Chapter 8
Conclusions

From the preceding study it becomes clear that, Iran’s energy policy towards China and India can be explained by the complex interdependence framework. Accordingly, Iran’s energy policy towards China and India has been influenced by two factors: international factors and internal factors. It is the interplay of these two factors which shows the variance with reference to two Asian countries.

Role of International factors has been explained by Neorealist systemic approach and particularly by the theory of Kenneth Waltz. Waltz theory explains that the changes in the Iranian energy policy came in response to the International system and it has been influenced by international factors. To explain this impact for instance, according to structural-realism, the powerful states are able to force weaker states into compliance and thus determine international regimes in such a manner that they maintain their dominant position.

This can clarify the U.S. sanctions against Iran, and its pressure on the European countries and companies to reduce trade with Iran. U.S. pressure has concentrated on energy sector including investments in oil and gas fields. U.S. made restrictions on the transfer of capital and technology between Iran and European countries. This issue has made the Iranians realize that their trade needs to move away from the Europeans. East Asian countries, due to the growth of their economy and increase of oil and gas demand, occupied the place of European countries as the best energy partner for Iran.

As a matter of fact, many analysts believed that in the existing situation, if the 20th century could be dubbed as the European century, the 21st century would belong to Asia. Even some American strategists in their studies concluded that the United States should pay special attention to Asia in its future strategies. The argument followed the line that while the United States had paid special attention during the 20th century to Europe and the Atlantic alliance, the U.S. needed to shift its attention to Asia in the 21st century. It is said that in the age of Asia-Pacific while Europe has reached its peak in
economic development, it is Asia that has high potentials yet to be explored and flourished in the future.

Two Asia giants, i.e. China and India, have rapidly growing economies. It is estimated that India's middle class of over 300 million have potential purchasing power of 3000 dollars per month (Dutta 2009). The World Bank says India will become the third largest economy after China and the U.S. by 2025 (Blank 2004). Given the existing trends, the future of Asia is very promising. For this reason, most of the great powers have shifted their attention to this continent.

The high rate of energy consumption in Asia as well as the continent's rapid development in the last decade have made the providing of energy and its security an important challenge for the area. According to the International Energy Organization, developing Asia (Asia minus Japan and South Korea) will increase its demand for energy by more than 42 per cent in 2030, compared to a 26 per cent increase in the demand of the United States and Canada. The impressive growth of energy consumption in Asia accounts for its large share in the increase of global energy consumption. In Asia's industrializing countries, the average annual energy consumption growth is 3 per cent while this rate is 1.7 per cent worldwide (International Energy Outlook 2009).

According to the research made by the International Energy Agency, the region's oil consumption will reach 25 to 30 mbd by 2010 – most of which will be imported from the Persian Gulf region. China alone will import 3 to 5 million barrels of oil by 2010, while it imported 104 million barrels of oil in 1999. Thus, it is clear that this shifting in Iran's energy policy has to be explained based on increasing of energy demand in Asia.

However, while neorealist/systemic approach could give some explanations and reasons about Iran's energy policy decision making process, it could not explain many points that have affected Iranian policy towards Asian countries. Iran's internal factors are some of them. The role of internal factors in shaping Iran's energy policy can be explained by reference to James N. Rosenau's theory and his explanations about relations between international and domestic factors. According to this theory, role of the Supreme Leader and the President in energy decision making process must be considered. This role is very important to know about the policy which is recognized as "look to East".
“Look to East” as a specific approach in Iran’s foreign policy dates back to several decades. In fact, substantial international developments after the end of the Cold War and the collapse of the bipolar system led various countries to redefine their foreign policies. This was more important for great and middle powers that had global and regional interests. Under such circumstances and given the major developments occurring around its borders, the Islamic Republic of Iran as a regional power was inclined to redefine some of its approaches to foreign policy.

Although President Akbar Hashemi Rafsanjani and President Mohammad Khatami were trying to solve problems with the West but President Ahmadinejad, who coincided with a deadlock in negotiations between Iran and the EU-3 (Great Britain, France and Germany) over Iran’s nuclear program, tried to establish closer links with countries in the “East” under title of “Look to the East” policy. It is important to know that Ayatollah Kahameni as supreme leader also supported Ahamdinjed’s policy towards East Asia.

However, “look to East” policy has been followed by Ahamdinejad’s administration since 2005. In forming “look to East” policy major Iranian considerations can be defined in terms of 1) China, India and Japan, as the largest consumers of energy in the 21st century, and as the biggest energy guzzlers of the East Asian region; 2) Different political approaches of China and Russia towards Iran and 3) Iranian government deadlock in nuclear negotiations with the EU-3 and the U.S.

The “Look to East” policy that generally prioritizes the strengthening and deepening of bilateral relations with the Eastern countries needs the expansion of Iran’s bilateral and regional relations with Asian and Eastern countries because, Iran may attempt to make strategic regional alliances with countries such as China, India, Russia and Iran. Thus, the question is how is it possible to implement a “Look to East” policy in the framework of regional cooperation?

Enhancing Iran’s status in regional organizations such as the Economic Cooperation Organization (ECO), the D-8 group, the Shanghai Cooperation Organization (SCO), the Conference on Interaction and Confidence-Building Measures in Asia (CICA) can provide appropriate opportunities for Iran to pursue a “Look to East” policy. But, according to this study, it has been proved that Ahamdinejad’s government, for following
"Look to East" policy, has pursued an economic approach rather than a strategic one. It seems that, economic cooperation with Asian countries, especially in the energy and transit sectors, is considered an important area for Iran's regional cooperation in Asia particularly with China and India. Therefore it is clear that Ahmadinejad's government follows "look to East" policy based on energy relations.

It can be argued that the growth factor of Asian nations, particularly China and India, and their consequent higher oil imports, can provide the much needed respite to Iran not only for a revival of its global oil business but also to accelerate it. At a time when Iran is facing increasing international isolation, its "Look to East" policy can serve as a fine recipe for its stagnated oil business and the Asian nations, particularly India and China, can be promising and stable markets for Iran's future energy trade.

It should be noted that Iran has faced a severe crisis in its oil industry after the revolution in the context of increasing isolationist policy of the U.S. The search for a good market by Iran is its most important concern at the moment keeping in view that Iran relies much on its oil revenues. The overwhelming dependence on oil revenue has rendered it anxious to protect that earning capacity. Such stability in Iranian oil revenues cannot be established without the effective cooperation with major importers. While there is a need for Iran to develop its cooperative mechanism with Asian nations, a reassessment of its policy towards both India and China requires utmost importance.

It seems that Iran can follow this policy based on "An Asian Model for Energy Security" because there is a great opportunity in Asia when it comes to energy. Its western region is an energy supplier, and its eastern region (plus India) is an energy consumer. This opportunity can be realized if different sides can work out a framework for cooperation on this axis of energy. According to this situation Iran has tried to create strategic relations with China and India based on interdependence. Iran's strategy that has applied to implement this policy is through expansion of bilateral energy relations as well as alliances particularly with China and India.

It is clear that there is interdependence in global oil market. In fact, interdependence is fundamental characteristic of emerging market environment and one of the key implications of the emerging trends in global oil markets is the growth of interdependence. The first form of interdependence is trade, stemming from the
geographical dispersion of supply and demand. Consumption growth will become increasingly concentrated in the developing countries over time, primarily in Asia, while supply will become increasingly concentrated in the West Asia, West Africa and Russia. And the second form of interdependence arises between resource owners and producing companies.

It has to be considered that Interdependence was the solution for the energy security of oil consumers as well as for the benefit of oil producers. As a matter of fact, it is in the mutual interest of them which is growing. That is, while the producer and consumer countries, as well as the NOCs and IOCs, face fundamental differences of interest with their trading or operating partners, they also share a mutual interest in the orderly development of a market within which they can achieve their mutual goals. Thus, it is apparent that energy relations between Iran-China and also India based on circumstances of global oil market can be defined as interdependence situation such as other oil producers and customers but. However, it has to be considered that Iran follows strategic relation based on energy with these countries and according to “Look to East” policy of Iran.

This country tries to create alliance with East Asian countries particularly China to use its power in conflict with U.S. and also tries to keep away India to support U.S. pressure against it. As matter of fact Iran tries, depending on strategic relations based on energy with India, to avoid the conflict with it under pressure of U.S. Iranian politicians believe that based on East and West system they can achieve their aims. Some of the followers of relationship with East are also looking for a balance of power in Iran’s foreign relations. According to this idea Iran can remove dependence on the West and enforce a balanced foreign policy.

Although, the relationship between China and U.S was based on bi-polar system, but since the end of the Cold War, their relationship has been determined by a more liberal philosophy initially thought out by Joseph Nye and Robert Keohane, called "complex interdependence". This new theory better fits (although not perfectly) the relationship of the two nations in the last decade or so. According to the complex interdependence, economic interdependence between two countries and the result of that politics will avoid conflict between them.
Since the end of the Cold War, the relationship between the China and the United States has been defined by many issues, including economic interdependence, regional security, environmental concerns, human rights, and the international flow of technology and information. Each of these areas are continually being resurfaced and mutually linked to one another in multilateral discussions and agreements, bilateral, government-level talks, and increased societal exchanges. Furthermore, the increased economic interdependence, which will become even more of the cornerstone to the relationship in the future than it is now, has been on the top of the agenda of both nations' bilateral foreign policies in the form of a policy moving toward China's WTO accession.

When China becomes a full-fledged member of the WTO, it is thought, the world will begin to see a new China. This new China will be brought into the global marketplace, and will strategically create a China that is interdependent with the rest of the economies of the WTO. Through a U.S. policy of engagement that will lead to global access to China's markets, it is thought that China will be more inclined to use diplomacy and economic means, rather than military aggression or the threat of aggression in order to solve regional and global disputes. Although there will be increased economic interdependence, there will continue to be areas of contention between China and the international community.

These areas of conflict, however, will increasingly be linked to China's economic growth, and will be determined through diplomatic and economic channels, international pressure, and cross-societal exchanges, rather than through armed confrontation. Furthermore, an increased number of multilateral organizations, non-governmental organizations, and multinational corporations will play a role in international politics and in the resolution of many of these problem areas. Energy and global oil market can be considered as one of the areas.

Oil diplomacy is simply not a zero-sum game. It is also complex interdependence, since in the energy sector, all players, including the U.S. government, American and multinational oil companies, the Persian Gulf oil exporters, Europe, Japan, China, India and other oil exporter and consumer countries can benefit from cooperation. It is also important to keep in mind that historically the United States has been a force that has expended significant effort to uphold the economic rules of the market operations
worldwide. The United States will not likely be away from using oil to influence or even intimidate other countries' foreign and domestic policy, but will do so mainly with the one strategic goal in mind: making sure oil, especially West Asian countries oil, flows to the United States and other major oil consumers around the world at an affordable price.

Following this policy, since the end of the Cold War, the United States has established firm control over the Persian Gulf region militarily through two wars with Iraq. Americans have also directly interfered with China's forays into the regional oil and gas markets in the Persian Gulf. A conflict has arisen over the sales of dual-use technologies and equipment. From the U.S. perspective, China's military cooperation and trade of dual-use items with Iran, Iraq, Syria and Saudi Arabia amounts to a weapons-for-oil strategy.

From China's perspective, although it did not openly oppose the United States from using force against Iraq with a veto at the United Nations before the second Iraq war, the challenges China is facing in the Persian Gulf region haven't diminished at all. In order to ensure access to a West Asian supply of oil, China finds itself in the uncomfortable position of having to cater to the political demands of some of its suppliers there. The result is an inevitable clash with the United States. For instance, in December 2003, the American Embassy in Beijing pressured CNPC into retracting its bid for the exploration of 16 new oil fields in Iran. Although U.S has pressured on China because of energy relations with Iran, but it has not been a source of conflict between two countries, however China has showed that it is not going to compromise its relation with United States to strengthen its ties with Iran.

In fact, Iran has to recognize that the relationship between the United State and China will continue to evolve. The current governments of both nations have begun to develop foreign policy agendas that are closer in tune with the international relations theory of complex interdependence than the realist theory that has dominated the Cold War. Their policies are increasingly attempting to garner a level of mutually beneficial interactions in order to lead toward cooperation on all fronts of the two nations' agendas. Specifically, the overall relationship between the two nations is increasing the level of importance of economic interdependence in order to break down barriers when the two nations are forced to face other problems in the international arena.
On the other hand, from an Iranian perspective, the economic alliance with key regional player and emerging global powers such as India has a highly positive impact both in terms of breaking the “policy of isolation” adopted against Iran, and to gain additional leverage in impacting these countries’ stand on Tehran's nuclear program. Iran is increasing its bilateral relations with India by leveraging its energy resources to create powerful economic incentives to increase state-to-state cooperation. But Iran’s attempt to create strategic relations with India has not succeeded and this can be discussed also under Complex interdependence circumstance in the world.

India entered the era of interdependence with the liberalization of 1991. India’s new export orientation and increasing foreign direct investment abandoned the model of mixed economy and integrated the country into the networks of globalization. The new situation increased India’s demand for energy. Result of India’s increasing energy demand has increased its economic interdependence. But, the problem of interdependence is aggravated because many energy resources that India needs desperately are closely interlinked with security and foreign policy issues, for instance the gas pipeline project with Bangladesh on the bilateral level, the Indo-U.S. nuclear deal and its repercussions on the NPT on the multilateral level and also Iran-Pakistan gas pipeline.

The Iran-Pakistan-India (IPI) pipeline project became closely with the relation between U.S and India. India joined the international community and voted against Iran linked with agreement between India and the United States which started the debate on civilian nuclear cooperation. This sparked off a heated debate in India about possible arrangements between India and the U.S. which may restrict India’s autonomy in foreign policy. But it seems that under these conditions India until 2007 could not pursue the IPI project.

However, the argument is that India’s energy needs reflect the new constraints of interdependence that India is confronted with in the era of globalization. Interdependence resembles a coin. On the front side it shows India’s new economic and political strength in international affairs, on the rear side one sees India’s new dependences and vulnerabilities because of the linkage with many security issues. Generally, India will
probably benefit from the new interdependence although it will introduce new constraints on her foreign policy.

Emerging from this debate is the suggestion that China and the United States have become significantly interdependent as India’s economic interdependence towards U.S. has increased and made India vulnerable in relations with U.S. Thus, economic interdependence between China-U.S. and also India-U.S. in framework of complex interdependence has prevented China and India from strategic relation with Iran due to U.S. policy towards Iran and particularly its pressure to other countries for isolating Iran.

According to the result, it can be argued that Iran’s policy (“Look to the East”) is defined in terms of the Neorealism or realism structure which is based on security and is the dominant concern of states, force is the major instrument of power, and state governments maintain their balance of power as they interact with each other. Therefore “Look to East” cannot be classified under the complex interdependence of the new world. The system of the world has been transferred from bipolar system to complex interdependence since the Cold War and as China and India are under the complex interdependence system of the new world, Iran can not achieve its strategic aims by making bilateral relations with both of them.

That can be justified as follows: economic interdependence between China and the great powers and particularly with the U.S. has increased, but although China is a great power yet it’s not to be considered as a global power as it has been explained earlier. It is sensitive in its relationships especially in its energy security. In addition to that, India is vulnerable in its relations with others due to its foreign policy which is combined with the U.S. Thus, Iran’s bilateral relations with both of them in energy sector can not push them to create strategic relationship with them. In fact, growth of mutually advantageous Iran-China and Iran-India relations are predicated on their respective concern for “global climbing”.

However, in this situation Iran can not avoid the conflict, formed by US, with them. It is clear that Iran must enter the complex interdependence system by making multilateral relations with Eastern and Western countries. The “Look to East” policy cannot serve Iran’s national interests and remove any kind of dependence on the West and enforce a balanced foreign policy. Thus, there are no good reasons to neglect
strategic advantages that can result from a positive relationship with the West. Arguably, the rehabilitation and further development of the Iranian oil industry would be best achieved by re-establishing contracts with Western oil majors who could provide technology and expertise at the same time by Eastern oil countries in multilateral level.