Chapter 1

Introduction

Energy relations among the nations are not determined by economics alone. It is the complex interdependence between exporting and consuming Asian oil countries that defines energy's role in their relationship. The subject has been studied from diverse perspectives by scholars.

One may argue that domestic factors can be considered as primary ones towards shaping the energy policy and making relationships among oil and gas exporters and consumers in Asia. Followers of this idea have been using theories of scholars such as James N. Rosenau (1966), Snyder (1991) and Hagan (2004). As opposed to this, another idea suggests that international factors have played more important role in determining the relationships among Asian countries and formulating their energy policies. Most realist and neorealist scholars have followed this opinion and among them the theory of Kenneth Waltz (1979) has been widely used by the scholars.

Some scholars like Anoushiravan Ehteshami (1995) and Roger Howard (2007) have studied about Iran while considering international elements as main factors in Iran's energy policy together with its relations with Asian countries. On the other hand, the role of domestic factors in shaping energy policy of Iran has been considered by some other group of scholars who are experts in Iranian affairs. This group includes Jahangir Amuzegar (1997) and Mohammadbaghr Heshmatzadeh (2001).

In addition, there is a belief that energy relations between Iran and Asian countries can be based on either supply and demand system or strategic and interdependence. For example, Afrasiabi (2008) and Vaezi (2006) have found in their studies that economic interdependence can be considered as the determining factor in Iran's relations with Asian countries.

Hence, taking into account all the previous approaches towards energy policy, the present study would evaluate the available literature to review Iran's energy policy towards China and India in a comparative perspective.
Definition, Rationale and Scope of the Study

The present study attempts to analyse Iran’s energy policy towards China and India with the help of theories of two researchers; James N. Rosenau’s explanation of domestic factors, and Kenneth Waltz’s Neorealism in order to focus on international elements in shaping of energy policy of Iran towards China and India. The study would also consider the Complex interdependence model in reviewing relations between Iran – China and Iran- India relationships based on energy.

Iran has been attempting to maximize its power on the strength of its place in the global hydrocarbon hierarchy, which has been restrained by the global hydrocarbon regime. It has been increasingly becoming globalised taking away the market leverage from any single player to tilt it to its advantage. Yet it is its globalizing nature that adds to the strength of any and every single player to jeopardize its functioning. The dynamics of world hydrocarbon market can be studied with the help of Complex independence because it is multiple channels of transactions that are determining it.

Iran, despite being the second in the OPEC hierarchy cannot augment its energy power projection on the strength of OPEC as the latter itself as collective body does not enjoy the absolute market leverage. Placed in the asymmetrical power structure of global energy market, Iran experiences further erosion of its energy power following shift in its energy policy orientation and foreign policy after the regime change.

The eight-year war and sanctions have damaged the energy sector vitally and eroded its energy power. Iran needs a proactive foreign energy policy to enhance its energy power and to augment energy power to scale up its strategic salience in regional and global politics. Iranian move towards Asia flows from its compulsion in energy sector. Iranian initiatives have accrued it some dividend, as Asia is the emerging energy market. Asia needs Iranian energy to execute the shifting global power balance to its advantage. Thus, Iranian energy could be the source of its power projection globally. It is the strategic dimension that gives the rationale for multiple exchanges and making and defining the scope of interdependence between Iran and the Asian players.

Iran-China relations in particular demonstrate huge possibilities and potentials. Iran-India relations are contributing to their respective advantages too but Sino- Indian
relations, Sino-US relations and Indio-US relations cast their shadow in unfolding of multiple exchanges to make the relationship a complex interdependent one. Still, the rich historical baggage does become a crucial factor in profiling the scope of their bilateral relations.

Therefore, this comparative study would attempt to assess the nuanced yet defined divergence of scope of relationship between Iran and China and Iran and India respectively.

The Research Question

1. Why the Iranian state needs hydrocarbon to augment its power projection and hedge against vulnerabilities?

2. How energy drives Iran-Asia relations, determined by complex interdependence of the global hydrocarbon system, regional dynamics and the foreign policy concerns of the countries engaged in multiple exchanges?

Hypotheses

1. Energy constitutes vital component of power projection/depletion in Islamic Republic of Iran.

2. Energy plays critical role in Iran’s foreign policy towards Asia.

3. Strengthening of Iran-Asia energy relations facilitate the pace of rising Asia.

4. Growth of mutually advantageous Iran-China, Iran-India relations are predicated on their respective concern for “global climbing”.

Research Methodology

This study aims to analyse Iranian energy relations (with China and India) as dependent variable on its energy policy which in turn derives its profile from the interplay of domestic and international factors. It will be based on both the inductive and deductive reasoning processes. It recognizes that multiple interacting components determine the Iranian energy policy, yet the policy cannot be inferred simply by the behavior of the components. This makes it imperative to locate this study in the interdisciplinary premise.
The study will be based on primary and secondary data published by public, and private research institutes and organizations. The information will also be obtained from articles, journals and books published on related issues. The primary information will be obtained from the corporate, government and non-governmental officials and general people of Iran, who are available for an interview or a discussion during the course of the research.

The study would attempt to answer the main research question that has been mentioned above and the minor questions that would be asked in the subsequent chapters which are briefly introduced in the following paragraphs.

Chapter Two, “Literature Review and the Theoretical Framework”, will bring the general reviews of the literature that deal with the Energy Policy. In this review the work of Waltz, “Theory of International Politics” and James N. Rosenau’s work “Pre-Theories and Theories and Foreign Policy” will be argued in the theoretical framework. Theory of Interdependence will be used to discuss Iran-China and Iran-India relations.

In addition to ideas of some scholars who have studied about Iran’s energy policy in their works according to these theories and framework will be evaluated. Some of the authors and their works that could be mentioned in this respect are Mohammadbaghr Heshmatzadeh’s (2001) book Iran and Oil; sociology of political sociology of oil in Iran (1979-1997), Jahangir Amuzegar’s (1997) work Iran’s Economy under the Islamic Republic and Anoushiravan Ehteshami’s (2002) work, The Foreign Policy of Iran. This chapter, therefore, includes the survey of literature and the theoretical framework.

Chapter Three, “Iran’s Energy Policy: An Overview” attempts to look into the energy policy of Iran in its historical context with focus on pre and post revolution regimes in the comparative perspective. Energy policy of Iran will be reviewed in two parts, 1) Iran’s Energy Policy since Discovery of Oil until Islamic Revolution, and 2) Iran’s Energy Policy under Islamic Government.

Chapter Four, “Determinants of Iran’s Energy Policy: Domestic and International Factors”. This chapter will discuss about the domestic and international factors that determine oil decision making process and Iran’s energy policy. Chapter Five is titled “Iran’s Energy Decision Making and Foreign Policy”. The main factors that relate energy
to foreign policies of Iran will be examined in this chapter. Chapter Six is titled “Iran’s Energy Relations with China and India”. This chapter will discuss how Iranian state is looking proactively towards the oil markets of China and India.

Chapter Seven, “A Comparative Study of Iran’s Energy Policy towards China and India” will differentiate the dynamics of Iranian energy policy towards China and India. It will examine and compare the nature of energy relations between Iran and the two Asian consumers in the regional and global context. Finally, the last Chapter, “Conclusion”, will illustrate the results of this study. These results will help to draw expectations and predictions about the future of the Iran’s energy policy in coming years.