The assumption that trade and peace have a positive correlation is something that has been believed for millennia.\(^1\) Further, such belief in the positive trade-peace relationship has manifested itself in the form of government and intergovernmental policies. More recently, liberal democracies in the West have implemented policies based on this assumption and, in turn, have expanded this policy when concerned with dealings with a foreign actor (or state). However, this policy has not always led to the desired peace-through-trade outcome.

Specifically, the European Union (EU) has maintained a belief in this policy since its foundation in 1951. More recently, in 1992, the EU highlighted its confidence in achieving peace through trade by introducing a renewed foreign-policy approach, the Common Foreign and Security Policy (CFSP). The CFSP specified that “member states shall apply to their trade with the countries and territories [i.e., non-EU states] the same treatment as they accord each other,”\(^2\) with the aim of removing “restrictions on international trade [from which the] pooling [of] their resources [will] preserve and strengthen peace.”\(^3\) This book demonstrates how the CFSP was unsuccessful in reaching these goals when concerned with EU ties with Iraq and Iran, in spite of the confidence that Brussels had in this peace-through-trade policy. This is achieved by dividing each case study into two chapters—one assessing the peace-through-trade policy before and the other immediately after the introduction of the CFSP (between 1979 and 1991 and between 1992 and 2009, respectively). Additionally, this book also assesses the reasons behind the failure of the EU’s peace-through-trade policy from 1979 to 1991 (i.e., pre-CFSP).

The EU identifies itself as “an on-going exercise in making peace and prosperity, [and therefore] has a big role to play in global efforts...
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for conflict prevention.” It carries out this role by instructing its member states to cooperate with one another when formulating policies to “maintain peace” and “prevent conflict.” Further, in its relations with foreign actors, the EU identifies “economic co-operation and trade [as a means to] directly or indirectly...prevent conflict.” This book demonstrates that this EU peace-through-trade policy has failed and adopts the following hypothesis: increasing EU trade failed to prevent conflict and maintain peace in Iraq and Iran between 1979 and 2009.

During this period, EU exports to and imports from Iraq totaled $80.71 billion and $98.83 billion, respectively, despite the fact that Iraq was involved in conflicts with Iran and Kuwait, was suspected to have pursued weapons of mass destruction (WMDs) development, and had experienced violent unrest following the removal of President Saddam Hussein. With respect to Iran, EU exports totaled $264.42 billion and imports reached an aggregated $239.18 billion in the same period. This was in spite of the fact that Iran was engaged in the Iran-Iraq War and carried out activities that the EU considered as barriers to peace, specifically nuclear technology development and the sponsoring of terrorist activities.

The Trade-Peace Theory

The peace-through-trade policy assumes a positive correlation between trade and peace, hereafter referred to as the “trade-peace theory.” The EU demonstrates its belief in this relationship through its treaty provisions, rhetoric, and foreign-policy actions. Chapter 2 provides a detailed discussion of the theory and literature concerned with the trade-peace debate. This acts as a basis for the following chapters, which provide evidence challenging the positive trade-peace relationship. As a result, this book concludes that commercial gains and each case study’s domestic political environment must be taken into consideration when formulating a peace-through-trade policy, and outlines the theoretical and policy implications of the findings.

The assumption of a positive trade-peace link dates back to around AD 100 when the Greek thinker Plutarch, who was referring to the benefits of sea trade, noted that “when our life was savage and unsociable, [the seal] linked it together and made it complete, redressing defects by mutual assistance and exchange and so bringing about cooperation and friendship.” In 1758, Scottish economist David Hume asserted that an increase in trade leads to a flourishing global