Australia’s Relations with Iran

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Executive summary

Australia's bilateral relations with Iran have experienced a decline in recent years. This is largely due to the imposition of a series of sanctions on Iran. The United Nations Security Council initiated a number of sanctions on Iran to alter the latter's behavior in relation to its nuclear program. Australia has implemented the UN sanctions regime, along with a raft of autonomous sanctions. However, the impact of sanctions on bilateral trade ties has been muted because the bulk of Australia's export commodities are not currently subject to sanctions, nor was Australia ever a major buyer of Iranian hydrocarbons. At the same time, Australian political leaders have consistently tried to keep trade and politics separate. The picture is further complicated by the rise in the Australian currency which adversely affected export earnings and a drought which seriously undermined the agriculture and meat industries. Yet, significant political changes in Iran provide a window of opportunity to repair relations.

Introduction

Australian relations with the Islamic Republic of Iran are complicated. In recent decades, bilateral relations have been carried out under the imposing shadow of antagonism between Iran and the United States. Australia's alliance with the United States has adversely affected its relations with Iran, with Australia standing firm on its commitment to the United States in participating in the War on Terror by sending troops to Afghanistan and Iraq. Australia's continued presence in Afghanistan, albeit light, is testimony to the close US-Australia security bond. This alliance has overshadowed Canberra's relations with Tehran.

Two significant developments, however, present new opportunities for Australia. First, the election of Hassan Rouhani as the President of the Islamic Republic of Iran in June 2013 has been welcomed by international observers as opening a new chapter in Iran's external projection. President Rouhani is expected to make significant changes to Iran's relations with the international community, and most notably with the United States. Rouhani's first speech at the United Nations General Assembly in September 2013, followed by multilateral talks on Iran's nuclear program between Iran and the five permanent members of the United Nations Security Council plus Germany have given ground for optimism. Second, Australia assumed the Chair of the United Nations Security Council's Iran Sanctions Committee in 2013, putting Australia in a position to be closely involved – much more than ever before- in setting the international agenda in relation to Iran.
Trade and Diplomacy

Australia first opened its embassy in Tehran in 1968 in order to formalise the growing trade between the two countries. At the time, Iran was among the top ten importers of Australian wool. Trade was a critical driver for bilateral relations. The 1974 royal visit of Mohammad Reza Shah to Australia enhanced these relations and led to the formation of a Joint Ministerial Commission to enhance trade. At this juncture, Iran was interested in purchasing uranium for its incipient nuclear program, which had been launched with the blessing of President Eisenhower (1953-61). The Joint Ministerial Commissions were held regularly between 1976 and 2002. However, over time it became increasingly difficult to insulate trade from politics. Tension between Iran and the United States over its nuclear program, and the ensuing sanctions imposed on Iran by the United Nations have resulted in a sharp decline in Australia's relations with Iran.

Historically, Australia maintained a bipartisan consensus on keeping trade with Iran separate from other political considerations. Bilateral trade suffered a temporary slump in 1980-81 as a result of the hostage taking crisis when 52 US embassy staff in Tehran were held hostage for 444 days. However, with the release of the hostages, Australia resumed full trade relations with Iran. In the course of 1980s, Iran grew to become Australia's number one export destination in the Middle East. The main items of export were wheat, meat and coal. The expanding trade ties in the 1980s and 1990s were conducted against the backdrop of challenging political and strategic ruptures. During the 1980-1988 Iran-Iraq war, the United States was seen, with some justification, to be supporting the Iraqi military campaign against Iran. This period witnessed the entrenchment of US-Iran antagonism. In a separate incident in 1989, the founder of the Islamic regime and Supreme Leader of Iran, Ayatollah Khomeini, issued a fatwa against the British author Salman Rushdie. While the reaction of the international community to this fatwa was severe, leading to the withdrawal of diplomatic staff from Tehran by Canada, the United Kingdom and a number of other European states, Australia found it sufficient to express its displeasure with the Iranian fatwa through diplomatic means.

Successive Australian governments advanced the notion of decoupling trade from politics, while at the same time pointing to the diplomatic advantages gained by maintaining strong trade ties. The Australian Foreign Minister Gareth Evans (1988-1996) put this case succinctly in 1995:

... our generally cordial relationship with Iran and the strong trade and commercial links between our two countries have put us in a strong position to maintain a much more direct and critical dialogue with the Iranians on these issues [ie. Iranian support for Hizbollah and Hamas, human rights violations, Iran’s nuclear program] than would otherwise have been possible.¹

¹ EVANS, G.J., Senator. 1995.
This approach was echoed two years later by Deputy Prime Minister Tim Fischer (1996-1999) when he noted that Australia keeps trade separate from geopolitics. Responding to mounting international pressure in the wake of a 1997 German court ruling which linked Iran with international terrorism as well as the US Congress’s adoption of the Iran-Libya Sanctions Act (1996), Tim Fischer told the media that the Government had no desire to place restrictions on trade ties: ‘Australia does not seek to interfere with the commercial negotiations, be it by the Australian Wheat Board, by a large company or by a small company, with regard to the two-way trade that exists between Australia and Iran’.

John Anderson, Minister for Primary Industries (1996-1998), crossed the partisan divide to borrow Gareth Evans’ logic in relation to Iran:

... closing off ties and opportunities to communicate and enter into dialogue with people with whom you may have a disagreement on some matter is usually the best way to limit rather than enhance your capacity to influence outcomes in a desirable way.

It appears that Australia’s large wheat producing industry was a major factor in foreign policy considerations. In 1997, the President of the Queensland GrainGrowers Association, Ian MacFarlane who later became the Minister for Industry, Tourism and Resources during the Howard government (2001-07), and currently serves as the Minister for Industry in the Abbott Government, told the media:

What we need to do is basically judge Iran as it is now, and not dwell too much on the past...Iran is a market worth up to 500 million dollars (400 million US) a year to us, and it’s one which we don’t want endangered by politicking and by trade sanctions.

Despite the hostile international climate and occasional diplomatic hiccups, bilateral trade relations gained strength and by 2001 Iran had become the second largest importer of Australian wheat. In April 2003 Mark Vaile, Australia’s Trade Minister (1999-2006), repeated the mantra of keeping trade and politics separate. Australia did not follow the United States in imposing sanctions on Iran over its non-compliance with the International Atomic Energy Agency (IAEA). A spokesman for Mark Vaile declared: ‘we absolutely reject the link between international security and bilateral trade issues’.

Deteriorating relations

Bilateral relations started to decline as Australia gradually reoriented its policy on Iran in line with the United States. In December 2002, Australia initiated an experiment to promote human rights principles in Iran by forming the Australia-Iran Human Rights Dialogue. The Australian delegation on HR dialogue, held in Tehran, included representatives from the Department of Foreign Affairs and Trade (DFAT), the Attorney General’s Department, AusAID and the Human Rights and Equal Opportunity Commission (HREOC). The Iranian

delegation included representatives from the Ministries of Foreign Affairs and Justice and the Islamic Human Rights Commission (IHRC). Reflecting the shift in Australia’s thinking, Foreign Minister Alexander Downer (1996-2007) spoke about ‘the importance of human rights in Australian foreign policy’. This topic had previously not been a priority issue in Australian-Iran relations.

A subsequent visit by the Iranian delegation to Australia in 2003 by the Islamic Human Rights Commission (IHRC) was sponsored by DFAT and hosted by the Australian HREOC. The visit had no tangible impact and prompted HREOC to question the value of such visits when the commitment of Iranian policymakers to human rights remains questionable.

Furthermore, despite the best efforts of Australian governments to protect lucrative trade ties with Iran against mounting political pressure, the deterioration of relations between Iran and the international community over its nuclear program grew to cast a shadow on other considerations. In 2003 an editorial in the conservative Iranian daily Keyhan asked for the expulsion of the Australian ambassador due to Australia’s role in drafting an IAEA resolution on Iran’s nuclear program. While no action followed, signs of strains in relations were increasingly evident when the Joint Ministerial Commission stopped meeting after 2002, and DFAT confirmed Australia’s concerns over the Iranian nuclear program.

The change of government in Iran in 2005, which brought to office the combative Mahmoud Ahmadinejad, made relations more complicated. Soon after, Australia also experienced government change. Prime Minister Kevin Rudd (2007-2010) charted an ambitious global role for Australia. Under the Rudd Government, Australia initiated its bid for a seat on the UN Security Council and a more active diplomatic presence on the international stage to match those ambitions. In his 2008 speech at the United Nations, Prime Minister Rudd chose to point to Iran’s non-compliance with international norms as an obstacle to the nuclear non-proliferation regime.

In 2008 Australia started an autonomous sanctions regime on Iran which reflected resolutions by the UN Security Council. The cumulative sanctions brought Australia much closer to the United States’ position on Iran.

In 2008, Australia imposed sanctions on 20 Iranian individuals and 18 companies, suspected of contributing to Iran’s nuclear program in breach of its international obligations. The list included two major Iranian banks: Melli and Saderat.

In 2010, Foreign Minister Stephen Smith (2007-2010), announced Australia’s commitment to reinforcing UNSC resolution 1929 (adopted in 2010) by imposing sanctions on Bank Mellat and the Islamic Republic of Iran Shipping Line, as well as General Rostam Qasemi, the Islamic Revolutionary Guard Corps military commander who was appointed as Oil Minister under President Ahmadinejad.
In 2011, Australia added to the Iran sanctions list a number of Iranian individuals and organisations in the military, nuclear, oil and gas industries, and the financial sector.\textsuperscript{18} According to the list published in 2012, Australia had imposed autonomous sanctions on 44 Iranian individuals and 229 Iranian organisations.\textsuperscript{19}

In 2012, Australia tightened sanctions on the financial sector, and imposed limitations on trade in gold, precious metals, diamonds and the Iranian currency. Restrictions were also extended to trade with Iranian oil and gas companies.\textsuperscript{20}

In 2013, Australia further tightened its sanctions on Iran by prohibiting the transportation of Iranian petrochemical products on Australian ships and the import of Iranian gas. New sanctions also prohibit the export of parts to Iranian oil and gas industries, as well as banning the export of materials and services that could be of double use in Iran’s nuclear program. Australian companies are currently prohibited from dealing with any entity that is controlled by the Iranian Revolutionary Guard Corps.\textsuperscript{21}

While Iranian authorities have made a distinction between the United States and Australia, keen to protect relations with the latter, the last decade has seen significant fluctuations in trade relations. The key items of Australian export to Iran are wheat and meat. These items are not covered by the sanctions regime, although bans on financial transactions impact all trade. The drought experienced in Australia in the first half of the 2000s made a significant dent in the export capacity of the Australian grain-growing and cattle-farming sectors. The sharp fall in export after the high of 2001 is partly explained by the weakness of Australian industries to grow sufficient volume for export. The export sector was also adversely affected by the gradual rise of the Australian currency in relation to the US dollar and the European Euro. The Australian dollar gained parity with the US dollar in 2010 and has remained in 1:1 vicinity. The currency gain has made Australian export commodities less competitive.

![Australian-Iran Trade 2001 - 2012](image)

\textbf{Source:} Extracted from: Australian Department of Foreign Affairs and Trade publication. 2010. 'Trade in Primary and Manufactured Products', Australia.
Mujaheddin-e Khalq (MeK)

The Iranian opposition organisation Mujaheddin-e Khalq (People’s Fighters) has a light footprint in Australia. It did, however, cause embarrassment for Australia in 1992 when 20 members of the MeK organization ransacked the Iranian embassy in Canberra. This attack was part of an orchestrated campaign by MeK in Europe to protest the Iranian bombings of MeK bases in Iraq.\(^22\)

The MeK connection with Iraq emerged in the course of early 1980s following Iran’s bloody crackdown on the organisation. In 1981, the MeK embarked on a killing campaign to eliminate the top leadership of the Islamic regime. The Iranian regime responded through a series of summary executions of MeK members and sympathisers, as well as other dissidents. This confrontation took place against the backdrop of the Iran-Iraq war and the MeK leadership made a strategic decision to move its members to Iraqi territory to be used as a launch pad for insurgency operations in Iran. The MeK was subsequently listed as a terrorist organisation by the United States, UK and the EU. In recent years all three have delisted MeK and are facilitating the relocation of MeK members out of Iraq.

In Australia, the MeK was never designated as a terrorist organization, but in 2001 it was included in the ‘consolidated list’ of ‘persons and entities to which the Charter of the United Nations Act 1945 and the Autonomous Sanctions Act 2011’ applies.\(^23\) The MeK’s listing expires in November 2013 and is unlikely to be renewed. The MeK has gained some support among Australian politicians. In 2003 Martin Ferguson, who later became the Labor Minister for Resources and Energy (2007-2013), told the Australian Broadcast Corporation that MeK listing was unjustified; instead Australia should welcome efforts by its ‘decent citizens’ to raise awareness about the lack of human rights in Iran.\(^24\) In 2004 Senator John Cherry (from the other end of Australian political spectrum) echoed these sentiments when urging the Parliament to review the listing of MeK and its front organisation, the National Council of Resistance of Iran. Senator Kelvin Thomson repeated the call for the delisting of MeK again in 2010.\(^25\)

While the MeK retains a marginal presence among the Iranian diaspora in Australia, it has clearly managed to lobby both sides of the Australian politics effectively and gain a degree of recognition. The MeK presents itself as a secular democratic alternative to the Islamic regime in Iran and has capitalised on the human rights violation of the regime to secure support in the West.

While the Iranian regime views the MeK as a serious threat, Iran has not allowed the MeK issue to cloud bilateral relations with Australia. The 2003 raids on a number of known MeK members in Australia by the Australian Federal Police was a reassuring reminder for the Iranian government that Australia is watching the MeK and that Australia will not allow its territory be used for illicit activity against Iran. With the expected expiry of the MeK’s listing, however, Canberra’s scope for limiting the activities of the MeK may be diminishing.

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\(^23\) DEPARTMENT OF FOREIGN AFFAIRS AND TRADE.
\(^24\) ABC. 2003.
Iran in the Australian Parliament

Debates in the federal House of Representatives on Iran have revolved around Iran’s poor record on human rights protection and minority rights, Iran’s support for international terrorism and its nuclear program. It is notable that the tone of debates has changed over time, reflecting the decline in bilateral relations. In the early 2000s, cabinet ministers were prepared to downplay criticism of Iran’s human rights record and point to the healthy relationship between the two countries. In 2002 Foreign Minister Alexander Downer responded to a question by MP Michael Danby on Iran’s human rights record by offering a cliché: ‘we regularly discuss with the Iranian Government the need for increased transparency of process and adherence to the development of civil society. We raise regularly human rights concerns with Iranian officials.’

Even as late as 2007, while international pressure was mounting over Iran’s nuclear program and the United States was adopting unilateral sanctions, the Australian Prime Minister, John Howard, addressed the parliament to express reservations about the utility of the US’s unilateral sanctions in the absence of a broader UN-approved sanctions regime. However, despite retaining some level of official support, mounting international pressure on Iran meant that a growing number of private members bills and petitions were discussed in the parliament. In 2005, Tanya Plibersek presented a petition for delisting the MeK, while in 2006 Bruce Baird submitted a motion to condemn Iran’s discrimination of religious minorities. A year later Michael Danby submitted a petition to the parliament and condemned President Ahmadinejad’s comments in relation to Israel and asked the Australian government to refer the matter to the International Court of Justice. In a later speech Michael Danby criticised Iran’s violation of human rights and freedoms.

Parliamentary debates on Iran intensified in the latter part of the 2000s, especially under the Australian Labor Government (2007-2013). In 2008 the Labor MP Mark Dreyfus invited Foreign Minister Stephen Smith to lay out Australia’s policy on Iran’s nuclear program, an orchestrated opportunity for the Labor Government to make clear its opposition to Iran’s continued non-compliance with the International Atomic Energy Agency. Human right violations in Iran were the subject of many motions and member’s bills put forward by members of parliament, especially noting the plight of the prosecuted Bahai community.

In 2011, Foreign Minister Kevin Rudd delivered a speech on the implications of the Arab Spring for the Middle East at the House of Representatives. He used this opportunity to express concern over Iran’s role in Bahrain, noting Iran’s support for the Shia population of Bahrain and their dormant territorial dispute. These comments came after security forces from Saudi Arabia and United Arab Emirates had moved to Bahrain to quell the popular uprising under the aegis of the Gulf Cooperation Council. The Government of Bahrain and other Arab

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33. RUDD, K. MP. 2011.
Sheikhdoms accused Iran of instigating the conflict. Rudd’s parliamentary statement appeared to be an endorsement of this view.

**Conclusion**

Australia’s efforts to protect its ties with Iran from growing tension between Iran and the international community proved untenable when the United Nations Security Council adopted a sanctions regime to force compliance on Iran’s nuclear program. The Australian Government’s close relationship with the United States, which lobbied for unilateral sanctions on Iran, and its ambitions for membership in the UNSC were added factors that led to the adoption of a series of sanctions on Iran.

Australia continues to maintain full diplomatic relations with Iran. However, the tone of the relationship has become somewhat constrained as the Australian Government is increasingly making references to Iran’s non-compliance with the IAEA and violation of human rights, especially in relations to the Bahai faith. The possible delisting of MeK could create additional diplomatic complications for Iran and Australia.

The election of Hassan Rouhani to the office of presidency, however, has opened new prospects. Western diplomats involved in nuclear talks in Geneva have welcomed the professional tone of their Iranian counterparts and suggest that a deal is now conceivable. This is in line with Rouhani’s electoral mandate of finding mutual ground for compromise and freeing Iran of international sanctions.

With the assumption of UNSC Iran Sanctions Committee Chair in 2013, Australia is in a position to show leadership and good will towards the new Iranian President. Measured steps to reward Rouhani’s approach are likely to strengthen his hand domestically and allow him to follow through with his compromise agenda.

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