CHAPTER 2
The Impact of the Revolution (1979–89)

The Islamic revolution marked a clear turning point in the history of the modern Middle East. On a domestic level, Iran’s political, economic, and cultural independence from foreign powers was a key factor that united the different factions against the monarchy. Iran had to also free itself from its scientific and technological dependence on Western countries and from the political inheritance of the shah in order to raise its nuclear program as a symbol of scientific autarch. This complex and lengthy process, which stretched from 1979 to 1985, slowed down the development of its nuclear activities. It was only toward the mid-1980s during the conflict with Iraq that Iranian investments in the nuclear field acquired new momentum to comply with the strategic needs of the hour.

2.1 Shah’s Nuclear Inheritance

In February 1979, Fereydun Sahabi was appointed ad interim president of the Atomic Energy Organization of Iran (AEOI). He publicly criticized Iran’s investment in the nuclear program stressing that the shah’s ambitious plan was economically unsustainable. The domestic debate within the nascent Islamic Republic on this issue was soon focused on the future of the nuclear reactors of Bushehr. Although the construction of these reactors was already well under way—at an overall cost of $3.1 billion—another $3.8 billion were needed to bring them into operation. Given the institutional and economic crisis affecting Iran, this investment was considered out of reach.\(^1\)

The availability of financial resources and their economic use in the nuclear field were not the only criticalities that were debated. Other political-symbolic aspects influenced the decision to renew cooperation with Kraftwerk Union (KWU). The possibility of accepting some form of technological dependence from the West German group highlighted the differences between the
autarchic-radical stance envisioned by the “parallel powers” controlled by Khomeini (such as The Revolutionary Islamic Council and the Komitehs) and the pragmatic-moderate position of Prime Minister Mehdi Bazargan who, in his foreign policy, tried to translate the new Iranian nationalism born of the revolution with the rhetoric typically used by the countries of the Non-Aligned Movement.

While the radical groups favored an abrupt policy reversal of key diplomatic relations and strategic alliances developed by the shah, Bazargan was more supportive of an overall redefinition of Iran’s relations with great powers, without necessarily achieving a complete breakdown. These differences were also clear in the nuclear field, with some Iranian representatives thinking of canceling the deals with foreign actors on the one hand—even provocatively proposing to turn the nearly completed reactor vessels of Bushehr into grain silos—and Foreign Minister Ebrahim Yazdi firmly opposing the unilateral abrogation of the nuclear deals on the other. According to his statements, such a decision would have forfeited the benefits which the shah had obtained at a high price, while chasing the myth of an absolute economic and industrial independence from the West.²

Sahabi mediated these different approaches. Besides reaffirming that self-sufficiency was Iran’s leading principle, he never formally ruled out the possibility of resuming the project with KWU. This choice was potentially influenced by Iran’s decision to appeal to the Arbitration Court of the International Chamber of Commerce of Geneva to request $1 billion compensation for the economic losses caused by the withdrawal of KWU from the Bushehr project.³ The German company justified the withdrawal—which was announced in August 1979—as a result of Iran’s failure to pay for nuclear equipment destined to Bushehr, worth $450 million. KWU also asked for the reimbursement of $800 million as compensation for all the equipment produced for this site that was not yet delivered to Iran.

This litigation was only the first of a series of legal disputes between the Islamic Republic and other international nuclear suppliers who had signed several agreements with the shah from 1974 to 1978. Tehran, indeed, had already presented to the International Chamber of Commerce of Paris a request for the reimbursement of its 10 percent stake in EURODIF to recover a deposit of $1 billion made to the Bank of France in June 1974. In turn, France demanded $750 million for damages from Iran as compensation for the country’s withdrawal from EURODIF, and as reparation for Iran’s unilateral termination of the contracts for the two French nuclear reactors of Darkhovin.⁴ In October 1979, the International Chamber of Commerce of Paris suspended the repayment of the Iranian quotes in EURODIF. At the same time, the court ruled out the compensation asked by France for the Iranian withdrawal from the enrichment consortium, a decision that left this dispute essentially unresolved until the early 1990s.⁵