The European Union could potentially be a more active external actor in bilateral relations with the Islamic Republic of Iran. Against the background of their bilateral relations there were noticed difficulties, barriers and serious setbacks. At least five phases of European and Iranian relations could be examined: the years 1979–89 or the Ayatollah Khomeini’s era with revolutionary favour and the slogan ‘Neither West nor East but only the Islamic Republic’. This stormy decade saw the American hostage crisis, breakdown of the U.S.–Iran diplomatic relations and the Iraq-Iran war; the years 1989–97 are identified with the presidency of Hashemi Rafsanjani and pragmatic approach but also with crises; the years 1997-2005 are associated with president Muhammad Khatami’s project to reform the Republic, finally blocked by a more conservative establishment; the years 2005-2013 are identified with Mahmud Ahmedinejad’s presidency, additionally with nationalistic rhetoric and escalating nuclear crisis and the fifth phase with president Hassan Rouhani, the pragmatic approach and his effective efforts to mitigate consequences of the nuclear crisis and lift harmful sanctions imposed on Iran. Although the current president is not focused on reforming the Islamic Republic, he has taken visible and reciprocated attempts aimed at improv-
ing international relations, especially with the European partners, and opening for trade, investments in an effort to facilitate doing business with Iran.

However, in the Iranian political system the president is elected and his role is minor to the that of the Supreme Leader, which greatly influences the general course of Iranian foreign policy.

Apart from dealing with the autocratic state with all its limitations, there are still at least three more difficulties which in the worst-case scenario could undermine relations with Iran:

1. Internally, the EU is not a coherent body in its policy towards Iran because of imbalanced institutional framework and interests of member states, the more so when it is preoccupied with Great Britain's exit from the European integration.
2. The period 2002–2015 saw domination of the nuclear issue. Predominance of it overshadowed any other topics such as human rights.
3. Internal and external context and risks of reproaching Teheran.

These three issues constitute potential limitations for development of mutual relations between the EU and Iran. The greatest problem is to build a reliable and credible means which could have a positive impact on bilateral relations.

Ad. 1 The EU accounts, after all, for one-third of the world’s economic production. Europe is the world’s largest exporter of manufactured goods and services, and the biggest export market for around 80 countries. As a global political actor it is not so consistent and influential as other powers, such as the United States, Russia or China. Apart from pursuing some small-scale civilian and military missions in the Balkans or some African states, it
is not a military power and does not have military bases across the world. In terms of military power and security, the EU is almost an invisible actor. The most effective tool is trade, European goods and investments, while the European market looks promising for gas and oil producers.

The EU is in the field of its monetary and commercial policies, or as a highly institutionalized and integrative intergovernmental organization. Another issue are its member states, such as Germany, Great Britain or France and the rest of the 25 EU member states. For example, member states of the EU are pursuing their own foreign policies in case of very significant national interest, sometimes taking the EU institutional coverage for achieving some of their goals.

In case of Germany, France and Great Britain, some differences in their relations with Iran could be observed. The most difficult are British – Iranian relations, which are as still influenced by the colonial past as well as the Shah time when the UK along the U.S. was a strategic partner of Iran. The first important blow that undermined their relations was the Islamic Revolution, and ten years later in 1989, there occurred a great rupture in the relations, when Salman Rushdie published The Satanic Verses in the UK. Publication of the book, perceived as blasphemous by Iranian mullahs (but not only by them), prompted severe criticism by Ayatollah Khomeini, who issued a fatwa over Rushdie. Although the Iranians later moderated their statements and said that they would not be sending a killing commando to the UK, the damage had already been done. In 2011, the British embassy was attacked and demolished, which was similar to the occupation of the US embassy in the years 1979–81. This time no hostages were taken though. Although four years after closure, the embassy was reopened, mutual relations of the countries are full of suspicion.
France seemed to have better relations with Iran. At the beginning of the Islamic Revolution, Iran looked at France as its emerging main partner in Europe, a “friend of Iran”. Ruhollah Khomeini found asylum in France. Some nuisance was related with selling arms and chemicals and the more pro-Baghdad course in the French policy during the Iraq-Iran war. Besides, France actively assisted with the Iraqi nuclear program, which was put to an end by the Israeli air assault in 1981. Now France arises as a business partner of Teheran in a vast range of industries, from the car industry to infrastructure.

Germany is a very popular destination for Iranian officials at various levels – from mayors to ministers. German policy towards Iran led to major disagreements with the USA and Israel on a number of occasions. In 1993, Germany and the USA differed in the North Atlantic Council over the US policy of isolation towards Iran. For Berlin the policy of engagement would be much better than moderate Iranian politics. As S. Mousavian noted: “The crisis reached its apex by the 1997 ruling of Kammergericht (the highest state court) in Berlin (Mykonos crisis – R.F.). This led to a diplomatic crisis and ensuing withdrawals of EU ambassadors from Tehran”. Besides this setback, Germany is the most active trade partner of Iran. In 2012, Germany exported to Iran goods worth $3.15 billion – one-third (31.5 percent) of all exports of the 27 EU countries. After the 2015 nuclear deal, Germany is again the most active Iranian trade partner and possibly the greatest European investor.

In case of the other member states, the institutional cover of the European Union is essential for securing their business with Iran. However, in dealing with Iran on behalf of the EU the most outspoken is the group of three (Germany, France and Great Britain called the EU-three). British position in relation to Iran will be weakened after Brexit. A probable scenario will be the Ger-
man-French tandem in dealing with Teheran, especially in case of trade issues. Great Britain as the NATO ally will be an active and important partner in case of Iranian nuclear ambitions. There is an open question whether Italy will replace Great Britain in the EU-three.

Iran is a significant trade partner of the EU, supplier of reliable oil, and, amongst the population at large, a sensible and sophisticated source of high class researchers and cultural exchange. The EU offered to enhance trade ties with Iran through a dedicated EU–Iran Trade and Cooperation Agreement (TCA), but due to setbacks and crisis ensued from nuclear program, this proposal has not been fulfilled yet.

The EU proposed diplomacy and engagement instead of pressing on Iran as a rouge state as it had been perceived by American administrations from Carter to Bush Junior. European attitude reflects the idea of utility of soft power as a more effective instrument to overcome problems arising in connection with the Islamic Republic. The first coherent initiative was the “Critical Dialogue”. It was endorsed by the European Council at the European Union summit in Edinburgh on 11–12 December 1992. The Critical Dialogue was adopted to pursue a range of goals, which were clearly expressed by the European Council of Ministers: “(...)This should be a critical dialogue, which reflects concern about Iranian behaviour and calls for improvement in a number of areas, particularly human rights, the death sentence Fatwa pronounced against the author Salman Rushdie, which is contrary to international law, and terrorism. Improvements in these areas will be important in determining the extent to which closer relations and confidence can be developed. Maintenance by the European Union of Critical Dialogue was contrary to the United States’ dual containment strategy towards Iraq and Iran. From 1995, Washington implemented severe sanctions. The U.S. had a plan which
included not only the isolation of Iran but also taking actions aimed at changing the political system in that country. The EU’s refusal to support the sanctions led to tensions between the U.S. and its European allies, in particular with respect to the Iran Libya Sanctions Act (ILSA). The diplomatic strategy of the EU was perceived as a method to urge Iran to observe international norms and tie it through commercial relations. Despite the approach and some positive signs of improvement, the Critical Dialogue was suspended. On 10 April 1997, a German court found the highest Iranian authorities, including the Supreme Leader Ali Khamenei, responsible for assassination of members of the Kurdish opposition, which happened in Mykonos restaurant in Berlin.

Assumption of the presidential office by Mohammad Khatami and a new moderate rhetoric renewed EU’s crisis diplomacy with Iran. The new phase was called a “Comprehensive Dialogue”, which was launched in 1998. The Comprehensive Dialogue was concentrated on issues of mutual interests in which there was possibility for improvement as regards cooperation in such areas as energy, drugs, trade and investments, human rights, terrorism and the fatwa against Salman Rushdie. Despite many difficulties, in 2000, the EU advanced with Iran negotiations on a Trade and Cooperation Agreement (TCA) linked to the Political Dialogue Agreement. The scope comprised four areas: human rights, non-proliferation, terrorism, and the Middle East peace process. The strategy was simple: getting Iran closer to the EU politically and economically would allow Europe to extract significant concessions from Tehran. Reciprocity of president Khatami and some improvement in general relations with Iran helped to restore relations with the United Kingdom. As stated by Bernd Kaussler: “the irony of the Comprehensive Dialogue was that while the human rights dialogue brought about progress in legisla-
tion and policy as well as supported stakeholders of human rights and democracy through various multi-track round-tables organized by the EU, by 2004 Germany, Britain and France had largely shifted their priorities to non-proliferation\textsuperscript{14}.

Ad. 2. In the years 2002-2015, the main barrier which blocked mutual relations between the EU and Iran was the problem of Iranian nuclear program\textsuperscript{15}. Initially, the EU attempted to solve it through diplomacy without US assistance\textsuperscript{16}. Germany, France and Great Britain were convinced that a more effective diplomatic solution should be applied for the nuclear deadlock. It was not an easy task, not only because of the Washington's plan to isolate and impose sanctions on Iran but because of the other powers which preferred maintaining cooperation with Iran. For instance Russia concluded an $800 million contract in 1995 to complete construction of the Bushehr Nuclear Power Plant\textsuperscript{17}. The investment was started by Siemens and its subsidiary Kraftwerke Union in 1974, but abandoned after the Islamic revolution and Iran's war with Iraq. Germany's refusal to allow completion was based on Iran's apparent interest in nuclear weapons\textsuperscript{18}. The EU-three had been torn between two attitudes to Iran: isolation or not noticing some possible concealed military dimensions of the Iranian nuclear program.

The apparent crisis at the beginning of 2000s induced the EU-three to make an offer to Iran, which seemed to be a face-saving solution. This was worked out and revealed European approach to diplomatic engagement in Iran. The offer was as follows: 1. Engagement in full cooperation with the IAEA, meeting all obligations regarding adherence to the Safeguard Agreement and full transparency with its nuclear program; 2. Signing the IAEA Additional Protocol, which allows for a more intrusive and in-depth inspection system, also of the objects and plants that the IAEA would like to supervise; 3. Suspension of
all uranium-enrichment and reprocessing activities, as defined by the IAEA\textsuperscript{19}.

The main European diplomatic achievement, however, turned out to be a failure. The Paris Agreement was not implemented, there were at least four main reasons for its failure: 1. France, Germany and Great Britain acted without the United States’ contribution and essential support which could help to implement this agreement with security assurances for Iran. Instead Washington presented a very critical attitude to the Iranian nuclear program and even considered a military option as the only means of stopping Iran from acquiring the hypothetical nuclear weapons. 2. The nuclear talks with Iran were led not by the EU, but by the European troika, which played a secondary role only. European powers did not deeply consult their offers to Iran with other EU member states and did not take into account a more considerable activity of EU institutions. 3. Iranian authorities were against permanent suspension of uranium-enrichment activities, arguing that they were needed for developing a civilian nuclear program and that Iran had been provided with an undeniable right to do so without any constraints, as specified by the NPT rules. The European powers demand a full cessation of the enrichment process and for Iran it was not fair to be excluded from all nuclear activities under safeguards. 4. Complicated Internal politics in Iran. Hardliners against reformers envisage by the president Muhammad Khatami. Reformers and the president himself did not control the nuclear program. Even Hassan Rouhani nuclear negotiator was closer to Ayatollah Khamenei and beyond president’s control. Although the EU-three negotiations with Khatami seemed to be progressive, their positive output was impossible to implement\textsuperscript{20}.

The proposed “Paris Agreement” was the sole European initiative to Iran. It was unsuccessful in engaging Iran,
though. The Iranian nuclear crisis became internationalized. In the period 2006–2012, the EU-three was more concentrated on aligning with the US position in a more punitive approach to Iran. The P-5+1 group (China, Russia, the United States and the EU-three) was formed as a platform for negotiations with Iran. There were at least two reasons for aligning the EU position with the US harder position on Iran: 1. President’s Mahmud Ahmadinejad populist rhetoric and giving evidence that Iranian politics is unpredictable and there are visible gaps between declarations and facts, as for example the Fordow enrichment plant beyond the IAEA’s surveillance. 2. Risk of rising costs for European companies and banks. Since 2010, however, the US president Obama has enforced US unilateral sanctions also against European companies by way of executive orders. As stated by Giumelli and Ivan: “at the same time, the US financial threats (secondary sanctions, threats to exclude trading partners from US financial institutions) served to coerce other actors into acceptance of US policies.”

The sanctions imposed on the Islamic Republic of Iran have had significant impact on the general population, including an escalation of inflation, rise in commodity and energy costs, increase in the rate of unemployment and a shortage of necessary items, including medicines. The EU decided to impose an oil embargo on Iran, to impose sanctions on a large number of Iranian banks and insurance companies, and to deny access to Iranian banks to SWIFT, a provider of specialised financial messaging service.

The rise in the costs caused by the nuclear program and Iran’s international isolation combined with a deepening financial and economic crisis opened a diplomatic solution for the nuclear issue. In June 2013, Hasan Rouhani (a former nuclear negotiator) won presidential elections. His plan was clear from the beginning – lifting harmful
sanctions in exchange for a comprehensive nuclear deal with the P5 +1. Despite there being a number of problematic issues that needed to be thoroughly discussed, a comprehensive agreement was reached. The agreement that came to be called the Joint Comprehensive Plan of Action (JCPOA) not only specifies rules aimed at limiting the range of the nuclear program but also includes detailed technical issues to clarify the program.

The JCPOA seemed to be a turning point in relations of the EU and the US with Iran. European partners focus on the role of Iran and, potentially, the largest trade partner in the Persian Gulf. When the International Atomic Energy Agency (IAEA) verified that Iran had fulfilled its JCPOA engagements, on 16 January 2016 the UN, the EU and the US lifted their nuclear-related sanctions. The visit of president Rouhani in January 2016 to Italy and France resulted in the signing of business agreements for business deals worth billions of USD to modernize Iran’s infrastructure.

Ad. 3. Although Iran has opened up on an unprecedented scale, its internal political situation has not changed. The strongest reform movement was during the Khatami presidency, however lacking acceptance of the Islamic Guardians of the Revolution and Ayatollah Khamenei, it did not transform the Islamic Republic into a more democratic structure and finally lost influence in 2015. The Green Movement in 2009 was suppressed. There are visible internal risks related to the hardliners’ desire for closing Iran again and treating foreign investment as a conspiracy aimed against Iran. They perceive economic changes in Iran after the nuclear deal and lifting sanctions as risky for maintaining unchanged political system in the Islamic Republic. The nuclear program is the reason for concentration of power and building a parallel state apparatus which would be fully controlled by hard-liners. Moreover, an influx of foreign ideas into Iran
might initiate society’s dissent with the Islamic Republic. Another challenge concerns the approaching succession of the Velayat-e-Faqih (Supreme Leader) power. Although Ali Khamenei is conservative and associated with hard-liners, it is still not known who will replace him. At least two extreme scenarios are possible: 1. Even more centralized and controlled by the hard-liners with only decorative and symbolic role of the president and parliament (Majlis). 2. Through reforms and strengthening the role of elected bodies – the president and the parliament – with the Supreme Leader more constraint for example by the Assembly of Experts. It is a question whether such reforms are possible in the imbalanced system with a predominance of unelected institutions within the Iranian political system. Reforms can just undermine the whole structure and its logic. The essence is to control all political institutions by the unelected one.

European partners of Iran also need to take into consideration external factors which may have a negative impact on trade and investments in Iran. Iran is present in Saudi Arabia, it is involved in conflicts in Yemen, Syria and Iraq. It is also a long time supporter of Lebanon’s Hezbollah. Particularly after the nuclear deal – Saudi Arabia perceived Iran as a greatest threat and promoter of Shia Column in the Arab world. In the context of the turbulent Middle East, the US has significant influence on the EU policy towards Iran. As it was at the time of sanctions, finally EU partners accepted the policy of comprehensive sanctions and loses due to banning access to the Iranian market. During his presidential campaign, President Donald Trump declared that JCOPA is an unsymmetrical agreement, which favours Iran. The new administration opts for more tightened security and regional collaboration with Israel and Saudi Arabia. Within such policy, Iran is perceived as a threat to regional stability. When the Islamic State is finally defeated, the
area of possible US cooperation with Iran would be more limited. Another issue are new American sanctions imposed on Iran in February 2017, after missile tests. The provisions thereof are not, however, related to the nuclear deal but visibly undermine cooperation with Iran. In early June 2017, terrorist attacks hit the parliament and Imam’s Khomeini mausoleum. An Iranian foreign minister Javad Zarif denounced as “repugnant” the President Trump’s controversial compassion.

During the two years after the nuclear deal there was built no durable framework nor credibility for collaboration between Tehran and Washington. Deteriorating American and Iranian relations probably might adversely affect the EU business relations with Iran.

Concluding remarks

The European Union and its member states, especially the EU-three (Germany, France and Great Britain) have not built a stable platform for developing relations with Iran. The Islamic Republic is not an easy or predictable partner. Though president Khatami declared Iranian commitment to the human rights observance, his political role in Iranian politics was more than symbolic. While the policy towards Iran is formulated, it is necessary to consider the problem of contradictory attitudes of Iranian authorities, one cannot forget that hard-liners have treated the Western partners as a threat to the Iranian political system. For decision makers in Teheran, it is a contradictory task to preserve an intact political system without social upheaval. It is very difficult to handle opening Iran for foreign investments and protecting it from the “Western conspiracy”. Iran would not reign for automatically supporting Shiites in its close and more distanced neighbourhood.

The EU policy towards Iran could be analysed as both
engagement or gaining mutual benefits to more crisis and tense relations, especially during the so called nuclear issue in the years 2002-2015. Although the nuclear deal was achieved, there are a number of risks which can undermine the JCPOA.

The EU cannot continue the strategy of self-reliance towards Iran. There are internal and external factors that impact relations with Iran. Khameni’s successor can continue the policy of opening Iran up, but can do otherwise as well – trying to ignite a new crisis or involving in another nuclear issue. The most visible external factor is related with US policy towards Iran. If Washington decides to break the JCPOA as an unreliable treaty, in case of Iran it would certainly start a new crises in relations with Iran.

The EU should reconsider its instruments and strategies towards Iran. There are rifts in the policy pursued towards Iran. The consequence is a situation in which the EU is merely a coverage for national interests and goals of the EU-three. The question about Great Britain’s position after Brexit is still open.

Opportunities are widespread and comprise such items as a vibrant market, well-educated youth, great desire for technologies, infrastructure, vast gas and oil reserves, etc. Iran poses a number of challenges. Some regularities can be observed while analysing the EU relations with Iran. After some improvement there occurred crisis, again followed by improvement and the new crisis. The question then arises – is the JCOPA a sufficient platform for building more durable relations with Iran?

NOTES

1. Quoted in Ali Mohammadi and Anoushiravan Ehteshami, *Iran and Eurasia* (Reading: Ithaca Press, 2000), pp. 60. Iranian theocratic regime after 1979 was perceived by the West as a fanatical and unpredictable in conducting its policy. How-
ever, in the nineties there was some relaxation in relations between Western Europe and Iran during the pragmatic presidency of Akbar Hashemi Rafsanjani. The nuclear program of Iran was a great concern for Western European powers, especially after 2002. In 1980, the United States ceased diplomatic relations with Iran and condemned Iranian authorities for terrorism, destabilizing the Middle East and nuclear activity.

2. As Z. Moshaver noted: “The main institutions of the Islamic Republic are: The Vali-ye-Faqih or the Supreme Leader (appointed by the Assembly of Experts); the President (elected every four years); the Majlis or Parliament (elected every four years); the Cabinet; the Assembly of Experts (in principle elected from a limited pool every eight years, with the specific responsibility of agreeing on a successor to the Vali-ye-Faqih); the Council of Guardians (which vets legislation by the Majlis, as well as candidates for Presidential and Parliamentary elections); the Expediency Council (established in 1988 to adjudicate between the Majlis and the Council of Guardians); the Judiciary (whose head is appointed by the Supreme Leader); the Armed Forces; and the Revolutionary Guards corps. In sum, the President and Parliament are fully elected but the rest are either non-elected or controlled by the non-elected organs. Moreover, the President and Parliament are elected only after candidates are vetted by the Council of Guardians. Constitutionally, both of these institutions have far less executive and legislative powers than in any other democratic system. The non-elected Supreme Leader and Council of Guardians are the most powerful decision-making institutions”: a quotation from Z. Moshaver Revolution, Theocratic Leadership and Iran’s Foreign Policy: Implications for Iran–EU Relations, “Reviewed International Affairs” 2003; 3(2), p. 287.


11. As stated by B. Kaussler: “in 2000, Khatami had been under pressure from two groups. His reformist allies, who had been pushing for him to take an active stance against the hard-liners and had time and again approached him to shift to a more confrontational approach, which they considered as the only language Iran’s nomenclature would understand”; a quotation from: B. Kaussler, European Union Constructive Engagement with Iran (2000–2004): An Exercise in Conditional Human Rights Diplomacy, October 2014, p. 276.


28. In the JCPOA, Iran agreed on the following issues: to reduce by approximately two-thirds its installed centrifuges. Iran will reduce from 19,000 installed (as of July 2015) to 6,104 installed under the deal; not to enrich uranium over 3.67 percent for at least 15 years; to reduce its stockpile of about 10,000 kg of low-enriched uranium (LEU) to 300 kg of 3.67 percent LEU for 15 years; not to build any new facilities for the purpose of enriching uranium for 15 years; to extend time for acquiring enough fissile material for one weapon from 2-3 months to at least one year; to convert its facility at Fordow so that it is no longer used to enrich uranium. The JCPOA also emphasizes the IAEA inspection system in order to get undisturbed access to sites and plants related to the nuclear program and ensure transparency in cooperation between Iran and international community. The JCPOA did not lift sanctions imposed by the UN, the USA and the EU, it is dependent on Iranian progress in implementing issues demanded in the agreement and positive verification by the IAEA of nuclear sites in Iran; *Parameters for a Joint Compre-
hensive Plan of Action regarding the Islamic Republic of Iran’s Nuclear Program:  https://www.whitehouse.gov/sites/default/files/docs/jcpoa_key_excerpts.pdf; (22.03.2017).


30. Guardian Council is regarded as the most influential political body in Iran. It is currently controlled by conservatives and consists of six theologians appointed by the Supreme Leader and six jurists nominated by the judiciary and approved by the Majlis (parliament). The council approves all bills passed by the Majlis and ensures they conform to the constitution and Islamic law. The Council also has the power to vet all candidates in elections to parliament, the presidency and the Assembly of Experts, See BBC news online, Iran: who holds the power?, http://news.bbc.co.uk/1/shared/spl/hi/middle_east/03/iran_power/html/assembly.stm (30.11.2016).

31. The presidential election in 2009 and the developments in its aftermath have pushed Iran into an internal political crisis, which has resulted in the killing of dozens of protestors and the prosecution of more than 100 critics, including former reformist officials, on charges of spying. Hardliners also kept opposition leaders and rival presidential candidates Mir Hussein Mousavi (also leader of the Green Movement) and Mehdi Karoubi under house arrest; M. Mahtab, A. Rizvi, Ve- layat-e-Faqih (Supreme Leader), and Iranian Foreign Policy: An Historical Analysis, “Strategic Analysis” Vol. 36 , Issue 1, 2012 p. 122.


