Catherine Ashton has called for closer relations with Iran on condition that a permanent accord on Iran's nuclear program is reached.¹ Apparently the EU foreign policy is strongly related to the general geopolitical orientation of the western world in this case.

Economic relations

Contrary to their limited political relations and despite voting in favor of sanctions against Iran's nuclear programme since 2005, the EU was until recently Iran's major trading partner. In 2007, EU exports to Iran totaled about 10 billion Euros (over \$12.5 billion) and EU imports from Iran totaled 13.8 billion Euros (about \$17.5 billion). Iran is the sixth largest supplier of energy to the EU, and 90 percent of EU imports from Iran are energy and energy related products. In the last two years, European exports to Iran have declined by 10% as a result of UN and EU sanctions against Iran's nuclear programme.²

3. Iran-Greece Relations

Greece and Iran are two countries with particular geopolitical significance in the Eastern Mediterranean and the Middle East respectively. Both countries have a rich past and culture, strong historical ties and long presence in the geographical area where there are now the nation-states of Greece and Iran.

Having a rich historical background of political, economic and cultural relations since ancient times and the Middle Ages, Greece and Iran entered the later period of their history through the process of nation-making process with a difference a century or so (19th c. Greece and 20th c. Iran), as was required to spread and consolidate the concept of the nation state from the Balkans to Asia Minor and Turkey to the east, in Iran.

¹ http://news.xinhuanet.com/english/world/2014-03/10/c_133175575.htm

² <http://www.informationclearinghouse.info/article31795.htm>

Politics

For the last thirty years, Greek diplomatic efforts have intensified toward the promotion of Greek-Iranian relations. The *de facto* dissolution of CENTO in 1979, gave the two sides the opportunity to further develop their bilateral relations, resulting to an increase of bilateral diplomatic action, especially after the Iran-Iraq war. These diplomatic agreements pertain to various fields such as energy, security, education, etc.³

The last thirty years could generally be described as transitional, in terms of Greek-Iranian ties. The above-mentioned activities provide an evidence of the level of diplomatic exchange between the two countries, which was unprecedented in their history. It seems, however, that Greece has not yet fully taken advantage of the opportunity to upgrade their relations and to play a regional role, created by the dissolution of CENTO in 1979. Greek-Iranian relations are predicated on the geopolitical balance in the area and Turkey's role in it. There is still much to be done toward strengthening Greek-Iranian ties. Iran remains positively inclined to do so both economically and politically.⁴

Economy

Based on the volume of bilateral trade Iran is the major trade partner of Greece in the Middle East and N. Africa. Foreign trade between Greece and Iran shows strong fluctuations, however, and is characterized by a large trade deficit for Greece, which derives from the large crude oil imports of Iranian origin. Iran ranked first among the suppliers of oil in Greece during the period 2006-2011.⁵ As shown below, prior to the increasing sanctions in the last two years bilateral economic relations were flourishing.

In 2011 the recorded total bilateral trade valued 1.88 billion, perpetuating and amplifying an overwhelming deficit for Greece's trade balance. During the year under review, according to those figures Iran was ranked 7th (from 14th in 2010) amongst the suppliers of Greece (with a share of 4.3% of total Greek imports) and 67th (compared to 65th in 2010) among the destinations of Greek products and services (with a share of 0.10% of total Greek exports).

³ E. Venetis, *Greeks in Modern Iran* (Athens, 2014), 160.

⁴ ‘A.P. Yazdī, *ravābet-e khārejī-e jumhūrī-e eslāmī-e īrān va yūnān* (*The Diplomatic Relations of The Islamic Republic of Iran and Greece*) (Tehran, summer 1376/1997), post graduate treatise in political science. University School of International Relations. Islamic Republic of Iran Foreign Ministry.

⁵ Unfortunately no more up-to-date statistics is available.

Iranian Exports to Greece (except crude oil) Year 1390 (March 21, 2011 - March 20, 2012)⁶

TARIFF CODE	DESCRIPTION	VALUE/US DOLLARS
27111410	Petroleum gases - in containers less than 1000 cm2	8,421,249
39033000	acrylonitrile-butadiene-styrene (abs) copolymers, in primary forms	540,873
84031000	boilers for central heating	516,718
72022110	ferro-silicon , containing by weight	382,800
08062030	Grapes. Tizabi, seedless	265,190
57011000	carpets and other textile floor coverings , of wool... knotted	169,955
55032000	Synthetic staple fibres-other	140,644
68022900	monumental / building stone, nes cut/sawn , with flat/even surface	116,712
68022100	Marble, travertine	103,544
39011039	polyethylene film grade having a specific	61,600

Regarding the Greek imports from Iran in the same year, it mainly consisted of crude oil, which accounted in 2008 for 97.7 % of the total value of imported goods . Other imported goods -of relatively little value- included refined copper and copper alloys, unwrought (1.26 % of total), and species profiles iron/steel (0.25 %). In 2008, according to data from the NSS, Iran ranked in the 9th position among suppliers of Greece with a share of 3.34 % of total Greek imports. Iran also holds the 84th position among buyers of Greek products with a share of 0.05 % of total Greek exports.

⁶ <http://www.agora.mfa.gr/frontoffice/portal.asp?cpage=NODE&cnodes=57&fid=32753#>

Greek Exports to Iran - Year 1390 (March 21, 2011 - March 20, 2012)⁷

TARIFF CODE	DESCRIPTION	VALUE/US DOLLARS
07112000	olives provisionally preserved not for immediate consumption	3,404,222
20079990	other jams , fruit jellies , etc, being cooked preparations	2,530,016
68109900	other articles of cement, concrete or artificial stone, etc	2,420,759
20087000	peaches , prepared or preserved	1,397,382
20071090	Jams, fruit jellies obtained by cooking- other	522,066
30049090	other medicaments of mixed or unmixed products , for retail sale	478,971
76069299	Aluminum plates, sheets - other	466,252
20057000	Other vegetables prepared otherwise than by vinegar-olives	407,773
31051010	NPK fertilizers	368,988
29362100	Vitamins A and their derivatives	352,473

In regard to Greek exports to Iran, their value of in the period January - December 2011 was at 23.6 million Euros, improved by 15.1 % compared with the corresponding period in 2010 and then the impressive performance of 2010 (47.6 % compared to 2009) and 2009 (70.3 % vs. 2008).⁸

4. Recommendations

Greek-Iranian relations are a largely unexplored field for bilateral diplomacy.. Currently bilateral relations acquire a special dimension because of the Greek presidency of the European Union. The Greek EU presidency poses an opportunity for both sides to promote diplomacy especially in the context of the ongoing rapprochement between Iran and the West.

1. EU-Iran Diplomacy and Greece

At the policy level Greece's EU membership, and now the Greek EU Presidency, is of particular importance for Iranian foreign policy in regard to the relationship with the EU. Concurrently, time-honored positive relations between the two countries in conjunction

⁷ Ibid.

⁸ Ibid.

with the ancient Greco-Iranian cultural relations create a positive framework in the diplomatic cooperation between the two countries.

At this stage the international circumstances and especially the Greek economic crisis dictate a foreign policy of low and pragmatic tones. Regarding the issue of relations between Iran and the EU in the mid-term, however, the Greek side is able to develop a framework and to improve Greek-Iranian relations for sustaining regional cooperation.

The fact that the Greek EU Presidency has so far distanced itself from the major crisis in Ukraine cannot act as a guide for every major issue in the EU foreign policy. No doubt, it is the task of the European External Action Service (EEAS) to deal with such issues, but there is always room for cooperation with other high profile institutions such as the EU presidency. The Iran-EU relations pose a considerable opportunity for action and cooperation between these two EU institutions.

Adding value to the ongoing negotiations

The Greek EU Presidency could add value to the ongoing negotiations taking place in the context of the Geneva Interim Agreement. Catherine Ashton's active and fruitful presence could be supported and enriched by the endeavors of the EU presidency in a spirit of cooperation between these bodies of the European Union. The aim of such an involvement of the Greek presidency would be simply to add further value to the ongoing efforts and accelerate a positive outcome in terms of diplomacy. The traditionally friendly Greek-Iranian relations can certainly be useful in this context.

Such an involvement presupposed an active Greek diplomatic presence ahead of and after the next round of high-level talks between the P5+1 and Iran on 17 March 2014.

The content of talks

Given that the round of talks on 17 March hasn't brought any ground-breaking developments in the negotiations, it is expected that other meetings will follow in the short term. In the EU context Greece could participate in these meetings in cooperation with the EEAS, even after the end of the Greek Presidency.

The forthcoming negotiations will examine the degree of implementation of the previous agreement from both sides. In regard to the P5+1's responsibilities, Iran will try to increase the amount of assets which can be unfrozen in return for further monitoring of Iran's nuclear activities. As for Iran's obligations, the meeting will deal with the prospects of signing an Additional Protocol which would result from the successful implementation of the agreed terms:

1. The overall quantity of uranium enriched beyond 5% would either be diluted or converted to uranium oxide. Also no, new uranium quantity at the 3.5% enrichment level would be added to Iran's current stockpile;
2. No extra centrifuges would be installed or prepared for installation;

3. Half of the centrifuges at the Natanz enrichment facility and three-fourths at the Fordow enrichment facility would not be operable. Iran would not use its IR-2 centrifuges for enrichment;
4. Tehran would not develop any new nuclear reprocessing or uranium enrichment facilities;
5. There would be no fuel produced, transferred, or tested at the Arak nuclear power plant. Iran would share design details of the reactor;
6. Iran will grant the IAEA daily access to Natanz and Fordow; some sites would be monitored by cameras round the clock. Tehran would also grant the IAEA access to Iran's centrifuge production facilities and uranium mines;
7. IAEA would question Iran on issues of probable military dimensions of the nuclear program and ask for data expected as part of an Additional Protocol.

High ranking visits

Greece should be involved and amplify the angles of the ongoing rapprochement between EU and Iran. It is important to continue high ranking visits by senior Greek governmental officials. The visit of the Greek Foreign Minister should eventually be followed by that of the Prime Minister. Such visits will facilitate the rapprochement, both before and after the implementation of the Geneva Interim government. Regardless of the typical aspects of his visit, Greek Foreign Minister's visit to Iran on 14 March 2014 was in the right direction and might have paved the way for a larger opening on behalf of Athens and the EU.⁹

2. Bilateral economic relations

In economic diplomacy Greece has to develop the maximum of actions in its dealings with Iran. The deep economic crisis Greece is still going through does not leave much room for the Greek entrepreneur who, given the lack of investment within Greece for the next 2-3 years, must seek foreign markets to sell products and to invest in new applications. The Iranian economy, despite the high risk of sanctions, is a potentially profitable market for Greek businesses. Greek companies must be present and active in Iran when the sanctions are lifted.

2.1. The sanctions

The proposed development of Greek entrepreneurship in Iran is required to take account of the concerns of the U.S. and the EU that have led to sanctions against Iranian

⁹ <http://www.amna.gr/english/articleview.php?id=5403>

economy. Undoubtedly Greece as a country member of NATO and the EU understands and shares these concerns. For this reason, the involvement of Greek companies in Iran should take into consideration those concerns.

2.2. The prospects of bilateral economic relations

In recent years the Iranian government has taken some positive steps, e.g. ratified the International arbitration Law (International Arbitration Law), passed a new tax law allowing foreign banks and insurers to settle in the Free Trade Zones and unified the exchange rate system. Various labor laws and laws on business location are also under review. There are remarkable advantages offered for prospective foreign investors operating under six Free Trade and Industry Zones and nineteen Special Economic Zones. Those general advantages offered to foreign investment include:

- Possibility of 100 % foreign-owned subsidiaries;
- 15-year tax exemption;
- Possibility to repatriate capital and profits;
- Duty free import of equipment, etc.

An important element in deciding on the action or not of an investor in a market is projected under the dispute resolution procedures and, in particular, the possibility of recourse to international arbitration.

The expansion of bilateral economic relations is possible in principle in the following areas:

- Exchange visits of interested entrepreneurs through the Chambers and other operators of private initiative;
- Participation of companies from both countries to shape cooperation (joint ventures) in the construction sector;
- Developing cooperation with Iran energy carriers;
- Participation in exhibitions business for the emergence of Greek products;
- Providing expertise in areas where our country has a comparative advantage:
 - Intensive and modern farming
 - Organic farming
 - Processing, preservation and packaging of food
 - Aquaculture, fisheries and fish packaging
 - Alternative forms of energy
 - Tackling drought
 - Management of water resources and groundwater
- Procurement of modern agricultural equipment;
- Supply of organic fertilizers and pesticides;
- Participation of Greek enterprises in the privatization programme implemented by the Iranian government;
- Supplies of modern telecommunications equipment and cooperation with domestic

groups for joint actions in third countries;

- Explore possibilities for building new or repairing old ships in Greek shipyards;
- Providing expertise in the field of solar energy;
- Providing expertise in various industrial and energy sectors;
- Exchange of know-how in postal services.

Opening prospects for Greek exports in Iranian market in the following goods:

- (a) Processed food, e.g. olive oil, olives, canned fruits and vegetables, mastic, confectionery
- (b) Products of the chemical industry, particularly pharmaceuticals and cosmetics
- (c) Structural materials: aluminum, steel, marble, cement
- (d) Materials and packaging equipment of all kinds.

3. Culture

Cultural diplomacy is a key area for bilateral relations between Greece and Iran. The enduring coexistence of the two cultures since antiquity has so far acted as a good platform for the relations between the two peoples. Both countries could act in this area in order to send the message of dialogue of civilizations in the framework of coexistence between their peoples.

The cultural relations between Greece and Iran consist of a variety of fields. The timing is right for the development of initiatives of the Greek side in this area. 2010 marked the anniversary of 2500 years since the Battle of Marathon and was an event which acted as a meeting point, symbolizing coexistence of Greek and Iranian culture. Given that in six years it will be the anniversary of 2500 years since the Battle of Thermopylae and Salamis, the next few years is an opportunity to develop a series of events to highlight the Greco-Iranian cultural relations and their significance for world history. Iran and Greece's relations as the meeting point between East and West respectively in terms of culture could become the symbol of cultural dialogue with political ramifications for contemporary developments and relations between East and West.

In this context various government bodies in Greece and Iran may take initiatives, as indeed some already have done. Such bodies would include on the Greek side the Directorate of Cultural Affairs of the Greek Foreign Ministry, the Greek Embassy in Tehran, Ministry of Culture, the Foundation of the Hellenic Parliament, the European Cultural Centre of Delphi, local government, museums, universities and research centers, exhibition halls, etc. Examples of cultural activities include:

- **University relations:** Implementing the signed MoU between Panteion University and Shahid Beheshti University; teaching Ancient and Modern Greek language in Iranian universities; teaching Modern Persian Language in Greek Universities.
- **National Libraries:** Following up and boosting what has been achieved so far between the two national libraries.
- **Museums and Exhibitions:** Forming an agenda of topics and activities to boost relations.
- **Town Twinning:** Developing a scheme to proceed with twining the capitals or other major cities or major cultural sites in both countries.

From the preceding analysis it is apparent that in the process of EU-Iran rapprochement, the role of Greece could become important with sustainable benefits for every side. In this context, a series of visits by Greek officials in Tehran and Iranian officials in Athens could contribute to the enhancement of mutual trust between Iran and the EU.

ΤΟ ΕΛΛΗΝΙΚΟ ΙΔΡΥΜΑ ΕΥΡΩΠΑΪΚΗΣ ΚΑΙ ΕΞΩΤΕΡΙΚΗΣ ΠΟΛΙΤΙΚΗΣ (ΕΛΙΑΜΕΠ) ιδρύθηκε το 1988 και λειτουργεί ως ένα ανεξάρτητο, μη κερδοσκοπικό χαρακτήρα ερευνητικό και επωφελωτικό ίδρυμα. Μέσω του πολυετούς έργου του έχει αναδειχθεί σε σημαντικό φορέα πληροφόρησης, μελέτης και σχεδιασμού θεμάτων εξωτερικής πολιτικής, και θεωρείται ένα από τα πιο έγκριτα σε διεθνές επίπεδο κέντρα μελετών της Ελλάδας στον τομέα των Ευρωπαϊκών υποθέσεων και των διεθνών σχέσεων.

Το ΕΛΙΑΜΕΠ δεν εκφράζει, ούτε εκπροσωπεί συγκεκριμένες πολιτικές απόψεις. Επιχειρεί μόνο να λειτουργήσει ως θήμα ελεύθερου διαλόγου και ως κέντρο παραγωγής και ανταλλαγής ιδεών.

The HELLENIC FOUNDATION FOR EUROPEAN AND FOREIGN POLICY (ELIAMEP) was founded in 1988 and operates as an independent, non-profit, policy-oriented research and training institute. It functions as a forum of debate on international issues, as an information centre, as well as a point of contact for experts and policymakers. Over the years, ELIAMEP has developed into an influential think-tank on foreign policy and international relations issues.

ELIAMEP neither expresses, nor represents, any specific political party view. It is only devoted to the right of free and well-documented discourse.