

Relationship between Iran and Europe Union on Context of Energy

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Abstract: This article is to explain the relationship between Iran and Europe union on context of energy in after Islamic revolution in Iran (1979). In the article, we tend to explain the changes that caused by the different presidents in relationship of Iran with Europe since Islamic revolution. The article is written in three main parts. In the first part, we are explained to issues like over Overview of Iran, Factor of U.S.A – Islamic Republic of Iran – oil, common interests and differences between Iran and Europe countries. In second part, we will explain the pragmatism viewpoint and policy of Hashemi Rafsanjani rather the Europe union. His foreign policy was based on restructuring and renovation of the oil industry and attracting investment, taking loans from the foreign countries and establishing the relations with Europe union. The important contracts have been established with Europe in context of oil and gas in different field of energy. In third part, we will investigate the presidency of Khatami which called the reformist government after the revolution of Iran, this period was one of the most significant for Iran because Iranian opened the door and relation with world especially with European countries, and this period was short time in foreign policy of Iran. There were so many differences between Iran and Europe which going to resolves by Khatami.

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1-Introduction

European countries have a long experience with Iran in political, cultural and economic era that is long. The most important element, which can explain European foreign policy towards Iran in the past century, was the energy interest. The oil in Iran was discovered by England companies. The history of modern Iran began with the discovery of oil in 1908, from this time, starting of the political and economical relationship between Iran and England on the basis of energy, all aspects of production, export, and sale were with Anglo-Iranian Oil Company, which was its first stage of communication (Fateh, 1979). The English companies were activated in this fields until 1953, because in this year Mohammed Mossadegh, primer ministry of Iran in that era overthrow by coup of U.S “ CIA”s organization , which after this date the U.S companies entered in the energy sector of Iran, so after this time the Iranian oil were announced national. Overthrowing of Mohammad Reza Pahlavi government and beginning of Islamic government in Iran 1979 has changed the relationship between Iran and Europe’s countries. Since Islamic revolution Iran has been an Islamic republic, governed mainly by its Shiite religious ulema. European relationship with Iran has been poor since the Iranian revolution of 1979 replaced the American supported shah with an Islamic theocracy.

After the revolution, new polices of Iran has been criticized by European countries, for following issues, the hostage of American embassy of U.S by Muslim student, human rights, its support for proscribed terrorist groups like Hezbollah in Lebanon and Hamas in Palestine, its enemy towards Israel and motto of

export the revolution to neighbors countries, American hostage in Lebanon by Hezbollah which were tension between Iran and European countries.

After the revolution the Iran and Europe, whose passed three stages, which including, first stage that was from 1979 mainly the victory of new Islamic government. According to the majority of scholars this period called the “silence and black-out” foreign policy of European Union against Iran (Falahi, 2004). During the Iran and Iraq war, the relations between Iran and the European countries had a lot of fluctuations as well as. These relations, however, due to supporting Iraq by these countries were along with tensions. Moreover, because of supporting Iraq by America in the last year of the war, and its direct and indirect attacks to Iran, the relations between these two countries became gloomy. The second period was the “critical dialogue” between Iran and Europe, under the leadership of the Hashemi Rafsanjani who was moderate in foreign policy, Iran engaged in a process of economic and diplomatic rapprochement (Simon, 1998).The third stage was the period of presidency of Mohammad Khatami that was reformist in “comprehensive dialogue”. In this article we will explain the relationship of Iran and European Union on the context of energy in after revolution till 2001 the end of presidency of Khatami.

2-Overview of Iran

The geopolitics is of important concerning international relations. In this way, it has a good geopolitics and geo-economics in world, which definitely drive European interests in this country. There is no question that Iran belongs to the countries,

which are of increased importance for Europe union. As Gawdat Bahgat(1999) argues, over the past several decades, history,geography and natural resources have contributed to the rise of Iran as a prominent regional power.(Gawdat,1999).Initially, it should be noted that Iran a central position in the Persian Gulf. The country borders Pakistan and Afghanistan to the east, Turkmenistan to the northeast, the Caspian sea to the north, Azerbaijan and Armenia to the northwest, the waters of the Persian gulf and gulf of Oman to the south, the strategic geographic position of Iran could not be easily ignored by global powers.

Iran has 930 million barrels of oil that means 10 percent of world oil is produced and holds 16 percent of world natural gas proven reserves. In particular, Iran which is the second largest oil producer of the organization of petroleum exporting countries (OPEC) has an economy which relies on oil export revenues. Iran almost has 40 producing oil fields, of which located onshore and offshore. The majority of Iran's oil reserves were located in the south-western Khuzestan province near the Iraqi border and the Persian Gulf. In addition, Iran has huge potential concerning natural gas as well, it contains an estimated 812 trillion cubic feet in proven gas reserves. It is second largest country in gas and is surpassed only by Russia. Iran's emergence as a global oil actor has a major impact on the world economy, and will continue to do so in the foreseeable future. Iran's nearness to the Strait of Hormuz universally recognized as the most important oil-shipping lane in the world, gives it further leverage over the global supply of oil. Iran located in Caspian Sea and five littoral Caspian states: Azerbaijan, Iran, Kazakhstan, Russian Federation, and Turkmenistan. The Caspian Sea region has become a central focal point for untapped oil and natural gas resources from the southern portion of the former Soviet Union (Maleki, 2007).

2-1 Common Interest of Iran & Europe Union

We, here, considered Europe as England, Italy, German and France. England has been existed since the first days of oil discovery. German had very good relations with Iran; also Imam Khomeini has lived in Nofel Loshato in France for many years. Italy is one of the civilizations in Rome and has an important place in the world .so, Europe was very important for Iran because:

These are the industrialized and advanced countries around the world;

France, England, German and Italy were members of the group 8;

France and England are the permanent members of the Security Council of UN;

These countries are present in international economical monetary organizations such as international monetary

funds, World Bank, World Trade Organization, Economic Cooperation Organization and Development; They are trading partnership of Iran; They are against the unilateral world of U.S.A; They determine the ways of economic political Organizations.

Iran is more important from viewpoint of Europe:

It is a developing country with oil and gas reserves;

It is prepare for an extend consuming market from viewpoint of agriculture;

Iran is the most important region for transferring the Energy from the central Asia to the Persian Gulf, Europe and East of Asia, also transiting the goods to Afghanistan, central Asia and Caucasian;

It is located in the center of Energy reserves of the world;

Iran is an active member of the Islamic Conference;

It is a member of the main EKO Organization;

It has the longest shores with energy sources in Caspian Sea;

It is located in the Persian Gulf near the important narrow pass of Hormoz;

Iran is a vital member in OPEC;

It has the second gas reserves in the world with 16% reserves and also has the third oil reserves about 10% around the world; it is the most secure and easiest as well as economic path for transit the energy from the central Asia to the Europe markets (Falahi, 2003).Europe is the serious trade partner of Iran. 40% of imports of Iran are from Europe. Since 1995, the rate of exportation of Europe to Iran was between 3.5 - 7 billion Euros. Most imported goods included machinery, chemicals and medicine. Exports from Iran are 36% of total exports. Most exports of Iran to Europe include the oil that is 80% of total exports of Iran (Falahi, 2003). Of course, because of political problems, now, china is one of the customers of oil which has a good relation with Iran.

2-2 Differences of Iran & Europe

Peace in Middle East: Iran don't formalize Israel regime and recognizes it as a usurper regime, and declares that Israel should be eliminated from the world map. The Israel's politics is to kill and attack to Palestinians for 50 years but Europeans are silent, thus Iran supports the rights of Muslims in the Philistine. Supporting the terrorism: Iran has shocked Israel, because of its influences on Lebanon and Palestine. Since Hezbolah in Lebanon has sent out Israelis from south of Lebanon and Hamas movement resisted against Israel in Palestine and Entefazeh doesn't give up, but Europe recognized these people movements that defend the people's right as Terrorism and Iran is supporter of terrorism. Human rights in Iran: Europe believed that Iran doesn't respect the rights of women's situation, torturing people, execution, suppression the

newspaper and religious minorities. Security problems: Europe believed that Iran seeks the human massacre and missiles and has another aim by nuclear energy, but Iran showed that there are no deviations up to now. Economic correction: Europe believes that Iran should make decision about economic releasing; this is the initial precondition to attract the important foreign investments from Iran (Dehshiar, 2004).

2-3 Factor of U.S.A – Islamic Republic of Iran – oil

When the U.S.A Embassy was seizures by the Muslim Students in 1979, the relations between Iran and U.S.A was declined and U.S.A forced its economic pressures on Iran and by orders of Carter – the president of U.S.A – importing the oil from Iran to U.S.A was stopped and all official assets of Iran in American Banks were taken into custody, the first act in aspect of political and economical relations was to stop purchasing the oil from Iran, because U.S.A has understood the status and the dependence of the country on oil. Although the policy of lack of exporting the oil to U.S.A was applied and about 12.5 billion Dollars for military equipments from U.S.A was canceled (Amirahmadi,1993), but the real date of U.S.A influence on Iran Oil Problems related to 1933 that their influences were extended in Middle East and the importance of the oil was revealed and also by taking Arabia Oil Concession and establishing the Aram co, the inference of U.S.A in the Middle East entered to a new stage (Raeesitoosi,1984) and some years later, by CIA coup and destruction of Mohammed Mosadegh in Iran in 1953, in practice all multilateral authorities of oil in Iran was given to U.S.A until 1979. By taking hostage by the Embassy, even the Europe Society asked Iran to release these citizens and informed that they wanted to execute the commercial boycotts against Iran and this subject caused to decrease purchasing oil from Iran (Razavi, 2001). However, after 444 days, and during the different events, the American citizens were released, but after this time, the economic-political oil relations between Iran and America converted to opposition and dispute. So Americans focused on oil and oil boycotts because they knew that oil plays an important role for Iran's survival.

2-4 the Effective Factors on Changes of the Foreign Policies in Iran

Some important events were occurred in the region such as death of Imam Khomeini in 1989. Secondly, the communist Soviet was broken up and the world converted to a pole that was U.S.A. third, Cold war was ended and a new regularity was dominant in the world. Forth, the statement of killing Salman Roshdi who acted with insolence towards Muslims in a book was ordered by Imam Khomeini this order had a significant

influence on foreign relations and policies of Iran. Fifth, it was the attack of Iraq to Kuwait in 1990.

In 1990, Saddam Hossein has attacked to Kuwait and asserted that Kuwait is one of provinces of Iraq because Kuwait had a lot of Gas and Oil Fields, so could occupied it during 24 hours, but U.S.A attacked Iraq under cooperation of Europe with Operations named Sahara Storm and took it back. In 1991, Petroleum Argus Publication wrote: "the main point of war in the Persian Gulf is that who wants to determine the oil price." Later, it was known as Blood and Oil War. Supposed that the main motive was to prevent the Soviet to access the oil mines in the region, because Iraq is in the east block and the other aim of U.S was a long domination in the Persian Gulf (Alhasani, 1995). Iran condemned the attack of Iraq to Kuwait and declared that it's impartial. Iraq has fired most oil marine wells and Kuwait platforms were burnt. So oil ministers of Iran could extinguish the oil wells of Kuwait because Iranians have experiences in field of extinguishing the oil wells during attacks of Iraq to Iran. Although, only the developed countries such as Canada and U.S had the technology of extinguishing these wells, but Iran also has done different services to accept the war refugees.

3- The foreign policy of Hashemi Rafsanjani with Europe on the energy 1989

The end of Iran-Iraq war (1989) is a turning point in foreign relations of Iran. In internal affairs, Iran focused on the economical and military reconstruction which had been weakened during the war. This required establishing intimate relations with the countries of the region and European Union. In terms of the Arab countries of the Persian Gulf Iran stated that their assisting Iraq during the war would be ignored and they would be interested in developing relations with them. This led to the improvement of Iran relations with these countries, so that the relations between Iran, Jordan, Saudi Arabia and Iraq was resumed and developed.

On the other hand, in order to resume the economy of the country, Iran needed to cooperate with the European countries. However, pronouncing the judgment of killing Salman Roshdi, created a serious crisis in foreign relations with Europe, so that the members of the Europe Union summoned all their ambassadors from Tehran in March 1989, simultaneously. But when Iran government announced that it will not interfere in this issue, these relations were resumed. Nevertheless, there still existed some tension-making issues in the relations of Iran and Europe countries, such as human rights and terrorism.

In addition, the relations of Iran and America recovered to some extent. George Bush, the father, described the policy of Hashemi Rafsanjani government to be moderate and positive, and added: "presently, a

change toward being moderate and rational has been observed in Iran quite obviously and hopefully this process goes on in this direction." Following this, the trade between Iran and U.S increased; and in 1993 it reached 4.9 billion dollars, so as the first commercial partner of Iran, America replaced Germany. Moreover, after ten years, the relations between Iran and the World Bank and the international monetary fund were resumed. Some of the factors which led to the improvement in the foreign relations of Iran are as follows: releasing the western and American hostages in Lebanon, and taking an intelligent position against occupying Kuwait by Iraq. The Arab and West countries welcomed the neutral policy of Iran, and failed the Iraq strategy which was based on coalescing Iran in order to oppose the west. While Iraq had been completely secluded, Iran was no more away from other countries. Besides the improvements in the foreign relations, occupying Kuwait had crucial effects on the internal issues of Iran as well. Iran had taken back its former occupied regions which was not able to retake during diplomatic discussions with Iraq.

On the other hand, collapse of the Soviet Union in 1991 and the independence of the central Asian countries and Caucasus, diverted Iran attention to these regions. In order to develop its relations with these countries, Iran tried a lot. For example, it revived the regional cooperation for development (RCD) under the new name of ECO. During this period, pragmatism approach dominated foreign relations of Iran. In addition to making attempts in reconstructing process, Iran stated that it would act according to the values, and cannot be indifferent about Islamic issues.

Rafsanjani served as President of Iran from 1989 to 1997. Rafsanjani has been described as a centrist and a "pragmatic conservative". He supports a free market position domestically, favoring privatization of state-owned industries, and a moderate position internationally, seeking to avoid conflict with the United States and the West.

Rafsanjani adopted an "economy-first" policy, supporting a privatization policy against leftist economic tendencies in the Islamic Republic. Another source describes his administration as "economically liberal, politically authoritarian, and philosophically traditional" which put him in confrontation with more radical deputies in the majority in the Majles of Iran. Rafsanjani advocated a free market economy. With the state's coffers full, Rafsanjani pursued an economic liberalization policy. He has been seen as flip-flopping between conservative and reformist camps since the election of Mohammad Khatami, supporting reformers in that election, but going back to the conservative camp in the 2000 parliamentary elections as a result of the reformist party severely criticizing and refusing to accept him as their candidate.

After the war between Iran and Iraq, Mr. Hashemi Rafsanjani was restructuring and construction lines of Iran were drawn by orders of Imam Khomeini. Some plans of the government included restructuring of defensive status, completing the industries and defensive equipments and restructuring the industries, utilities and terminals and refineries which were damaged during the war. Other socioeconomic plans included privation, development and renovation of stock exchange of Tehran, creating the free business regions in the country, decreasing subsidies, free business and control of the population (Ehteshami, 1999). The policy of Hashmi Rafsanjani that was known as an operative policy was based on construction of the country and he was titled as commander of constructing. The first plan of this government was two 5 years plans, the first 5 year plan and the second 5 year plan; this plan focused on development of the oil and gas and foreign investment for these fields. He remembered that: it is better the reserves of the country remained under the ground and mountains, because people need them, it is one of our nation glories to save our sources and use them for improvement and development our country (Heshmatzade, 2000).

His foreign policy was based on restructuring and renovation of the oil industry and attracting investment, taking loans from the foreign countries and establishing the rations with Europe countries because Iran was known as a fighter country. Oil was the connection bridge for Iran relations with other companies and countries although unit end of the war there were no investments in oil industries, so some great companies such as BP were entered to the oil market and could take about 18 million dollars loan from foreign countries and also could import some goods to Iran from U.S through Dubai. The government started its first economic plan from 1989 to 1993 that was a 5 years period with 147 billion dollars that it was appointed to supply about 103 billion dollars from selling and oil investment, 17 billion dollars from non-oil exportations, and 27 billion dollars from the foreign sources (Razaghi, 1997). Some of other plans included to relay on economic restructuring of infrastructure utilities of oil with aim of increasing the oil and gas exports, gaining the maximum foreign exchange for the country to reach an economic improvement and per capital income and people's welfare, and finally increasing the price of oil in OPEC.

The second 5 years plan was designed for 1994-1998 that was based on oil, gas, petrochemical for development the future of the country. Although Iran confronted the D'Amato Law in 1996, and was accused of disregarding to human right and supporting the international terrorism by U.S.A , but Iran could do important actions in field of gas and oil, because between 55-80% of Iran's budget depends on oil

(Maher,2000). The first action of the government and Ministry of Oil was to rebuild and restructure the oil infrastructure utilities, specially, restructuring the terminal and loading terminal of Khark and the great Refinery of Abadan. Thus the government invited the oil companies to reach its objectives. On the one hand, because of war between Iran and Iraq and role of Cooperation Council of Persian Gulf, the countries of the region were not optimistic about Iran, but policies of Mr. Hashemi was effective because his first action was to establish the relation with Saudi Arabia that played an important role in Iran's relationships. The authorities of Iran became informed from the new necessities to locate Iran in its real place and play a suitable role and have best relations with its neighbors (Ehteshami, 1999). Mr. Hashemi promised improvement and development of relations between the Persian Gulf countries: it is possible to create peace in framework of independence, territorial and national integrity for all countries located in the region and Iran tried to establish the peace and security in the region. According to Hashemi Rafsanjani: "we don't want to become the gendarme in the region and Iran cannot change the political plan of the region, so tries to change the balance of the new powers that U.S.A plays the main role there (Milani,1996), then Iran established its relationship with Saudi Arabia (Shahalam,2000), because Arabia has an important and vital role in the oil market and was one of the largest producers in OPEC and was the leader of Arabs. During Hashemi's period, the aspects of the foreign policies was changed from ultra-nation objectives to the nation ones, because during this period, the pattern of economic development of Iran was rendered and it was believed that if the government system in Iran which is an Islamic system could show that it is an successful and efficient model, the Muslims and other Islamic governments imitated it automatically .The base of the country constructions depended upon the oil because Iran was a single producer. Mr. Hashemi said: "our country has entered into the fourth stage; we decided to pass through this stage under protection of God and without alteration of the political independence in spite of obstructing by haughty states. So we want to render a pattern of an Islamic country to the world. What is we want is the economical-, scientific-, technological- and technical-independence. The way of development and improvement was based on the oil and foreign investment in fields of oil and gas, because from the beginning of the revolution up to end of war 1988, there was not any foreign investment in field of the oil and gas. Also, the oil utilities of terminals and refineries were damaged during the war and a part of oil utilities related to the first years of discovering the oil and gas became worn out and on the other hand, according to the potentials, there was need to discovery and

production the oil and gas fields that were potential intact. Cooperation between the producer and consumer was an important point. Restructuring the oil utilities needed the western technologies and it was necessary to start the political consistency of the region and good relations (Amirahmadi,1992) so in Iran, the most important tool for establishing the relations with western States and companies and also neighbor companies was the oil.

3-1 The Important Executive Projects of Energy

The most important restructuring projects and repair oil utilities were executed. A contract was concluded with an Italian company for establishing a part of the petrochemical utilities in Arak amounted 135 million dollars during 2.5 years. The contract about establishing the shipbuilding workshop and restructuring the excavating platform in the Caspian Sea was concluded between a Finland Company and the Natinal Oil Company in Iran amounted 66.6 million dollars and 960 billion rilas during the 40 mounts. Restructuring the oil terminal of khark and contract with a French company named ETPM amounted 220 million dollars during 27 months, also the contract with Interpoos company amounted 25 million dollars were planned . The joint venture between Steel Nippon Company from Japan and Toyo Menka Kayasha EOC Company to reconstruct the oil platform of Salman Plateau in Persian Gulf amounted 300 million dollars was done. Also other contracts were as follow:

A-Tiko Evil Company and Selko Shiken Company to produce the oil from two large oil fields in Persian Gulf.
B-ELF Company to develop the oil and gas field in south of Shiraz.

C-Sheleberger Company that has done a contractual project which its credits were supplied by a consortium from Iranian and French banks.

D-Italian Agip Company to develop the oil companies in Iran.

E-The Italian Micoprel Company to reconstruct the Nasr Platform in the Persian Gulf.

F-The Italian Saipem Company has established the pump house of gas amounted 36 million dollars since 1990.

G-The Canadian Companies such as STE and SPE were activated and Iran leased some equipment from Canada.

H-Sang Young Company in Korea to establish six crude reservoirs amounted 30 million dollars.

I-The Raema Repola Company in Finland has established the excavating platform in Caspian Sea under cooperation of a Russian Company.

J-the Total SFP Company for help to Iran about the oil field development. Iran has negotiated with many companies such as: England Oil Company, Deminex Company in German, Petrofina Co. in Belgium, Gerhard Industries in U.S.A, Royal Group Duch Shelo

in South Korea (Dewoo), Eni & Agip in Italy, Xapex with cooperation of Japan Nation Oil Company (J.N.V.C). Konoko and Emoko in U.S.A were activated in upstream projects in the Plateau of Persian Gulf. Iran improved to establish the new refineries. Snambrogti and ChiveDai Company established a consortium in Italy and Japan in form of a contract amounted 1,243 million dollars for establishing a refinery with capacity of 232,000 barrels in Bandar Abbas. Also a contact was concluded with the TPL Company and JJC Company in Japan amounted 1 billion dollars for establishing the refinery in Arak. Gas Refinery of Kangan was established under a contract between Engineering Iran Co. and Deiee Lim Co. amounted 200 million dollars. For petrochemical productions, Iran has concluded many important contracts with the foreign companies that are extra of our discussion.

One of oil policies of Iran was to sell more oil (1.5 million barrels per day) to the European refineries, so as the past times, Iran didn't want to sell its oil but tended to sell it through the oil merchants such as Fibro Energy Co. and Salum Brother – Su Mark Rich Co., these companies started to sell the crude oil and oil productions. Iran didn't tend to sell as self-selling or barter, and tried to open U.S.A doors. In 1992, about 1.3 oil of Iran was purchased by U.S.A Oil Companies and Exxon was the greatest American purchaser. These transactions didn't depend on the trading Boycotts against Iran by U.S.A, because the oil didn't export to U.S.A directly. However, Iran has started from aspect of foreign policies and oil very well. Europe was the greatest trading partner of Iran and purchased about 60.7 % of total oil exports of Iran (Rahmani & Taeb.1996), but it wasn't long before the different factors of this policy were influenced by some events. One of important contracts was concluded between Siri Oil Fields and Total French Co. in 1995 that amounted 610 million dollars.

3-2 U.S.A – Persian Gulf “oil – Containment policy of Iran & Iraq & D’Amato Rules

U.S.A has many important and fundamental aims in Persian Gulf:

- Prevention of spreading the human weapons;
- Supply the benefits and interests of U.S.A and controlling the oil flow in Persian Gulf;
- Prevention of Iran's power and risk of influence of Iran to other regions;
- Encouraging the peace between Arabs and Israel;

After 11-September-2001, U.S.A determined Iran and North Korea as the focus of insurgence and aborted Iraq (Bagheri & SalemiGhamsari, 2002). Martin Endik, the Nation Security of U.S.A, proposed a new bilateral controlling policy and declared that Iran supported the Terrorists and sought the human massacre and it should be introduced as an illegal country in the international

relations area (Christen, M.2003). The bilateral control policy meant to control both Iran and Iraq by aim of creating equilibrium of power to U.S.A's advantages in the Persian Gulf. So, another policy was extending the protection-political and military power of U.S.A in the region under concluding the contract with Qatar and Arabia and creating a military station into these countries, also concluding a contract with Kuwait for 10 years and keeping the oil wells in the Persian Gulf.

U.S.A tried to control the oil of Iran and shock the Iranians and tried to prevent Europe and other countries to invest in field of gas and oil because many company (as above said) was active in fields of gas and oil. In 1996, the U.S.A President signed an approved law named D'Amato or ILSA that based on this approved all non-American companies which invested more than 20 million dollars per year in field of gas and oil in Iran and Libya were boycotted and punished economically. Later, this amount decreased to 40 million dollars. Contemporary the Energy Commissioner of the Europe Union declared that this law will create the serious and extended problems and difficulties for European Industry and most countries in the Europe Union opposed against these economical oil & gas boycotts against Iran. So attempts of U.S.A had no results and the mentioned companies have invested in Iran enormously. Of course, from viewpoint of Europeans, opposition against U.S.A means opposition against unilateralism of U.S.A (Kazempoor, 2002). Also, the old oil and gas industry in Iran needed to invest in field of know-how and technology (Jafarivaldani, 1998). On the one hand, Iran needed the European investments but many years later Europe and U.S.A was united and impacted Iran very much.

4- Periods of Khatami President, 1997

Khatami is regarded as Iran's first reformist president, since the focus of his campaign was on the rule of law, democracy and the inclusion of all Iranians in the political decision-making process. However, his policies of reform led to repeated clashes with the hard-line and conservative wing in the Iranian government, who control powerful governmental organizations like the Guardian Council, whose members are appointed by the Supreme Leader. Khatami lost most of those clashes, and by the end of his presidency many of his followers had grown disillusioned with him. As President, according to the Iranian political system, Khatami was outranked by the Supreme Leader. Khatami presented the so called "twin bills" to the parliament during his term in office; these two pieces of proposed legislation would have introduced small but key changes to the national election laws of Iran and also presented a clear definition of the president's power to prevent constitutional violations by state institutions. Khatami himself described the "twin bills" as the key to

the progress of reforms in Iran. The bills were approved by the parliament but were eventually vetoed by the Guardian Council. Khatami's economic policies followed the previous government's commitment to industrialization. At a macro-economic level, Khatami continued the liberal policies that Rafsanjani had embarked on in the state's first five year economic development plan (1990–1995). A year into his first term as president of Iran, Khatami acknowledged Iran's economic challenges, stating that the economy was, "chronically ill and it will continue to be so unless there is fundamental restructuring."

For much of his first term, Khatami saw through the implementation of Iran's second five-year development plan. On 15 September 1999, Khatami presented a new five-year plan to the Majlis. Aimed at the period from 2000–2004, the plan called for economic reconstruction in a broader context of social and political development. The specific economic reforms included "an ambitious program to privatize several major industries. Unemployment remained a major problem, with Khatami's five-year plan lagging behind in job creation. During Khatami's presidency, Iran's foreign policy began a process of moving from confrontation to conciliation. In Khatami's notion of foreign policy, there was no "clash of civilizations"; he favored instead a "dialogue among civilizations". Relations with the US remained marred by mutual suspicion and distrust, but during Khatami's two terms, Iran increasingly made efforts to play a greater role in the Persian Gulf region and beyond. President Khatami introduced the theory of Dialogue Among Civilizations as a response to Samuel Huntington's theory of Clash of Civilizations.

During 1979-1989 the foreign policy of Europe Union against Iran was quiet (Falahi, 2004). After 1992, the critical disputes have started. When Mr. Khatami was selected as the president of Iran in 1997, a new form of arguments were begun because a positive area was formed by corrections of Khatami and changing the international sights, particularly Europe. In 1998, the Council of Ministers of the Europe Union asked the Europe Commission to establish connections with Iran (Falahi, 2004) and establish the cooperative areas in fields of Energy, trading, investment, human rights, and disarmament, environment (Farsaee, SH. 2001). The most important section was the oil problems that were reviewed seriously. Domination of U.S.A over the Persian Gulf didn't include Iran, because Europeans tried to invest in field of oil and gas. Although the law of D'Amato prohibited, but Europeans were against this law, so Iran was forced to transact with Europe. Thus it was estimated that oil and gas in Iran needed for 8-9 billion dollars investment (Farhang, 1997), and it is the motive and attraction for European oil companies particularly for companies which confronted unemployment crisis. Under such conditions, the

competitive market and mutual selling contracted was concluded. The deceased Mohsen Noorbakhsh, the president of the central Bank, said: the economic section in the country needs lack of debates in the foreign relations to achieve the aims." If the foreign policy of Iran doesn't act to remove the debates and a problem is created for selling the oil or importing the goods to Iran, all economical sections in the country confronts many difficulties (Jafarivaldani, 2004). Removing the debates in relations between Iran and Europe was an important aspect. Iran referred Europe to spread the oil area and hoped that increases the production rate of the old fields by using the technical know-how of European companies and their advanced ways such as horizontal excavation, earthquake recording, thus the different contacts were concluded with European companies for developing the utilization from the oil and gas fields. For this reason, some diplomacies in Iran related to Europe named "Oil Diplomacy" (Jafarivaldani, 2004). One of problems in Khatami Periods was to fall down the oil price and it caused Iran was confronted many difficulties and didn't pay its debts on time. Iran should paid about 3 billion dollars of its short-time debts to Europe and Japan but didn't. Using Euro instead of Dollar for commercial transactions of Iran and Europe could fill the vacuum of dollar, because Iran was damaged and incurred a loss for decreasing the dollar value and transactions of oil by Euro between Iran and Europe.

In 1999, Iran declared that it has discovered many new oil areas in 30 oil areas of Azadegan Plateau, the Minister of Oil estimated the oil of this region about 24 billion barrels, 300-400 thousand barrels per day. In 2000, a contract was concluded between Iran and Japan to execute the oil development plans. In 1997, the oil field of Dar Khoein near Abadan was discovered. In 2001, the ANI Italian Company concluded a contract about 1 billion dollars, about 40% of Dar Khoein oil for Iran and about 60% of it for Italy that was 160 thousand barrels per day. The SEPSA Spain Company signed a 300 million dollars contract with Iran to complete the plans under cooperation of Total LFB (Farshadgozar, 2002). The first project was a mutual selling investment in 1988, when the oil Siri ALEF area was under the operations has been done by Total Co. in France and PETRONAS Co. in Malaysia and its capacity was 7000 barrels per day and beside it the project of Siri was started in 1999 with capacity of 120000 barrels per day. In 1999, Iran has concluded a contract with Canadian BVEB Co. as mutual selling for developing the Balal field with capacity of 80 million barrels per day.

In 1999, the A. French Co. and ANI Italian Co. concluded a 1 billion dollars contract for discovery of the oil area in the south with capacity of 1.5 billion barrels per day in Khark. In 2000, Stat Norway Co. has

signed a contract with National Oil Company in Hormoz area. In field of developing plans, ENGL was considered for south regions of Iran that amounted 500 million dollars. In 2001, Beliton BHB Co. started to develop the Frozen Esfandyar and increased the production rate from 50,000 to 150,000. In 2001, a contract was concluded between the National Oil Company and Sweden counselors of JVE and Sadra Co. for exploitation in Caspian Sea (Farshadgohar, 2002). In 1999, Shell Co. declared that this company has been selected for developing the Norooz and Soroosh Oil Areas under a mutual selling contract, these fields were damaged during war between Iran and Iraq. It is appointed to conclude the contract of oil area "Ahvaz Bangestan" with an English BP Co. with investment amounted 950 million Dollars. Although the oil boycotts by U.S.A has informed in 1996, but in 1997 a consortium composed of Total French Co., Gas Prom in Russia, PETRONAS in Malaysia a contract has been concluded with Gas Field of South of Pars (Pars-Jonoobi) that amounted 2 billion dollars.

The largest gas field in Iran is the south Pars that is common with Qatar. This project has 25 independent phase that up to now about 5-7 phases are utilized. It is estimated that in Bandar Asaluyeh the gas about 3 billion square foot per day and liquid gas about 120,000 barrels per day are produced. The gas piping line to India and Pakistan will use this gas. It might these contracts sustain a loss to the national Iranian interests and many of them are adjusted as joint venture with other countries. Europe's position against U.S.A caused that Iran came out from isolation and rescued from surrounding and boycotts. But after 2001, and attack to Business Towers of U.S.A, America and Europe cooperated with each other and Iran was under pressure. For example, in 2003, 15 countries member of the Europe Union through a resolution warned to Iran that the negotiations of the Union with Iran provided to respect of human rights and prevent to produce nuclear weapons, terrorism and peace in the Middle East. Then, America and Europe united and started a conflict against Iran that is continued up to now.

Conclusion

Energy is political and economical goods and was an important factor that influenced on the foreign relations and foreign policy, Iran is producer of one product and each change in energy could influence on relations and politics of Iran. The oil consumers which are Europe and the industrial countries could be effective with lack of purchasing and breaking off the dependent relations. After the 8 years war between Iraq and Iran the infrastructures of oil and dependent affairs were ruined completely or some of them were out of order or ruined. Then, according to the 8 years war Hashemi Rafsanjani attempted to force a peace policy because he started to

act and operate these policies and strengthened his relations with Europe, so on the other hand, Iran needed to attract the foreign investment by the governments and European other countries in fields of oil and gas. So new investments were started to reconstruct the different regions such as the important terminal of Oil Platforms in Khark and refineries through invitation of some companies and foreign governments, it was satisfactory until when problems between Iran and U.S.A were appeared, D'Amato Law was approved by Bill Clinton - the president of U.S.A, and according to this law all oil companies which invest in Iran and amounted more than 20 million dollars should be punished. Although Europeans opposed against this law and European companies started to invest in Iran, but these relations were influenced by increasing the problems between Iran and U.S.A such as accusation to Iran about human massacre, don't respect the human rights, supporting the Islamic movements like as Hamas in Palestine and Hezbollah that called Terrorist Groups from viewpoint of U.S.A so Europeans pressured on Iran or prohibited to invest in Iran. This procedure has been continued until 1997, i.e. when the president Khatami was selected; because in Khatami's period by the civilization conversations relations between Iran and Europe entered to a new stage, since Iran was an important region for Europe and also Europe was very important for Iran. Khatami periods are very important for the foreign policies of Iran. Khatami even tended to negotiate with U.S.A and could decrease the pressures of Iran by Europe and U.S.A. he called his government as a Reform State and Home & Foreign Reformations. He started to invest with European companies and to conclude the mutual selling contracts. During his period, the 25 phase's project of South of Pars (pars Jonoobi) was established that is a common project with Qatar for producing the gas. After 11-September and Terrorist attacks to the Business Towers in U.S.A, again the pressures on Iran were intensified, and economic business and relations of Iran confronted the political problems.

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