

**YILDIZ TECHNICAL UNIVERSITY
INSTITUTE OF SOCIAL SCIENCES
POLITICAL SCIENCE AND INTERNATIONAL RELATIONS
DEPARTMENT
MASTER OF ARTS PROGRAM**

MASTER THESIS

**THE ANALYSIS OF IRANIAN FOREIGN POLICY ON
ECONOMIC-POLITICAL AXIS (1979-2012)**

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**Thesis Advisor
Assoc. Prof. ÖZDEN ZEYNEP OKTAV**

**ISTANBUL
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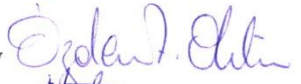

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ABSTRACT

The Analysis of Iranian Foreign Policy on Economic-Political Axis (1979-2012)

Ali Haydar Şenyurt

February, 2013

This thesis basically aims at explaining the evolution of foreign policy of a revolutionary state from 1979 to 2012 with reference to socio-economic and political processes that have domestic and international dimensions. It yet mainly focuses on Iran's relations with Venezuela, China and Russia, all of which seek for a multi-polar world order, during the Mahmoud Ahmadinejad era (2005-2012). Once Ahmadinejad came to power in 2005, Iran left a policy of detente with the United States, which was adopted by the Ali Akbar Hashemi Rafsanjani and Mohammad Khatami Administrations so as to relax tensions between Iran and the U.S. Currently, Ahmadinejad Administration pursues for creating a political and economic block in which American influence is diluted with these countries across broad range of activities as a response to Washington's efforts to isolate Tehran from the international system. In fact, Iran under Ahmadinejad's seeking for going beyond the political and economic ties with these countries across broad range of activities is a part of the evolution of Iranian foreign policy. The argument of this thesis is that the governments of the Islamic Republic of Iran adopted different foreign policy strategies with the intention of achieving independency of the country and strengthening/saving the regime, the Islamic Republic in the face of domestic and international challenges. The research evaluates the evolution of Iranian foreign policy from this perspective.

Keywords: Iran, Venezuela, China, Russia, Foreign Policy, Political-Economy.

ÖZ

İran Dış Politikasının Ekonomik-Politik Ekseninde İncelenmesi (1979-2012) **Ali Haydar Şenyurt** **Şubat, 2013**

Bu çalışma temel olarak 1979 İran Devrimi sonrası İran İslam Cumhuriyeti'nin dış politikasının evrimini, ülkenin içerisinde bulunduğu ulusal ve uluslararası boyutlara sahip sosyo-ekonomik ve politik süreçleri göz önünde bulundurarak incelemeyi amaçlamaktadır. Fakat bu çalışmanın odak noktasını; Mahmut Ahmedinejad yönetimindeki İran'ın, 2005-2012 yılları arasında, Venezüella, Çin ve Rusya gibi çok kutuplu bir dünya arayışı içerisinde olan ülkelerle birlikte Amerika Birleşik Devletleri'ne karşı alternatif bir ekonomik ve siyasal blok yaratma girişimleri oluşturmaktadır. Ahmedinejad yönetimi, kendisinden önceki Rafsancani ve Hatemi yönetimlerinin İran ile ABD arasındaki gerginliği düşürme politikasını terk etmiştir. ABD'nin İran'ı uluslararası sistemden izole etmeye yönelik politikalarına karşı Venezüella, Çin ve Rusya ile ekonomik ve siyasal ilişkilerini daha da ileri bir boyuta taşımaya odaklanarak, yeni bir siyasi ve ekonomik eksen geliştirmeye çalışmaktadır. Ahmedinejad yönetiminin izlediği bu politika, bu çalışma içerisinde, İran dış politikasının tarihsel evriminin bir parçası olarak değerlendirilmektedir. Ayrıca, 1979'dan günümüze İran İslam Cumhuriyeti'ni yöneten farklı yönetimlerin karşılaşılan ulusal ve/veya uluslararası sorunlar karşısında ülkenin bağımsızlığının korunması ve rejimin bekasının sağlanması nedeniyle farklı dış politika stratejileri geliştirdikleri öne sürülmektedir. Kısacası, İran dış politikasının evrimi bu perspektiften açıklanmaya çalışılmaktadır.

Anahtar Kelimeler: İran, Venezüella, Çin, Rusya, Dış Politika, Ekonomi-Politik

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Istanbul; February 2013

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ABBREVIATIONS

ALBA	: Bolivarian Alternative for the Americas (in English)
CENTO	: Central Treaty Organization
CIA	: Central Intelligence Agency
CNOOC	: China National Offshore Oil Corporation
EU	: European Union
FTTA	: Free Trade Area of the Americas
IAEA	: International Atomic Energy Agency
IMF	: International Monetary Fund
NATO	: North Atlantic Treaty Organization
NIOC	: National Iranian Oil Company
OPEC	: Organization of the Petroleum Exporting Countries
SCO	: Shanghai Cooperation Organization
SIPRI	: Stockholm International Peace Research Institute
SINOPEC	: China Petroleum and Chemical Corporation (in English)
UN	: United Nations
UNSC	: United Nations Security Council
UNSCR	: United Nations Security Council Resolution
U.S.	: United States
USSR	: Union of Soviet Socialist Republics
VENIROGC	: Venezuelan-Iranian Oil and Gas Company

1. INTRODUCTION

The Iranian Revolution was carried out in February 1979 by groups who have various political views with the intention of getting rid of tyrannical and pro-American regime of Shah Mohammed Reza Pahlavi. As a result of a national referendum held in April 1979, the new regime of Iran became an Islamic Republic. Once the new republic was established, merely Islamists took the power and then followed a policy of eliminating the rest despite the fact that different groups had played an important role in the Revolution. Transformation of a modern social revolution to a theocratic structure, an Islamic state, is an exception in world history. A theocratic state, the Islamic Republic of Iran, has been attempting to implement an independent economic policy and foreign policy by struggling with hegemony of the United States as being different from socialist experiences (i.e. North Korea and Cuba). This different structure of Iran encourages us to analyze Iranian foreign policy on political-economic axis with reference to Iran's challenge to the prevailing global order that is under hegemony of the international society whose patron is mainly the USA.

This thesis basically aims at explaining the evolution of foreign policy of a revolutionary state from 1979 to 2012 with reference to socio-economic and political processes that have domestic and international dimensions. It yet mainly focuses on Iran's relations with Venezuela, China and Russia, all of which seek for a multi-polar world order, during the Mahmoud Ahmadinejad era (2005-2012). Once Ahmadinejad came to power in 2005, Iran left a policy of detente with the United States, adopted by the Ali Akbar Hashemi Rafsanjani and Mohammad Khatami Administrations so as to relax tensions between Iran and the U.S. Currently, the Ahmadinejad Administration pursues for creating a political and economic block in which American influence is diluted with these countries across broad range of activities as a response to Washington's efforts to isolate Tehran from the international system. In fact, Iran under Ahmadinejad's seeking for going beyond the political and economic ties with these countries across broad range of activities is a part of the evolution of Iranian foreign policy.

The argument of this thesis is that the governments of the Islamic Republic of Iran adopted different foreign policy strategies with the intention of achieving independency of the country and strengthening/saving the regime, the Islamic Republic in the face of domestic and international challenges. The thesis evaluates the evolution of Iranian foreign policy from this perspective.

This thesis is comprised of six chapters except for introduction and conclusion. The second chapter is *A Brief Look at the History of Pahlavi Dynasty (1925-1979)*. This chapter briefly looks at certain facts and events that are significant to understand both the causes of the 1979 Iranian Revolution and the impacts of such facts and events on economic-political changes and transformations in post-revolutionary Iran.

The third chapter is *Economic-Political Changes and Transformations in Iran during Khomeini Era (1979-1989)*. This chapter firstly deals with Khomeini and his follower clerics' consolidation of power and the establishment of the Islamic Republic. It then focuses on the Islamic Republic's pursuits of independent economy and foreign policies with reference the notion of 'neither East nor West'. It finally attaches Iran's efforts to export its Islamic revolution and the impacts of this policy on the relations between Iran and its neighbors, the Gulf countries in particular.

The fourth chapter is *Need for Economic Reform in the 1990s*. This chapter focuses on two reform initiations of Rafsanjani Administration; to change economic policies by introducing a program of economic reconstruction; and to change Iran's regional and international isolation by reducing the fallout of revolutionary radicalism, in the face of a devastated economy caused by the eight-year war with Iraq and containment policies of the Islamic Republic particularly implemented by both the U.S. and the Gulf states. It thus looks at Rafsanjani Administration's attempts for finding some friends in international scene and improving Iran's relations with other countries, particularly its neighbors, so as to change Iran's regional and international isolation. It additionally states domestic and foreign reasons of limiting such initiations.

The fifth chapter is *Khatami's Efforts for Economic and Political Liberalization and Iran- the United States Relations (1997-2005)*. This chapter firstly states the dynamics which played role in Mohammad Khatami's coming to power in 1997 in order to understand the demands for social change in Iran. It then focuses on

the efforts of the Khatami Administration to achieve détente with the West, especially the U.S., in the context of a new foreign concept of Iran, ‘Dialogue among Civilizations’ to change international diplomatic and economic pressure on Iran. It eventually attaches domestic and foreign reasons of limiting Khatami Administration’s political reform initiations.

The sixth chapter is “*The Main Reasons which Play Role in Ahmadinejad’s Coming to Power*”. This chapter attaches the domestic political and economic reasons which play in role Mahmoud Ahmadinejad’s coming to power in 2005.

The seventh chapter is *A New Era in Iran: Ahmadinejad’s Challenge to the Existing Political System under the U.S. Patronage and His Efforts to Create Alternative Economic Relations*. This chapter firstly deals with the priorities of Iranian foreign policy under Ahmadinejad by taking the new developments in the international system and re-crystallization of anti-Americanism among Iranian population into account. It then focuses on Iran’s relations with Venezuela, China and Russia respectively between 2005 and 2012, including exhaustive historical background of Iran’s relations with each ones, in the context of Iran’s pursuits for creating a political and economic block in which American influence is diluted as a response to Washington’s efforts to isolate Tehran from the international system.

2. A BRIEF LOOK AT THE HISTORY OF PAHLAVI DYNASTY (1925-1979)

Having staged a military coup in February 1921 in Iran as a commander of Persian Cossacks Brigade, Reza Khan became the minister of war and commander of the armed forces in the new government. He quickly emerged as the dominant figure. He became prime minister of the new regime in October 1923 and obtained from parliament the constitutional title of Commander-in-Chief of the Armed Forces by early 1925. He finally deposed the Qajar dynasty (1976-1925) with a Majlis dominated by his men in October 1925 and officially proclaimed himself the new Shah in December 1925.¹

After being crowned as Reza Shah Pahlavi in April 1926, he moved to consolidate his power by establishing a modern army, central bureaucracy, and court patronage, those of three pillars of the new regime. He pursued for establishing a modern, secular and fully independent nation-state which was governed according to Western institutions and norms. In this respect, he implemented social, cultural, and economic reforms. Creating secular and European-styled educational institutions, opening the schools to women and brought them into the work force, undertaking a codification of the laws that created a body of secular law, replacing the traditionally trained judges with modern educated lawyers, and establishing a string of state-owned factories to produce basic goods can be seen to exemplify such reforms. Reza Shah implemented a campaign in weakening the clerics' socio-economic influence on the politics with the help of such reforms.²

¹ Ervand Abrahamian, **Iran Between Two Revolutions**, (New Jersey: Princeton University Press, 1982), pp. 118-120.; Helen Chapin Metz (ed.), **Iran: A Country Study**, 4.th ed., (Washington: Kissinger Publishing, 2004), p.45.

² Abrahamian, **Iran Between Two...**, pp. 136-140; Metz, **Iran: A Country...**, p.46. "As soon as consolidated his power in the late twenties, he initiated a "modernization" program that was not in the ulama's occupational interests. From virtually every respect- ideological political, social, and cultural-Reza Shah was launching severe attacks on ulama power and privileges. Under his rule, the ulama gradually lost control over the educational and judicial system as well as their seats in the Majles." Mansoor Moaddel , The Shi'i Ulama and the State in Iran", **Theory and Society**, Vol.15, No.4, 1986, p.535, <http://www.jstor.org/stable/657210> [21.11.2012].

He also launched a campaign in eliminating foreign influence on the country. In 1928, he abolished the capitulations in 1928 which had granted extra-territorial jurisdiction to the Europeans since the nineteenth century in this context. He, furthermore, took over the right to print money from the British-owned Imperial Bank and the administration of the telegraph system from the Indo-European Telegraph Company. In 1932, Reza Shah, in a similar vein, cancelled the agreement, D'Arcy concession, under which the Anglo-Iranian Oil Company produced and exported Iran's oil. Yet he signed an equal unfavorable agreement in 1933 to prevent confiscation of Iran's foreign assets. Reza Shah apparently failed to nationalize the Iran's oil industry. With regard to foreign affairs, in 1930s, Iran under Reza Shah attempted to build close relations with Germany in order to counterbalance Britain and the Soviet Union.³

However, the policy of balancing that Iran implemented remained fruitless on the ground that Iran was jointly invaded by the United Kingdom and the Union of Soviet Socialist Republics on 25 August 1941 with the aim of breaking German influence in Iran. The Soviet Union feared that Germany might make Iran a base for operations against itself. In turn, the United Kingdom wanted to safeguard its oilfields and refineries in Iran. The invasion forced Reza Shah to abdicate and flee into exile. Mohammed Reza Shah subsequently took the throne upon his father's abdication in 1941. He, however, could not seize power despite being on the throne due to the Anglo-Soviet invasion. Even though the Second World War ended, Soviet troops continued to occupy northern Iran and Moscow encouraged autonomy and independence movements in northern Iran. Autonomous republics were consequently announced in Iranian Azerbaijan in 1945 and Iranian Kurdistan in 1946. The United States became directly involved in demanding the withdrawal of the Soviet troops from Iran in 1946 in order to counter the Soviet influence in Iran. In consequence of the U.S.'s pressures on the Soviet Union, the Soviet troops withdrew from Iran by 5 May 1946. Iranian troops, therefore, seized control of northern Iran.⁴

³ Abrahamian, **Iran Between Two....**, pp.143-144. ; Metz, **Iran: A Country....**, pp. 47.

⁴ Bill Samii, "World War II -- 60 Years After: The Anglo-Soviet Invasion of Iran and Washington-Tehran Relations", **Pars Times**, http://www.parstimes.com/history/anglo_soviet_invasion.html [01.01.2012]. Maryam Panah notes that the U.S.'s directly involvement in demanding the withdrawal of the Soviet forces was an indication of the first crisis of the cold war between the superpowers in 1946. Maryam Panah, **The Islamic Republic and the World: global dimensions of Iranian revolution**, (London: Pluto Press, 2007), p.17.

The Anglo-Soviet invasion of August 1941 inaugurated an interregnum that lasted 1953 when Mohammad Reza Shah, with the assistance of a British and American-engineered coup overthrowing nationalist government of Mohammed Mossadeq that had nationalized the Anglo-Iranian Oil Company (AIOC) in 1951, reestablished royal authority. After the 1953 coup, the Shah worked to consolidate his power by expanding the three pillars holding up his state, namely the military, the bureaucracy, and the court patronage system, as his father had done. He yet treated the military establishment as his central support.⁵ In the aftermath of the interregnum, he moved to accomplish Reza Shah's interrupted project of building a massive state structure and his politics of secularization and modernization. In order to fulfill his dream of building a massive state structure and in part counter potential Soviet influence, Mohammad Reza Shah oriented Iran to integrate into the capitalist block and its military and security system in the age of the Cold War. That is why; he bolstered his regime by edging to Britain and particularly the U.S.⁶ As a result of the Shah's this policy, Iran, as Maryam Panah notes, "became visibly and explicitly dependent on the political support of the United States while serving the latter through guarantying the tight integration of Iran into the capitalist market and the military and security system of the Western world"⁷ in the aftermath of the 1953 coup.

In 1954, Iran under the Shah signed an agreement with a consortium of eight of the largest oil companies in the world. The agreement left control of production and marketing decisions in the hands of the eight companies and gave Iran 50 percent share of profits. What is more; Iran was charged with paying £ 25.000.000 over ten years as its compensation to the AIOC whose assets here were nationalized in 1951

⁵ As a result of the fact that the Shah mainly based his power on the military establishment, budget grew from \$60 million to \$5,5 billion and military manpower expanded from 127,000 to 410,000 in the period between 1954 and 1977. Ervand Abrahamian, **A History of Modern Iran**, (New York: Cambridge University Press, 2008), pp. 99, 123-124.

⁶ Abrahamian, **A History...**, p.123, Metz, **Iran: A Country...**, p. 51.

⁷ Panah, **The Islamic Republic...**, p.19. The rapprochement between Iran and the U.S. in fact occurred in the Anglo-Russian invasion period. In 1943, U.S. Military Mission to the Iranian Army (USMMIA), which was responsible for training and reorganizing Iranian army for duration of wartime conditions, was established by an agreement between Iran the U.S. In addition, Iran and the U.S. agreed to establish Military Assistance Advisory Group (MAAG) in 1950. "Records of Interservice Agencies", **National Archives**, <http://www.archives.gov/research/guide-fed-records/groups/334.html> [20.11.2012].

by Mossadeq government.⁸ The Shah Administration, therefore, gave a crucial concession to the Western countries, particularly Britain and the U.S. in order to integrate the country into the capitalist market and gain Western block's political support. The Shah Administration also enacted the 1955 Law for the Attraction and Promotion of Foreign Investments. In 1955, Iran under the Shah joined the Baghdad Pact, a defense agreement tying the member states firmly to the Western military alliance and promoting American interests in the Middle East and remained a member of the Central Treaty Organization (CENTO), which was replaced with the Baghdad Pact after Iraq's withdrawal in 1958. It, furthermore, signed a bilateral defense agreement with the U.S. in 1959. Therefore, the Shah's Iran integrated into the U.S.-led strategic alliances and served the geopolitical interests of the West by supporting Israel, defending the U.S. engagement in Vietnam and adopting a security role in the Persian Gulf after the Britain's withdrawal in 1971.⁹ In short, the 1953 coup marked the beginning of a process of Iran's integration into the capitalist world and the military and security system of the Western block.

On the domestic level, the coup indicated the beginning of a process of the deepening process of capitalist development and the inauguration of a process of bureaucratic authoritarian rule. The Shah aimed at creating an economic structure basing on large and modern industrial establishments with participation of both foreign and domestic capital. He, however, considered the Bazaar, the landowners, and the ulama as a barrier against the establishment of a modern capitalist state. He, therefore, attempted to weaken political, economic, and social influence of these traditional and clerical forces by putting the "White Revolution"¹⁰ as a new reform program into effect in 1963. He worked to cut the ulama's ties to the landed upper class by seizing the waqf lands belonging to the ulama in the rural areas, dissolving the feudal structure in the countryside by industrializing the rural areas and autonomous structure of the Bazaar from centers of state power in Iran by attacking the traditional aspects of the Bazaar life. The clergy, the bazaar and the feudal landowning class were thereby being antagonized by the Pahlavi regime. This

⁸ Welles Hagen, "Iran and Oil Group Initial Agreement to Resume Output", **New York Times**, 06.08.1954, <http://partners.nytimes.com/library/world/mideast/080654iran-output.html> [20.11.2012].

⁹ Panah, **The Islamic Republic...**, pp. 20-21.

¹⁰ "Besides land distribution, the six points called for nationalization of forests, sale of state factories to private entrepreneurs, profit-sharing for industrial workers, extension of the vote to women, and establishment of a rural literacy corps." Abrahamian, **Iran Between Two...**, p.424.

provided favorable conditions for consolidating the unity of the landowners, the bazaar and the clergy against the regime with the aim of maintaining the socio-economic status-quo.¹¹

Aside from traditional and clerical forces, urban poor consisting mainly of industrial workers and rural migrants also deeply antagonized the regime on the ground that they suffered both from adverse economic conditions and from oppressive practices in the workplace. Put bluntly, they did not benefit from oil-fueled economic growth in the 1970s and suffered from inequality in income distribution, unemployment and inflation instead. Independent unions, strikes and political activities were furthermore forbidden as acts of violence against the state. The SAVAK, the Iranian intelligence agency and coercive arm of the state, were employed to control workers and factories with the intention of preventing potential labor unrest.¹² It was additionally employed to strictly suppress political parties and other organized groups that were opposed to the Shah and his regime. For instance, the regime crushed the TUDEH (Party of the Masses of Iran, Iranian Communist Party) and the National Front by using martial law and military tribunals. In 1975, the Shah dissolved the multi-party system in the country and established the state-oriented Resurgence Party. The party intensified state control over various parts of the society.¹³ In a nutshell, uneven economic developments and the despotic regime of the Shah resulted in the growing discontentment of a large part of the population with the regime's policies in both economic and non-economic spheres and thus fueled a revolutionary movement that soon brought down the Shah's monarchy in February 1979.

¹¹ Moaddel, **The Shi'i Ulama...**, pp. 539-541. Atay Akdevelioglu, "İslam'da Dış Politika Anlayışı ve İran Örneği", Doktora Tezi. Ankara Üniversitesi, Sosyal Bilimler Enstitüsü, 2008, p.77;

"He [the Shah] attempted to bring self-regulating merchants' councils fully under state control, he tried to extend state involvement in wholesale and retail trade, and he launched an "anti-corruption" campaign against alleged profiteering in the bazaar." "Theda Skocpol, "Rentier State and Shi'a Islam in the Iranian Revolution", **Theory and Society**, Vol.11, No.3, (1982), p.272.

¹² Panah, **The Islamic Republic...**, pp. 29-30. Fred Hallidays points out the cultural coherence between the mass urban population and the clergy with following sentences: "The clergy provided an ideology of resistance and the principles for an alternative society. The political culture of the mass of the urban population continued to be characterized by religious beliefs and an acceptance of the role of the clergy in political life." Fred Halliday, "The Iranian Revolution: Uneven Development and Religious Populism", **Journal of International Affairs**, Vol.36. No.2. (Fall/Winter 1982/1983), 206, <http://web.ebscohost.com/ehost/pdfviewer/pdfviewer?sid=b0b3d7cf-8d2d-4d17-98ce-f3631bc38cc1%40sessionmgr10&vid=1&hid=8> [24.11.2012].

¹³ Abrahamian, **Iran Between Two...**, 419,440.

3. ECONOMIC-POLITICAL CHANGES AND TRANSFORMATION IN IRAN DURING KHOMEINI ERA (1979-1989)

Once the Revolution was carried out by the participation of a broad coalition of various social groups and classes, each with its own interests and motives for the overthrow of the old regime of the Shah, merely a small group of the Shi'a clerics and their followers took the power and step by step consolidated their cultural and political hegemony as custodians of the Iranian Revolution from 1979 into 1981.¹⁴ As Maryam Panah notes that “the key to the consolidation of power by the Islamic clerics and their ability to unify the broad class basis of the Revolution into a single revolutionary movement was Khomeini’s hegemonic populism.”¹⁵ Ervand Abrahamian defines populism with reference to the Iranian case as “a movement of the propertied middle class that mobilizes the lower classes, especially the urban poor, with radical rhetoric directed against imperialism, foreign capitalism, and the political establishment.”¹⁶

Ayatollah Ruhollah Khomeini, the Supreme Leader of Iran, and his followers used anti-imperialist and anti-American populist rhetoric as a leverage both to consolidate their powers by mobilizing various social groups in favor of the new regime’s policies and to suppress the demands of different social groups for social and political rights by denouncing them as agents of imperialism and counter-revolution. For example, Khomeini deemed protest movements against the regime as the manifestation of imperialist conspiracy and condemned human rights as the rights of the powerful and international capitalists.¹⁷ After submitting the constitution to a referendum, he furthermore declared that those abstaining or voting no would be abetting the Americans¹⁸ as follows:

¹⁴ Skocpol, *Rentier State...*, p.276, Panah, *The Islamic Republic...*, p.41.

¹⁵ Panah, *The Islamic Republic...*, p.42.

¹⁶ Ervand Abrahamian, *Khomeinism: Essays on the Islamic Republic*, (Berkeley: University of Californian Press, 1993), p.17.

¹⁷ Panah, *The Islamic Republic...*, p.58.

¹⁸ Abrahamian, *A History...*, pp. 168.

“If you believe in Islam, so you also have to believe in the Islamic state. Islam is in danger. And if you are nationalist, so your country is in danger... If there is disunity amongst us, this will be to the advantage of America and the great powers.”¹⁹ His propaganda on the new constitution held on yielded its fruits. The referendum December 2, 1979 produced 99 percent yes votes for the new constitution and the clergy got their theocratic constitution.²⁰ The new regime’s institutionalization was based on the concept of “Velayat-e Faqih”²¹ and as a result the clergy became the main operators of the state.²² Mohammad Hashem Peseran points out that despotic and repressive regime of the ruling clerics replaced the old one with the help of the establishment of the system of “Velayat-e Faqih with following sentences:

“...Khumayni has been adamant about his view that loyalty to the Velayat-i-Fagih and Islam are identical. Any opposition to Khumayni as the Fagih (just jurist) or his regime is regarded as anti-Islamic in the same way that opposition to the Shah used to be treated by the old regime as unpatriotic and treasonous. The state-owned propaganda networks have been used by the Islamic regime to develop and sustain the "cult of personality" and charismatic leadership around Khumayni in much the same way as was done for the Shah under the monarchy.”²³

Khomeini and the religious leaders aligned with him condemned the pre-revolutionary Iranian economy, dependent capitalism, which allowed foreign powers to have influence in the country, and pointed out the need for establishing an

¹⁹ Khomeini, *Sahifeh-e Nur*, Volume 10, pp. 259-260, 15 Azar 1358 (December 1979), Panah, **The Islamic Republic...**, p.58.

²⁰ Abrahamian, **A History...**, p.169.

²¹ The concept was explained in the Article 5 of the Constitution of the Islamic Republic of Iran “During the occultation of the Waí al- ‘Asr (i.e. the Twelfth Imam), may God expedite his appearance, the wilāyat al-amr and leadership of the Ummah devolve upon the just and pious jurist, fully aware of the times, courageous, possessing administrative and problem-solving abilities, who will assume the responsibilities of this office...” The Constitution of the Islamic Republic of Iran, <http://en.parliran.ir/index.aspx?siteid=84&pageid=3053> [08.01.2012].

²² Anoushiravan Esteshami, **After Khomeini, The Iranian Second Republic**, (London and New York: Routledge, 1995), p.53.

²³ Mohammad Hashem Peseran, “The System of Dependent Capitalism in Pre- and Post-Revolutionary Iran”, **International Journal of Middle East Studies**, Vol. 14, Issue 4, 1982, pp.518-519. Iraqi forces invaded the southern province of Khuzestan of Iran in September 1980. Saddam Hussein, the President of Iraq, expected that the Islamic Republic would quickly collapse. In contrast to his expectation, the invasion raised patriotic fervour and millions of Iranian rallied around the regime in defense of the homeland. Furthermore, the war waged between Iran and Iraq proved to be a boon to Khomeini and his followers to eliminate domestic opposition, including the purging of President Bani- Sadr in 1981. Valentine Moghadam, “Socialism or Anti-Imperialism? The Left and Revolution in Iran”, **New Left Review**, 166, (November-December 1987), pp. 21-22. The revolutionary courts executed hundreds opponents, including Fedayins, Kurds, Bahais as well as Tudeh, National Front, and Shariatmadari supporters. Abrahamian, *A History*, p.181.

independent economic system that would end foreign interference in the country.²⁴ Once the Islamic Republic was established, Khomeini and his followers therefore moved to change the pre-revolutionary economic structure. In order to terminate foreign interference in Iranian economy and dependent relations with foreign powers, the imperialist ones, the new regime banned “the granting of concessions to foreigners, whether for the establishment of companies or institutions dealing with commerce, industry, agriculture, services or mineral extraction”²⁵ and “the employment of foreign experts.”²⁶ The new regime, furthermore, banished the pre-revolutionary major industrialists and businessmen associated with the Pahlavi family and nationalize their banks, insurance companies, and most of the large-scale industries.²⁷ Unlike Mohammed Reza Shah’s outlook towards the Bazaar, favoring supermarkets and foreign investment, the Islamic Republic preserved the Bazaar providing economic and ideological support for the clergy and make it loyal follower of the new regime.²⁸ The Islamic Republic’s outlook towards the Bazaar was highlighted by this remark of Khomeini; “We [the Islamic Republic] must preserve the bazaar with all our might; in return the bazaar must preserve the government.”²⁹ This remark was worth to observe the patronage relationship between the Bazaar and the new regime.

²⁴ Panah, **The Islamic Republic...**, p.47. Evalaila Peseran argues that the roots of the desire for economic independence and anti-imperialist view can be traced into the memories of foreign exploitation with following sentences: “From the Qajars period (1766-1925), when numerous political and economic concessions were granted to Britain and Russia, through to the Pahlavi period (1925-1979), when Great Britain and then the United States enjoyed a growing influence over the political and economic arena in Iran, foreigners were viewed over with suspicious by these adherents of an anti-imperialist view. Following in the same rejectionist tradition, the revolutionaries in 1979 hoped to both remove the Shah and bring an end to foreign interference in their country, thereby freeing the nation from the yoke of Western imperialism.” Evalaila Peseran, **Iran’s Struggle for Economic Independence: Reform and counter-reform in the post-revolutionary era**, (London and New York: Routledge, 2011), p. 22

²⁵ The Constitution of the Islamic Republic of Iran: Article 81.

²⁶ The Constitution of the Islamic Republic of Iran: Article 82. Yet the article implies that foreign experts might be employed “in cases of necessity and with the approval of the Islamic Parliament of Iran.”

²⁷ M.H. Peseran, **The System...**, p.512

²⁸ A year later after his fall from power, Mohammad Reza Shah recalled “I could not stop building supermarkets. I wanted a modern country. Moving against the bazaars was typical of the political and social risks I had to take in my drive for modernization.” Mohammad Reza Pahlavi, Answer to History (New York: Stein and Day, 1980), p. 156. Cited in Arang Keshavarzian, **Bazaar and State in Iran: The Politics of the Tehran Marketplace**, (New York: Cambridge University Press, 2007), p. 1.

²⁹ Asnaf no. 22 (Ordibehesht 1373 [May 1992]), 47. Cited from Keshavarzian, **Bazaar and State...**, p.1.

The ruling elites of the new regime promoted a new economic system basing on Islamic criteria rather than capitalism or socialism to achieve economic independence of the country.³⁰ The twelfth paragraph of the Article 3 of the Constitution of Iran defines the mission of a just economic system on the basis of Islamic criteria as of “creating welfare, eradicating poverty and all form of deprivation with respect to food, housing, employment, hygiene, and providing social insurance for all.” In this sense, the new regime implemented populist economic policies to protect the lower classes through direct subsidies for bread, rice, sugar, cheese, fuel, and cooking oil, as well as indirect subsidies for electricity, sanitation, and piped water.³¹ It also brought other benefits to the lower classes, those of social assistance of the “bonyads”³², parastatal foundations, such as the Foundation of the Oppressed and Disabled, the Martyrs Foundation, the Imam Relief Committee and the 15 Khordad Foundation.³³ It, on the other hand, protected private ownership and furnished a legal religious framework for seeking profit by respecting private sector despite the ruling elites’ anti-capitalist rhetoric.³⁴ It apparently left the capitalist relations of production intact. As Hashem Peseran notes that “continued reliance upon the private sector is seen as a way of reestablishing the despised pre-revolutionary trade and technological links with Western industrialized countries.”³⁵ The large-scale capital that had been owned by the group associated with the Pahlavi regime was therefore put into the hands of the state and para-state sectors controlled by the Islamists cadre of the revolution and the state was transformed into the biggest economic actor.³⁶ Put bluntly, the regime implemented state capitalist methods and import substitution strategy to reduce its economic independence on Western powers and outside economic forces.³⁷ It should be yet noted that the dependence of Iran’s economy on oil revenues as major resources both of foreign exchange and of

³⁰ Evalaila Peseran, **Iran’s Struggle...**, p.28.

³¹ Abrahamian, **A History...**, p.180.

³² The bonyads “were created or expanded by taking over the bulk of the nationalized assets after the revolution. Most of these foundations are religious and are modernized versions of the traditional Islamic foundation, the waqf.” Frederic L. Pryor, “The Political Economy of a Semi – Industrialized Theocratic State: The Islamic Republic of Iran”, Mario Ferrero and Ronald Wintrobe (Ed), **The Political Economy of Theocracy**, (New York: Palgrave Macmillan, 2009), p.251.

³³ Peyman Jafari, “Rupture and Revolt in Iran”, *International Socialism Journal*, Issue 124, Autumn 2009, <http://www.isj.org.uk/?id=585> [29.11.2012].

³⁴ See the Articles 44, 46, and 47 of the Constitution.

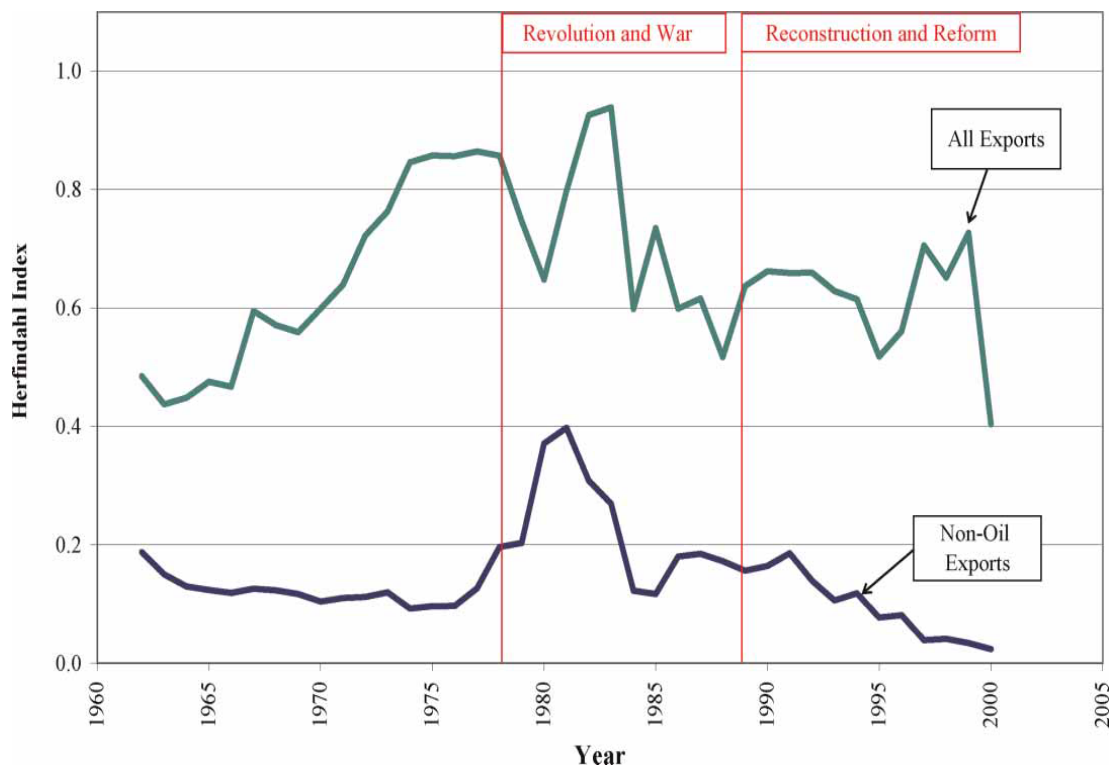
³⁵ Hashem Peseran, **The System...**, p. 514.

³⁶ Jafari, **Rupture and Revolt...**,

³⁷ Raymond A. Hinnebusch and Anoush Ehteshami (ed.), **The Foreign Policies of Middle East States**,(Boulder Co.: Lynne Rienner ,2002), Anoush Ehteshami, “The Foreign Policy of Iran”, p.286.

government revenues also continued in the post-revolutionary era as seen in Figure 2.1 albeit the ruling elites' anti-dependence rhetoric.³⁸ What is more; Iran's reliance on its hydrocarbon resources, mainly oil, kept its oil-related place in the international economic division of labor and increased its vulnerability to outside forces and international economic pressures.³⁹ Apart from its reliance on domestic oil production, the country's dependence on foreign materials and consumer goods continued as it had been under Pahlavi rule as seen in Table 2.1.⁴⁰

Figure 1: Herfindahl Indices of Export Concentration



Source: Hadi Salehi Esfahani and M. Hashem Peseran, "The Iranian Economy in the Twentieth Century: A Global Perspective", *Iranian Studies*, Vol. 42, No. 2, (2009), p.205, <http://dx.doi.org/10.1080/00210860902764896> [01.12.2012]

³⁸ Hashem Peseran, *The System...*, p. 518. Government revenues of Iran are heavily dependent on oil revenues on the ground that the governments gain their revenues from external capital instead of taxing their own populations. Hootan Shambayati, "The Rentier State, Interest Groups, and the Paradox of Autonomy State and Business in Turkey and Iran", *Comparative Politics*, Vol. 26, No.3, (April 1994), p.307, <http://www.jstor.org/stable/pdfplus/422114.pdf> [01.12.2012].

³⁹ Ehteshami, *The Foreign Policy...*, p. 288.

⁴⁰ Evalaila Peseran, *Iran's Struggle...*, p. 59.

Table 1: GDP and imports, 1979-1988, in billions of rials at constant prices

Year	GDP	Imports	Ratio%
1979	185,308	61,733	33
1980	157,647	67,471	43
1981	170,081	74,083	44
1982	194,578	71,847	37
1983	214,613	108,129	50
1984	221,751	94,072	42
1985	231,047	74,975	32
1986	209,454	54,358	26
1987	204,882	57,760	28
1988	176,076	43,066	24

Source: International Monetary Fund, World Economic Outlook Database, April 2010 cited in Evalaila Peseran, **Iran's Struggle for Economic Independence: Reform and counter-reform in the post-revolutionary era**, (London and New York: Routledge, 2011), p. 59.

In a similar vein to its pursuits of economic independence, the regime pursued for implementing an independent foreign policy.

Khomeini as the most powerful figure in the post-revolutionary Iran established a provisional revolutionary government and appointed Mehdi Bazargan as the prime minister of this government on February 5, 1979 after the revolution. Bazargan government adopted a non-alignment policy towards the Great Powers, particularly the U.S and attempted to end America's dominant influence by undoing the Shah's de facto alliance with the U.S. In this context, it withdrew Iran's membership from CENTO on March 12, 1979 and cancelled the Iranian-U.S. defense agreement of March 5, 1959 on November 3, 1979. It also abrogated military agreements, including the Shah's arms orders, with the U.S. on November 6, 1979. In fact, Bazargan and his liberal and secular nationalist supporters adopted a non-hostile approach to the U.S. and preferred less close relations with Washington.⁴¹ Yet, in contrast to Bazargan and his liberal and secular nationalist supporters, Khomeini and his follower clerics wanted to cut all relations with Washington. The discussions of various approaches to Iranian foreign policy between Prime Minister Bazargan and his liberal and secular nationalist supporters in one side and Khomeini and his follower clerics who controlled all other institutions resulted in Khomeini and his follower clerics' win over Bazargan and his supporters. Thus, Khomeini and

⁴¹ R.K. Ramazani, "Iran's Foreign Policy: Contending Orientations", **Middle East Journal**, Vol. 43, No. 2, (Spring 1989), pp.204-205, <http://www.jstor.org/stable/pdfplus/4327919.pdf?acceptTC=true> [02.12.2012].

his follower clerics eliminated the liberals and secular nationalists from state apparatus.⁴²

The struggle over Iranian foreign policy between the two groups became most evident with the takeover of the U.S. Embassy in Tehran by anti American students, ‘The Students Following the Line of the Imam’ (SFLI).⁴³ As R.K. Ramazani notes that “the seizure of the US Embassy on November 4, 1979 and the 444-day hostage dispute that followed became the crucible of an idealistic revolutionary foreign policy that set Iran against much of the rest of the world.”⁴⁴

Khomeini and his follower clerics as revolutionary idealists therefore became the main executor of the Iranian foreign policy. They sit their major foreign policy approach to examine a strict notion of non-alignment in its slogan of ‘Neither East nor West; Islamic Republic’ and exporting the Islamic Revolution to ‘oppressed’ people. Khomeini and his associates condemned both the U.S and the Soviet Union as two imperialist powers that exploit Third World countries. In this respect, they defined the U.S. as ‘Great Satan’ representing the west, or capitalism and the Soviet Union as ‘Lesser Satan’ representing the East, or socialism. They accused the existing international system of victimizing and exploiting the Third World Countries AND promoted the Islamic Revolution as a model for the Third World,

⁴² Ibrahim Mahmoud Yaseen Alnahas, “ Continuity and Change in the Revolutionary Iran Foreign Policy: The Role of International and Domestic Political Factors in Shaping the Iranian Foreign Policy, 1979-2006”, (Dissertation, West Virginia University, Department of Political Science, 2007), pp.94-95.

⁴³ ‘The Students Following the Line of the Imam’ (SFLI) seized the U.S. Embassy in Tehran and held its diplomats and employee hostage on November 4, 1979 allegedly in response to the Carter administration’s admission of the shah to the United States on October 22, 1979 and mainly Bazargan’s meeting with President Carter’s national security advisor Zbigniew Brezinski in Algiers on November 1, 1979. Ramazani, **Iran’s Foreign Policy...**, p. 206., Metz, **Iran: A Country...**, p.71., Alnahas, **Continuity and Change...**, p. 95. As well as the SFLI, Khomeini “refused all overt attempts by the Carter administration to negotiate the issue of the hostages in this period and referred to the United States as the ‘Great Satan’ and the source of all conspiracies against the Islamic Republic.” Panah, **The Islamic Republic...**, p. 66. Khomeini wanted to use this event on the ground he saw in the crisis an opportunity to weaken oppositional groups, be it nationalists and liberals. Alnahas, **Continuity and Change...**, p. 95. The Carter administration imposed sanctions against Iran in response to the takeover of the U.S. Embassy in Tehran. “Some US\$12 billion in Iranian Government bank deposits, gold, and other properties were frozen, including \$5.6 billion in deposits and securities held by overseas branches of U.S. banks. The assets freeze was eventually expanded to a full trade embargo, which remained in effect until the Algiers Accords were signed with Iran on January 19, 1981.” **U.S. Department of the Treasury Office of Foreign Assets Control**, “An Overview of O.F.A.C. Regulations Involving Sanctions against Iran”, <http://www.treasury.gov/resource-center/sanctions/Programs/Documents/iran.pdf> [04.12.2012].

⁴⁴ Ramazani, **Iran’s Foreign Policy...**, p. 206.

especially for countries in which Islam is the majority religion of the population. They, therefore, embarked to export the Islamic Revolution to these countries.⁴⁵

However, the Gulf countries, namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (UAE) felt threatened by the notion of exporting the Islamic Revolution as Shiite population of these countries were target of Iran. Furthermore, Khomeini's strong opposition both to the U.S. with which the Gulf states had good relations and to the monarchy regime which was the administrative system of these states and more importantly some clashes that occurred between groups of local Shias and security forces in Saudi Arabia, Kuwait, and Bahrain increased threat perceptions of the ruling elites of these states.⁴⁶ In response to this perceived threat, the six Gulf countries established the Gulf Cooperation Council (GCC) in 1981. Iran's attempts to export the Islamic Revolution to the Gulf countries resulted in escalation of tension between Iran and the Gulf countries in the 1980s.⁴⁷ Additionally, the Gulf countries supported on behalf of Iraq during the Iran-Iraq war (1980-1988) with the intention of thwarting an Iranian victory which was seen as a prelude regional domination by the Islamic Republic.⁴⁸

⁴⁵ Metz, **Iran: A Country...**, pp. 198-200. The concept of export of revolution is stated in the article 3, (16), of the Constitution of the Islamic Republic of Iran: "Framing the country's foreign policy on the basis of Islamic criteria, fraternal commitment to all Muslims and unflinching support of the world's oppressed (musta'afin)". Also it is stated in the introduction of the constitution in more detail: "With due attention to the Islamic content of the Iranian Revolution, as a movement aimed at the triumph of all the musta'afin (oppressed) over the mustakbirin (oppressors), the Constitution provides the necessary basis for ensuring the continuity of the Revolution at home and abroad. In the development of international relations in particular, the Constitution tries, with other Islamic and popular movements, to prepare the way for the formation of a single world community... and to sustain the continuity of the struggle for the liberation of all deprived and oppressed peoples throughout the world."

⁴⁶ Alnahas, **Continuity and Change...**, p.86. , Metz, **Iran: A Country...**, p.204.

⁴⁷ Will Fulton, Ariel Farra-Wellman, "GCC-Iran Foreign Relations", **Iran Tracker**, 21 July 2011, <http://www.irantracker.org/foreign-relations/gcc-iran-foreign-relations> [07.01.2012].

⁴⁸ Panah, **The Islamic Republic...**, pp. 85-86. For more detailed information the Gulf states attitudes towards the Iran-Iraq War see Gerd Nonneman, "The Gulf States and the Iran-Iraq War: Pattern Shifts and Continuities", pp. 167-193, Lawrence G. Potter and Gary G. Sick(Ed.) **Iran, Iraq and the Legacies of War**,(New York: Palgrave Macmillan, 2004).

4. NEED FOR ECONOMIC REFORM AND PRAGMATIC FOREIGN POLICY IN THE 1990S

After Khomeini's death on June 3, 1989, Ali Akbar Hashemi Rafsanjani who won the 1989 Presidential Elections in Iran on July 28, 1989 became the President of the Islamic Republic of Iran on August 3, 1989 and Ali Khamenei was appointed as the new Supreme Leader by the Assembly of Experts on June 4, 1989. The two leaders were in agreement to follow rational and pragmatic approaches in the economic and foreign policy realms in face of a devastated economy caused by the eight-year war with Iraq and the U.S. and the Gulf countries policies of containment towards the Islamic Republic. Rafsanjani Administration, therefore, initiated two reform programs; to change economic policies by introducing a program of economic reconstruction; and to change Iran's regional and international isolation by reducing the fallout of revolutionary radicalism.⁴⁹

The financial burden and destructive effects of the eight-year war with Iraq, the correspondingly steep rise in military expenditures, the sharp decline in oil prices and revenues, the steady decline in per capita income and welfare, the enormous physical and human costs combined with the decline in the living standards of much of the population and the drop in foreign exchange reserves inherited from the previous regime necessitated the use of more practical economic and social policies.⁵⁰

⁴⁹Ziba Moshaver, "Revolution, Theocratic Leadership and Iran's Foreign Policy: Implications for Iran-EU Relations", *The Review of International Affairs*, Vol.3, No.2, Winter 2003, p. 289, <http://caspiastudies.com/Foreignpolicy/iran-europ/Revolution.%20Theocratic%20Leadership%20and%20Foreign%20Policy.pdf> [12.12.2012].

⁵⁰ Efraim Karsh, **The Iran-Iraq War 1980-1988**, (Oxford, Osprey Publishing, 2002), p. 74. ; Homayoun Katouzian, "Iran and the Problem of Political Development", Ali Mohammadi (Ed.), **Iran Encountering Globalization, Problems and Prospects**, (London and New York: RoutledgeCurzon, 2003), p. 15. Frederic Pryor argues that the factors which adversely affected the Iranian economy, as well as the Iran-Iraq War, were emigration of educated Iranians, immigration of several million uneducated refugees, and decline in foreign investment. He emphasizes that the emigration of a large segment of educated Iranians, almost 640,000 academics, physicians, artists, writers, entrepreneurs, and managers, after the revolution resulted in a high loss in human capital. He also states that Iranian economy faced the challenge of a stream of about 2.4 million refugees into Iran, because of the Soviet Occupation of Afghanistan in the 1980s and the subsequent civil war and Saddam Hussein's pressure on Shia in Iraq, most of these newcomers were poorly educated and untrained for modern factory work. He finally attaches that the U.S. economic sanctions on Iran owing to the hostage crisis, the regime's general fear of foreign domination and its restrictive laws on foreign investment led to a fall in foreign capital. Frederic Pryor, *The Political Economy...*, p.249.

Furthermore, as Maryam Panah notes, “the regime felt the pressure of popular unrest below, it was prompted firstly to remove the burden of military conflict and also to attempt to increase the level of economic activity and increase revenues.”⁵¹

Table 2: Economic Performance under the Shah and the Islamic Republic
(Average annual growth rates -1997/1998 prices)

	Shah’s White Revolution (1960-1977)	Khomeini period (1980-1988)
Population	2.9%	3.6%
GDP	10.2	0.7
Non-oil GDP	10.1	0.0
Inflation (national income deflator)	3.6	15.5
Gross fixed investment	14.6	-3.4
Exports of goods and services	10.9	7.0
Value added: Agricultural, hunting, forestry, fishing	4.7	5.0
Manufacturing	12.6	3.6

Source: Frederic L. Pryor, “The Political Economy of a Semi – Industrialized Theocratic State: The Islamic Republic of Iran”, Mario Ferrero and Ronald Wintrobe (Ed), **The Political Economy of Theocracy**, (New York: Palgrave Macmillan, 2009), p.248.

Rafsanjani administration moved to implement economic reform policies basing on economic reconstruction and liberalization in order to rejuvenate the shattered economy brought about by the war with Iraq and prevent an occurrence of any social unrest. Anoushiravan Ehteshami states the ten elements to the economic reform process as follows:

“(1) Privatization of industry, mines and other industrial and non-industrial productive activities, (2) deregulation of economic activity and of banking and financial services, (3) activation, expansion and modernization of the Tehran stock exchange, (4) encouragement of inward direct foreign investment, (5) foreign borrowing, (6) establishment of free trade zones across the country, (7)

⁵¹ Panah, **The Islamic Republic**...,p. 120

devaluation of the rial, (8) gradual reduction of subsidies, (9) liberalization of trade and returning it to the private sector, (10) freeing of prices.”⁵²

Rafsanjani Administration apparently attempted to replace the populism of the 1980s, which based on self-sufficiency, with a market economy and integration into the world capitalist system in the context of greater private domestic and foreign participation.⁵³ It believed that “Iran’s sovereign independence required its integration into the world community, particularly the world economy.”⁵⁴ It reestablished Iran’s links with World Bank, IMF and European banks with the intention of getting credits for sustaining the economic reform program and opening the Iranian economy up to the outside world. For instance, it received \$500-600 million credit from World Bank with the assistance of the rapprochement with this institution and the implementation of the economic reform program which was compatible with World Bank and IMF’s recipe for economic ‘restructuring’.⁵⁵ In 1993, it also established two free trade zones (FTZ) in the Persian Gulf, namely the Kish Island FTZ and Qeshm FTZ in order to internationalize Iran’s industry and economy. Yet, Iran’s application in 1993 to join one of most important institution of the prevailing international capitalist system, the General Agreement on Tariffs and Trade, until then regarded as a bastion of imperialist powers, was the most striking point concerning the integrationist moves of the Iranian government.⁵⁶

Apart from these integrationist moves, the Iranian government embarked to encourage direct foreign investment of which the Iranian economy was in need due to shortage of domestic capital and the absence of essential technology in Iran. In this sense, it lifted restrictions on direct foreign investment in key sectors such as petrochemicals, power generation and distribution, and reformulated the country’s foreign investment law to allow up to 49 percent equity holding by the foreign partner.⁵⁷ It should be noted that the government gave priority support to use of

⁵² Anoushiravan Ehteshami, **After Khomeini, The Iranian Second Republic**, (London and New York: Routledge, 1995), p. 104.

⁵³ Ehteshami, **After Khomeini**..., p.101.; Jafari, **Rupture and Revolt**..., The reception of several World Bank and International Monetary Fund delegations to Iran in June 1990 symbolized this turn.

⁵⁴ R.K. Ramazani, “Iran’s Foreign Policy: Independence, Freedom and the Islamic Republic”, Anoushiravan Ehteshami and Mahjoob Zweiri, **Iran’s Foreign Policy: From Khatami to Ahmadinejad**, (Berkshire: Ithaca Press, 2008), p.9.

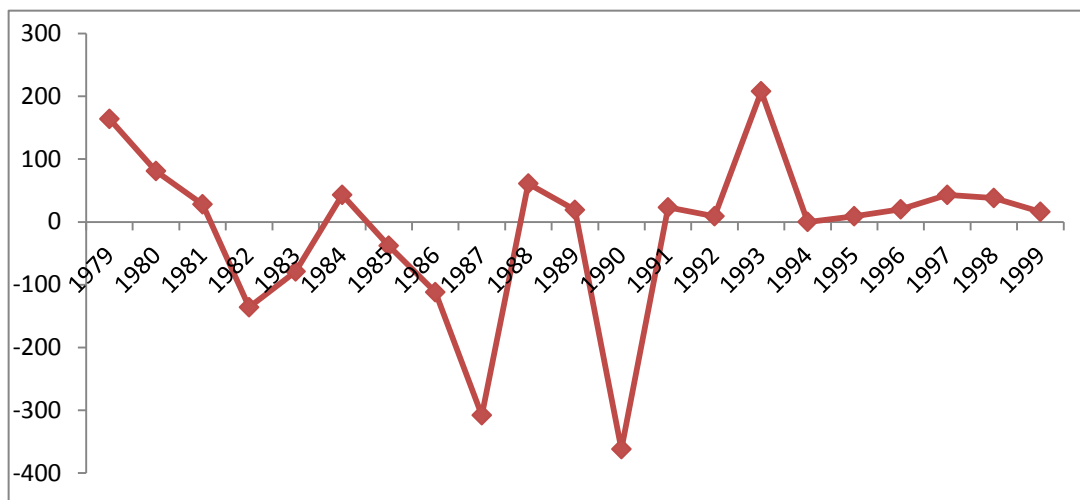
⁵⁵ Panah, **Islamic Republic**..., p.136.; Peseran, **Iran’s Struggle**...,p. 81.; Jafari, **Rupture and Revolt**

⁵⁶ Ehteshami, **After Khomeini**..., p.111-112.

⁵⁷ Ehteshami, **After Khomeini**..., p.111-113. It is noteworthy that Khamanei supported foreign investment, before becoming the Supreme Leader of the Islamic Republic, with these sentences: “In

foreign investment in the oil and gas industries on the ground that the country's ties to the world capitalist market had remained in place by way of its export of hydrocarbons and its import of industrial and consumer goods.⁵⁸ Yet, net foreign investment inflows to Iran remained very low as seen in Figure 3.2 despite the upturn that was experienced following the end of the war between Iran and Iraq as the attraction of investment from abroad was considered to remain serious challenge for the Islamic Republic.⁵⁹

Figure 2: Inflows of foreign direct investment (FDI) to Iran, 1979-1999, U.S. Dollars at current prices and current exchange rates in million



Source: United Nations Conference on Trade and Development (UNCTADSTAT), “Inward and Outward Foreign Direct Investment Flows, Annual, 1970-2011”, <http://unctadstat.unctad.org/TableViewer/tableView.aspx> [accessed 07.12.2012].

It should be meanwhile noted that Iran did neither become “neoliberal” nor fully integrate into the world capitalist system in spite of Rafsanjani Administration’s pro-market policies. In contrast, the state bureaucratic class maintained its central role in the economy.⁶⁰ Evalaila Peseran explains the reason why Rafsanjani Administration became unsuccessful in establishing an autonomous private sector as follows:

the past, foreign investment made our country dependent...and we have a very bitter experience of that. But that doesn't mean that we should turn that past experience into dam to be placed in front of those countries that have good relations with us. We will open up the path for cooperation, with other countries within the framework of the constitution and in accordance with our ideals and needs.” Ettela’at 21 Shahrivar 1367/September 12, 1988 cited from Evalaila Peseran, *Iran’s Struggle...*, p. 66.

⁵⁸ Peseran, *Iran’s Struggle...*, pp.75-76.

⁵⁹ Peseran, *Iran’s Struggle...*, p.113.

⁶⁰ Jafari, *Rupture and Revolt...*,

“Iran’s mercantile elites were themselves part of the state, and they favored not the creation of an industrialized economy with close links to the outside world, but rather a facilitation of their own economic control over trade and commerce within the country. Because of this, Hashemi-Rafsanjani’s administration was unsuccessful in transferring wealth from the public to private sector; instead, it only caused the boundaries between the two to become even more blurred.”⁶¹

Aside from the economic reform initiations, Rafsanjani Administration embarked the process of foreign policy reform through a policy of reducing the fallout of revolutionary radicalism and finding some friends in international scene and improving Iran’s relations with other countries, particularly its neighbors.⁶² Rafsanjani heralded this change in foreign policy with these sentences: “The main thing is that we can stop making enemies without reason because of this new move [Iran’s acceptance of SCR598]. This has put a new road in front us. There are many people who are currently giving facilities to Saddam [Hussein] who would not have done so if our foreign policy had been right.”⁶³ By developing the relations with other countries, particularly its neighbors, Rafsanjani Administration tried to change Iran’s regional and international isolation. This explicitly indicates that revolutionary radicalism and idealism, which stemmed from the idea of establishing an ‘Islamic world order’, with rationalism and pragmatism as the dominant determinant of Iranian foreign policy decision-making system.⁶⁴

After accepting the cease-fire with Iraq, the Islamic Republic had to abandon the principle of ‘export of revolution’ with the intention of mending fences with its neighboring countries, particularly the Gulf countries.⁶⁵ Rafsanjani declared Iran’s

⁶¹ Peseran, **Iran’s Struggle**....p.95.

⁶² Amir M. Haji-Yousefi, “Iran’s Foreign Policy during Ahmadinejad: From Confrontation to Accommodation”, **Alternatives: Turkish Journal of International Relations**, Vol.9, No.2, Summer 2010, p.5, <http://www.alternativesjournal.net/volume9/number2/haji-yousefi.pdf> [13.12.2012].

⁶³ SWB, ME/0218, 1 August 1988 cited from Ehteshami, After Khomeini...., p.28.

⁶⁴ In fact, the seeds of this policy may be traced to 1988, when Iran under Ayatollah Khomeini accepted the Resolution 598 ending the Iran-Iraq war. As a result, the Islamic Republic put in the agenda to accept reality without revolutionary action. Amir M. Haji-Yousefi, *Iran’s Foreign Policy*...., p.5. According to Ramazani, “perhaps the most striking example of dominance of pragmatic actors over ideological influences in Iran’s foreign policy during Khomeini’s lifetime was the secret purchase of arms from the United States, “the Great Satan” and Israel, “the lesser Satan.” Iran’s defensive war against Iraq occasioned such a bold move. A deal was struck through intermediaries. American and Israeli arms were to be shipped to Iran in return for Iran’s help with the release of Western hostages in Lebanon. Six shipments of arms went to Iran, several American hostages were released, each after Iran received a shipment of arms.” R.K. Ramazani, “Ideology and Pragmatism in Iran’s Foreign Policy”, **Middle East Journal**, Vol. 58, No. 4, Autumn 2004, p.556, <http://www.jstor.org/stable/pdfplus/4330062.pdf?acceptTC=true> [13.12.2012].

⁶⁵ Amir M. Haji-Yousefi, **Iran’s Foreign Policy**....p.6.

this policy with these sentences: “We did not have expansionist intentions from the beginning, just as our southern neighbors do not have aggressive designs... we urge our southern neighbors... to co-operate with us in order to resolve existing issues concerning the oil market, maritime laws, and Resolution 598”⁶⁶ Rafsanjani Administration’s opposition to Iraq’s invasion of Kuwait in August 1990 and then its support the bulk of international resolutions on Iraq obtained for Iran a process of normalization with the Gulf countries and restore diplomatic ties with Egypt, Tunisia and Morocco. In addition, the war also gave Iran another opportunity: Iraq replaced Iran as the immediate threat to security and integrity of the Gulf countries. The clearest sign of the rapprochement between Iran and these countries may be found in the GCC’s declaration in its December 1990 summit in Qatar, whereby they welcomed the prospect of the future cooperation and Iranian participation in regional security arrangement.⁶⁷

In a similar vein, Iran under Rafsanjani also tried to improve commercial and political ties with the Western Europe (and, as it now became the European Union). On the ground that it saw European countries as both a source of foreign loans, credit and investment that economic restructuring needed, and a counterweight to Washington so as to reduce the international isolation of Iran. In fact, European countries wanted to improve relations with Iran since they viewed Iran as a major source of oil and gas.⁶⁸ Iran’s neutralist stance and its support for the United Nations’ position on the Iraq’s invasion of Kuwait in 1990 gave Iran an opportunity for rapprochement with European countries. In 1990, European countries responded Iran’s this stance by removing economic sanctions against Iran and normalizing relations with it. In response to European countries these steps, Iran secured the release of the Western hostages kidnapped by Hezbollah in Lebanon and permitted the United Nations Special Representative on Human Rights to visit the country for the first time since the Revolution.⁶⁹ As a result of the rapprochement between Iran and European countries, by the mid-1990s Iranian-European relations had taken a

⁶⁶ SWB, ME/0341, 22 December 1988 cited from Ehteshami, *After Khomeini...*, pp.138-139.

⁶⁷ Mahjoob Zweiri, “Arab-Iranian Relations: New Realities?”, Anoushiravan Ehteshami and Mahjoob Zweiri, **Iran’s Foreign Policy: From Khatami to Ahmadinejad**, (Berkshire: Ithaca Press, 2008), p. 116. ; Ziba Moshaver, **Revolution, Theocratic Leadership...**, p.289. ; Ehteshami, **After Khomeini...**, p.153.

⁶⁸ Ziba Moshaver, **Revolution, Theocratic Leadership...**, p.293.

⁶⁹ Shahriar Sabet-Saeidi, “Iranian-European Relations: A Strategic Partnership?”, Anoushiravan Ehteshami and Mahjoob Zweiri, **Iran’s Foreign Policy...**, p.58

fundamentally new turn with increased trade between Iran and, particularly, Germany, France, Britain and Italy.⁷⁰ The clearest indication of improved trade and diplomatic relations between Iran and European Union was the EU's rejection to join the U.S. embargo, Executive Order 12959 in 1995, banning mainly American companies from Iran's oil and gas sectors. For instance, the French company Total replaced the American company Conoco for the development of offshore oil and gas fields in Sirri in 1995 when President Clinton's Executive Order in 1995 banned Conoco from investing in Iranian oil and gas fields. In fact, Clinton's Executive Order in 1995 led Iran turn to Europe and consequently European companies became its biggest partner in trade and technology. For example, the EU became Iran's largest trading partner with over 40 percent of total Iranian imports by 1995.⁷¹

Apparently, Rafsanjani Administration's pragmatic foreign policy could reduce the tension between Iran and the Gulf countries and Iran and major European countries. It, however, could not end the tension between Tehran and Washington. In fact, Rafsanjani Administration wanted to "reduce bilateral tensions and US economic and political pressures on Iran and limit the US military presence and political influence in the Persian Gulf."⁷² For example, Iran under Rafsanjani awarded the first buy-back project in March 1995 to an American company, Conoco, largely as a goodwill gesture from the government of the Islamic Republic to the government of the United States, however the Clinton Administration cancelled the contract between Iran and Conoco.⁷³ The Clinton Administration, furthermore, signed the Iran Sanctions Act of 1995, imposing a unilateral economic embargo on the Islamic Republic and the Iran Libya Sanctions Act (ILSA) in 1996, providing sanctions against any firm, American or international, that invested more than \$40 million in the energy industries of Iran and Libya sanctions against any firm, American or international, that invested more than \$40 million in the energy industries of Iran and Libya.⁷⁴

⁷⁰ Ziba Moshaver, **Revolution, Theocratic Leadership...**, p.293.

⁷¹ Shahriar Sabet-Saeidi, **Iranian-European Relations...**, p.60. ; Ziba Moshaver, **Revolution, Theocratic Leadership...**, p.295.

⁷² Central Intelligence Agency (CIA), "Iran under Rafsanjani Seeking a New Role in the World Community?", October 1991, p.4, http://www.foia.cia.gov/docs/DOC_0000602664/DOC_0000602664.pdf [19.12.2012].

⁷³ Evalaila Peseran, **Iran's Struggle...**, p.93.

⁷⁴ Anastasia Th. Drenou, "Iran Caught between European Union-United States Rivalry?", Anoushiravan Ehteshami and Mahjoob Zweiri, **Iran's Foreign Policy...**, p.76. The Iran-Libya

This clearly shows that Washington sees Tehran's initiatives to integrate to the international system especially on economic level with the countries like the GCC countries as a threat to its own existence in the region especially in military terms. Therefore, Iranian efforts to liberalize its economy by achieving friendly relations with its neighboring countries remained fruitless mainly because they were not acting in accordance with the interests of a global power, in the region Iran locates. As a matter of fact Washington reminded Tehran on every occasion that it was the United States not Iran was the determinant power in the region.

Sanctions Act in 1996 proclaims that "The efforts of the Government of Iran to acquire weapons of mass destruction and the means to deliver them and its support of acts of international terrorism endanger the national security and foreign policy interests of the United States and those countries with which the United States shares common strategic and foreign policy objectives." **One Hundred Fourth Congress of the United States of America**, 1, www.gpo.gov/fdys/pkg/BILLS-104hr3107enr/pdf/BILLS-104hr3107enr.pdf [19.12.2011]. The U.S. imposed its policy of 'Dual Containment' in 1993 toward Iran and Iraq, which was based on isolating Iran and Iraq through political, economic and military means. Shahriar Sabet-Saeidi, **Iranian-European Relations**..., p.59.

5. KHATAMI'S EFFORTS TO ECONOMIC AND POLITICAL LIBERALIZATION AND IRAN- THE UNITED STATES RELATIONS

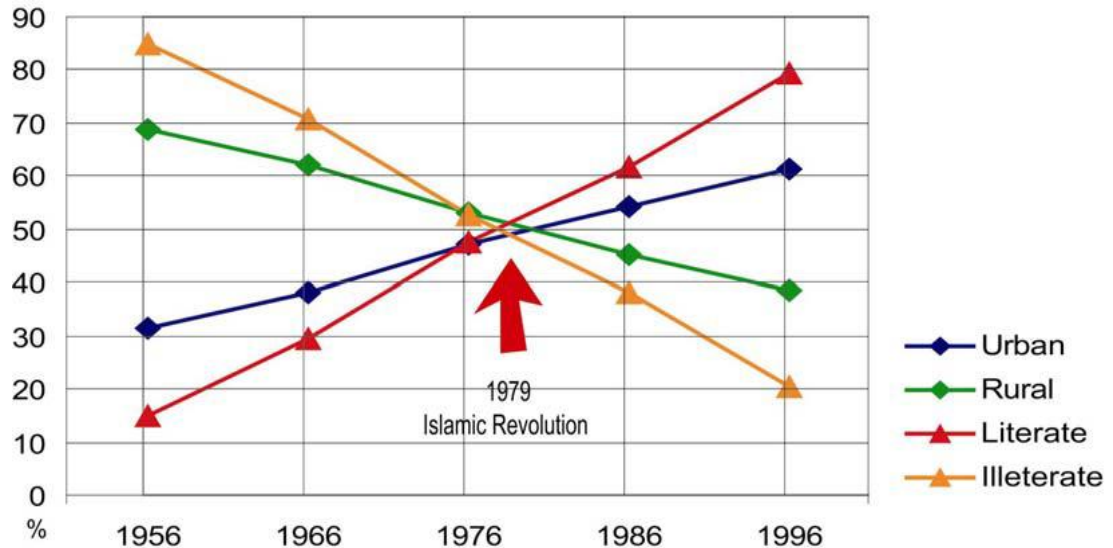
In response to the pressures of prevailing trends in the international system, those of urbanization, migration, economic integration, globalization, cultural exchange and diffusion, and technological revolution, Iranian society was dramatically changing in the mid-1990s. Thus, changing political, economic and social dynamics increased the desire for change in the country so as to rehabilitate the existing system. Following the 1979 Iranian revolution and particularly, the war between Iran and Iraq, a new politically active middle-class involving a new generation of intellectuals who were basically impressed by diverse political thoughts such as; neo- Marxism, existentialism, hermeneutic, post-modernism and liberalism, emerged in Iran. With reference to the above mentioned political thoughts/currents, the new generation intellectuals were criticizing the existing regime and its institutions and they suggested reforming them. The distinctive characteristic of the new class was that they did not only demand economic changes but also democratic ones. Moreover, the rate of youth constituency had drastically increased from 1979 to 1997 due to the regime's encouragement policy of high birth rates onset of the 1979 Revolution and the Iran-Iraq war in particular. The highly-educated, cosmopolitan and culturally diverse new youth population demanded jobs and social expression through opportunity of political participation.⁷⁵ Furthermore, Farhad Khosrokhavar aptly puts the difference of the revolution perception and approaches toward the Islamic regime between this new youth population as a new generation and the old generation as follows:

“A new generation matured, those born either under the revolutionary regime or during the last years of the shah's rule. This new generation did not participate in the revolutionary movement, so for it the current regime is anything but 'revolutionary'... its revolutionary idealism has eroded gradually

⁷⁵ Amir Ahmad Fekri, “Iran'da Aydınlanma ve Devrim: Sosyo-Politik ve Kültürel Donusum 1953-2006”, (Doktora Tezi, Ankara Üniversitesi Sosyal Bilimler Enstitüsü, 2007), pp. 165-166. ; Ghoncheh Tazmini, **Khatami's Iran: The Islamic Republic and the Turbulent Path to Reform**, New York: I.B. Tauris, 2009, introduction 5.

as a result of the war the decline in economic power of the people in the cities, and the corruption of the new political elite.”⁷⁶

Figure 3: Evolution of the urban and literate population of Iran 1956-1996



Source: Abbas Maleki, “Oil Economies and Social Welfare”, **Institute of Caspian Studies**, March 2009, p.7, <http://www.caspianstudies.com/article/maleki/Iran%20Oil%20Economies%20and%20Social%20Welfare%20CeSPI.pdf> [06.12.2012].

Economic-oriented reform initiations of the Rafsanjani Administration were inadequate to satisfy demands of a large part of the Iranian society, especially the new generation, for change. Mohammad Khatami, a little-known cleric and a former minister of Culture and Islamic Guidance (1982-1992), swept to victory in May 1997 presidential election, winning almost 70 percent of the vote. In the election campaign, when compared with the discourse of his predecessors, he used an unaccustomed discourse by giving reference to civil society, democracy, transparency, rule of law, the inclusion of all Iranians in the political decision-making process. He also promised to enforce constitutional civil rights and provide freedom of speech and the press. These election campaign strategies played a crucial role in his election victory. His supporters were not limited to only youth and intellectuals but also those of women, traditional leftists, technocrats, business leaders and merchants from Tehran’s bazaar as well. As a matter of fact, there was no way that he could win the election without votes of youth, women and

⁷⁶ Farhad Khosrokhavar, “Postrevolutionary Iran and the New Social Movements”, **Twenty Years of Islamic Revolution: Political and Social Transition in Iran since 1979**, (Ed.) Eric Hooglund, (New York: Syracuse University Press, 2002): p. 7.

intellectuals. It should be put that his landslide election victory was a movement known as Second of Khordad Front (the second of Khordad month, equivalent to 23 May, the date of his election) by a group of political parties and organizations in Iran that supported his plans to change the system to include more freedom and democracy.⁷⁷

He desired to put an end to Iran's economic isolation within the global political- economic system. He, however, believed that Iran's economic integration into global capitalist system and its economic development could not be achieved in the absence of an overall political strategy. Hence, he put the implementation of political reforms priority over economic ones contrast to Rafsanjani.⁷⁸ In this respect, he tried to adapt Western-oriented norms, namely civil society, democracy, and rule of law, to political culture of the Islamic Republic. He also attempted to justify his reform initiations in the both eyes of the Western countries by conciliating Islam and values of Western political culture, those of civil society, rule of law, democracy, in order to integrate Iran into the prevailing international system politically and of political elites who control various institutions of the Islamic Republic by denoting that reform initiations follow a path that appropriates the revolutionary ideals and bases on an indigenous model rather than imported one in order to avoid any clash with these political elites. In a nutshell, he actually did not aim at changing the theocratic structure of the Islamic regime entirely yet reforming it with reference to

⁷⁷Rahim Ghomeshi, "Civil Society in Iran Developments, Problems and Future Prospects with Reference to Human Rights (1997-2004)", (Dissertation, The University of Pune Department of Politics and Public Administration, 2008), p.103. ; "Iranian Elections, 1997-2001", **Public Broadcasting Service**, <http://www.pbs.org/wgbh/pages/frontline/shows/tehran/inside/elections.html> [19.12.2011] , "Profile: Mohammad Khatami", **BBC News**, 6 June 2001, http://news.bbc.co.uk/2/hi/middle_east/1373476.stm [19.12.2011] ; Tanzimi, **Khatami's Iran....**,pp. 42-44.

⁷⁸ In fact, Khatami administration attempted to continue Rafsanjani administration's economic reform policies. Its economic reform policy accomplishments were exchange rate unification, trade liberalization despite its low pace, simplification of corporate and income taxes, provision of incentives for foreign investors, and licensing of three private banks. Parvin Alizadeh, "Iran's Quandary: Economic Reforms and the 'Structural Trap'", **The Brown Journal of World Affairs**, Vol. 11, Issue. 2, (Winter-Spring 2003), pp. 276-277. <http://www.watsoninstitute.org/bjwa/archive/9.2/Iran/Alizadeh.pdf> [27.12.2012]. The most important step Khatami administration took to integrate Iranian economy with the world economy was the new law on foreign investment in Iran under the name of "Foreign Investment Promotion and Protection Act" (FIPPA) was ratified by the Parliament in 2002, which replaced "Law for the Attraction and Protection of Foreign Investment" (LAPFI) which was in effect since 1955. For more detailed information about FIPPA and some specific enhancements introduced by FIPPA for foreign investments in Iran see **Organization for Investment, Economic and Technical Assistance of Iran (OIETAI)**, Foreign Investment Promotion and Protection Act (FIPPA)-Implementing Regulations of FIPPA, <http://www.iran-investment.org/fippaen.pdf> [25.12.2012].

rule of law to save the Islamic regime.⁷⁹ In this context, Evalaila Peseran aptly puts Khatami's aim of protecting economic and political independence of the Islamic regime as follows:

“Khatami did suggest that Iran's independence might be better achieved through interaction rather than through self-containment and hostility toward ‘the other.’ As such, Khatami's response to the thesis of a ‘clash of civilizations’ (Huntington 1993) with his own theory of a dialogue among civilizations suggested to many that Iran might at last expand economic relations with the outside world”.⁸⁰

In fact, the Khatami Administration's foreign policy agenda based on détente in foreign relations and ‘dialogue among civilizations’⁸¹ was continuation of Rafsanjani Administration's pragmatic foreign policy with a democratic dimension.⁸² Khatami Administration sought to reconcile with Saudi Arabia, normalize relations with European countries and reach out to the United States as Rafsanjani Administration had done.⁸³ As Shah Alam aptly puts, “the changing paradigm of Iranian foreign policy is [was] not a recent trend, but the shift in Iran's foreign policy paradigm had echoed during the Rafsanjani Administration.”⁸⁴

In the foreign policy realm, the top priority of Khatami Administration was to have close relationships with the neighboring countries, particularly the Gulf countries, in order both to develop bilateral trade relations and to enhance bilateral and multilateral cooperation on security of the Persian Gulf.⁸⁵ Iran under Khatami believed that “through a ‘good neighbor’ policy, the local states [the GCC states] might in time accept its claim that the best means of securing the Gulf was through

⁷⁹ It should be noted that he was even supported by statist elites (i.e. Organization of the Mojahedin of the Islamic Revolution) who favored the principle of self-sufficiency and isolation of Iran from the outside world. In addition, he was nominated as president candidate by Association of Combatant clerics controlled by statist elites. Peseran, *Iran's Struggle...*, pp. 99-100. ; Tazmini, *Khatami's Iran...*, p.56.

⁸⁰ Peseran, *Iran's Struggle...*, pp.104-105.

⁸¹ Tazmini aptly puts that “Khatami hoped this conceptual paradigm [Dialogue among Civilizations] would lead to ‘a reduction in international tensions’ and ‘détente with outside world’. It was not only a response to the ineluctable forces of globalization, but also a new reading of its significance.”Tazmini, *Khatami's Iran*, p. 83.

⁸² Ramazani, *Ideology and Pragmatism...*, p.557.

⁸³ Ray Takeyh, *Guardians of the Revolution: Iran and the World in the age of the Ayatollahs*, (New York: Oxford University Press, 2009), p. 198.

⁸⁴ Shah Alam, “The Changing Paradigm of Iranian Foreign Policy Under Khatami”, <http://www.idsa-india.org/an-dec-00-4.html> [01.02.2012].

⁸⁵ Shah Alam, “The Changing Paradigm of Iranian Foreign Policy Under Khatami”, <http://www.idsa-india.org/an-dec-00-4.html> [01.02.2012].

an indigenous alliance network.”⁸⁶ Put bluntly, Khatami Administration aimed at containing the U.S. presence in the region with the help of good neighborhood relations with the Gulf countries. Iranian top authorities uttered this goal of Iranian foreign policy at the eighth summit of the Organization of Islamic Conference (OIC) held in Tehran in December 1997. For instance, at the conference, Ayatollah Khamenei as supreme leader of Iran stressed that the US military forces locating in the Persian Gulf, which is an important source of energy for entire world, posed a regional threat. Then, he suggested that a powerful Organization of Islamic Countries can force the U.S. military forces to withdraw from the region with the help of Islamic power and dignity. This move of Khamenei explicitly indicates that he was supporting Khatami Administration’s reconciliation policy with the GCC states, which such policy promoted mutual trust as the first and most important appropriate strategic approach to ensuring regional security by regional powers themselves.⁸⁷ In 1999 Khatami became the first Iranian president to visit Riyadh with the intention of achieving rapprochement with Saudi Arabia, the most important of any GCC state. The visit soon bore fruit, as a number of economic, cultural, and diplomatic agreements were signed. Furthermore, Tehran and Riyadh took the unprecedented measure of establishing a mechanism for dealing with internal security issues such as drug trafficking and money laundering.⁸⁸ The rapprochement with Saudi Arabia paved the way for collaboration between Tehran and Riyadh secure the oil market for their interests through OPEC. In this respect, Iran and Saudi Arabia defined the target price limits and developed a mechanism to guarantee this limit for the first time since the establishment of OPEC in 1960.⁸⁹

Khatami Administration’s détente policy wasn’t limited to the GCC states. Iran under Khatami moved to continue the improved Iran-EU relationship of the Rafsanjani period to secure its economic and political interests. The main motivation of Khatami Administration for rapprochement with European countries was the country’s need for Western capital as a foreign investment, technology and science.⁹⁰ Moreover, as previously mentioned, Iran had seen the EU as a counterweight to the

⁸⁶ Takeyh, **Guardians of...**, p.198.

⁸⁷ Shah Alam, “The Changing Paradigm of Iranian Foreign Policy Under Khatami”, <http://www.idsa-india.org/an-dec-00-4.html> [01.02.2012].; Takeyh, **Guardians of...**, p.198.

⁸⁸ Takeyh, **Guardians of...**, p.199.

⁸⁹ Shahriar Sabet-Saeidi, **Iranian-European Relations...**, pp.61-62.

⁹⁰ Shahriar Sabet-Saeidi, **Iranian-European Relations...**, p. 62.

US since the end of the Cold War. The most important step that Khatami Administration took to improve the relations with the EU was the invalidation of Khomeini's fatwa against British author Salman Rushdie. At the UN conference on September 22, 1998, in New York, President Khatami suggested that the fatwa was the expression of Khomeini's own view as an Islamic jurist and further added that "We should consider the Salman Rushdie issue as completely finished."⁹¹ Subsequently, Iranian Foreign Minister Kamal Kharrazi told British Foreign Secretary Robin Cook that "the government of the Islamic Republic of Iran has no intention, nor is it going to take any action whatsoever to threaten the life of the author of the Satanic Verses or anybody associated with his work, nor will it encourage or assist anybody to do so."⁹² As a result, Tehran and London agreed to exchange ambassadors for the first time since 1980 and the exchange of ambassadors took place in May 1999. In short, a general thaw in bilateral relations apparently became possible with the help of Khatami Administration's conciliatory foreign policy.⁹³

Another important and bold step that Khatami Administration took to improve the relations with the EU was the termination of the long-standing practice of assassinating Iranian dissidents in Europe as a gesture of reconciliation. In doing so, Khatami Administration succeeded in shutting down an important aspect of Tehran's portfolio of violence despite the fact that it is customary to label Iran as one of the most active sponsors of terrorism.⁹⁴

In response to Khatami Administration's these conciliatory moves, the EU replaced "comprehensive dialogue" policy toward Iran with "critical dialogue"⁹⁵ of earlier phase on the ground that the EU believed that closer relations with Iran would help the reform movement of Khatami Administration. The "comprehensive dialogue" allowed discussions on a range of issues, including: areas of cooperation

⁹¹ The New York Times, September 23, 1998 cited from Ramazani, **Ideology and Pragmatism...**, p.558.

⁹² The Washington Post, September 25, 1998 cited from Ramazani, **Ideology and Pragmatism...**, p.558.

⁹³ Michael Axworthy, "Diplomatic Relations between Iran and the United Kingdom in the Early Reform Period, 1997-2000", Anoushiravan Ehteshami and Mahjoob Zweiri, **Iran's Foreign Policy...**, p.106.

⁹⁴ Takeyh, **Guardians of...**, p.200.

⁹⁵ For more information about "critical dialogue" policy see. Shahriar Sabet-Saeidi, **Iranian-European Relations...**, pp.58-61.

such as trade and investment, energy, drugs, refugees; international issues such as terrorism, human rights and proliferation; and regional issues such as Iraq, Gulf, Central Asia, and the Middle East Peace Process.⁹⁶

The next phase of Iran's move towards Europe was a series of state visits by President Khatami. Khatami paid visits to three European countries, Italy in April 1999 where he also met with Pope Jean Paul II, France in October 1999 and Germany in July 2000 as the first Iranian president since the Iranian Revolution in 1979.⁹⁷ It is worth to note that a commentary in *Le Figaro* explicitly put the reason why Khatami chose Italy and France as his first European destinations in 1999 as follows:

“Rome and Paris were not chosen randomly to be the first capitals of Europe where President Khatami comes in an attempt to show that Iran has changed. ELF and ENI recently signed joint, important oil contracts with Tehran. While the United States keeps its favorite practice of economic boycotting, France and Italy chose to help Iran open up, demonstrating that, for the sake of prosperity, it is possible to find links of reciprocity between the West and Iran. This approach could be seen as cynical. It nevertheless brings a theocracy to recognize that Islam is not sufficient to define Iranian interests.”⁹⁸

During his visits to France and Germany, Khatami obtained debt and credit. He obtained over \$2 billion credit from Credit Lyonnais, Société Générale, Credit Agricole and Paribas in France and an increase in Hermes credit risk coverage, from 200 million marks (\$99 million) to one billion marks in Germany. He also secured \$550 million loan for Iran's National Petrochemical Company in June 2000 from a German-led consortium of European banks.⁹⁹

Khatami's outreach also extended to the United States. In January 1998, in his boldest overture to the U.S., he granted an interview to Iranian-born CNN correspondent Christiane Amanpour, who left Iran right after the revolution, only

⁹⁶ Moshaver, *Revolution, Theocratic Leadership*..., p.296.

Unlike Ziba Moshaver, Ray Takeyh notes the evolution of the EU policy toward Iran, in response to Khatami administration's moves, as from “critical dialogue” to “constructive engagement” rather than “comprehensive dialogue”. We opt for using Moshaver's term as he used this term in details. See Takeyh, *Guardians of*..., p.200.

⁹⁷ “Khatami denounces totalitarianism, despotism”, **IRNA**, 03.12.2002, <http://www.netnative.com/news/02/mar/1041.html> [25.01.2012].

⁹⁸ *Weekday Magazine* (RFE/RL), 11 March 1999 cited from Shahriar Sabet-Saeidi, *Iranian-European Relations*..., p. 64.

⁹⁹ Shahriar Sabet-Saeidi, *Iranian-European Relations*..., p. 64.

four months after taking office.¹⁰⁰ He extended an olive branch to the US through the interview¹⁰¹ on the CNN on 7 January, 1998, which was a cornerstone in terms of his administrations' effort to normalize its diplomatic relations with the U.S. At the interview, he tried to address the outstanding issues between Iran and the U.S. in order to reduce tensions in the bilateral relationship. For instance; he attempted to change the U.S. efforts to label Iran as one of the most active sponsors of terrorism by emphasizing that Iran condemns terrorism categorically and terrorism accusations against Iran are unfounded with these sentences:

“We believe in the holy Quran that says: slaying of one innocent person is tantamount to the slaying of all humanity. How could such a religion and those who claim to be its followers get involved in the assassination of innocent individuals and the slaughter of innocent human beings. We categorically reject all these allegations. Terrorism should be condemned in all its forms and manifestations; assassins must be condemned. Terrorism is useless anyway and we condemn it categorically. Those who level these charges against us are best advised to provide accurate and objective evidence, which indeed does not exist.”

In order to reduce tension between Tehran and Washington, he also expressed that the 1979 embassy takeover and the American flag burning in 1979 in Iran must be viewed in the larger context of “revolutionary fervor” and “the crying out of the people against humiliations and inequities imposed upon them by the policies of the U.S. and others.” Then he further put that Iranian society is different from the one as was in the early days of the revolution. Thus, “there is no need for unconventional methods of expression of concerns and anxieties.” Instead, discourse, debate and dialogue must be used as a method. In this sense, he promoted his doctrine, ‘Dialogue among Civilizations’ in terms of which his administration intends to “benefit from the achievements and experiences of all civilizations, Western and non-Western, and to hold dialogue with them.” He emphasized the existence of “bulky wall of mistrust between us [Iran] and the US” due to “involvement of the US Government in the 1953 coup d’état which toppled Mosaddeqs’ national government” and “the Capitulation Law imposed by the US on Iran.” In order to tear down this wall, he recommended that both sides should open their doors to dialogue

¹⁰⁰ Trita Parsi, **Treacherous Alliance: The Secret Dealings of Israel, Iran and the United States**, (New Haven and London: Yale University Press, 2007), p. 204.

¹⁰¹ Transcript of interview with Iranian President Mohammad Khatami, CNN, <http://edition.cnn.com/WORLD/9801/07/iran/interview.html> [17.01.2012].

and negotiations were based on mutual respect. In this way, Tehran and Washington would overcome any dispute between themselves.

In response to Khatami's interview, in June 1998, Madeleine Albright as U.S. Secretary of State offered a 'road map' to normalized relations between the two countries.¹⁰² In a major speech delivered at an American Iranian Council (AIC)-sponsored event, on 17, 2000, she also indirectly apologized for America's role in the coup against democratically elected Iranian Prime Minister Mohammed Mossadegh in 1953 and expressed regret for American assistance to Iraq during its war with Iran as follows:

“In 1953, the United States played a significant role in orchestrating the overthrow of Iran's popular prime minister, Mohammed Mossadegh... the coup was clearly a setback for Iran's political development and it is easy to see why so many Iranians continue to resent this intervention by America in their internal affairs. As President Clinton has said, the United States must bear a fair share of responsibility for the problems that have arisen in US- Iranian relations. Even in more recent years aspects of US policy towards Iraq during its conflict with Iran appears to have been regrettably shortsighted, especially in light of our subsequent experience with Saddam Hussein.”¹⁰³

Moreover, President Clinton “loosened the economic embargo, permitting the export of medical and farm goods and the import of rugs and pistachios.”¹⁰⁴ In fact, the US government saw Khatami's encouraging speech in January 1998 CNN interview for probable rapprochement in bilateral relations as an opportunity in order to entrench its economic interests in the Middle East.¹⁰⁵ Since, “Washington's long effort to isolate Iran, the only result of which has been to force American oil companies to lose business to European rivals, has reached a phase of diminishing returns.”¹⁰⁶

¹⁰² Takeyh, **Guardians of...**, p.203.

¹⁰³ Sasan Fayazmanesh, **The United States and Iran: Sanctions, Wars and the Policy of Dual Containment**, (London: Routledge, 2008), p. 94.

¹⁰⁴ In addition, “the UN itself dropped Iran from its list of human rights violators. The World Bank- without US approval- lent Iran \$232 million for medical services and sewage lines. European, Russian, and Japanese firms- again without American approval- agreed to invest \$12 billion in the oil, gas, and automobile industries. Euros flowed into the stock exchange in Tehran. And the International Monetary Fund (IMF) gave Iran high marks in 2003 for its fiscal reforms- especially for balancing the budget.” Abrahamian, **A Modern...**, p.189.

¹⁰⁵ Özden Zeynep Oktav, **Limits of Relations with the West**, (Istanbul: Beta, 2008), pp.52-53.

¹⁰⁶ Oktav, **Limits of Relations...**, p.52.

On the other hand, Khatami confronted a solid wall of conservative opposition after his CNN interview as one of their principal ideological pillars was antagonism towards the U.S. The hard-liner conservatives strictly objected to Khatami's efforts to negotiate with the U.S. and improve ties with it.¹⁰⁷ In fact, in both domestic and foreign policy, neither Rafsanjani nor Khatami could dare to clash with their conservative rivals, including also some interest groups such as; the Dispossessed Foundations and bazaar guilds, who control Iran's different institutions, the Parliament, the Guardians Council, the Experts Council, and the Expediency Council, playing a crucial role in making and implementing decisions in order to prevent any social unrest.¹⁰⁸ As a result, Khatami felt the necessity of putting blame on Washington for its support for 'the racist regime' Israel.¹⁰⁹

Iran under Khatami, furthermore, maintained to develop its nuclear program and its hostility towards Israel with anti-Israel rhetoric. In addition, it did not cease its support of Hamas and Hezbollah by claiming that they fight for the liberation of their land and peoples. On the other side, for Israel, Iran's acquiring nuclear weapons meant a challenge to its military and nuclear monopoly in the region and it regarded Iran's nuclear program as a threat to its presence. It argued that Iran's goal of developing ballistic missiles was to strike first Israel, then Europe and finally the US. In this way, Israel and the pro-Israeli lobby in the US, i.e. the American Israel Public Affairs Committee (AIPAC), went on putting political obstacles in the way of rapprochement between Iran and the US. They were launching campaigns to persuade the US for preventing Iran's nuclear program and isolate it in its neighboring. Hence, neither softer rhetoric nor some mutual gestures could help giving a way to a thaw in relations between Iran and the U.S. Even rather the bilateral relations went worse. The US continued to sabotage Iran's attempts to integrate into global markets. For instance; the US together with Israel blocked Iran's bid to begin negotiations on its joining WTO many times. What is more, George W. Bush labeled Iran with Iraq and North Korea as the 'axis of evil' in a speech he delivered in January 2002 by accusing them of supporting international terrorism, pursuing weapons of mass destructions and threading the peace of the world. He also

¹⁰⁷ Takeyh, **Guardians of...**, p.202.

¹⁰⁸ Amir Ali Nourbaksh, "Khatami and Rafsanjani: Similar Goals, Different Legacies", **Alnahas, Continuity and Change...**, p.195.

¹⁰⁹ Özden Zeynep Oktav, **Limits of Relations with the West**, (Istanbul: Beta, 2008), p. 43.

accused Iran's 'unelected few' political elites of repressing Iranian people's hope for freedom. In fact, Bush Administration's hostile policy toward Iran, demonization of Iran, helped anti-reformist conservatives to silence the reformers and sabotaged the reform initiations.¹¹⁰

In a nutshell, the reformists' efforts to stage rapprochement with the U.S. and integrate into global political-economic system were challenged by the embargos of the U.S., pro-Israeli Lobbies in the U.S., and the Iranian hard-liner conservatives' rigorous reactions. As a result, mistrust and hostility between Iran and the U.S even after the Khatami Administration's efforts for rapprochement between Tehran and Washington was not over. In fact, the Bush Administration's anti-Iran policy under the rubric of 'axis of evil' and the occupation of Iraq in 2003, one of the three members of the 'axis of evil', resulted in the failure of hopes for the U.S.-Iran rapprochement and indirectly helped radically anti-American Mahmoud Ahmadinejad, who promoted national security as the top priority of Iranian foreign policy, to come to power in 2005.

¹¹⁰ "President Delivers State of the Union Address", **The White House**, <http://georgewbush-whitehouse.archives.gov/news/releases/2002/01/20020129-11.html> [01.02.2012]. ; Oktav, **Limits of Relations...**, pp.51, 56. ; Parsi, **Treacherous Alliance...**, pp.206,-209.

6. THE MAIN REASONS WHICH PLAY ROLE IN AHMADINEJAD'S COMING TO POWER

Mahmoud Ahmadinejad's coming to power in 2005 can be attributed to economic, domestic and foreign political reasons. In the fourth chapter, the foreign political reason which play role in Ahmadinejad's coming to power was briefly examined, and is going to be shortly reexamined in the sixth chapter under the title of 'New Developments in the International System and Anti-Americanism'. Thus, in this chapter, solely the economic and domestic political reasons which play role in Ahmadinejad's coming to power are going to be attached in detail.

6.1. Domestic Political Reasons

There were three domestic political reasons which play role in Ahmadinejad's victory in the 2005 presidential elections, those of disqualification of the reformist candidates by the Guardian Council in prior to the 2004 parliamentary election and the 2005 presidential election, lack of unity among the reformist candidates during the election period, and a relatively low-turn of voters in the elections for the presidency in 2005 in contrast to the presidential elections in 1997 due to the disappointment of the masses who hoped that Khatami would respond to their accelerating demands for democracy gave him a chance to fulfill his reform policies in 1997 presidential election.

It should be firstly emphasized that the disqualification of the reformist candidates in prior to the 2004 parliamentary election and the 2005 presidential election reflected the attempts of the anti-reformist hardliner conservatives, who controlled unelected key institutions of the Islamic Republic, to eliminate the reformists from the parliament considerably.¹¹¹

¹¹¹ Ahmadinejad's election victory, according to Ehteshami and Zweiri, "reflects the transformation of the political struggle in Iran from one between the conservatives and the reformists, to one within the powerful conservative faction itself". A. Ehteshami and Mahjoob Zweiri. "The Rise of Neoconservatives in Iran", *Geopolitical Affairs*. Vol.1, Issue 1, 2009, p.166.

According to the constitution of the Islamic Republic of Iran, those who wanted to be a presidential or legislative candidate must be approved by the Guardian Council, an unelected institution, whose six members are appointed by Supreme Leader and other six members are nominated by chief judge and then approved by Majlis (parliament). Put differently, the Guardian Council is constitutionally authorized to approve or disqualify all candidates and also veto the bills passed by the parliament.

Hence, the constitutional system of the Islamic Republic recognizes the supremacy of appointed officials over elected officials. This system allows appointed officials who control the key institutions of the Islamic Republic to challenge the policies implemented by the elected officials. For instance, the hardliner conservatives, who controlled the key unelected institutions, have put legal and political pressure on the reformists during Khatami's term of presidency. Yet they were unable to discredit the reformists' democratic messages which such messages reflected the demands of the masses for transformation of the Islamic regime into a more democratic one. Therefore, they made extensive use of their institutional-legal privileged position to purge the president's closest allies.¹¹² The disqualification of hundreds of the reformist candidates was the first stage of the hard-liners' efforts to "dominate even the limited powers of the elected offices" and "consolidate power in

¹¹² Tazmini, *Khatami's Iran...*, pp. 99-106. The trial of Gholamhossein Karbaschi, former mayor of Tehran (1989-1998) and backer of Khatami was largely considered the first major attack on the Khatami's government aimed at depriving him of one of his most capable allies. Karbaschi was charged corruption in 1998. Then he was jailed for two years and banned from holding public office for ten years. Nazila Fathi, "In Iran, Khatami Loses a Key Backer", **The New York Times**, 9 March 2009 http://www.nytimes.com/2009/03/10/world/middleeast/10iran.html?_r=1&ref=gholamhosseinkarbaschi [02.03.2012]. The Karbaschi debacle was soon followed by an even more aggressive move: Abdollah Nouri's impeachment. Nouri, the Interior Minister of Khatami government (1997-1998), was another reformist political figure. He was impeached by the parliament with accusation of causing unrest in the country by his support for Karbaschi. After the impeachment, he founded a newspaper, Khordad, "advocating freedom of expression, human rights and a modern and democratic Islam." Yet his newspaper was banned. In 1999, he was sentenced to five years in prison having "tried by the special clergy court, for insulting the prophets, spreading lies and working against national security." Following the death of his brother, Alireza Noori, in 2002 he was released with the court's decision. Fardad Farehi, "Outspoken Iranian Cleric Draws Reformist Fans", **Payvand**, 30.01.2009, <http://www.payvand.com/news/09/jan/1291.html> [03.03.2012]. ; "Profile of Abdollah Nouri", **BBC NEWS**, 27.11.1999, http://news.bbc.co.uk/2/hi/middle_east/539470.stm [03.03.2012]. The judicial pressures on pro-reformist movements was not limited with government offices, rather they were extended to civil society. A number of newspapers, student publications and internet bloggers were prosecuted or banned. What is more; Khamenei and his allies set state security forces, involving Revolutionary Guards and Basij militias in motion against pro-reformist movements to discourage and subjugate the reformist surge. In this respect, student demonstrations in 1999, 2001 and 2003 was suppressed by the security forces. For more detailed information concerning persecution and suppression process of pro-reformist opposition press in Iran through judicial mechanism, see Sami Oguz-Rusen Cakir, *Hatemi'nin Iran'i*, (Istanbul: Iletisim, 2000): pp. 203-225.

the hands of Khamenei and his coterie of conservative Muslim clerics, Revolutionary Guard commanders, paramilitary Basijis, and segments of the bazaari-merchant class connected to the notoriously right-wing Hojatiyye and Motalefe groups”.¹¹³

The disqualifications of the reformist candidates by the Guardian Council in prior to the 2004 parliament elections provided the anti-reformist hard-liner conservatives opportunity of reinstating a conservative majority in the parliament and gaining prominence as a serious political force. The same interference before the 2005 presidential election put the reformist bloc in a relatively disadvantaged position, compared to the conservative candidates. A mere eight presidential candidates of the hundreds were approved by the Guardian council, namely Mahmoud Ahmadinejad, Ali Larijani, Mohammad-Baqer Qalibaf, Ali Akbar Hashemi Rafsanjani, Mehdi Karrubi, Mostafa Moin, Mohsen Mehralizadeh and Mohsen Rezai. Yet, Mohsen Rezai, ex-commander of Iranian Revolutionary Guard Corps (Pasdaran), quitted his candidacy before the election.¹¹⁴

When the seven remaining candidates were categorized into a political spectrum as reformers and conservatives; Tehran Mayor Mahmoud Ahmadinejad, former broadcasting chief Ali Larijani and former police chief Mohammad-Baqer Qalibaf can be described as conservative whereas Former Education Minister Mostafa Moin, current Vice- President for Sports Mohsen Mehralizadeh, and former Majlis Speaker Mehdi Karrubi can be defined as reformer. Former President Ali Akbar Hashemi Rafsanjani distinguished from the others as pragmatic conservative and moderate candidate yet he was closer to reformers than conservatives. It was believed that he as a pragmatic-minded candidate could appeal to the both sides of the spectrum.¹¹⁵

¹¹³ Akbar Ganji, “The Struggle against Sultanism”, **Journal of Democracy**, Vol.16, No. 4 (2005): p. 43, http://muse.jhu.edu/journals/journal_of_democracy/v016/16.4ganji.pdf [19.12.2012]. ; Abbas Milani. “A Historical Perspective”, **Journal of Democracy**. Vol. 16, No: 4 (2005): pp.24-25, http://muse.jhu.edu/journals/journal_of_democracy/v016/16.4milani.pdf [19.12.2012].

¹¹⁴ It must be hereby accentuated that the interference of the Guardian Council in the process of elections was not a first, rather it constituted common practice after Khomeini’s passing from the scene. However, the height of these interventions peaked in the 2005 presidential election. Morad Saghafi, “The Reform Nobody Knows: Iran’s Elections”, **ISIM Review**, No.15 (2005): p. 42, https://openaccess.leidenuniv.nl/bitstream/handle/1887/16988/ISIM_15_The_Reform_Nobody_Wants_Anymore_Irans_Elections.pdf;jsessionid=026AFFCE95769EA69853C68192FDF900?sequence=1 [02.03.2012].

¹¹⁵ Ali Gheissari and Kaveh-Cyrus Sanandaji, “New Conservative Politics and Electoral Behavior in Iran”, **Contemporary Iran: Economy, Society, Politics**. (Ed.) Ali Gheissari, Auora: (Oxford

The 2005 presidential election was the first presidential runoff in the history of Iran. According to Iranian electoral system, only the two top candidates could proceed to the second round. That is why; the other candidates failed to progress to the second round except Rafsanjani and Ahmadinejad who were the two top candidates in the first round on June 17, 2005. Having surpassed his rival, former president Rafsanjani receiving 35.93 percent of the votes, in the second round on June 24, 2005, Ahmadinejad receiving 61.69 percent of the votes became the president of the Islamic Republic and took over the presidency on June 3, 2005.¹¹⁶

Table 3: National Summary of 2005 Presidential Election Results

Candidates	First round (June 17, 2005)		Second round (June 24, 2005)	
	Votes	%	Votes	%
Ali-Akbar Hashemi-Rafsanjani	6,159,435	21.01	10,046,701	35.93
Mahmoud Ahmadinejad	5,710,354	19.48	17,248,782	61.69
Mehdi Karrubi	5,066,316	17.28	—	—
Mohammad-Baqer Qalibaf	4,075,189	13.90	—	—
Mostafa Moin	4,054,304	13.83	—	—
Ali Ardeshir Larijani	1,740,163	5.94	—	—
Mohsen Mehralizadeh	1,289,323	4.40	—	—
Invalid votes	1,221,940	4.17	663,770	2.37
Total	29,317,024	100	27,959,253	100

Source: Ali Gheissari and Kaveh-Cyrus Sanandaji, “New Conservative Politics and Electoral Behavior in Iran”, **Contemporary Iran: Economy, Society, Politics**. (Ed.) Ali Gheissari, Auora: (Oxford University Press, 2009): p.285

As a matter of fact, the reformist-wing candidates, including Rafsanjani, gained totally 56.1 percent of the all votes in the end of the first round, whereas the conservative-wing candidates won 39.2 percent of the votes. Seemingly, if the

University Press, 2009), pp. 277-285. ; “Guide to Iran’s Presidential Poll”, **BBC NEWS**, 16. 06.2005, http://news.bbc.co.uk/2/hi/middle_east/4086944.stm [05.03.2012]. Ahmadinejad’s election victory, according to Ehteshami and Zweiri, “reflects the transformation of the political struggle in Iran from one between the conservatives and the reformists, to one within the powerful conservative faction itself”. A. Ehteshami and Mahjoob Zweiri. “The Rise of Neoconservatives in Iran”, **Geopolitical Affairs**. Vol.1, Issue 1, 2009, p.166.

¹¹⁶ Gheisarri and Sanandaji, **New Conservative...**, p.284. After the declaration of the election results, the reformist candidates, including Rafsanjani as well and pro-reformist intellectuals claimed that the elections (both round) were fraudulent. They accused the Revolutionary Guard Corps, and Basij and Hezbollah militias committing frauds in the elections on the behalf of Ahmadinejad by stealing the votes, daunting the electors, and paying the electors money to vote for him. However, the Supreme Leader Khamenei did not take these claims and accusations seriously and approved Ahmedinajad’s presidency. Mohsen Sazagera, “What Should “We” Do Now?”, **Journal of Democracy**, Vol.16, No.4 (2005): p. 64, http://muse.jhu.edu/journals/journal_of_democracy/v016/16.4sazagera.pdf [19.12.2012].

reformist-wing candidates had tactically put a single candidate forward for the presidential elections as their representative to rally their votes, instead of competing with each others as well as with their rivals, they would have been the winner of the first round. Put differently, lack of unity among the reformist candidates during the election period indirectly

Another factor which played role in election defeat of the reformist-wing candidates was a relatively low turn-out of voters in the elections for the presidency in 2005 as well as for the municipal council in 2003 and for the Majlis in 2004 in contrast to the presidential elections in 1997. In truth, there were meager difference in voter turnouts between the presidential elections in 2001 and 2005. The decline in voter turnout referred to diminishing reformist hopes. The masses who hoped that Khatami would respond to their accelerating demands for democracy gave him a chance to fulfill his reform policies in the 1997 Presidential election. Yet a sharp decline appeared in voters' turnout in the 2001 election (i.e. voters' turnout declined from 80.1 percent in 1997 to 63 percent in 2001). Since, he failed to fulfill his reform agenda appealing to the demands of the masses such as; democracy, active political participation, restoration of the constitution, transparency, controllability and accountability in institutions due to persistent acts of sabotage of the reform initiations by the conservatives. As previously mentioned, the reform bills proposed by the reformists were vetoed by the Guardian Council and the rapprochement with the U.S.A. initiated by the reformists was challenged by the unelected elements of the state. From a different angle, the reform initiations of his administration were limited on the ground that they were challenged by the anti-reformists.

Yet his administration avoided to confront with the hardliner conservatives and did not sustain the reform policies decisively. These chary and moderate attitudes of his administration caused the reform initiations remain ineffective and uncompleted. This caused disappointment among the masses demanding the change and consequently the reformist- wing candidates were unable to create a stir among them. The disappointed pro-reform intellectuals and political activists like Akbar Ganji argued that it was impossible to abolish ideological, constitutional and institutional obstacles to democratization by regulating internal faction fight. Until Iranian journalist Ganji were jailed into prison, some reformists hoped to realize the transition to democracy in Iran by penetrating into the government. According to

Boroumand, after the imprisonment of Ganji, particularly students and intellectuals began publicly expressing voting would not cause any increase in political freedom. Such belief led them not to vote in elections. Therefore, the boycott movement was very effective in the 2003 municipal elections. The official turnout plummeted from 57 percent in the 1999 to 28 percent in 2003. In addition, Ahmadinejad won the 2003 municipality elections in Tehran, where only 12 percent of electorates voted. The boycott movement played an important role in Ahmadinejad's election to mayoralty of Tehran in 2003.¹¹⁷

6.2. Economic Reasons

The need for economic reform had become obvious after the eight-year war with Saddam Hussein's Iraq. Thus, the Rafsanjani Administration (1989-1997) had been constrained to improve market-oriented economic liberalization programs in order to reconstruct the war-torn Iranian economy. It had also been obliged to normalize the diplomatic ties with the West, even the United States. However, it neglected the parallel needs for political, cultural, and social reforms. Main motivations of the economic liberalization programs were to expand the sphere of private sector at home, constituting an industrialized and export-oriented economic structure, and integrate Iranian economy into the global capitalist system instead of alleviating socio-economic inequalities the poor had faced with. In short, the reform initiations of his administration were not for the lower-income people. Therefore, economic development realized by Rafsanjani Administration had brought about socioeconomic grievances rather than resolving them.

Khatami Administration put the concept of 'political development' developed by Iranian intellectual Saeed Hajjarian forward, was precondition of materializing economic development and appeasing socioeconomic grievances and the upshot of economic development stemming from previous administration. In this respect, it attempted to respond the demands for political cultural and social reforms by the civil society. Its political, cultural and social reform initiations were aimed at constituting rule of law, civil society and democracy in the country by following an

¹¹⁷ Yüksel Taşkın, "Devrim Sonrası İran'da Siyaset: Aktörler, Stratejiler ve Gelecek" **İ.Ü. Siyasal Bilgiler Fakültesi Dergisi**, No:39 (Ekim 2008): pp. 39-43, Ladan Boroumand. "The Role of Ideology", **Journal of Democracy**, Vol. 16. No: 4 (2005): p.56, http://muse.jhu.edu/journals/journal_of_democracy/v016/16.4boroumand.pdf [19.12.2012].

intra-system way instead of removing it. Yet its economic policy was continuation of Rafsanjani Administration's market-oriented economic liberalization programs which originally formulated by the IMF and the World Bank in the early 1980s for developing countries, in terms of privatization of state-owned enterprises, more openness to foreign capital, use of market mechanism, greater trade and exchange rate liberalization. These structural reform policies targeted to reduce the state's role in the allocation and distribution of resources and develop non-oil exports and remove inefficiencies. In other words, common target of both administrations' economic policies were to integrate into the global capitalist system. Of course, neither Rafsanjani nor Khatami Administrations achieved the economic liberalization as the programs suggest due to factionalism or complex power structures as checks and balances system in the country as previously mentioned.¹¹⁸

Rafsanjani and Khatami Administrations endorsing market-oriented economic liberalization programs neglected the poor, majority of the population and failed to cope with popular grievances respecting jobs, housing, transport and, above all, the growing class divide. Ahmadinejad successfully played populist card to attract low-income households and youth constituencies who were in need for public assistance. In the elections, he promoted a populist election campaign stressing social justice, protection of the downtrodden, anticorruption and economic development. In this context, he promised to "raise wages and salaries, especially for teachers and government workers; alleviate poverty; tackle unemployment and poor housing; distribute bonuses to newlyweds; deliver 'social justice' to the masses, particularly to war veterans; and, most emphatically of all, remove the cancerous sore of corruption which many felt endangered the whole body politics."¹¹⁹ He also pledged to redistribute Iran's petroleum incomes for the benefit of the poor Iranians with the slogan of 'taking the oil money to the people's dinner table'. In order to attract lower-income voters and religious conservatives, he put his austere lifestyle, unadorned appearance and humble residence to the fore in his election campaign.

¹¹⁸ Peyman Jafari, **Rupture and Revolt**.

¹¹⁹ Abrahamian, **A Modern...**, p.193.

Apparently, he succeeded in getting support of socio-economically aggrieved voters the reformist candidates neglected their demands for a social state.¹²⁰

Salehi-Isfahani argues that Ahmadinejad's victory in Iran's presidential elections in 2005 cannot be attributed to rising poverty and economic inequality in the country caused by pro-market reforms under the Rafsanjani and Khatami administrations. He also points out that the Rafsanjani and Khatami Administrations did not only implement pro-market reforms aimed at promoting economic growth, but also implemented pro-poor socio-economic policies, mainly in provision of basic infrastructure such as electricity, safe drinking water, and health. The pro-poor socio-economic policies contributed to lower poverty in the country by providing basic infrastructure such as electricity, safe drinking water, health services and school in remote rural areas and poor urban neighborhoods. According to Salehi-Isfahani, the sharpest reduction in poverty occurred during the pro-market reforms period under Rafsanjani and Khatami. Yet the same policies have not been effective in reducing inequality. It has been relatively constant in the post-Revolution period.¹²¹

Supposing that the findings in his academic study taking international standard measurements are true, this cannot change the reality that Ahmadinejad had got a very strong base of support among the poor. It must also be noted that the war veterans of the Iran-Iraq War, the Revolutionary Guard Corps and Basij militias as supporters of him were lower-income Iranians.

¹²⁰ Michael Ignatieff, "Iranian Lessons", **The New York Times**, <http://www.nytimes.com/2005/07/17/magazine/17IRAN.html?pagewanted=all> [10.03.2012]; Gheissari and Sanandaji, **New Conservative**..., pp.275-291.

¹²¹ Djavad Salehi-Isfahani, "Poverty, Inequality, and Populist Politics in Iran", **Journal of Economic Inequality**, Springer, vol.7, no.1, March 2009). http://www.relooney.fatcow.com/SI_Peter-Iran/Oil-Rents_54.pdf [10.03.2012].

7. A NEW ERA IN IRAN: AHMADINEJAD'S CHALLENGE TO THE EXISTING POLITICAL SYSTEM UNDER THE U.S. PATRONAGE AND HIS EFFORTS TO CREATE ALTERNATIVE ECONOMIC AND POLITICAL RELATIONS

7.1. New Developments in the International System and Anti-Americanism

The U.S. reaction to the 9/11 attacks, overthrowing the Taliban in 2001, eliminated a significant threat to Iran. Then, the U.S. occupation of Iraq and overthrow of Saddam Hussein in 2003 eliminated another threat to Iran. It is paradoxical that the combination of these two historic events in Afghanistan and Iraq improved Iran's regional standing and accelerated its transformation into a regional status quo power, on the other side, Iran's enthusiasm for overthrowing the Taliban and Saddam Hussein was matched by its trepidation about deployment of U.S. troop to Iraq.¹²² Mohsen Milani aptly puts the increased security concerns among the ruling ayatollahs after the quick U.S. victory over Iraq as follows:

“The United States approximately 160.000 troops are deployed in Afghanistan and Iraq , nuclear-equipped naval carriers cruise in the Persian Gulf, pro-American allies are in power in each country surrounding Iran and the U.S. forces and /or bases are conspicuously present from the Caspian Sea through Oman, Qatar, Saudi Arabia, the UAE, Bahrain, Kuwait, Turkey and Pakistan to Afghanistan and Uzbekistan.”Iran must also deal with the U.S. ‘doctrine of preemption’ as enunciated in the 2002 National Security Strategy and the Bush Administration’s proliferation Security Initiative. The former permits the United States to conduct preemptive strikes against Iranian facilities suspected of building nuclear weapons, and the latter authorizes the United States to search and seize ships suspected of carrying contraband or suspicious cargo from Iran. Add to these the talk about ‘regime change’ backed by the congressional appropriation of funds that Tehran views as an existential threat.”¹²³

The ‘axis of evil’ speech delivered by George W. Bush in 2002 and the occupation of Iraq in 2003 played a crucial role in Ahmadinejad’s rise to power. In fact, the U.S. policy towards Iran did not change in any major ways despite the fact

¹²² Mohsen M. Milani, “Iran’s Persian Gulf Policy in the Post-Saddam Era”, **Contemporary Iran...**, p.357.

¹²³ Mohsen M. Milani, *Iran’s Persian...*, p.358.

that the Khatami Administration persistently tried to re-establish diplomatic ties with the U.S. and implement détente policy between Tehran and Washington. Bush continued to accuse Iran of supporting international terrorism and seeking weapons of mass destruction as Clinton had done. Paradoxically, its hostile approaches toward Iran caused to re-crystallize anti-Americanism in the country and rallied the Iranians against itself after especially the occupation of Iraq in 2003. As a matter of fact, unifying an alliance as a nation and establishing coherent defense against the ‘enemy’ have been a repetitive and known pattern in Iran’s political culture in the post-revolutionary period. For this reason, even some electorates supporting the reformists put security-oriented foreign policy and a leader who implement it before the democratization practices and voted for Ahmadinejad in the elections.¹²⁴

Under these circumstances, dialogue-seeking foreign policy notion, ‘Dialogue among the Civilizations’, on which the Iranian foreign policy based under Khatami Administration, was no longer sustainable. Ahmadinejad and his clique suggested an honorable and independent foreign policy based on national security and national interests. It meant he offered directing the Iranian foreign policy from conciliatory approach to a confrontational one in international diplomacy.¹²⁵

Ahmadinejad Administration had a different perspective on how to survive Iran’s political independence from Rafsanjani and Khatami Administrations. It favored confrontational policy towards the West, the U.S. in particular while the previous two administrations had sought out rapprochement and dialogue with the West.¹²⁶ In addition, it changed the policy of pursuing partnership with European countries as a counterweight to the U.S. Instead, it moved to build stronger links with

¹²⁴ Neil MacFarquhar, “Millions in Iran Rally Against the U.S.”, **New York Times**, 12.02.2012, <http://www.nytimes.com/2002/02/12/world/millions-in-iran-rally-against-us.html?pagewanted=all> [22.02.2012]. Panah puts aptly power of anti-American and national-populist revolutionary rhetoric to rally support among Iranian population with these words: “The more Iran is seen as a challenge to US interests in the region, the more can the leadership present the Islamic Republic as the centre of resistance against US domination of the region and the more can they draw on the deep-seated and deep-rooted nationalist sentiment of the Iranian population for support. This lesson, of the central tension of the existence of an anti-systemic revolutionary state in the international system is perhaps the hardest of all to learn. Part of the legitimacy of a revolutionary state with a long history of foreign intervention rests on its anti-systemic credentials, and the greater the tension with the dominant global power, the better can the leadership rally internal support driven by a national-populist revolutionary discourse.” Panah *The Islamic Republic...*, p.162.

¹²⁵ Peseran, **Iran’s Struggle...**, pp. 146- 162.

¹²⁶ Peseran, **Iran’s Struggle...**,p.174.

Latin America (particularly Venezuela), China and Russia.¹²⁷ In the following pages, Iran's efforts for improving the relations with Venezuela, China and Russia are going to be examined with respect to Iran's pursuits for creating a political and economic block in which American influence is diluted as a response to Washington's efforts to isolate Tehran from the international system.

7.2. Iran- Venezuela Relations

7.2.1. The Emerging Anti-American Axis of Iran and Venezuela

Relations between Iran and Venezuela date back to the 1940s when both countries whose petroleum sectors were under domination of British and American companies were attracted by Mexico's nationalization of its oil industry in 1932 and consequently pursued to gain greater control over their oil resources in addition to rising oil incomes by boosting oil prices. Their parallel pursuits led them to found Organization of Petroleum Exporting Countries (OPEC), an intergovernmental organization, in 1960 along with Iraq, Kuwait and Saudi Arabia. Despite the fact that the key role Iran and Venezuela played in founding the OPEC in 1960, relations between the two countries had been low profile until May 2001 when Venezuelan President Hugo Chavez first paid a visit to Tehran for talks on oil price instability, which increased coziness between Tehran and Caracas. During this visit, the most prominent point was the emphasis of the "need" to oppose all forms of imperialism and oppression in the Third World which such message, in fact, signaled the axis of bilateral relations in future.

Chavez flew once again to Iran in November 2004 and four economic and cultural agreements were signed between the two nations and more importantly Chavez called his country's relations with Iran strategic during this encounter. This was followed by Khatami's visit to Caracas in March 2005. During his visit, he inaugurated a tractor factory, namely the VENIRAN Tractor Company, built with Iran's help in Venezuela and two countries signed agreements which in the context of those Iran would build car factory and cement plant in Venezuela. The exchanges by the two countries' leaders yielded fruits and in this respect Iran and Venezuela signed more than 181 trade agreements as part of joint initiatives covering

127 Sabet-Saeidi, *Iranian-European...*,p. 57.

cooperation in steel and oil production, automobile production, manufacturing ammunition and oil exploration between 2000 and 2007.¹²⁸

Table 4: Commercial Relations between Iran and Venezuela¹²⁹

Area	Project
Agriculture and food industry	Factory for producing Tractors (VenIran Tractor CO.); 6 plants to produce dairy products; 160 refrigerators for supermarkets; 10 plants to process corn
Auto-industry	Car factory “Venirauto” producing Samand LG and SAIPA 141
Construction	Cement factory; building 1700 houses in 4 Venezuelan cities
Finance	Two bi-national funds, each for \$200 million
Gas, oil, and petrochemicals	Various projects; in the Faja Petrolifera del Orinoco
International air travel	Agreements between CONVIASA and Iran Air for Passenger and Cargo
Naval industry	Construction of 4 shipyards to produce ships for oil industry (Tankers)
Plastic industry	Bloque Cardon II of the rafael Urandanete project to build 100 plastic injection machines

Source: Shireen T. Hunter, **Iran’s Foreign Policy in the Post-Soviet Era: Resisting the New World Order**, (California: Greenwood, 2010): p.235.

¹²⁸ Shireen T. Hunter, **Iran’s Foreign Policy in the Post-Soviet Era: Resisting the New World Order**, (California: Greenwood, 2010): p. 233; Stephan Johnson, **Iran’s Influence in the Americas**, Washington, Center for Strategic and International Studies CSIS, 2012, pp. 3-10, http://csis.org/files/publication/120223_Johnson_IranInfluence_ExecSumm_Web.pdf [03.11.2012]; Dina Siegel Vann, “Iran’s Presence in Latin America: Trade, Energy, and Terror”, **American Jewish Committee**, 20.03.2007, http://www.ajc.org/atf/cf/%7B42D75369-D582-4380-8395-D25925B85EAF%7D/IranPresenceLatinAmerica_032007.pdf [24.03.2012]; Saideh Lotfian, “The New Role of Latin America in Iran’s Foreign Policy”, **Iranian Review of Foreign Affairs**, Vol.1, No.3, Fall 2010, 42, http://www.tabnak.ir/files/en/news/2010/12/10/3237_496.pdf [26.10.2012].

¹²⁹ Several of 150 agreements Venezuela has signed with Iran by area and project.

As is seen, Khatami's Administration actually laid the foundations of a new era in cooperation with Venezuela and Ahmadinejad's Administration has aggressively worked to go beyond the economic and diplomatic ties with Venezuela across a broad range of activities. Before analyzing Iran-Venezuela relations in Ahmadinejad era (2005- 2012), it is going to be fruitful to deal with main concepts of Venezuelan foreign policy shortly after Chavez's rule began in 1998 in order to understand the determinants which led Iran and Venezuela cooperate with each other.

Chavez swept to crushing victory over his rivals elitist democratic pact called *puntofijismo* (in Spanish) in the 1998 presidential election and became President of Venezuela having held that position in 1999. A radical shift in Venezuela's foreign policy under Chavez has appeared, as Gratius notes, "Venezuela's foreign policy radically changed from a Saudi Arabian-like US alliance to an Iranian-like international oil power status."¹³⁰ Chavez Administration has been prominent adversary of Colombia and the United States' foreign policies unlike the former one. Not until Chavez's rule began in 1999, United States and Colombia had been traditional alliances, however, were replaced with Cuba and Colombia as a new one in the context of anti- US imperialism. His administration adopted a new foreign policy based on Bolivarism which was mostly inspired from Bolivar's ideas of independence and anti-imperialism. Put bluntly, Chavez Administration constituted main concept of the new foreign policy, independence from the US, by inspiring from Bolivar's struggle for independence from Spain. In the context of this new foreign policy concept, Venezuela under Chavez has attempted to diversify the country's external relations. This new foreign policy played a major role in forming the alliance between Iran and Venezuela.

Apart from anti-imperialism and hostile attitudes against the US, another trend in the new foreign policy was pursuit of Venezuela under Chavez to be a regional power in its neighborhood and regional leader of Latin American and Caribbean countries. In the context of its pursuits for being a regional power /leader and its struggle against the US imperialism and hegemony in the South America as interrelated facts, it attempted to constitute an economic and political union or co-

¹³⁰ Susanne Gratius, "Idea-driven Foreign Policies in Comparative Perspective: Iran and Venezuela", p. 1, <http://www.giga-hamburg.de/dl/download.php?d=/english/content/rpn/conferences/gratius.pdf> [30.04.2012].

operation among the South American countries as an alternative to US hegemony. Thus, his administration found alliances with the Communist or Socialist governments of Fidel and then Raul Castro in Cuba, as the closest ally, Daniel Ortega in Nicaragua, Rafael Correa in Ecuador and Eva Morales in Bolivia through anti-US imperialism as the common denominator. They aimed at counterbalancing US influence in Latin America and reducing the region's reliance on the US. For this reason, the President of the Bolivarian Republic of Venezuela, Hugo Chavez and the President of Council of State of Cuba, Fidel Castro launched an initiative by signing a Joint Declaration on Bolivarian Alternative for the Americas (ALBA), in the city of Havana, Cuba, on December 14, 2004. Then it has grown from two to eight members (with participation of Bolivia in 2006, Nicaragua in 2007, Dominica in 2008, St. Vincent and the Grenadines, Ecuador, and Antigua and Barbuda in 2009) with three observer countries: Iran, Syria and Haiti. It was constituted as an alternative proposal to Free Trade Area of the Americas (FTAA) which was a plan developed by Clinton Administration to create a free trade zone from Canada to Argentina as well as responding to integrationist conception of Venezuela's foreign policy.

Put differently, it was born as a response to the prevailing western style economic integration model into the world system. Membership in the FTAA proposing to eliminate tariffs to increase trade and reduce barriers to foreign investment, caused trade disadvantages for Latin American countries. That is why, ALBA members, mainly Venezuela, targeted to promote and protect their domestic agriculture, industry and national resources through tariff and other mechanism. Furthermore, the US-promoted pacts such as the FTAA would force the South American countries to buy the US-made products rather than cheaper regional alternatives. For instance, the FTAA "would forbid [these] countries from buying less-expensive copies of costly drugs that are protected by U.S. patent law¹³¹."

In order to realize these targets; they launched a new political and economic integration model for Latin American peoples as an alternative to the "Washington Consensus" and its neoliberal policies. They organized cooperation projects in fields of energy, culture, food security, environment, education, telecommunication, health, defense, finance, mining and industry. For instance; several South American

¹³¹ Joshua Kucera, "What Is Hugo Chavez Up to", **The Wilson Quarterly**, Spring 2011, <http://www.wilsonquarterly.com/article.cfm?aid=1807> [24.04.2012].

countries have created the Bank of South (Banco del Sur) in finance field and set TeleSur in telecommunication field.

In order to strengthen Venezuela's position within international economic order, Chavez Administration diversified its external relations by widening its relations with other regions as well as its deepening ties with ALBA countries on the axis of South-South cooperation. In this sense, Venezuela collaborated with Russia, China and Iran through oil-diplomacy with the aim of counterbalancing trade dependency from the US and unipolar hegemonic world order led by the US. Apart from economic and political reasons, Chavez Administration's diversification policy of the country's external relations derived from its threat perception from Washington. Therefore, it considered Russia and Iran as security allies as well.¹³²

In a similar vein, foreign policy strategy of Ahmadinejad Administration was based on anti-Americanism, regionalism, diversification of its external relations and promoting a new multipolar international order. In these respects, Iran and Venezuela had common foreign policy strategies notwithstanding such differences in geography and motivation. Dodson and Dorraj perfectly explain motives which lie behind cooperation between two nations as follows;

“The populist rhetoric and ideals espoused by Chavez and Ahmadinejad are strongly shaped by the current international context of economic globalization. Countries like Venezuela and Iran cannot hope to pursue economic development by shielding their producers from international trade and competition. Nevertheless, leaders and the mass public in both countries share a strong perception that foreigners seek to exert control over their national economics. Hence, Chavez and Ahmadinejad seek to build trade alliance that bypass the hegemonic power of the US. At the same time, their public attacks on the US and its unfair economic strategies play well to a nationalist sentiment that is widespread and felt with special intensity by their respective political bases. Clearly, Venezuela and Iran are located in different regions of the developing world and are led by regimes whose ideology stem from the Bolivar Revolution and the Islamic Revolution.”¹³³

¹³² Joel D. Hirst, A Guide to ALBA, **Quarterly Americas**, <http://www.americasquarterly.org/hirst/article> [18.04.2012]. ; Gratius, **Idea-driven...**, pp. 1-7.

¹³³ Michael Dodson and Manochehr Dorraj, “Populism and Foreign Policy in Venezuela and Iran”, pp. 71-72, <http://blogs.shu.edu/diplomacy/files/archives/08%20Dodson.pdf> [18.03.2012].

7.2.2. Diplomatic Relations between Tehran and Caracas in Ahmadinejad's Era

As mentioned above, visits to the Americas began under soft-spoken President Khatami, which sparked the bilateral relations between the two countries. After Ahmadinejad's coming to power in 2005, the bilateral relations have dramatically changed. Basically, he adopted more aggressive travel schedule and anti-Western rhetoric. Besides, he has appeared along with his Venezuelan counterpart Chavez for public media broadcasts with increasing frequency unlike his predecessor Khatami. Basically, the booming cooperation between the Chavez and Ahmadinejad Administrations came under the common denominators of anti-US imperialism and pursuits of creating a multipolar world system.¹³⁴

In addition to these, sense of victimhood was another driving-force in this regard. Both countries have been exploited by imperialist states for long years due to their natural resources, particularly oil. Chavez won the 1998 presidential elections and has remained in power until 2002 when US-backed coup attempt was led against him. After the coup, he was put into jail and he had to be released after a couple of weeks due to his supporters' resistance. In 1953, a similar but more severe one had been staged to topple democratically-elected Mossadeq government in Iran. The US intervened domestic and foreign polices involving economic one of both countries on the behalf of itself and has attacked the governments/leaders which had challenged the policies imposed by the US along with its allies. These attacks are carried out in the form of sanctions and demonization in the pos-colonial world.¹³⁵

In truth, the US has contributed to development of the anti-Americanism in both Iran and Venezuela due to its imperialist and interventionist policies. Thus, it has triggered the rise of populist parties in these countries and has provided these parties a basis to mobilize the peoples through their anti-imperialist and populist rhetoric. In this context, Chavez and Ahmadinejad Administration could create a rhetoric identifying themselves challengers against imperialism despite their different ideologies. The following remark made by Chavez serves as an example of this fact: "Ahmadinejad is a gladiator of the anti-imperialism struggle. He's an example of

¹³⁴ Johnson, **Iran's Influence**..., introduction ix.

¹³⁵ Marjan Asi, "Iran-Venezuela: a new global power bloc", **Crescent**, <http://www.crescent-online.net/2010/05/iran-venezuela-a-new-global-power-bloc-2636-articles.html> [01.05.2012].

strength and perseverance for the freedom of his country.”¹³⁶ Additionally, Iranian Ambassador to Caracas Aldolreza Mesri’s stresses mutual interests and common points between the two countries as follows:

“The relations between the Islamic Republic of Iran and Venezuela are based on mutual interests and are affected by the common points of the two countries’ revolutions, including movement towards self-reliance on the domestic level and justice-seeking and confrontation against hegemonic policies on the international scene,”¹³⁷

There are two key points in the statement above by Mesri: ‘self-reliance on the domestic level’ and ‘confrontation against hegemonic policies on the international scene’. The first point refers to Iran’s pursuit of realizing its political-economic independency and its aim of preventing foreign countries interventions to its sovereignty. It is also compatible with the words of ‘freedom of his country’ in the Chavez’s remark above. The second one refers to Iran’s pursuit of halting the hegemonic power of the US on the international arena by creating a multipolar world system. In short, both countries are trying to implement balance policy against the US through bilateral cooperation between them. In this context, they identify themselves as “axis of unity”¹³⁸ against the US.

An indication of solidarity in the diplomatic field between Iran and Venezuela is found Venezuela’s support Iran’s legitimate right to peaceful nuclear technology albeit it is not a global power on the international scene. Chavez has spoken in support of Iran’s nuclear enrichment program with these following sentences “We demand that the North American empire respect Iranian people” and “the only country that has developed atomic bombs and dropped them on entire peoples is the North American empire...They don't have the morality to be giving anybody lessons”¹³⁹. Venezuela under Chavez has voted against the September 2005,

¹³⁶ Ariel Farrar-Wellman, “Venezuela-Iran Foreign Relations”, **Iran Tracker**, 12.05.2010, <http://www.irantracker.org/foreign-relations/venezuela-iran-foreign-relations> [02.05.2012].

¹³⁷ “Envoy: Iran-Venezuela Relations Stand against Hegemonic Policies”, **Fars News Agency**, 04.05.2011, <http://english.farsnews.com/newstext.php?nn=9002141538> [01.05.2012].

¹³⁸ Parisa Hafezi, “Iran, Venezuela in ‘axis of unity’ against U.S.”, **REUTERS**, 02.07.2007, <http://www.reuters.com/article/2007/07/02/us-iran-venezuela-idUSDAH23660020070702> [02.05.2012].

¹³⁹ “Venezuela’s Chavez backs Iran in nuclear dispute”, **YNET**, 16.04.2007, <http://www.ynetnews.com/articles/0,7340,L-3388333,00.html> [27.10.2012].

February 2006 and November 2009 IAEA resolutions.¹⁴⁰ Apart from nuclear issue, Chavez supported Ahmadinejad Administration during the June 2009 post-election crisis by calling on the world to respect the outcome of the 2009 Presidential Election in Iran. He further said that “Ahmadinejad's triumph was a triumph all the way. They are trying to stain Ahmadinejad's triumph and through that weaken the government and the Islamic revolution. I know they will not succeed”.¹⁴¹

7.2.3. Iran's Penetration into the U.S. 'Backyard' as a New Market

Economic relations between Iran and Venezuela consist of two parts: bilateral trade and Iran's direct investments in the sectors of finance, automobile and tractor industries, construction, and petroleum in Venezuela. Iran mainly exports Venezuela machinery, vehicles, organic chemicals, iron and steel products. In turn, Venezuela exports Iran iron, soaps & other commodities. In general, the balance of trade is heavily weighted on Iran's favor. Even though Venezuela is considered the closest ally of Iran in the South America, the volume of Iran's trade with Venezuela is quite low (i.e. the volume of Iran's export to Venezuela was about \$50 million).¹⁴² According to the statistics released by the European Commission, Iran was Venezuela's forty-eighth largest trade partner in 2010 whereas even Venezuela was not in Iran's top fifty major trade partners.¹⁴³ Apparently, commerce with Venezuela accounts for only small slice of Iran's overall trade volume. On the other hand, Iran has been attempting to penetrate into Venezuelan markets through making investments in such sectors in Venezuela due to economic and political reasons. Iran plans both to keep a potential export market for Iranian commodities and to promote the relations with anti-American country which challenge the US hegemony in the US's 'backyard'. Iran also wants to appear an active player in the US backyard by promoting economic and diplomatic relations with anti-American Chavez Administration in order to make the U.S., a country has been implementing policies to isolate Iran since 1979, annoy. As Lotfian notes, “Ahmadinejad decided to get

¹⁴⁰ Lotfian, *The New Role...*, pp. 47-48.

¹⁴¹ Chavez urges 'respect' for Iran election outcome”, *PRESSTV*, 22.06.2009, <http://edition.presstv.ir/detail/98720.html> [02.05.2012].

¹⁴² Johnson, *Iran's Influence...*, pp. 39-40.

¹⁴³ European Commission, “Venezuela-Trade Statistics”, 21.03.2012, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113462.pdf [27.10.2012]; European Commission, “Iran-Trade Statistics”, 21.03.2012, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113392.pdf [27.10.2012].

involved ‘aggressively in the United States’ own backyard’ rather than acting passively in Iran’s backyard- Middle East’.¹⁴⁴ In order to understand Iran’s presence in Venezuelan market, Iran’s investments in Venezuela are going to be examined in the sectors of finance, automobile and tractor industries, and petroleum in Venezuela in detail by the following sentences.

7.2.3.1. Finance

The two governments have extended their financial links so as to form a binational development fund and a joint development bank with the aim of creating an alternative and independent structure to the international financial system led by the International Monetary Fund and the World Bank and alleviating the impacts of global financial crisis.¹⁴⁵ Moreover, Iran aimed at circumventing financial sanctions imposed by the United States, the European Union and the United Nations through subversive relations with Venezuelan banks, which it uses to penetrate into the financial markets in the US. In a similar way, Venezuela which depends on crude oil sales to cover half of the governments’ budget, pursued to get capital in order to maintain its oil production aside from economic development funds.

In this respect, the two governments signed an agreement in September 2007 in Tehran so as to create a binational development fund to be located in Venezuela and a binational development bank to be headquartered in Iran. The first joint venture between the two countries was the International Development Bank, Banco Internacional de Desarrollo, C.A. (Banco Universal) in Spanish, as identical to the initials for the Inter-American Development Bank in Spanish, an independent subsidiary of Export Development Bank of Iran (EBDI), which was opened by the

¹⁴⁴ Lotfian, **The New Role...**, p.40.

¹⁴⁵ Tamara Pearson, “Venezuela and Iran to Form Joint Companies and Bank”, **Venezuelanalysis**, 03.04. 2009, <http://venezuelanalysis.com/news/4348> [21.04.2012]. In this context, during his trip to Tehran in April 2009 for the inaugural ceremony of the Iran-Venezuela Joint Bank Chavez said that “Our countries must strengthen their trade alliance to free ourselves from global free trade and create trade that is fair and complementary” and “ We, in the countries of the South, need to create some transnational companies that unite us, to confront the power of the transnational of capitalism.” In addition, Ahmadinejad noted that “Now that the world is changing, the bilateral relations between Iran and Venezuela should be the model for a type of brotherly and constructive relationship for other countries in the world”, “Iran, Venezuela set up joint bank”, **Payvand**, 03.04.2009, <http://www.payvand.com/news/09/apr/1035.html> [21.04.2012].

Iranians in Caracas.¹⁴⁶ As part of the agreement, Chavez paid a visit to Tehran in April 2009 in order to participate in the ribbon-cutting ceremony of the Banco Binacional Irani –Venezuela, the Iran-Venezuela Joint Bank, the second joint venture at banking sector between the two countries, based in Tehran. Its initial capital base worth \$200 million would be provided by each nation equally and capital to be eventually raised to \$1.2 billion with each party funding half of the sum. The bank aimed at financing activities in the areas of industry, trade, infrastructure, housing, energy, capital markets and technology. It also targeted to fund projects fostering the export of goods and services and execute cooperation and technical assistance agreements with third party countries run by the anti-western regimes. In addition, in November of the same year, the main office of the Venezuela-Iran Single Binational Fund was opened in Caracas. Within the framework of the fund, each country would start contribution of \$200 million in seed money and make the second contribution of \$300 million in 2010 for a total of \$1 billion, a start-up capital divided into equal portions.¹⁴⁷

It must be noted that Chavez Administration's pursuits of forming joint ventures at banking sector were not only limited with Iran, but also with other Middle Eastern countries and Asian countries. For instance, it has sought similar joint development banks with Syria and Qatar. Thus, Chavez has been on tours of the Middle East and Asian countries apart from Iran.¹⁴⁸

¹⁴⁶ The bank was “the wholly-owned subsidiary of the Bank as a Venezuelan universal bank has officially been registered in Venezuela on August 2, 2008 with the capital amounting to VEB 40.000.000.000 about USD 18.600.000 that is fully paid by EBDI.” Export Development Bank of Iran, Annual Report 2009-2010, 14, <http://en.edbi.ir/PortalData/Subsystems/StaticContent/uploads/Image/files/final%20small%281%29.pdf> [21.04.2012].

¹⁴⁷ “Iranian-Venezuelan bank organized by law”, **ELUNIVERSAL**, 21.05.2008, http://www.eluniversal.com/2008/05/21/imp_en_eco_art_iranian-venezuelan-b_21A1594761.shtml [21.04.2012]. ; “Iran, Venezuela launch joint development bank”, **ynetnews**, 04.05.2009, <http://www.ynetnews.com/articles/0,7340,L-3697029,00.html> [23.04.2012]. ; Dina Siegel Vann, The Rafsanjani connection in in AMIA bombing”, 16.07.2009, <http://www.ajc.org/site/apps/nlnet/content2.aspx?c=ijIT12PHKoG&b=1531915&ct=7315931&printmode=1> [23.04.2012]. ; “The Venezuela-Iran Single Binational Fund will favor financial independence” , **CONAPRI**, 25.11.2009, <http://www.conapri.org/english/ArticleDetailIV.asp?articleid=348109&CategoryId2=15041> [22.04.2012].

¹⁴⁸ Matthew Walter and Daniel Cancel, “Chavez Inaugurate Development Bank with Iran's Ahamadinejad” **Bloomberg**, 01.04.2009, http://www.bloomberg.com/apps/news?pid=newsarchive&sid=a3GY7vMBHXQM&refer=latin_america, [21.04.2012].

7.2.3.2. Automobile and Tractor Industries

Chavez Administration targeted to halt the country's reliance on importation of US-produced goods and make its own cars, tractors, computers and other high-tech products consequently. Therefore, it has set up a string of industrial projects with Iran, China and Russia to give his country the expertise it needs. It also aims to give poor Venezuelan families access to vehicles they could otherwise not afford with the help of the venture. It hereby should be noted that Chavez as a charismatic and populist leader would enhance his prestige through giving tractors to poor Venezuelan farmers. This indicates that the reasons Chavez Administrations has cooperated with Iran in the manufacturing sector were twofold: transferring know-how transfer from Iran to Venezuela and sustaining populist policies at home.¹⁴⁹

Iran and Venezuela signed a cooperation agreement between Iran Tractor Manufacturing Company (ITMCO) and Corporation of Venezuela the Guayana (CVG) in the 9th July 2003. In the context of this agreement, ITMCO and CVG entered upon formation of a joint venture enterprise for producing tractors in Venezuela and they would hold 51% and 49% of the shares respectively according to this agreement. Both countries set up the VENIRAN Tractor Company in the old FANATCRACKTOR plant locating in the suburb of Ciudad Bolivar, inactive since 1982 as a subsidiary of CVG by rehabilitating the old factory. The VENIRAN Tractor Company was inaugurated by Chavez and Khatami in the 7th March 2005.¹⁵⁰

Ahmadinejad Administration, successor of the Khatami's, continued bilateral cooperation relations between the two countries in the manufacturing sector. It extended the joint venture enterprise for producing tractors in Venezuela to manufacturing automobile with Chavez Administration by signing a mutual cooperation agreement to open a car factory with a \$99 million investment.¹⁵¹ In this

¹⁴⁹ Greg Morbsbach, "Iran backs Venezuela car factory", **BBC**, 28.11.2006, <http://news.bbc.co.uk/2/hi/6190202.stm> [24.04.2012]. Following statements of Marina Cristina Rodriguez, one of the workers from President Chavez's United Socialist Party, indicate Venezuela's pursuits of getting know-how transfer and engineering.-technical assistance: "For the first time our young people are being trained properly... The Iranians are teaching them how do things. They are bringing their knowledge here, and building up the industrial base of the region.", Linda Pressly, "The 'axis of annoyance' ", **BBC**, 13.08.2009, <http://news.bbc.co.uk/2/hi/8195581.stm> [22.04.2012].
¹⁵⁰ <http://www.veniran.ir/history.htm> [24.04.2012].

¹⁵¹ Apart from an automobile factory, this mutual cooperation agreement also involved "reportedly part of a suite of some 200 'socialist' companies intended to produce car plants, plastics, medical equipment, food, computers, and construction materials.", Stephan Johnson, **Iran's Influence in the**

sense, Iran-Venezuela joint factory, Venirauto, in the city of Maracay 120 kilometers to the Venezuelan capital Caracas, was established in 2006 through the investment of Venezuelan company “Corpivensa” as an affiliate company to the Ministry and Commerce of Venezuela (%49) and Iranian Industries Development and Renovation Organization (%25), ICKO (%13) and SAIPA (%13). Venirauto factory was constructed with the aim of manufacturing two types of IKCO and SAIPA products which are “SAMAND” produced under the commercial name of “Centauro” and “SAIPA 141” under the commercial name of “Turpial” Venirauto automotive factory.¹⁵² The Turpial was a four-door sedan based on the old Kia Pride model, while the Centauro was a clone of Peugeot 405 given that the French firm is the main supplier of engines and technology to the Iranian company.¹⁵³

In the construction sector, the Venezuelan government entered into joint cooperation with Iranian firms on the constructing of dairy plants. It aimed at benefiting from technical assistances of Iranian firms and their experts to establish dairy plants. Thus, it has financed the project and Iranian firms have undertaken building the units, providing equipments (i.e. machineries) and technologies. In this context, Iranian firms has already constructed 13 dairy production factories in Venezuela to produce a daily amount of 360 tons of diverse dairies including processed milk, yoghurt, cheese, cream, chocolate milk, butter and other local dairy products. The products which were processed in these factories are supplied in Venezuelan markets.¹⁵⁴

Chavez government has signed a contract involving engineering, procurement and construction of 10,000 housing units with an Iranian firm named Kayson so as to fix severe housing shortage occurring in Venezuela. Within the framework of this

Americas, Center for Strategic & International Studies (CSIS), February 2012, 92, http://csis.org/files/publication/120223_Johnson_IranInfluence_ExecSumm_Web.pdf [18.03.2012].

¹⁵² Iran Khodro Company (IKCO), <http://www.ikco.com/En/Intro.aspx> [21.04.2012]. ; Automotive Industries Development Company (AIDCO), <http://www.aidco.ir/EN/c2.htm> [21.04.2012]. “The Iranian government reportedly held 40 percent of Iran Khodro’s shares in 2008, but that figure declined to 18 percent in 2010 as a result of a ‘privatization’ initiative by which the government sold shares to government affiliate organizations. One such affiliate was the Iranian Revolutionary Guards, which reportedly acquired significant stock in automobile manufacturing and assembling.” Johnson, 2012, 93.

¹⁵³ “Venezuela/Iran deliver first 300 ‘anti-imperialist’ cars”, **Mercopress**, 10.07.2007, <http://en.mercopress.com/2007/07/10/venezuela-iran-deliver-first-300-anti-imperialist-cars> [26.04.2012].

¹⁵⁴ “Chavez Inaugurated 3 Iranian Dairy Plants in Venezuela”, **MOJNEWS**, 21.06.2010, http://www.mojnews.com/en/Miscellaneous/ViewContents.aspx?Contract=cms_Contents_I_News&=525501 [26.04.2012].

contract which entered into effect in March 2006, the Iranian company has built 10,000 homes in the provinces of Monagas, Guarico, Portuguesa and Cojedes.¹⁵⁵ Besides, another 7000 housing units under construction has already been assumed to be completed by 2012. It must be noted hereby that as a remedy for the housing shortage, Chavez government has signed agreements with China, Belarus, Russia, Brazil, Spain, Portugal, and Turkey as well as Iran since 2006.¹⁵⁶

In the cement sector, Iranian Ehdas Sanat Company signed a contract with Venezuelan government in 2005 for building a cement plant with the annual production capacity of one million tons in Venezuela. In fact, the plant, named Cerro Azul, was to be inaugurated in 2008, but it was postponed to 2012. According to news basing on Majid Tavakkolani released by IRNA, the project has been completed by 81 percent. The plant is assumed to be inaugurated by July 2012.¹⁵⁷

7.2.3.3. Petroleum

Iran and Venezuela have signed an agreement in 2006 to build two methanol plants with a total investment of \$1,6 billion shared on a 50/50 basis in Assaluyeh, Iran and Zigma in Venezuela. In this sense, the Veniran Petrochemical Company (VICP) which is a joint venture company between Iran and Venezuela have begun construction of a methanol plant with annual production capacity of 1.65 million tons in the Pars Special Economic/Energy Zone in the southern area of Assaluyeh, Iran. The project in Iran has been implemented by Iran's National Petrochemical Company (NPC) holding a %51 stake of the joint company and Venezuelan state petrochemical company Petroquimica de Venezuela S.A. (Pequvien) owning the rest.

¹⁵⁵ "10,000-UNIT Housing Project, Bolivarian Republic of Venezuela", **KAYSON**, <http://www.kayson-ir.com/project.aspx?name=venezuela&cat=civil> [21.04.2012]. ; "Iran to help build 10,000 homes in Venezuela", **ArabNews**, <http://arabnews.com/middleeast/article483168.ece> [23.04.2012]

¹⁵⁶ "Foreign companies build 5,050 houses in 2011 in Venezuela", **EL UNIVERSAL**, 22.03.2012, <http://www.eluniversal.com/economia/120322/foreign-companies-build-5050-houses-in-2011-in-venezuela> [22.04.2012].

¹⁵⁷ "Iranian-built cement firm in Venezuela to be launched in March", **Iranian Student's News Agency (ISNA)**, 15.01.2012, <http://www.old.isna.ir/isna/NewsView.aspx?ID=News-1931054&Lang=E> [25.04.2012].; "Iranian firm to inaugurate cement factory in Venezuela", **Tehran Times**, 31.16.2011, <http://www.tehrantimes.com/component/content/article/94031> [25.04.2012]. According to the news released by ISNA on the 25th of April, 2012, the agreement between Ehdas Sanat Company and Venezuelan government in 2005 to build a cement factory in Venezuela costs \$198 million. On the other hand, peopledaily.com reported the factory costs \$ 45 million. "Venezuela, Iran sign joint venture agreement on cement plant", **People's Daily**, 08.10.2005, http://english.peopledaily.com.cn/200510/08/eng20051008_213247.html [25.04.2012].

It started in 2010 and is assumed to be finished by 2014.¹⁵⁸ However, “the agreements for implementing a similar project in the South American country are not finalized yet”¹⁵⁹ as Abdolhossein Bayat, Managing Director of National Iranian Petrochemical Organization noted.

He added that “Iran is currently in talks with Venezuela and Indonesia for building two petrochemical complexes in Pars Special Energy Economic Zone in Assaluyeh, stating that as soon as the deals are finalized, the projects will officially start.” Furthermore, Ahmadinejad made a remark on the cooperation between Iran and Venezuela in petrochemical area: “Petrochemical industry is a parent industry which supplies raw materials to other industries.”¹⁶⁰ When taking the fact that methanol is an alcohol which can be used as a solvent or an element in fuel into consideration, his remark points the vital significance of petrochemical industry (methanol) for Iran’s economic/industrial development. Iran as an oil-producing country aims to penetrate into foreign markets and expand its foreign trade capacity by flourishing its petrochemical industry.

The analysis of Asghar Ebrahimi-Asl, managing director of National Iranian Petrochemical Industries Company concerning the abovementioned methanol plant epitomizes this fact. He analyzes that “Once the methanol units become operational, Iran will gain access to Latin American markets, especially in Brazil, while Venezuela will be able to reach Middle East markets, particularly those in India and Pakistan.”¹⁶¹ The initiative of the Venezuelan-Iranian Oil and Gas Company or VENIROGC which has been incorporated between Petropars Limited Company (PPL) and PDVSA's subsidiary Corporación Venezolana del Petróleo (CVP) in 2009 for constructing an oil refinery in Syria serves exemplifies this fact.¹⁶² The

¹⁵⁸ “Joint Petrochemical Company Planned With Venezuela”, **Shana**, 24.09.2006, <http://www.shana.ir/88996-en.html> [28.04.2012]. ; Petrochemical Commercial Company, <http://petrochem-ir.net/plant-projects-methanolveniran-en.html> [28.04.2012].

¹⁵⁹ “Iran, Venezuela build petchem complex”, **PRESSTV**, 21.08.2011, <http://www.presstv.ir/detail/194949.html> [28.04.2012].

¹⁰² “Iran, Venezuela Sign Energy Cooperation Agreements”, **Shana**, 18.09.2006, <http://www.shana.ir/88695-en.html> [28.04.2012].

¹⁶¹ “Joint Petrochemical Company Planned with Venezuela”, **SHANA**, 24.09.2006, <http://www.shana.ir/88996-en.html> [28.04.2012].

¹⁶² The company is operating in the fields of exploration, development, production, and in value chain of oil and gas in South and Central America, Africa and Central Asia markets. It also will undertake joint projects in third countries. **PETROPARS**. “VENIROGC”. <http://www.petropars.com/tabid/810/Default.aspx> [29.04.2012]. According to Mohammad-Ali Talebi

company created a refinery project targeting to establish a refinery with the capacity of 140,000 barrels of oil per day at an estimated cost of \$5 billion in the city of Homs, Syria. Then, Malaysia and Syria were also involved in the project and the four countries signed an agreement in March 2008. It is not known that when the construction of the refinery would begin. Apart from its studies in Syria, the VENIRORGC has studied the feasibility of launching crude oil storage facilities in China and Africa.¹⁶³ In fact, bilateral cooperation and commercial relations between PPL and CVP in the oil and gas sectors had already begun before the establishment of the VENIRORGC. In the oil and gas sectors, the two companies had cooperated in Orionoco Oil Belt (Faja Petrolifera del Orinoco) Venezuela. In this context, they had agreed to implement the projects of Ayacucho block 7, Dobokubi block, Ayacucho blocks 1&2, Ayacucho blocks 3&4 and North of Paria. The projects of Ayacucho Blocks 1&2 and Ayacucho Blocks 3&4, aiming to study on quantification of the reservoirs, were completed in August 2006 and January 2007 respectively. As for North of Paria development projects, PPL has helped CVP to develop Venezuela's North of Paria offshore project by providing management and technical services.

All activities related to Quantification and Certification studies of Ayacucho-7, including quantification studies of reservoir and possible investment for development and operation of field in case commercially feasible was completed in March 2008. According PDVSA's website in July 2007, Iran and Venezuela had agreed to speed up their project in the Ayacucho block 7 through an additional investment of \$4 billion. Iran and Venezuela had agreed to speed up their project in the Ayacucho block 7 through an additional investment of \$4 billion to certify and expand Venezuelan proven reserves.

In a similar vein, evaluation studies of Dobokubi field (Extra Heavy Oil Field) located in Orinoco belt started in May 2009. All activities related to reservoir evaluation and development plan for increasing production were completed in October 2009. According to Petropars's website, in case the development of

as Petropars deputy director for international affairs "with the goal of more focus on international oil and gas projects and to compete with foreign companies, Iran and Venezuela jointly set up the VENIROGC company.", "Venezuela,Iran Plan to Build Refinery in Syria", **SHANA**, 23.09.2009, <http://www.shana.ir/146834-en.html> [30.04.2012].

¹⁶³ "Iran, Venezuela to build refinery in Syria", **PRESSTV**, 22.09.2009, <http://edition.presstv.ir/detail/106839.html> [30.04.2012]. ; "Syria, Venezuela sign a MoU on Complementing Project of Froklos Oil Refinery", 04.12.2010, **Syria-Oil**, <http://www.syria-oil.com/en/?p=1114> [30.04.2012].

Ayacucho-7 and Dobokubi are realized economically feasible, PPL and CVP will incorporate a Mixed Company for development and operation purposes.¹⁶⁴

In 2011, Gholamreza Manouchehri, the CEO of Petropars Limited, reported the current status of the collaboration between PPL and PDVSA in the Orinoco oil belt as follows:

“In the Orinoco oil belt, we benefit from our expertise in upstream studies. Quantification studies are ongoing in many blocks of the Ayacucho. Foreign companies also certified the results of our quantification studies. We also wanted to develop some of these regions, but the terms of the contracts were not so feasible for us. In the Dobokubi region of the Orinoco, now are conducting feasibility studies and working on a new model of contract. We are also performing feasibility studies in Angola, Sudan, Chad, and Nigeria, all of which could easily turn into development projects.”¹⁶⁵

Petroleos de Venezuela Marina signed contract with Iran Marine Industrial Company (SADRA) in 2006 for the purchase of 4 Crude Oil Tanker type Aframax with the capacity of 113000 ton D.W.T. The construction of the tankers started in September 2009 and has been in progress.¹⁶⁶ In addition, the Corporation Venezolana del Petroleo (CVP), a PDVSA subsidiary and the Iranian company SADRA America Latina C.A. set up the Veneziran Oil Company with headquarters in Caracas in 2006 to pursue offshore oil and gas explorations and production activities. The company undertook the implementations of activities concerning providing offshore semi-submersible, jack-up drilling rigs, and production structures as well as services related to repairment, construction and engineering.¹⁶⁷

CVP president Eulogio Del Pini stated that “the Iranian partner had wide experience in marine oil installations, so that the alliance will provide Venezuela

¹⁶⁴ “International Affairs& Business Development”, **PETROPARS**, <http://www.petropars.com/tabid/65/Default.aspx> [21.04.2012]. ; “Iran, Venezuela to invest USD 4 billion in Orinoco Oil Belt” **Petroleos de Venezuela, S.A. (PDVSA)**, 10.07.2007, http://www.pdv.com/index.php?tpl=interface.en/design/readsearch.tpl.html&newsid_obj_id=4175&newsid_temas=0 [21.04.2012].

¹⁶⁵ Johnson, 2012, 92.

¹⁶⁶ “Construction of 4 Crude Oil Tanker type Aframax”, **SADRA**, 28.04.2012, <http://www.sadra.ir/default.aspx?PID=Aframax&GUidPage=B82CDD90-AED3-400C-8DBF-1E475068C69D&GuidLanguage=B52185A0-3B16-4E08-B4E9-3DAEFCDF07A2&GuidPageTitle=701D9A49-E2A2-40F1-A907-9C613E481160> [28.04.2012].

¹⁶⁷ “Venezuela and Iran develop offshore activities”, **The New PDVSA Contact**, No.10, January 2007, 13, <http://www.pdvsa.com/interface.en/database/fichero/publicacion/2764/201.PDF> [28.04.2012].

with proven technological know-how, while using Venezuelan labor, which should accelerate the installation and start-up of the new gas developments, the majority of which are to be found offshore.”¹⁶⁸

In September 2009, Chavez announced that an agreement has been signed by Venezuela and Iran at a joint conference with his Iranian counterpart Ahmadinejad. According to the agreement, Venezuela would begin exporting 20,000 barrels per day of gasoline to Iran starting from October 2009. In return, Iran would make payment about \$800 million a year.¹⁶⁹ In contrast to Chavez’s statements, Hamid Reza Katouzian as the head of energy commission at the Iranian Parliament publicly declared that no agreement on the issue of gasoline export from Venezuela to Iran has been signed between the two countries.¹⁷⁰ Despite these statements, it is not certain whether Venezuela made any shipments to Iran or, if it made, whether it did through a third nation.¹⁷¹

7.2.3.4. The U.S.’ Approach to Iran’s Involvement in Venezuela

After examining Iran’s efforts both to penetrate into Venezuelan markets and to constitute a new global power block with Venezuela, the question that comes to mind is what the U.S. reaction is against Iran’s increased activities in Venezuela, so-called the U.S.’s ‘backyard’.

First of all, as mentioned previously, both the volume of trade between Iran and Venezuela and of Iran’s investments in Venezuela has been comparatively quite low. In this respect, Iran is highly unlikely to be a rival to US influence in Venezuela. For example, the United States was the first largest trade partner of Venezuela in 2010 and commerce with the U.S. accounted for nearly 37 percent of overall volume.¹⁷² More importantly, Venezuela has been the second largest oil supplier of

¹⁶⁸ Venezuela and Iran develop offshore activities”, **The New PDVSA Contact**, No.10, January 2007, 13, <http://www.pdvsa.com/interface.en/database/fichero/publication/2764/201.PDF> [28.04.2012].

¹⁶⁹ “Venezuela to export gasoline to Iran”, **CNN**, 08.09.2009, <http://edition.cnn.com/2009/WORLD/americas/09/07/iran.venezuela.gasoline/index.html> [30.04.2012].

¹⁷⁰ “Iran not to import fuel from Venezuela”, **PRESSTV**, 01.10.2009, <http://edition.presstv.ir/detail/107570.html> [30.04.2012].

¹⁷¹ Johnson, **Iran’s Influence**...,p. 91.

¹⁷² European Commission, “Venezuela-Trade Statistics”, 21.03.2012, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113462.pdf [27.10.2012]

the U.S. after Saudi Arabia.¹⁷³ From Venezuela's perspective, the U.S. has still been the number one partner for its crude oil export. For instance, Venezuela's crude oil export to the US accounted for 40 percent of overall volume.¹⁷⁴ Unless Venezuela cuts oil supplies to the United States, that is highly unlikely because Caracas has still been dependent on oil export to Washington, there is no reason for the U.S. to consider the increasing closeness between Iran and Venezuela as a threat against itself.

However, some American officials concern about Iran's expanding influence in the region on the ground that Iran may use Latin America as a platform from which to attack against the U.S. through terrorist groups such as Hezbollah operating in the region. Furthermore, a report released by the U.S. Department of State released a report to the U.S. Congress in April 2010 alleged that Iran has deployed some elements of its Quds Forces, a paramilitary arm of the Iranian Revolutionary Guards, in Latin America, particularly Venezuela.¹⁷⁵

7.3. Iran-China Relations

7.3.1. Reasons for Rapprochement between Iran and China up to the 21st Century

In the twentieth century, the diplomatic relations between Iran and China witnessed a detent period in the 1960s and an improvement in the 1980s.¹⁷⁶ In this

¹⁷³ U.S. Energy Information Administration (EIA), "U.S. Imports by Country of Origin", http://www.eia.gov/dnav/pet/pet_move_impcus_a2_nus_epc0_im0_mbbldpd_a.htm [28.10.2012].

¹⁷⁴ U.S. Energy Information Administration (EIA), "Venezuela", 03.10.2012, <http://www.eia.gov/countries/analysisbriefs/Venezuela/venezuela.pdf> [28.10.2012].

¹⁷⁵ "Iran's Growing Latin American Ties Raise US Terror Fears", **Fox News**, 06.12.2011, <http://latino.foxnews.com/latino/news/2011/12/06/irans-growing-latin-american-ties-raise-us-terror-fears/> [20.10.2012].; Geoff Le Grand, "The Growing Influence of Iran on Latin America's 'New Left' Governments", **The Cutting Edge**, 06.12.2010,

<http://www.thecuttingedgenews.com/index.php?article=31615> [28.10.2012]. Ileana Ros-Lehtinen, Chairman of the U.S. House Foreign Affairs Committee says that "The Iranian regime has formed alliances with Chavez, Ortega, Castro, and Correa that many believe can destabilize the Hemisphere. These alliances can pose an immediate threat by giving Iran – directly through the IRGC, the Qods force, or its proxies like Hezbollah – a platform in the region to carry out attacks against the United States, our interests, and allies."

¹⁷⁶ However, in contrast to absence of formal political relations between the two countries, bilateral trade relations continued in the 1950s. For instance, the total foreign trade volume between the two countries amounted to \$2,5 million from 1950 to 1959. In addition, trade relations during the 1960s became 20 times greater than during the previous decade. Monachehr Dorraj and Carrie L. Currier, "Lubricated with Oil: Iran-China Relations in a Changing World", **Middle East Policy Council**, 22. 06.2008, <http://mepc.org/journal/middle-east-policy-archives/lubricated-oil-iran-china-relations-changing-world> [02.05.2012].

regard, the first major step was Iran's support for China's entry into the United Nations in 1971, (for example, Iran supported China's entry into the United Nations in 1971) when the two countries established diplomatic relations. In fact, this step did not trigger a major expansion in the Sino-Iranian political relations in the 1970s. Yet it showed signs of rapprochement between them since the establishment of the People's Republic of China in 1949.

Subsequent to the Chinese Revolution of 1949, Mohammad Reza Pahlavi, the anti-Communist Shah of Iran, severed diplomatic relations with the People's Republic of China. Due to some certain reasons, the Shah kept China under Mao Zedong, chairman of the Communist Party of China and founding father of the People's Republic of China, at a distance. In the time of the Cold War, Iran under the Shah has stood as an ally of the US against the Soviet Union and has been orbit of the US with its regional and global policy of containing Communism. Mao Administration supported diverse anti-Shah (i.e. Iran's Tudeh Party, a pro-Moscow Communist party) and Iranian nationalist movements (i.e. cheering the rise of Mohammad Mossadegh in 1952). In return, the Shah sought the partners in the alliance against Beijing and thus established diplomatic relations with Taiwan in 1956. Additionally, it supported the US and South Korea during the Korean War (1950-1953).¹⁷⁷

Yet, Iran- China relations went through substantial changes by the 1960s in the wake of the Sino-Soviet split and detente in the US- Soviet relations. Because of the ideological rifts, China and the Soviet Union as the former allies became enemies. In this sense, Beijing led a high critical campaign against the Soviet regime. The animosity between the two regimes and China's anti-Soviet campaign made a contribution to lessen the tensions in the Sino-Iranian relations with the emergence of Soviet Union as a common enemy.¹⁷⁸

Another international trend which helped strengthening the rapprochement between Iran and China was Britain's decision to withdraw its military forces from the Persian Gulf in 1968 and its actual withdrawal in 1971. Both China and the US

¹⁷⁷ J. Brandon Gentry, "The Dragon and the Magi: Burgeoning Sino-Iranian Relations in the 21st Century", **The China and Eurasia Forum Quarterly**, Vol.3. No.3 (2005): p.112, http://www.silkroadstudies.org/new/docs/cef/brandon_gentry.pdf [19.12.2012]. ; Dorraj and Currier, **Lubricated with Oil...**,

¹⁷⁸ Dorraj and Currier, **Lubricated with Oil...**,

became alarmed Soviet control over Middle East oil due to the withdrawal of the British military. They aimed at keeping petroleum resources of the Middle East out of the hands of the Soviet Union. In this context, they considered Iran as a bulwark against Moscow's penetration into the Persian Gulf. These targets of the US and China coincidence with the Shah's perspective on the British withdrawal: The British move provided Iran the opportunity to fill the power vacuum created by Britain's decision.¹⁷⁹ In this regard, he attempted to gain Western support for Iran to play a larger regional role. He was desirous of realizing Iran's regional preeminence and using Iran's enhanced position in the Persian Gulf by safeguarding the Gulf monarchies under British tutelage against subversion by radical Arab nationalists and the Soviet Union as guardian of the Gulf monarchies. Thus, he willingly assumed the role of being a bulwark against Soviet ambitions in the Persian Gulf.¹⁸⁰ The strategic aim of countering the Soviet Union, as a shared interest, helped bring China and Iran together.¹⁸¹ Besides, having seen the rapprochement between China and the US emerged, the Shah comfortably did the same in 1971.¹⁸²

From Beijing's perspective, Iran was a viable potential trade partner and energy provider as well as a new alliance after losing its former alliance. In turn, Iran saw China to be a good counterbalance to both the United States and the Soviet Union. It supposed to become a powerful player on international arena with the help of having partnership with China. In the wake of improving ties between Iran and China, China discontinued its support in 1971 for the Popular Front for the Liberation of Oman, which the Shah opposed militarily. Following this move of China, the normalization process in Sino-Iranian relations was completed. As a result

¹⁷⁹ John W. Garver, **China & Iran: Ancient Partners in a Post-Imperial World**, University of Washington Press, 2006), p. 39.

¹⁸⁰ Garver, **China & Iran**..., pp. 31-32.

¹⁸¹ John Calabrese, "China and Iran: Partners Perfectly Dismatched", **The Jamestown Foundation**, August 2006, p. 3, http://www.jamestown.org/uploads/media/Jamestown-ChinaIranMismatch_01.pdf [14.05.2012].

¹⁸² "Chairman Mao Zedong pointed out during his meeting with Henry Kissinger in 1973 that as long as we share the same goal, we will not do harm to you nor will you do harm us and we should work together to counter Soviet hegemonism. We hope the United States would strengthen its cooperation with Europe and Japan and a draw a parallel line linking the United States, Japan, China, Pakistan, Iran, Turkey and Europe. This is unity against the Soviet hegemonism or the 'Strategy of forming an alliance against an opponent.'"

"Chairman Mao Zedong's Theory on the Division of the Three World and the Strategy of Forming an Alliance Against an opponent", **Ministry of Foreign Affairs of the People's Republic of China**, 17.11.2000, <http://www.fmprc.gov.cn/eng/ziliao/3602/3604/t18008.htm> [14.05.2012].

of the successfully accomplished normalization process, Iran supported China's membership in the United Nations in 1971.¹⁸³

The shifts of political power emerged in both China in 1978 and Iran in 1979. China's post-Mao leadership headed by Deng Xiaoping, who consolidated paramount power in August 1978, was dedicated to ending "class struggle" for a Communist society. He started the Chinese Economic Reform in December 1978 along with reformists within the Communist Party of China in order to realize economic improvement. In the beginning, in the late 1970s and early 1980s, the trade was opened to the outside world and entry of the foreign investment into the country was allowed. The reform initiations also covered permission for entrepreneurs to start up business apart from most industry remaining state-owned. Therefore, China entered its post revolutionary stage. The institutions and values established by the Chinese revolution were in place as distinct from the Iranian revolution.¹⁸⁴ Ironically, "the PRC found itself in 1979 and vis-à-vis the Islamic Republic of Iran in a situation very similar to that of the United States in 1949 vis-à-vis the PRC."¹⁸⁵

Yet, the shifts of political power in both countries were not standing in the way of sustaining the detente between the two nations. Following the Iranian revolution, China immediately recognized the new regime, expressing its hopes of continuing friendly relations. What is more, it displayed its willingness to part ways with the USA so as to maintain its relations with Iran when the US attempted to punish the Iranian government for allowing militant students to take the US embassy personal hostage. It also did refuse to support the UN arms embargo against Iran under Security Council Resolution 598 and did abstain from voting on US-sponsored resolution to impose economic sanctions on Iran.¹⁸⁶ In consequence of this closer relationship, economic and technological cooperation between the two countries has progressed substantially in the 1980s. In this regard, they set up in 1985 the Joint Committee on Cooperation of Economy, Trade, Science and Technology to

¹⁸³ Dorraj and Currier, **Lubricated with Oil...**

¹⁸⁴ Vicky Hu, "The Chinese Economic Reform and Chinese Entrepreneurship", May 2005, 2-5, http://www.uoc.edu/symposia/caixamanresa/jornadaeconomia/2005/eng/vicky_hu.pdf [15.05.2012]; Garver, **China & Iran...**, 58.

¹⁸⁵ Garver, **China & Iran...**, p. 58.

¹⁸⁶ Dorraj and Currier, **Lubricated with Oil...**

collaborate on energy, machinery, transportation, building material, mining, chemicals and nonferrous metal.

In spite of profound ideological differences between China's Communist rulers and Iran's new theocratic rulers, the warming trend in Sino-Iranian relations during the Shah's era did not dissipate after the establishment of the new regime in Iran. In the 1980s, the relations between the two countries began to improve more than ever before. The war between Iran and Iraq which began in 1980 was an important stage in this regard. Following the establishment of the new regime, the leaders of the Islamic Republic found themselves with a series of monumental problems such as war, economic collapse and diplomatic isolation. The country needed assistance to overcome these problems and China was able and willing to provide that help: munitions to conduct the war against Iraq, help in creating jobs and developing the economy, help with Iran's nuclear programs.¹⁸⁷ Put differently, "on the Iranian side calculations of expediency associated with the war with Iraq that began in 1980 pushed ideologically reluctant leaders towards renewal of ties with China."¹⁸⁸ In return, Beijing pursued to build friendly and cooperative relations with Iran as a major regional power basing in a very crucial region of the world.

The two countries played on the themes of anti-imperialism, Third World solidarity, building a "just" international order, one not dominated by hegemonic Western powers, and sense of victimization are ingrained in Chinese and Iranian national consciousness in their efforts to forge a closer alliance during the 1980s.¹⁸⁹ The two regimes adopted a pragmatically based approach to one another rather than the ideological one. For instance, the Islamic Republic overlooked Beijing's heavy-handed treatments of the Uyghur Muslim minority. Likewise, China condoned imprisonment and execution of many communist and outlawing of the communist Tudeh Party in 1982. Notwithstanding China sold weapons to both sides of the 1980-1988 Iran-Iraq War, when the war ended it proclaimed its wishes so as to facilitate post-war Iranian reconstruction.¹⁹⁰ This displayed the level of pragmatic approach in Iran-China relations.

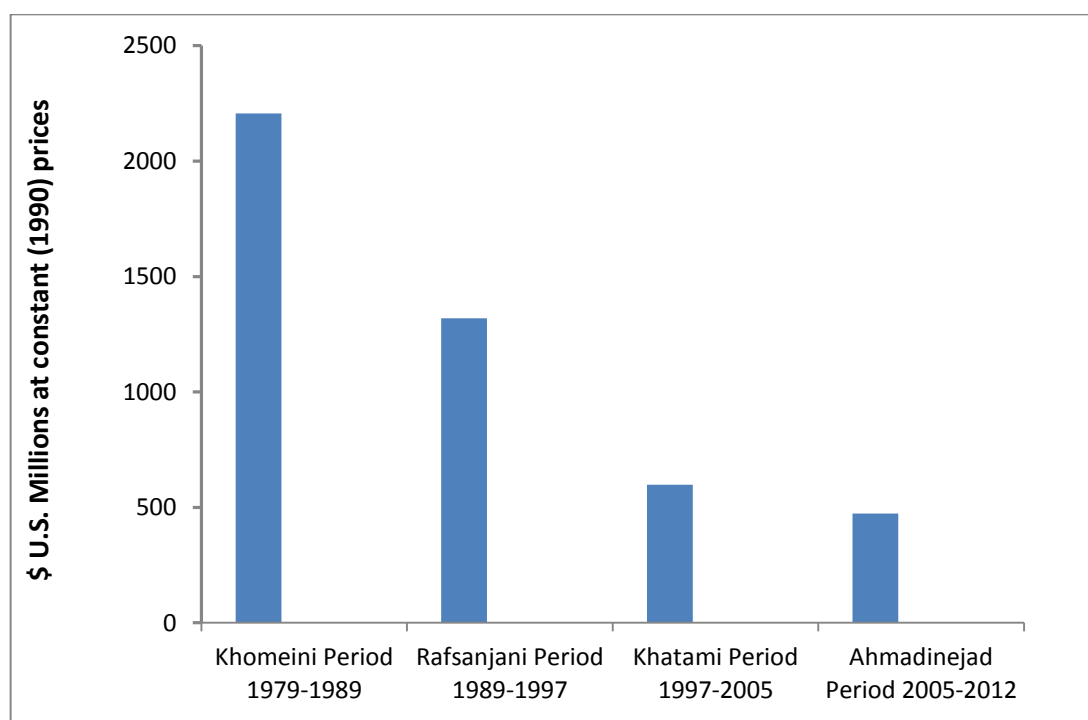
¹⁸⁷ Garver, **China &Iran** ...,p.60.

¹⁸⁸ Garver **China &Iran...**, pp.59-62.

¹⁸⁹ Calabrese, **China and Iran...**, p. 2.

¹⁹⁰ Gentry, **The Dragon...**, pp. 113-114.

Figure 4: China's Arms Exports to Iran, 1980-2011



Source: Stockholm International Peace Research Institute (SIPRI)¹⁹¹ http://armstrade.sipri.org/armstrade/html/export_values.php [06.05.2012].

During the early 1990s, China had the chance of participating in Iran's much-needed economic reconstruction, building its depleted military capabilities and advancing its nuclear program. It was also the period when China became a net oil importer in 1993 after being a net oil exporter during the 1970s and 1980s. Chinese domestic oil demand exceeded supply owing to its rapid and extensive industrialization process and so it has increasingly become dependent on imported oil. Consequently, Chinese firms were eager to penetrate into Middle Eastern markets with the aim of getting new sources of energy supply and finding new investment markets. In this sense, the US-led arms embargo and economic sanctions against Iran have indirectly benefited China in this period. Chinese enterprises seized an opportunity to fill the space, especially in the energy sector, created by the US prohibition on its companies from doing business in Iran. Put differently, fewer American investors meant less competition for Chinese companies in Iran and more

¹⁹¹ The figures concerning Khomeini Period (1979-1989) and Ahmadinejad Period (2005-2012) omit the years of 1979, 1980 and 2012 respectively due to lack of registration. According to the data released by SIPRI, China was the main weapons supplier to Iran during the years of 1980-1988 Iran-Iraq War. The figures above also indicate that Iran has purchased the weapons from China the most in the war years and the purchasing of weapons from China has gradually declined in the post-war period.

access to Iranian energy markets. In return, Iran has satisfied its needs from a reliable buyer for its oil and gas and a supplier of military equipment and weapons systems. On the diplomatic front, China as a permanent member of the United Nations Security Council provided a coping mechanism amid the US efforts to squeeze Iran. In this context, China refused the 1996 Iran-Libya Sanctions Act, drafted by the Clinton Administration to punish Iran for its support of terrorist organizations. In short, these developments drew China and Iran to build mutually-beneficial relations in the 1990s.¹⁹²

7.3.2. Bolstering Diplomatic Relations in the 21st Century

Mutual opposition to America's primacy in world affairs serves a driving force for bolstering diplomatic relations between Iran and China in the 21st Century. Both countries have been seeking for a multi-polar world order in which American influence is diluted. Furthermore, the U.S.'s occupations of Afghanistan and Iraq played an important role in the efforts of Tehran and Beijing to strengthen their closeness. The US-led campaign against Taliban in Afghanistan in 2001 and the subsequent removal of Saddam Hussein's regime in Iraq in 2003 raised fears among Iran's ayatollahs of a dangerous encirclement- and of the possibility of a US –driven transformation in their country. That is why; Iran has sought to strengthen international partnerships, including China as an emerging political and economic power in the international area. In turn, the U.S.'s occupations of Afghanistan and Iraq made China face a situation in which the U.S. attempted to alter geopolitical balances in the region in favor of Washington. For this reason, China sought to enhance the closeness with Iran with the aim of balancing the U.S. presence and power in the post-Saddam Hussein Middle East.¹⁹³

After coming to power in 2005, Ahmadinejad, a representative of ultra-conservatives in Iran, initiated to keep close high-level interactions with China with purpose of challenging and subverting any actions against his country by the US. In this context, he reaffirmed Tehran's willingness to develop ties with Beijing while answering a question on bilateral relations between Iran and China raised by Xinhua

¹⁹² John S. Park, "Iran and China", **The Iran Primer**, <http://iranprimer.usip.org/resource/iran-and-china> [19.05.2012]. ; Calabrese, **China and Iran...**, p. 4. ;Dorraj and Currier, **Lubricated with Oil...**,

¹⁹³ Ilan Berman, "The Logic Behind Sino-Iranian Cooperation", **China and Eurasia Forum Quarterly**, Volume 4, No. 4 (2006): pp. 16-17.

at his first press conference since his election wing by making the remarks as follows:

“I know China very well. During my term of office as Tehran mayor, I had frequent contacts with many Chinese companies cooperating with us, through which I have become quite familiar with China and the Chinese people... Iran is intended to promote relations with all amicable countries in the world, including China.”¹⁹⁴

His remarks were greeted positively by his Chinese counterpart Hu Jintao. In a meeting with Iranian First Vice President Mohammad Reza Aref prior to the fifth summit of the Shanghai Cooperation Organization held in Astana in 2005, Jintao expressed his country's willingness to strengthen exchanges and cooperation with Iran in various fields and in international organizations.¹⁹⁵ As a matter of fact, both sides' efforts to bolster the bilateral ties yielded its fruits. There were 63 high level Chinese and Iranian official exchanges between 2005 and 2009. These high-level interactions between the two countries included transportation, information technology agriculture, environmental protection, ship building, training of diplomats, labor and social security, internet security, and military industry.¹⁹⁶

Ahmadinejad was targeting to develop defense-oriented relationship with China beyond cultural and economic ones which were the primary focus in Khatami era mostly in order to counterbalance against any probable attack by the US against itself. In this respect, the fifth summit of the SCO held in Astana in 2005 was a watershed in the Iran-China relations. At the summit, the leaders of the organization did decide to grant observer status to Iran which was designated as “axis of evil” by President George W. Bush following 9/11, while they did deny the US's application for the same status. In an environment where the US has attempted to further isolate and increase pressure on Iran by labeling it as “axis of evil”, China, as one of the

¹⁹⁴ “Iran's president-elected expresses willingness to develop ties with China”, **Xinhua News Agency**, 27.06.2005, http://news.xinhuanet.com/english/2005-06/27/content_3140262.htm [23.05.2012].

¹⁹⁵ “China ready to boost ties with Iran, says President Hu”, **Xinhua News Agency**, 06.07.2005, http://news.xinhuanet.com/english/2005-07/06/content_3179986.htm [24.05.2012].

¹⁹⁶ John W. Garver, China's Iran Policies, 13.04. 2011, p. 7, http://www.uscc.gov/hearings/2011hearings/written_testimonies/11_04_13_wrt/11_04_13_garver_testimony.pdf [24.05.2012].

organization's two leading countries with Russia, embraced the approach of securing its most important energy partner against the US threats.¹⁹⁷

In addition to the cooperation between the two countries in the multilateral forum of SCO, they have been in cooperation in order not to allow any third-country to intervene in their domestic issues in case they encounter any domestic unrest. For instance, Chinese Foreign Ministry spokesman Qin Gang said that "China respects the choice of the Iranian people and hopes Iran could maintain stability and solidarity"¹⁹⁸ in the face of opposition street protesters following the re-election of Iranian President Mahmoud Ahmadinejad in June 2009.

In a similar vein, Tehran remained silent in the face of attacks against the Uyghur by Han Chinese following peaceful protests in July 2009 in Urumqi, the capital city of northwestern China's Xinjiang Uyghur Autonomous Region, where nearly 200 people were killed and over 1400 were detained, according to official figures. Following the clashes, Iranian Foreign Minister Manouchehr Mottaki only called Secretary General of Organization of the Islamic Conference Ekmeleddin Ihsanoglu and voiced Iran's support for 'the rights of Chinese Muslims', in the telephone conversation.¹⁹⁹ Yet he did not voice "Iran's support for the rights of Chinese Muslims" to a Chinese representative. In face of this situation, the Islamic Republic adopted the approach of balancing concerns for Muslims with bilateral relations with China. For example, Iranian Foreign Minister Manouchehr Mottaki and Foreign Minister Spokesman Hassan Qashqavi expressed Iran's concerns about the security and rights of Chinese Muslims, on the other hand condemned the interference of Western governments in China's internal affairs.²⁰⁰ In fact, these

¹⁹⁷ Masayuki Masuda, "China's SCO Policy in the Regional Security Architecture: from "Asia-Pacific Security Architecture: Tiered Structure of Regional Security", The Tokyo Foundation, 15. http://www.tokyofoundation.org/en/additional_info/PRB_ChinaSCO.pdf [24.05.2012]. ; Muhammet Ali Basaran, "Cin Halk Cumhuriyeti'nin Iran'a Yonelik Dis Politikasi", (Yuksekk Lisans Tezi, Kadir Has Universitesi Sosyal Bilimler Enstitusu, 2009),133

¹⁹⁸ "China calls for 'stability, solidarity' in post-election Iran", **Xinhuan News Agency**, 16.06.2009, http://news.xinhuanet.com/english/2009-06/16/content_11552204.htm [24.05.2012].

¹⁹⁹ "China must reveal whereabouts of Uighur children detained after deadly clash", **Amnesty International**, 06.01.2012, <http://www.amnesty.org/en/news/china-must-reveal-whereabouts-uighur-children-detained-after-deadly-clash-2012-01-06> [25.05.2012]. ; "Iran voices 'concern' over China unrest", **PRESS TV**, 09.07.2009, <http://edition.presstv.ir/detail/100250.html> [25.05.2012].

²⁰⁰ "Mottaki: Western meddling led to China unrest", **PRESSTV**, 12.07.2009, <http://edition.presstv.ir/detail/100509.html> [25.05.2012]. ; "Iran backs Muslims but rejects interference in China: FM Spokesman", **Iranian Students News Agency**, 27.07.2009, <http://old.isna.ir/ISNA/NewsView.aspx?ID=News-1376678&Lang=E> [25.05.2012].

developments also display Iran's pragmatically-oriented relations with China in Ahmadinejad era as were in his predecessors'.

Above and beyond all these considerations, Iran's nuclear issue has brought out the major point of Sino-Iranian relations on the political and diplomatic front throughout the intensified post-2002 debate over its nuclear program. The relations between the two countries in regard to Iran's nuclear issue are going to be examined in a different part due to its complex nature.

7.3.3. Impact of Iran's Nuclear Program on the Bilateral Relations

Following a documentary on the Institute for Science and International Security, which showed satellite images of two nuclear plants under construction in Natanz and Arak, released by CNN on December 13, 2002, Iran's nuclear program became an eye-catching event in the international politics. China made its position clear in the face of this issue by declaring its support for the Non-Proliferation Treaty, its opposition to the spread of nuclear weapons, and non-support for Iran's acquisition of those weapons. In the course of four years after the emergence of that crisis, Chinese representatives pointed out that their Iranian counterparts had assured China and the International Community that it was not seeking nuclear weapons by stating that its uranium enrichment activities to use as fuel for civil nuclear power. In this sense, China hesitantly approved the referral of Iran's dossier to the United Nations Security Council in 2006 due to the exacerbation of the Iran's nuclear issue in the international arena and mostly the pressures from the U.S.

After the referral of Iran's nuclear dossier to the UNSC, China's foreign policy dropped in a dilemma between its supports for Iran against US-led international pressure over the Iranian nuclear issue on the one hand and its support for US sanctions against Iran on the one hand. The Sino-American relationship was the priority in Chinese foreign policy. Yet, at the same time, it was hard to resist the temptation of the benefits from the close economic relations with Iran. It has voted in favor of Security Council resolutions 1737, 1747, 1803 and 1929 between 2006 and 2010, threatening and then applying sanctions against Iran for its refusal to comply with the demands of the UNSC but has also shown support for Iran's right to a peaceful nuclear technology. Despite its support for the resolutions including sanctions against Iran, China has still been appealed to resolve the issue through

dialogue and negotiation. In this regard, China's attitude towards Iran's nuclear program has been at odds with the attitude shown by the US. China vehemently has advocated a diplomatic solution to the issue, whereas the US has been in supporting of solving the issue at any cost. Beijing has categorically opposed to the probability of any American military intervention on Iran and condemned the implications of US foreign policy makers concerning the military options.²⁰¹ (For example, President Bush openly stated that "all options are on the table"²⁰².)

Chinese officials have reiterated the country's calls for a diplomatic solution to the Iran's nuclear issue since the emergence of the issue in 2002. As China's Foreign Ministry Spokeswoman Jian Yu noted in April 2010, the diplomatic solutions include negotiations and sanctions. Therefore, the sanctions against the Islamic Republic do not mean the door to diplomatic efforts is closed according to Chinese authorities. Yet, naturally, its support for the sanctions against Iran was not welcomed and responded positively by Tehran. For example, Ali-Akbar Salehi, head of Iran's Atomic Energy Organization, slammed China for having voted in favor of UNSCR 1929 in June 2010.²⁰³ He claimed that "China definitely has an (negative) impact among world Muslims and Beijing might gradually lose its respectable status in the Islamic world."²⁰⁴ Unlike Salehi, Ahmadinejad was charitable in his remarks about China during his visit to the Shanghai World Expo in Shanghai on June 11, 2010. Ahmadinejad said that "we have very good relations with China and we have no reason to weaken our relations with China... The problem is the United States."²⁰⁵ According to him, China joined the US-led sanctions against Iran, because the Security Council countries had been subject to pressure and intimidation.

²⁰¹ Jiang Zhen, Impacts of Iran's Nuclear Issue on China- US Relation, 1-9, <http://www.usna.edu/MiddleEast/AME/Papers/Zhen%20Jiang%20Paper.pdf> [27.05.2012]. ; Garver, China's Iran Policies, 1-5.

²⁰² "Bush: "All options are on the table' regarding Iran's nuclear aspirations", **USA TODAY**, 13.08.2005, http://www.usatoday.com/news/washington/2005-08-13-bush-iran-nuclear_x.htm [27.05.2012].

²⁰³ "China-Iran Foreign Relations", **IRAN TRACKER**, 13.07.2010, <http://www.irantracker.org/foreign-relations/china-iran-foreign-relations> [28.05.2012].

²⁰⁴ He further said that "China supports North Korea which is not even signatory of the Non-Proliferation Treaty (NPT) but adopts a resolution against Iran which is both NPT signatory and all its nuclear projects under the surveillance of the International Atomic Energy Agency (IAEA).", "Iran Blames China for UN Sanctions' Vote", **daijiworld**, 10.06.2010, http://www.daijiworld.com/news/news_disp.asp?n_id=78921&n_tit=Iran+Blames+China+for+UN+Sanctions%27+Vote++ [28.05.2012].

²⁰⁵ "At Shanghai Expo, Ahmadinejad polite despite China's support for Iran sanctions", **The Christian Science Monitor**, 11.06.2010, <http://www.csmonitor.com/World/Asia-Pacific/2010/0611/At-Shanghai-Expo-Ahmadinejad-polite-despite-China-s-support-for-Iran-sanctions> [28.05.2012].

At first sight, Salehi's and Ahmadinejad's comments may seem as if they contradict with each others. Herein, however, two points should be borne in mind. The first one is that Ahmadinejad's government has promoted itself as a challenger to the US imperialism and prevailing international political and economic system led by the US both at home and in the world. Putting differently, the Ahmadinejad government introduced Iran under itself as a self-sufficient and powerful country as earlier mentioned. However, China as its political and economic ally joined the US-led sanctions against Iran. In this case, such government is intrinsically expected to chastise its ally and therefore Salehi's approach is quite intelligible.

Speaking of the second one, it was definitely difficult for Iran as a country which has been tried to be isolated from international arena economically and politically to part its ways with China, a permanent member of the UNSC and its largest trading partner, due to China's approval of the decision of the Security Council? What is more, albeit China accepted and carried out the sanctions on the one hand, it helped Iran win probably several years of time to push forward with its nuclear program through its delaying tactics, i.e. its lethargic approaches in the Security Council, on the other hand. Beijing also has worked to weaken sanctions embedded in Security Council Resolutions and has sought the ways of preventing the sanctions from interfering normal commercial transactions, trade and investment, and economic cooperation, especially in the energy sector. This is mainly due to the fact that China needs Iranian oil and gas to sustain its economic development. Additionally, Chinese energy firms filled the vacuum, which occurred after the flight of European and East Asian oil majors from Iranian projects, in Iran's energy sector in 2009 and they seem unwilling to turn back this opportunity. Iran, meanwhile, gained most of its foreign currency revenues from the above-mentioned commercial transactions with China.²⁰⁶ These facts explain why Ahmadinejad praised the ties between Iran and China instead of blaming its partner as Salehi had done. In sum, Ahmadinejad's and Salehi's approaches may be evaluated as two sides of the same coin.

It must be noted hereby that China has to maintain a close relationship with the US in order to succeed its modernization efforts involving its economic prosperity and social stability. For this reason, cooperative partnership with Washington has

²⁰⁶ Garver, *China's Iran...*, pp. 6-10.

been of primary significance to Beijing. By considering these facts into account, China had to cooperate with the US on the Iranian nuclear issue, main concerns of the US together with North Korea's on the non-proliferation front.²⁰⁷ The above-mentioned reasons so far drew China embraced the balancing policy between Iran and the US.

It also took the same position, balancing strategy, during Iran's applications for full membership to the SCO, as its stance towards the Iran's nuclear issue. In fact, Iran's nuclear program had a negative impact on its relations with China in the context of the SCO. China was one of the member countries of the SCO which supporting of Iran's observer status in 2005. Since, it desired to establish close relations with Iran to curb the US influence and deployments in Central Asia and Middle East. However, the member states of the SCO including China have not granted permanent membership status to Iran notwithstanding Tehran has repeatedly requested full SCO membership to replace its current observer status. Neither of the two leading countries, China and Russia, nor the Central Asian members supports Iran's efforts to transform the SCO into a bloc against the West to counter Western intervention, which may overshadow the original purpose of the organization.²⁰⁸ Most importantly, as Noi stated that "Iran's nuclear crisis with the West is the biggest obstacle for Iran since the SCO member states are reluctant to accept such a country, which has great problem with the US and EU regarding its nuclear program."²⁰⁹ The SCO members oppose to the Iran's full membership because they believe that its full membership, despite economic and security advantages, could drag the SCO into the fight between Tehran and the West due to Iran's confrontation with the US on the nuclear issue. In a nutshell, as long as Iran has been under pressure of the US owing to its nuclear program, its full membership to the SCO

²⁰⁷ Wang Jisi, "China's Search for Stability With America", **Foreign Affairs**, September/October 2005, cited from <http://www.ucm.es/info/eid/pb/Wang05.pdf> [19.12.2012].

²⁰⁸ At a meeting of the SCO held Shanghai on 15 June 2006, President Mahmoud Ahmadinejad said that "We want this organization to develop into a powerful body influential in regional and international politics, economics and trade, serving to block threats and unlawful strong-arm interference from various countries."; "Iran urges Central Asian bloc to counter West", **cbcnews**, 15.06.2006, <http://www.cbc.ca/news/world/story/2006/06/15/iran-thurs.html> [29.05.2012].

²⁰⁹ Aylin Unver Noi, "Iran and the Shanghai Cooperation Organization: Is It Possible for Iran to Become Full Mmember of The Shanghai Cooperation Organization Under Pressure of Nuclear Issue?", **PERCEPTIONS**, AUTUMN-WINTER 2006, 100, <http://sam.gov.tr/wp-content/uploads/2012/02/AylinUnverNoi.pdf> [29.05.2012].

does not appear possible in the near future.²¹⁰ Iran's nuclear issue and its application for full membership to the SCO indicate limits of the diplomatic ties between the Islamic Republic of Iran and the People's Republic of China.

7.3.4. Energy First Economic Relations: Challenges and Opportunities

Economic relations between Iran and China have been growing incrementally since the establishment of the Islamic Republic of Iran. Iran has been important oil and gas supplier to China. It has also been a lucrative market for China in order to both make investment and sell its consumer goods.²¹¹ For Iran, China has been source of goods, services, technology and investment. This factor became more important in the bilateral economic cooperation after the failure of Iran's diplomacy of outreach to Europe and partially to the US.²¹²

In the post-war period, the technical assistances and investments provided by Chinese companies relatively facilitated Iran's initiations to modernize and expand its production capabilities. Iran has moderately realized its infrastructure building projects, including rebuilding of its decrepit oil infrastructure including exploration, refining and downstream production by establishing joint initiations with Chinese companies and replenishing stocks depleted during the war between Iran and Iraq by locking in arms deals with China.²¹³ For instance, Shengli Oil Company, a Sinopec subsidiary, transferred a complete set of China-made oil equipment to Iran for oil-field exploration in 1998.²¹⁴ Chinese companies have also actively participated in infrastructure projects ranging from the construction of dams and power plants to urban mass public transportation.²¹⁵ In this sense, Chinese engineers have built bridges, dams, railroads, and tunnels in Iran through the past two decades.

In fact, Iran's economic reliance on China is not limited to the energy sector. Therefore, non-energy trade and investment also form a significant component of

²¹⁰ "Iran and the Shanghai Cooperation Organization: Interview with Javid Karami ", **IRDIPLOMACY**, 27.06.2011, <http://www.irdiplomacy.ir/en/page/14143/Iran+and+the+Shanghai+Cooperation+Organization.html> [29.05.2012]. ; Noi, **Iran and...**,p. 100.

²¹¹ Dorraj and Currier, **Lubricated with Oil...**,

²¹² Hunter, **Iran's Foreign...**, p.122

²¹³ Calabrese, **China and Iran...**, p.5.

²¹⁴ Garver, **China &Iran ...**,pp. 267-268

²¹⁵ Calabrese, **China and Iran ...**, p.10.

bilateral economic relations.²¹⁶ Chinese and Iranian enterprises have been cooperating in the sectors of shipbuilding, metallurgy, manufacturing and transportation.²¹⁷

According to Amir Talebi, an official with the Trade Promotion Organization of Iran, Iran's principal exports to China consist of propane, iron ore, polyethylene, aluminum, copper, marble, chrome ore, cast iron, lead, concentrated licorice, and sulfur. He also explained the items exported to Hong Kong, those of pistachio, edible chicken viscera, carpets, lead ore, plastic products, copper, animal skins, figs, dates, and saffron. In return, China's major exports to Iran include machinery and equipment, textiles, chemical products and consumer goods.²¹⁸ In addition, China has been selling refined gasoline to Iran, which lacks the refineries to meet its domestic needs.²¹⁹ According to Slavin, "new statistics show Iran's growing dependence on China both as a market and as a source of consumer and industrial goods"²²⁰ after proposed new US sanctions against Iran, i.e. forbidding dealing with Iran's Central Bank.

The previously-mentioned points denote that Iran- China economic relations have been steadily continuing somehow since the establishment of the Islamic Republic. Put differently, the economic ties between the two countries did not begin in a period which a particular administration prevails. For example, bilateral economic relations between Iran and China are different from the ones between Iran and Venezuela in this regard. Although all administrations of the Islamic Republic had continued the bilateral relations since 1979, the trade relations between Iran and China have experienced a considerable increase during the Ahmadinejad Administration compared to the previous ones thanks to mainly China's raising oil imports from Iran. The level of trade between the two countries soared from nearly

²¹⁶ Scott Harold and Ali Reza Nader, **China and Iran: Economic, Political, and Military Relations**, RAND Corporation, 2012, 11, http://www.rand.org/content/dam/rand/pubs/occasional_papers/2012/RAND_OP351.pdf [22.05.2012].

²¹⁷ Calabrese, **China and Iran** ..., p.10.

²¹⁸ "Iran sees 40% rise in exports to China", **Tehran Times**, 18.01.2010, http://old.tehrantimes.com/index_View.asp?code=212386 [21.05.2012].

²¹⁹ John S. Park, "Iran and China", **The Iran Primer**, <http://iranprimer.usip.org/resource/iran-and-china> [19.05.2012].

²²⁰ Barbara Slavin, "Iran Turns to China, Barter to Survive Sanctions", **Atlantic Council (ACUS)**, November 2011, p. 1, http://www.acus.org/files/publication_pdfs/403/111011_ACUS_IranChina.PDF [21.05.2012].

\$10 billion in 2005, when Ahmadinejad took office, to \$45 billion in 2011. The two countries seek to increase the value of their bilateral trade to more than 50 billion dollars in 2012.²²¹

Needless to say, energy cooperation, particularly in the oil sector, has been the primary driver of the bolstering relations between Iran and China. It has also accounted for the vast majority of bilateral economic relations.²²² This is verified by the fact of China's being as the largest foreign investor in Iran's energy sector.²²³ It is estimated that Chinese companies has signed \$120 billion worth of oil deals with Iranian ones between 2005 and 2010.²²⁴

As earlier mentioned, China became a net oil importer in 1993 because of its runaway economic growth accompanied by a voracious appetite for energy. China needed to feed its energy appetite in order to maintain its economic momentum. For this reason, energy security has become a major concern of Chinese foreign policy. In this respect, it has turned to strengthen international cooperation with major oil producer and exporter countries in the fields of trade and diplomacy and has started implementing more active foreign policy in the Middle East since 1993.²²⁵ China's new strategy has inevitably oriented it towards advancing its political and mainly economic ties in the energy sector with Iran. The figures below outline China's oil imports from Iran which has steadily been increasing between 1993 and 2011.

²²¹ "In view of historic relations between the countries and the determination of their leaders to expand relations in various fields, both sides have expressed the hope to increase the volume of bilateral trade beyond \$50 billion in the coming year." Mohammad Javad Mohammadzadeh made this announcement after meeting with Chinese Deputy Prime Minister Li Keqiang on 1 April, 2012. "Iran and China to expand trade relations", **Payvand**, 01.04.2012, <http://www.payvand.com/news/12/apr/1001.html> [21.05.2012].; "Global Business in Iran Database, Selected Country China", **Iran Tracker**, <http://www.irantracker.org/global-business-in-iran/country/china> [02.05.2012]. Calabrese,, **China and Iran...**, p. 7.

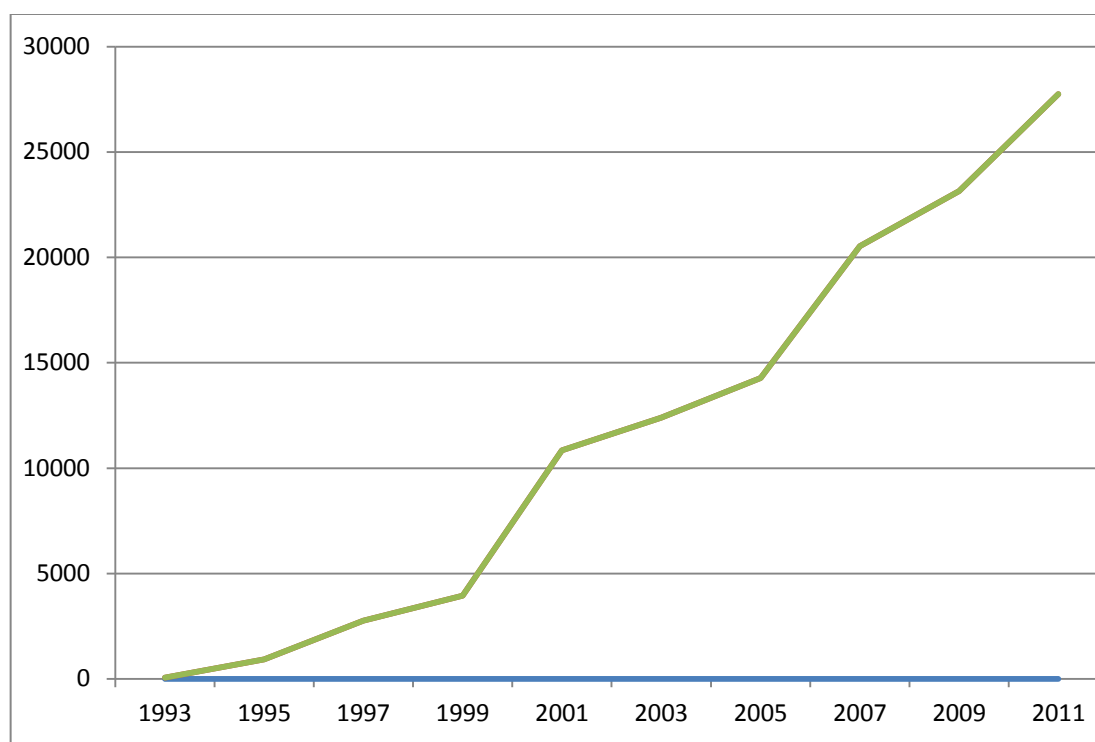
²²² Garver, **Dragon and Magi...**,p. 115

²²³ Slavin, **Iran Turns...**, p.3

²²⁴ "Iranian Parliamentary Delegation Leaves Tehran for Beijing", **FARS NEWS AGENCY**, 08.05.2010, <http://english.farsnews.com/newstext.php?nn=8902181202> [31.05.2012].

²²⁵ Jin Liangxiang, "Energy First: China and the Middle East", **The Middle East Quarterly**, Spring 2005, Volume: XII, Number:2, http://www.meforum.org/694/energy-first#_ftnref5 [01.06.2012].

Figure 5: China's Rising Oil Imports from Iran (1993-2011)



Source: United Nations Commodity Trade Statistics Database <http://comtrade.un.org/db/> [19.05.2012].

China has begun to play a major role in Iran's oil industry at the end of the first half of the 2000s. China's state-owned oil trading company, Zhuhai Zhenong Corporation, signed a 25-year deal worth approximately \$20 billion to import 110 million tons of liquefied natural gas (LNG) from Iran. This was followed by the agreement worth about \$100 billion between China Petroleum and Chemical Corporation (SINOPEC) and National Iranian Oil Company (NIOC) in October 2004, was the first major Chinese investment in the energy sector of Iran.²²⁶

The two companies signed a \$2 billion buyback contract in 2007 on developing the Yadavaran oil field locating Iran's Khuzestan province near the border with Iraq, which the contract completed a 2004 memorandum of understanding for state-owned Sinopec to help developing the oilfield. The development project of the oil field was expected to be implemented in three phases and the first, second and third phases aimed at production of 85,000, 180,000 and 300,000 barrels of oil per day

²²⁶ Jephairim P. Gundzik, "The ties that bind China, Russia and Iran", *Asia Times*, 04.06.2005, <http://www.atimes.com/atimes/China/GF04Ad07.html> [01.06.2012]. ; Garver, *China & Iran...*, p. 275.

respectively. The Chinese firm starting development activities in March, 2011 has produced 16,000 barrels of oil per day.²²⁷ More importantly, Iranian Oil Minister, Gholam Hossein Nozari displayed the political significance of the joint project as a vindication of Iran's efforts to counter pressures to isolate it over its nuclear program apart from the economic. In other words, he accentuated that this agreement openly shows that the US efforts to isolate Iran remain fruitless.²²⁸

NIOC and China National Petroleum Corporation (CNPC) signed a deal worth \$1.76 billion in January, 2009 for development of Iran's North Azadegan oilfield, located in Iran's western province of Khuzestan. Under the deal with tenure 12 years, CNPC is committed to equip the oilfield with full operating facilities with the capacity of 75.000 barrels per day of oil production in 48 months.²²⁹

In addition, the two companies signed a memorandum of understanding (MoU) in September, 2009 toward funding South Azadegan oilfield development project. Based on that MoU, the Chinese company would fund 90 percent of the development project and take 70 percent stake in the project whereby taking 70 percent of Naftiran Intertrade Company (NICO), which was holding 90 percent share in the project with Japanese IXPEX Corporation having remaining 10 percent. NICO could not afford 90 percent of the project needing an investment \$2.5 billion in spite of INPEX's financial assistance to NICO with \$3 billion in order to develop the oilfield. It, however, became able to get required financial sources through cooperating with the Chinese company.²³⁰

NIOC signed a buy-back contract worth \$4.7 billion with CNCP in June 2009 for development of upstream section of phase 11 of the South Pars gas field locating

²²⁷ "Early production from Yadavaran Oil Field Starts", **Shana**, 06.05.2012, <http://www.shana.ir/188626-en.html> [01.06.2012].

²²⁸ "Various companies are continuing to invest in Iran and that we are witnessing the full presence of foreign investments in the country... The other message this contract has is that if other countries intend to invest in our major oil and gas fields, they should not waste time, otherwise they will surely lose investment opportunities in Iran", "China's Sinopec, Iran sign agreement on developing Yadavaran oilfield", **Tehran Times**, 05.03.2008, http://old.tehrantimes.com/index_View.asp?code=164452 [01.06.2012].

²²⁹ "CNPC plans drilling in Iran's Azadegan in 2010-source", **REUTERS**, 09.06.2009, <http://in.reuters.com/article/2009/06/09/china-iran-cnpc-idINPEK12774020090609> [31.05.2012].

²³⁰ "Signing MoU, Chinese Fund 90% of Azadegan Development", **Shana**, 29.07.2009, <http://www.shana.ir/144623-en.html> [30.05.2012]. ; Xiao Wan, "CNPs signs pact to develop South Azadegan oilfield", **China Daily**, 01.08.2009, http://www.chinadaily.com.cn/business/2009-08/01/content_8502784.htm [30.05.2012].

on the Iranian border with Qatar in the Persian Gulf, replacing France's Total SA which had come under pressure to stay out of Iran from the French government and the previous US administration as many western majors. The Iranian company, by development of phase 11 of the South Pars gas field, targeted to supply the required sour gas to feed LNG plants in Iran and produce associated gas condensates. Under that project, CNPC was supposed to make the phase operational by October 2013. Yet, with less than 17 months to the expiry of the CNPC contract, the project by the Chinese company has showed almost zero progress. Ironically, Iranian authorities are dissatisfied with CNPC's frequent delaying of Phase 11 of South Pars development as Total SA and Petronas had done.²³¹

NIOC signed a \$ 16 billion investment deal in December 2006 with China National Offshore Oil Corporation (CNOOC) to develop both the upstream and downstream sections of the North Pars gas field locating in east of the port city of Busehr in the Persian Gulf. The deal between the two companies was temporarily suspended in 2011 since CNOOC had taken no action to start operational activities of the project since signing the deal in 2006. Yet, it reportedly announced in 2012 its willingness to develop the field and Iranian officials gave the green light to the firm's announcement. In short, the fate of the both project is still unknown.²³²

By taking the both project into consideration, this question can be asked: why these projects have been postponed? The question can be answered in the light of several important findings made by Erica Downs on limits of economic cooperation in the energy sector between Iran and China. According to her, first of all, Chinese companies have neither an advanced technology needed to liquefy Iran's natural gas nor experience to manage large, complex projects like gas liquefaction ventures unlike the major international companies which had already left Iranian energy

²³¹ "CNPC replaces Total at South Pars 11", **Upstream Online**, 03.06.2009, <http://www.upstreamonline.com/live/article179964.ece> [31.05.2012]. ; "Projects, South Pars gas field, Under Development, Phase 11", **Pars Oil and Gas Company**, <http://www.pogc.ir/Default.aspx?tabid=147> [31.05.2012]. ; "Iran contractors ready to develop SP phase 11 as CNPC fails", **Press TV**, 25.04.2012, <http://www.presstv.ir/detail/238082.html> [31.05.2012].

²³² "China returns to Iranian North Pars while problems remain at South Pars", **TREND**, 12.05.2012, <http://en.trend.az/regions/iran/2025112.html> [31.05.2012]. ; "Iran quits Chinese company at North Pars field", **TREND**, 11.10.2011, <http://en.trend.az/capital/energy/1943319.html> [31.05.2012]. ; "Iran Suspends Chinese Contract for North Pars Gas Field", **Natural Gas Asia**, 11.10.2011, <http://www.naturalgasasia.com/iran-suspends-chinese-contract-for-north-pars-gas-field-3507> [31.05.2012].

sector. In addition, they do appear as reluctant as other foreign companies to breach sanctions in spite of their eagerness to get their foot in Iran's door. Most importantly, China, does not want to endanger its relationship with the US despite its rhetoric against the US-led international order.²³³

It may be argued that China's approach to the above-mentioned projects resembles its stance toward Iran's nuclear issue and its application for full membership to the SCO. Putting differently, China has been implementing balancing policy between the US and Iran by attempting not to jeopardize its ties with both.

7.4. Iran-Russia Relations

7.4.1. From Tension to Normalization: Evolution of Iran – Russia Relations

From Iran's perspective, Iranian-Russian diplomatic relations lasting nearly for 500 years have been largely negative. From the very beginning of the nineteenth century up to the Bolshevik Revolution of October 1917 in Russia, Iran became a battleground of Anglo-Russian rivalry for power in Asia. In this context, Russia expanded into Iranian territory from the north after the Russo-Persian Wars of 1804-1813 and 1826-1828 and consequently Iran lost its provinces in Transcaucasia and came under the regime of capitulation. Additionally, Russia agreed with Britain in order to divide Iran into three zones under the Anglo-Russian Convention of 1907: A Russian zone in the north, a British zone in the southeast and a neutral buffer between their respective Indian and Central Asian possessions in the remaining land. Apparently, Russia undermined Iran's territorial integrity and interfered in political, social and economic developments in Iran. Russia's imperialist policies towards Iran during the nineteenth and the early twentieth century have increased Iran's hatred for Russia and have resulted in greatly strained relations between Iran and Russia.

Yet, the relations between Iran and Russia entered the normalization process after the Bolshevik Revolution of October 1917 in Russia because the new regime in Russia pulled out Russian troops of Iran and annulled the Anglo-Russian Convention of 1907 and all capitulations. As a result of this normalization process, Iran and newly established Soviet Union signed the Soviet-Iranian Treaty of

²³³ Erica Downs, "Beijing's Tehran Temptation", **Foreign Policy**, 30.06.2012, http://www.foreignpolicy.com/articles/2009/07/30/chinas_tehran_temptation [02.06.2012].

Friendship in February 1921. However, the rapprochement between Tehran and Moscow did not last very long. In 1941, the Soviet Union and Great Britain jointly occupied Iran as to drive Iran to cut off its strong ties with Nazi Germany and forced the Reza Shah Pahlavi, the Shah of Iran; abdicate in favor of his son. What's more, the Soviet Union attempted to preserve its control over Iran although the war ended in 1945 and therefore created autonomous pro-Soviet socialist republics of Azerbaijan in 1945 and Kurdistan (Mehabad) in 1946 in the regions it had occupied.

This aggressive and expansionist foreign policy of the USSR drew Iran to approach to Western bloc after the Soviet withdrawal in 1946. In this context, Iran established close relations with the United States and joined the anti-Soviet alliances of the Baghdad Pact in 1955 and the Central Treaty Organization (CENTO) in 1959. As a result of these developments, Tehran had been a key US ally in the Middle East and had taken a harsh anti-Soviet position from 1946 to the Iranian Revolution of 1979.²³⁴

In the aftermath of the Iranian Revolution, the new Islamic regime of Iran stopped being an ally of the US and embraced an anti-Western foreign policy. In this respect, it withdrew the country from CENTO and abrogated the country's all military agreements with the US. As a matter of course, the Soviet Union considered all these developments positive for its interests and attempted to establish ties with Iran. However, anti-American nature and implementations of the new regime were not adequate for an improvement in Iran-Soviet relations. Since the new regime under Ruhollah Musavi Khomeini had not only ideological antagonistic posture towards the West, particularly the US, but also towards the USSR and communism. This was best exemplified by the new foreign policy concept of Iran in the post-revolutionary era, namely 'neither East nor West'. The concept did openly proclaim that Iran would implement an anti Soviet/communist policy in both domestic and international arena. Furthermore, the supply of the Soviet weapons to Iraq under

²³⁴Bulent Aras and Fatih Ozbay, "The limits of the Russia-Iranian strategic alliance: its history and geopolitics, and the nuclear issue", **The Korean Journal of Defense Analysis**, Vol.20, No.1, March 2008, 46-48, <http://sam.gov.tr/wp-content/pdfs/9.pdf> [08.09.2012]. ; Younes Parsa Benab, "The Origin and Development of Imperialist Contention in Iran; 1884-1921: A Case Study in Under Development and Dependency", **Iran Chamber Society**, http://www.iranchamber.com/history/articles/origin_development_imperialist_contention_iran1.php [08.09.2012]. ; Hunter, **Iran's Foreign...**, p.103.

Saddam Hussein at the peak of the Iran-Iraq War in 1982 when Iran's revolutionary forces began scoring victories against Iraq fueled anti-Soviet sentiments in Iran.²³⁵

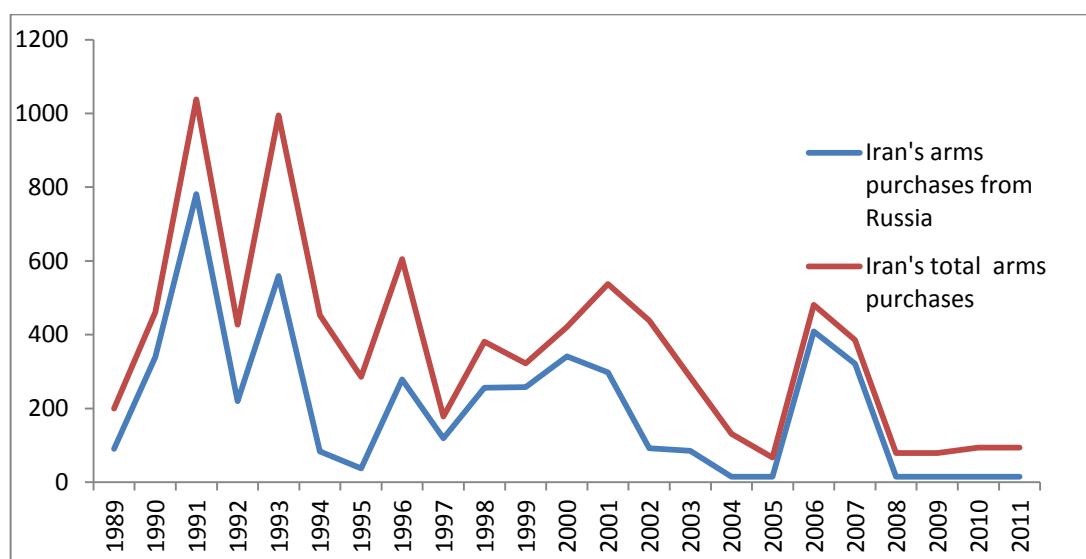
However, the termination of the Iran-Iraq War in 1988 paved the way for the improvement of relations between Tehran and Moscow. Since, Iran had to struggle for stability at home and in the region while trying to improve the economic situation in the country during the postwar reconstruction era.²³⁶ It needed to get essential consumer commodities and renovate equipments in the country. In the postwar era, as earlier mentioned, it also pursued to integrate into the global and therefore sought for new partners in international arena to collaborate in the economic, political and military fields. Moscow was the most attractive economic and military partner for Iran during its postwar reconstruction era because of the US's efforts to isolate Iran with the help of embargos and European countries' tepid response to its overtures immediately after the 1988 cease-fire in the Iraq-Iran War. Besides, the Soviet refusal for the economic embargos against the Islamic Republic encouraged Iran to nurture its ties with the USSR. In turn, Moscow, which needed export markets for some of its failing industries, saw Iran which sought for economic reconstruction and military rearmament as a significant market for arms and technology sales. Accordingly, Moscow decided to begin supplying arms and technology to Tehran in 1989. In this respect, the two countries signed a 10-billion dollar agreement for economic and technical cooperation during the Speaker of the Islamic Consultative Assembly Akbar Hashemi Rafsanjani's visit to Moscow in 1989.²³⁷

²³⁵ Robert V. Barylski, "The Russian Federation and Euroasia's Crescent", **Europe-Asia Studies**, Vol.46, No.3 (1994): p. 394, <http://intersci.ss.uci.edu/wiki/eBooks/Articles/Russia%20and%20the%20Islamic%20Crescent%20Barylski.pdf> [06.06.2012].; N.M. Mamedova, "Iranian-Soviet Relations (1917-1991)", **Encyclopedia Iranica**, 20.07.2009, <http://www.iranicaonline.org/articles/russia-ii-iranian-soviet-relations-1917-1991> [04.06.2012].

²³⁶ Mona Dinpajouh, *Russian Foreign Policy Towards Iran Under Vladimir Putin: 2000-2008*, The Graduate School of Social Sciences of Middle east Technical University, 2009, p.22;

²³⁷ Mamedova, *Iranian-Soviet...*, Hunter, **Iran's Foreign ...**, p. 105, Jahangir Karami, "Iran-Russia Relations: Expectations and Realities", **Discourse: An Iranian Quarterly**, Vol.9, No. 3-4, Fall 2010-Winter 2011, <http://en.merc.ir/View/tabid/98/ArticleId/304/Iran-Russia-Relations-Expectations-and-Realities.aspx> [09.06.2012]. "From 1989 to 1991, the Soviet Union signed a series of deals supplying Iran with MIG-29 and SU-24 fighter aircraft, aircraft missiles, S-200 air defense complexes, three diesel submarines, and hundreds of tanks and armored vehicles, as well as various munitions. The arrangement included licensed manufacturing of tanks and armored vehicles and a 10-year period for parts supplies. The contracts were thus today in effect until 1999-2001. With the exception of tank and armored vehicle exports that fell short of expected quotas, the bulk of the weapons were shipped to Iran in 1992-1996.", Alla Kassianova, "Russian Weapons Sales to Iran: Why They Are Unlikely to Stop", **PONARS Policy Memo** No. 427, December 2006, http://csis.org/files/media/csis/pubs/pm_0427.pdf [08.06.2012].

Figure 6: Russia's Arms Exports to Iran, 1989-2011



Source: Stockholm International Peace Research Institute (SIPRI), http://armstrade.sipri.org/armstrade/html/export_values.php [07.12.2012].

Another factor which played an important role in development of Iran-Russia relations were the disintegration of the USSR in 1991. In geostrategic terms, Iran had no longer a common land border with Russia following the collapse of the former the Soviet Union and this reduced the Iranian ruling elites' threat perception, which had existed for the past 200 years, from its northern neighbor. In turn, Moscow initially considered Tehran as a threat against its own interests in Transcaucasia and Central Asia where it pursued for sustaining its presence as a hegemonic power following the collapse of former Soviet Union because Moscow feared that Tehran would fill the power vacuum in these regions left by the USSR by creating a sphere of influence in these regions with the help of its Islamic identity.²³⁸ However, Tehran and Moscow embraced similar approaches to a number of regional issues in the 1990s and this paved the way for the two to cooperate on such issues. As Freedman noted, Russia and Iran cooperated in “maintaining the shaky cease fire in Tajikistan, were aiding the Northern Alliance in their battles against the Taliban in Afghanistan, and were jointly supporting Armenia against Azerbaijan”.²³⁹ It should be noted that if Iran had supported the Muslim insurgents with weapons, money and volunteers, Russia would

²³⁸ Jahangir Karami, “Iran-Russia Relations: Expectations and Realities”, *Discourse: An Iranian Quarterly*, Vol.9, No. 3-4, Fall 2010-Winter 2011, <http://en.merc.ir/View/tabid/98/ArticleId/304/Iran-Russia-Relations-Expectations-and-Realities.aspx> [09.06.2012].

²³⁹ Robert O. Freedman, “Russian Policy towards Middle East under Putin: The Impact of 9/11 and the War in Iraq”, *ALTERNATIVES*, Vol.2, Number: 2, Summer 2003, <http://www.alternativesjournal.net/volume2/number2/putin.htm> [15.06.2012]

have faced a great deal of unpleasantness in such regions. Apart from the cooperation of such regional issues, Russia considered the anti-American regime in Iran as a very important partner in order to counterweight NATO's expansion eastward pushed by the U.S. including former Soviet Union countries in the East Europe.²⁴⁰

Most importantly, an \$800-million agreement which was signed by Iran and Russia on January 8, 1995 in order to complete the partially-constructed power unit 1 of Bushehr nuclear power plant under the supervision of the International Atomic Energy Agency (IAEA) added a strategic value to the relations between Tehran and Moscow and contributed to expansion of the bilateral relations. The importance of this agreement for Iran was that Iran finally found a partner on the nuclear issue in the international arena.²⁴¹

On the other hand, Victor Stepanovich Chernomyrdin, Prime Minister of Russian Federation, and Albert Arnold Gore, Vice President of the United States signed a secret agreement- the Gore-Chernomyrdin agreement- in June 30, 1995 under which Russia was to have ended all military sales to Tehran by December 31, 1999 once existing arms sales contracts had been completed. Although the agreement meant a major barrier against expansion of military and economic cooperation between Iran and Russia, it did not seriously impinge on Russian-Iranian relations. Since, according to the agreement, Moscow could proceed with already-contracted arms sales to Iran including a diesel submarine, torpedoes, anti-ship mines and hundreds of tanks and armored personnel carriers.²⁴²

Ostensibly, the nuclear agreement between Iran and Russia and the Gore-Chernomyrdin agreement pointed out that Russia under Yeltsin has sought to find a

²⁴⁰ Robert O. Freedman, Russia, Iran, and the Nuclear Question: The Putin Record, Strategic Studies Institute, November 2006, 8, <http://www.strategicstudiesinstitute.army.mil/pdffiles/pub737.pdf> [08.10.2012].

²⁴¹ Bulent Aras and Fatih Ozbay, "Dances with Wolves: Russia, Iran and the Nuclear Issue", **Middle East Policy**, Vol. XIII, No. 4, Winter 2006, 133, <http://www.bulentaras.com/fp/files/ArasandOzbay.pdf> [18.06.2012]. ; Aras and Ozbay, 2008, 51.

²⁴² John M. Broder, "Despite a Secret Pact by Gore in '95, Russian Arms Sales to Iran Go On", **The New York Times**, 13.11.2000, <http://www.nytimes.com/2000/10/13/world/despite-a-secret-pact-by-gore-in-95-russian-arms-sales-to-iran-go-on.html?pagewanted=all&src=pm> [11.06.2012]. ; Robert O. Freedman, "Russian Policy towards Middle East under Putin: The Impact of 9/11 and the War in Iraq", **ALTERNATIVES**, Vol.2, Number: 2, Summer 2003, <http://www.alternativesjournal.net/volume2/number2/putin.htm> [15.06.2012].; Mark Katz. "Clinton Makes Progress-In Some Areas", **Deseret News**, 10.05.1995, <http://www.deseretnews.com/article/420060/CLINTON-MAKES-PROGRESS---IN-SOME-AREAS.html?pg=all> [23.06.2012].

delicate balance between Iran and the US by advancing its relations with the West in addition to maintaining its relations with Iran throughout the 1990s and this delicate balance has limited the scope of Russian-Iranian relations.²⁴³ In face of Moscow's this balancing policy, Tehran did not give up attempting to strengthen its ties with Moscow. Because Iranian ruling elites were well aware that it is quite hard to implement Iran's nuclear program and enhance the country's stance against the US without Russian support.

7.4.2. Challenging the American Unilateralism as an Avenue for Security Cooperation between Iran and Russia in the 21st Century?

After Vladimir Putin was elected to the post on 7 May, 2000, he attempted to regain the country's status as a great power and counter the US through a multipolar world order.²⁴⁴ In this context, his administration renewed 'The Foreign Policy Concept of the Russian Federation' on 28 June, 2000, in which the facts of the growing trend of the unipolar structure of the world with economic and power domination of the United States as a challenge and threat to its [Russia's] national interests and of Russia seeking for a multi-polar world system was highlighted. Furthermore, the need to stabilize the situation in the Middle East, including the Persian Gulf, and develop further relations with Iran was explicitly pointed out.²⁴⁵

Russia's new foreign policy direction was reflected in its abrogation of the Gore- Chernomyrdin agreement in November 2000 and Putin's official announcement in 2001 for the resumption of arms sales to Iran.²⁴⁶ The basic reason why Putin abrogated the Gore-Chernomyrdin agreement was to meet the country's lack of hard currency with the help of arms sales to Iran. Another reason was Putin's determination to show Russia's independence from America. The decision of abrogation of the Gore- Chernomyrdin agreement taken by the Putin Administration

²⁴³ Edward A. O'Connor, "Russian-Iranian Relations: Outlook for Cooperation with the 'Axis of Evil'", **Strategic Insights**, Vol.4, Issue.8 (2005), <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=eb06339b-2726-928e-0216-1b3f15392dd8&lng=en&id=32120> [20.12.2012].

²⁴⁴ Robert O. Freedman, "Russian Policy towards Middle East under Putin: The Impact of 9/11 and the War in Iraq", **ALTERNATIVES**, Vol.2, Number: 2, Summer 2003, <http://www.alternativesjournal.net/volume2/number2/putin.htm> [15.06.2012].;

²⁴⁵ "The Foreign Policy Concept of the Russian Federation", Federation of American Scientists (FAS), <http://www.fas.org/nuke/guide/russia/doctrine/econcept.htm> [15.06.2012].

²⁴⁶ Robert O. Freedman, "Russian Policy towards Middle East under Putin: The Impact of 9/11 and the War in Iraq", **ALTERNATIVES**, Vol.2, Number: 2, Summer 2003, <http://www.alternativesjournal.net/volume2/number2/putin.htm> [15.06.2012].

was an important step towards boosting Russia's relations with Iran on the ground that Russia eliminated a major barrier to expanded Russia-Iran military and economic relations.²⁴⁷

In fact, Iran shared a fully similar vision with Russia in terms of the establishment of a multipolar world and the rejection of the US hegemony.²⁴⁸ Meanwhile, it should be noted that Khatami tried to forge rapprochement with the US in addition to maintaining its close relations with Russia whereas his fanatically anti-American successor Ahmadinejad gave up the efforts of rapprochement with the US and focused on further improvements of Iran's strategic relations with Russia. As mentioned, the US's attempt to isolate Iran by labeling it 'axis of evil', the occupation of Iraq and the US military presence in the region after the occupation dramatically increased Ahmadinejad Administration's security concerns that Iran would be the next. In face of the US encirclement, Ahmadinejad Administration oriented the country to collaborate with Russia more than ever. In this respect, Iran under Ahmadinejad saw the Shanghai Cooperation Organization of which Russia is one of two leading members, another one China, as a most valuable asset to its efforts to counter the US influence in the region and prevent any interference in the region by the Western powers for itself. Furthermore, Tehran wished to gain supports of the SCO members for its uranium enrichment activities in hope that it might boost its defenses against the US-led international pressures.

Therefore, Iran applied for upgrading its observer SCO status which was granted on 5 July 2005 to full membership one in March 2008. However, Iran's application for full SCO membership was not approved on the grounds of Iran's efforts to transform the SCO into a bloc against the West, which such efforts would overshadow the original purpose of the organization. More importantly, member states of the SCO, including Russia, did not want to grant Iran, a country that is

²⁴⁷ In this respect, in December 2000, Russia and Iran have agreed to launch a new long-term program of political and military cooperation and have signed a military cooperation agreement in October 2001 opening the way for arms sales to Tehran worth up to \$300 million a year. Edward A. O'Connor, "Russian-Iranian Relations: Outlook for Cooperation with the 'Axis of Evil'".

²⁴⁸ Mehdi Sanaie, "Problems and Prospects of Iranian-Russian Relations", **Russia in Global Affairs**, Vol. 5, No.3, July-September 2007, 2, <http://www.isn.ethz.ch/isn/Digital-Library/Publications/Detail/?ots591=0c54e3b3-1e9c-be1e-2c24-a6a8c7060233&lng=en&id=39721> [16.09.2012].

under the UNSC sanctions due to its uranium enrichment activities, full member status in order to prevent any confrontation with the US and the EU.²⁴⁹

As is seen in the example of the SCO, Iran was unable to extend the scope of its relations with Russia in terms of creating an alternative security system that excludes American military hegemony despite their (Iran and Russia) common animosity toward the American military hegemony in the international arena. In this sense, Hunter explains perfectly the fact that Russian authorities have put an upper limit on relations with Iran in spite of Iran's hopes to see Moscow as a strategic partner with following sentences:

“Russia would like to regain its great power status and be treated as equal with the EU and the United States. However, Russia neither wants, nor can afford, another Cold War with the West. Hence, as long as Iran's relations remain unsettled with the West, the Russians will not go beyond a certain point in nurturing ties with Iran, is this were to cause significant problems in the relations with the West.”²⁵⁰

In fact, the rejection of its application for full membership of the SCO that even Russia still supports was not a sole disappointing development for Iran in terms of its wishes to improve security cooperation with Russia but also Russia's decision to cancel its contractual obligations to sell S-300 air defense missiles to Iran.

The S-300 anti-aircraft missiles are strategically very important for Iran so as to build a solid anti- aircraft shield against a possible US or Israeli air strikes. Besides, possession of the S-300 missiles would degrade any would be attacker's chances of success in a campaign to destroy Iran's nuclear facilities. For these reasons, in December 2007, Iran finalized a contract with Russia to buy long-range S-300 anti-aircraft missiles and Russia was required to provide Iran with at least 5 S-300 air-defense systems under this contract. However, in August 2010 Russian President Dimitry Medvedev revoked the contract and refrained from delivering S-300 missiles to Iran in compliance with the UNSCR 1929 and due to strong pressures from the US and Israel. As a response to Medvedev's S-300 decision, Iran's Defense

²⁴⁹ Noi, **Iran and...**, pp.94-100. “Beleaguered Iran Seeks Allies in Post-Soviet Space”, **Oilprice**, 10.06.2012, <http://oilprice.com/Geopolitics/International/Beleaguered-Iran-Seeks-Allies-in-Post-Soviet-Space.html> [17.09.2012]. ; “Iran SCO Membership Blocked by Sanctions”, **RIANOVOSTI**, <http://en.rian.ru/world/20120606/173879353.html> [17.09.2012].

²⁵⁰ Hunter, **Iran's Foreign...**,p. 106.

Ministry and the Aerospace Industries Organization have launched a \$4 billion law suit against Russia's state arms corporation Rosoboronexport for the unfulfilled contract on the supplement of S-300 anti-aircraft missile systems. Meanwhile, it should be noted that paragraph 8 of the UNSCR 1929 voted by Russia in favor of prohibit signatory states to supply Iran any battle tanks, armored combat vehicles, large calibre artillery systems, combat aircraft, attack helicopters, warships, missiles or missile systems.

In a similar vein to the example of the SCO, Russia is unable to go beyond a certain point in nurturing ties with Iran, which such attempt would cause significant problems in the relations with the West in the field of arms trade. Apart from the West, Russia does avoid confrontation with Israel which has an increasingly significant military and security relationship with Russia and also a lobby in Moscow. In this respect, Russia cancelled its delivery of S-300 defense system to Iran, although it had completed the delivery of 29 Russian-made Tor-M1 shorter-range air defense missiles to Iran under a contract signed in 2005 opposed by the US and Israel. It should be noted that Tor-M1 surface-to-air missiles contributed Iran to enhance its air defense system against a possible air strike but it is quite hard to have a balanced air defense without the S-300 missiles for Iran. In other words, Russia does sell Iran only weapons that would not provoke an intense reaction from the US and Israel.²⁵¹

7.4.3. Limits of Nuclear Cooperation between Tehran and Moscow

Acquiring nuclear technology is economically and strategically very significant for Iran. Because, Iran aims at taking an important step in diversifying its energy sources in hopes that it might meet its future energy requirements and obtaining the materials necessary for making a nuclear weapons that would enhance the country's

²⁵¹ Shoaib Bahman, "Iran-Russia Relations Overshadowed by S-300 Dispute", **Iran Review**, 20.08.2012, <http://www.iranreview.org/content/Documents/Iran-Russia-Relations-Overshadowed-by-S-300-Dispute.htm> [19.09.2012]. ; "The 'unraveling relationship' between Russia and Iran", **BBC**, 24.07.2010, <http://www.bbc.co.uk/news/world-europe-10684110> [19.09.2012]. ; "Tor-M1 anti-aircraft missile delivery to Iran completed- exporter", **RIA NOVOSTI**, 23.01.2007, <http://en.rian.ru/russia/20070123/59533017.html> [19.09.2012]. ; "Russia S-300 delivery, a resolvable matter: Iran MP", **PRESS TV**, <http://www.presstv.ir/detail/2012/07/13/250716/s300-delivery-to-iran-resolvable-issue/>; [19.09.2012]. "Iran Demands \$4 bln from Russia over Cancelled Missile Deal", **RIA NOVOSTI**, 05.07.2012, <http://en.rian.ru/world/20120705/174416069.html> [19.09.2012]. "United Nations Security Council Resolution 1929 (2010)", **United Nations**, 09.06.2010, <http://daccess-dds-ny.un.org/doc/UNDOC/GEN/N10/396/79/PDF/N1039679.pdf?OpenElement> [19.09.2012].

deterrence against a probable attack of a foreign country with the help of nuclear technology. Apart from these reasons, Iranian policymakers have perceived having nuclear energy and technology as political prestige since Mohammad Reza Shah's era.²⁵²

Iran's nuclear program began in Mohammad Reza Shah era with his aim of industrializing the country. In the context of this program, Iran signed a contract with the German concern Kraftwerk Union AG (KWU), a subsidiary of Siemens, in order to construct the Bushehr nuclear plant with two 1,200-1300 megawatt electric (MWe) pressurized water nuclear reactors in 1974. Prior to the 1979 Iranian Revolution, the Bushehr I reactor was 85 percent complete and the Bushehr II was partially complete. After the victory of the Revolution in February 1979, the Supreme Leader Ayatollah Khomeini, who conceived the world order in terms of rivalry between nuclear powers, "the Great Satan" and "the Lesser Satan", suspended construction of both reactors on the ground that nuclear power, was against Islam. Moreover, Kraftwerk Union AG halted the project after the revolution and terminated the contract with Iran in 1980 on the ground that German government decided to join an embargo imposed by the US on equipment supplies to Iran.

The devastating Iran-Iraq War heavily triggered Iranian policymakers' decision to restart Iran's nuclear program as a deterrent against the US, Iraq and Israel. Therefore, Iran once approached Kraftwerk Union in the late 1980s in order to finish the partially-constructed Bushehr nuclear plant, but the company refused to complete the job due to pressure from both the German government and the United States. Apart from Germany, Brazil and China refused Iran's offer to cooperate on the nuclear issue and Iran, a country had not much of chance of finding a nuclear partner, agreed with Russia in 1995 to complete the partially-constructed power unit 1 of Bushehr nuclear power plant under the full supervision of the IAEA. In addition, Iran signed a supplement to the contract concerning the completion of the plant with Russian concern Atomstroyexport in 1998 in order to construct unit 1 of 1000 MW

²⁵² Mohammad Sahimi, Pirouz Mojtahed-Zadeh and Kaveh L. Afrasiabi, "Energy: Iran needs nuclear power", **The New York Times**, 14.10. 2003, http://www.nytimes.com/2003/10/14/opinion/14iht-edsahimi_ed3.html [20.09.2012].; David Wood and Michael J. Economides, "Iran Stuck in Neutral: Energy Geopolitics Hinder Iran's Oil and Gas Industry's Development", **Energy Tribune**, 11.12.2006, <http://www.energytribune.com/articles.cfm?aid=299&idli=1> [20.09.2012]. ; Robert E. Hunter, "The Iran Case: Addressing Why Countries Want Nuclear Weapons", **Arms Control Association**, December 2004, http://www.armscontrol.org/act/2004_12/Hunter [20.09.2012].

installed electric capacity with V-446 reactor plant.²⁵³ Therefore, Russia became the sole nuclear partner of Iran in the international arena.

The first unit of Bushehr nuclear plant was finally launched in August 2010 after repeated delays by Russian side due to the intense pressure exerted on Moscow by the United States and its western allies and was connected to Iran's power grid in September 2011. According to a speech made by Igor Mezenin, local operation chief of the nuclear plant's Russian contractor, Iran will take over full control of its Bushehr nuke plant by the end of 2012 from the Russian contractor.²⁵⁴ These developments indicate the strategic significance of cooperation with Russia on the nuclear issues for Iran: "Russia is the only international actor that recognizes the legitimate right of Iran to produce nuclear energy and helps Iran to justify its position in the international forum."²⁵⁵

Russia has helped Iran build its nuclear facilities in Bushehr but has voted in favor of UNSC sanctions against Iran's nuclear program between 2006 and 2010.²⁵⁶ The reasons why Russia has constructed the Bushehr nuclear facility were to "preserve dominant position in the emerging Iranian nuclear market, which is not dominated by the United States and other Western investors"²⁵⁷ and in this way "demonstrate other nuclear-energy-seeking countries that it [Russia] is a capable and reliable partner."²⁵⁸ Furthermore, Russian administration aimed at demonstrating that Russia as an important global power follows an independent policy line with the help of the nuclear assistance to Iran which represents a way of challenging the US unilateralism. On the other hand, Russia is resolutely any possibility of a military dimension of Iranian nuclear program, believing that a nuclear Iran may conduct a

²⁵³ "Weapons of Mass Destruction: Bushehr- Background", **Global Security**, <http://www.globalsecurity.org/wmd/world/iran/bushehr-intro.htm> [20.06.2012]. ; David Albright and Andrea Stricker, "Iran's Nuclear Program", **The Iran Primer**, <http://iranprimer.usip.org/resource/irans-nuclear-program> [20.06.2012]. ; Bushehr NPP (Iran), **ATOMSTROYEXPORT**, <http://www.atomstroyexport.com/project/eng/22> [13.09.2012]. ; Aras, Ozbay, 2006, 133.

²⁵⁴ "Iran's Bushehr Nuclear Plant at 'Full Capacity'", **RIA NOVOSTI**, 31.08.2012, <http://en.rian.ru/world/20120831/175542965.html> [21.09.2012]. ; "Russia to Transfer Full Control of Bushehr N. Power Plant to Iran", **Fars News Agency**, 05.09.2012, <http://english.farsnews.com/newstext.php?nn=9106061790> [21.09.2012].

²⁵⁵ Aras, Ozbay, 2006, 145

²⁵⁶ Ariel Farrar-Wellman, "Russia-Iran Foreign Relations", **IranTracker**, 02.08.2010, <http://www.irantracker.org/foreign-relations/russia-iran-foreign-relations> [22.09.2012]. ; "Security Council Imposes Additional Sanctions on Iran", **United Nations**, 09.06.2010, <http://www.un.org/News/Press/docs/2010/sc9948.doc.htm> [22.09.2012].

²⁵⁷ Aras, Ozbay, **Dances with Wolves**....p.143.

²⁵⁸ Aras, Ozbay, **Dances with Wolves**....p.144.

more aggressive and independent policy in the Caucasus and Central Asia. Such a situation would drastically change the balance of power in the region against Russia's interests. In consideration of this situation, Moscow shares concerns of the international community about doubts and uncertainties with regard to Iran's nuclear activities in other nuclear facilities apart from the one in Bushehr and would like to make sure that Iran uses peaceful nuclear technology. As a result, Moscow has supported UN Security Council resolutions on Iran.²⁵⁹

It should be noted that the simmering dispute between Iran and the West, particularly the US on the nuclear issue provides Russia economic and geostrategic advantages as Katz notes as follows:

“The U.S. blockage of the construction of pipeline routes to Iran from Azerbaijan, Turkmenistan, and Kazakhstan has meant that these former Soviet states remain heavily reliant on export routes through Russia or countries subject to Russian intimidation (i.e., Georgia). And to the extent that American-led embargo efforts have led to reduced Iranian ability to sell its petroleum on the world market, Moscow has benefited both from higher oil prices as well as the increased need for others to buy Russian oil that this has resulted in. Moscow has no interest in seeing this situation change.”²⁶⁰

In addition, the dispute makes probability of the rapprochement between Iran and the West, especially the US, in such situation Russia would lose its economic and political influence in Tehran impossible. Putting differently, continuity of the dispute is in Moscow's favor and that is why Russia follows a balancing policy between the US, Europe and Israel, on the one side, and Iran on the other, on the nuclear issue instead of taking a position of pro-Iranian or pro-Western.²⁶¹ All these facts indicate the limits of Iran-Russia nuclear cooperation.

7.4.4. Economic Relations

Although a new round of relations and cooperation between Iran and Russia was anticipated after the collapse of the Soviet Union in the early 1990s, economic relations between the two countries still has not been expanded much over two decades. According to the statistics released by the European Commission, in 2010,

²⁵⁹The Embassy of the Russian Federation to the United Kingdom and Northern Ireland, “Russian Approaches towards the Iranian Nuclear Programme”, , <http://www.rusemb.org.uk/in4b/> [23.09.2012]. ; Nikolay Kozhanov, **Russia's Relations with Iran: Dialogue without Commitments**, The Washington Institute for Near East Policy, Policy Focus 120, June 2012, 14, <http://www.washingtoninstitute.org/uploads/PolicyFocus120.pdf> [21.06.2012].

²⁶⁰ Mark N. Katz, “Why Russia Won't Play Ball on Iran”, **The Diplomat**, 23.06.2012, <http://thediplomat.com/2012/06/23/why-russia-wont-play-ball-on-iran/> [18.09.2012].

²⁶¹ Kozhanov, **Russia's Relations**...p. 14.

Russia ranked twelfth among Iran's trade partners and the trade with Russia accounts for nine percent of Iran's overall foreign trade. In turn, Iran ranked twelfth among Russia's trade partners and the trade with Iran accounts for six percent of Russia's overall foreign trade. In the same year, volume of trade between Iran and Russia reaches 3.79 billion dollars.²⁶² In general, the balance of trade is heavily weighted on Russia's favor and Russia's exports to Iran mostly consist of ferrous metals and metallurgical products, wood, pulp, paper, fuel and energy resources, cereals, fertilizers, defense equipments and equipments for nuclear power industry. In turn, Iran companies sell Russia food and agricultural products such as fruits, pistachio nuts, processed horticultural products and tobacco, minerals, some kinds of construction materials and automobiles.²⁶³ When taking these figures into consideration, it is clear that Iran and Russia are not strategic partners in the field of economy.

Iran and Russia have abundant oil and natural gas reserves and ranking among the top five crude oil and gas producers in the world.²⁶⁴ Yet, to date, the two energy giants, has not successfully improved relations with joint investments in the field of exploitation and transformation of energy and in forming a strong partnership in the international energy market.²⁶⁵ In fact, in the context of forming a strong partnership in the international energy market, Iran's Supreme Leader Ayatollah Ali Khamenei took the boldest step during a meeting with Russian Security Council Secretary Igor Ivanov in Tehran in 2007 by calling upon Russia and Iran to work together to set up a natural gas cartel modeled on the OPEC.²⁶⁶ The proposal indicated Iran's efforts of enhancing its sphere of influence in the global energy market in addition to increasing its revenues from gas export. What is more, Iran attempted to flourish its

²⁶² European Commission, European Union and Russia (Bilateral Trade), 21.03.2012, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113440.pdf [01.10.2012]. ; European Commission, European Union and Iran (Bilateral Trade) ,21.03.2012, http://trade.ec.europa.eu/doclib/docs/2006/september/tradoc_113392.pdf [01.10.2012].

²⁶³ Sanaie, 175, Kozhanov, 20.

²⁶⁴ The CIA World Fact Book, Country Comparison: Oil-Production, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2173rank.html> [01.10.2012]. ; The CIA World Fact Book, Country Comparison: Natural Gas -Production, <https://www.cia.gov/library/publications/the-world-factbook/rankorder/2180rank.html> [01.10.2012].

²⁶⁵ Mandana Tishehyar, "Iran- Russia Energy Relations: From Bilateral to a Multilateral Regional Cooperation", **Iran Review**, 08.07.2011, http://www.iranreview.org/content/Documents/Iran_Russia_Energy_Relations.htm [09.10.2012].

²⁶⁶ Mark Katz, "Russian-Iranian Relations in the Ahmadinejad Era", Middle East Journal, Vo.62, No. 2, Spring 2008, 208, <http://digilib.gmu.edu:8080/xmlui/bitstream/handle/1920/3013/Russia%20Iran%20MEJ%202008.pdf;jsessionid=7ED2D269A6E9728501289C2D4E495823?sequence=1> [02.01.2012].

political ties with Russia at a time when it has come under heavy international pressure due to its nuclear program by improving the cooperation with Russia in the field of economy. However, Russia did not accept to establish OPEC-style gas cartel which limit freedom of Russia's export policy (i.e. In such an organization Russia would subject to a regulatory framework that could essentially amount to a quota system) and in which Russia would have a decisive say.²⁶⁷ These developments displayed that it is hard for Iran to form an energy block with Russia that pursued to take the lion's share in the energy market.

It should be also emphasized that Iran hopes to expand energy cooperation with Russia and Russia may consider the expansion of Iran's capacity to export energy in contrast with the Russia's strong presence in the global markets. Put bluntly, Russia considers Iran, a country having vast reserves, a potential rival in energy sector and is concerned whether Iran provides gas for European countries that are Russia's traditional energy customers and Iran cooperates with countries that belonged to the USSR in the energy field.²⁶⁸ For instance, Iran signed an energy agreement with Armenia in 2004 in order to construct a 141-kilometers pipeline gas pipeline between the two countries and export 36 billion cubic meters of natural gas to Armenia through the pipeline in hopes that Iran might achieve a transit route for its gas into the South Caucasus and farther European Union territory, with Armenia as the first way station on that possible route. However, Armenia had to decrease the Iran-Armenia pipeline's diameter from the originally designed 1,420 millimeters, the size of major gas export pipelines, to 700 millimeters due to pressure by Gazprom. In this way, Gazprom took major precautionary measures precluding expansion of Iran's role in Armenia's gas sector and any transit of Iranian gas to third countries, confining Iran to the Armenian market. Furthermore, Russia convinced Armenia to agree on handing new pipeline's section on Armenian territory over to Gazprom via the ArmRosGaz Company, in which Gazprom and its offshoot Itera hold a combined

²⁶⁷ "Russia: Attempts to build a gas cartel fail", **Osrodek Studiów Wschodnich**, 06.05.2008, <http://www.osw.waw.pl/en/publikacje/eastweek/2008-05-07/russia-attempts-to-build-a-gas-cartel-fail> [02.10.2012].

²⁶⁸ Mohammad Hosein Adeli, "Iran and Russia: Ups and Downs", **IRDIPLOMACY**, 18.08.2010, <http://irdiplomacy.ir/en/page/1002/Iran+and+Russia%3A+Ups+and+Downs.html> [09.10.2012]. ; Mandana Tishehyar, "Iran-Russia Energy Relations", **Iran Review**, 08.07.2011, http://www.iranreview.org/content/Documents/Iran_Russia_Energy_Relations.htm [08.10.2012].

% 68 of interests. In this way, Russia clearly demonstrated its unwillingness to share European gas market with Iran by blocking the access of Iranian gas to Europe.²⁶⁹

On the other hand, Russian companies have attempted to cooperate with Iran in the gas, oil and petrochemical sectors after the second summit of Caspian Sea littoral states held in Tehran in October 2007 at which Iranian and Russian presidents agreed on the need to determine main principles and spheres of economic cooperation. In consideration of the fact that Russian economy heavily depends on oil and gas export, it is understandable that Gazprom became the main driving force of Russian penetration in Iranian energy sector.²⁷⁰

In this respect, Gazprom and the National Iranian Oil Company (NIOC) signed a memorandum of understanding in June 2008 in order to cooperate in the development of Iran's oil and gas fields, the development of Iran's North Azagedan oil field, in the construction and exploitation of the Neka-Jask pipeline in order to manage the transit of hydrocarbon from the Caspian region to the Gulf of Oman, swaps of Russian gas, technology transfers, and the construction of a refinery in northern Iran.²⁷¹ Meanwhile, it should be noted that other Russian oil, gas and petrochemical companies such as Zarubezneft, Sibur Holding, Stroytransgaz, Tatneft, REP Holding has also attempted to penetrate into Iranian energy market.²⁷² However, as Iran's Oil Minister Rostam Ghasemi declared, Iran and Russia have no mutual project at present in the oil and gas sector.²⁷³

Russian major oil and gas companies have been wary of energy cooperation with Iran due to international pressure derived from international sanctions against foreign companies investing in oil and gas industries of Iran.²⁷⁴ For example, on

²⁶⁹Vusal Gasimli, Zaur Shiriyev, Zulfiyya Valiyeva, "Iran-Armenian Relations : geopolitical reality versus political statements", Baku 2011, 15, <http://tr.scribd.com/doc/78323446/Iran-Armenia-Relations-Geopolitical-Reality-versus-Political-Statements> [09.10.2012].; Vladimir Socor, "Iran-Armenia Gas Pipeline: Far More Than Meets the Eye", **Eurasia Daily Monitor**, Volume: 4, Issue: 56, 2007, [http://www.jamestown.org/single/?no_cache=1&tx_ttnews\[tt_news\]=32607%20\[16.07.2012](http://www.jamestown.org/single/?no_cache=1&tx_ttnews[tt_news]=32607%20[16.07.2012) [09.10.2012].

²⁷⁰ Kozhanov, **Russia's Relations** ..., p.21.

²⁷¹ "Gazprom signs major energy deal with Iran", **Tehran Times**, 15.07.2008, http://old.tehrantimes.com/index_View.asp?code=173227 [08.10.2012].

²⁷² Kozhanov, **Russia's Relations** ..., p.21.

²⁷³ "Iran Negotiates with Russian Companies on Oil and Gas", **NIOC**, 09.04.2012, <http://www.nioc.ir/Portal/Home/ShowPage.aspx?Object=NEWS&ID=d18f8953-3e6a-4259-81b7-7ffe160f362d&LayoutID=a48e86dd-dd07-4c23-b5c1-4ee5da821796&CategoryID=9d32c839-2930-4ee6-9321-782d4ac9484a> [08.10.2012].

²⁷⁴ Tishehyar, **Iran- Russia** ...,

March 24, 2010 Russian oil company LUKoil announced its decision to withdraw from the Anaran project in Iran due to economic sanctions imposed by the U.S. against Iran.²⁷⁵ International sanctions are not the only obstacle hampering energy cooperation between Iran and Russia but also sudden unilateral changes in previously reached contracts by Iranian officials and businessmen. For instance, Gazprom Neft, the oil unit of Russia's state-controlled Gazprom, and National Iranian Oil Company signed a memorandum of understanding in November 2009 to develop the Azar oil field, which straddles the border with Iraq. However, in August 2011, Iran dropped Russia's Gazprom from the Azar oil field development project due to the company's "repeated" delays and in October 2011 Iran's Oil Ministry inked a USD 1.9-billion contract with a consortium of domestic companies for the development of Azar oil field.²⁷⁶ In fact, it is quite hard to understand Iran's such move in consideration of the fact that Iran, a country lacking the know-how and material needed to upgrade its oil refineries and LNG plants, hopes that Russia would cooperate with itself in the oil and gas sector.

Beyond their cooperation initiations in hydrocarbon sector, Iran and Russia have also attempted to expand trade ties in non-energy sectors of the economy; particularly electric power industry, telecommunications sector, aviation industry and railroads infrastructure projects. Despite such attempts, the only project that was begun to implement was the electrification of 46-kilometer rail line between Tabriz and Azarshahr.²⁷⁷ In fact, this clearly displays that economic relations between Iran and Russia remain underdeveloped mainly due to the mutual distrust in bilateral relations especially on political level.

²⁷⁵“LUKoil Withdraws from Iran Project, Citing ‘U.S. Sanctions’”, **RFREL**, 24.03.2010, <http://www.rferl.org/content/Lukoil-Withdraws-From-Iran-Project-Citing-US-Sanctions/1992471.html> [08.10.2012].

²⁷⁶“Iran launches first drilling rig at Azar oil field”, **PRESSTV**, 02.10.2012, <http://presstv.com/detail/2012/10/02/264565/first-drilling-rig-launched-at-azar-oil-field/> [03.10.2012]. ; “Iran to replace Gazprom with domestic firms at Azar filed”, **Hurriyet Daily News**, <http://www.hurriyetdailynews.com/iran-to-replace-gazprom-with-domestic-firms-at-azar-fields.aspx?pageID=238&nID=6141&NewsCatID=348> [03.10.2012].

²⁷⁷ Kozhanov, **Russia's Relations...**, pp.22-23.

8. Conclusion

This thesis has shown that the governments of the Islamic Republic of Iran adopted different foreign policy strategies with the intention of achieving independency of the country and strengthening/saving the regime, the Islamic Republic in the face of domestic and international challenges. Broadly speaking, it evaluated the evolution of Iranian foreign policy from this perspective. It specifically analyzed Iran's relations with Venezuela, China and Russia, all of which seek for a multi-polar world order, during Mahmoud Ahmadinejad era (2005-2012) in the context of Iran's pursuits for creating a political and economic block in which American influence is diluted as a response to Washington's efforts to isolate Tehran from the international system.

Mohammad Reza Shah oriented Iran to integrate into the capitalist market and the military and security system of the Western world in the age of the Cold War. The 1979 Iranian Revolution, however, turned the Shah's pro-American foreign policy on its head. Ruhollah Khomeini and his follower clerics as ruling elites in post-revolutionary Iran, who politicized the concept of 'the West' by equating it with imperialism and colonialism due to the memories of foreign exploitation and involvement in Iran, adopted an anti-Western, particularly anti-American, foreign policy. They accused the existing international system of victimizing and exploiting the Third World countries and promoted the Islamic Republic as a model for the Third World, especially for the countries in which Islam is the majority religion of the population. They, therefore, embarked to export the Islamic Revolution to these countries. In the 1980s, Iran's efforts for exporting its revolution resulted in escalation of tension between Iran and the Gulf countries whose Shiite population were the main target of Iran. The Gulf countries, therefore, supported on behalf of Iraq during the Iran-Iraq war (1980-1988) with the intention of thwarting an Iranian victory which was seen as a prelude to regional domination by the Islamic Republic. As a result, the Islamic Republic faced with the containment policy implemented by the Gulf countries in addition to the U.S that implemented isolation policy against

Iran due to Khomeini and his follower clerics' uncompromising attitude towards the takeover of the U.S. Embassy in Tehran.

After Khomeini's death, Akbar Hashemi Rafsanjani who won the 1989 Presidential Elections in Iran became the President of the Islamic Republic of Iran and Ali Khamenei was appointed as the new Supreme Leader by the Assembly of Experts on June 4, 1989. The two leaders were in agreement to follow rational and pragmatic approaches in the economic and foreign policy realms in face of a devastated economy caused by the eight-year war with Iraq and the U.S. and the Gulf countries policies of containment towards the Islamic Republic. The Rafsanjani Administration believed that Iran's sovereign independence required its integration into the world community, particularly the world economy. It, therefore, reestablished Iran's links with World Bank, IMF and European banks with the intention of getting credits for sustaining the economic reform program and opening the Iranian economy up to the outside world. It also embarked the process of foreign policy reform through a policy of reducing the fallout of revolutionary radicalism and finding some friends in international scene and improving Iran's relations with other countries, particularly its neighbors to change Iran's regional and international isolation. In this context, it declared that Iran abandoned the principle of 'export of revolution' with the intention of mending fences with its neighboring countries, particularly the Gulf countries.

Apparently, Rafsanjani Administration's pragmatic foreign policy could reduce the tension between Iran and the Gulf countries and Iran and major European countries. It, however, could not end the tension between Tehran and Washington. The Clinton Administration signed the Iran Sanctions Act of 1995 and the Iran Libya Sanctions Act (ILSA) in 1996 in addition to imposition of its policy of 'Dual Containment' in 1993 by accusing Iran of attempting for acquirement of weapons of mass destruction and supporting acts of international terrorism although the Rafsanjani Administration wanted to reduce bilateral tensions and U.S economic and political pressures on Iran.

Mohammed Khatami who was elected as the new President of the Islamic Republic in 1997 desired to put an end to Iran's economic isolation within the global political- economic system. He, however, believed that Iran's economic integration

into global capitalist system and its economic development could not be achieved in the absence of an overall political strategy. Hence, he put the implementation of political reforms priority over economic ones contrast to Rafsanjani. In this respect, he tried to adapt Western-oriented norms, namely civil society, democracy, and rule of law, to political culture of the Islamic Republic. By conciliating Islam and values of Western political culture, he tried to justify his reform initiations in the eyes of the Western countries in order to integrate Iran into the prevailing international system politically. He did suggest that political and economic independence of the Islamic Republic might be better achieved through interaction and a peaceful co-existence with the outside world rather than self-containment and hostility toward 'the others'. In this context, Khatami Administration adopted a foreign policy agenda based on détente in foreign relations and 'dialogue among civilizations' and attempted to reconcile with Saudi Arabia, normalize relations with European countries and reach out to the United States.

It managed to succeed in improving relations with Saudi Arabia and European countries but failed in improving relations with the U.S. Its efforts for rapprochement between Tehran and Washington were challenged both by hard-liner conservatives, who control Iran's key institutions, and, Israel and the pro-Israeli lobby in the U.S. The U.S. continued its efforts to isolate Iran in the extant political-economic system. For instance; the U.S. together with Israel blocked Iran's bid to begin negotiations on its joining WTO many times. What is more, President George W. Bush labeled Iran with Iraq and North Korea as the 'axis of evil' in a speech he delivered in January 2002 by accusing them of supporting international terrorism, pursuing weapons of mass destructions and threatening the peace of the world. The U.S. 'doctrine of preemption' as enunciated in the 2002 National Security Strategy and the occupation of Iraq in 2003 intensified security concerns of Iranian hard-liner conservatives who control the key state institutions. Moreover, the U.S.'s hostile approaches towards Iran re-crystallized anti-Americanism in the Islamic Republic and played a crucial role in solid anti-American Mahmoud Ahmadinejad's rise to power in 2005.

Ahmadinejad and his clique as representative of hard-liner conservatives suggested an honorable and independent foreign policy based on national security and interests. The Ahmadinejad Administration had a different perspective on how to survive Iran's political independence from Rafsanjani and Khatami Administrations.

It favored confrontational policy towards the West, the U.S. in particular while the previous two administrations had sought rapprochement and dialogue. Furthermore, Tehran during Ahmadinejad's period changed the policy of pursuing partnership with European countries as a counterweight to the U.S. Instead, it moved to build stronger links with Latin America (particularly Venezuela), China and Russia.

After coming to power in August 2005, Ahmadinejad attempted to flourish the relations between Iran and Venezuela on the axis of "anti-U.S. imperialism" with the help of adopting a more aggressive travel schedule and strident, anti-Western rhetoric. Ahmadinejad Administration focused on expanding the commercial ties with Venezuela. Therefore, Iran's export to Venezuela grew from less than \$1 million in 2004 to approximately \$50 million in 2010. Iran under Ahmadinejad has attempted to penetrate into Venezuelan market, the U.S. "backyard", through exports of Iranian goods such as mainly machinery, vehicles, organic chemicals, iron and steel products; and direct investment in the sectors of finance, automobile and tractor industries, construction, and petroleum in Venezuela. Yet the trade with Venezuela accounts for merely small slice of Iran's overall export volume. In fact, Iran's interest in Latin America, particularly its relations with Venezuela, is more political than economic. Iran seeks to benefit from the current wave of anti-American in Latin America by expanding the relations with anti-American regimes including Bolivia, Cuba, Nicaragua and Venezuela as a response to the U.S. efforts to isolate Tehran in the international arena. It tries to increase the U.S. concerns about its activities in the region with the help of its increased involvement in the region as America's "backyard" as a challenge to the U.S efforts to isolate Iran in the international arena.

It should be yet noted that the United States has been the first largest trade partner of Venezuela. Moreover, Venezuela has been the second largest oil supplier of the U.S. after Saudi Arabia. From Venezuela's perspective, the U.S. has still been the number one partner for its crude oil export. As long as Venezuela does not cut oil supplies to the United States, that is highly unlikely because Caracas has still been dependent on oil export to Washington, there is no reason for the U.S. to consider the increasing closeness between Iran and Venezuela as a threat against itself.

With regard to Iran-China relations, Iran under Ahmadinejad attempted to improve cooperation with China in the areas of security (Shanghai Cooperation

Organization), nuclear, and energy. In the security field, it pursued to get full SCO membership in order both to transform the SCO into a bloc against the West, particularly the U.S., to respond Western pressure on itself and to counterbalance against any probable attack by the US against itself. In 2005, China as one of the organization's two leading countries with Russia approved to grant observer status to Iran in an environment where the US has attempted to further isolate and increase pressure on Iran by labeling it as "axis of evil". Since, it desired to establish close relations with Iran to curb the US influence and deployments in Central Asia and Middle East. On the other hand, it did oppose to grant permanent membership status to Iran notwithstanding Tehran has repeatedly requested full SCO membership to replace its current observer status. Because it believed that Iran's full membership, may drag the SCO into the fight between Tehran and the West due to Iran's confrontation with the US on the nuclear issue.

Ahmadinejad Administration has sought to gain China's support on its nuclear issue as China was one of the five permanent members of the UNSC. China has followed a balancing policy between Iran and the U.S. in Iran's nuclear issue as in the example of the SCO. China has voted in favor of Security Council resolutions 1737, 1747, 1803 and 1929 between 2006 and 2010, applying sanctions against Iran for its refusal to comply with the demands of the UNSC. It, on the other hand, has also shown support for Iran's right to a peaceful nuclear technology and has worked to weaken sanctions embedded in Security Council Resolutions. Beijing has sought the ways of preventing the sanctions from interfering normal commercial transactions, trade and investment, and economic cooperation, especially in the energy sector because China needs Iranian oil and gas to sustain its economic development.

Energy is the most important aspect of the Iran-China relations. Iran has been an important energy supplier to China, a country depending on energy sources to maintain its economic growth, since 1993 when China became a net oil importer. In turn, China has also signed billion dollars worth of oil deals with Iran, especially at the end of the first half of the 2000s. It, however, did not carry completely out the energy investment projects in which it has involved despite its thirst for involvement in Iranian energy sector as investor. Chinese companies have neither an advanced technology needed to liquefy Iran's natural gas nor experience to manage large,

complex projects like gas liquefaction ventures unlike the major international companies which had already left Iranian energy sector. In addition, they do appear as reluctant as other foreign companies to breach sanctions in spite of their eagerness to get their foot in Iran's door. Most importantly, China, does not want to endanger its relationship with the US despite its rhetoric against the US-led international order. It must be noted hereby that China has to maintain a close relationship with the US in order to succeed its modernization efforts involving its economic prosperity and social stability. That is why; cooperative partnership with Washington has been of primary significance to Beijing.

With regard to Iran-Russia relations, Ahmadinejad Administration oriented the country to collaborate with Russia more than ever in face of the U.S. encirclement. In this respect, Iran under Ahmadinejad saw the SCO of which Russia is one of two leading leaders as a most valuable asset to contain the US influence in the region, prevent any interference in the region by the Western powers against itself and gain support for its nuclear program. Yet Russia did not want to grant Iran, a country that is under the UNSC sanctions due to its uranium enrichment activities, a full member status in order to prevent any confrontation with the US and the EU. Iran also wished to improve security and defense cooperation with Russia. In this respect, Tehran pursued to buy S-300 air defense missiles, which are strategically very important for Iran so as to build a solid anti-aircraft shield against a possible US or Israeli air strikes, from Russia. However, Russia decided to cancel contractual obligations to sell S-300 air defense missiles to Iran. Apparently, Moscow's decision to refuse Iran's the SCO full membership and to cancel contractual obligations to sell S-300 air defense missiles to Iran on disappointed Tehran.

As is seen in the examples of the SCO and S-300 missiles, Iran was unable to extend the scope of its relations with Russia in terms of creating an alternative security system that excludes American military hegemony even though Iran shared a fully similar vision with Russia in terms of the establishment of a multipolar world and the rejection of the US hegemony. Because, Russia would like to regain its great power status and be treated as equal with the EU and the United States. However, Russia neither wants, nor can afford, another Cold War with the West. That is why; Russia will not go beyond a certain point in nurturing ties with Iran, which would cause significant problems in the relations with the West. It must be also noted that

Russia considers Iran, a country having vast energy reserves, a potential rival in energy sector and is concerned whether Iran provides gas for European countries that are Russia's traditional energy customers and Iran cooperates with countries that belonged to the USSR in the energy field. Hence, Russia does not want Iran to become powerful in the areas of energy, diplomacy and security.

Beyond security concerns, another crucial reason why Iran has sought for strengthening its ties with Russia is to cooperate with Russia on its nuclear program that is economically and strategically very significant for Iran. Russia has helped Iran build its nuclear facility in Bushehr and the first unit of Bushehr nuclear plant was finally launched in August 2010 after repeated delays by Russian side due to the intense pressure exerted on Moscow by the United States and its western allies and was connected to Iran's power grid in September 2011. On the other hand, Russia has voted in favor of UNSC sanctions against Iran's nuclear program between 2006 and 2010. Russia is resolutely against any possibility of a military dimension of Iranian nuclear program, believing that a nuclear Iran may conduct a more aggressive and independent policy in the Caucasus and Central Asia. Such a situation would drastically change the balance of power in the region against Russia's interests. More importantly, the U.S. blockage of the construction of pipeline routes to Iran from Azerbaijan, Kazakhstan and Turkmenistan has meant that these former Soviet states remain heavily reliant on export routes through Russia. Furthermore, American-led embargo efforts have led to reduced Iranian ability to sell its petroleum on the world market Moscow has benefited both from higher oil prices as well as the increased need for others to buy Russian oil that this has resulted in. Russia has no interest in seeing this situation change.

It is obvious that both Russia and China follows a balancing policy between Iran and the U.S. not to jeopardize the ties with each of them. Despite their rhetoric against the U.S. unilateralism, they cannot take the risk of confrontation with the U.S. Moreover, Russia does not want Iran to become more powerful in the areas of energy, diplomacy and security so as to hinder Russia's economic and geostrategic interests. Therefore, Russia and China do not cooperate with Iran so as to constitute an alternative political, economic and security system that challenges the U.S. In the face of this reality, all Iran can do is to benefit maximally from the balancing policies of Russia and China. On the other hand, having close diplomatic ties with Venezuela

is an asset for Iran to involve in Latin America, American “backyard”, as long as the anti-American regimes prevail in the region. Yet, for Iran, it is not sufficient to increase the U.S. concerns about its activities in the region unless Venezuela cuts oil supplies to the U.S. In face of this reality, all Iran can do is to propagandize the Iranian society that it challenges to the U.S. as an imperialist state in its “backyard”.

In a nutshell, at a time when Iran has been under heavy sanctions applied by the West since 2010 and Syria, a firm ally of Iran in the Middle East is about to fall, it seems quite difficult for Tehran to create a political and economic block against the Washington only by cooperating with Venezuela, China and Russia in a system whose patron is the United States.

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