The end of the Gulf War coincided with the introduction of a new Iranian economic reconstruction policy that concentrated on developing Iran through increased trade. However, the implementation of the Common Foreign and Security Policy (CFSP) alongside Iranian nuclear technology development and sponsoring hostage-taking activities, which were identified as barriers to peace by the EU, continued to pose a problem for the peace-through-trade policy post-1991.

Notably, at this point, Brussels attempted to achieve this goal through its soft approach toward the fatwa, human rights, and nuclear proliferation. This soft approach came in the form of the EU Critical Dialogue strategy toward Iran. This strategy was aimed at improving Iran’s human rights abuse record (i.e., the suppressing of freedom of speech and severe punishments for crimes and gestures against Islam and the regime, such as the Rushdie fatwa). The EU also used the dialogue as a means to limit and even eliminate Iran’s support for what Brussels termed “radical” and “extremist” groups and movements in the region such as Hezbollah, Hamas, and Islamic Jihad and as a means to limit Iran’s nuclear program development. These developments meant an EU-Iranian political or economic trade agreement, or even cooperation, was conditional on Iran addressing human rights and nuclear concerns, as well as ceasing support for the radical groups.


The end of the Iran-Iraq War combined with the death of Ayatollah Khomeini led to changes in the Iranian governmental system. The
new president Rafsanjani and supreme leader Khamenei took the helm and agreed on a new governmental structure that meant the country’s decision-making powers were distributed more evenly across the two posts. The amendments were as follows: the dissolving of the position of prime minister, transferring the powers formally held by the prime minister to the president, and limiting the supreme leader’s ability to “interpolate the executive [i.e., president] and his cabinet.” The reform, pushed for by Rafsanjani, reallocated the ultimate decision-making power and allowed the president to have a larger stake in the country’s decision-making process. This move enabled Rafsanjani to adopt his economic development policy in Iran to help the country recover from nearly a decade of being at war with Iraq.

Rafsanjani’s aim to develop/reconstruct Iran came through a vigilant policy of acquiring foreign trade and investment, specifically from the EU. Indeed, Rafsanjani repeatedly signaled this intent in the early 1990s by announcing that “the field is open for those governments who want to have sincere cooperation with [Iran].”

Specifically, as Rafsanjani focused on economic reconstruction, Khatami switched to a modern reform-based administration and Ahmadinejad led a conservative government. Simultaneously, Ayatollah Khamenei was less charismatic and ruled with less dominance and vigor in the political domain, as, in theory, his position evolved into a more “guiding” role as opposed to an absolute power, in comparison to Khomeini’s rule. However, in practice, Khamenei’s ultimate veto power made him the de facto decision-maker. While it is out of the remit of this book, it is clear that Khomeini’s death led to the supreme leader having less of a concentrated role, which meant presidents operating under Khamenei’s rule were able to pursue more liberal economic and development policies, so long as Khamenei gave his consent. However, this only exposed the power struggle between the supreme leader and president.

Almost simultaneously, in 1991, the EU drew up its own renewed policy for dealing with foreign states (i.e., the CFSP). This meant that both the CFSP and Iran’s foreign policy fostered an environment of mutual benefit. The CFSP provided a clearer framework for member states to make foreign policy decisions at the EU level. It also highlighted the contrast between the EU’s soft approach to foreign policy and the United States’ hard approach. Indeed, the EU maintained its trade ties with Iran despite US-led sanctions, focusing on diplomacy to achieve progress over human rights, support for terrorist organizations, and nuclear concerns. The repercussions led to an increasing