

# Gerhard Schroeder's visit to Iran

by Alexander Rieper

Former German Chancellor and Honorary Chairman of NUMOV, the German Near and Middle East Association, **Gerhard Schroeder** travelled to Iran to

opportunity of a new policy should be seized now, he continued. Schroeder emphasized that if Iran wants to be recognised as a regional and interna-

Likewise Schroeder met the former Iranian President **H.E. Muhammad Chatami**. Chatami stressed the importance of diplomatic activities between Germany and Iran and praised the good diplomatic relations between the two countries under the administration of Schroeder. Muhammad Chatami is running for presidency in the upcoming Iranian presidential elections on June 12<sup>th</sup> this year.



f.l.t.r.: German Ambassador to Iran H.E. Dr. Herbert Honsowitz; H.E. Dr. Gerhard Schroeder, Former German Chancellor; H.E. Mahmoud Ahmadinejad, President of Iran and the Iranian Ambassador to Germany H.E. Ali-Reza Sheikh-Attar

Schroeder also met the Chairman of the Expediency Council and former President **H.E. Ayatollah Akbar**

participate in the opening of a scientific foundation, to which Schroeder was invited by his friend **Madjid Samii**, a well-known German-Iranian neurosurgeon. Since 1988 Samii has worked for the Medical College in Hanover, the home town of Gerhard Schroeder.

tional power, it should assume responsibility and respect international law. He continued by arguing that Iran had an opportunity to ease tensions with the West. "With the new US administration there is a chance of having a multilateral approach, not only with the Islamic world but with everybody. [...] That is a good opportunity for Iran," Schroeder said.

**Hashemi Rafsanjani**. They discussed the causes of the recent global financial crisis and the role of the United States in global politics. They concluded more cooperation between Iran and the United States would be needed to solve some of the global problems. Rafsanjani said that he would be ready to hold talks concerning the Iranian nuclear programme.

In 2003 Hanover saw the establishment of the International Neuroscience Institute, a specialised research facility and clinic under directorship of Samii. On Friday, Schroeder visited the city of Rasht by the Caspian Sea in Northern Iran. There he took part in the opening ceremony of the clinic.

In a meeting between Schroeder and **H.E. Mahmoud Ahmadinejad**, the Iranian President said that the world needs basic changes and stressed that the problems and difficulties of mankind today should be solved by coordination among the whole world. According to polls 80% of Germans welcome the talks between Schroeder and Ahmadinejad.

In a meeting between Schroeder and **H.E. Ali Larijani**, Iranian Parliamentary Speaker and former Secretary of the Supreme National Security Council, Larijani said that the position of his country could not be ignored when working towards a solution of the issues in the Near and Middle East. Schroeder praised the "positive and constructive role of Iran in Afghanistan".

During his travel, Schroeder also met a number of high-ranking Iranian officials. The four-day trip lasted from February 19<sup>th</sup> to 22<sup>nd</sup>. It was the first visit of Gerhard Schroeder to Iran.

On Saturday, the former German Chancellor held a speech at the Iranian Chamber of Industry and Commerce in Tehran. In view of statements made by Iranian officials he pointed out that it was not suitable to deny historic facts. Discussions such as these would only distract from the central question as to how the security of all nations in the region could be achieved, Schroeder said. The

Later in the day, Schroeder met the Oil Minister **H.E. Gholam Hossein Nosari** and the Foreign Minister **H.E. Manutschehr Mottaki**. On Sunday, he visited the city of Isfahan in Southern Iran before heading back to Germany.

The Iranian economy has not been spared from the impacts of the global



source: IMF, 2008

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financial crisis. The country has not been directly affected by the crisis, since the Iranian banking sector is not very much integrated in world financial markets. However, the economy suffers from a drop in oil prices, a high unemployment rate and a high inflation rate. Real GDP growth is expected to fall to 3.4% in 2009/10, as compared to 6.9% and 7.8% in the past two years.

The public budget for the Iranian year 1388 (2009-10) is currently being debat-



*Gerhard Schroeder, Former German Chancellor and Ali Larijani, Iranian Parliamentary Speaker and former Secretary of the Supreme National Security Council*

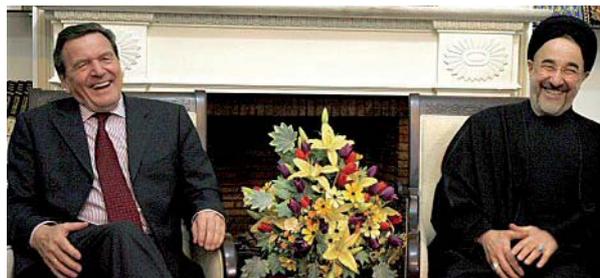
ed by parliament. The draft is based on an average oil price of US-\$ 37.5. This anticipation is contrary to former years in which the estimated oil price was always far more conservative than expectation from the business community. With an actual oil price of about US-\$ 40, the budget year might end with a deficit. Analysts say a much higher oil price is needed in order to adjust the spending plans. The numbers vary from US-\$ 80 to US-\$ 97. Based on the government estimations, the earnings from the oil export will amount to 153 tn Rial (about €

12.4 bn). The government general budget is planned to reach 890 tn Rial (about € 72 bn). Tax revenues are estimated at 293 tn Rial (about € 23,7

bn). Despite the difficult economic situation trade relations between Germany and Iran have improved. German exports to Iran amounted to EUR 3,579.1 bn within the first 11 months of 2008, which is an increase of 10.5% as compared to the previous year. Imports from Iran to Germany in the same period amounted to EUR 543.4 mn, a slight decrease of 0.7%.

Since oil revenues are significantly down, the government will likely have to delay planned investment programmes for the road, rail and ports infrastructure of the country. Besides, plans to increase the oil and gas production by investing in the industrial infrastructure might have to wait.

The strategy to improve state finances includes cutting subsidies, reducing state ownership in the economy and to a certain extent increasing taxes by introducing a value-added tax, which does not exist so far. Attracting foreign direct investment (FDI) would be another interesting measure, but due to



*Gerhard Schroeder and Muhammad Khatami, Former Iranian President*

the political pressure on the country incentive to invest in Iran is low. In the Doing Business Report 2008 published by the World Bank Group Iran ranked 135 out of 178 countries. The broad plan for reducing subsidies is to start with products like petrol, diesel and gas for domestic users, and to continue at a later stage with cutting support for utilities such as water and power. In the area of state influence in the economy, the government aims to reduce the proportion from 75% to 25%. Article 44 of the Iranian Constitution regulates that if a private sector company has the ability to fulfil a project it gets priority over government firms.

Iran has expanded economic relations with the neighbouring countries of the country in the past years. Only 32.4% of crude oil exports go to Europe, the



remainder is exported to Asia and Africa. Trade relations with the United Arab Emirates have increased in particular. Today, the UAE are the major Iranian trade partner.



*Madjid Samii and Gerhard Schroeder*

