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Foreign Affairs Committee

UK policy towards Iran

Third Report of Session 2014–15

Report, together with formal minutes relating to the report

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The Foreign Affairs Committee

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UK policy towards Iran

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Summary

It would be in the UK’s interest to have a mature and constructive relationship with Iran on many levels: political, strategic, commercial and cultural. Yet this remains an ideal which is far from being achieved. Relations between the UK and Iran have been strained for years and suffer from lack of trust on both sides, born of a fear that one side is seeking to destabilise or thwart the other, and a perception on both sides that their interests rarely coincide. This perception has been reinforced by missed opportunities at various times by both countries.

The challenges to the UK’s relationship with Iran are multiple and profound. Progress in pursuing the UK’s interests in Iran seems a remote prospect until a more trusting bilateral relationship has been established, and that will require at least partial resolution of concerns held by the UK about Iran’s role in regional security and stability.

Human rights standards

We encourage the FCO to continue to take any opportunities that arise, whether bilaterally or multilaterally, to reiterate the UK’s objection to unacceptable practices, including executions, persecution of people on the grounds of their faith, and severe restrictions on freedom of expression. No concessions should be made on human rights in the interests of making progress in negotiations in other fields.

The Tehran Embassy

We welcome the recent decision to re-open the Tehran Embassy. We understand why the Foreign Secretary adopted a cautious approach towards the revival of diplomatic relations; but we question whether the UK waited too long for assurances on security which were never going to be forthcoming from all quarters of the Iranian hierarchy. The lack of full diplomatic representation in Iran hinders the UK’s ability to shape events, gather information, build the personal contacts which are essential to constructive diplomatic relations, and reassure its regional allies that it could make fully informed assessments of Iranian opinion and intentions. We heard that the prolonged period of silence between the UK and Iran had resulted in the UK being less visible in the country, and that other countries are now looked at as better choice partners in international relations.

The purpose of Iran’s nuclear programme

There is no convincing explanation for why Iran might need for civil purposes the stocks of enriched uranium which it held in January 2014. We believe that the primary reason for Iran’s decision to build such a capacity to enrich uranium and to amass stocks to current levels was to give itself the option to develop a nuclear military capability. That has almost been achieved. While the Foreign and Commonwealth Office refers to the body of evidence pointing towards possible military dimensions of the Iranian nuclear programme,
we are not aware of any unequivocal evidence that Iran has taken a decision to push ahead and develop a nuclear weapon.

Alternatives to negotiation and the Joint Plan of Action

We do not believe that alternatives to negotiation offer a realistic prospect of a long-term, sustainable solution to current concerns over the Iranian nuclear programme. The negotiations on the Joint Plan of Action are the most promising forum for reaching a settlement which assuages fears about the scope and intention of the Iranian nuclear programme. We endorse the UK’s decision to take part in negotiations with Iran on its nuclear programme through the framework of the Joint Plan of Action.

Should we trust President Rouhani?

We believe that President Rouhani is not necessarily a reformist at heart: he is a pragmatist who hopes to improve standards of living in Iran by persuading the West to lift sanctions, while retaining in place as much of the country’s nuclear programme as possible. However, while Mr Rouhani has the impetus of his election victory and demonstrably high levels of public support, we believe that the P5+1 can have confidence that he is an authoritative representative of Iran, and we believe that he is genuinely committed to a sustainable deal. For now at least, he should be trusted, but he should be judged by his actions, not by his words.

The comprehensive agreement under the Joint Plan of Action

We acknowledge that there is probably no prospect of a lasting deal which does not allow Iran to enrich uranium.

Enrichment capacity should be limited to a level which Iran would not reject outright but which would still allow enough time for any attempt at breakout to be detected and referred to the UN Security Council—we suggest six months as an absolute minimum.

Trust, which is essential if the plan is to succeed, may crumble unless the comprehensive agreement enshrines a right for the IAEA to make unannounced and intrusive inspections of all nuclear facilities, products, designs and records.

International sanctions undoubtedly played a major part in preparing the ground for a more amenable Iranian negotiating position. They may not have directly forced Iran to make concessions; but the fatigue amongst large sections of the Iranian public with the international isolation and disadvantage which flowed from sanctions was a factor in the election of President Rouhani, which paved the way for more fruitful negotiations.

We doubt that any deal would have been achieved in Geneva in November 2013 had limited sanctions relief not been offered.

Modifying the design of the Arak reactor so that it produces less plutonium has value, but
third-party monitoring of storage of the spent fuel—or preferably removal and third-party custody of it—would be instrumental in helping to allay concerns.

**Facilitating humanitarian trade with Iran**

The UK should not assume that letters of comfort from the US Treasury to banks will be enough to reassure them that they will not be penalised commercially for facilitating humanitarian trade under the Joint Plan of Action. Ministers should state publicly that they encourage UK banks to provide the necessary facilities for trade in humanitarian goods and will if required defend to the US Treasury their right to do so. If trade with Iran in humanitarian goods is facilitated under the Joint Plan of Action, even if only on a limited scale, vigilance will be needed if the diversion of funds and illicit trade which occurred under the Oil-for-Food Programme in Iraq is not to be repeated in Iran.
Conclusions and recommendations

Human rights standards

1. We recognise the enormous difficulties faced by the FCO in its attempts to bring about an improvement in human rights standards in Iran. We encourage the FCO to continue to take any opportunities that arise, whether bilaterally or multilaterally, to reiterate the UK’s objection to unacceptable practices, including executions, persecution of people on the grounds of their faith, and severe restrictions on freedom of expression. No concessions should be made on human rights in the interests of making progress in negotiations in other fields. (Paragraph 22)

The Tehran Embassy

2. The storming of the UK Embassy by an Iranian mob in Tehran in 2011 was reprehensible and should never have been permitted by Iranian security forces. We welcome the recent decision to re-open the Embassy in Tehran, and we understand why the Foreign Secretary adopted a cautious approach towards the revival of diplomatic relations. We question, however, whether the UK waited too long for assurances on security which were never going to be forthcoming from all quarters of the Iranian hierarchy. The lack of full diplomatic representation in Iran hinders the UK’s ability to shape events, gather information, and reassure its regional allies that it could make fully informed assessments of Iranian opinion and intentions. (Paragraph 36)

Pursuing the UK’s interests

3. There is a serious risk that longstanding allies in the Gulf and elsewhere in the region will feel overlooked if the UK does not invest considerable diplomatic effort in reassurance. The UK and others need to be able to show an early dividend from the Joint Plan of Action if they are to retain confidence in the initiative amongst their regional allies. (Paragraph 37)

4. There are signs that the UK’s willingness to follow the lead of the US in opposing a possible deal with Iran in 2005 meant that an opportunity to make progress in resolving concerns about Iran’s nuclear programme was lost, although we cannot know whether an acceptable compromise could actually have been reached at the time. We welcome the subsequent convergence of UK and US policy on Iran and its nuclear programme. We see it as a considerable success that a united front has been maintained by the P5+1 countries in recent negotiations, and that Iran has been presented with little or no obvious opportunity to prey on differences between members of the P5+1 negotiating team. We commend the FCO for its work in cementing the combined approach. (Paragraph 41)

5. While it should be for the FCO to judge when the right time might be for a gesture such as a statement by the UK recognising the scale of Iranian suffering during the Iran-Iraq war, or acknowledgement of any UK role in the overthrow of Prime Minister Mossadeq in 1953, we believe that the FCO should be prepared to take such a step if the circumstances warrant it and if Iran also makes a similar public gesture
recognising its own support for terrorism, attack on the British Embassy or other past behaviour. (Paragraph 44)

6. We recommend that the FCO press the Home Office to agree to practical measures which would reduce the burden on Iranians applying for entry clearance to the UK while maintaining the rigour of the process. (Paragraph 46)

Iran’s nuclear programme

7. There is no convincing explanation for why Iran might need for civil purposes the stocks of enriched uranium which it held in January 2014. We believe that the primary reason for Iran’s decision to build such a capacity to enrich uranium and to amass stocks to current levels was to give itself the option to develop a nuclear military capability. That has almost been achieved. While the Foreign and Commonwealth Office refers to the body of evidence pointing towards possible military dimensions of the Iranian nuclear programme, we are not aware of any unequivocal evidence that Iran has taken a decision to push ahead and develop a nuclear weapon. (Paragraph 61)

The merits of negotiation and its alternatives

8. We endorse the UK’s decision to take part in negotiations with Iran on its nuclear programme through the framework of the Joint Plan of Action. (Paragraph 81)

Pursuing negotiations

9. While Mr Rouhani has the impetus of his election victory and demonstrably high levels of public support, we believe that the P5+1 can have confidence that he is an authoritative representative of Iran. We also believe that, having stood on a platform of achieving an economic revival by negotiating with the P5+1 and getting sanctions lifted, he is genuinely committed to a sustainable deal. For now at least, he should be trusted; but he should be judged by his actions, not by his words. (Paragraph 89)

10. We make the following observations on negotiations on the comprehensive agreement:

- There is probably no prospect of a lasting deal which does not allow Iran to enrich uranium

- Enrichment capacity should be limited to a level which Iran would not reject outright but which would still allow enough time for any attempt at breakout to be detected and referred to the UN Security Council—we suggest six months as an absolute minimum

- Trust, which is essential if the Plan is to succeed, may crumble unless the comprehensive agreement enshrines a right for the IAEA to make unannounced and intrusive inspections of all nuclear facilities, products, designs and records

- The IAEA’s Additional Protocol offers a good basis for the more stringent monitoring which is required, although it may be preferable to build the key
provisions into the terms of the comprehensive agreement rather than require adoption of the Additional Protocol itself

- International sanctions undoubtedly played a major part in preparing the ground for a more amenable Iranian negotiating position. They may not have directly forced Iran to make concessions; but the fatigue amongst large sections of the Iranian public with the international isolation and disadvantage which flowed from sanctions was a factor in the election of President Rouhani, which in turn paved the way for more fruitful negotiations

- The limited sanctions relief being applied under the Joint Plan of Action has reduced pressure on Iran and has provided it with a breathing space, but that should not necessarily be seen in a negative light: it may even strengthen the appetite in Iran for taking the steps necessary to allow further layers of sanctions to be peeled away

- We doubt that any deal would have been achieved in Geneva in November 2013 had limited sanctions relief not been offered

- The Joint Commission established under the Joint Plan of Action should include activities at the Parchin military site as part of its discussions “to facilitate resolution of past and present issues of concern”

- Modifying the design of the Arak reactor so that it produces less plutonium has value, but third-party monitoring of storage of the spent fuel—or preferably removal and third-party custody of it—would be instrumental in helping to allay concerns. (Paragraph 93)

11. Not enough is being done to put into practice that part of the Joint Plan of Action which is designed to facilitate trade with Iran in humanitarian goods. The UK should not assume that letters of comfort from the US Treasury to banks will be enough to reassure them that they will not be penalised commercially for facilitating humanitarian trade. Ministers should state publicly that they encourage UK banks to provide the necessary facilities for trade in humanitarian goods and will if required defend to the US Treasury their right to do so. If trade with Iran in humanitarian goods is facilitated under the Joint Plan of Action, even if only on a limited scale, vigilance will be needed if the diversion of funds and illicit trade which occurred under the Oil-For-Food Programme in Iraq is not to be repeated in Iran. (Paragraph 97)
1 Introduction

1. It would be in the UK’s interest to have a mature and constructive relationship with Iran on many levels: political, strategic, commercial and cultural. Yet this remains an ideal which is far from being achieved. Relations between the UK and Iran have been strained for years and suffer from lack of trust on both sides, born of a fear that one side is seeking to destabilise or thwart the other, and a perception on both sides that their interests rarely coincide. This perception has been reinforced by missed opportunities at various times by both countries.

2. The immediate threat is Iran’s progress towards acquisition of a military nuclear capability, and the possibility that Iran could, within weeks, produce enough fissile material for a nuclear warhead. However, our inquiry has taken place at a time when political change in Iran has led to progress in reaching an accommodation with Iran on its nuclear programme; and there is a widespread sense that the prospects for reaching a long-term settlement which would assuage fears about regional security are better than they have ever been. In this Report, we assess that perception and the implications for the UK’s policy towards Iran.

3. Our findings are based upon oral evidence from five individual witnesses as well as members of the All-Party Parliamentary Group on Iran, and the Foreign Secretary and FCO officials. Transcripts of evidence given by each witness, as well as written evidence received, are published on the internet.¹ Although we did not travel to Iran in connection with this inquiry, we held a private meeting on 24 February with the Iranian Charge d’Affaires in London; and we have also drawn on information gathered during our visit to the offices of the International Atomic Energy Agency in Vienna and from meetings with a number of Permanent Representatives to the IAEA, in March 2013. We are, as always, grateful to all those who have helped us during the course of the inquiry.

¹ http://www.parliament.uk/business/committees/committees-a-z/commons-select/foreign-affairs-committee/
2 The UK's interests in Iran

Iran and its potential

4. Iran has the potential to be a major international power: we were told that it could be the “engine room” of the Middle East. It lies in a very significant strategic position, with Iraq to the west, former Soviet states to the north which have only relatively recently gained independence, Afghanistan and Pakistan to the east, and the Persian Gulf—a prime route for oil exports—to the south. It has a large and youthful population—75 million or more, of whom 55% are aged under 30. The overwhelming majority of the population are Shia Muslim. Iran ranks 76th out of the 187 countries classified under the UNDP Human Development Index, based upon assessments of life expectancy, access to knowledge and standard of living, placing it higher than any of its land neighbours. Youth literacy is near-universal. The country’s economy is relatively diverse, with supplies of key commodities and an engineering, research and manufacturing base. Iran has substantial resources of natural gas (second only to the Russian Federation) and enough oil to enable it to be a leading exporter.

5. Iran could be a force for stability and prosperity in the region; but it is not, at present, fulfilling its potential. It has chosen a course of near-isolation on the diplomatic front; and the economy is in a dire state and has been on a downward trend for years. Sales of oil—the source of more than 80% of Iran’s foreign earnings—have fallen from 4 million barrels per day in 2010 to 2.2 million barrels per day in late 2011, and possibly to as little as 1.2 million barrels per day by January 2014, because of the effects of international sanctions. Two-thirds of Iran’s natural gas reserves lie in fields which have yet to be developed. The rate of GDP growth in Iran in 2012 was negative, at —1.9%, and is likely to have worsened since. The currency, the rial, lost an estimated 80 percent of its value against the US dollar in the first nine months of 2012; unemployment is hovering at around 28 per cent; and the year-on-year inflation rate was estimated to be running at

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2 Professor Ansari Q 45
3 Sir Robert Cooper Q 40
4 United Nations Population Fund figure
5 Memorandum from the British Council, paragraph 4.2
6 It is estimated that there are between 66 million and 70 million Shia Muslims in Iran: see Pew Research Center, http://www.pewresearch.org/fact-tank/2014/06/18/the-suni-shia-divide-where-they-live-what-they-believe-and-how-they-view-each-other/
8 Memorandum from the British Council, paragraph 4.2
9 HC Deb 24 January 2012 col 169
10 See memorandum from Professor Ehteshami, paragraph 7, also http://www.reuters.com/article/2014/01/22/us-iran-oil-exports-idUSBREA0L12520140122 and http://www.reuters.com/article/2013/01/31/us-iran-oil-exports-idUSBRE90U01Y20130131
11 http://www.bicc.org.uk/in-iran.html#link08
12 World Bank figure
13 See New York Times 10 October 2012
14 Memorandum from Professor Ehteshami, paragraph 7
39.3% in 2013. The International Monetary Fund suggested in 2012 that Iran was losing more than 150,000 educated and skilled citizens every year, partly because of the difficulty of obtaining funding for research.

6. Iran has not built a network of strategic alliances since the Islamic Revolution in 1979 and has cultivated relations with the West only fleetingly. More often, the tone has been one of entrenched hostility to the West, with hardliners in the Iranian power structure portraying the West as “a brutal immoral entity out to ‘get’ Iran, deprive it of science and technology advances, and keep it dependent on foreign powers”. Some Western actions have done little to dispel this perception.

The UK’s interests

7. In the most general terms, the UK’s interests in any foreign state are to establish relations which:

• help to guarantee the security of the UK;
• promote the UK’s prosperity by enhancing trade and investment opportunities for British firms; and
• promote the UK’s values through dissemination of its culture, language, educational opportunities and standards of human rights.

8. In our view, the FCO’s aims with regard to Iran should be to:

— Promote greater regional stability and security through reduction of the threat from Iran to the UK’s partners in the region (which are existential in the case of Israel) and to work towards ending Iran’s anti-Western influence in Syria, Lebanon, the Occupied Palestinian Territories and elsewhere;

— Open the way to greater diversity in energy and hydrocarbon supplies for the UK and for other EU Member States, by drawing on Iran’s natural resources;

— Protect UK commercial interests in the wider region, particularly in the Gulf;

— Enable the development of the UK’s commercial interests in Iran, from a base where the volume of bilateral trade is a fraction of what it might be, and where the value of Iran as an export market and as a location for British firms to operate is hardly explored;

— Bring about improvements in human rights standards in Iran, notably in relation to the use of the death penalty and in media freedom; and

15 World Bank figure. See also memorandum from Mal Craghill, para 1
16 http://uk.reuters.com/article/2012/09/19/us-iran-unemployment-idUSBRE88I0TA20120919
17 Memorandum from the National Iranian American Council, paragraph 2
18 Adapted from the FCO’s Purpose and Priorities 2013-14: see FCO Annual Report and Accounts 2013-14, pages 9 and 10
— Build cultural and educational links which allow Iranians to see directly what the UK has to offer, and \textit{vice versa}.

This is, at present, little more than a wish list, for reasons which we explore below.

\textbf{Iran and the security of the UK and its allies in the region}

9. Iran has for decades been seen as a threat to the security of the UK and its regional partners in the Middle East and in the Gulf. It was first designated by the US as a state sponsor of terrorism in 1984;\(^{19}\) it supports organisations which have been proscribed by the UK as terrorist organisations;\(^{20}\) it is ideologically committed to the destruction of the state of Israel and has described it as the “cancer of the Middle East”;\(^{21}\) it has provided manpower, equipment and advice (including support for intelligence-gathering capability) and billions of dollars’ worth of funding\(^ {22}\) to a regime in Syria which the West regards as guilty of heinous crimes against its own populace; it provides direct support to militias (such as Hezbollah in Lebanon and Hamas in Gaza and the West Bank) seeking to undermine more democratic institutions;\(^{23}\) it has threatened to force the closure of the Straits of Hormuz, between the Gulf and the Indian Ocean, disrupting commercial shipping (17\% of the world’s oil supplies pass through the Gulf every day);\(^ {24}\) and it is accused of fomenting unrest in Yemen and amongst the Shia majority in Bahrain.\(^ {25}\) Iran is also alleged to have been involved in attacks against Israeli and Jewish targets internationally.\(^ {26}\) The Henry Jackson Society said simply that whereas Western governments prized stability, the Iranian regime saw its interests as served by instability across the Middle East and the world.\(^ {27}\)

10. Iran has also embarked upon a nuclear programme which, despite assurances to the contrary from Iran, is seen by many as having a military purpose and as being a threat to regional security. Both Israel, which believes it would be the target of any attack by Iran, and Saudi Arabia, which sees Iran as a rival to its influence, have exerted pressure on Western allies to limit that programme. There have been many years of negotiations with Iran, initially led by a group of three EU Member States (the UK, France and Germany) and latterly complemented by the US, Russia and China. Recent negotiations have led to an agreement—the Joint Plan of Action—which sets out a path which could lead to resolution of points of difference between the two sides. Negotiations continue and are

\(^{18}\) \texttt{http://www.state.gov/j/ct/list/c14151.htm}; see also \texttt{memorandum from the Community Security Trust}, paragraph 2
\(^{19}\) \textit{Memorandum from the Henry Jackson Society}, paragraph 36
\(^{20}\) \textit{Professor Johnson Q 161, memorandum from BICOM paragraph 12}
\(^{21}\) \texttt{HC Deb, 13 March 2014, col 277W}
\(^{22}\) \texttt{HC Deb, 24 January 2012, col 946}; see also FCO memorandum section 5
\(^{23}\) See \texttt{memorandum from the FCO, section 5}; also \textit{Committee’s Fifth Report of Session 2013-14. The UK’s relations with Saudi Arabia and Bahrain, HC 88, paragraph 216}
\(^{24}\) \texttt{Memorandum from BICOM paragraph 19}
\(^{25}\) \texttt{Memorandum from the Henry Jackson Society, paragraph 35}
reaching a critical stage, and the matters under discussion are of such significance that we devote much of this Report to them (see Chapters 3 and 4).

11. Iran’s influence in Syria has potential value to the UK but, regrettably, that potential has not been fulfilled. The FCO suggested that Iran might, for instance, have used its influence with the Syrian regime to secure humanitarian access in Syria; but it had not done so.\(^{28}\) It might also have played a part in the talks in Geneva in January and February 2014 which were designed to try to secure a democratic transition for Syria. A belated invitation to Iran to participate was withdrawn when it became clear that Iran was not committed to the terms of the 2012 Geneva Communique on which the talks were based.\(^{29}\) Professor Ansari told us that “in an ideal world”, Iran should have been represented at the talks,\(^{30}\) and the Rt Hon Jack Straw MP believed that it would have been more helpful to have Iran “inside the wheel of negotiations” than outside it.\(^{31}\)

12. It should be noted that the foreign policy interests of the UK and Iran have occasionally converged since 1979 and continue to converge in some areas, for instance in bringing about greater stability in Afghanistan (Iran’s role in the 2001 Bonn Conference, which led to the creation of a transitional government for Afghanistan following the overthrow of the Taliban, was described to us as “instrumental”)\(^{32}\) and in combating drug trafficking in the region.\(^{33}\) Iran and the UK also share a common concern about recent advances by ISIL\(^{34}\) forces in Iraq, although their views may differ on how that concern should be addressed. We note that Iran is seen as the most influential external player in domestic Iraqi affairs and has strengthened its position in the country over the years as UK and US troops have withdrawn.\(^{35}\) The Government has stressed the role which it expects governments in the region to play in tackling the threat from extremism.\(^{36}\)

**Development of commercial potential**

13. Iran is potentially a major export and investment market for the UK. One witness described it as “the world’s largest largely untapped market”.\(^{37}\) We were told of several sectors in which the UK had expertise which was of particular value to Iran: these

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\(^{28}\) Memorandum from the FCO, page 10

\(^{29}\) HC Deb 21 January 2014 col 140

\(^{30}\) Q 73

\(^{31}\) Q 109

\(^{32}\) Memorandum from the National Iranian American Council, paragraph 8

\(^{33}\) Memorandum from the FCO, sections 1 and 5. See also HC Deb 16 June 2014 col 858

\(^{34}\) ISIL and ISIS are acronyms for alternative translations of the Arabic name for the main jihadist militant group active in parts of Iraq and Syria. ISIL stands for the Islamic State of Iraq and the Levant; ISIS stands for the Islamic State in Iraq and al-Sham. We use ISIL in this Report, on the basis that “Levant” is the most accurate translation for “al-Sham”.

\(^{35}\) It has been argued that Iran was instrumental in convincing rival Shia groups in Iraq to form an alliance which became the core of the government after the national elections in Iraq in 2010. See *Iraq Ten Years On*, Chapter 12, Chatham House, 2013, [http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Middle%20East/0513pr_iraqtenyearson.pdf](http://www.chathamhouse.org/sites/files/chathamhouse/public/Research/Middle%20East/0513pr_iraqtenyearson.pdf)

\(^{36}\) HL Deb 25 June 2014 col 1317

\(^{37}\) Mr Kessler Q 190
included development of financial markets and professionalisation of the banking and insurance sectors, rebuilding of energy infrastructure, development of the tertiary education sector, telecommunications and IT, joint manufacturing ventures (particularly vehicle manufacturing), water projects, and service industries.38

14. For these to be taken forward, trade sanctions currently imposed on Iran in response to its nuclear programme would need to be lifted, and Iran would need to set aside its reservations about foreign commercial influence in the country. In the meantime, the Government does not encourage trade with, or investment in, the country, describing it as “inappropriate”.39 The Foreign Secretary told us that “we do not support, facilitate or promote trade with Iran, and we communicate that to British businesses”.40 It is no surprise, therefore, that the UK is less visible in the country,41 and we note that the UK’s exports to Iran fell from £464 million in 2005 to just £83 million in the year to May 201142 and just under £80 million in 2013,43 reflecting the rigorous sanctions imposed on trade with Iran.

15. We note, however, signs that Iran may be beginning to present itself as being more open to foreign investment. At the Davos Economic Forum in January 2014, the Iranian President, Hassan Rouhani, and the Iranian Minister for Oil, Bijan Zanganeh, told senior oil executives that the new administration in Iran was keen to open up to new investments and technology.44 Mr Zanganeh had previously identified seven petroleum companies that Iran might do business with, including BP.45

16. Businesses in some countries have already begun to explore scope for increasing their commercial activity in Iran. Mr Straw told us in January that planes from western Europe to Tehran were “packed full of Italian, German, Scandinavian and French business people reviving their business links”, and he did not understand why the UK was “going out of its way, gratuitously and unnecessarily, to make a completely hopeless point to the Iranians”.46

17. A revived trading relationship between the UK and Iran would also allow Iran to play a potentially significant role in diversifying the UK’s sources of energy and helping to assure its energy security through supplies of oil and natural gas. The Iranian Oil Minister

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38 Memorandum from Professor Ehteshami, paragraph 4, memorandum from Mal Craghill, paragraph 4, memorandum from the British Council, paragraph 3.5
39 https://www.gov.uk/sanctions-on-iran. See also HC Deb 7 April 2014 col 140W
40 Q 218
41 Memorandum from the British Council, paragraph 3.5
42 http://ibchamber.org/ibchamber/index.php?option=com_content&view=category&id=9&Itemid=34
44 See Financial Times 23 January 2014 http://www.ft.com/cms/s/0/6323be74-842d-11e3-b72e-00144feab7de.html#axzz36EbnOeWs
45 Memorandum from Mal Craghill, paragraph 4; also Daily Telegraph 4 December 2013
46 Q 95. See also http://www.ecfr.eu/publications/summary/the_eus_sanctions_regime_against_iran_in_the_aftermath_of_the_jpa310
was reported in May as having said that Iran would be willing to supply Europe with gas “either through pipeline or in liquefied natural gas form” if Russia were to halt supplies to Europe.\footnote{Work on text of Iran deal starts, European Voice, 8 May 2014}

\section*{Disseminating the UK’s values}

\subsection*{Human rights standards}

18. By all accounts, standards of human rights in Iran are very low: we note recent descriptions of the human rights situation in the country as “dire” and “appalling”.\footnote{Mr Hague Q 197; also HL Deb 3 March 2014 col WA 288} Iran has consistently been designated by the FCO as a “country of concern” in its annual reports on human rights and democracy. Iran has the highest execution rate per capita in the world: according to the FCO, at least 400 executions (largely for drug offences) were carried out in 2013,\footnote{Human Rights and Democracy: 2013 FCO Report, Command Paper 8870, April 2014, page 215} but the true total is probably far higher. According to Amnesty International, Iran officially acknowledged 369 executions in 2013; but Amnesty added that “hundreds more” had taken place that year.\footnote{http://www.amnesty.org/en/library/asset/ACT50/001/2014/en/652ac5b3-3979-43e2-b1a1-6c4919e7a518/act500012014en.pdf} Human Rights Watch cited reports from “reliable sources” that indicated that the total number of executions in Iran in 2013 was over 700.\footnote{http://www.hrw.org/news/2014/06/12/iran-halt-execution-33-sunnis} The FCO notes that those executed include persons aged under 18 at the time of their alleged offence and that executions are reported to take place without due process.\footnote{Human Rights and Democracy: 2013 FCO Report, Command Paper 8870, April 2014, page 216}

19. Freedom of expression continues to be severely restricted: the National Union of Journalists told us that radio and television in Iran were both owned by the state and that the private sector was not permitted to acquire or manage radio or television services. Over 90% of the press is directly or indirectly associated with the government, and more than 30 newspapers and magazines not owned by the state have been banned since 2009.\footnote{Memorandum from the NUJ} Iran has the second highest number of journalists in prison in the world.\footnote{Memorandum from the FCO, section 6} As we note below, BBC World Service broadcasts and internet-based services are subject to regular jamming and blocking.

20. The Iranian constitution (under Article 13) recognises only three faiths other than Islam: Judaism, Christianity and Zoroastrianism. There is nonetheless plentiful evidence of persecution of Christians, including harassment and imprisonment on the basis of their faith.\footnote{Human Rights and Democracy: 2013 FCO Report, Command Paper 8870, April 2014, page 216 to 217} The All-Party Parliamentary Group on the Bahá’í Faith told us that members of the Bahá’í community—believed to number over 300,000 in Iran—had been subjected
to “a wide-ranging, multifaceted, state-sponsored campaign of persecution aimed at elimination of the community as a viable entity in Iran” and were denied most rights of citizenship. It cited judgments by courts in Iran denying Bahá’ís the right to seek justice, redress or protection against killings, assaults or property theft, and classifying them as “those whose blood may be shed with impunity”. The Group argued that the FCO should press Iran to remedy this by amending or repealing Article 13 of the Iranian constitution.56

21. Hopes were raised by the election of President Rouhani in June 2013, and there have been some small signs of improvement. Various promises were made by President Rouhani during his campaign to improve social justice; a number of political prisoners were released in September 2013;57 and various media publications previously banned have been allowed to resume publication.58 The Minister of Culture and Islamic Guidance has also described as “ridiculous” many of the policies adopted by Iran to control the flow of information, including Internet filtering, saying that “we cannot restrict the advance of [such technology] under the pretext of protecting Islamic values.”59 Overall, however, the FCO and others have not detected any substantive change in the human rights situation in the country. In April 2014 there was no sign that a draft Charter of Citizens Rights published in November 2013 had led to changes to the law or to a different approach by judicial or security forces. Iran has refused to accept reports by the UN Special Rapporteur on Human Rights in Iran, Dr Ahmed Shaheed, and has denied him entry to the country.60

22. The UK Government’s concerns in a number of fields, including the death penalty, freedom of religion and the workings of the criminal justice system, were raised by the UK Chargé d’Affaires with Iranian government officials during his visit to Iran in March 2014; and the Foreign Secretary raised Iran’s human rights record with the Iranian Foreign Minister at the UN General Assembly in September 2013.61 The FCO has contributed to international pressure on Iran to improve its human rights record, through imposition of sanctions, support for critical human rights resolutions at the United Nations, and direct support for the UN Special Rapporteur on Human Rights in Iran.62 We recognise the enormous difficulties faced by the FCO in its attempts to bring about an improvement in human rights standards in Iran. We encourage the FCO to continue to take any opportunities that arise, whether bilaterally or multilaterally, to reiterate the UK’s objection to unacceptable practices, including executions, persecution of people on the grounds of their faith, and severe restrictions

56 Memorandum from the All-Party Parliamentary Group on the Bahá’í Faith, paragraph 7.2
57 HL Deb 3 March 2014 col WA 288
59 http://www.washingtonpost.com/world/middle_east/in-iran-a-battle-over-control-of-media-and-culture-is-heating-up/2014/03/13/a01e89f8-7468-4916-8939-643ce16498e_story.html
61 See HL Deb 13 May 2014 col 482WA and HC Deb 12 May 2014 col 352W
62 Memorandum from the FCO, section 6
on freedom of expression. No concessions should be made on human rights in the interests of making progress in negotiations in other fields.

Cultural and educational values

23. The principal vehicles for the UK’s ‘soft power’ overseas are the BBC World Service, which offers a BBC Persian television service in Farsi, short-wave and medium-wave radio services in Farsi, radio services in English, and a web-based service (BBCpersian.com), in Farsi;63 and the British Council, which aims to promote a wider knowledge of the UK and of the English language, and to encourage cultural, scientific, technological and other co-operation between the UK and other countries.64 In the late 1970s, the British Council’s operations in Iran were larger than in any other country in the world: it ran six country offices and employed over 100 UK staff. However the British Council offices in Tehran were closed in 2009 when threats and harassment towards its locally engaged staff made operations unsustainable,65 and the BBC World Service has suffered regular jamming of its broadcasts on both radio and television in Iran. Access to the BBC Persian website has been routinely blocked.66 The British Council has nonetheless continued its cultural relations work from London, working through digital means or with Iranian stakeholders in third countries who return to Iran and pass on knowledge and training. It told us that it had “received indications through senior Iranian cultural relations stakeholders” that Iran might be open to re-engagement with the Council, and it said in its memorandum (submitted in January) that it was in discussion with the FCO on when conditions might be right to pursue openings.67

Pursuing the UK’s interests

24. The challenges to the UK’s relationship with Iran are multiple and profound. Progress in pursuing the UK’s interests within Iran seems a remote prospect until a more trusting bilateral relationship has been established, and that will require at least partial resolution of concerns held by the UK about Iran’s role in regional security and stability. Many of those concerns are widely shared and are being addressed in international fora, through the UN and through negotiations alongside other UN Security Council members and Germany (the “P5+1”) on Iran’s nuclear programme. Pursuing commercial interests and UK values, however, is more of a bilateral task for the FCO and its partners; but that has been difficult while diplomatic relations have been minimal and the opportunities to exert influence within Iran have been almost nil.

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63 Evidence submitted by the BBC World Service to The FCO’s human rights work in 2012, Fourth Report of Session 2013-14, HC 267
64 See Royal Charter at http://www.britishcouncil.org/sites/britishcouncil.uk2/files/royalcharter.pdf
65 Memorandum from the British Council, paragraph 2.1
66 Evidence submitted by the BBC World Service to The FCO’s human rights work in 2012, Fourth Report of Session 2013-14, HC 267
67 Memorandum from the British Council, paragraph 3.6
25. The history of bilateral diplomatic relations between the UK and Iran since the Islamic Revolution in 1979 is chequered, and the relationship has not been an easy one for the FCO to manage. The UK closed its embassy in Tehran in 1980, following the Islamic Revolution, since when diplomatic representation in Tehran has been intermittent:

— Sept 1980: Embassy closed; a British Interests Section was maintained in the Swedish Embassy;
— June 1987: Representation reduced even further, to one Visa Officer;
— Dec 1988 to Feb 1989: re-opening of Embassy, staffed by a Chargé d'Affaires;
— Feb 1989: closure again due to the fatwa against Salman Rushdie;
— Oct 1990 to May 1999: Embassy re-opened and staffed by a Chargé d'Affaires;68
— May 1999 to Nov 2011: Full diplomatic relations re-established, with Ambassador.

26. The latest rupture in UK-Iran relations was on 29 November 2011, when the British Embassy premises in Tehran were stormed by a mob, in response to a decision by the EU to extend sanctions. The Ambassador's residence and the homes of staff in the city-centre compound were vandalised and looted, and the main Embassy office building was set on fire. A second Embassy compound in north Tehran was also attacked, and staff homes were looted. Iranian police belatedly gave assistance, and all staff were accounted for.69 The Iranian Foreign Minister expressed regret over the attack.70 The UK closed the Embassy as soon as staff had left and required the immediate closure of the Iranian Embassy in London. “Protecting powers” were appointed: Sweden looked after British interests (as it had done in the 1980s), while Oman looked after Iranian interests in the UK.

27. While the Tehran Embassy has been closed, the FCO’s Iran operations have been run from FCO premises in Dubai. However, on 8 October 2013, the Foreign Secretary announced to the House of Commons that the UK and Iran would each appoint a non-resident chargé d'affaires "tasked with implementing the building of relations, including interim steps on the way towards eventual re-opening of both our embassies, as well as dialogue on other issues of mutual concern".71 The newly-appointed Chargé d’Affaires, Mr Ajay Sharma, visited Tehran on 3 December 2013 and held discussions with the Iranian Ministry of Foreign Affairs about "taking forward the bilateral relationship on a

68 Except from a six-month period in 1997 when all Heads of Mission from EU Member States in Tehran were withdrawn following the conviction by a German court of four Iranians for the murder of a group of Iranian exiles in Berlin in 1992, and the finding that Iranian state agencies had participated.
69 HC Deb 30 November 2011 col 959
70 HC Deb 30 November 2011 col 960
71 HC Deb 8 October 2013 col 28
step by step and reciprocal basis”; and he also visited the damaged British Embassy compounds in Tehran. Mr Sharma has made a number of subsequent visits to Tehran, and, in a further sign of steady restoration of relations, the temporary appointment of Sweden and Oman as protecting powers was brought to a close on 24 February this year.

28. We asked the Foreign Secretary in March what steps would need to be taken before the UK would be prepared to reopen the Embassy in Tehran. He replied that “we have to go on our judgment of behaviour and [Iranians’] readiness to allow an embassy to perform its normal diplomatic functions and for its staff to be safe and secure”. He did not believe that there was “a crucial form of words or piece of paper”, and he added that he had told the Iranian Foreign Minister in January that he hoped to make a decision “within a few months” about further steps about the reopening “even in a small way” of the Embassy. He made it clear that while the Foreign Ministry might be well-disposed to the re-opening of the Embassy—the previous Foreign Minister had sounded “horrified” on the day the Embassy was stormed in November 2011—the UK was looking for signs that other centres of power in Iran were willing to provide genuine reassurances.

29. Shortly before we agreed this Report, the FCO announced that the circumstances were “right” to reopen the Embassy in Tehran, once a range of practical issues had been resolved; and it was expected that Iran would choose to reopen their Embassy in London. Only a limited range of services would at first be offered by the Embassy in Tehran, and applicants for visas for entry to the UK would still have to apply to Abu Dhabi or Istanbul.

Consequences of reduced diplomatic representation

30. The decision to close the UK Embassy in Tehran in November 2011 was a necessary one, and the Government had no choice in the matter. However, it brought yet another interruption to the UK’s ability to understand the Iranian outlook and to maintain and build the personal contacts which are essential to constructive diplomatic relations. During the closure, the FCO has been largely reliant upon third parties, media reports, intelligence reports and missions of other countries for information on public opinion and shifts in political power. It seems that the UK did not expect Mr Rouhani to win the presidency, but then nor did others who are seasoned Iran-watchers.

31. The problem faced by the FCO in gaining country knowledge while diplomatic relations are at a low level is not a recent one in Iran. Professor Ansari (Director of the

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73 HC Deb 24 February 2014 col 29
74 Q 217
75 Q 216; also HC Deb 24 February 2014 col 41
76 HC Deb 17 June 2014 col 80WS
77 Q 196
Institute for Iranian Studies at the University of St. Andrews) believed that there had been periods in the 1990s when the UK’s ‘readings’ of Iran “had not been as good as they could have been”. Part of the reason had been that many of the “old hands” at the Foreign Office were retiring, and there was no functioning embassy in Tehran, and therefore no new people were coming up to take those positions.\footnote{Q 46} Ben Wallace MP (Co-Chair of the All-Party Parliamentary Group on Iran) described knowledge on Iran within the FCO as having been “intermittent”;\footnote{Q 92} but Mr Straw said that there was still a cadre of Farsi speakers with experience in Tehran,\footnote{Q 93} and Professor Ansari believed that there was still “good and growing expertise” on Iran in the UK.\footnote{Q 46}

32. Not only has the flow of information to the FCO been disrupted: the projection within Iran of the UK and what it has to offer is currently minimal. The British Council said in its submission to this inquiry that "the prolonged period of silence between the UK and Iran has resulted in the UK being less visible in the country" and that as a result, other countries “are now looked at as better choice partners in international relations”.\footnote{Memorandum from the British Council, paragraph 3.5} This is disappointing, given the extent and power of British influence in Iran in the past and the respect which the UK commanded then and continues to command in some quarters, however grudgingly.\footnote{Professor Ansari Q 46-47. See also memorandum submitted to our predecessors in 2000 by Professor Ali Ansari, published with Iran: Interim Report, Second Report from the Foreign Affairs Committee, HC 80, Session 2000-01.} Professor Ansari has written of “the intimacy of a historical relationship [between the UK and Iran] which is profound, frequently affectionate and essentially respectful”.\footnote{The Myth of ‘Perfidious Albion’: Anglo-Iranian Relations in Historical Perspective, Asian Affairs, Vol XLIV, no. III}

33. Unsurprisingly, we found little evidence to suggest that the UK now has much individual leverage in Iran, although that observation is qualified, as we did not visit Iran and so were unable to talk to key figures in the country. The reasons for the apparent lack of leverage lie partly in historic suspicion of the UK’s motives—Mr Straw said that Iran had portrayed the UK as “a villain of the piece for at least a century and a half”\footnote{Q 98}—and partly in Iran’s decision at the time of the Islamic Revolution in 1979 to detach itself from Western influence.

34. A further difficulty arising from the interruptions in direct diplomatic representation in Tehran and London was put forward by Professor Anoush Ehteshami, Chair in International Relations at Durham University, who argued that the UK needed to be seen to have a presence in Tehran and to have direct access to the Iranian leadership if it was to be able to reassure regional allies that any deal with Iran on the nuclear programme
would not be at their expense.\textsuperscript{86} We were made aware of concerns in Saudi Arabia on this point in our recent inquiry into relations with Saudi Arabia and Bahrain.\textsuperscript{87}

35. The FCO told us that, partly driven by concerns about Iranian activity, it had in recent years sought to deepen existing defence and security cooperation with allies in the Gulf, through “basing arrangements for UK military assets, strategic dialogue on security matters, training and partnering arrangements (including on countering violent extremism) and defence equipment sales”.\textsuperscript{88} The Foreign Secretary gave a personal assurance in a speech at the Manama Dialogue\textsuperscript{89} in Bahrain in December 2013:

> I assure you that the agreement [the Joint Plan of Action] does not for us in the UK imply any diminution in the commitments of external powers to our alliances in the region, or to the security of its vital sea lanes, or to the struggle against terrorism. Engagement on the nuclear question should not mean a free pass for Iran on other issues in the region.\textsuperscript{90}

The Prime Minister told the Knesset in March that he shared Israel’s “deep scepticism and great concern about Iran” and was not “starry-eyed” about the new regime, adding that Britain would never allow “a nuclear-armed Iran”.\textsuperscript{91}

36. The storming of the UK Embassy by an Iranian mob in Tehran in 2011 was reprehensible and should never have been permitted by Iranian security forces. We welcome the recent decision to re-open the Embassy in Tehran, and we understand why the Foreign Secretary adopted a cautious approach towards the revival of diplomatic relations. We question, however, whether the UK waited too long for assurances on security which were never going to be forthcoming from all quarters of the Iranian hierarchy. The lack of full diplomatic representation in Iran hinders the UK’s ability to shape events, gather information, and reassure its regional allies that it could make fully informed assessments of Iranian opinion and intentions.

37. There is a serious risk that longstanding allies in the Gulf and elsewhere in the region will feel overlooked if the UK does not invest considerable diplomatic effort in reassurance. The UK and others need to be able to show an early dividend from the Joint Plan of Action if they are to retain confidence in the initiative amongst their regional allies.

\textsuperscript{86} Memorandum from Professor Ehteshami, paragraph 11
\textsuperscript{87} Neil Partrick, Associate Fellow, RUSI, evidence given on 22 January 2013, Q 30, published with the Fifth Report of the Committee, HC 88 (Session 2013-14)
\textsuperscript{88} Memorandum from the FCO, section 5
\textsuperscript{89} The Manama Dialogue is a forum for the national security establishments of participating states (states in the Middle East and outside powers with security interests in the Gulf) to exchange views on regional security challenges.
\textsuperscript{90} https://www.gov.uk/government/speeches/2014-making-the-wheels-of-diplomacy-turn
\textsuperscript{91} https://www.gov.uk/government/speeches/david-camerons-speech-to-the-knesset-in-israel
**Has the UK allowed itself to be too closely identified with the US?**

38. The UK has been bracketed in many Iranian minds with the US, the ultimate bogeyman for Iran. We asked witnesses whether the UK might, over the years, have benefited from taking a policy line which was more independent from that of the US. Sir Robert Cooper, a former Counsellor for the European External Action Service from 2010 to 2012, and someone who had been closely involved in negotiations with Iran on its nuclear programme, pointed out that the UK had acted independently from the US in 2002 and 2003 when the extent of the Iranian nuclear programme first became known and when it became clear that Iran had breached obligations under its Comprehensive Safeguards Agreement with the IAEA. Then it was EU Member States, in the shape of Foreign Ministers from the UK, France and Germany, that reached an agreement in October 2003 in Tehran with Dr Rouhani, then Secretary of Iran’s Supreme National Security Council, on suspension of Iran’s enrichment and processing activities. That initiative had been made with the knowledge of the US but, as Sir Robert told us, “it was not US policy at the time to talk to Iran at all”.  

39. However, Mr Straw told us that two years later, when the French and German governments were prepared to discuss a deal (which would have entailed the conversion of Iranian low-enriched uranium to fuel rods) the US had blocked attempts to reach a deal. According to a former senior Iranian negotiator, Seyed Moussavian, the UK had vetoed the proposal at the insistence of the United States: “They were ready to compromise but the US was an obstacle”. Mr Straw has argued forcefully that the failure of the deal in 2005 strengthened the hardliners in Iran and helped pave the way for a far less co-operative regime under the new President Ahmadinejad.  

40. US policy on Iran subsequently evolved from a policy of insistence on “red lines” to a point where it was prepared to take part in negotiations; and, under the Obama Administration, it has sought to take more of an initiative to engage Iran in meaningful negotiations on the nuclear issue. Discreet bilateral talks in Oman from March 2013 onwards helped to pave the way for the latest negotiations on the nuclear programme. Mr Kessler, representing the Henry Jackson Society, told us (with a hint of regret) that the UK had essentially “toed the Obama Administration’s line on Iran, on engagement”, and that it had been France which had taken the toughest position, insisting on concessions from Iran before the Joint Plan of Action was finally agreed. He suggested that “perhaps a worse Joint Plan of Action would have been drafted if not for French intervention”. When we asked the Foreign Secretary about the measure of the UK’s independence from US policy towards Iran, he stressed that policy on Iran could not succeed without strong international co-ordination and unity, and he believed that if European policy were to be

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92 Q 9  
94 Q 82 and Q 101  
95 [http://www.bbc.co.uk/news/world-middle-east-25086236](http://www.bbc.co.uk/news/world-middle-east-25086236); see also Mr Hague, Q 202  
96 Q 170. See ‘*Not there yet*’ *The Economist*, 16 November 2013, for an account of the French negotiating position.
detached from US policy, attempts to bring Iran towards an agreement would be neither effective nor successful.97

41. There are signs that the UK’s willingness to follow the lead of the US in opposing a possible deal with Iran in 2005 meant that an opportunity to make progress in resolving concerns about Iran’s nuclear programme was lost, although we cannot know whether an acceptable compromise could actually have been reached at the time. We welcome the subsequent convergence of UK and US policy on Iran and its nuclear programme. We see it as a considerable success that a united front has been maintained by the P5+1 countries in recent negotiations, and that Iran has been presented with little or no obvious opportunity to prey on differences between members of the P5+1 negotiating team. We commend the FCO for its work in cementing the combined approach.

Possible steps to indicate goodwill to Iran: recognising past events

42. At a round table event on Iran hosted by the British Academy in February and attended by several former senior diplomats, Members and leading figures from academic institutions, several people spoke of the value of symbolic gestures which the UK might make at little or no cost but which could nonetheless send a welcome signal to Iran and generate goodwill. It was said, for instance, that the UK could do more to recognise publicly the scale of Iranian suffering in its war with Iraq from 1980 to 1988 (a war in which Iraq was the provocateur and in which Iran lost an estimated 1 million lives).

43. More controversially, perhaps, the UK could acknowledge its part—alongside the US—in fomenting the unrest which led to the overthrow of Prime Minister Mossadeq in Tehran in 1953, something which rankles still in Iran. The British Government at the time saw Mr Mossadeq as a serious threat to its strategic and economic interests after he had nationalised the British-owned Anglo-Persian Oil Company, latterly known as BP. A joint operation by the CIA and by British intelligence services helped to depose Mr Mossadeq and to install a more pro-Western government. President Obama acknowledged the US role in a speech in Cairo in 2009, and US papers revealing the CIA role (and indeed British involvement) were declassified last year; but the UK has not yet formally acknowledged its role.98

44. Iran sets store by reciprocity, and the chances of securing any concession from Iran are higher if it can be seen to match an equivalent concession from the UK. While it should be for the FCO to judge when the right time might be for a gesture such as a statement by the UK recognising the scale of Iranian suffering during the Iran-Iraq war, or acknowledgement of any UK role in the overthrow of Prime Minister Mossadeq in 1953, we believe that the FCO should be prepared to take such a step if the

97 Q 201
98 http://www.bbc.co.uk/news/world-middle-east-23762970
circumstances warrant it and if Iran also makes a similar public gesture recognising its own support for terrorism, attack on the British Embassy or other past behaviour.

Visas for Iranians to enter the UK

45. The closure of the British Embassy in Tehran in 2011 and the downgrading of diplomatic relations led to the withdrawal of facilities in Tehran to issue visas to enter the UK; so applicants from Iran have had to visit Istanbul or Abu Dhabi, at considerable cost. The closure of the visa office and the difficulties in making international transfers of funds under the sanctions regime have combined to reduce numbers of Iranian students studying in the UK to below 4,000.99 Entry clearance visas issued to Iranian nationals for study in the UK have fallen from 3,247 in 2010 to just 915 in 2013.100 The British Council told us that countries which had maintained embassies and cultural centres in Iran had enjoyed consistent growth in student numbers, and it cited Germany, which now has almost 5,000 Iranian students studying at its universities, as having overtaken the UK.101

46. The FCO regrets the consequences of the closure of its visa office and acknowledges the drop in the number of students applying for visas, although it says it remains committed to fostering educational links.102 However, the UK has not taken steps to simplify the process for Iranians who have to travel to other countries to apply for visas. It has not, for instance, made arrangements for passports to be returned to applications at the outset, once details have been verified, rather than at the end of the process; nor does it seem willing to consider contracting out the handling of applications to a third party in Tehran. Any action on this front would be a matter primarily for the Home Office; but the FCO could if it chose make the case for easing the application process while maintaining its rigour, in the interests of strengthening educational and cultural links between the UK and Iran and showing goodwill. It is not clear how long it will be before a UK visa section re-opens in Tehran. In the meantime, we recommend that the FCO press the Home Office to agree to practical measures which would reduce the burden on Iranians applying for entry clearance to the UK while maintaining the rigour of the process.

99 Memorandum from the British Council, para 4.6
100 Figures supplied by the House of Commons Library, drawn from Immigration Statistics January-March 2014, Table be_06_q_s, Home Office
101 Memorandum from the British Council, paragraph 4.6
102 Memorandum from the FCO, section 1
3 Iran’s nuclear programme

Iran’s nuclear facilities

47. Iran has two nuclear reactors. A third is under construction, and in February 2013 Iran announced an intention to build another 16 nuclear reactors. The Tehran Research Reactor—supplied by the United States in the 1960s—uses fuel derived from uranium enriched to the 20% level in order to produce isotopes for medical research. Iran has enough stocks of 20%-enriched uranium to fuel the reactor for at least ten years. The second reactor, the pressurised water reactor at Bushehr, is part of the Bushehr Nuclear Power Plant and uses uranium enriched to 3.5%, supplied by Russia under a contract which in January had nine years left to run.

48. A third reactor is being built at Arak and is nearing completion. Iran has stated that the purposes of the reactor at Arak are research and development, production of radioisotopes for medical and industrial use, and training; and it claims that the Arak reactor is designed to replace the ageing Tehran Research Reactor. The Arak reactor would use not enriched uranium but heavy water, which is already being manufactured at a nearby plant. The design of the Arak reactor makes it well suited to the production of weapons-grade plutonium; if it was operating optimally, its spent fuel would produce about 9 kilograms of plutonium annually—enough for one or two nuclear weapons. The plutonium would first have to be separated from the irradiated fuel before it could be used in a nuclear weapon, by “reprocessing” it; and Iran is not known to have a reprocessing facility at present.

49. Iran has two sites at which it is known to enrich uranium. The existence of the Natanz site, where it enriches uranium to both 5% and 20%, was disclosed not by the Iranian government but by the National Council of Resistance of Iran, an Iranian opposition organisation, in August 2002. In 2009, it emerged that Iran had constructed a second

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103 Financial Times 24 February 2013
104 Variants of a chemical element, differing according to the number of neutrons in the atoms
105 Memorandum from the FCO, page 4
106 Memorandum from the FCO to the Foreign Affairs Committee inquiry into Global Security: Iran, Fifth Report of Session 2007-08, HC 142, Ev 42; see also http://iranprimer.usip.org/blog/2014/apr/28/iran-fact-file-arak-heavy-water-reactor
107 http://iranprimer.usip.org/blog/2014/apr/28/iran-fact-file-arak-heavy-water-reactor
108 Water composed of deuterium and oxygen, used as a moderator of neutrons in nuclear power plants
109 Memorandum from the FCO, page 4
110 See memorandum from Henry Jackson Society, para 14
111 http://www.isisnucleariran.org/sites/detail/arak
112 http://www.isisnucleariran.org/sites/detail/arak; also http://iranprimer.usip.org/blog/2014/apr/28/iran-fact-file-arak-heavy-water-reactor
113 Under the Subsidiary Arrangements to the Comprehensive Safeguards Agreement which were in force at the time, disclosure of an enrichment facility was required 180 days before nuclear material was introduced into it, not at the time of construction. Iran agreed in 2003 that design information on new facilities should be provided to the IAEA as soon as a decision to construct, authorise or modify a facility had been taken. See written evidence from the FCO
uranium enrichment facility, underground at Fordow, where uranium is enriched to 20%.

Box 1: Iran’s uranium enrichment programme

Uranium is a weakly radioactive metallic element, occurring naturally in a number of variants or “isotopes”. Uranium is found and mined in Iran, although there are contradictory reports as to how rich its reserves are and how suitable the raw material is for enrichment. U235, a naturally-occurring isotope, is fissile and is capable, when properly manipulated, of undergoing a nuclear chain reaction so as to create enormous energy.

Enrichment

“Enriching” uranium means processing it to increase the concentration of the U235 isotope. Uranium is converted to a gaseous form—uranium hexafluoride—which is fed into centrifuges: cylindrical devices that separate out materials by spinning them at extremely high speed. The more that uranium is enriched, the easier the enrichment becomes. As a general rule, the greatest effort is required to get uranium to 5% enrichment. Less effort is required to get to 20%, and less still to get to 90%. Iran has installed about 19,000 IR-1 centrifuges in facilities at Natanz and Fordow, although only about 9,000 are in operation. A further 1,008 IR-2 centrifuges, capable of an output which is perhaps five times greater than that of IR-1 centrifuges, have been installed but are not in operation.

Uses of enriched uranium

Enriched uranium has a variety of uses, depending on the level of enrichment:

• Uranium enriched to just 3-5% U235 is the typical ingredient for use in fuel rods in nuclear power stations;

• Uranium enriched to around 20% U235 or over may be used in research reactors; reactors used for medical or other scientific research purposes, rather than to generate energy for domestic consumption;

• Uranium enriched to 90% or higher U235 is used to fuel nuclear submarines and ice-breakers, and can be used for nuclear bombs.

Stocks of enriched uranium held by Iran

According to the November 2013 quarterly report from the International Atomic Energy Agency, Iran had stockpiles of 7,154 kg of uranium enriched to 5%, and 196 kg of uranium enriched to just under 20%.

to the Foreign Affairs Committee inquiry into Global Security: Iran, published with the Fifth Report of Session 2007-08, HC 142, paragraph 106
50. It is possible that further, undeclared nuclear facilities already exist in Iran or are being constructed. Mr Fitzpatrick believed that this was “a pretty fair assumption”, as it was Iran’s policy not to reveal facilities until they were ready to come into operation.\textsuperscript{114} The National Council of Resistance of Iran has recently claimed that a new underground nuclear military site exists near Mobarakheh.\textsuperscript{115} The UK Government doubts that the site is used for nuclear weapon testing, given its proximity to a major centre of population, but it says that it is “not clear” whether the site is used for other nuclear-related purposes.\textsuperscript{116}

**Inspection**

51. Iran signed the Nuclear Non-Proliferation Treaty (NPT) in 1968 and ratified it in 1970. Signatories to the Treaty are required to conclude a Comprehensive Safeguards Agreement with the International Atomic Energy Agency (IAEA), enabling it to verify reports of declared nuclear material and activities. Iran signed such an agreement in May 1974.\textsuperscript{117} Most states which are party to the Treaty and which hold significant quantities of nuclear material have also signed an Additional Protocol, which would enhance the IAEA’s authority to inspect, in order to enable it to provide assurances about both declared and possible undeclared activities. Iran agreed to sign such a Protocol in 2003 and agreed to implement it provisionally until it had been ratified by the Majlis;\textsuperscript{118} but in the event the Protocol was never ratified, and Iran ceased its provisional implementation in February 2006.

52. Iran has a long history of failing to meet its obligations under the Comprehensive Safeguards Agreement. Allegations were made to the IAEA in 2003 about the transfer of uranium compounds to Iran from another state—something which should have been declared under the Comprehensive Safeguards Agreement but had not been.\textsuperscript{119} In 2005, the IAEA Board of Governors declared that Iran was not compliant with the terms of its Comprehensive Safeguards Agreement and referred the matter to the UN Security Council; and sanctions resulted. Notably, Iran failed to submit to the IAEA designs for the uranium enrichment facility at Fordow in advance of construction, as required under the Safeguards Agreement. The FCO told us that Iran had continued to violate the six UN Security Council resolutions requiring Iran to suspend “all enrichment-related and reprocessing activities” and to suspend “work on all heavy water-related projects”.\textsuperscript{120}

\textsuperscript{114} Q 129
\textsuperscript{115} [link](http://tribune.com.pk/story/633356/iran-exiles-claim-tehran-builds-new-secret-nuclear-site/)
\textsuperscript{116} [link](http://www.iaea.org/newscenter/news/2003/iranap20031218.html)
\textsuperscript{117} See [Global Security: Iran](https://www.globalsecurity.org/casestudies/iran/), Fifth Report of Session 2007-08, HC 142, FCO memorandum, paragraph 101
\textsuperscript{118} See [Global Security: Iran](https://www.globalsecurity.org/casestudies/iran/), Fifth Report of Session 2007-08, HC 142, FCO memorandum, paragraph 108
\textsuperscript{119} Memorandum from the FCO, section 2. See also BBC interview with the Foreign Secretary, [https://www.gov.uk/government/news/iran-a-deal-is-on-the-table-and-it-can-be-done](https://www.gov.uk/government/news/iran-a-deal-is-on-the-table-and-it-can-be-done)
The purpose of Iran’s nuclear programme

53. Iran maintains that its nuclear programme is entirely for civilian purposes; but, given that Russia already supplies the enriched uranium required at Bushehr, and given that stocks of 20%-enriched uranium held by Iran for use at the Tehran Research Reactor are already plentiful, there is little dispute that the quantities of highly-enriched uranium which Iran has produced and which it would be able to continue to produce exceed those which might be needed for civil use.121

54. The widely-held suspicion is that Iran’s nuclear programme has had both civil and military purposes, to enable production of enough weapons-grade uranium or plutonium for development of nuclear weapons.122 In November 2011, the IAEA reported that it had concerns about credible information available to it which indicated that Iran had carried out activities “relevant to the development of a nuclear device”.123 The FCO said in its memorandum that

Iran says that it does not want a nuclear weapon. But the body of evidence pointing to possible military dimensions of the nuclear programme, the disparity between Iran’s nuclear infrastructure and its civilian need, and Iran’s history of non-compliance with its safeguards agreement and UN Security Council Resolutions, gives great cause for concern.124

55. Although there is little doubt that there has been some military purpose to Iran’s nuclear programme, it is not clear whether actual manufacture of a weapon is or was the defined goal. Professor Alan Johnson, Senior Research Fellow at BICOM, made a neat distinction, suggesting that a strategic decision to develop a nuclear weapon had probably been taken years ago, but not an operational decision to “push ahead”.125

56. Peter Jenkins, the UK Permanent Representative to the IAEA from 2001 to 2006, was perhaps more sceptical: he told us that he believed that there was no conclusive evidence, at least not in the public domain, that Iran had decided to acquire nuclear weapons or had embarked on producing either highly-enriched uranium or plutonium.126 We note the National Intelligence Estimate published by the US in November 2007, which included an assessment “with high confidence” that Iran had halted its work on nuclear weapon design and weaponisation work in 2003, and a further assessment “with moderate confidence” that Tehran had not restarted its nuclear weapons programme as at mid-2007.127 In testimony to the US Senate Select Committee on Intelligence in

121 See for example Lord Lamont, Q 110; memorandum from the FCO, section 2
122 BICOM (The Britain Israel Communications and Research Centre) told us that there was “near consensus” in Israel that the programme was intended to provide the capacity to produce nuclear weapons: see memorandum from BICOM, paragraph 11.
123 http://www.iaea.org/Publications/Documents/Board/2011/gov2011-65.pdf. See also letter from the Foreign Secretary to the Committee Chairman on 14 May 2013,
124 Memorandum from the FCO, section 2
125 Q 158
126 Memorandum from Peter Jenkins, paragraph 5
January 2012, James Clapper, Director of National Intelligence in the US, confirmed that there was no evidence that Iran had decided to push ahead with building a nuclear weapon, although it was keeping open the option of developing nuclear weapons. The then Director of the CIA, David Petraeus, expressed a similar view. 128

57. Some have suggested to us that the overall purpose of the nuclear programme is political rather than military. Sir Robert Cooper, who was Counsellor for the European External Action Service from 2010 to 2012 and who was closely involved in negotiations with Iran at the time, suggested that the Iranian objective was not a military conquest of the Middle East but “some kind of political power in the region”. 129 The National Iranian American Council similarly described the nuclear issue as “more means than goal” for Iran, the true aim being “recognition and reintegration in the international system as an equal player”. 130

‘Breakout capacity’

58. Regardless of Iran’s ultimate purpose, the speed with which Iran has accelerated its production and installation of centrifuges in recent years suggests that it intends to at least give itself the option of acquiring nuclear weapons. The Henry Jackson Society told us that Iran’s behaviour over the last decade left little doubt that it is was either seeking nuclear weapons, or at the very least, was seeking to reach the threshold of nuclear-weapons capacity from which it could “break out” undetected. 131

59. Given the extent of Iran’s stocks of enriched uranium, the question is not so much whether or not Iran has a nuclear weapons capability: it now has the wherewithal to produce the necessary quantities of weapons-grade uranium, and so in some senses it already has that capability, as Mark Fitzpatrick, Director of the Non-Proliferation and Disarmament Programme at the International Institute for Strategic Studies, explained to us. 132 The real issue is whether Iran has reached what is known as “breakout capacity”—a point where it could produce sufficient weapons-grade uranium for a nuclear warhead quickly enough to avoid detection or interruption by outside intervention, and how far advanced Iran is in developing the capacity to manufacture a warhead from enriched uranium. Further work would then be required to mount a warhead onto a launchable missile, although it was suggested to us that Iran could dispense with this stage and use suicide bombers to detonate a bomb loaded onto a lorry or even a donkey. 133

60. The expansion of Iran’s enrichment capacity has shortened the time that it would take Iran to develop weapons-grade uranium, should it decide to do so. 134 Peter Jenkins, the
UK Permanent Representative to the IAEA from 2001 to 2006, set out a sliding scale of the times required to produce the necessary quantity for one weapon:

- Six months, using 10,000 first generation IR-1 centrifuges and un-enriched uranium hexafluoride as feed material
- Six weeks, using uranium hexafluoride enriched to 3.5%
- Possibly under two weeks, if 10,000 second generation IR-2 centrifuges are also used.\textsuperscript{135}

The two-week figure has been cited by Mr Olli Heinonen, a former Deputy Director at the IAEA, who believes that Iran would then need just “one month or two” to use the highly enriched uranium to assemble a nuclear weapon.\textsuperscript{136}

61. There is no convincing explanation for why Iran might need for civil purposes the stocks of enriched uranium which it held in January 2014. We believe that the primary reason for Iran’s decision to build such a capacity to enrich uranium and to amass stocks to current levels was to give itself the option to develop a nuclear military capability. That has almost been achieved. While the Foreign and Commonwealth Office refers to the body of evidence pointing towards possible military dimensions of the Iranian nuclear programme, we are not aware of any unequivocal evidence that Iran has taken a decision to push ahead and develop a nuclear weapon.

\textsuperscript{135} Memorandum from Peter Jenkins, paragraph 15
\textsuperscript{136} See Times of Israel, 28 October 2013
4 The Joint Plan of Action

Previous international engagement with Iran on its nuclear programme

62. In 2003, as it became increasingly apparent that Iran had not consistently given accurate information about its nuclear activities, the IAEA sought a commitment to greater transparency by Iran, and international pressure grew for the IAEA to declare Iran non-compliant with the Safeguards Agreement. In 2006, it duly reported Iran to the UN Security Council, and resolutions imposing sanctions duly followed. From 2006, the UK, France and Germany were complemented by the US, Russia and China (forming the “E3+3” otherwise known as the “P5+1”) in negotiations to contain Iran’s nuclear activities. Latterly, the negotiating approach adopted by the P5+1 could be summarised as one with red lines of “stop, shut, ship”:

- Stop production of 20% enriched uranium;
- Shut the Fordow facility (the subterranean enrichment facility, whose existence was not made public until 2009);
- Ship out the current stocks of 20% enriched uranium to a third country.

The tortuous history of negotiations between the two sides is set out in some detail in the FCO’s memorandum to our predecessors’ inquiry into Iran in 2007-08. Throughout, Iran has had a record of playing for time, “concealment and duplicity”, and “playing games” during negotiations.

The sanctions regime

63. The second limb of policy towards Iran, alongside negotiation, has been the imposition of sanctions: these have accumulated steadily over the years are now multi-layered. They include sanctions authorised under UN Security Council resolutions, sanctions imposed unilaterally by the US, and sanctions agreed by the European Union. Not all sanctions relate to Iran’s nuclear programme: some are imposed for human rights violations. The main elements of the sanctions regime relating to the nuclear programme in force on 31 December 2013 are set out below.

137 See Global Security: Iran, Fifth Report of Session 2007-08, HC 142, FCO memorandum, paragraphs 101 to 153
138 Q 194
139 Sir Robert Cooper Q 31
140 On 12 April 2011 the European Council adopted Council Regulation (EU) No 359 (2011), which required Member States to freeze assets of named persons responsible for serious human rights violations in Iran, and persons, entities or bodies associated with them. On 14 April 2014, 86 individuals and one entity were subject to asset freezes under human rights sanctions. See https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/303593/iran_human_rights_consolidated_list.pdf and
Box 2: Sanctions related to Iran’s nuclear programme

UN sanctions

Four of the six UN Security Council Resolutions relating to Iran’s nuclear programme imposed new sanctions:

- Resolution 1737 (23 December 2006) required states to prevent the supply, sale, or transfer of designated nuclear and ballistic missile-related goods to Iran; barred states from providing relevant technical or financial assistance, training or resources; and instructed states to freeze assets of designated individuals.

- Resolution 1747 (24 March 2007) extended this assets freeze and called upon states to “exercise vigilance and restraint” in the supply, sale, or transfer of major military weapons systems and related material imposed an arms embargo.

- Resolution 1803 (3 March 2008) extended the asset freezes and called upon states to inspect Iranian ships and aircraft, and to prevent named individuals involved with the nuclear programme from entering or transiting their territory.

- Resolution 1929 (9 June 2010) established a full embargo on sales of arms to Iran, instructed states to inspect vessels suspected of carrying prohibited Iranian cargo, and imposed an asset freeze on named companies or entities believed to be linked to the financing of proliferation activities.

European Union sanctions

A series of Council decisions gave effect to UN Security Council resolutions imposing sanctions on Iran. Further measures included:

- Council Regulation (EU) 961/2010 (27 October 2010), which imposed additional restrictions on trade in dual-use goods and technology, and equipment which might be used for internal repression; restricted transfers of funds to and from Iran; and restricted Iran’s access to the insurance and bonds markets of the Union.

- Council Decision 2012/35/CFSP (23 January 2012), which prohibited the purchase, import or transport from Iran of crude oil and petroleum and petrochemical products; prohibited any related financing or financial assistance; prohibited the sale, supply or transfer of key equipment and technology for the petrochemical industry; and prohibited the sale, purchase, transportation or brokering of gold, precious metals and diamonds, to from or for the Government of Iran.

Council Decision 2012/152/CFSP (15 March 2012), which prohibited the supply of specialized financial messaging services (such as SWIFT), used to exchange financial data, to Iranian persons and entities, including Iranian banks and other institutions engaged in support for Iran’s nuclear activities.

**US sanctions**

The current regime of US sanctions is based upon a succession of Presidential Executive Orders and legislative measures, including:

- Executive Order 12170 (President Carter, November 1979), which “blocked” Iranian government property and interests where subject to US jurisdiction
- Executive Order 12613 (President Reagan, October 1987), which prohibited import of goods or services of Iranian origin into the US
- The Iran and Libya Sanctions Act (1996), which imposed sanctions on foreign companies investing more than $20 million in one year in Iran’s energy sector
- The Comprehensive Iran Sanctions, Accountability, and Divestment Act (2010), which imposed sanctions on persons providing goods, services (including insurance or financing), resources or support to Iran that would allow it to maintain or expand its domestic production of refined petroleum resources.

**Sanctions: the impact on Iran**

64. Much of the current economic woe in Iran is due to international sanctions, although mismanagement and lack of investment have also played a large part.\(^{141}\) The embargo on oil sales has had far-reaching effects, as has the withdrawal of SWIFT, the international system for transferring funds. Professor Ehteshami told us that this had made cross-border transactions “nearly impossible” and had encouraged barter, which was less cost-effective and efficient.\(^{142}\) Iran’s Oil Minister was reported last year as having said that the fall in oil exports caused by sanctions was costing Iran between $4 billion and $8 billion per month.\(^{143}\) According to one estimate, oil revenue lost to Iran amounted to $95 billion in 2011 and $26 billion in 2012.\(^ {144}\) Sanctions may also have hindered Iran’s attempts to source ingredients for the solid fuel for its Sajjil missile.\(^ {145}\)

65. Many of those who contributed to our inquiry believed that sanctions had played some part in triggering Iran’s more positive approach to negotiation on its nuclear programme, which had led to the adoption of the Joint Plan of Action.\(^ {146}\) It was said that

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141 Mr Straw Q 98; Professor Ansari Q 70
142 Memorandum from Professor Ehteshami, paragraph 7
143 HC Deb 25 November 2013 col 29
144 Holly Topham, RUSI analyst, RUSI Journal January 2014
145 Evidence from Mark Fitzpatrick, 5 February 2013, HC 952, Q 48
146 See Sir Robert Cooper Q 38, Professor Ansari Q 79
sanctions had been "vital in bringing the Iranian government back to the negotiating table" and that the economic pain which they had inflicted had forced Iran to make concessions. Others, while not denying that sanctions had damaged the Iranian economy, saw more of an indirect link to the newfound desire for more meaningful negotiations. They suggested that sanctions had led to an economic situation which had generated an appetite amongst the Iranian public for a rapprochement which would give them "a different direction for influence on the world"; and that in turn had played a large part in the election of President Rouhani, who had portrayed himself during the election campaign as "the man who could make a deal with the West".

The Joint Plan of Action

Main features

66. Following the election of President Rouhani in June 2013 and the appointment of Javad Zarif as Foreign Minister, foreign ministers from the P5+1 met Mr Zarif in the margins at the UN General Assembly meeting in New York in September, where he presented a new proposal which Secretary of State Kerry described as "very different in the vision" of possibilities for the future. Further meetings in Geneva in October and November led to the agreement of what is known as the Joint Plan of Action, on 24 November 2013.

67. The Joint Plan of Action envisages a two-step solution: the first step would last six months (renewable by mutual consent), in which the two sides would make specified concessions. It was agreed on 10 January 2014 that this six month period would start on 20 January. The second step, which would be implemented within one year of the adoption of the Joint Plan of Action, would be a “comprehensive solution”, but this is defined only in terms of objectives: how they would be achieved was not spelt out. A series of negotiations on the second step began on 18 February 2014. The essence of the Joint Plan is set out below.

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147 Memorandum from the FCO, Section 4
148 Memorandum from the Henry Jackson Society, para 17
149 One Iranian Minister, in conversation with members of the All-Party Parliamentary Group on Iran during their visit in January 2014, had described sanctions as “crippling”. See Q 98
150 Rt Hon Jack Straw MP and Ben Wallace MP, Q 116 and 117. See also memorandum from the National Iranian American Council, para 1
151 Sir Robert Cooper Q 6; Mr Fitzpatrick Q 140
152 The Guardian 27 September 2013
**Box 3: Main features of the Joint Plan of Action**

*Preamble and general principles*

— Overall goal is a solution which would ensure that Iran’s nuclear programme will be exclusively peaceful

— “Under no circumstances will Iran ever seek or develop any nuclear weapons”

— “Nothing is agreed until everything is agreed”

— A Joint Commission from both sides would monitor implementation of the first-step measures and would work with the IAEA “to facilitate resolution of past and present issues of concern”

*First step measures, to last six months*

— Iran to split existing stock of 20%-enriched uranium: half to be working stock of 20%-enriched uranium in oxide form for fabrication of fuel for the Tehran Research Reactor; the other half to be diluted to no more than 5%-enriched, with no reconversion line.

— Iran to suspend enrichment of uranium above 5%

— Iran to make no “further advances” in activities at Natanz, Fordow or Arak

— Iran to convert to oxide newly 5%-enriched uranium during the six-month period

— Iran to install no more centrifuges, other than “like-for-like” replacement of damaged centrifuges

— No reprocessing by Iran, or construction of facilities capable of reprocessing

— Arak reactor not to be commissioned; no fuel or heavy water to be transferred to the site; no more fuel to be produced or tested; no remaining components at Arak to be installed

— Iran to be permitted to continue research and development, including on enrichment

— Enhanced monitoring by the IAEA, including daily access for IAEA inspectors to surveillance records at Fordow and Natanz

— E3/EU+3 to pause efforts to further reduce Iran’s crude oil sales: current customers to be able to continue to purchase current average amounts; EU and US sanctions on associated insurance and transportation services to be suspended

— US and EU sanctions on petrochemical services, gold and precious metals, cars and
associated services (insurance, transport or financial) to be suspended

— No new nuclear-related UN Security Council or EU sanctions; US Administration to refrain from imposing new nuclear-related sanctions

— Financial channel to be established to permit trade in humanitarian goods (food, agricultural products, medicine and medical devices), using Iranian oil revenues held abroad

**Final step measures**

— All UNSC, multilateral and national nuclear-related sanctions to be lifted

— Rights and obligations of parties to Non-Proliferation Treaty and IAEA Safeguards Agreements to be reflected

— Will involve a mutually defined enrichment programme, with mutually agreed parameters consistent with practical needs, with agreed limits on scope and level of enrichment activities, capacity and stocks of enriched uranium

— Concerns about Arak reactor to be fully resolved

— Transparency measures and enhanced monitoring to be fully implemented

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**Reaction to the Joint Plan of Action**

68. Agreement of the Joint Plan of Action generated a widespread sense of optimism that a resolution of the crisis in relationships with Iran might at last be within sight, and that Iran now had representatives who could be trusted and with whom the P5+1 and others could do business. World leaders variously described the outcome as “a victory for all”\(^{154}\) and as something which offered “a real opportunity to achieve a comprehensive, peaceful settlement”.\(^{155}\) The Foreign Secretary described the Plan as “a thorough and detailed first-stage agreement that is a significant step towards enhancing the security of the Middle East and preventing nuclear proliferation worldwide”.\(^{156}\) The main dissenting voice was that of the Israeli Prime Minister: Mr Netanyahu described the agreement as “a historic mistake”.\(^{157}\)

69. Most witnesses to our inquiry voiced strong support for the Joint Plan of Action and saw it as a good deal\(^{158}\) or at least good in parts.\(^{159}\) It was described to us as “an impressive

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\(^{154}\) President Putin, Kremlin statement 24 November 2013, [House of Commons Library Standard Note 6780](https://www.parliament.uk委员會/standard-notes/6780)

\(^{155}\) [Statement by President Obama](http://www.whitehouse.gov)

\(^{156}\) [HC Deb 25 November 2013 col 23](http://www.parliament.uk委员會/parliamentary-debates/HC/2013-14/25Nov13/)


\(^{158}\) Professor Ali Ansari Q 68; Lord Lamont Q 97

\(^{159}\) Professor Johnson, speaking on behalf of BICOM, Q 146
agreement … full of really concrete stuff”, and as “a good deal because Iran’s capabilities in every part of the nuclear programme of concern are capped, with strong verification measures”. However, Mr Kessler, representing the Henry Jackson Society, told us that it was “more of a bad deal than a good one”, for reasons which we discuss below.

70. There was less optimism, when we took evidence early in 2014, about the chances of success in negotiating the second-stage “comprehensive” agreement. It was widely accepted that this would be “challenging”, even “formidably difficult”. Some gave a bleak forecast. The Henry Jackson Society stated that the Joint Plan of Action was “unlikely to lead to a comprehensive deal” and that the P5+1 should prepare for the “day after” its likely failure. Mr Fitzpatrick, while positive about the agreement, reckoned that there was just a 10% chance of success of a comprehensive deal being reached during the first six months of interim measures as the two sides were too far apart: he believed that it would be too difficult politically for Iran to accept the limits that would be required and for Washington to give Iran what it wanted in terms of lifting sanctions.

Evaluating the Joint Plan of Action

71. Essentially, the Joint Plan of Action is a balanced set of concessions by the two sides: Iran has undertaken to suspend elements of its nuclear programme and to reduce its stocks of enriched uranium, in exchange for an acceptance by other parties that Iran may enrich uranium in the long term, and a limited relaxation of the sanctions regime imposed on Iran. Although the oil embargo remains, as does the withdrawal of facilities via SWIFT for international financial transfers, any efforts by the P5+1 to strengthen sanctions against oil sales are “paused”, and some of the substantial Iranian oil revenues held abroad may be used for trade in humanitarian goods. The principles expressed in the Preamble to the Plan—that the overall goal is a solution which would ensure that Iran’s nuclear programme will be exclusively peaceful, and that under no circumstances would Iran ever seek or develop any nuclear weapons—are ones which indicate a welcome intention.

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160 Sir Robert Cooper Q 36
162 Q 146
163 Mr Hague Q 207; Baroness Ashton http://www.bbc.co.uk/news/world-middle-east-26500572
164 HC Deb 21 January 2014 col 138
165 Memorandum from the Henry Jackson Society, summary
166 Director of the Non-Proliferation and Disarmament programme at the International Institute for Strategic Studies
167 Q 142
168 Society for Worldwide Interbank Financial Telecommunication
169 Defined in the Joint Plan of Action as “transactions involving food and agricultural products, medicine, medical devices, and medical expenses incurred abroad”.

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**Strengths of the Joint Plan of Action**

72. The strengths of the Plan may be summarised as follows:

- Suspending the installation or operation of extra centrifuges, combined with the temporary halt to production of 20%-enriched uranium and the dilution of half of existing stocks of 20%-enriched uranium, reduces scope for speedy enrichment. Mr Fitzpatrick believed that the “breakout time” required in order to produce enough material for a nuclear weapon had doubled, when in the absence of an agreement it might have halved.\(^{170}\) Opinion varied on what a reasonable period for minimum “breakout” time might be: Peter Jenkins suggested six weeks,\(^{171}\) but Oren Kessler, representing the Henry Jackson Society, said that “about a year” would be a reasonable objective for negotiators.\(^{172}\)

- It allows greater transparency on Iran’s nuclear activities, through daily access for IAEA inspectors to surveillance records at the Natanz and Fordow facilities; and access to centrifuge assembly workshops, rotor production workshops and storage facilities, and to uranium mills and mines.\(^{173}\)

**Potential weaknesses of the Joint Plan of Action**

73. The potential weaknesses of the Plan include:

- The acknowledgement, as part of the comprehensive agreement, that Iran may have a mutually defined enrichment programme. This is something which was in the past a 'red line' for US and which is still opposed in principle by Israel, and which undercuts UN Security Council resolutions calling on Iran to cease enrichment activities. We are aware of concerns that to give a signal to Iran that it may enrich uranium would start a nuclear arms race in the region.\(^{174}\) However, the Nuclear Non-Proliferation Treaty does not explicitly bar or restrict the right of parties to the Treaty to enrich uranium: it recognises the right of all parties "to develop research, production and use of nuclear energy for peaceful purposes" in conformity with non-proliferation obligations under Articles I and II.\(^{175}\) Mr Kessler, representing the Henry Jackson Society, did not favour recognition of a right for Iran to enrich uranium, but he acknowledged that it was now unrealistic to argue for complete cessation.\(^{176}\)

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\(^{170}\) Q 118; see also Professor Johnson Q 160

\(^{171}\) Memorandum by Peter Jenkins, paragraph 17. Mr Jenkins was UK Permanent Representative to the International Atomic Energy Agency from 2001 to 2006

\(^{172}\) Q 160

\(^{173}\) HC Deb 28 January 2014 col 472W

\(^{174}\) See for example The Independent 5 November 2012


\(^{176}\) Q 173
• Construction of the reactor at Arak may continue. There is nonetheless an undertaking to submit updated design details to the IAEA and to conclude a Safeguards Approach for inspection. The Henry Jackson Society pointed out that the undertaking not to commission the reactor was meaningless while it was not ready for operation, but this reservation has less force if the interim measures are rolled over for further periods of six months and construction nears the point at which the reactor might be commissioned.

• Iran may continue its research and development activities, and these may encompass research into more advanced centrifuges which could be capable of significantly faster enrichment. The Iranian Atomic Energy Organisation announced in December 2013 that it had completed initial tests on a new generation of centrifuges.

• While the conversion of 5%-enriched uranium to oxide is designed as a confidence-building measure, reconversion from oxide to uranium hexafluoride—the form in which it may be enriched—is not particularly difficult or time-consuming and could conceivably be done covertly. The removal of oxide for reconversion would, however, be difficult to conceal from IAEA inspectors.

• There is no mention of the military facility at Parchin, where Iran is thought to have staged tests for a nuclear weapons detonation system and where the site is reported to have been sanitised, paved over and reconstructed in an attempt to conceal the nature of previous activities there. Requests by the IAEA for access have been denied. The Foreign Secretary has accepted that Parchin "remains a point of difference" which "must be addressed as part of a comprehensive and final settlement". It is hoped that a Joint Statement on a Framework for Co-operation between Iran and the IAEA might allow the Agency access to the Parchin site.

• No detail is evident on how historical concerns about breaches of the Safeguards Agreement might be resolved. A “Joint Commission” would work with the IAEA “to facilitate resolution of past and present issues of concern”, but there is the possibility that past misdemeanours might simply be excused in the interests of a settlement for the future.

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177 Memorandum from the Henry Jackson Society, paragraph 14
178 Mr Fitzpatrick Q 128
179 HC Deb 24 February 2014 col 55W
180 Memorandum from the Henry Jackson Society, paragraph 30. See also letter from Simon Henderson and Olli Heinonen to The Economist, 6 July 2013
181 Mr Fitzpatrick Q 131
182 Memorandum from the Henry Jackson Society, paragraph 7
183 HC Deb 25 November 2013 col 28
184 HC Deb 4 February 2014 col 194W
185 See Mr Fitzpatrick Q 134
The Plan is based upon declared facilities and could be seen as a cover for progress towards development of a nuclear weapon at hitherto undeclared sites.

74. The main objection voiced by those who are sceptical of the value of the Joint Plan is, however, the sanctions relief, officially estimated to be worth about $7 billion to Iran over six months. Some expressed grave reservations about what they saw as too speedy a relaxation of sanctions; the Henry Jackson Society and BICOM both believed that it had given Iran breathing space and a psychological boost, as well as “a tremendous boon to the economy”, and that a good deal of leverage had been lost. Many in the US Congress argue that sanctions should, if anything, be strengthened rather than relaxed, and the Henry Jackson Society argued that if the Joint Plan of Action did not lead to a comprehensive deal, sanctions should be expanded in order “to force Iran to agree to terms considerably more limiting than those outlined in the interim agreement”. We note that Iranian assets worth between $60 and $100 billion worldwide remain frozen.

75. Others have voiced doubts about the value of strengthening sanctions in Iran. Mr Fitzpatrick has said that:

Those who call for more sanctions in the mistaken belief that adding more pressure will induce Iran to ‘cry uncle’ and give up uranium enrichment do not understand Iran well at all. Political and social dynamics make such capitulation impossible ... Proud countries do not succumb to pressure by giving up the technology that has become a symbol of national sovereignty.

He added that Iran was "far from being brought to its knees" and that it had "too diverse an economy and too many trading partners for sanctions to effect a stranglehold". He argued that sanctions were “already nearing their limit, as China refuses to further cut back oil purchases and EU sanctions are increasingly losing court challenges”; and he concluded that "if the P5+1 had not agreed to a deal in Geneva ... the international tide of opinion would have turned against sanctions”.

76. Peter Jenkins, a former UK Permanent Representative at the IAEA, also challenged the assumption that Iran was susceptible to coercion through sanctions, and he gave examples of occasions on which he believed that Iran had chosen to act in the way it did

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186 The Henry Jackson Society suggested that the total value might be rather higher, maybe not far short of $20 billion: see memorandum from the Henry Jackson Society, paragraph 19
187 See Joint Statement by the Board of Deputies of British Jews and the French CRIF 1 December 2013
188 Q 189
189 Memorandum from BICOM, paragraph 34
190 http://www.bbc.co.uk/news/world-us-canada-25326782
191 Memorandum from the Henry Jackson Society, summary
192 HC Deb 24 February 2014, col 31
not because of the fear of sanctions but for other reasons, such as limiting damage to its reputation.\textsuperscript{195}

77. It was also put to us that some elements within Iran welcome sanctions, partly for their propaganda value in vindicating the view of Iranian hardliners that the West is seeking to impede Iran’s scientific progress,\textsuperscript{196} and partly to relish the spirit of isolation which was a feature of Iran after the 1979 Revolution.\textsuperscript{197} It is also claimed that parts of the Iranian Revolutionary Guard Corps benefit from black market profits from trade which evades sanctions.\textsuperscript{198}

The merits of negotiation and its alternatives

78. Despite the various imperfections and gaps in the detail of the Joint Plan of Action, no-one suggested to us that the P5+1 should not have sought to negotiate a deal. The main alternative is the neutralisation or disruption of Iranian nuclear facilities and capability. Various covert attempts have already been made in this vein: it has been alleged that the US and/or Israel were responsible for the Stuxnet computer ‘worm’ which temporarily disabled centrifuges at the Natanz nuclear site in 2010 and interrupted the enrichment of uranium;\textsuperscript{199} and Israel has been accused of assassinating Iranian nuclear scientists.\textsuperscript{200} Mr Fitzpatrick told us in February 2013 that the Stuxnet worm had introduced a ‘hiccup’ into the programme but had not set it back, and he noted that the series of assassinations appeared to have come to a halt and had been “very forcefully denounced” by the then US Secretary of State, Hillary Clinton.\textsuperscript{201}

79. The other route to neutralisation of facilities is the use of force. Mr Jenkins\textsuperscript{202} told us that if there were conclusive evidence that Iran had decided to acquire nuclear weapons or had embarked upon producing the highly enriched uranium or plutonium required, there would be a case for seeking approval by the UN Security Council for the use of force. As he observed, there is currently no such evidence, at least not in the public domain.\textsuperscript{203}

80. There has been speculation about a possible unilateral attempt by Israel to destroy Iranian nuclear facilities. The logistics of such a strike, given the distance involved and the difficulty of penetrating the underground Fordow complex, are formidable; but Professor Johnson reminded us that Israel had proved itself capable of eliminating the Osirak reactor in Iraq in 1981. He argued that a military operation to neutralise Iranian facilities

\textsuperscript{195} Memorandum from Peter Jenkins, paragraph 7
\textsuperscript{196} Memorandum from the National Iranian American Council, paragraph 4
\textsuperscript{197} Lord Lamont Q 98
\textsuperscript{198} Mr Fitzpatrick Q 121
\textsuperscript{199} http://www.haaretz.com/news/diplomacy-defense/1.534728
\textsuperscript{201} Evidence from Mark Fitzpatrick, 5 February 2013, HC 952, Q 45
\textsuperscript{202} UK Permanent Representative to the IAEA, 2001 to 2006
\textsuperscript{203} Memorandum from Peter Jenkins, paragraph 5
was “doable” and that Israel was not bluffing; it had the capacity and the will to carry out such a strike if negotiations were to fail and it believed that it was under imminent threat. He also hinted that some Arab states might permit Israeli aircraft to use their airspace in the course of any such operation.\(^{204}\)

81. We believe that neither of these alternatives to negotiation offer a realistic prospect of a long-term, sustainable solution to current concerns over the Iranian nuclear programme. The negotiations on the Joint Plan of Action are the most promising forum for reaching a settlement which assuages fears about the scope and intention of the Iranian nuclear programme. **We endorse the UK's decision to take part in negotiations with Iran on its nuclear programme through the framework of the Joint Plan of Action.**

**Building trust**

82. There is, however, a major risk: a successful outcome depends heavily upon mutual trust between Iran and the P5+1, and that trust has until now been sorely lacking. On the one hand, the P5+1 could recite a long catalogue of occasions when Iran had concealed its nuclear activities and had failed to comply with requirements of the Safeguarding Agreement under the Nuclear Non-Proliferation Treaty, and when Iran had appeared to be intent on frustrating any attempt at genuine negotiation.\(^{205}\) On the other hand, many with influence in Iran have, for decades and for reasons which are rooted in history, nursed suspicion of Western motives; and Iran has felt unjustly demonised. Levels of trust and co-operation reached a particularly low point during the presidency of Mahmoud Ahmadinejad, whose antagonism towards the West gave little or no indication that Iran was disposed to reach any sort of settlement on the nuclear question which would be acceptable to the P5+1.

**The election of President Rouhani**

83. Since the election of President Rouhani in June 2013, there has been a marked change in the tone of much of Iran’s engagement with the West: while the invective has continued in certain quarters (including the media), it has been balanced by more moderate and less confrontational public statements in other parts of the hierarchy in Iran. Part of this is attributable to President Rouhani and Foreign Minister Zarif personally: the Foreign Secretary told the House on 8 October 2013 that he had discussed the conflict in Syria with Mr Zarif and that "it is clear that the new President and Ministers in Iran are presenting themselves and their country in a much more positive way than in the recent past. There is no doubt that the tone of meetings with them is different".\(^{206}\) Mr Straw, who encountered Mr Rouhani during the period between 2003 and 2005 when he was Foreign Secretary and Mr Rouhani was Chief Nuclear Negotiator,

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\(^{204}\) Professor Johnson and Mr Kessler Q 178 to 181
\(^{205}\) Memorandum by the FCO, section 2
\(^{206}\) HC Deb 8 October 2013 col 27
has said of Mr Rouhani that "you could do business with him, and we were able to do business with him".\textsuperscript{207}

84. The question for the UK and other members of the P5+1 is whether they can put trust in President Rouhani, as someone whose intentions are indeed to aim for a genuine resolution to disagreements about Iran’s nuclear programme, and whether he can carry enough of the Iranian establishment with him to ensure a broad-based commitment within Iran to any deal, or whether he is in reality politically isolated.

85. It should not be forgotten that Mr Rouhani has a long revolutionary pedigree and was a close colleague of Ayatollah Khomeini before the 1979 Revolution.\textsuperscript{208} Both BICOM and the Henry Jackson Society described Mr Rouhani as "a regime insider" in their written submissions. Mr Rouhani has held key positions as Secretary of the Supreme National Security Council\textsuperscript{209} between 1989 and 2005, National Security Adviser to the President from 1989 to 1987 and from 2000 to 2005,\textsuperscript{210} as Chief Nuclear Negotiator from 2003 to 2005; and as a member of the Expediency Council\textsuperscript{211} since 1997. We were told that Mr Rouhani had in the past taken a hardline position on cracking down on dissent,\textsuperscript{212} and several submissions referred to his account of having “duped” the West in the course of nuclear negotiations.\textsuperscript{213} Both BICOM and the Henry Jackson Society observed that under his presidency there had been little visible sign of a new direction in foreign policy (for instance on Syria, or support for Hezbollah);\textsuperscript{214} religious intolerance continues unabated; civil society and the media continue to be restricted; and the use of extreme punishment has become more frequent rather than less.

86. On the other hand, Mr Rouhani’s background as an “insider” gives him (for now) credibility at the highest levels of Iranian leadership, and we were told that he has a good relationship with the Supreme Leader, Ayatollah Khamenei.\textsuperscript{215} Lord Lamont, a member of the delegation from the All-Party Parliamentary Group on Iran, which visited Iran in January 2014, told us:

I think it is a good thing that Rouhani is a man of the regime, rather than a complete outsider-if he had been a complete outsider, he probably wouldn't have been allowed to stand. The fact that he has held so many different offices and been at the centre of the regime in Iran gives him a greater capability to deliver. He does appear to be trusted by the supreme leader, Mr

\textsuperscript{208} Memorandum from the Henry Jackson Society, paragraph 9
\textsuperscript{209} The body with overall responsibility for foreign policy and national security matters
\textsuperscript{210} http://www.bbc.co.uk/news/world-middle-east-22886729
\textsuperscript{211} An advisory body with ultimate adjudicatory power in disputes over legislation
\textsuperscript{212} Memorandum from the British Parliamentary Committee for Iran Freedom
\textsuperscript{213} Memorandum from the British Parliamentary Committee for Iran Freedom, page 1, memorandum from the National Council of Resistance of Iran, section 4
\textsuperscript{214} Q 150. See also memorandum from the FCO, section 5
\textsuperscript{215} Sir Robert Cooper, Q 5
Khamenei, who has reluctantly allowed the negotiations to proceed, while simultaneously saying that he doesn’t think they will succeed in the end.216

A further sign of high-level trust in Mr Rouhani and his allies lies in the transfer of the nuclear portfolio from the Supreme National Security Council to the Ministry of Foreign Affairs in September 2013.217

87. That is not to say that President Rouhani’s position is entirely secure. His election success was clear: from a field of six candidates, he was elected with 51% of the vote, despite not being the preferred candidate of the Supreme Leader. During his election campaign he succeeded in attracting the endorsement of powerful figures from less hardline schools of thought in Iran, including Ayatollah Hashemi Rafsanjani218 and former President Khatami;219 and public support for the main hardline candidate during the 2013 Presidential Election, Saeed Jalili, was strikingly low, translating to just 11% of the vote.220 Opinion within the Majlis, however, remains relatively hardline; there was considerable opposition within the Majlis to the visit by the All-Party Parliamentary Group on Iran in January 2014;221 there were chants of “Death to Britain” in the Majlis in November 2011 when the decision was taken to downgrade diplomatic relations;222 and uncertainties remain about the extent to which it would accept further concessions under the Joint Plan of Action (such as signing the Additional Protocol permitting more intrusive inspections). Other potent forces, such as the Islamic Revolutionary Guard Corps, temporarily have less prominence but have not necessarily been weakened. We are not persuaded by the suggestion that the neoconservative order in Iran was “shattered” by the election of President Rouhani.223

Conclusion on pursuing negotiations

88. We do not believe that the marked change in the tone of Iran’s approach to negotiations on its nuclear programme indicates a change in what it wants to achieve: we see no evidence that Iran is considering either aborting the programme or drawing back from further development of enrichment capacity. Nor do we believe that President Rouhani is necessarily a reformist at heart: he is a pragmatist224 who hopes to improve standards of living in Iran by persuading the West to lift sanctions, while retaining in place as much of the country’s nuclear programme as possible. Professor Ansari summed

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216 \(^{Q\ 99}\)
217 \(^{\text{Times of Israel} / 5\ September\ 2013}\)
218 President of Iran from 1989 to 1997 and now Chairman of the Expediency Council
219 Professor Ansari Q 51
220 \(^{\text{Memorandum from the National Iranian American Council, paragraph 9}}\)
221 \(^{Q\ 87}\)
222 \(^{\text{HC Deb 30 Nov 11 col 963}}\)
223 \(^{\text{Memorandum from Professor Ehteshami, paragraph 6}}\)
224 Professor Ansari described his politics as “somewhat opaque”, Q 49
it up admirably, saying that “in a sense Rouhani has been allowed to play reformist
abroad but conservative at home”.225

89. We nonetheless believe that Mr Rouhani’s political skills and long experience will
enable him to stand a good chance of judging what concessions can and cannot be made
on the nuclear programme if he is to retain the confidence of the Supreme Leader and
other more militant elements within Iran. While Mr Rouhani has the impetus of his
election victory and demonstrably high levels of public support, we believe that the P5+1
can have confidence that he is an authoritative representative of Iran. We also believe
that, having stood on a platform of achieving an economic revival by negotiating with
the P5+1 and getting sanctions lifted, he is genuinely committed to a sustainable deal.
For now at least, he should be trusted; but he should be judged by his actions, not by his
words.

90. The Joint Plan of Action itself contains the foundations for building trust on a wider,
not just personal, level: it provides an opportunity for both sides to demonstrate that they
have adhered to commitments under the six-month interim measures. As the Foreign
Secretary has observed, the Plan is specific and extensive, and it will be clear if Iran is
failing to comply with it. If that happens, the basis for trust will not have been established
and the P5+1 could revert to a full sanctions regime, possibly strengthened. To take the
view that Iran cannot be trusted to deliver on any agreement would deny any attempt to
reach or indeed test an agreement.226

91. Relief from sanctions is a priority for Iran, and as long as the terms of any deal are
acceptable to both sides, it is in Iran’s interest to abide by them rather than run the risk of
provoking a return to a sanctions regime which might be even stronger.227 We note that
the IAEA has confirmed that Iran has, so far, met its obligations under the interim
measures.228

Factors to be taken into account in pursuing negotiations

92. Negotiations are currently (July 2014) under way to work out the details of a
comprehensive solution, which the Plan envisages would be implemented within one
year of its adoption. The six-month interim measures expire on 20 July, although they
may be renewed by mutual consent. This seemed to several of our witnesses to be the
most likely outcome,229 although it should be noted that repeated renewal could, by
prolonging the limited sanctions relief, allow a cumulative relaxation of pressure on Iran
and enable it steadily to improve its negotiating position.230 An added sense of urgency
flows from the fact that Baroness Ashton, who is leading negotiations on behalf of the

225 Q 67
226 HC Deb 25 November 2013 col 37
227 Mr Fitzpatrick Q 137, Mr Kessler Q 148
228 See http://www.iaea.org/Publications/Documents/Board/2014/qov2014-28.pdf; also Mr Hague Q 195
229 Mr Fitzpatrick Q 118. See also memorandum from the Henry Jackson Society, paragraph 16.
230 See Mr Kessler Q 172
EU, is due to come to the end of her term as High Representative at the end of October 2014. Furthermore, mid-term Congressional elections in November may result in a political climate in the US which is less conducive to negotiation.

93. We make the following observations on negotiations on the comprehensive agreement:

- There is probably no prospect of a lasting deal which does not allow Iran to enrich uranium

- Enrichment capacity should be limited to a level which Iran would not reject outright but which would still allow enough time for any attempt at breakout to be detected and referred to the UN Security Council—we suggest six months as an absolute minimum

- Trust, which is essential if the Plan is to succeed, may crumble unless the comprehensive agreement enshrines a right for the IAEA to make unannounced and intrusive inspections of all nuclear facilities, products, designs and records

- The IAEA’s Additional Protocol offers a good basis for the more stringent monitoring which is required, although it may be preferable to build the key provisions into the terms of the comprehensive agreement rather than require adoption of the Additional Protocol itself\(^{231}\)

- International sanctions undoubtedly played a major part in preparing the ground for a more amenable Iranian negotiating position. They may not have directly forced Iran to make concessions; but the fatigue amongst large sections of the Iranian public with the international isolation and disadvantage which flowed from sanctions was a factor in the election of President Rouhani, which in turn paved the way for more fruitful negotiations

- The limited sanctions relief being applied under the Joint Plan of Action has reduced pressure on Iran and has provided it with a breathing space, but that should not necessarily be seen in a negative light: it may even strengthen the appetite in Iran for taking the steps necessary to allow further layers of sanctions to be peeled away\(^{232}\)

- We doubt that any deal would have been achieved in Geneva in November 2013 had limited sanctions relief not been offered

- The Joint Commission established under the Joint Plan of Action should include activities at the Parchin military site as part of its discussions “to facilitate resolution of past and present issues of concern”

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\(^{231}\) See Mr Wallace Q 113; also memorandum from Peter Jenkins, paragraph 13, and HC Deb 25 November 2013 col 40

\(^{232}\) See Sir Robert Cooper Q 28
• Modifying the design of the Arak reactor so that it produces less plutonium\textsuperscript{233} has value, but third-party monitoring of storage of the spent fuel—or preferably removal and third-party custody of it—would be instrumental in helping to allay concerns.

Sanctions relief for humanitarian supplies

94. There is one point on which we take particular issue with the Government. The sanctions applied by the EU involve, amongst other things, restrictions on transfers of funds to and from an Iranian person, entity or body, and prohibitions on EU credit and financial institutions transferring funds to or from Iranian banks. One of the undertakings in the Joint Plan of Action was that the P5+1 would “establish a financial channel to facilitate humanitarian trade for Iran’s domestic needs using Iranian oil revenues held abroad”,\textsuperscript{234} and the same channel could be used to enable direct payment of fees to universities and colleges for Iranian students studying abroad. Certain foreign and Iranian banks were to be specified and enabled to facilitate the trade, without contravening those aspects of the sanctions regime which remained in place.

95. In practice, it appears that the UK has not specified any banks to provide the necessary financial channel. When we took evidence in February and March 2014, there appeared to have been little if any flow of humanitarian goods, as banks were not prepared to offer the necessary facilities.\textsuperscript{235} the FCO indicated that these decisions by banks were “commercial” ones.\textsuperscript{236} We also note that banking facilities for those with a legitimate requirement have been disrupted: at the end of February, the Iranian Chargé d’Affaires was unable to open a bank account in London, and Ben Wallace MP told us that the All-Party Parliamentary Group had had its bank account “cancelled”.\textsuperscript{237} There have since been signs of a recent increase in exports of humanitarian goods from the UK to Iran, albeit from a low base. UKTI data for the first quarter of 2014 show that the value of exports from the UK to Iran of medicinal/pharmaceutical products was £6.3 million from January to March 2014, up from £3.4 million from January to March 2013, and the value of exports of “edible products and preparations” was £24 million from January to March 2014, up from £0.4 million from January to March 2013.\textsuperscript{238}

96. As the Foreign Secretary himself noted in a letter to Mr Straw on 6 March 2014, “many banks have been wary of processing the payments required. This has been driven in large part because of risk aversion to US banking sanctions”.\textsuperscript{239} Lord Lamont, speaking in a debate in the House of Lords on 27 February, spoke of “US banking sanctions being imposed informally by the back door on our own banking industry” and of “American

\textsuperscript{233} The plant could be converted to use “light water” rather than heavy water: see Lord Lamont Q 110, Mr Fitzpatrick Q 118, and memorandum from Peter Jenkins, paragraph 22

\textsuperscript{234} ‘Humanitarian trade’ was defined as transactions involving food and agricultural products, medicine, medical devices, and medical expenses incurred abroad

\textsuperscript{235} See for instance memorandum from the British Council, paragraph 4.6

\textsuperscript{236} HC Deb 24 February 2014 col 33

\textsuperscript{237} Mr Wallace Q 97

\textsuperscript{238} Data supplied by the FCO.

\textsuperscript{239} HC Deb 26 March 2014 col 117WH
authorities threatening banks in the UK.240 The Foreign Secretary told us in March that the US had provided letters of comfort to selected banks to reassure them that it was permissible to access Iranian oil revenues for humanitarian trade, and he said that he was “keeping an eye” on the issue and would give it further attention if arrangements were not working out.241 We note that where UK banks are conducting business which is permissible under the terms of EU sanctions but not under the terms of US extra-territorial sanctions, UK law (in the form of the Protection of Trading Interests Act 1980) would protect UK businesses and prevent the enforcement of those sanctions in the UK. However, if those businesses use clearance services in the US for transactions, the UK legislation would not insulate them from US legislation; nor would the act of any US arm be immune.242

97. Not enough is being done to put into practice that part of the Joint Plan of Action which is designed to facilitate trade with Iran in humanitarian goods. The UK should not assume that letters of comfort from the US Treasury to banks will be enough to reassure them that they will not be penalised commercially for facilitating humanitarian trade. Ministers should state publicly that they encourage UK banks to provide the necessary facilities for trade in humanitarian goods and will if required defend to the US Treasury their right to do so. If trade with Iran in humanitarian goods is facilitated under the Joint Plan of Action, even if only on a limited scale, vigilance will be needed if the diversion of funds and illicit trade which occurred under the Oil-For-Food Programme in Iraq is not to be repeated in Iran.

240 HL Deb 27 February 2014 col 1037
241 Q 212
242 See HC Deb 26 March 2014 cols 117WH to 124 WH
Formal Minutes

Tuesday 8 July 2014

Members present:

Sir Richard Ottaway, in the Chair

Mr John Baron  Sandra Osborne
Ann Clwyd     Andrew Rosindell
Mike Gapes    Nadhim Zahawi
Mark Hendrick

Draft Report (UK policy towards Iran), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraph 1 read, amended and agreed to.

Paragraphs 2 to 17 read and agreed to.

Paragraph 18 read, amended and agreed to.

Paragraphs 19 and 20 read and agreed to.

Paragraph 21 read, amended and agreed to.

Paragraph 22 read.

Amendment proposed, in line 14, to leave out "No concessions should be made on human rights in the interests of making progress in other fields.".—(Mr John Baron.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 3
Mr John Baron
Andrew Rosindell
Nadhim Zahawi

Noes, 3
Ann Clwyd
Mike Gapes
Sandra Osborne

Whereupon the Chairman declared himself with the Noes.

Question accordingly negatived.

Paragraph agreed to.

Paragraphs 23 to 32 read and agreed to.

Paragraph 33 read, amended and agreed to.

Paragraph 34 read, amended and agreed to.
Paragraphs 35 to 43 read and agreed to.

Paragraph 44 read.

Amendment proposed, in line 6, to leave out “if the circumstances warrant it.”—(Mr John Baron.)

Question put, That the Amendment be made.

The Committee divided.

Ayes, 3
Mr John Baron
Andrew Rosindell
Nadhim Zahawi

Noes, 4
Ann Clwyd
Mike Gapes
Mark Hendrick
Sandra Osborne

Question accordingly negatived.

Another Amendment proposed, in line 7, at end, to add “, and if Iran also makes a similar public gesture recognising its own support for terrorism, attack on the British Embassy or other past behaviour.”—(Mike Gapes.)

The Committee divided.

Ayes, 4
Ann Clwyd
Mike Gapes
Sandra Osborne
Andrew Rosindell

Noes, 2
Mr John Baron
Nadhim Zahawi

Question accordingly agreed to.

Paragraph, as amended, agreed to.

Paragraphs 45 to 48 read and agreed to.

Paragraph 49 read, amended and agreed to.

Paragraphs 50 to 60 read and agreed to.

Paragraph 61 read.

Amendment proposed, in line 8, at end, to add “In this, we recognise the significance of conclusions by the US Intelligence Services that, in their opinion, there is no evidence Iran has decided to construct a nuclear weapon.”—(Mr John Baron.)

Question proposed, That the Amendment be made—Amendment, by leave, withdrawn.

Paragraph agreed to.

Paragraph 62 read, amended and agreed to.

Paragraph 63 read, amended and agreed to.
Paragraphs 64 to 66 read and agreed to.

Paragraph 67 read, amended and agreed to.

Paragraph 68 read, amended and agreed to.

Paragraph 69 read, amended and agreed to.

Paragraphs 70 to 73 read and agreed to.

Paragraph 74 read, amended and agreed to.

Paragraphs 75 to 84 read and agreed to.

Paragraph 85 read, amended and agreed to.

Paragraphs 86 to 94 read and agreed to.

Paragraph 95 read, amended and agreed to.

Paragraph 96 read and agreed to.

Paragraph 97 read, amended and agreed to.

Summary read, amended and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Monday 14 July at 4.00 pm]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee’s website at www.parliament.uk/facom

**Tuesday 21 January 2014**

*Sir Robert Cooper KCMG*, Visiting Professor, LSE IDEAS; *Professor Ali Ansari*, Director, Institute for Iranian Studies, University of St Andrews

**Tuesday 28 January 2014**

*Rt Hon Jack Straw MP*, *Ben Wallace MP*, *Jeremy Corbyn MP*, and *Rt Hon Lord Lamont of Lerwick*, members, All-Party Parliamentary Group on Iran

*Mark Fitzpatrick*, Director, Non-Proliferation and Disarmament Programme, International Institute for Strategic Studies

**Tuesday 11 February 2014**

*Professor Alan Johnson*, Senior Research Fellow, Britain Israel Communications and Research Centre (BICOM), and *Oren Kessler*, Middle East Research Fellow, The Henry Jackson Society

**Tuesday 18 March 2014**

*Rt Hon William Hague MP*, Secretary of State for Foreign and Commonwealth Affairs, and *Edward Oakden*, Director, Middle East and North Africa, Foreign and Commonwealth Office
Published written evidence

The following written evidence was received and can be viewed on the Committee’s website at www.parliament.uk/facom. INQ numbers are generated by the evidence processing system and so may not be complete.

1. Thomas Owen (IRN0002)
2. Community Security Trust (IRN0003)
3. Professor Anoush Ehteshami (IRN0004)
4. National Iranian American Council (IRN0005)
5. Mr Mal Craghill (IRN0006)
6. British Parliamentary Committee for Iran Freedom (BPCIF) (IRN0007)
7. Peter Jenkins (IRN0008)
8. National Union of Journalists (NUJ UK) (IRN0009)
9. British Council (IRN0010)
10. The Henry Jackson Society (IRN0011)
11. BICOM (IRN0012)
12. National Council Of Resistance Of Iran-UK Representative Office (IRN0013)
14. Nicholas Wood (IRN0015)
15. Morgane Colleau (IRN0016)
16. Foreign and Commonwealth Office (IRN0017)