The Iranian political elite, state and society relations, and foreign relations since the Islamic revolution

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Chapter 6
Factional Rivalries and Iran-European Union Relations

6.1 Introduction
Chapter 6 and 7 discuss the relations between Iran and the EU158 since the Iranian Islamic revolution until 2007. Chapter 6 focuses on the foreign policy of the IRI towards the EU and its main member countries that are the EU countries with the most diplomatic and economic ties to Iran (Britain, France, Germany, and Italy). Chapter 7 then concentrates on the four main policy initiatives taken by the EU towards Iran since the beginning of the 1990s, namely: (1) Iran-European Union Energy Policy Dialogue; (2) Iran-European Working Group on Trade and Investment; (3) Iran-European Union Human Rights Dialogue; (4) the proliferation of nuclear weapons. As a common foreign policy of the EU, in general, and towards Iran, in particular, does not exist yet, chapter 7 will also look at why the individual EU member countries follow specific policy strategies towards Iran, and what effects this has on developing a joint EU policy towards Iran.

As has been explained already in chapter 5, for the last 150 years from the point of view of Iran, Europe (i.e. France, Britain, and Russia) has been associated with, on the one hand, its potential threats to Iran’s national security and, on the other hand, it has been a shield to its geopolitical interests. During the Safavid period (1501-1722), Iran and European countries bargained several times over their interests. In the 19th century, the Qajar Empire (1786-1921) played the French card against the British and Russian Empires, which in their commonly known “Great Game” divided the country into their respective spheres of influence.159 At the beginning of the 20th century, the Qajar Empire used the help of the British against the military threat posed by the Tsarist Empire and later the Soviet Union. In its Potsdam Agreement of 1911 with Russia, Germany compromised over Iran, and so did Joachim von Ribbentrop and Vatjeslav Molotov in the non-Aggression pact signed in 1939. Reza Shah Pahlavi (1921-1941) had a close political and economic relation with Nazi Germany. His son Mohammad Reza Shah, who became a close ally of the US after the coup against Prime Minister Mosaddeq in 1953, expanded relations with Western European countries, as well as the Soviet Union in the 1970s, to reduce Iran’s dependence on the US.

Since the Islamic revolution it can be assumed that Iran has needed the EU because of economic interests and its continuing difficult relationship with the US. For the EU,

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158. The term EU is used throughout the whole book to refer to the European Union, but it is also used for the time when the EU was referred to as the European Economic Community and European Community.
Iran is a potential supplier of oil and gas as well as an important factor for stability in the Middle East and, therewith, in its own backyard.

Regional security problems and US activities in the Middle East have not been central to Iran-EU relations, but they have influenced policies on both sides, particularly since the end of the Cold War and again since the attacks of 9/11, the war in Afghanistan in 2001, and the Iraq war in 2003. Another issue that has more recently impacted on the relations between Iran and the EU is Iran’s nuclear program. At the same time, increased diplomatic collaboration between Iran and the EU reflects the desire of Iran, and at least some in the EU, to object to the US goal of changing the political order in the Middle East and domination of the region.

Moshaver (2003: 283-284) describes the relations between Iran and the EU as “functional accommodation.” He argues that increasing cooperation between Iran and the EU is a “by-product” of Iran’s overall internal and international situation rather than a reflection of a fundamental “political/strategic” change. The Iran-EU functional accommodation has no long term strategic, political, or security perspective, as had Iran’s relations with European countries during the Mohammad Reza Shah period. The relations between the IRI and the EU are functional in the sense that they focus on mutual economic interests in the light of continuing sanctions on Iran by the US.

The relations between Iran and the EU since the Islamic revolution in 1979 until today are a clear reflection of the changing foreign policy trends in the IRI discussed in chapter 5. Relations strained during Khomeini’s leadership in the first decade after the revolution (1979-1989), improved during Rafsanjani’s presidency (1989-1997), and reached their highest level during Khatami’s presidency (1997-2005). Since the election of Ahmadinejad as president in 2005, relations between Iran and the EU have become more complicated, particularly because of the nuclear issue, but there does not seem to be a significant change in foreign policy orientation from both sides.

6.2 Iran-European Union relations during Khomeini’s Leadership (1979-1989)

Whereas, after the IRI had been established, the relations between the IRI and the US were hostile from the beginning, the IRI and the EU (and some of its member countries) were suspicious of each other, but nevertheless willing to negotiate, especially in the economic sector (see chapter 3.2.2). These different approaches from the IRI towards the main Western actors according to Tarock (1999: 44) have four main reasons:

(1) Although the European countries, especially West Germany, Italy, France and Britain had good economic relations with Iran before the Islamic revolution, they had not been so deeply involved in Iran’s political and military affairs like the US

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160. Among the member countries of the European Union, Germany had the closest diplomatic relations with Iran in the first years after the Islamic revolution. German diplomats played an important role in establishing an indirect negotiation channel between the US and Iran, to e.g. free American hostages in Lebanon (Amirahmadi 1991: 277).
except for Britain\textsuperscript{161};

(2) The European countries did not view the revolution from a Cold War zero-sum perspective - like the US. That means they did not consider the success of the revolution as a “loss” of Iran to the West;

(3) During the months before Khomeini returned to Iran, France had offered him a temporary home after he had been forced out of Iraq\textsuperscript{162};

(4) The political elite of the IRI realized from the beginning that for security, political, and economic reasons it could not afford to confront both Europe and the US at the same time.

When the US imposed a trade embargo on Iran in April 1980, during the hostage taking of US diplomats and staff at the US embassy in Tehran, the foreign ministers of the EU announced, in May 1980, support for the trade embargo (except for food and medicine). But Britain and France made further exceptions for several services, such as engineering consultancy, insurance, transport, and tourism. Therefore, many transactions took place, despite the embargo, sometimes through intermediary countries (particularly Dubai and Abu Dhabi). Thus, Iran still had access to the most essential goods, but had to pay higher prices for them. This episode shows that even at the time of the hostage taking, the US was not very successful in getting the full support for its embargo on Iran from Europe. The European countries considered the embargo ineffective. In order to make it successful, the US also needed the support of the Soviet Union\textsuperscript{163} and Japan\textsuperscript{164}, of which it could not be assured. Furthermore, a complete trade ban would have cut off the access to Iran’s oil resources and would have resulted in a short-term rise in world oil prices. When the US embassy staff taken as hostages were freed, on 1 January 1981, the EU and Japan lifted their trade embargos (Amuzegar 1993: 146-47).

After the hostage taking EU member countries became important for Iran in diplomatic and economic terms, in order to replace the close ties Iran had had with the US

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\textsuperscript{161} Britain has been deeply involved in the internal affairs first of the Persian Empire in the late 19\textsuperscript{th} and beginning 20\textsuperscript{th} centuries, when the Russian and British Empire divided the country into their mutual spheres of influence (see Kazemzadeh 1969), and later after World War II when Britain collaborated with the US to overthrow the Mosaddeq government in 1953 (see Roosevelt 1979).

\textsuperscript{162} During the conflict between the Shah and Ayatollah Khomeini, France declared its neutrality. It had even hosted Ayatollah Khomeini during a four months stay in Paris. Khomeini thanked President Valery Giscard d’Estaign for his hospitality: “I am very grateful to my French friends who gave me the opportunity to send my messages from Paris to the Iranian people […]” (Bozorgmehr December 1996-January 1997: 39).

\textsuperscript{163} See on the relations between Iran and the Soviet Union in the early years after the revolution chapter 5.3.2.

\textsuperscript{164} Iran and Japan established official relations in the early 20\textsuperscript{th} century. During the reign of Mohammad Reza Shah ties were expanded, especially as both countries were security allies of the US. A cultural agreement signed during Mohammad Reza Shah’s reign was not suspended after the Iranian Islamic revolution. Japan was among the few industrialized countries that continued their relations with Iran after the Islamic revolution (ICCIM “Japan Agrees to Provide $550m of Insurance Coverage to Iran’s Steel, Telecommunications and Petrochemicals,” n.d.), http://www.iccim.org/English/magazine/iran_commerce/nol_2001/15.htm.
before the Islamic revolution. In the beginning there was little interest from the side of the EU due to the Iran-Iraq War, in which most countries sided with Iraq, and the EU member countries’ alliance with the US in the Cold War context. At the end of the 1980s, however, these obstacles disappeared (Moshaver 2003: 302), opening the way towards more cooperation.

Factors that complicated the relationship between Iran and the EU in the first ten years after the revolution until the early 1990s were:

(1) Iran’s support for Hezbullah in Lebanon and the hostage taking of Westerners in Lebanon by Hezbullah;
(2) The fatwa against Salman Rushdie;
(3) The killing of Iranian dissidents in Europe.

From the early 1980s to the early 1990s, many hostage takings of Westerners took place during the civil war in Lebanon, most of which were attributed to the Hezbullah organization.165 Several of the hostages died in captivity, such as the American UN observer, William Higgins, who was hung in July 1989, or the Frenchman, Michel Seurat (a historian), who was kidnapped on 22 May 1985 and whose remains were found in March 1986 (Samii 15 December 2005; International Herald Tribune 6 March 1986). Many members of the Iranian political elite rejected the hostage takings, among which were secularists, who had been associated with Mehdi Bazargan’s government, as well as Abolhassan Banisadr, and the more Pragmatist clergy such as Hashemi Rafsanjani, who emerged in the mid-1980s. The Radical Left faction of the Iranian political elite used its contacts with Hezbullah in Lebanon to confront the Conservatives/Pragmatists at home. This might also be the reason why Rafsanjani was reluctant to make efforts for the freeing of Western hostages at the end of the Iran-Iraq war, as it would have made him vulnerable towards the Radical Left faction (Joffe 1991: 84-85).

A further issue that complicated Iran-EU relations was the fatwa on Salman Rushdie. On 14 February 1989, Ayatollah Khomeini issued a fatwa against the British author Salman Rushdie and his editor. Khomeini called Rushdie’s book The Satanic Verses “blasphemy” and called on all Muslims in the world to carry out the fatwa. The fatwa was unanimously condemned by the EU (Amuzegar 1994: 194). By mid-February 1989, the EU member countries had even recalled their ambassadors from Tehran (do Céu Pinto 2001: 107), but they returned to Tehran shortly after, and the resumption of diplomatic relations was agreed. However, the affair complicated the diplomatic relations between Britain and Iran for some time to come.

Another important obstacle to better relations between Iran and the EU was the fact that during the 1980s and 1990s Iranian opponents to the Islamic regime in Iran were assassinated in various European cities (do Céu Pinto 2001: 102), such as Paris (Iran’s former Prime Minister Shahpur Bakhtiar in 1991), Berlin (high ranking members of the

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Kurdish Democratic Party of Iran in 1992) – the so called Mykonos case (see chapter 6.3) -, and Vienna (Dr. Abdul Rahman Ghassemlou of the Kurdish Democratic Party of Iran 1989). It was always impossible to find out whether these assassinations were ordered by the Iranian government, its agencies, or extremist individuals of the political elite (Bakhash 2001: 250).

Nevertheless, the Iran-Iraq War and the US economic sanctions on Iran brought Iran closer to Europe. Iran needed the European market to export its oil and was dependent on Europe’s manufactured consumer goods, capital goods, as well as management and industrial services. Due to the war against Iraq, Iran needed to establish military trade links with as many countries as possible. Western Europe was an important source of weapons both through official and clandestine arms dealers (Ehteshami 1991: 62-63).

Many European countries also remained important trading partners of Iran during the Iran-Iraq War, despite the political difficulties due to the issues mentioned above. As has been shown earlier West Germany, Italy, and Britain had good trade relations with Iran and even France (see appendices 1 and 2), despite its military support to Iraq, maintained its trade position. Iran remained Britain’s second most important Middle Eastern export market, even in 1988, when the Rushdie affair started.

6.3 Iran-European Union Relations during Rafsanjani’s Presidency (1989-1997)
When Hashemi Rafsanjani became president in 1989 the economic and diplomatic relations between Iran and the EU entered into a new phase. During this period it became more important to find a common ground, based on mutual interests, rather than to stress the differences. Internally, the death of Khomeini, the economic crisis, Rafsanjani’s rejection of the “Export of the Revolution,” and externally, the changing international environment – due to the end of the Cold War – had a decisive impact on the rapprochement of the EU with Iran. The EU was seen by Iran as a valuable source of foreign loans, credit, and investment to implement Iran’s economic restructuring program (see chapter 3). For the EU, Iran remained an important source of oil supply but also, with a population of 60 million (now 72 million), an important trading and investment partner. Iran was the only country in the Middle East, which, at that time, was not dominated economically by EU competitors, especially the US. Additionally, the EU needed Iran’s help to free its hostages in Lebanon and prevent the killing of Iranian dissidents in Europe, particularly in France and Germany, but also in Austria (Moshaver 2003: 293).

In the mid-1990s, economic relations between Iran and Europe increased, particu-
larly the trade relations with Germany, France, Britain, and Italy (Moshaver 2003: 293).

In December 1990, the Iranian minister of Foreign Affairs Ali Akbar Velayati visited France where he met with the French President François Mitterrand. In May 1991, the French Minister of Foreign Affairs Roland Dumas visited Tehran. A meeting between

167. Unlike other European countries (like France, Britain, and Russia), Germany had no colonial aspirations in the Middle East in the 19th century. When the German Reich was established in 1871, the other countries had already expanded towards the East and there was not much left for Germany to occupy. Furthermore, Otto von Bismarck, Germany’s first Reichskanzler, disliked colonial acquisitions. Germany followed a policy of accepting the status quo in the Middle East, subordinating foreign policies towards the Middle East to relations with the US and other European countries, and mediating in conflicts in the Middle East. Economic relations, however, were flourishing (Schwanitz September 2007). Already before World War I Germany had considered the Persian Empire, along with the Ottoman Empire, as fertile ground for commerce. For the Qajar Empire Germany was a source of top-quality Western technology and, since the country had no colonial aspirations in the Middle East, a foreign power that could counter Russian and British interests. During World War I the good relationship was interrupted but resumed during the 1920s, when Germany provided Iran with planes for its air force and helped to establish the Iranian National Bank. Also, when the Nazis gained power in Germany the good relationship between Germany and Iran remained. For the Iranian Shah, Reza Shah, Germany was a source of technology. He considered it a counterweight to Moscow. For the Nazis, from a geopolitical perspective, Iran was a key country to isolate both the Soviet Union and British India. When the Soviet and British forced the Shah to abdicate in 1941 Germany could no longer pursue its interest in Iran. After World War II the US established good relations with Reza Shah’s son, Mohammad Reza Shah. Also German firms invested heavily in Iran while the Iranian government gained 25 percent of Friedrich Krupp GMBH, a German heavy industry giant. In order not to disturb its good relations with Iran, the German government refused permission for the human rights organization Amnesty International to hold a conference on Human rights abuses in Iran. It even handed over information to the Iranian secret service SAVAK. In 1975, the German-Iranian Chamber of Commerce in Tehran was established (Mahdavi 1365/1987; Ramazani 1966; Rezun 1981). After the Iranian Islamic revolution in 1979 the diplomatic relations between Germany and Iran cooled down. Like other countries in Europe, Germany sold industrial goods worth billions of dollars to Iraq. When the Iran-Iraq War ended, and after the end of the Cold War and Germany’s reunification, however, Iran and Germany started their “critical dialogue” that continues until today. The top of the German industry has been doing business in Iran including: Siemens, Mannesmann, Krupp, Daimler-Benz (some key contracts were signed with firms from former East Germany) (Lane 1995: 82, 85-86). Relations between Iran and Germany continued almost trouble free until the Mykonos case in 1997 (see chapter 6.3) and have continued since then.

168. France’s connection with the Middle East used to be with the Arab states and not Persia/Iran. Only in the 1970s, when Iran’s financial position improved as oil and gas exports were increasing, did economic relations between Paris and Tehran intensify, but political relations remained limited. An important source of tension between the two countries was the fact that France supplied Iraq with arms during the Iran-Iraq war. Another source of tension was a US$1 billion loan that the Shah had granted France for the construction of nuclear power stations in Iran. After the Islamic revolution, the Iranian regime demanded that the French government either pay back the money or build the nuclear power station. France finally agreed to return US$ 330 million of the loan and to pay the rest in exports, under the provision that Tehran would co-operate in releasing French hostages held in Beirut by Hezbollah in the mid-1980s. Difficulties between Iran and France started in 1980, when some members of the Iranian political elite during the Shah period (members of the Pahlavi family, politicians, army generals, intellectuals, and dissidents), who had fled the country to France after the revolution, started to reorganize themselves and prepare the overthrow of the Khomeini regime. France gave political asylum to Shapour Bakhtiar and, in 1981, to the IRI’s first president, Abolhassan Banisadr, as well as to the leader of the Mujahedin-e Khalq, Massoud Rajavi. As a reaction, Tehran prevented 157 French nationals from leaving Iran for France (Tarock 1999: 47). About two weeks before the end of the Iran-Iraq war the relations between Iran and France were restored on 16 July 1988. Since then a number of trade, investment, and technical agreements have been signed between the two countries.
President Rafsanjani and President Mitterrand was postponed due to the assassination of the former Iranian Prime Minister Shapour Bakhtiar in Paris (Hunter 1992: 136).

In the mid 1990s, three issues hampered the good relations between Iran and the European Union: (1) the Mykonos case; (2) the Hofer affair; (3) the Rushdie affair.

On 10 April 1997, a German court held members of the Iranian political elite, including President Rafsanjani, responsible for direct involvement in the assassination of three Iranian Kurdish leaders in Berlin at a Greek Restaurant called Mykonos (Tarock 1999: 53).

Prosecuting attorney Jost said in his closing statement:

“it is not possible to avoid mentioning the state terrorist background of the murder” and “there cannot be the slightest doubt that the attack was planned and prepared by the Islamic Republic of Iran and its leading men” (cited in Clawson 23 July 1997).

In his verdict of 10 April 1997 Presiding Judge Frithjof Kubsch stated:

“Iran’s political leadership made the decision [...] to liquidate KDPI [Kurdish Democratic Party of Iran]. The final decision on such operations lies with the ‘Committee for Secret Operations’ which lies outside the constitution and whose members include the state president, [...] the top official responsible for foreign policy [and] the ‘religious leader’ [who] is a political leader [rather] than the spiritual head of the Muslims” (cited in Clawson 23 July 1997).

As result of the verdict the ambassadors of all EU member countries were withdrawn from Iran, and the Critical Dialogue, initiated in 1992 by the EU (see chapter 7.1), was suspended. The EU Ambassadors returned 6 months later, except for the German and British ambassadors (Rieck 2000: 133-38), who initially were not allowed to reenter Iran. Though the Mykonos case brought about some turbulence in the relations with Iran, it did not put the fundamentals of the Critical Dialogue into question. There was no doubt in the EU that dialogue was preferred to isolation, and the EU member countries – despite their differences – kept the door open to Iran (Calabrese 2004: 3). For example, the German foreign minister was of the opinion that only through a continuous “critical dialogue” with Iran, would Western countries be able to influence the Iranian leadership. The German foreign minister, Klaus Kinkel, said in defense of Germany’s continuing economic and diplomatic relations with Iran when the Mykonos case was going on:

“One cannot simply turn diplomatic relations on and off like a water faucet” (cited in Schmid 28 November 1996).

In a letter to President Rafsanjani, German Chancellor, Helmut Kohl, affirmed that the German government would operate separately from the judiciary (Schmid 28 November 1996). The German Foreign Minister, Klaus Kinkel, told US officials in Washington in November 1997:

“We believe that you need to talk to people if you are to influence them. If you are to influence Iran, you need to talk to them on the points where there is disagreement” (cited in The Associated Press 5 November 1999).

The Hofer case was a reaction of the Iranian government intended to punish Germany for the Mykonos case outcome. Iran’s aim was to exchange Hofer for Kazem Darabi, who received a life sentence for having directed the killing of the three Kurds at the Mykonos Restaurant, as was stated by former Iranian President Abolhassan Banisadr. The Hofer case concerned a German businessman, Helmut Hofer, who was arrested in September 1997 in Iran on charges of having had a sexual relationship with an Iranian woman. He was sentenced to death but eventually freed in January 2000. Analysts in Iran saw the Hofer affair, also, as an attempt by the Conservative faction of the political elite in Iran to put pressure on the Reformist President Khatami, who had just been elected President a couple of months earlier (IPS 10 February 2000).

Another important issue that still posed an obstacle to better Iran-EU relations was the fatwa on Salman Rushdie. President Rafsanjani declared that the edict would not be carried out, though he was not able to formally change it. Some clergy of the Conservative faction of the Iranian political elite confirmed, however, particularly in their Friday Prayers, that the government would not depart from its revolutionary guidelines implemented by Khomeini after the revolution (Moshaver 2003: 295), and also not from the fatwa against Salman Rushdie. This might also have been a reaction to how the European public saw the political system in Iran, discrediting it as a “mullah state” or “theocracy,” and stressing the need for a “secularization” of Iran. Due to this view of the IRI, members of the Iranian government became suspicious about the real motives of Europe in entering into a critical dialogue with Iran, namely the change of the political system of Iran (Reissner 2006: 118).

In 1992, the Clinton administration passed the Iran Non-Proliferation Act extending export sanctions on Iraq and Iran, followed by the “dual containment” policy in 1993 (see chapter 5.4.3). In 1996, President Clinton introduced the ILSA prohibiting investment in Iran’s and Libya’s energy sector. With the ILSA President Clinton not only aimed at punishing the Iranian government, but also to undercut the European policy towards Iran. Through the introduction of the ILSA, the US intended to put pressure on European and other countries to follow US economic policy towards Iran. But it
did not work out as the US had hoped. While the EU chose to engage with Iran and increase trade relations the US followed a policy of isolation and sanctions (Moshaver 2003: 294).

Many European countries even acted against the sanctions. For example, in July 1995, the French-based oil company Total and Iran’s NIOC signed a deal for the development of offshore oil and gas fields in Sirri. This same contract had earlier been given to the US Company Conoco but had been withdrawn after the US ILSA Act had been introduced. On 29 September 1997, Total signed a $2-billion deal (together with Gazprom [Russia] and Petronas [Malaysia]) to explore the South Pars gas field and to help develop the field during Phase 2 and 3 of its development. Furthermore, Iran and France concluded other contracts for the development of airport, rail, land, and sea facilities for the transit of French goods to Central Asia. Also, Germany remained a leading trading partner for Iran, mainly with regard to oil imports and exports of other products to Iran. Trade relations could also be improved with Britain, Norway, and the Netherlands. By 1995, the EU had become Iran’s largest trading partner with over 40 percent of total Iranian imports. Iran exported 36 percent of its total export to the EU, 75 percent of which was oil. Iran’s external debt to the EU (rescheduled in 1996-1999) amounted to US$ 10 billion by 2001 (EU Commission 2001: 71).

When Khatami was elected president, he was not only able to intensify economic relations between Iran and the EU but also to improve Iran’s diplomatic stance in the world.

The improved economic and partially improved diplomatic relations between Iran and the EU were continued during the presidency of Mohammad Khatami. President Khatami’s promises to his electorate: political reforms, a strengthening of civil society, and the rule of law, appealed both to the Iranian people and the EU. It also gave the Critical Dialogue with the EU a new impetus. President Khatami’s call for a “Dialogue of Civilizations” opened the way to a deepening of economic and diplomatic relations with the EU, without the EU having to appear uninterested in US concerns.

Mohammad Khatami was elected when Iran was still in a diplomatic crisis with the EU, due to the Mykonos case. Despite the Iranian population’s wish to normalize relations with the West (the EU and the US, see chapter 4), there was still opposition among the Conservative forces of the Iranian political elite. Supreme Leader Khamenei for example stated that many countries, besides the EU, wished to sell goods to Iran. Therefore, Iran:

“ha[d] no need of Europe” (Iran Radio 30 April 1997 cited in BBC ME/2098MED/1-2, 2 May 1997).

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171. The project was completed in 2000.
Elaheh Koolaee, associate fellow of the University of Tehran and Member of Parliament for the Reformist faction during Khatami’s presidency, underlines the fact that there are different approaches towards the EU in Iran:

“I think in our country there is a very positive maybe contradictory outlook about European countries. There are very considerable differences among the people, especially on the elite level and intellectual people or decision makers […], about the European countries and the benefits of cooperation and expanding relationships with these countries […] because of a variety of thinking about the different countries. It is not an exclusive subject about European countries, about Russia, about America, about China – all the countries. There is some kind of fragmentation among the people. And, […] maybe we can see some contradictions in the analysis of people about the benefits of this kind of relationships with these parts of the world.”

She argues that this has to do with different outlooks of Iranian policy makers and intellectuals towards the world and particularly the West:

It is related to the essence of looking at the external world […]. I think there is a very strong idealism among Iranian people about the world. Maybe some kind of nostalgia about the past, the very distant past […]. Based on these perceptions there are different ideas among intellectuals and decision-makers in our country about the benefits of expanding relations with European countries. You know, we have many different needs in our external relations, I mean in our trade level, there are many answers in European countries for our demands. […] This way of thinking has its defenders and supporters. But, there are some people who insist on expanding relations with Russia […], to transfer technology, to train […] experts, scientific and applied sciences for transferring technology […]. But, based on the previous policies of European countries in the time before WO II the process of colonialism and different confrontations between European people and Third World people […] there is a deep pessimism […] about all western countries. Meanwhile there are many people in our country that have a very, very positive perception about the effects […] of expanding relationship with western countries especially European countries. So I think there are different ideas based on the paradigm that people use […].”

When the ambassadors of the EU member countries had returned to Iran, after the Mykonos case, the Italian prime Minister visited Iran and President Khatami paid visits to several European countries to strengthen a “constructive engagement” : Italy (March 1999), France (October 1999) and Germany (July 2000) – Iran’s main EU trading partners. President Khatami hoped to be able to break the IRI’s largely self-imposed international isolation. At the same time, he tried to play on European commercial rivalries, to stress the differences between the EU and the US towards Iran, and get FDI and foreign

loans. He was aware that he could only attract FDI if Iran could provide security to the investors. Security was only possible by applying the “rule of law” in Iran (Chubin 2002: 32).

In September 2001, Kamal Kharrazi, the Iranian foreign minister, undertook the first visit of an Iranian foreign minister to the EU in Brussels. Since then several visits have taken place from both sides, with top EU officials, including the foreign policy chief, Javier Solana, and Commissioner Chris Patten, visiting Tehran, and a visit of a delegation from the European Parliament to the Islamic Republic in the summer of 2002. In February 2003, Iran’s foreign minister, Kamal Kharrazi, spoke to the European Parliament in Brussels. He was the first foreign minister of the IRI to do so (Khan 2003: 8).

Relations with Britain were also unblocked when President Khatami visited the UN in New York confirming that he considered the Rushdie affair closed; thus the government would make no more efforts to carry out the fatwa. President Khatami had the support of Iran’s foreign minister, Kamal Kharrazi, in this issue. However, there were still voices among the Iranian political elite that declared the fatwa to be valid, such as the Chairman of the Council of the Guardian, Ayatollah Jannati. On the occasion of the anniversary of the Revolution in February 1999, he declared that the fatwa remained: “valid, regardless of what has been said” (cited in Al Hayat 20 February 1999).

The election of Mohammad Khatami and the coming to power of the Reformist faction made the European public and the world change their view of the political system in Iran. The Iranian political elite were now seen as being divided between Conservatives (“the bad guys”) and Reformists (“the good guys”). Hope rose that there really was a possibility of a change in the political system in Iran.

In April 2000, the German Heinrich Böll Foundation organized a conference, inviting only reform oriented Iranians as representatives of a new progressive Iran. Invited were, among others, Hassan Yussefi-Eshkevari and Akbar Ganji. Upon return to Iran many participants at the conference were put in jail. Another example is the communication of the European Commission to the European Parliament and the Council, “EU Relations with the Islamic Republic of Iran” (7 February 2001). While this communication stressed the hope that Iran was a potential partner for stability in the region (this statement was also made by President Clinton after the parliamentary elections in Iran in 2000), it also claimed that progress in the reform process was a precondition for improving relations with the EU. The link between reform and cooperation made the Iranian government suspicious. It understood it in the sense that the EU supported the reformist movement in Iran, and also considered this movement as the only suitable partner for dialogue (Reissner 2000: 140; Reissner 2006: 119). During the second phase

of Khatami’s presidency the nuclear issue became a serious diplomatic obstacle to relations between Iran and the EU. When the Iranian presidential elections took place in 2005 the EU hoped that Hashemi Rafsanjani would win. The chances for dialogue on Iran’s nuclear program seemed to be greater with Rafsanjani as President than with Mahmoud Ahmadinejad. But, Ahmadinejad won the elections and very soon made clear his opinion on Iran’s right to enrich uranium and develop nuclear weapons.

6.5 Iran-European Union Relations since Ahmadinejad’s Presidency (2005-)

On 11 April 2006 President Mahmoud Ahmadinejad told the public that Iran had joined “the club of nuclear countries.” This was “a very historic moment,” he said. In a pilot test Iranian scientists had successfully enriched uranium. This would bring Iran closer to becoming self-sufficient in nuclear fuel for its power plants. Ahmadinejad openly stresses Iran’s right to develop nuclear weapons, especially as those countries having them have no intention of getting rid of them.

In an interview with the German weekly journal Der Spiegel, in May 2006, President Ahmadinejad stated:

“The IAEA was also established to promote the disarmament of those powers that already possessed nuclear weapons” (cited in Aust et al 30 May 2006).

In his speech at the UN General Assembly, in September 2006, he said:

“Some powers proudly announce the production of second and third generations of nuclear weapons. What do they need these weapons for?”

In August 2006, President Ahmadinejad remarked that:

“How can the Iranian nation give up its obvious right to peaceful nuclear technology, when America and some other countries test new atomic bombs each year?”

And Iranian chief negotiator Larijani stated at the beginning of May 2006:

"There must be a balance between the rights and the obligations stemming from the NPT. It is not fair that we should have all the obligations but not enjoy the rights.”

Though Iran might make use of this discourse for its own advantage, it cannot be denied that there lies some truth in the words of President Ahmadinejad and Ali Larijani, which makes it difficult for nuclear powers, especially, to promote the non-proliferation of weapons of mass destruction (WMD) in the World, in general, and in Iran, in particular (Harrison 18 January 2006).

As Ramazani notes (11 February 2007), Iran also sees a breach of earlier contracts signed between Iran and Western countries during the Mohammad Reza Shah period:

“Tehran’s insistence on enriching uranium on its soil under the terms of the NPT stems from the fact that, after the Iranian Islamic revolution in 1979, Western powers, including the US [and also Germany and France], breached contracts they had signed for Iran’s nuclear development.”

In Iran, the nuclear debate is part and parcel of the overall debate on the country’s role in world politics after the Cold War. The discussions among the Iranian political elite seem to cut across different political factions. Some Conservatives are against the possession of WMD, while some Reformists argue that the development of nuclear weapons is Iran’s right and a national security imperative. In general, as Ehteshami argues (2006: 79-81), five main arguments in favor or against the possession of nuclear weapons can be distinguished:

(1) The first argument for WMD-possession is based on the rights of states who are signatories to the NPT. According to this view, Iran has the right to acquire nuclear technology and know-how for peaceful means. Opponents emphasize the costs of the nuclear program and its environmental risks;

(2) The second argument is that Iran will be taken seriously as a dominant actor in the Persian Gulf region only if it has an extensive nuclear research and development (R&D) program. Opponents argue that, as the cases of the Soviet Union and North Korea have shown, the technological spin-offs from nuclear research are only minimal. Furthermore, the majority of the experienced Iranian scientists live abroad and, therefore, there would be no positive national impact from the benefit of this highly sensitive research.

(3) The third argument in favor of developing nuclear technology is based on Iran’s geopolitical security environment: Iran’s neighborhood is insecure and inter-state relations are uncertain. Opponents respond that Iran is not confronted with any serious threats. Since the Iraqi threat is gone, there are no enemies around who justify Iran’s possession of nuclear weapons;

(4) The fourth argument contradicts the third argument, holding that in the post-Cold War and post-9/11 era, only the possession of nuclear weapons guarantees Iran’s independence and sovereignty. Opponents argue, the deployment of nuclear weapons would have an adverse affect on relations with neighboring countries and would make Iran more vulnerable to attacks;

(5) Finally, the fifth argument is related to national energy resources. Proponents as-
sume that with the construction of nuclear power plants, Iran would become independent of outside energy suppliers. Opponents argue that Iran, with its status as one of the world’s largest untapped sources of natural gas, could hardly convince the world of the necessity of nuclear technology to secure energy supplies.

There is no consensus among the Iranian political elite on the nuclear issue. The outcome of the debate will depend as much on the balance of power between the different political factions in Iran as on how Western powers will react to Iran’s nuclear ambitions (Baheli 2005).

According to Chubin (2006: 28), the primary motive for Iran to develop nuclear technology is to legitimize the political regime. The nuclear debate is part and parcel of the general debate on where Iran is heading in the future, and how it should interact with other countries. It also reflects the quest of Iran to be treated with respect regionally and internationally. Polls show that about 80 percent of the Iranians support Iran’s right for access to nuclear technology as they consider it an important factor to improve Iran’s international scientific status. What people dislike is how the debate is presented by the political elite in Iran. The Iranians do not want to complicate international relations in a time when the country has great economic problems, as discussed in chapter 3. Confrontation and international isolation is therefore not in the interest of the Iranian people (Chubin 2006: 28-29). Since the transfer of the Iranian nuclear dossier to the UN Security Council in February 2006, the issue has become internationalized. Not only is the US now openly involved, but so are Russia and China. A possible solution might be the Russian proposal, first suggested in August/September 2005, to enrich Iranian uranium in Russia and ship it back to Iran. There were some favorable Iranian reactions to this suggestion.

The Iranian government probably fears that if it gives in on the nuclear issue, other demands by the EU and the US might follow, such as on human rights, terrorist groups, recognition of Israel, or regime change. As Ahmadinejad states:

“If you give in on the nuclear weapons program, they’ll ask about human rights. If you give in on human rights, they’ll ask about animal rights.”

This could have a negative effect on the negotiations on the nuclear issue (Harrison

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179. See also the interview with Larijani “Tarh-e Rusiye Ghabel-e Mozakere ast” (The Russian proposal is worth negotiating), Iranian Students News Agency, (6 February 2006).

18 January 2006; Sagan 2006). A possible solution could be a clear statement by the US that it is not aiming at regime change in Iran.

Iran began its first nuclear power program in 1957, with the signing of the Atoms for Peace Program between Iran and the US (Bowen and Kidd 2004: 263). In 1967, the first nuclear facility was established at Tehran University. The research reactor came from the US and West Germany. In 1968, Iran signed the Non-Proliferation Treaty (NPT), according to which Iran had the right to develop research, production and use of nuclear energy for peaceful purposes, and to have access to equipment, materials, and scientific and technological information.

Construction of the Bushehr power plant began in 1974 by the West-German Siemens Company and its subsidiary Kraftwerke Union (Hibbs 1991). In the 1970s, Iran bought reactors from Framatone (France), Kraftwerke Union (Germany), and via the Atomic Energy Commission (US). Iran also signed an agreement with South Africa to exchange uranium with financing a uranium-enrichment plant. The Iranian political elite under the Shah envisioned to have built 20 nuclear plants by the beginning of the 1990s (Cottrell 1978: 428).

When the Islamic revolution took place two nuclear reactors, the one at Bushehr and one on the Persian Gulf, had almost been completed. Had the Shah’s regime not been overthrown by the Islamic revolution, Iran would probably now be one of the states with nuclear weapons, according to Tarock (2006: 652).

After the revolution and during the Iran-Iraq war, the Iranian nuclear program was brought to a halt. Germany refused to complete the power plant, as it feared that Iran would try to develop nuclear weapons (Hibbs 1991). After the end of the Iran-Iraq War in 1988 the nuclear program was restarted with Russian and Pakistani assistance (Bowen and Kidd 2004: 263). In 1995, Russia and Iran signed an agreement worth US$800 million to complete construction of the Bushehr nuclear power plant (Cirincione 2002: 257-60).

The US demanded from Russia that they abandon the Bushehr project (US Department of Defense, January 2001). Although Russia argued that the reactor was not a proliferation risk, it partially gave in to the US when it dropped a plan to supply a uranium enrichment facility to Iran (Cirincione 2002).

China is another important factor in the Iranian nuclear energy program. According to an April 1996 US Department of Defense report, in 1991 China supplied Iran with 1,000 kilograms of uranium hexafluoride, 400 kilograms of uranium tetra fluoride, and 400 kilograms of uranium dioxide. The report concludes that, at that time, China was Iran’s main source of nuclear assistance (US Department of Defense January 2001).

According to IAEA investigations Pakistan has also played a significant role in the Iranian nuclear energy program, providing Iran with technology and assistance for centrifuge enrichment (Rashid and Gedye 2004: 13). Although the Pakistani President, Pervez Musharraf, has denied the official authorization of the transfer (Associated Press 26 December 2003), it is believed that Pakistani intelligence services and sen-
ior military commanders, among them Musharraf, had been fully aware of the deal (Rashid and Gedye February 2004: 13). The IAEA also investigated the involvement of several other countries in Iran’s nuclear energy program, concluding that companies in Germany, Switzerland, Austria, and other Western European countries are involved (Associated Press 26 December 2003). Although most European countries act in accordance with the prohibition on nuclear trade with Iran, as introduced by the US in the 1980s, the involvement of European firms in the Iranian nuclear energy program shows how difficult it is to control the trade in nuclear-related technologies.

6.6 Summary
The overall changing foreign policy orientation of Iran since the Islamic revolution also influenced relations between Iran and the EU, from an ideologically driven foreign policy orientation in the first ten years under Khomeini’s leadership, to a more pragmatic approach under the presidents Rafsanjani and Khatami and finally a confrontational – at least in rhetoric – approach since Ahmadinejad has become President. Iran considers the EU a necessary partner for economic reform, especially since relations with the US have been put on hold.

In the first ten years after the revolution, economic relations established before the revolution were continued, although the US put a complete trade ban on Iran and demanded that the EU do the same. After the hostage taking of US embassy diplomats and staff in Tehran, EU member countries became important for Iran, in diplomatic and economic terms, to replace the close ties Iran had had with the US before the Islamic revolution. Still, in the beginning, the EU was more cautious towards Iran, firstly, due to the Iran-Iraq War, in which most countries sided with Iraq, but also because of the EU’s alliance with the US in the Cold War context.

Other factors that complicated the relationship between Iran and the EU were Iran’s support for Hezbullah in Lebanon and the hostage taking of Westerners in Lebanon by Hezbullah; the fatwa against Salman Rushdie; and the killing of Iranian dissidents in Europe.

From 1989, economic and diplomatic relations between Iran and the EU entered into a new phase. Internally (in Iran), the death of Khomeini, the economic crisis, Rafsanjani’s rejection of the “Export of the Revolution” and externally, the changing international environment, due to the end of the Cold War impacted on the rapprochement between the two. The EU was seen by Iran as a valuable source of foreign loans, credit, and investment to implement Iran’s economic restructuring program. Both sides agreed that finding a common ground based on mutual interests was more important than the differences. Still the improving relations between Iran and the EU were hampered by several issues, especially the Mykonos case and the Rushdie affair.

When Mohammad Khatami became president in 1997, the improved economic and partial diplomatic relations between Iran and the EU were continued. Khatami’s call for a “Dialogue of Civilizations” opened the way to the deepening of economic and dip-
diplomatic relations with the EU, without the EU having to appear indifferent to US concerns. The coming to power of the Reformist faction in Iran made the European public and the world change their view of the political system in Iran. The EU stressed that progress in the reform process was a precondition for improving relations with the EU. The Iranian government was furious as it believed that the EU would only support the reformist movement and considered this movement as the only suitable partner for dialogue. Iran wants to be treated as an equal partner and parts of the Iranian political elite will be suspicious of the EU as long as it keeps supporting the Reformist political forces in Iran, while neglecting the Conservative and neo-Conservative political forces.

Furthermore, the nuclear issue has in the last few years overshadowed the relations between Iran and the EU, even more so since Ahmadinejad has become president. In Iran, the nuclear debate is part and parcel of the overall debate on the country’s role in world politics after the Cold War. The discussions among the Iranian political elite seem to cut across different political factions. Some Conservatives are against the possession of WMD, while some Reformists argue that the development of nuclear weapons is Iran’s right and a national security imperative. Thus, there is no consensus among the Iranian political elite on the nuclear issue. During the reign of Mohammad Reza Shah, Western European and US firms supported the nuclear program with equipment and know-how. It is believed that, had the Islamic revolution not taken place, Iran would now be among the countries that are in the possession of nuclear weapons.