



Universiteit Leiden

Bachelor Thesis

Oiling the Iranian Foreign Policy

Oil in the Foreign Policy Orientation of Iran
during the Presidency of Ahmadinejad 2005-2013

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Introduction

Natural resources are generally considered among the most significant bases of power in international politics. The Middle East in general and Iran in particular are “resource-rich,” with oil the primary source of this affluence. Currently, Iran’s oil reserves are estimated to be about 16,241.24 billion liters. The full extent of its oil reserves accounts for about 11% of the world’s proven reserves and for 16% of the world’s total known reserves (EIA: the US Energy Information Administration). Iran’s oil reserves were discovered by the British, hence their ongoing interference in the Persian economy. In 1901, William D’Arcy, one of the principal founders of the oil industry in Persia, was granted the right to develop the industry; he signed an agreement with Muzaffar al-Din Shah to fund a search for oil for 60 years (Daniel 38). As a result of this exploration, oil was discovered in Iran on May 26, 1908.

Chiefly, initially the British and subsequently the Americans extracted, traded and utilized Iran’s oil until the revolution of 1979 (Daniel 44). There was a two-year exception, when a nationalist Prime Minister, Mohammad Mossadegh, was elected and nationalized Iran’s oil from 1951 to 1953. However, his policies did not endure, as he was toppled in 1953 by a coup d’état called “TP-Ajax”, nicknamed AJAX. The operation was executed through cooperation between the United States and Britain (Daniel 55). Subsequently, the Shah who had fled the country was brought back to power with the support of the powers that executed operation TP-Ajax.

The shares of Euro-American companies again rose, and Mohammad Reza Shah Pahlavi became enormously rich because of the agreements. He lived a privileged life while the majority of his people lived in poverty. As the popular classes could not benefit from the oil revenues, the gap between rich and poor was constantly increasing (Daniel 59). Added to this, the Shah had excellent ties with the United States and Britain, the interventions and detrimental influences of these major external powers virtually crippled the country as the Iranian government and people could not profit from its valuable natural resource (Daniel 63).

Since the early 1970s, when Reza Shah was still ruling the country, Iran has been regarded an important regional player in the Middle East (Ehteshami, Zweiri “Iran’s Foreign Policy” 283). But the 1979 Islamic revolution made Iran stand out on the international scene, after the overthrow of the Shah by a coalition of Islamist,

liberal, and radical forces, Iran emerged on the international scene as a defiant, fiercely independent and nonaligned power. Notably, Khomeini nationalized the extraction and trade of Iran's oil after the revolution when he came into power (Ehteshami, Zweiri "Iran's Foreign Policy" 284). The nationalization process was of great significance to Iranians. As Iran could not make optimal use of its own resource until the revolution, nationalization was regarded as a requisite to make use of its revenues to develop the country. For Khomeini, the leader of the revolution, oil became a political force that shaped Iran's foreign policy to great extent (Abrahamian 37).

Oil has always been considered an important factor in the making of modern Iran (Klare, "Resource Wars" 21). Over a very short period of time, the economics and politics of oil began to influence the foreign policy and national security strategy of the country. Oil wealth, in short, became both the salvation and the curse for the country's modernizing elites. As the Shah himself acknowledged, it was, in the end, the country's Achilles' heel (Ehteshami, Zweiri "Iran's Foreign Policy" 286). For one thing, this heavy reliance on oil wealth as the main pillar of Iran's economic strategy increased the country's vulnerability to outside forces and international economic pressures. This meant that pressures could be increased through the imposition of sanctions and embargoes when Iran's foreign policy changed.

This thesis considers how oil drove the foreign policy of Iran in certain ways during the presidency of Ahmadinejad. It examines the role of oil as a source of government power and shows how it is playing a strategic role in Iran's relations with other countries. During his presidency, it became apparent that Ahmadinejad was adamant, especially when he was compared with the two former presidents; Ali Akbar Hashemi Rafsanjani and Mohammad Khatami (Temim).

Iranian foreign policy has experienced many changes over the last 30 years since the revolution. During the 1980s Iran's foreign policy was known for its radical and revolutionary content (Zahirinejad 1). In most of the 1990s, however, Iran shifted its foreign policy from a revolutionary to a more pragmatic stance. In the late 1990s, with the approach of President Rafsanjani and subsequently with that of Khatami, Iran inaugurated a more moderate foreign policy stance that respected other states. The fact that Iran developed a more relativist approach and began to respect other states stood in sharp contrast to its radical policies of the 1980s (Zahirinejad 2). However, because tensions rose between Iran, the United States and its allies, especially due to

Iran's nuclear energy program and because these countries considered Iran a rogue state, this moderate approach could not continue for long. Accordingly, it changed again in 2005 (Leverett 24). Mahmoud Ahmadinejad, Iran's two-term president from 2005 to 2013 was famous for the way he governed; he was a person who easily challenged other countries, throwing down the gauntlet when shaping foreign policy (Kasra 129).

Especially the American policy of isolating Iran put the country in a difficult position. Iran was going through difficult times, as the country was trying to stand on its own; accordingly, his manipulations increasingly ignited tensions. The thesis looks at how Ahmadinejad responded to the embargoes and sanctions and how he made use of Iran's oil which, as noted above, is extremely important to Iran's economy. Mahmoud Ahmadinejad followed a highly controversial economic policy. Moreover, his presidency was marked by anti-imperialist behavior. More specifically, he developed and maintained foreign policies to circumvent the isolation of Iran (Naji 111). It became difficult for the country to maintain its export rates because of the isolation; therefore, the thesis examines the president's tactics to export oil and his attempts to ally with powers opposing the isolation of Iran.

The Iranian regime under Ahmadinejad tried to turn the disadvantage of limited international legitimacy into an advantage by promoting itself as the companion of disadvantaged, isolated countries. Ahmadinejad's economic policies were rooted in his perceptions of the requirements of justice, fairness and development, which, in turn, were influenced by his life experiences (Naji 189). Domestically, the isolation policies of other countries to Iran were treated as examples of imperialism and bullying, reinforcing the identification of Iran as both a victim and a force of resistance against injustice (Warnaar 45). In this case, Iran needed tools and means that could be used when shaping its foreign policy to be able to resist and protect the country's own interests.

As emphasized already, Iran is an important country from a political-economic perception because it possesses vast oil reserves. The Republic holds the world's fourth largest proved crude oil (EIA: the U.S. Energy Information Administration 2013). Iran is also important internationally because the Iranian regime tried to take the lead as defender of the rights of those countries disadvantaged by the dominance of Euro-American, deducible from the fact that the country has been trying to maintain its prominent position in the Non Aligned Movement (Leverett 62). In this

sense, Mahmoud Ahmadinejad was a significant character because of his anti-hegemonic foreign policy. Discussing how his administration made use of the political power coming from oil to threaten the Euro-American dominance and to ally with anti-American political powers is the main point of this thesis. Overall, the purpose of this thesis is to answer the question: How has the Iranian regime during Mahmoud Ahmadinejad's presidency used the power of oil in its foreign policy to circumvent Iran's international isolation?

I. Literature Review

Introduction to Literature Review

No researcher has traced the role of oil in Iranian foreign policy, and the topic of this thesis is innovative. Therefore, no sources can be related directly with the topic of the thesis. Most of the sources that can be found on the topic deal with either Iran's natural resources in general or in the case of the role of oil in the foreign policy orientation, they deal with the periods of the former presidents. For that specific reason, the sources used here include broad and general information. In the academic world, a great deal has been written about the exploitation of Iran's oil resources. There is also substantial literature on Mohammed Mossaddegh. The revolution is another topic of great interest to academics. Finally, when we consider regional and international political developments, Iran's isolation through embargoes and sanctions after the revolution, for multiple reasons, such as its revolutionary nature and its development of nuclear energy, has been a topical issue (Leverett 77). Therefore, the contents of the sources that can be related to this thesis deal, for instance, with such themes as: the importance of oil, Iran's isolation; sanctions/embargoes, Ahmadinejad's foreign policy, anti-imperialism etc.

The point of this thesis is to show how Mahmoud Ahmadinejad made use of oil in Iran's foreign policy orientation. Given the lack of secondary sources, primary resources and statistics are especially important. Relating these statistics with international and definite developments in that period comprises the body of the thesis. Whether Ahmadinejad succeeded for the interests of Iran and/or for the countries disadvantaged by Euro-American dominance is clarified at the end of the investigation.

Iran went through a great transformation after the 1979 revolution. The revolution entailed a new status for Iran in the eyes of the international community. Iran's regime changed totally, to become one of the most unique political structures on the world. With the fundamental domestic changes caused by the revolution, Iranian people experienced a considerable breakthrough. In addition, the transitions following the revolution ensured major revisions in international perception. Because Iran became anti-imperialistic, anti-hegemonic, Islamic, and revolutionary, Iran, in a way, became inimitable (Ehteshami, Zweiri "Iran-Rise of Neoconservatives" 205).

Within the political structure of Iran, there is a “supreme leader”; after Ayatollah Khomeini this leader became Ali Hosseini Khamanei. The supreme leader is the highest political and religious authority in Iran’s political structure. Every president must follow the rulings of the supreme leader. This means the policies of the presidents cannot deviate very much from the course determined by this high-ranking religious and political authority. In fact, this reality shapes political developments, because presidents have to modify their approaches and policies. Briefly stated, they have to stick to a course determined by the supreme leader (Borszik 17).

It could be claimed that there is dissidence between Euro-American states and Iran on multiple issues, especially when we consider political-economic events. Yet Iran is considered attractive because of the possibility of extracting oil; coming to terms with the republic will give an external force (i.e., the United States) the ability to meet its economic goals in the region and globally (Klare “Blood and Oil” 29). Experts point to two reasons for the clash in the first place: Iran’s political structure since the revolution and its discord with the international environment. When we consider political developments, we could argue that three main themes shape the content of the academic discourse related to the subject of this thesis: oil dynamics as a base for power in international politics; Iranian isolation through sanctions/embargoes; and anti-imperialism.

Oil Dynamics: A Base of Power in International Politics

Oil is regarded as one of the most valuable natural resources in the world. Peter R. Odell has written about its significance in the *Journal of Contemporary History*. Citing political and economic reasons, he emphasizes the significance of oil. Odell’s overall topic is “the Middle East”, as oil is most abundantly found in that region. He says the region would be very different without oil; its importance would be much lower. He also considers why the Middle East was attractive for imperial powers and notes the interest many have taken in the region (Odell 93).

Wars are waged because superpowers have been ambitious to rule over natural resources in territories where they are situated abundantly. Michael Klare, a professor of peace and world security, is a specialist on conflicts arising from the desire to possess natural resources. His book, *Resource Wars*, sheds light on the growing impact of resource scarcity on the military policies of nations. According to Klare, there are three main reasons why there are and always will be conflicts about

resources: resources are becoming scarce; the world's population is growing; global warming will make these resources even scarcer (Klare "Resource Wars" 32).

While in *Resource Wars* Klare discusses the scarcity of resources in general and possible conflicts that can be inflamed in the future, in his book *Blood and Oil*, he concentrates on a single precious commodity, namely, oil. He states that oil, due to its high value, is the resource on which the United States is more dependent than any other country in the world (Klare "Blood and Oil" 92). As the United States is the most powerful global consumer of oil, the country is easily annoyed when it cannot attain what it needs and wants. When the United States, as the most powerful superpower started the "war on terror", the war of America and its allies, as a reaction to September 11, the world began paying attention to the relationship between the US foreign policy in the Middle East and the crude oil lying beneath the region's soil (Klare "Blood and Oil" 84).

Even without its dependency on Iran's oil reserves, the United States does not have a smooth diplomatic history with Iran, especially after the revolution. Diplomatic ties were broken off in 1979, even though Iran had moderate presidents after Khomeini. When Ahmadinejad became president, due to his "Khomeinist" way of rule, the two countries' relations worsened again. In *Blood and Oil* Klare shows how America's oil wells are drying up as its demand increases. He says in 2020 the United States will need to import 60% of its oil, and this oil will have to come from often violently anti-American zones such as the Persian Gulf. Therefore, it is time to change energy policies before paying for oil with blood.

Dependence on oil is weakening democracy, according to Timothy Mitchell. In his book *Carbon Democracy*, he argues that oil production has benefited anti-democratic, corporate forces that have undermined the possibility of a democratic political structure in regions such as the Middle East (Mitchell 55). When we look at examples of countries that possess abundant oil, he says it is conceivable to conclude that democracy is prevented from becoming established in the region, while it is allowed in Euro-American states. We need "to follow the pipelines" by looking at what countries are included and excluded and following the methods of promoting democracy in the country using the oil, not in the country of production (Mitchell 74). This is the case in countries with the greatest demand for energy, i.e. the United States. *Carbon Democracy* sheds new light on the relations between natural resources and politics. Iran could be an appropriate example of Mitchell's theory, as it does not

have democracy as the international community defines democracy, and the country's economy is highly dependent on oil.

After Euro-American countries decided to tighten sanctions, Ahmadinejad said: "Embargoes will not hurt Iran's economy; Iran can develop its economy without exporting one barrel of oil" (Gladstone). In saying the embargoes would not hurt even though they damaged the economy severely, he was trying to give the impression that Iran was not dependent on other countries. President Ahmadinejad and his minister of petroleum said such things as: "Iran has such plentiful reserves of money that it could survive for years without exporting any barrel of oil" and "Iranian oil has high economic value, which the international oil market never could neglect." In other words, they used oil as a foreign policy instrument, claiming Iran was not dependent on the countries trying to isolate them (Gladstone).

In his blog post, "Iran's Oil Industry; Presents Challenges for Rohani", Robin Mills discusses the challenges Iran's oil industry presents for the Republic's new president, Rohani. Mills links these challenges with the policies of Ahmadinejad who openly defied the embargo while putting the issue of oil in a central position on his international agenda. As Mills notes in his blog, when he was president, Ahmadinejad attempted to act as his own oil minister. He emphasized the importance of oil and was very involved in Iran's foreign policy on oil (Mills).

At this point, turning around the sector is crucial to Iran's economy in the long term. Quite simply, sanctions imposed by European countries and the United States damaged Iran's economy. Over time, exports fell from 2.1 million to 1.2 million barrels per day. The article "Ahmadinejad: Iran should focus on oil products, not crude" makes the point that the European Union banned its companies from importing crude oil, not oil products (Yeganeh and Torbati). The article quotes Ahmadinejad as saying: "Iran has to focus on oil products, and not on crude oil". In this view, exporting oil products becomes an alternative way to make use of Iranian oil as a political power.

Isolation through Sanctions and Embargoes

Iran is one of the most prominent countries in the Middle East; it plays a major role in political and economic development in the region. One could consider this by observing the country's international and regional ties. Politically, Iran is paying close attention to its relations with countries in the region so it can maintain its position as

an arbiter in regional disputes. However, in economic terms, isolation represents a significant barrier, preventing Iran from being able to use its resources optimally (Zahirinejad 6).

The determinants of the foreign policy of Iran include geopolitics; autonomy and ambition, identity and role; Iran as an Islamic actor, and the economic factor (Ehteshami, Zweiri “Iran’s Foreign Policy” 292). If we focus on the last (but not least) element of this list, we are forced to consider oil. Anoushiravan Ehteshami says: “oil has always been an important factor in the making of modern Iran” (Ehteshami, Zweiri “Iran’s Foreign Policy” 292). However, what more interesting is that the mad rush of the 1970s to modernize Iranian society and industrialize the economy increased the country’s dependence on hydrocarbon resources. Ehteshami also notes that the war with Iraq put a stop to any opportunities to redirect the economy away from its reliance on oil wealth; thus, it ended any prospect of changing the country’s relationship with the international capitalist system.

The United States shaped a shared foreign policy towards Iran and Iraq. The two countries are considered “rogue states” (Leverett 102), and the US has aimed at containing both of them because they are the two most important strategic adversaries of America in the Middle East. The policy has been described as “the policy of dual containment.” This has different meanings for different academics. For some, it stands for keeping the countries militarily in check. For the majority of Middle Eastern countries, it means imposing sanctions to ensure regime changes in the direction desired by the United States. Not surprisingly, the majority of Iranians have never been content with the United States (Leverett 106). The regime change caused by the revolution meant that someone from among the Iranian people ruled the country; of course, this changed diplomatic relations. During Khomeini’s rule, there was no discussion of *détente*. Until the arrival of Ahmadinejad, it seemed that ties could be restored, but when Ahmadinejad came into power, Khomeini’s foreign policy stance was re-enacted as he adopted a defiant attitude towards the international community. Moreover, tensions were heightened because of the nuclear issue. More specifically, Iran began to develop nuclear energy, claiming it was to be used for peaceful economic reasons. However, the United States and its allies wanted Iran to stop, as they feared the country would develop weapons (Leverett 117).

Ultimately, Ahmadinejad had to find new ways to export his oil and to consider different approaches when shaping Iran's foreign policy because of the sanctions and embargoes.

On September 11 2001, a now infamous incident ensured a change in international diplomatic ties between Muslim countries and the United States – the terrorist attack on the United States, or 9/11. After the incident, Iran was considered one of the culprits and the country was accused of supporting international terrorist organizations (Afrasiabi 27). Admittedly, during Ahmadinejad's sojourn in power, Iran maintained a revolutionist policy towards America. However, the Islamic Republic argued that its "new insecurity" claim was fueled by the Bush administrations' anti-Iran policy under the rubric of the "axis of evil." Iran has sought to affiliate with Russia, with its leaders counting on Russia's ability to counterbalance the intrusive American power. Kaveh Afrasiabi's article "Iran's foreign policy after September 11" traces the reasons for Iran to ally with such countries as Russia. After 9/11, Iran did, in fact, adopt a more flexible approach towards the United States when the leaders decided they had to adjust their foreign policies. However, the flexible foreign policy was adapted after Ahmadinejad was elected.

An article by Yousefi Haji starts by posing the question: "May we say that Iran's foreign policy has been confrontational-assertive during the period of Ahmadinejad?" In his article, "Iran's Foreign Policy during Ahmadinejad: from Confrontation to Accommodation," Haji conveys he believes that in order to stand behind a thesis, you have to proceed by questioning and proving the thesis and your stance is correct. In general, he investigates which factors contributed to confrontation for Ahmadinejad. In other words, he tracks down the origins of foreign policy. It would be even more interesting, however, to determine if oil was used in the confrontational-assertive attitude of Iran. If so, how was it used as a political instrument? Ahmadinejad's comments, such as "we are not needy" and "embargoes will not hurt us", are interesting but require validation.

Iran is considered a rising power since it has gained more international and regional influence. Henry Nau and Deepa Ollapally discuss five countries in *Worldviews of Aspiring Powers*. In the work, they identify the most important domestic schools of thought: realists, nationalists and idealists. They connect these to the institutional and historical sources that compose each of the five nations' foreign policies. *Worldviews of Aspiring Powers* mentions diverse aspects of Iran; it is a

rising power aspiring to take on a leading role in its region and attempting to be heard in international movements. The book makes some significant comments and can be used by foreign policy scholars trying to understand international power transitions. Moreover, four other countries are discussed in the same context, so using the book to compare would be helpful.

Anti-Imperialism; Rising Against Hegemony

When Khomeini returned from to Iran France in 1979, the crowd that received him was yelling: “God is Great, Khomeini is our Leader.” In Persian, the words ‘great’ and ‘leader’ rhyme, so what the crowd said was: “*Allaho Akbar Khomeini Rahbar.*” Khomeini was given a very warm welcome by millions of people as he was considered a liberator. In his book, Ervand Abrahamian shows how Khomeini adjusted and developed his ideas throughout his entire life. When Mahmoud Ahmadinejad was President of Iran, because his reforms that transformed into extravagant policies, the general perception was that Ahmadinejad was more “Khomeinist” than Khomeini himself. Ahmadinejad actively supported the revolution led by Khomeini (Kasra 43). Since Khomeini rose against Euro-American states as an anti-hegemonic country, Ahmadinejad, in a way, inherited his form of rule and developed the path of the leader of the revolution (Abrahamian 49).

Factional politics continue to dominate in Iran. Its complex elite is divided into three distinct groups, namely the conservatives, reformists and the neoconservatives (Ehteshami, Zweiri “Iran-Rise of Neoconservatives” 19). The conservatives receive support from the clerics and stick to the ideology and path of Ayatollah Khomeini. This group prefers an Iranian economy that is not closely associated with Euro-American states. The neoconservatives are much more engaged with the security apparatus of Iran, and unlike the conservatives, they try to become associated with the rest of the world to export the ideas of the revolution. The book *Iran and the rise of its neoconservatives*, written by Ehteshami and Zweiri, focuses on Ahmadinejad’s election in 2005. It tries to answer why a neoconservative like Ahmadinejad was elected and became Iran’s president by considering economic, political and social factors.

Ahmadinejad’s behavior was bizarre after the terms of moderate presidents who tried to maintain a more pragmatic policy. This bizarre behavior was manifested

in Ahmadinejad's diatribes against Israel and his visions as a "hidden Imam."¹ The international community was understandably bewildered. A book by Kasra Naji has a chapter entitled "Ahmadinejad vs. the world" that deals with the specific stance and policies that were determined by the president. In order to discern the country's foreign policy during his presidential terms, it is important to learn what kind of man this radical leader was by shedding light on his "secret" history.

The fall of the Soviet Union in 1991, brought about a change in the international order. However, Iran did not respond directly to those dramatic changes. Shireen, in her book entitled *Iran's foreign policy in the Post-Soviet era resisting the new international order*, focuses on why Iran did not change its approach toward the United States. Was it because of its unwillingness, inability, or something else? Would it be too simplistic to say that it had to do with anti-imperialism? 1991 was a difficult year for Iran, as not much time had passed over since the death of Khomeini. A new equilibrium between officials had to be established. Iran had been close to Russia since the Cold War because Russia had assumed the role of the counter superpower against the United States (Shireen 63).

Ayatollah Khomeini lived 10 years after the revolution, and died in 1989. After he died, until the presidential term of Ahmadinejad began, two presidents ruled Iran as Ahmadinejad did for eight years. The transition in the attitude of the presidents regarding their policies in general is remarkable. Julien Temim affirms that when Ahmadinejad was elected in 2005 he put an end to the politics of "dialogue" conducted by his predecessor Khatami. This meant that after two reformist presidents, a conservative once again became the president of Iran, or more exactly as it was termed by the *Sharg* (east) newspaper, the most popular reformist paper in Iran, "the neo-conservatives replaced the reformists" (Temim). This change has definitely had consequences for Iran's relations with the international community. In the region, Iran is trying to take a leading economic role; therefore, Ahmadinejad's conservative policies towards countries situated in the Middle East have affected its economic strategies.

¹ The core of the Shi'ite religious worldview is the Hidden Imam, Muhammad al-Mahdi, 'The Guided One.' This is one of the most sacred sites in Shi'a Islam, and the faithful gather here to pray for the return of the Twelfth Imam. God has miraculously kept him alive since the day he was hidden in 874 AD / 260 AH; eventually God will reveal al-Mahdi to the world and he will return to guide humanity (Richard Hooker 1997). For Ahmadinejad, obviously it is used figuratively.

II. Historical Background: Revolutionary Policies, Start of Isolation 1979-2005

After the revolution, Iran severed its relations with the Euro-American states because of its newly adopted anti-imperialistic stance; a stance taken largely because of the deplorable history with oil exploiting countries. In the 1980s when Khomeini was the supreme ruler, the country's foreign policy was known for its revolutionary and radical content (Abrahamian 33). Especially throughout the 1990s, Iran's foreign policy shifted from a revolutionary to a more sensible one. In fact, after the 1990s, those steps in policy could be considered a process of emancipation for Iran. This moderate approach ended after 2005 and became radical again (Zahirinejad 8). Since history is significant to understand certain contemporary contingencies, in this chapter a historical background of Iran's (oil) politics, from the revolution (1979) until the start of Ahmadinejad's presidency is given (2005).

The 1979 revolution entailed fundamental transformations that profoundly affected Iran's political system and society. The shah's regime was overthrown after protests lasting for more than a year, with thousands of people killed by the guards of the shah (Daniel 65). After coming into power, Khomeini applied reforms in his country; he was the leader who for the second time nationalized Iran's oil. Nationalization and Iran's political structural transformation ensured that foreign powers could not benefit anymore from Iran's oil; they therefore began to adopt a different stance towards the country (Abrahamian 176). Ayatollah Ruhollah Khomeini became an imam, the person accepted as the Grand Ayatollah, with the authority to make legal decisions within the restrictions of Islamic law. He has been likened to the Prophet Abraham. On 21 June 1989 a parliamentary deputy called "Kayhan-e Hava'i" said that Imam Khomeini as prophet Abraham carried out God's will, demolished idols, antagonized tyrants, and acted as a leader who led his oppressed people (Abrahamian 181). These words were said a couple of weeks after the Imam passed away; in a way, they summarize his approaches, policies and creed during his ten-year leadership. During this time, Iran became a country that was isolated from the international community and diplomatic ties languished with, among others, the United Kingdom and the United States.

"Khomeinism," a term that refers to the doctrine of the man who was considered a liberator by a large part of Iran's people, stands for two main

phenomena. It refers to anti-imperialism, allying with anti-hegemonic countries, and religious fundamentalism, taking religion as a base for one's approaches, beliefs and policies (Abrahamian 143). Liberal government officials argued clerics should not be involved with Iran's politics; rather, according to them, clerics should only be involved in seminary issues. Khomeini overcame their arguments by reminding Iranians, that it was the clerics who protected Iran from royal despotism and imperialism. Khomeini stressed that the clergy kept Iran's national consciousness alive and functioned as a fortress of independence against imported "isms" from the Euro-American states (Abrahamian 134).

The Khomeini era was also a period when Iran became a factor to consider in the domestic policies of superpowers. For example, because the United States granted medical stay to the Shah during the presidency of Carter, a hostage crisis broke out in Tehran. On November 4, Iranian students stormed the American embassy and took more than 60 hostages demanding the extradition in return for the hostages' release. The act of the students was considered a dramatic way of breaking with Iran's past and marking the end of American interference. The hostages were held until January 21, 1981, or 444 days until Ronald Reagan became America's next president ("Iran Hostage Crisis"). Reagan, who was America's president from 1981 to 1989, was confronted with the "Nicaraguan Contra Militia" whereby secretly weapons were sold to Iran and the revenues given to the Nicaraguan Militia to fight against the leftist guerillas. During the Cold War, America was the leading power that supported democracy and capitalism; they, therefore, supported the Nicaraguan Militia to fight against the guerillas whose ideology was formed with communistic ideas (Ehteshami, Zweiri "Iran's Foreign Policy" 288).

Iran's history with Britain and United States, and the tensions that increased because of the crises during the Khomeini era provoked Iran's anti-imperialist sentiments. Khomeini's era, therefore, was characterized by keeping Iran out of the influence of the world's superpowers, by adapting to neither American nor Russian influence and exporting the Islamic revolution to other Muslim countries (Temim 8).

As it is an Islamic Republic, Iran has one of the most unique political structures on the world. There is a supreme leader who is considered to be the highest religious and political authority. After Ayatollah Khomeini passed away, Ali Khamanei became the supreme leader; he has been in power since 1989 (Daniel 71).

Despite its revolutionary zeal and radical policies, it could be said that post-revolutionary Iran in the classic realist mold was a rational actor. Its excesses can even be regarded as calculated interventions in troublesome situations. Moreover, when we look back to the post-Khomeini era, we have to acknowledge that Iran, in general, maintained a pragmatic foreign policy, as it was characterized by terms such as “largely nonaggressive” during the presidential terms of Akbar Hashemi Rafsanjani and Mohammad Khatami. Both presidents launched economic liberalization; opening the state-dominated economy to domestic and foreign private sector investment. After 1989, Iran’s international relations underwent certain transformations. The reasons for this can be found in Iran, but they also have to do with the calculations of Tehran about its standing in a changed international environment as an end came to the Cold War (Hunter 83).

After the death of Ayatollah Khomeini until the beginning of the presidency of Mahmoud Ahmadinejad in 2005, Iran had five presidents. As mentioned before, prior to Ahmadinejad, Iran had two presidents who enjoyed two presidential terms like him. Akbar Hashemi Rafsanjani governed from 1989 to 1997 and Mohammad Khatami took office in 1997 and left it in 2005. When Rafsanjani became president, the foreign policy of Iran had to be adjusted due to certain significant occurrences that would change the course of Iranian politics. Some of these international and regional occurrences were the end of the Iran-Iraq in 1988, the decease of Ruhullah Khomeini in 1989, the collapse of the USSR in 1991 and the end of the Cold War (Temim 17).

Iran remained neutral during the Gulf war that was waged between Iraq and the United States and its coalition in the years 1990-1991 (Temim 19). Defining itself as an impartial force and offering to become a mediator increased Iran’s reputation among its neighbors. Its diplomatic ties, therefore, rehabilitated its relations and made new alliances in the region. The policy of striving for self-sufficiency made Iran reliant on its oil resources. This meant that Iran had to reintegrate in international trade and had to become a member of the new globalizing world order (Temim 22).

Akbar Hashemi Rafsanjani tried to break the unacceptable legacy of Khomeini by trying to maintain a more open foreign policy. Examples of his approaches are: resuming diplomatic ties with Saudi Arabia, Egypt and Morocco and siding with the U.S. –led coalition to oust Iraq from Kuwait. As Rafsanjani attempted to approach issues by keeping his country’s interests in mind, he was considered a valuable

pragmatist. During his presidency, Iran's foreign policy experienced "liberalization" transformations that distanced its hitherto revolutionary stance. His relationship with the supreme leader Khamanei who assumed Khomeini's role was a fairly good one, but Khamanei functioned more as a mediator between pragmatists and hard-liners (Hunter 65). Since the EU was an important region to attract investment in the Iranian oil industry, Rafsanjani also tried to restore Iran's dialogue with various European states. In 1992, the European Council made the formal decision to reach out to Iran. The dialogue between the EU and Iran was considered to be a "critical dialogue" as a host of issues still caused serious tensions, however compared to the period before Rafsanjani became president, at least there was dialogue to certain extent (Hunter 73). Putting Iran's interests in first place and the possibilities of achieving and using personal influence into second place when shaping Iranian foreign policy, were priorities for Rafsanjani. Despite his attempts to moderate and liberalize Iran's foreign policy, the country's relations with the United States remained poor. Iran was not trusted by the United States mainly because the Iranian stance on human rights did not reflect the values of the international environment (Temim 24).

Rafsanjani left in place certain priorities regarding the foreign policy of Iran for his successor Mohammed Khatami. Ultimately, those priorities were able to restore ties with the EU and maintain its now improved ties with its neighbors. Briefly stated, Khatami was a president who disseminated *détente* in order to pursue diplomatic ties, especially to further the economic interests of Iran. During the presidency of Khatami, Iran's interests were continuously prioritized above its ideology. To ensure peace, he adhered to the principles of integrity, wisdom and expediency. All in all, Khatami was a reformist who, to a certain degree, attained the acceptance of the EU, Britain and United States (Temim 29). However, when the Bush administration came into power in the US, Iran's ties again worsened with the United States in specific and with the allies of the US in general. To conclude, while both parties took a step forward with their expressed intention of restoring peace and strengthening diplomatic ties, ultimately, Khatami could not make optimal use of his preference for *détente*. His successor, reinstated Iran's revolutionary policies, including the carrying out of atrocities, thus poisoning the reactions of the majority of the international environment (Leverett 86).

III. Isolation through Sanctions and Ahmadinejad's Stance

In international politics, there are two methods commonly used by states to come into possession of what they want (Hunter 103). First, many opt for the use of brute force; deploying weapons and waging war is one way for countries to attain their goals. Second, many use their economic power; using the economic competence of a country by, for example, affecting the global price of a resource they possess in abundance. With respect to the case of Iran, the country is trying to be isolated by sanctions and embargoes (Haghigi and Tahmasebi 962). Towards the end of the 20th century and now in the early 21st century, the second method to achieve power is becoming increasingly prevalent. The European Union that imposed severe sanctions on Iran is a good example of a union that relies on its economic power. Using economic competence as a power in international politics is now the norm. As the thesis is about how Iran undermined its isolation by using its economic power; this chapter discusses how Iran was isolated and enumerates the policies and stance of Ahmadinejad in the isolation.

“The Islamic Republic is a corrupt, inefficient, authoritarian regime with a bankrupt ideology,” said Karim Sadjapour of the Carnegie Endowment for International Peace during an interview (Leverett 25). Academics such as Bernard Lewis and his neoconservative followers have asserted Iran was developing nuclear weapons during Ahmadinejad's period in power to attack Israel, the United States and other enemies of Islam. Acknowledging these thoughts and assertions, Ahmadinejad once mockingly noted: “Many Americans seem to think that Iranians are all sitting in the desert turned toward Mecca, and waiting to die” (Leverett 31).

The United States decided to tighten sanctions on Iran after Ahmadinejad's administration conveyed that Iran was going to reassert itself internationally. At this point, the IAEA (International Atomic Energy Agency) referred Iran's nuclear dossier to the United Nations Security Council (UNSC), asking it to take action. Iran's subsequent refusal to heed the UNSC's demand to halt its nuclear enrichment and the Council's decisions in the form of resolutions against Iran led to the creation of an emerging pattern (Warnaar 73).

Besides the nuclear issue, the support of Tehran for terrorism is an essential theme among most Euro-American states. It was known that Iran supported

paramilitary groups, a fact more openly shown during Ahmadinejad's presidency. In the eyes of Washington and the international community more generally, the groups that were supported by Iran were "terrorist organizations" (Leverett 16). Some of these groups were Hezbollah, Shi'a militias in various Middle Eastern countries and Hamas. These groups were the subject of intense American and international scrutiny as they were threatening the interests of the United States, Israel and allied Sunni states. In fact, much like the other presidents of Iran, Ahmadinejad attempted to achieve Iran's goals by opposing forces trying to undermine important Iranian interests (Leverett 17).

One of the more pernicious legends about Ahmadinejad was that he was out to destroy Israel. The presumption was based on a sentence in a speech he made shortly after he became president. However, it later became known that the claim was false; even Israel's intelligence minister later admitted this. Those reporting it in fact, distorted Mahmoud Ahmadinejad's sentence; he did not say that Israel must be "wiped off the map." Rather, he said "this regime occupying Jerusalem must disappear from the page of time" (Leverett 89). Admittedly, however, although Ahmadinejad did not say "Israel must be wiped off the map," during his two presidential terms, Iran's relations with Israel worsened and tensions were raised. Ahmadinejad's administration did support Hezbollah during their longest waged war with Israel in 2006, due partly to Iran's rearming of Hezbollah Israel's northern border remains a flashpoint (Nau et al. 204). Moreover, by 2010 tensions between the two countries reached unparalleled heights due to Iran's persistence in developing nuclear weapons and its rhetoric, which stressed Israel's illegitimacy and even its disappearance. Although Israel considered taking unilateral military actions, its leaders preferred the international community to compel Iran to abandon the development of nuclear energy (Leverett 158).

We could say that Khomeini inspired Ahmadinejad. For one thing, anti-imperialism was as important for Ahmadinejad as it was for Khomeini. Given their ideological proximity, the words of Khomeini about imperialists clarify Iran's stance towards the United States and its allies. Khomeini was explicit:

If you pay no attention to the policies of the imperialists, and consider Islam to be simply the few topics you are always studying, and never go beyond them, then the imperialists will leave you alone. Pray as much as you like; it is your oil they are after-why should they worry about your prayers? They are after

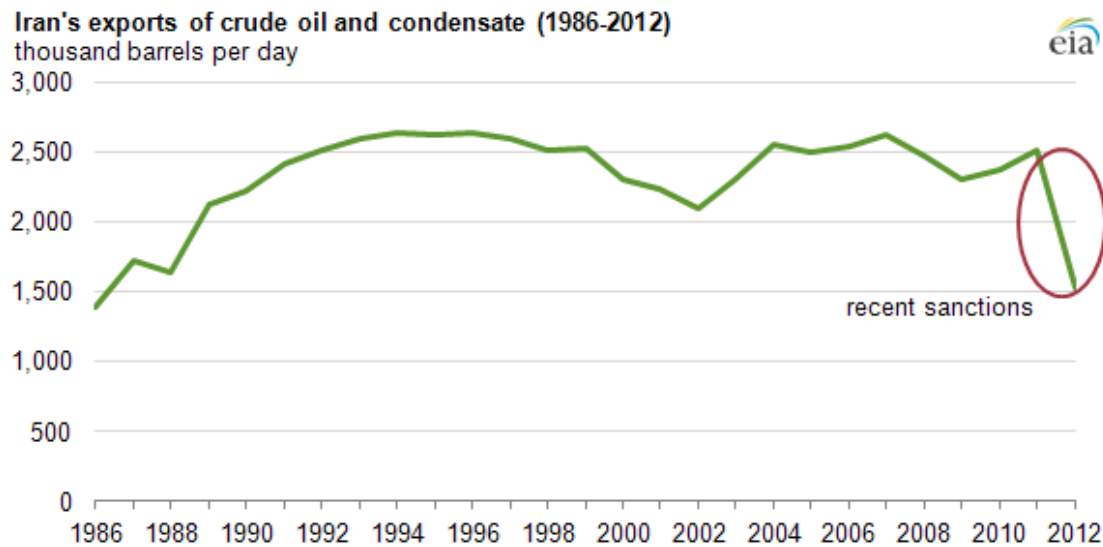
our minerals, and want to turn our country into a market for their goods. They do not want us to be true human beings, for they are afraid of true human beings. Even if only one true human being appears, they fear him, because others will follow him and he will have an impact that can destroy the whole foundation of tyranny, imperialism, and government puppets (Leverett 37).

Khomeini's words, with Ahmadinejad echoing them during his tenure, reveal that Iran was aware of imperialist acts taken against the country, and that it would oppose imperialism as far as it was possible to do so.

Due to the fact that Iran had an anti-imperialist stance and continuously proceeded independently, the country was considered a rogue state. Because of his personality, Ahmadinejad ignited the tensions, often throwing down the gauntlet of his country in the face of outside forces he considered imperialist (Naji 145). Accordingly, not only the United States, but also its allies decided to impose sanctions and embargoes on Iran. As noted above, rather than opting for open warfare, today many states prefer to take the economic route when seeking power over other states. Iran depends on its oil reserves for its own economic success. And here we have a problem: obviously, to increase the output of oil, it was necessary for Iran to attract foreign capital into the country. However, Ahmadinejad's administration was on the horns of a dilemma because they had to choose between two options. They had to make a decision whether to submit to the desires of the United States and the international environment to attract foreign capital to exploit their oil, or to continue their nuclear program and maintain Iran's anti-imperialistic stance. At this point, it perhaps goes without saying that Ahmadinejad opted for the second and preserved his revolutionary attitude as he persisted to continue Iran's nuclear program by arguing that Iran has no other goals than peaceful ones (Warnaar 163).

Oil exports account for 80% of Iran's total export earnings and constitute 50% to 60% of its government revenue (EIA: the US Energy Information Administration 2013). As this fact make evident, Iran's oil plays a very significant role in the orientation of its economic policies. Because oil is a crucial factor for Iran's economy, affecting its oil exports by imposing sanctions was sure to cause critical economic and political instabilities. Iran's oil production had grown substantially from 4.1 million barrels per day in 2004 to 4.5 mb/d in 2010 (EIA: US Energy Information Administration 2011). An increase in oil production indicates an equal increase in the amount of oil exports. Therefore, we could argue that until 2011, or the second half of

the second presidential term of Ahmadinejad, sanctions did not really affect Iran's exports that much. As the figure below shows, when we calculate the average, we find that the amount of Iran's oil exports remained approximately the same and even increased modestly between 2004 and 2011.

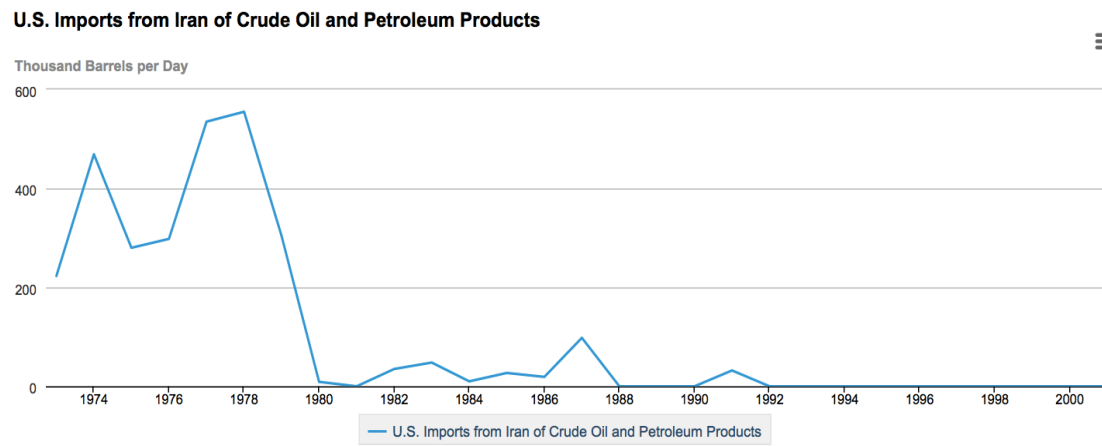


Source: EIA: the US Energy Information Administration

The figure indicates that the oil exports of Iran during Ahmadinejad were as great as Iran's oil exports were a decade ago before he became president. Over time, the expectation was that the exports would increase as technology was improved and oil could be extracted more easily than in the past (Klare, "Resource Wars" 68). Accordingly, we could argue that the sanctions before 2011 were clearly not all that effective.

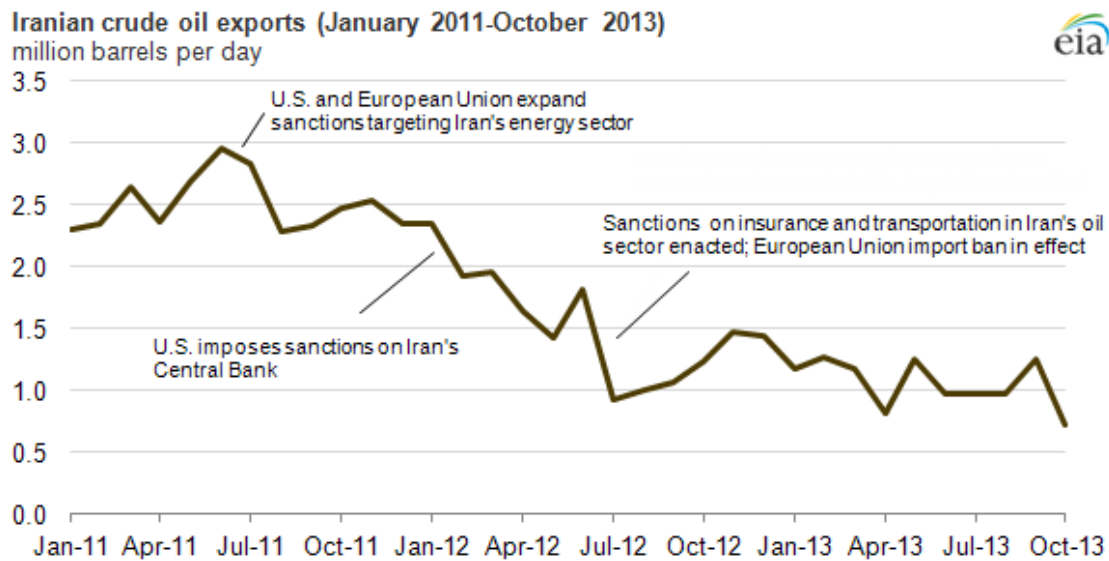
It is significant to know that the United States did not import oil from Iran after 1992. Although the United States did not import oil from Iran, the media continually emphasized the disagreements between the two countries and continued to focus on the reality that the United States was imposing sanctions on Iran. Since the United States did not import oil from Iran a long time before Ahmadinejad was elected, it could not impose direct sanctions by deciding not to import oil anymore. The US was forced to find other options. Among the tactics used by the superpower were charging a duty to its allies who imported oil, thus encouraging them to end these imports, and refusing to cooperate with states that were engaged in either economic or political collaboration with Iran (Abbaszadeh et al. 616).

The figure below graphically illustrates American imports of oil from Iran from over the timeline of the early 1970s to the turn of the 21st century. As the figure makes clear, after the revolution of 1979, the oil trade between America and Iran came to an end for two years. However, from 1982 until 1992 there was trade to a lesser extent.



Source: EIA: the US Energy Information Administration

Perhaps because of American pressure, at the start of 2011, the European Union decided to impose economic sanctions on Iran by taking the decision not to import oil from the country (Fassihi and Biers). Members of the EU approved a ban on oil imports from Iran to pressure the country into making concessions on its unpopular nuclear program. Countries in the European Union formed the biggest oil-export market for Iran (Fassihi and Biers). Immediately after the decision of the EU, Iran’s currency, the “rial” fell by 10% (EIA: the US Energy Information Administration). The huge decline of its currency could be considered an optimum indicator of how volatile Iran’s oil-market was with respect to the European Union. “Our message is clear, we have no quarrel with the Iranian people, but Iran has failed to restore international confidence” was the explanation of the core countries of the EU (Fassihi and Biers). In addition to banning oil imports from Iran, the EU also froze the assets of Iran’s central bank and agreed to ban trade with its petrochemical industry. Briefly stated, the United States and the European Union considered imposing sanctions a way to force Iran to engage in agreements with the international community on its nuclear program (Fassihi and Biers). The figure below illustrates the devastating effects of the imposed sanctions over the period 2011-2013.



Source: EIA: the US Energy Information Administration

As noted, the European Union was the biggest customer of Iran in its oil market. The imports by the EU accounted for 20% of Iran's total revenue. As can be seen in the figure, the EU's decision to impose sanctions on Iran by approving a ban on oil-exports severely affected Iran's economy in a negative way.

Iran's nuclear program led to the imposition of resolutions and sanctions by a number of international powers, especially during the presidency of Ahmadinejad. Sanctions led by the United States against Iran did cost OPEC's third-largest producer of oil 133 million dollars a day in lost sales, without raising global crude prices and, therefore, of no great consequence to the rest of the world (Abbaszadeh and Maleki 615). One consequence of Iran's isolation through sanctions is that Iran's oil shipments plunged by 1.2 million barrels or 52% a day. For Iran, this represented a yearly cost of \$48 billion in lost revenues, an amount equal to 10% of its economy. A drop in Iranian supplies of oil entailed an increase in the oil exports of countries such as Saudi Arabia; moreover, Saudi Arabia pumped more oil into the economy to dull Iran's threats to close the Strait of Hormuz (Abbaszadeh et al. 617).

IV. Oil in Iran's Foreign Policy Orientation: Circumvention of Isolation

A number of Euro-American states tried to isolate Iran through imposing sanctions and embargoes on the country. In fact, overall, three methods were used to destabilize the economy of Iran. First, the assets of Iran's Central Bank were frozen in Europe. Second, embargoes were imposed on countries that continued doing business with Iran. Third, importing oil from the country was banned. This meant that about 20% of Iran's oil revenues were cut off (Fassihi and Biers). The last but definitely not the least important measure had a severe effect on Iran's economy. As a result of this external pressure, Iran's oil exports declined by 40%; in other words, while Iran exported 2.5 million barrels per day in 2011, it was exporting 1.5 million barrels per day in 2012 (*EIA*: the US Energy Information Administration, OPEC 2012). Clearly, Iran had to find ways to circumvent its isolation as more and more sanctions were imposed, critically handicapping the country.

The foreign policy of Iran was to great extent based on the economic policy. After the European Union decided to impose sanctions on Iran, Ahmadinejad simply said: "The Western embargo will not hurt Iran" (Gladstone). In comments such as these, he suggested Iran was not dependent on European states' importation of oil. However, if we look at the statistics, we see that he was wrong. There was a huge drop in Iran's total oil exports, so Iran was actually hurt. Regardless of the facts on the ground, Ahmadinejad insisted that Iran was not dependent on the United States and Europe. He stated: "Once our trade with the Europe was 90% but now it has reached 10%" and he added: "For the past 30 years the Americans have not been buying oil from us." Iran's puritan hardliner then stated: "Iran's oil has a great value, which the international environment cannot neglect" (Gladstone). The content of these three statements reveals that Ahmadinejad tried to give the message that Iran was a self-reliant country, using oil as a foreign policy instrument in order to undermine the country's international isolation. The president played his country's trump card to achieve his purposes. At the same time, his skilled acts of defiance played a significant role in forming an image in the minds of the leaders of states imposing sanctions.

Over time, Ahmadinejad realized that Iran's economy was destabilized because of sanctions. At this point he said: "International sanctions are partly to

blame; our enemies say that “Iran is under the toughest sanctions ever,” these can cause some problems and we have to find a way to deal with them” (“Iran Must Reduce Oil Dependence”). At the start of 2013, when the decrease in oil exports became more apparent, he suggested that Iran should reduce its dependence on oil revenue (“Iran Must Reduce Oil Dependence”). Despite this apparent concession to reality, Ahmadinejad continued making attempts to circumvent Iran’s isolation by using oil until the last day of his presidency.

Attempts of Ahmadinejad to circumvent Iran’s isolation were often centered on quasi-official exchange deals. According to reports from inside Iran, one of the policies of Ahmadinejad was using police forces in international oil trade (“Iranian Police Sold Oil”). As reported by the media, because of the isolation caused by the financial and oil sanctions, Mahmoud Ahmadinejad called on unorthodox measures to cope with the international market. Sanctions on the oil exports of Iran obviously made it difficult for the country to integrate itself into the international financial system and process oil payments (“Iranian Police Sold Oil”). Using Iran’s police forces in international oil trade was, therefore, considered a useful way to circumvent its isolation, as it was an attempt to fill the gap caused by those sanctions. In fact, if the revenues of the national police forces are closely examined, we find that during Ahmadinejad’s presidency about \$185 million was annually earned by the police for their engagement in the international oil trade (“Iranian Police Sold Oil”).

There is a difference in meaning between “sanctions” and “embargoes”. While sanctions stand for taking the decision to ban trade with a country for certain industries, embargoes mean the complete prohibition of trade by one country with another. In the case of Iran, the fact that the European Union imposed sanctions meant particularly that they decided to end their imports of crude oil (Yeganeh and Torbati). Thus, the importation of crude oil, and not all oil products, was banned. The sanctions had the purpose of starving the Iranian government of vital financial resources to develop its nuclear program. As a result of the sanctions, Iran’s crude exports fell sharply. Washington disengaged and stopped trading with Iran after 1992, while the European Union tightened sanctions after July 2011.

Because of the European Union banned imports of crude oil from Iran, in 2012 Ahmadinejad stated that Iran had to focus on oil products and not crude oil (Yeganeh and Torbati). In fact, however, Ahmadinejad’s statement served a long-term purpose for Iran and could be considered a message for following presidents. In a

way, he talked about his experience and made a conclusion about Iran's future economic (and political) course. He also acted on his statement. Before he left office, he started the development of refineries and distribution to be able to sell oil products instead of crude oil (Yeganeh and Torbati).

When observing the negative economic pattern, one should keep in mind that Iran's biggest antagonist, the United States, started the process leading to tougher sanctions. The efforts of the superpower to completely isolate Iran paid off with the EU, Japan, South Korea, Canada, Australia and the UAE, but not with China, India and Russia (Warnaar 57). OPEC reported that an overall decline in its overall exports was mainly caused by Iran, whose exports were curtailed. Notwithstanding such dire findings, Tehran announced it still had a viable consumer base in the countries with the biggest populations of the world: India and China. Because China and India are the most populous countries of the world, even if the imported percentage of their total oil imports from Iran is not very high, raising its imports will make a major difference compared to other countries. In order to circumvent the sanctions imposed by the European Union, the Indian government said it would extend government backed insurance to tankers carrying Iranian crude oil because of the country's increase in the need for oil (Gladstone). At the same time, China did not accept to cooperate with the United States and its allies, and continued trading with Iran. Moreover it criticized EU's sanctions, saying "the measures were not constructive" (Badkar).

The European Union was Iran's biggest consumer before they decided not to import Iranian oil any longer. Although Iran signed new agreements with India and China, this was not enough to fill the gap caused by the loss of the EU. However these new big consumers compensated Iran's losses to certain extent. China, for example, agreed on oil barter with Iran after the United States prevented the country from paying at least 20 billion dollars for its oil imports by financial sanctions (Badkar). China's oil imports increased about 50% to 13.5 million tons in the first half of 2011 (Badkar). These developments were the continuation of an important step of China – a tightening of its relations with Iran by investing 40 million dollars in the Islamic republic's oil sector ("Iranian Police Sold Oil"). Even though Iran signed more agreements with China, China also became a profiteer because of the dwindling customers of Iran's crude oil. Iran was forced to trade with China and had to accept its

terms. Therefore, although Iran's exports to China increased, the price of the exported oil was lower than before (Broszik16).

Besides Iran has had confidential bilateral relations with China, the two countries share a position in the Non-Aligned Movement. The NAM currently consists of 120 not formally aligned members; countries that wished to stay away from the influence of the United States and Russia established it. Being a prominent member of the NAM strengthened Iran's hand against the attempts at its isolation (Azad). A Non-Aligned summit was in 2012 realized in Tehran. Although the United States and its allies have not taken the NAM seriously, the NAM summit approved statements supporting Iran on the nuclear issue and opposing unilateral economic sanctions (Azad). Iran claimed that it had secured a diplomatic victory by gaining the support of the members of the NAM on these issues (Azad).

Another tactic of Ahmadinejad's administration to threaten Euro-American states that imposed sanctions on Iran, and to show its insistence on developing nuclear energy was threatening to close the Strait of Hormuz in early 2012. Many Euro-American states import oil from the gulf region, from countries such as Saudi Arabia, UAE, Bahrain etc. The Strait of Hormuz is a significant geopolitical point, as about 40% of world's tanker-borne oil passes through it (Katzman and Nerurkar 8). Ahmadinejad's threats to close the Strait caused an increase in oil prices (Katzman and Nerurkar 10). However, Iran also depends on the Strait; its oil exports to the east go through it. Therefore, the country's goal was to close the Strait to others and to take total control over it (Katzman and Nerurkar 4). While Ahmadinejad's administration threatened states that were dependent on oil passing through the strait, it did not follow through on the threat to close it. Nevertheless, this tactic is a good example of how Ahmadinejad used oil in his foreign policy to circumvent Iran's isolation and to show Iran's determination to stay the course.

Iran's betimes retention can partly be explained by the country's political structure, notably the loyalty of the political elite to the undisputed authority of the supreme leader (Borszik 5). Taking over Khamanei's position is impossible; this leaves politicians no choice other than to obey his dictates. When Ahmadinejad was elected, he was not the person who decided to continue the nuclear energy development; it was after all the supreme leader that had the final say (Borszik 5). Therefore, linking all of Iran's policies to the president would be incorrect as the supreme leader of the Islamic Republic makes the final decisions.

After Ahmadinejad came to power, it became understood that for him the core constituencies of Iran were the paramilitary and low-income groups. He promised to redistribute Iran's oil revenues, saying: "Oil wealth will be brought to people's tables" (Borszik 7). At the UN general assembly in September 2005, Ahmadinejad said the following: "If some try to impose their own will on our nation through the language of coercion and threat, we will definitely reconsider our entire approach to the nuclear issue" (Borszik 8). As the previous paragraph suggests, there had to be a good relationship between the president and supreme leader; each had to rely on the other and to work in unison. After Ahmadinejad's explanations about the sanctions, Khamanei made the following statement: "We are unafraid of Western sanctions ... [because] we are able to create an opportunity out of this threat" (Borszik 10). By using the word "opportunity," Khamanei was suggesting Iran could use the non-proliferation sanctions that initially excluded restrictions on the energy sector, as an opportunity to advance the nuclear program. For the costs of the nuclear energy program, between the years 2005-2011 Ahmadinejad's administration had a large amount of oil revenue at its disposal; more specifically, the administration enjoyed about 531 billion dollars over six years (Borszik).

Iran's political elite during the presidency of Ahmadinejad continually emphasized that compliance with Euro-American states would result in the intensification not the decline of imposed sanctions. According to them, concessions would lead to more demands and the increase of restrictions. Khamanei also said: "It is even possible that sanctions work to our advantage; from this perspective they can increase our ambition" (Borszik 11). To this he added:

We consider the application of nuclear weapons as contradictory to Islamic commandments, we do not have hegemonic intentions in the world like the Americans, who want to exert global tyranny and require a nuclear bomb; our nuclear bomb and our explosive power is our faith (Borszik 11).

In fact, one could argue that Ahmadinejad and Khamanei both considered the negative consequences of sanctions for Iranians as a price Iran was willing to pay in order to enable Iran's "anti-hegemonic" foreign policy.

Ultimately, Khamanei's comments that sanctions would make Iran more ambitious went for nothing, and sanctions imposed by Euro-American states affected Iran severely. The problem was that Iran was too dependent on its exports of crude oil. On the one hand, Ali Khamanei put scientific progress at the beginning of an

envisaged value chain with the purpose of creating wealth; creating knowledge, changing it into technology, boosting production, supplying products to the global market and creating wealth for the country was Khamanei's way of investing in scientific progress to create wealth (Borszik 16). On the other hand, towards the end of Ahmadinejad's presidency, Khamanei knew he had to ensure political stability in Iran. In order for Iran to be considered reliable by the outside world, Khamanei propagated the cost effective strategy of maintaining intra-elite cohesion (Borszik 17). Cohesion between the political elite of Iran was necessary to overcome isolation, as the international environment had to consider Iran an adequately politically stable country before cooperation would be considered. However, the supreme leader took a unique approach to stability. He declared sanctions were an external attack on the revolution and the entire Islamic system. This was considered a tactic to incite the elite to unite. In fact Ali Khamanei appealed to Iran's elite to participate extensively in the upcoming elections in order to discourage the United States and its allies who wanted to ensure regime change in Iran and were using isolation to this end.

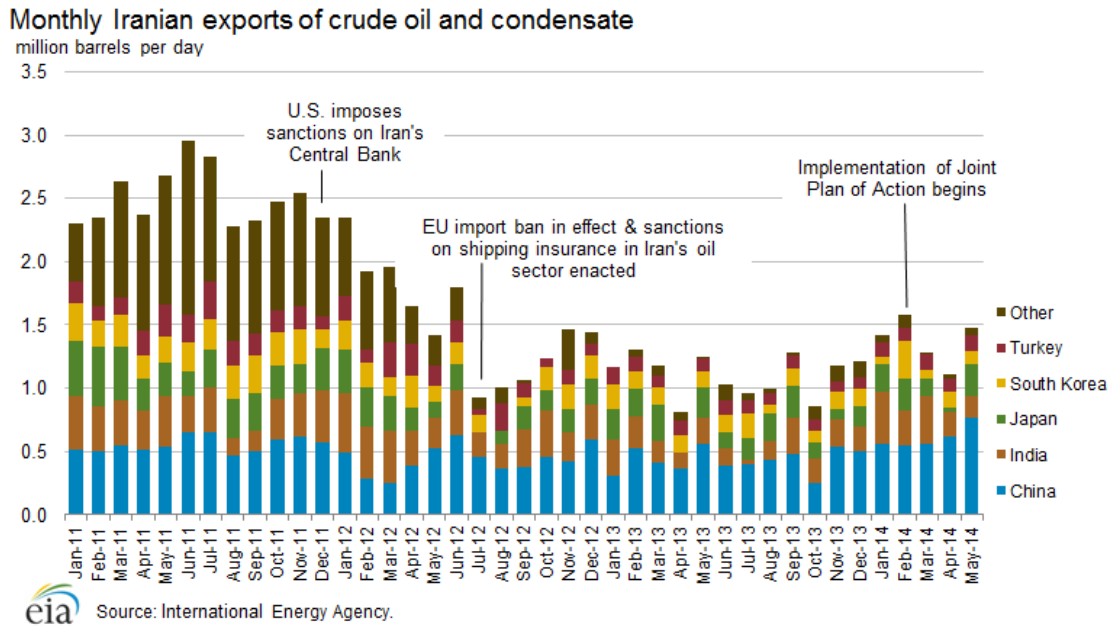
The intensifying of the sanctions imposed by the United States and the European Union paved the way for a critical debate about dissatisfaction with the rule of president Mahmoud Ahmadinejad. As the economic mismanagement of the country and the severe effects of the sanctions became increasingly clear, Ali Khamanei openly criticized Ahmadinejad's stance and policies (Borszik 18). Ahmadinejad's populist socioeconomic policies did not have positive consequences for Iran's economy in general. Economic sanctions on the oil industry were transformed into political pressure. Iran's leadership, however, directed this pressure to the administration of Ahmadinejad (Warnaar 157). The denunciation of the president was apparent from the outcomes of the parliamentary elections; the outcome was an utter defeat for Ahmadinejad and the political elite close to him. Ahmadinejad and his team were held accountable for the depreciating political and economic developments, Khamanei and Ahmadinejad's opponents considered the elections would produce a sufficient degree of stability in the search for ways to reduce the pressure from external sanctions and deal with the economic crisis (Borszik 19).

The US and the EU imposed sanctions on Iran's oil industry to affect the country's economy and to isolate it. This fact has to be considered a reason for Ahmadinejad's tactics. During the presidency of Ahmadinejad, Iran's leadership used two strategies. First it financed its nuclear development with the country's oil

revenues; later, it maintained the tactic of intra-elite cohesion. The fact that the uranium enrichment was expanded to 20% made it possible for Iran to develop nuclear weapons (Fayazmanesh 64). Ahmadinejad deliberately pursued the nuclear program to counteract sanctions as a foreign policy instrument while simultaneously trying to employ different strategies with Iran's oil industry to overcome the deleterious effects of isolation.

The supreme leader's tactic was to point to Ahmadinejad as the scapegoat and to look for a new regime with which he could compromise. During the presidency of Ahmadinejad, the remaining factions were continuously excluded from decision-making, especially considerable after opposition leaders began openly defying Ahmadinejad when he was reelected in 2009 (Ehteshami, Zweiri "Iran-Rise of Neoconservatives" 86). Therefore, in the wake of Ahmadinejad's downfall, other factions decided to cooperate and a consensus emerged. They agreed on the significance of revising the defiant nuclear strategy and reversing undesirable economic destabilization. The election outcome featured an official voter turnout of 72% and the victory of Hassan Rohani with a 50.7% majority in the first round (Borszik 20).

On 24 November 2013, Rohani reached an agreement with the United States and its partners, P5+1 the five members of the United Nations Security Council: US, China, France, UK and Russia plus Germany. Rohani as the new representative of the Islamic republic promised that Iran would halt the progress of its nuclear program and roll back in key respects (Borszik 21). To come to terms with the P5+1, a Joint Plan of Action (JPOA) was outlined; this also delivered auspicious results for Iran. Specifically, the P5+1 committed to provide Iran with a targeted, limited and reversible suspension of sanctions for a six-month period. The figure below shows that the Joint Plan of Action did increase Iran's crude oil production.



Source: EIA: the US Energy Information Administration

On 3 April 2015, Iran, the United States and other five world powers reached a preliminary consensus on Iran’s nuclear development program. The parties sealed an agreement outlining limits to Iran’s nuclear energy development program to keep it from being able to produce nuclear weapons (“Iran and World Powers Strike Initial Nuclear Deal” 2015). Frederica Mogherini, the EU foreign policy chief said: “This is a crucial decision laying the agreed basis for the final text of joint comprehensive plan of action, we can now start drafting the text and annexes” (“Iran and World Powers Strike Initial Nuclear Deal” 2015). The agreements signed in April 2015 are therefore, considered a final step in the Joint Plan of Action that started in November 2013. President Barack Obama spoke from the White House, calling this a “good deal” that would restore diplomatic ties with Iran. The US president said that the US and its allies had “reached a historic understanding with Iran” (“Iran and World Powers Strike Initial Nuclear Deal” 2015). After decades of poor diplomatic ties and crippling economic sanctions, Iran has been promised an end to isolation, but only if Iranian negotiators transform the plan into a comprehensive pact by June 30 (“Iran and World Powers Strike Initial Nuclear Deal” 2015).

Conclusion

Oil is often regarded an important factor in the making of modern Iran (Klare, “Resource Wars” 78). Because oil has constituted a large percentage of Iran’s foreign revenues, nationalization was considered to be an important development after the revolution. Once it became nationalized, it was possible to use oil as a political tool. Iranian foreign policy has experienced many changes; while it was revolutionary during the rule of Khomeini in the 1980s, it became moderate and pragmatic during the 1990s (Abrahamian 145). However, due to Iran’s unique political structure, where a supreme leader is the highest religious and political authority in the country, even when presidents changed, Iran did not deviate from its course. Iran took a more moderate approach in the 1990s and at the start of the 21st century during the presidencies of Akbar Hashemi Rafsanjani, and Mohammad Khatemi, but this did not continue after 2005.

In 2005, Mahmoud Ahmadinejad became president of Iran. He was known for his obstinacy. In addition, he took and maintained an anti-imperialistic stance that led to substantial tensions with Euro-American states (Ehteshami, Zweiri “Iran-Rise of Neoconservatives” 79). Moreover, Ahmadinejad was a devotee of the Islamic revolution and of Khomeini; he therefore incorporated Khomeini’s stance and policies into his own. He also held the ideological belief that Iran must return to the pure Islamic values of the early Iranian revolution like Khomeini held (Naji 109).

Khomeini was the man considered to have saved the Iranian people from Mohammad Reza Shah Pahlavi. His doctrine, “Khomeinism” in fact stands for two main things, namely: (1) opposing powers that tried to exploit Iran; anti-imperialism, and (2) basing all beliefs and policies on religion; religious fundamentalism (Abrahamian 39). After the revolution, Iran became a country to watch and a growing power whose cooperation was desired. When the superpowers began castigating Iran, the country began to play roles in the domestic policies of others causing tensions, especially with the United States. During Khomeini’s era, most of the rest of the world characterized Iran as revolutionary and radical, especially as it turned a deaf ear to the international environment.

During his presidency, Ahmadinejad was known for two main policies. First, Ahmadinejad decided to continue nuclear development in Iran, and second, he was negatively disposed towards Israel. Iran had to invest a great deal to continue its

nuclear program. Accordingly, much of its oil revenue was used for its nuclear energy development. Over time, Iran's uranium production became well enough advanced that the country was able to produce nuclear weapons. While Iran insisted its purposes were not to develop nuclear weapons, Euro-American states did not trust the country and imposed sanctions (Leverett 37). As Iran financed its nuclear program with its oil revenues, the United States tightened sanctions on oil, and the European Union banned oil imports from Iran by applying embargoes.

The United States did already not engage in trade with Iran after 1992, and the European Union disengaged from importing oil from Iran after 2011. Iran lost its biggest oil consumer and this affected the economy of the country severely. Oil constituted 80% percent of Iran's total exports and accounted for 50% to 60% of the government's revenue. In other words, oil has had a significant value in Iran's economy since its discovery. When the EU approved a ban on oil from Iran, the country's oil exports declined by 40% (EIA: the US Energy Information Administration). The purpose of the sanctions imposed by the Euro-American states was to isolate Iran and to act as a disincentive for developing nuclear energy.

Right after sanctions were imposed, Ahmadinejad said such reassuring things as: "Western embargo will not hurt Iran," and "Iran's oil has a high international, which no country can neglect." In effect, he tried to tell the states imposing sanctions that Iran was a self-reliant country and did not need them. Ahmadinejad also directly challenged his opponents, implicitly telling them that Iran was not broken and would counter any countries trying to isolate it. However, when Ahmadinejad realized Iran's economy was destabilized, he made a slight change in direction, saying such things as: "We have to find a way to deal with the problems caused by sanctions," and "Iran has to reduce its dependence on oil." Nevertheless, Ahmadinejad continued to use oil to try to end Iran's isolation until the last day of his presidency (Gladstone).

Iran's police forces were involved in international oil trade during the presidency of Ahmadinejad. The revenues went to the police because in the preceding years, the government could not give enough support to its police forces. Approximately 185 million dollars were earned annually between 2005 and 2013. Of course, this did not fill the gap caused by sanctions but it was a way to slow down economic deterioration ("Iranian police sold oil").

Moreover, because the European Union imposed sanctions on Iran's crude oil and not oil products, Ahmadinejad decided Iran had to focus on producing oil

products. During his presidency he also started projects for oil products, but this was more considered to be a long-term plan (Yeganeh and Torbati).

Certain countries, including China, Russia and India, did not stop trading with Iran despite American pressure to impose sanctions. On the contrary, these countries began supporting Iran further. China even criticized the EU for imposing sanctions on Iran saying: “The measures were not constructive.” China and India decided to sign more agreements and increased their imports as their need of oil remained strong and even increased (Sara). Countries belonging to the Non-Aligned Movement also promised to support Iran at their summit that took place in Teheran in 2012. Iran regarded the results of the summit as a diplomatic victory as it was another step towards ending their international isolation.

A large amount of oil imported by Euro-American states from Middle Eastern countries passes through the Strait of Hormuz, which is controlled by Iran. Ahmadinejad frequently threatened to close the Strait if sanctions were tightened. While he never closed the Strait, because of his threats, oil prices increased. His threats can be considered a foreign policy instrument (Katzman and Nerurkar 2012).

In the end, Ahmadinejad did not manage Iran’s economy properly. Therefore, when he became president in 2013, Rohani decided to change Iran’s course and comply with Euro-American states. His moderate stance and willingness to come to terms yielded positive results for the economy of the country. In November 2013, a Joint Plan of Action was outlined whereby Iran promised to stop its nuclear energy development and the United States and its allies promised to lift sanctions on Iran. As of April 2015, there is an end in sight to the isolation caused by the crippling sanctions that have lasted for decades (Borszik 2014).

The preceding analysis of oil in the foreign policy orientation of Iran during the presidency of Ahmadinejad indicates that as a puritan hardliner, he managed to circumvent Iran’s isolation to a great extent. It is significant to note that there is a difference between economic regression and isolation. Economic deterioration should not be entirely linked with isolation. In the case of Iran, since the revolution, the country has not engaged in trade with the United States – the most prominent isolator of the Islamic republic. Indirect isolation by America obviously has had negative effects, but negative effects on the economy during Ahmadinejad’s presidency should not be attributed simply to the isolation policies of the United States, as the relations of the countries were interrupted a long time before Ahmadinejad became president.

Moreover, although sanctions have enormous impact in the initial phase, adjustments of the country on which sanctions are imposed often mitigate their impact. On the one hand, the sanctions imposed by the European Union affected Iran's economy severely. On the other hand, the republic reinforced its ties with countries such as China, India and Russia. Iran also became stronger internally. Ahmadinejad's administration used the sanctions as a political instrument to delegitimize Euro-American states and to suggest that Iran's domestic industry had to be developed. Furthermore, Ahmadinejad strategically used Iran's oil in multiple ways, including using Iran's police forces, focusing on oil products instead of crude oil extraction, and strengthening ties with members of the Non-Aligned Movement. All these helped to fill the gap caused by sanctions to certain extent, though mitigate its isolation to great extent.

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