

## **IRAN SEEKING FOR ALTERNATIVE FOREIGN POLICIES AGAINST THE PREVAILING GLOBAL POLITICAL-ECONOMIC SYSTEM**

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### **-Abstract-**

Iran is a country abundant with energy resources in the Middle East and has been attempting to implement a relatively independent economic and foreign policy struggling with hegemony of the West, mainly the United States. Even though Iran is a member of International Monetary Fund, and also an observer in World Trade Organization, Iran with its Islamic-oriented theocratic structure has been seeking alternative integration strategies (i.e. Shanghai Cooperation Organization). In this context, Iran has been trying to improve its economic and political relations with Venezuela, China and Russia that the countries oppose a unipolar world system led by the United States acquiring partnerships with these countries.

**Key words:** Iran, foreign policy, alternative integration strategies

**JEL Classification:** F 50, F 59, F 15

### **1. Introduction**

After the 1979 revolution, Iran under Great Ayatollah Ruhollah Khomeini ended the close partnership with the U.S. founded in Mohammad Reza Shah's era and decided to implement an independent economic policy and foreign policy. In this respect, Iran adopted a new foreign policy concept, namely “neither East nor West” and attended in Non-Alignment Movement. Furthermore, Iran attempted to export its revolution to Muslim countries. By promoting itself model country for Islamic countries and the Third World, Tehran aimed at increase its influence in the international arena. Yet, after the end of the devastating war with Iraq and Khomeini’s death, Iran under Akbar Hashemi Rafsanjani gave up implementing the policy of export of revolution and attempted to integrate into the global economic system. The same economic policy was followed by his successor Mohammad Khatami. Iran under Khatami adopted a foreign policy concept,

namely “Dialogue among Civilizations”, which mainly aims at making a rapprochement with the West, particularly the U.S. However, the President George Bush labeled Iran as part of “axis of evil” in 2002 despite Khatami administrations détente policy towards the U.S. Furthermore, it occupied Iraq in 2003 and deployed American forces in the region. This increased security concerns of the ultra-conservative ayatollahs in Iran and paved the way for fanatically anti-American Mahmoud Ahmadinejad’s coming to power. Iran under Ahmadinejad administration gave up the efforts to make a rapprochement with the West, particularly the U.S and therefore focused on strengthening the relations with Russia, China and Venezuela. This paper seeks to answer the question that can Iran sustain an independent foreign policy in globalizing world system by cooperating with Venezuela, China and Russia so as to develop relatively alternative integration strategies against the international political-economic system?

### **Iran and Venezuela: An Alliance Challenging the U.S. Hegemony**

Despite the fact that relations between Iran and Venezuela date back to the 1940s when the two countries sought for gaining greater control over their oil resources, there had not been a meaningful economic and diplomatic relationship between Tehran and Caracas except for being founders of establishment of Organization of Petroleum Exporting Countries (OPEC) in 1960 until Venezuelan President Hugo Chavez’s three-days visit to Tehran in May 2001, which increased coziness between the two countries. During this visit, the most prominent point was the emphasis of the need to oppose all forms of imperialism and oppression in the Third World, which such message, in fact, signaled the axis of bilateral relations in future. (Hunter, 2010:232; Vann, 2007)

Khatami administration actually laid the foundation of the relations with Venezuela by launching joint initiatives in Venezuela so as to build tractor, cement and automobile factories that such initiatives develop export outlets for Iranian industry and showcase political ties. (Johnson, 2012:9) After Ahmadinejad’s coming to power in August 2005, he attempted to flourish the existing bilateral relations on the axis of “anti-U.S. imperialism” with the help of adopting a more aggressive travel schedule and strident, anti-Western rhetoric. (Johnson, 2012: ix)

In order to understand the motives which led Iran and Venezuela cooperate with each other, it is going to be fruitful to touch shortly upon the transformation of Venezuelan foreign policy under Chavez administration.

After Chavez's coming to power in 1999, his administration adopted a new foreign policy based on Bolivarism which grew from the ideas of Simon Bolivar to build unity between Latin American and Caribbean peoples by establishing Gran Colombia from what today are Venezuela, Colombia and Ecuador as a confederation of republics. In the context of the new foreign policy, Venezuela attempted to found a regional union in order to counterbalance the U.S. influence in Latin America and reduce the region's reliance on the U.S. Of course, Venezuela aimed at being the leader of such a union challenging the U.S. hegemony. That's why; Venezuela founded Bolivarian Alternative for the Americas (ALBA) with Cuba in 2004 as a response to Free Trade Area of the Americas (FTAA), a prevailing western style economic integration model. In order to strengthen Venezuela's position within international economic order, Chavez administration diversified its external relations by widening its relations with other regions as well as its deepening ties with ALBA countries on the axis of South-South cooperation. In this sense, Venezuela collaborated with Russia, China and Iran through oil-diplomacy with the aim of counterbalancing trade dependency from the US and unipolar hegemonic world order led by the U.S. Apart from economic and political reasons, Chavez administration's diversification policy of the country's external relations derived from its threat perception from Washington. Therefore, it considered Russia and Iran as security allies. (Kucera, 2011; Joel, unspecified)

In a similar vein, foreign policy strategy of Ahmadinejad administration was based on anti-Americanism, regionalism, diversification of its external relations and promoting a new multipolar international order. In these respects, Iran and Venezuela have common foreign policy strategies notwithstanding such differences in geography and motivation. (Dodson and Dorraj, 2008: 71-72)

Having being elected to the post in 2005, Ahmadinejad focused on expanding the commercial ties with Venezuela. Therefore, Iran's export to Venezuela grew from less than \$1 million in 2004 to approximately \$50 million in 2010. Venezuela represents a new export market for Iranian goods such as mainly machinery, vehicles, organic chemicals, iron and steel products yet the trade with Venezuela accounts for merely small slice of Iran's overall export volume. (Johnson, 2012: 39-40)

In fact, Iran's interest in Latin America, particularly its relations with Venezuela, is more political than economic. Iran attempts to consolidate the current wave of anti-American in Latin America by expanding the relations with anti-American

regimes including Bolivia, Cuba, Nicaragua and Venezuela as a response to the U.S. efforts to isolate Tehran in the international arena. Iran challenges the U.S. with the help of its increased involvement in the region as America's "backyard".

### **Challenging the U.S. Unilateralism as an avenue for Security Cooperation between Iran and Russia in the 21<sup>st</sup> Century?**

Iran under Khatami administration had tried to forge rapprochement with the U.S. in addition to maintaining its close relations with Russia. Yet Ahmadinejad administration as a hard-line anti-American gave up the efforts of rapprochement with the US and focused on further improvements of Iran's strategic relations with Russia instead. The US's attempts to isolate Iran by labeling it 'axis of evil', the occupation of Iraq and the US military presence in the region after the occupation dramatically increased Ahmadinejad administration's security concerns that Iran would be next. In face of the US encirclement, Ahmadinejad administration oriented the country to collaborate with Russia more than ever. In this respect, Iran under Ahmadinejad saw the Shanghai Cooperation Organization of which Russia is one of two leading members, another one China, as a most valuable asset to in its efforts to counter the US influence in the region and prevent any interference in the region by the Western powers for itself. Furthermore, Tehran wished to gain supports of the SCO members for its uranium enrichment activities in hope that it might boost its defenses against the US-led international pressures.

Therefore, Iran applied for upgrading its observer SCO status which was granted on 5 July 2005 to full membership one in March 2008. However, Iran's application for full SCO membership was not approved on the grounds of Iran's efforts to transform the SCO into a bloc against the West, which such efforts would overshadow the original purpose of the organization. More importantly, member states of the SCO, including Russia, did not want to grant Iran, a country that is under the UNSC sanctions due to its uranium enrichment activities, as a full member status in order to prevent any confrontation with the US and the EU. (Noi, 2006: 94-100; Aras and Ozbay, 2008:50; Daly, 2012; Rianovosti, 2012)

As is seen in the example of the SCO, Iran was unable to extend the scope of its relations with Russia in terms of creating an alternative security system that excludes American military hegemony even though Iran shared a fully identical vision with Russia in terms of the establishment of a multipolar world and the rejection of the US hegemony.

Hunter explains perfectly the fact that Russian authorities have put an upper limit on relations with Iran in spite of Iran's hopes to see Moscow as a strategic partner with following sentences:

“Russia would like to regain its great power status and be treated as equal with the EU and the United States. However, Russia neither wants, nor can afford, another Cold War with the West. Hence, as long as Iran's relations remain unsettled with the West, the Russians will not go beyond a certain point in nurturing ties with Iran, is this were to cause significant problems in the relations with the West.” (Hunter, 2006:106)

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

The S-300 anti-aircraft missiles are strategically very important for Iran so as to build a solid anti-aircraft shield against a possible US or Israeli air strikes. That's why; Iran finalized a contract with Russia in December 2007 to buy long-range S-300 anti-aircraft missiles and Russia was required to provide Iran with at least 5 S-300 air-defense systems under this contract. However, in August 2010 Russian President Dimitry Medvedev revoked the contract and refrained from delivering S-300 missiles to Iran in compliance with the UNSCR 1929 and due to strong pressures from the US and Israel.

Although Russia is Iran's largest arms supplier, it is unable to go beyond a certain point in nurturing ties with Iran in the field of arms trade, which such attempt would cause significant problems in the relations with the West. For instance; Russia has completed the delivery of 29 Russian-made Tor-M1 shorter-range air defense missiles to Iran under a contract signed in 2005 opposed by the US and Israel. Because, Tor-M1 surface-to-air missiles contributed Iran to enhance its air defense system against a possible air strike but it is quite hard to have a balanced air defense without the S-300 missiles for Iran. In other words, Russia does sell Iran only weapons that would not provoke a reaction from the US and Israel. (Felgenhauer, 2010; Bahman, 2010)

Beyond security concerns, another crucial reason why Iran has sought for strengthening its ties with Russia is to cooperate with Russia on its nuclear program that is economically and strategically very significant for Iran. Russia has helped Iran build its nuclear facility in Bushehr and the first unit of Bushehr

nuclear plant was finally launched in August 2010 after repeated delays by Russian side due to the intense pressure exerted on Moscow by the United States and its western allies and was connected to Iran's power grid in September 2011. These developments indicate the strategic significance of cooperation with Russia on the nuclear issues for Iran: "Russia is the only international actor that recognizes the legitimate right of Iran to produce nuclear energy and helps Iran to justify its position in the international forum." (Aras and Ozbay, 2006:145) On the other hand, Russia has voted in favor of UNSC sanctions against Iran's nuclear program between 2006 and 2010. Russia is resolutely any possibility of a military dimension of Iranian nuclear program, believing that a nuclear Iran may conduct a more aggressive and independent policy in the Caucasus and Central Asia. Such a situation would drastically change the balance of power in the region against Russia's interests. In consideration of this situation, Moscow shares concerns of the international community about doubts and uncertainties with regard to Iran's nuclear activities in other nuclear facilities apart from the one in Bushehr and would like to make sure that Iran uses peaceful nuclear technology. (Kozhanov, 2012: 14)

### **Limits of Energy Cooperation between Iran and China**

Energy is the most important aspect of the Iran-China relations. Iran has been an important energy supplier to China, a country depending on energy sources to maintain its economic growth, since 1993 when China became a net oil importer. (Gentry 2005:115) The United Nations Commodity Trade Statistics indicates that Iran's crude oil export to China has steadily increased from 1993 to 2011. In turn, China is the largest foreign investor in Iran's energy sector (Slavin, 2011:3) has also signed billion dollars worth of oil deals with Iran, especially at the end of the first half of the 2000s. For instance; China Petroleum and Chemical Corporation (SINOPEC) and Iran signed an agreement worth about \$750-1000 million in October 2004 Therefore, China made its first major investment in the energy sector of Iran. Furthermore, China has also signed estimated \$120 billion worth of oil deals with Iran between 2005 and 2010. (Fars News Agency, 2010) However, this does not mean that China carry completely out the energy investment projects in which it has involved despite its thirst for involvement in Iranian energy sector as inventor.

By taking this fact into consideration, this question can be asked: why these projects have been postponed? The question can be answered in the light of several important findings made by Erica Downs on limits of economic

cooperation in the energy sector between Iran and China. According to her, first of all, Chinese companies have neither an advanced technology needed to liquefy Iran's natural gas or experience to manage large, complex projects like gas liquefaction ventures unlike the major international companies which had already left Iranian energy sector. In addition, they do appear as reluctant as other foreign companies to breach sanctions in spite of their eagerness to get their foot in Iran's door. Most importantly, China, do not want to endanger its relationship with the US despite its rhetoric against the US-led international order. (Downs, 2009) Put differently, for China it is hard to promote its investments in Iran's energy sector, as long as the tension between Iran and the West, particularly the U.S., maintains due to Iran's nuclear program which turned into an international crisis. In a similar vein, China cannot promote security cooperation with Iran, a country which is under the United Nations sanctions, as in the example of the Shanghai Cooperation Organization.

## **Conclusion**

It is obvious that both Russia and China follows a balancing policy between Iran and the U.S. not to jeopardize the ties with each of them. Despite their rhetoric against the U.S. unilateralism, they cannot take the risk of confrontation with the U.S. and therefore do not cooperate with Iran so as to constitute an alternative political, economic and security system that challenges the U.S. In face of this reality, all Iran can do is to benefit maximally from the balancing policies of Russia and China. On the other hand, having ties with Venezuela is an asset for Iran to involve in Latin America, American "backyard" and consolidate the anti-American block, ALBA countries. In this way, Iran tries to increase the U.S. concerns about its activities in the region as a challenge to the U.S efforts to isolate Iran in the international arena.

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