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## *European Court Says Exiled Iranian Group Was Unfairly Labeled*

By CRAIG S. SMITH

PARIS, Dec. 12 — Europe's second highest court on Tuesday annulled a European Union decision that had frozen the funds of an exiled Iranian opposition group and called into question the group's label as a terrorist organization.

The ruling by the European Court of First Instance was more than a financial victory for the group, the Mujahedeen Khalq, or People's Holy Warriors, which has long argued that its terrorist label is unfair.

The European court ruled that the European Union had not provided adequate reasons or a fair hearing in deciding to freeze the organization's assets in 2002, and that the decision "must be annulled."

The European Union issued a statement in response to the ruling saying that the organization remained on the terrorist list and that it would consider appealing to the higher European Court of Justice.

"All restrictions resulting from the terror tag should be removed from the Iranian resistance immediately," the group's leader, Maryam Rajavi, said during a visit to the European Parliament in Strasbourg, France. She said that the ruling proved that her organization was a legitimate resistance movement rather than a terrorist group.

The Mujahedeen Khalq was formed by leftist students in Iran in 1965 and quickly became one

of the most active groups opposing Shah Mohammad Reza Pahlavi. But the Islamic government of Ayatollah Ruhollah Khomeini turned against the group after the shah's overthrow in 1979.

The group moved its headquarters to France and then to Iraq in 1986, when it set up a well-financed military base under the protection of Saddam Hussein. The American military disarmed the militia in May 2003 and has since kept its members confined to the camp near Baghdad.

Ms. Rajavi remained in Paris, in charge of the group's political activities as head of the National Council of Resistance of Iran. She has been lobbying to be taken seriously as a viable opposition movement to topple the theocracy in Iran.

She argues that the organization has been unfairly labeled a terrorist organization out of the West's misguided efforts to engage the Iranian government, and that the only real hope to effect change in Iran, short of war, is to support her organization and give it free rein.

Those hopes are not without some foundation: the fact that the group's Iraqi military base is, in effect, under United States protection suggests that Washington may yet envision a role for the group if relations with Iran deteriorate further.