

# Don't Engage the Mullahs

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Articles & Testimony

On June 10, European Union foreign ministers may send a deathblow to Iran's reformers. On the table is a trade and cooperation pact with the Islamic Republic. Prominent EU bureaucrats such as External Affairs Commissioner Chris Patten strongly support the measure, arguing, "there is absolutely no dispute on the importance of opening [trade] negotiations with Iran." Spanish Foreign Minister Josep Pique predicted that agreement would be reached at the coming meeting.

European leaders say that accelerating trade with Tehran is an important cornerstone of the EU's decade-long engagement with the Islamic Republic. Already, the EU is Iran's main trade partner. In 2000, bilateral trade exceeded \$12 billion. "There is more to be said for trying to engage and to draw these societies into the international community than to cut them off," explained Mr. Patten.

Sounds good, but does boosting trade with Iran moderate the clerical leadership or catalyze reform? Unfortunately not, which is why Iranian students, women, workers, and human rights activists describe the proposed trade pact as nothing short of a disaster for their reform movement.

'Bonyad' Power

Critical engagement as a tool for moderation may be fine in theory, but in Iran's case it not only falls flat, but actually hampers reform. Iran's bonyads, or revolutionary foundations, monopolize import-export and all major industry; some economists estimate that these conglomerates account for 35% of Iran's total gross national product. The Imam Reza Foundation, for example, has \$20 billion in assets; the Martyr's Foundation is a close second with an estimated \$15 billion.

The bonyads remain outside the control of both President Mohammed Khatami and the reformists in parliament. Supreme leader Ayatollah Khamenei alone chooses the foundation directors, called "little kings" in local parlance. His appointees? In 1989, he picked Mohsen Rafiqdust to lead the Foundation of the Oppressed. Rafiqdust had commanded the hard-line Revolutionary Guard. He used his decade-long tenure to fund terror groups and invest in nuclear and biological weapons technology. His successor, Mohammed Foruzandeh, is little better. When he commanded the Revolutionary Guards, they not only pursued chemical weapons capacity, but also used them.

Other bonyads engage in similar pariah behavior. The Martyrs Foundation subsidizes suicide bombings in Israel and Islamist terror in Turkey. The 15th of Khordad Foundation still offers a multimillion dollar reward for British author Salman Rushdie's murder, despite President Khatami's promises that the bounty would be lifted.

European leaders could overlook the foundations' questionable expenditures, if revenue trickled down to help ordinary Iranians. Unfortunately, the opposite is true. Tehran is a bustling city. Bazaars, boutiques, and mom-and-pop shops compete for the attention of pedestrians crowding the busy streets. At first glance, all appears normal. But there are no privately owned chains of businesses in the entire city of 12 million people, nor in any other Iranian city. The tax-exempt bonyads strangle private enterprise, which remains subject to over 50 different taxes. The \$12 billion Foundation of the Oppressed last February demonstrated that it cares little for the common welfare. More

than 1,300 workers at its Baresh Textile Mill picketed the foundation's office after not receiving their wages for eight months; police disbursed the workers.

Only Iranians with hard-line connections achieve real affluence. Iranians eking out a living contemptuously speak of "aqazadeh-ha" which literally means "sons of important men," but is used to refer to anyone using government connections for personal enrichment. Former President Hashemi Rafsanjani is a prime example. He now controls more than 70% of Iran's multimillion dollar pistachio trade. Earlier this year, he used his political connections to ram approval through for his newest investment, Medes Air, to fly direct from Duesseldorf to Urumiyeh, from where it services Iraqi Kurdistan.

In a March 24 sermon in Isfahan, reformist cleric Hadi Ghabel questioned how "those close to the leaders of the regime . . . have taken over the state's treasury, wasting unlimited public funds on acquiring firms and buildings for themselves all over the world," while simultaneously, "girls in Tehran engage in prostitution in order to make a living for themselves and their families." Mr. Patten's trade pact will disproportionately pump more money into the wallets of the reformists' adversaries.

Iranian reformists do not believe the self-righteous rhetoric that trade brings reform. After all, the EU's engagement with Iran is now a decade old, and the policy's track record is at best questionable. Iran's rhetoric has softened, but her actions have not. Iranian agents assassinated dissidents in Berlin in 1993. President Khatami refused to cooperate in the investigation of the 1996 Khobar towers terror bombing in Saudi Arabia, which an Iranian brigadier-general allegedly masterminded. Iran continues to host Imad Mughniyeh, the man responsible for a more than 20-year string of kidnappings and terror attacks, including the 1983 car bomb attack on French and American peacekeepers in Beirut, and the 1994 attack on the Jewish cultural center in Buenos Aires.

Since Mr. Khatami took office, the Iranian government has banned more than 50 newspapers, confiscated satellite dishes, shut down privately owned Internet service providers, and murdered dissident intellectuals. According to the government's own figures, public executions have doubled over the past two years; 600,000 Iranians now languish in prison.

What are the other fruits of increased trade? In March 2001, President Khatami himself signed a \$7 billion weapon purchase in Moscow. Components purchased from Swiss, German, Italian, and Spanish companies now equip Iran's biological-weapons labs. While many Europeans label Mr. Khatami a democrat, his election came after the disqualification of 234 competitors. In his own writings in the daily Keyhan, the president argued that only those who have attended religious seminaries should have a voice in government.

#### The EU's Blindness

The irony of the EU-Iran trade pact is that it will not only hamper reform, but will irrevocably damage Europe's long-term business prospects in Iran. Iranians are not simply pro-Western, but pro-American, and not just because of television hits like Baywatch. In universities and teahouses, Iranians cynically suggest Europe's engagement is merely an attempt to win lucrative contracts from unelected ayatollahs. A Tehran University professor I met in the Iranian national archives suggested that Europe now was repeating the mistake America made in the 1970s with its blind support for the Shah.

The student riots of 1999, and last autumn's football riots, demonstrate the clerical leadership's growing unpopularity. Last December, reformist students chanting, "Honesty! Honesty!" and "No more slogans" heckled Khatami as he spoke at Tehran University. On May 1, teachers, students and factory workers denounced their government at marches across the country.

As internal discord inside the Islamic Republic grows, the long-term costs of the EU's new trade pact may prove exorbitant. As one university student recently told me, "Believe me. When the reformists take control and we give

out the contracts, we will not forget who subsidized our torment." ❖

Wall Street Journal (European edition)

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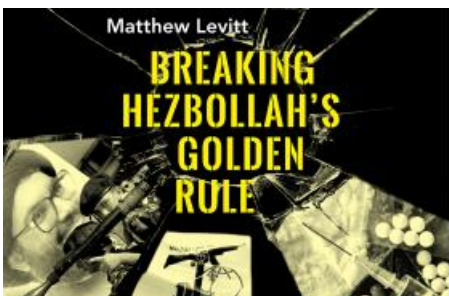
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