

# **Iran's Nuclear Programme: The EU Approach to Iran in Comparison to the US' Approach\***

**Aylin Ünver Noi\*\***

## **Summary**

This article aims to provide a perspective concerning EU-Iran and US-Iran relations after the Islamic Revolution of Iran in order to enable the reader to understand the current policies of the EU and the US towards Iran, particularly on the nuclear issue. In this context, the reasons, which shape the different approaches of these two powers, will also be analysed. Furthermore, the impacts of these two powers' policies on Iran's nuclear issue will be evaluated by examining the answer to the following question, with a view to shedding light on previous sanctions and their impact; which foreign policy instrument will be successful in solving this issue; the EU's "carrot" or the US's "stick" or neither of them?

## **Introduction**

With the Islamic Revolution in Iran (1979), a new model of government in which Islam would play the central role was established. The United States (hereinafter referred to as the US) and the European Union (hereinafter referred to as the EU) Member States entered into new phase in their relations with the Islamic Republic of Iran (hereinafter referred to as Iran) due to the newly established Islamic government's criticism of the US and Israel, its stance towards the Middle East issue, terrorism and human rights. After the first decade of Revolution, EU Member States abandoned a trans-Atlantic solidarity pattern in their relations with Iran although the US was trying to make them part of its own policy which is "to join the American embargo and politically isolate" Iran again.<sup>1</sup> The commercial attractiveness of Iran hindered the EU and its leading oil companies in pursuing such a policy. In this respect, Iran from time to time became a source of friction between the USA and the EU, and an obstacle to Euro-Atlantic solidarity and policy coordination.

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\* This article was written before the elections were in Iran in June. It is considered that there will be no change in position of the Iranian side because this issue is not an issue of governments, it is an issue of state.

\*\* PhD Programme, Marmara University EC Institute, EU Politics and International Relations Department.

<sup>1</sup> During the first phase of the Revolution (1979-1989), EU Member States followed a trans-Atlantic solidarity pattern in their relations with Iran despite their interests in the region. The factors contributed to this are evaluated in detail in the EU-Iran relations section.

Their different approaches to the region again resurfaced on Iran's uranium enrichment for nuclear energy. This time, there is combined EU/US pressure on Iran regarding the nuclear issue. However, the EU favours continuation of the negotiations by offering improved trade relations and WTO membership to Iran in order to find a permanent solution to this issue, whereas the US favours bringing the issue to the UN Security Council for possible economic sanctions, and also indicating the possibility of a pre-emptive military strike against Iran's nuclear facilities as a last resort, as US Vice president Dick Cheney stated recently.

In the first two parts of this article, the reasons which shape the different approaches of the US and the EU towards Iran will be evaluated while giving detailed information with regards to the Iran-US and Iran-EU relationship since 1979. In the following part, the following question will be examined by focusing on Iran's nuclear programme; which foreign policy instrument will be successful in solving this issue; the EU's "carrot" or the US's "stick" or neither of them?

### **Iran-USA relations after the 1979 Islamic Revolution in Iran**

The Islamic Revolution in Iran (1979) and then the Iran hostage crisis, which took place immediately after new leader Ayatollah Khomeini's criticism about the USA and Israel and lasted for 444 days, led to the application of economic and diplomatic pressure on Iran. The Iran hostage crisis engendered the USA to take the following measures: 1) Oil imports from Iran were prohibited. 2) Iranian assets in the USA, which were worth approximately USD 12 Billion, were frozen. 3) Travelling between the two countries was prohibited.

The death of the Shah and the invasion of Iran by Iraq in 1980 helped resolve the hostage crisis and the hostages were set free as a result of this development. The US accepted the normalisation of economic relations with Iran. However, this optimistic thinking did not last long, and George Schultz, USA Secretary of State, declared Iran to be a state providing support for international terrorism. With the Congress decision taken in 1987, the US started to take new restrictive trade measures. Prohibition of oil imports from Iran was one of the measures taken in this respect. This prohibition expanded to other fields during the Presidency of Reagan.<sup>2</sup> In the period following

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<sup>2</sup>Öymen, Onur. (2002). Silahsız Savaş: Bir Mücadele Sanatı Olarak Diplomasi, İstanbul: Remzi Kitabevi, p. 208.

Khomeini's death, Rafsanjani started his first term (1989-1993). During Rafsanjani's administration, the 'non-relations' with the US remained tense although Rafsanjani sent a green light for better relations in an interview with the US television broadcaster Cable News Network (CNN) before being elected as President. With this interview, expectations in the direction of a rapprochement between Iran and the US emerged. However, these expectations could not go beyond being just expectations since the 'non-relation' status between Iran and the US was maintained.<sup>3</sup>

In 1993, the Clinton administration announced its policy which was described as the "dual containment" of Iran and Iraq. This policy was the outcome of an assessment that the current Iraqi and Iranian regimes were hostile to American interest in the region. With this policy, the USA was aiming an enhanced American military commitment to the Gulf with closer military ties to Israel, Saudi Arabia and Turkey.<sup>4</sup> In 1995, President Clinton issued an executive order banning all US trade and investment activities in Iran. However, US oil companies through their foreign affiliates became Iran's largest purchaser of oil despite Executive Order.<sup>5</sup> The agreement between Iran and American oil company, Conoco, to develop the South Pars gas field in the Persian Gulf, the finalisation of a major nuclear reactor deal in 1995 between Russia and Iran, criticism from Europe that the US was selling Iranian oil on the international market, all led to additional unilateral steps which would be taken by the Clinton administration to isolate Iran.<sup>6</sup>

In the following year, the US Congress passed ILSA (Iran Libya Sanctions Act) and prohibited investment of US oil companies in Iran. With this Act, investments above USD 40 million for oil and natural gas were prohibited not only for USA companies, but also for other foreign companies. Under the law, the US would penalise foreign companies who invested more than USD 40 million in Iran's energy sector. The USA was hoping that this Act would deter foreign companies from investing in Iran. However, the expected did not happen. Moreover, this Act triggered reactions from the EU countries. EU countries did not impose economic sanctions on Iran during 1996. This led to US complaints that the Europeans were showing a lack of solidarity with them on Iran.<sup>7</sup>

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<sup>3</sup>Roshandel, Jalil, 'Evolution of the Decision-making Process in Iranian Foreign Policy, 1979-1999' in Eric Hooglund (eds.) *Twenty Years of Islamic Revolution; Political and Social Transition in Iran since 1979*, (New York: Syracuse University Press, 2002), p.130.

<sup>4</sup>Kemp, Geoffrey, 'The Challenge of Iran for US and European Policy' in Richard N. Haas (eds.) *Transatlantic Tensions: The United States, Europe and Problem Countries*, (Washington D.C.: Brookings Institution Press, 1999), p. 50.

<sup>5</sup>In 1994, US companies purchased 30% of Iran's oil exports (Kemp; 1999, p. 54).

<sup>6</sup>Kemp; 1999, p. 54.

<sup>7</sup>Kemp; 1999, p. 55.

With the election of Khatami, the Clinton administration changed its policy towards Iran. This change in policy was first revealed by the speech of Secretary of State, Madeleine Albright in Asia Society in 1998. A further instance of the goodwill of the Clinton administration towards Iran was to place an opposition group to the Iranian regime, the Mojahedeen e-Khalq, on the terrorist list, to freeze its financial assets in the USA and to deny US visas to its members. This was a gesture which was made in acknowledgement of a move made by Iran - the replacement of the former Intelligence Minister Ali Fallahian, an architect of terror campaigns - by the Khatami administration.<sup>8</sup> The Khatami administration's reforms went some way to change the image of Iran as a terrorist, rogue country, helped to improve Iran's external image, and led to the above mentioned instance of goodwill by the Clinton administration. The other factors that helped to improve Iran's external image are listed as follows: 1) There was an abandonment of the idealistic goal to export revolutionary Islam. 2) With the invasion of Kuwait by Iraq, a change in the security environment of the Persian Gulf occurred. With this invasion, Saddam Hussein proved himself to be the source of insecurity (not Iran) in the Persian Gulf. 3) The other factor, which created a change of attitude toward Iran at that time, was the energy reserves of the region, including the Caspian Sea.<sup>9</sup>

Despite these positive developments in terms of relations with Iran, other developments led to the emergence of a negative attitude towards Iran. A decision taken by the French company Total to sign a USD 2 billion deal with the Iranian government to develop a gas field in South Pars, which had originally been granted to Conoco, increased tension between the USA and Iran. The September 11<sup>th</sup> terrorist attacks on the US (2001) escalated the tension between the two countries, and President Bush accused Iran of being part of an "axis of evil" together with North Korea and Iraq. The Bush administration also accused Iran of interfering in Afghanistan internal affairs and of developing weapons of mass destruction.<sup>10</sup> After the invasion of Iraq by US forces, Syria and Iran were indicated as new targets of the US. Iran, along with North Korea is referred to as a "rogue state" involved in the production of weapons of mass destruction. Neither Russia's statement that nuclear cooperation with Iran was conducted in accordance with the rules of the IAEA and under its control nor IEAE verification of this statement eliminated US suspicion and the 'hawks' of the Bush administration still perceive Iran as a threat that must be confronted, either by economic sanctions, military action, or "regime change".

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<sup>8</sup>Kemp; 1999, p. 56.

<sup>9</sup>Roshandel; 2002, p. 133.

<sup>10</sup>Khan, Simbal. A. 'Iran's Relations with Central Asia: A Strategic Analysis' in *Perceptions, Journal of International Affairs: Special Issue on Peace Operations*, Vol. IX, No. 1, March-May 2004, p. 53.

## Iran-EU Relations after the 1979 Islamic Revolution in Iran

After 1945, Iran began to be perceived by Western Europe as an important country due to the existence of oil. Increases in oil prices after the 1973 oil crisis made Iran a highly attractive market for European exports and also a financial source for investment. The Oil crisis of 1973 and the other developments such as the collapse of the Bretton Wood System (1971-1973) led Europe to take measures against a prospective crisis and made their approaches to the Middle East different to those of the US. However, the relationship between Iran and the EU Member States entered into a new phase with the Islamic Revolution. After the capture of US diplomats as hostages in November 1979, the EU Member States agreed to trans-Atlantic solidarity despite their interest in the Iranian market and oil. The reason behind this EU attitude change was the perception of being threatened.<sup>11</sup> In this context, it is possible to say that in the first decade of Islamic Revolution in Iran, the relationship between Iran and the EU Member States, except Germany, deteriorated.<sup>12</sup> This deterioration was not only in their economic relations with Iran,<sup>13</sup> but also had repercussions on their political relationship with Iran. Some events which led to this deterioration are listed as follows: European hostage taking by Iranian backed forces in Lebanon, the fatwa on the writer of "The Satanic Verses" Salman Rushdie and the murders of Iranian exiles in European countries. The unfolding of these events hindered any attempts to improve the political relationship with Iran. These events also prompted the EU to take some measures, such as the implementation of sanctions under Article 113 and Article 223 of the Treaty of Rome against Iran following the hostage crisis, withdrawing ambassadors from Tehran and suspending "Critical Dialogue" after the Mykonos verdict.<sup>14</sup> In this part of the article, developments around EU - Iran relations after the Islamic Revolution in Iran and the impact of policies, implemented by the EU as a common position and/or by the EU's three major countries unilaterally, will be evaluated.

As mentioned in the first part of the article, the US - Iran relationship had been based on economic and diplomatic sanctions implemented by the US administration after the Islamic Revolution in Iran. The main event, which led the US to take such a decision, was the seizure of American

<sup>11</sup> Rouleau, Eric, 'European Union and French Views of the Islamic Republic' in Eric Hooglund (eds.) *Twenty Years of Islamic Revolution; Political and Social Transition in Iran since 1979*, (New York: Syracuse University Press, 2002) p. 146

<sup>12</sup> Contrary to other major EU Member States, Germany policy towards Iran at that time was in favour of keeping trade links with Iran and maintaining its neutrality. As a result of this policy, Germany increased its share in the Iranian market from 21.9 percent to 26.2 percent between 1978 and 1987 (Moshaver; 2003, p. 292, Rudolf; 1999, p. 73).

<sup>13</sup> Rudolf, Peter, 'Critical Engagement: The European Union and Iran' in Richard N. Haas (eds.) *Transatlantic Tensions: The United States, Europe and Problem Countries*, (Washington D.C.: Brookings Institution Press, 1999)

<sup>14</sup> Exiled Iranian Kurdish dissidents were assassinated at the Mykonos Restaurant in Berlin on the order of the highest levels of Iran's government in 1992.

White, Brian. (2001). *Understanding European Foreign Policy*, New York: Palgrave, p. 57.

hostages in Tehran. The EC/EU followed the US arms embargo after the hostage crisis and declared its neutrality during the Iran-Iraq war. However, the reality was different, since EC Member States, with the exception of Germany, supported Iraq as did the US. The main reason behind this Euro-Atlantic solidarity (1979-1989) was European fears that revolutionary, Islamic Iran would destabilise the Gulf region and oil markets. The other factor, which engendered strained relations between Iran and the EU/EC Member States, was Iran's links with and support for the Lebanese militant Shia.<sup>15</sup> In 1989, Khomeini's fatwa calling for the death sentence of British writer Salman Rushdie over his book *The Satanic Verses* became the last factor contributing to strained relations between Iran-EU/EC.<sup>16</sup>

Among the three major EC/EU Member States, only Germany took neutrality seriously and kept its trade links with Iran alive. In comparison with the other EU countries, the UK had the most troublesome relationship with Iran because of its past history with the country<sup>17</sup> Iranians perceived the UK as a country which had exploited Iran's natural resources since the nineteenth century. Moreover, Iranians also believed that the UK had been behind the 1921 coup d'etat that brought Reza Shah to power and had helped the CIA to overthrow the nationalist government of Prime Minister Mohammad Musadeq in 1953. After the Revolution, Anglican priests, who were British missionaries, were killed or taken hostage. As the adverse situation developed, the UK Embassy in Iran was closed and remained so for eight years.<sup>18</sup> The UK failed to normalise relations during the 1980s. This problematic relationship continued during the 1990s. UK claims that Iran was providing financial and arms support for the IRA, (which was denied by Iran), and the fatwa against Salman Rushdie did not help to overcome the problems between these two countries, in fact, it escalated the tension between them. Between Iran and UK. The relationship with France, the other major EU country was also quite problematic during the 1980s. Diplomatic relations between France and Iran were broken off between 1987 and 1988. France supported Iraq during the Iran - Iraq War. Bomb attacks in Paris and the continued demands of Iranian linked terrorist organisations in France, to release five Iranians who were being held in French jails for their part in an assassination attempt in 1980 to kill the ex Prime Minister, Bakhtiar, an attempt which had resulted in several deaths further exacerbated the relationship.<sup>19</sup>

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<sup>15</sup> In 1985, the pro-Iranian Lebanese group Hizbullah started to take the first French hostages in Lebanon (Rouleau; p. 149).

<sup>16</sup> Moshaver, Ziba, 'Revolution, Theocratic Leadership and Iran's Foreign Policy: Implications for Iran-EU Relations' in *The Review of International Affairs*, Vol. 3, No. 2, Winter 2003, p. 292.

<sup>17</sup> The UK was represented in Tehran below ambassadorial level for eight years (Rudolf; 1999, p. 74).

<sup>18</sup> Rouleau; 2002, p. 151.

<sup>19</sup> Rudolf; 1999, p. 74, 75.

With Khomeini's death and the accession of Rafsanjani to the Presidency, Iran-EU/EC relations entered into new phase (1989-1997). Diplomatic and economic reforms realised in Iran and its efforts to normalise relations with the Arab states opened the gate to European rapprochement with Iran. The 1990s became the turning point, particularly in relations between France and Iran. President Mitterand's attempts helped the normalisation of relations with Iran. The Gulf War (1990) and the emergence of Iran as an export market for French industry - a market which compensated for the loss of that in Iraq, played a major role in Mitterand's decision to try to build bridges between the two countries. Iran's assistance in freeing Western hostages who were being held by the Lebanese Shia militants also led to rapprochement between France and Iran. In 1991, they reached an agreement on a financial dispute over Iranian investment in the French Eurodif Uranium Enrichment Facility. Furthermore, two Iranians, who were involved in the assassination of two political exiles, were allowed to leave for Iran by the French government in 1993.<sup>20</sup>

Although the main concerns of three major EU countries were more or less the same, their unilateral relations with Iran showed differences which reflected their national interests. For instance, economic interests and historically shaped strategic preferences engendered Germany to pursue a "cooperative approach" in its relations with Iran and kept its neutral position during the Iran-Iraq war, contrary to the other major EU countries.<sup>21</sup> As of 1991 onwards, Iran took steps to eliminate its economic and political isolation, which took more than a decade, and to re-enter the international community. In this context, Iran liberalised trade, encouraged foreign firms to enter into joint ventures, invited foreign oil companies to participate in oil operations and exploration, influenced the release of all Western hostages in Lebanon and moderated political rhetoric.<sup>22</sup>

The above mentioned developments and reforms which took place throughout the 1990s in Iran, the release of European hostages in Lebanon and the increasing importance of Iran in the region after the first Gulf War, led to the convergence of three major EU countries' - namely Germany, France and the UK - national interests in the region. This convergence contributed to the emergence of a common European position towards Iran, the so-called 'critical dialogue'. The European Council issued the Edinburgh

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<sup>20</sup> Moshaver; 2003, p. 293.

Rudolf; 1999, p. 74, 75.

<sup>21</sup> Rudolf; 1999, p. 74, 75.

<sup>22</sup> Held, Colbert C. (1994). *Middle East Patterns: Places, Peoples and Politics*. Boulder, San Francisco and Oxford: Westview Press, p. 416.

Declaration (1992) establishing “critical dialogue” as the official EU policy towards Iran. Germany became the initiator of this dialogue. Germany's approach to Iran, which was to maintain a position of neutrality after the Islamic Revolution in Iran, was the main factor contributing to the establishment of this dialogue. For Germany, critical dialogue had been mostly about human rights. In this context, four “German-Iranian Human Rights Seminars” were held between 1988 and 1994. Rapprochement between Iran and Germany under the critical dialogue on human right issues was interpreted as political cover for booming business relations with Iran in the early 1990s.<sup>23</sup>

At that time, there was a general consensus in Europe that Iran was moving towards moderation and this was seen as a move in the right direction. For the EU, this dialogue would help further moderation in Iran. This dialogue aimed to bring about further moderation in Iran through meetings, which would be held by the EU Troika and senior Iranian Foreign Ministry officials twice a year. At these meetings, they were focusing on “soft security” issues such as immigration, drug trafficking and organized crime. Human rights and terrorism were the issues at the top of the EU's agenda for critical dialogue. Improvements in these areas were considered pivotal for building closer relations. WMD (Weapons of Mass Destruction) Proliferation was a less prominent consideration at that time.<sup>24</sup>

US administrations continued to implement sanctions and insisted on the implementation of US sanctions by the EU, especially with the D'Amato bill (ILSA), which was approved by Clinton's administration in 1995.<sup>25</sup> However, the EU refused to join these economic sanctions against Iran as part of the US effort to put pressure on Iran to change its behavior. Moreover, the EU Commission complained about the USA to the WTO (World Trade Organization) due to the above mentioned insistence of the US that the EU should follow its lead in sanctions and labeled this insistence as illegal in international law and contrary to freedom of international trade.<sup>26</sup> Contrary to US expectations from the EU, France became the first country which showed its opposition to the US laws aiming to punish companies investing in countries, which Washington considered to be “supporters of terrorism” such as Iran and Libya. The attitude of the US was perceived as interference in France's internal affairs and illegal under international law.

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<sup>23</sup> Rudolf; 1999, p. 73, 74, 75.

<sup>24</sup> Calabrese, John, 'Finding the Fulcrum? Euro-Atlantic Relations and Iran', Middle East Institute, July 21, 2004  
URL:<http://www.iranwatch.org/privateviews/MEI/perspex-mei-calabrese-eu-us-iran-072104.pdf>

<sup>25</sup> D'Amato Bill (ILSA) called for the application of secondary sanctions on foreign companies which had or planned to invest in the oil and natural gas industries of Iran in excess of 40 million dollars during the first year and 20 million dollars during the four following years (Rouleau; 2002, p. 152).

<sup>26</sup> Moshaver; 2003, p. 294.

However, the real reason behind France's opposition to US sanctions against Iran was related to its economic interests in the region, which had been established with the so-called 'critical dialogue'.

During the 'critical dialogue', Europe became one of the leading trade partners of Iran.<sup>27</sup> Iran had been seeking increased foreign investment, especially in its energy sector. France became a primary beneficiary of this dialogue. Hence, French company Total, Russian company Gazprom and Malaysian Petronas made a decision to invest in the South Pars gas field. France was not alone in its opposition to sanctions. Britain also indicated its unwillingness to adopt a hard-line stance towards Iran. Britain called upon the US to drop its sanctions policy and favored an alternative, which was initiated by Germany "critical dialogue" with Iran. Therefore, the initiative, which was taken by France, was followed by the British company Royal Dutch Shell on building a USD 2.5 billion gas pipeline across Northern Iran to carry natural gas from Turkmenistan to Turkey and Western Europe.<sup>28</sup>

The Critical Dialogue between Iran and the EU lasted until the German Court's decision on the Mykonos Case (1992). The Mykonos verdict (1997) became a turning point in terms of Iran-EU relationship for two reasons; 1) the deteriorating Iran-EU relationship harmed the common European position towards Iran since it ended Klaus Kinkel's initiation, "Critical Dialogue". 2) The Mykonos Case revealed high-level government involvement in this political assassination. At that time, many terrorist actions against the regime's opponents in France and Germany took place. The assassination attempt on former Iranian Prime Minister Shahpour Bakhtiar in a Paris suburb was one of these attempts.<sup>29</sup> These events led EU member states to take the threat of Iranian "terrorism" very seriously and unite against it. Fifteen EU member states withdrew their ambassadors from Tehran and suspended the policy of 'critical dialogue' with Tehran. Each country shaped their stance towards Iran according to their national interests from this time onwards. However, this did not last long because in reality, Europeans cannot easily put aside the commercial attractiveness of Iran. Moderate cleric Mohammed Khatami's election in 1997 made the alienation between Iran and the EU short-lived. Khatami's efforts to bring about economic liberalization during his presidency made Iran more attractive economically for Europe.

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<sup>27</sup> In 1995, the EU states exported USD 11.5 billion worth of goods to Iran. Main EU exporter countries to Iran were Germany, France, Italy and UK. Iranian exports to the EU which worth USD 17.5 billion consisting mainly of oil and gas (URL: Komekov, p. 2003).

<sup>28</sup> Komekov, Maxat, 'Iran's Initiatives in the Middle East' 2003  
URL: <http://sir.ac.ir/english/modules.php?name=News&file=article&sid=52>

<sup>29</sup> Time Europa, 'Iran's State of Terror', November 11, 1996  
URL: <http://www.time.com/time/europe/timetrails/iran/ir961111.html>

With the election of Khatami, the 'comprehensive dialogue', which put forward the argument that closer relations with Iran would help the reform movement, was replaced by the former dialogue 'critical dialogue' which had been suspended after the Mykonos verdict. To consolidate this, a Trade and Cooperation Agreement was signed in 2001 between Iran and the EU. The following table shows the trade between Iran and the EU after the 'comprehensive dialogue'.

In conclusion, we can say that the EU-Iran relationship has mostly been based on critical engagement and trade relations. Although the general approach of the EU towards Iran has been a critical engagement and trade relations, some sanctions from the EU side were imposed. In 1989, a sanction was imposed on Iran as a way of protesting against the Salman Rushdie fatwa. This sanction involved recalling ambassadors for consultation, suspension of the exchange of ministerial visits and freezing economic and financial transactions. However, this sanction was imposed only for a few months and was lifted without any progress having been achieved by Iran on that issue. The other EU sanction, which was imposed on Iran, was instituted in 1997 after the Mykonos verdict. It covered suspension of the so-called 'critical dialogue'. Contrary to dialogues, these sanctions did not help Iran to achieve any progress.

Table 1: EU-Iran Trade (in € million)

	1998	1999	2000
Imports*	3711	4720	8462
Exports	4323	3869	5238
Balance	613	-851	-3244

\* More than 75 percent oil products 'EU-Iran: commission proposes mandate for negotiating trade and cooperation agreement, IP/01/1611' (Moshaver, 2003, p. 296).

## The US and EU Approaches on Iran's Nuclear Program

A new dispute emerged over the issue of Iran's nuclear program in 2003. With the resolution (GOV/2004/79), which was adopted on 18 September 2004 by the International Atomic Energy Agency's Board of Governors, on the implementation of the NPT (Non-Proliferation of Nuclear Weapons) Safeguards Agreement in the Islamic Republic of Iran, the IAEA

pressed for more comprehensive information from Iran to demonstrate its adherence to the constraints on its nuclear program that membership of the IAEA required.<sup>30</sup> The US, EU, IAEA, Russia and other G8 members put pressure on Iran to sign the additional IAEA protocol that requires signatories to permit short-notice inspections. The 34 members of the IAEA Board strongly criticized Iran for failing to provide adequate information. Moreover, they decided on a deadline of 31 October 2003 for the preparation of a comprehensive report by the Agency showing whether Iran was in compliance with its obligations under the NPT. The Foreign Ministers of three major EU countries, namely France, the UK and Germany visited Tehran on October 21, 2003, a few days before the deadline. After the visit of these three major EU countries' Foreign Ministers, Iran announced its intention to sign additional protocols and to cooperate with the IAEA.<sup>31</sup>

According to the Director General's Report on the implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran, the Board of Governors implementation of the Iranian voluntary decision to suspend enrichment related and reprocessing activities, notified to the Agency on 29 December 2003 (GOV/2004/82) and 24 February 2003, fell significantly short of the Agency's understanding of the scope of those commitments; it also suggested that Iran had since reversed some of those decisions.<sup>32</sup> As a result of these developments, the IAEA's Board of Directors was scheduled to decide in Vienna on 25 November whether Iran would be cooperating or not. Non-compliance under the rules of the NPT would mean the referral of the matter to the UN Security Council for possible economic sanctions - which was what the US had wanted from the beginning of the issue.<sup>33</sup>

Although Iran has said its uranium enrichment activities are intended to produce fuel for nuclear power plants for peaceful purposes, the US has said the program is aimed at building nuclear weapons. At this point, it is important to mention Iran's argument for establishing a nuclear plant as a major oil exporting country. Iran's aim is to use energy generated by nuclear plants instead of using energy generated from crude oil, and therefore to use this crude oil to make processed oil which can be sold at a much more expensive

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<sup>30</sup> Non-Proliferation Treaty is a multilateral agreement signed in 1968. It bans the transfer of nuclear weapons technology to non-nuclear weapon states but encourages transfer of nuclear technology for peaceful purposes. It also requires the nuclear-weapon states to pursue arms control.

Wolfson, Richard. (1991). *Nuclear Choices; A Citizen's Guide to Nuclear Technology*, Massachusetts: McGraw-Hill Publishing Company

<sup>31</sup> Moshaver; 2003, p. 299, 300

<sup>32</sup> IAEA (International Atomic Energy Agency), GOV/2004/83, Implementation of the NPT Safeguards Agreement in the Islamic Republic of Iran

URL: <http://www.iaea.org>

<sup>33</sup> Euroactive, 'Iran Considers EU's Nuclear Offer', October 22, 2004

URL: <http://www.euractiv.com/Article?tcaturi=tcm:29-131297-16&type=News>

price than that obtained for crude oil.<sup>34</sup> In this context, the adviser to the Foreign Minister Kamal Kharrazi and an expert on nuclear affairs, Ali Akbar Salehi's words are important "It's true we're an energy-rich country, but we are a heavy consumer as well. Precious oil export revenues, on which the state-dominated economy is highly dependent, would be wasted on electricity production. Natural gas is more valuable as feedstock for petrochemical plants".<sup>35</sup>

On the other hand, the other argument is related to importing enriched uranium - nuclear fuel - which is necessary for a nuclear reactor in order to create nuclear energy since the EU and the US would prefer to see Iran only import enriched uranium, rather than enrich it independently. According to this argument, making the uranium enrichment suspension permanent, and supplying enriched uranium from EU countries makes Iran dependent on the EU, which is not acceptable to Iran. Salehi's following words clearly explain why this is not acceptable and Iran's insistence on the enrichment of uranium "Iran has learned from past experience that it cannot be dependent on others. Imagine after building them (the nuclear reactors) they say we cannot supply your nuclear fuel, what should we do? We cannot challenge the world to give us the fuel, so we have to have security of supply".<sup>36</sup> Therefore, Hassan Rowhani, secretary of Iran's Supreme National Security Council explained that Iran's suspension of its uranium enrichment programme was only temporary, saying, "We believe that stopping enriching uranium is totally unacceptable and we think nobody agrees with [doing] that in Iran".<sup>37</sup> In this context, Iran's claim is to have a legal right to carry out uranium enrichment to use its nuclear programme for peaceful purposes by stating their readiness for inspections by the IAEA.

Following the talks between Iranian government representatives and ambassadors of the European Union's so-called three major EU Member States, Iran made the agreement in exchange for a promise not to refer the matter to the United Nations Security Council for possible sanctions. The International Atomic Energy Association (IAEA) decided not to report Iran's

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<sup>34</sup>The South Pars Gas Field contains 450 trillion C.F. of gas equal to about 6.8% of the world gas reserves for which the Pars Special Economic Energy Zone in its first stage of development includes the construction of 12 gas processing phases, plus 15 petrochemical complexes, a wide range of downstream petrochemical industries, mixed industries semi-heavy industries plus a substantial amount of related industries in its programme (Assaluyeh, 'Industrial Project; Gas Industries and Petrochemical Industries', April 3, 2005

URL: <http://www.asaluyeh.com/page.php?project-en>

<sup>35</sup>Hughes, Paul, 'Iran's arguments for nuclear power make some sense', April, 15, 2005

URL: <http://www.dawn.com/2005/03/04/int8.htm>

<sup>36</sup>URL: Hughes, 2005

<sup>37</sup>CNN, 'Iran Agrees to Suspend Uranium Enrichment', November 15, 2004

URL: <http://edition.cnn.com/2004/WORLD/meast/11/14/iran.nuclear/>

nuclear program to the UN Security Council for sanctions by avoiding the use of the term 'non-compliance' and reference to Iran's past record of concealment as a result of the EU's policy of engagement.<sup>38</sup> The EU played a crucial role in the IAEA resolution that avoided labeling Iran as being in 'non-compliance' with its obligations.

The resolution issued by the IAEA was interpreted as a victory by the Chief of Iran's Negotiating Team and Secretary of the Supreme National Security Council, Hassan Rowhani. The decision of the Iran administration to temporarily freeze the enrichment program, a process of purifying uranium for use as fuel in nuclear plants or nuclear weapons, as long as the negotiations with the EU major countries - France, the UK and Germany - continued, prevented the transfer of the issue to the UN Security Council. However, the insistence of the Tehran administration that atomic fuel production is a sovereign right which it would never abandon indicated that this temporary suspension of uranium enrichment is only a short term solution.<sup>39</sup> The Iranian side accepted a suspension, which would only continue as long as talks between Iran and the three major EU Member States continue.<sup>40</sup>

As an extension of its engagement policy, the EU agreed to negotiate trade concessions and cooperation in the transfer of peaceful nuclear technology to convince Iran to freeze its uranium enrichment. The resumed negotiations on trade and cooperation Agreement between Iran and the EU as of January 2005, can be interpreted as a move in this direction.<sup>41</sup> The EU key players, Germany, France and Britain, seek a way to make this temporary suspension of uranium enrichment permanent through negotiations. Moreover, the EU also put its full weight behind trying to get the US on its side. The most visible signal of this is hidden in the following statement of the High Representative of the EU's Common Foreign and Security Policy, Javier Solana, which was made after US Vice President, Dick Cheney's warning about the prospect of a shock military strike against Iran's nuclear facilities;

I think that would be something I would not like to see taking place. That would be a mistake. That will complicate enormously the situation. Unilateral action of that nature I don't think will contribute to what is the aim of everybody. I don't think that the USA has at this point of time the wish or the will or the capability to do that...<sup>42</sup>

<sup>38</sup> Moshaver; 2003, p. 300, URL: CNN, November 15, 2004.

<sup>39</sup> Tavassoli, Mojgan, 'Investing on U.S. Instead of EU?', Iran News, February 2, 2005, pp. 1, 15.

<sup>40</sup> URL: CNN, November 15, 2004.

<sup>41</sup> 'EU Says U.S. Acknowledges Usefulness of Dialogue with Iran', Iran News, February 6, 2005, p. 3.

<sup>42</sup> Solana: 'Military Strike on Iran Would be a Mistake', Iran News, February 7, 2005, pp. 1, 15.

## Conclusion

In conclusion, we can say that during the post-revolution period, the US preference was mainly to use economic embargo and diplomatic sanctions as a “stick” with which to persuade Iran to change its policy whereas the EU's preference was to use the trade and cooperation card as a “carrot”. In other words, the EU chose engagement and trade policies whereas the US chose isolation and sanctions to change Iran's policy in the post-revolution period.<sup>43</sup> Hence, these two powers followed dissimilar strategies to attain the same objectives. The major reasons for this split were their different perceptions, divergent and sometimes complementary interests. The different approaches of the US and the EU were recently highlighted by the Spokesperson of the European Commission's External Relations in these words, “the objective of democracy in these countries is one we share with the Americans. We have different way of going about it, about implementing their policies”.<sup>44</sup>

The EU's argument is that the implementation of sanctions as the only way of dealing with the issue cannot be productive. In this respect, some past events can be given as examples, which indicate the uselessness of prolonged sanctions without offering an alternative, such as the sanctions against Iraq in 1991, the sanctions against Libya since 1973 and the sanctions against Cuba for over forty years. On the other hand, some positive changes in the behavior of Iran, particularly putting an end to political assassinations abroad in 1993 and Rafsanjani's condemnation of the Khomeini policy of exporting revolution, made public before the dual containment of the US, can be interpreted as Europe's critical dialogue's success, and reinforces the importance of dialogue in solving arguments.<sup>45</sup>

The two different approaches (carrot and stick) of the EU and the US resurfaced with the emergence of Iran's nuclear energy issue. With regards to Iran's nuclear programme, President Bush described Iran as 'the world's primary state sponsor of terror - pursuing nuclear weapons while depriving its people of the freedom they seek and deserve'. Iran responded strongly to this claim. One response came from the Commander of the Islamic Guards Corps (IRGC), Rahim Safavi; 'the US would not dare to launch a military strike against Iran. Our Country's armed forces and Basij (volunteer) forces are in full combat readiness and will defend the Islamic Revolution under the command of the Supreme Leader of the Islamic Revolution'. The other

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<sup>43</sup> Moshaver; 2003, p. 294.

<sup>44</sup> 'EU Says U.S. Acknowledges Usefulness of Dialogue with Iran', Iran News, February 6, 2005, p. 3.

<sup>45</sup> Rouleau; pp. 153, 154.

response was from the Majlis (Assembly) National Security and Foreign Policy Committee, Manuchehr Mottaki: “The US will not be successful in its strategies to halt Iran's nuclear activities. The Europeans should also realise that they are facing a historic dilemma on relations with Iran. Either they should accept serious negotiations and make logical decisions based on the previous agreements with Iran, or they should be completely influenced by US pressure”.<sup>46</sup> President Khatami's words leave open a door to solve the issue through other means: “We are ready to cooperate and believe that dialogue and negotiation are the only ways to reach an understanding”.<sup>47</sup>

These statements clearly indicate the validity of this argument - the implementation of sanctions as the only way of dealing with the issue cannot be productive. Furthermore, it might escalate the tension instead of creating an environment in which to find a common solution. In this case, the above mentioned statements, particularly President Khatami's statement, clearly indicate Iran's approach to these two powers' foreign policy instruments; 'favoring negotiations as a way to reach an understanding'. With this regard, Majlis (Assembly) National Security and Foreign Policy Committee Chairman, Aladdin Borujerdi's following words, which were said by him in a meeting with the Chairwoman of the Foreign Affairs Committee of the Finnish Parliament on March 3, 2005, are important; 'the Majlis has always been in favor of expanding ties with the EU. Due to our extensive political and economic relations, we have a different view of Europe compared to our view about the US'.<sup>48</sup> In addition to this, the decision, taken by Iran on the suspension of uranium enrichment which would only continue as long as talks between Iran and the three major EU Member States continue, indicates the validity of the above mentioned argument, since following the talks between Iranian government representatives and ambassadors of the European Union's three major EU Member States, Iran made this agreement in exchange for a promise not to refer the matter to the United Nations Security Council for possible economic sanctions. Therefore, it can be said that the implementation of sanctions as the only way of dealing with the issue might not be effective, whereas pursuing trade relations, dialogue and negotiation might be the way to reach an understanding.

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<sup>46</sup> Iran's Strong Response to US', Tehran Times, February 5, 2005. pp. 1, 15.

<sup>47</sup> URL: Euractive, 2004.

<sup>48</sup> Tehran Times, 'Iran views Europe as different than US:MP', March 3, 2005

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