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**THE ROLE OF POLITICS OF ENERGY IN IRAN'S MIDDLE EAST POLICY**

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**THE ROLE OF POLITICS OF ENERGY IN IRAN'S MIDDLE EAST POLICY**  
**İRAN'IN ORTADOĞU POLİTİKASINDA ENERJİ POLİTİKALARININ**  
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## **Abstract**

This thesis examines the role of politics of energy in Middle Eastern foreign policy of Iran, which holds the world's fourth largest oil and second largest natural gas reserves. The main focus will be on the use of oil, natural gas, nuclear energy resources in the foreign policy-making process especially after the Islamic Revolution. This thesis first gives information on the external factors affecting Iran's Middle East foreign policy especially the impact of the so called new Cold War between Iran and Saudi Arabia on the “Axis of Resistance” in the Middle East and the effects of the U.S. foreign policy in the Middle East and Persian Gulf. Then it focuses on internal factors affecting Iran's Middle East foreign policy and especially the impact of sanctions on Iran's economy and analyzes developments in Iran's energy sector and policy during the period of nuclear-related sanctions which were imposed mainly by US, UN and the EU. The last chapter discusses the developments in Iran's energy sector and foreign policy after the sanctions lifted by the nuclear deal reached between Iran and the West, and the effects of the sanctions fully reimposed after the US withdrawal of the deal for the region, and examines whether Iran is using energy as a tool, as a weapon, as a leverage or all of them in the Middle East. It concludes that Iran uses oil as a weapon, natural gas as a tool and nuclear power as a political leverage in its Middle East policy.

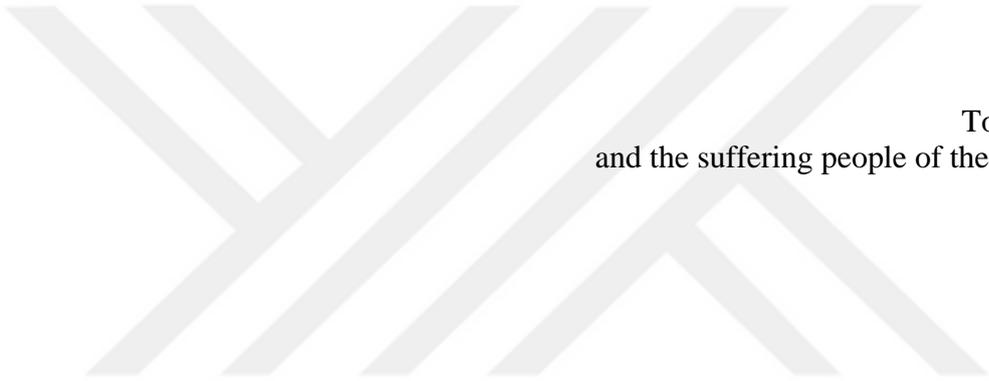
**Keywords:** Politics of Energy, Iran, Middle East, Nuclear Energy, Oil and Natural Gas

## Özet

Bu tez, dünyanın en büyük dördüncü petrol ve en büyük ikinci doğal gaz rezervini elinde tutan İran'ın Ortadoğu'ya yönelik dış politikasında enerji siyasetinin rolünü incelemektedir. Çalışma özellikle İslam Devrimi'nden sonra dış politika yapım sürecinde petrol, doğal gaz, nükleer enerji kaynaklarının kullanımı üzerinde olacaktır. Bu tez ilk olarak İran'ın Ortadoğu dış politikasını etkileyen dış faktörler, özellikle de İran-Suudi Arabistan arasındaki yeni Soğuk Savaş'ın Ortadoğu'daki "direniş eksenini" kapsamındaki etkileri ve ABD dış politikasının Ortadoğu ve Basra Körfezi'ndeki etkileri hakkında bilgi vermektedir. Daha sonra İran'ın Orta Doğu dış politikasını etkileyen iç faktörleri ve özellikle yaptırımların İran ekonomisi üzerindeki etkisine odaklanarak başta ABD, BM ve AB tarafından nükleer programına ilişkin olarak uygulanan yaptırımlar döneminde İran'ın enerji sektöründeki ve politikasındaki gelişmeleri analiz etmektedir. Son bölümde, İran ile Batı arasında varılan nükleer anlaşmayla kaldırılan yaptırımlar sonrası İran enerji sektörü ile dış politikasındaki gelişmeler ve ABD'nin anlaşmadan çekilmesi sonrası yeniden uygulanan yaptırımların bölge için etkileri tartışılmakta olup İran'ın Orta Doğu dış politikasında enerjiyi araç olarak mı silah olarak mı koz olarak mı yoksa hepsini birden mi kullanmakta olup olmadığı incelenmektedir. Tezde İran'ın Orta Doğu politikasında petrolü bir silah olarak, doğal gazı bir araç olarak ve nükleer enerjiyi ise siyasi bir koz olarak kullandığı sonucuna ulaşılmaktadır.

**Anahtar Kelimeler:** Enerji Politikaları, İran, Ortadoğu, Nükleer Enerji, Petrol ve Doğalgaz

## Acknowledgements



To my mother,  
and the suffering people of the Middle East

## **ABBREVIATIONS**

**FP:** Foreign Policy

**GCC:** Gulf Cooperation Council

**IEA:** International Energy Agency

**INSTEX:** Instrument in Support of Trade Exchanges

**IPC:** Iranian (or Integrated) Petroleum Contract

**IPE:** International Political Economy

**IR:** International Relations

**IRGC:** Islamic Revolutionary Guard Corps

**JPACO:** Joint Comprehensive Plan of Action

**LNG:** Liquefied Natural Gas

**ME:** Middle East

**MEPP:** Middle East Peace Process

**MP:** Member of Parliament

**NCR:** Neoclassical Realism

**NGO:** Non-Governmental Organization

**NIGC:** National Iranian Gas Company

**NIOC:** National Iranian Oil Company

**NIORDC:** National Iranian Oil Refining and Distribution Company

**NPC:** National Petrochemical Company

**OAPEC:** Organization of Arab Petroleum Exporting Countries

**OPEC:** Organization of Petroleum Exporting Countries

**P5+1:** Five permanent members of the UN Security Council plus Germany

**PIJ:** Palestinian Islamic Jihad

**PLO:** Palestine Liberation Organization

**SPV:** Special Purpose Vehicle

**WMD:** Weapon of Mass Destruction

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## 1.INTRODUCTION

This thesis attempts the analysis of the role of energy in Iranian foreign policy towards the Middle East. Iran which has the ability to influence Middle Eastern policies through geographical location, demographic characteristics, rich energy resources and deep political, religious, and cultural roots, as well as military capability and action has shaped its foreign policy as a regional power having global impact. The Middle East is the richest region in the world in terms of both oil and gas reserves. Ten countries<sup>1</sup> in the Middle East constitute only 3.4% of the world but hold 48% of the world's known oil reserves and 38% of natural gas reserves.<sup>2</sup> The geopolitical struggle between major powers is concentrated in the region rich in energy resources, such as the Caspian and Gulf region, where Iran is also located. Iran has 10% of the total proven oil reserves in the world and 15% of its natural gas reserves.<sup>3</sup>

The resources of energy are regarded as 'critical factors' to the degree that they change the balance of capabilities among states and thus impact the distribution of power in the global system. The IEA estimates that the world requires more than \$ 48 trillion in energy investment over the period to 2035, for the rising energy demand in the world, which is one of the key reasons for the rising standard of living in Asia-Pacific and Middle East.<sup>4</sup> Measured against a baseline in 2012, annual energy efficiency investments will increase to more than \$550 billion by 2035 from \$130 billion today.<sup>5</sup> The IEA also estimates that fossil fuels will account for more than 75% of that increase, and that coal and oil will remain at the center of the primary fuel mix. By 2030, installed energy production, which forms a key component of demand for fossil fuels, is projected to expand to five times the existing capacity of the United States.

In recent years, Iran's foreign policy have been importantly affected by economic-political events and technological advancements at the region as well as at the global level. The effects are best observed on the country's approach to ideology, religion, and its nuclear activities. One could count the First and Second World War, invasions by Russia and Britain, the military coup organized by the U.S. and Britain (Operation Ajax also called 1953 Iranian coup d'état) against

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<sup>1</sup> Iran, Iraq, Syria, Kuwait, Saudi Arabia, Bahrain, Qatar, United Arab Emirates (UAE), Oman, and Yemen

<sup>2</sup> Rasoul Sorkhabi, "Why So Much Oil in the Middle East?", available at <https://www.geoexpro.com/articles/2010/07/why-so-much-oil-in-the-middle-east> accessed on 06.01.2020

<sup>3</sup> Iran, Country Analysis, US Energy Information Administration, January 7, 2019; <https://www.eia.gov/international/overview/country/IRN> accessed on 31.03.2020

<sup>4</sup> World needs \$48 trillion in investment to meet its energy needs to 2035, International Energy Agency, June 3, 2014; available at <https://www.iea.org/news/world-needs-48-trillion-in-investment-to-meet-its-energy-needs-to-2035> accessed on 12.06.2020

<sup>5</sup> ibid

the national independence defender prime minister Mosaddegh, and the Islamic Revolution of 1979 as the most prominent events. The latest events that were influential on Iran's foreign policy were the war with Iraq, the 1991 Gulf War, where between 0.5-1.5 million casualties were counted, and the U.S. presence in the Middle East after the war, and the following U.S. invasion of Iraq in 2003. What mainly strengthened Iran's particular stance both nationally and internationally was its opposition to the U.S. and Israel. Iran's popularity increased due to this opposition both in the Islamic world and among the countries such as Cuba, China, North Korea, and Venezuela that are not allies of the US. In such a political context, three main aims of Iran's defense and security plans are apparent. The first is to avoid external dependence and become a self-sufficient country in all fields. The second is to improve its deterrence capacity, to make it capable of dealing with various military threats. The third is to make it an effective and indispensable power in the Middle East and Eurasia in accordance with the new strategic political climate.

Iran is in the aspiration to be regional power thanks to abundant hydrocarbon resources.<sup>6</sup> However, there is a difference between the desire to convert to regional power status and its existing regional status. The changes in the regional power balances following the 2003 invasion created leadership opportunities for Iran. The fall of Iraq created a power vacuum in the region to be filled by another regional power, where Iran emerged as a potential rising power after the military withdrawal of the US. Trump era focused on regional and border security, preventing the emergence of a hegemonic power, fighting against terrorism and dominating oil resources in the ME region. Withdrawal from the nuclear deal and has been imposing "maximum pressure" on Iran since mid-2019 only increased the tension in the region.

Even though the pressures to the extent of being characterized as a "rogue state" by the main actors of the international system after the Islamic Revolution, limit Iran's capacity, the contradictions arising in the world order help Iran overcome political pressures and make it a stronger actor. Living unstable and near-failed neighborhood and being close to neighbors with nuclear power and hostile regimes are the stress factors of Iran's foreign policy and the reasons of aiming nuclear power. Although Iran defines itself as the protector of Islam and of all Muslims implicitly, its foreign policy practices show a pragmatist tendency. Along with the energy resources, religion also offers a good opportunity for Iran's national interests and strategic goals. Iran is able to maintain a wide range of maneuvers also using the religion in its foreign policy through Lebanese Shiites against Israel, Iraqi Shiites and especially with Shiite

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<sup>6</sup> Telephone interview with Masud Zarvani, Investment and Budgeting Manager of Ministry of Petroleum of Islamic Republic of Iran, 07.03.2020

groups in the Gulf in opposition to the United States when the pressure increases on it. Iran is deprived of the technology, capital and knowhow required to modernize its aging petroleum industry due to US sanctions and political isolation due to its nuclear activities. The only thing Iran can do with its limited resources is to act directly by supporting proxies to undermine US and also Saudi dominance in the Middle East. To be able to understand this situation, it will be fruitful to look at Iran's foreign policy practices in different regions.

When Iran began pursuing an independent foreign policy after the 1979 Islamic Revolution, it became a threat to the United States. The United States' inclusion of Iran in the list of "countries that support terrorism," occupation of Afghanistan and Iraq, and the presence of US armed forces in the Persian Gulf have always led Iran to take precautions. The sanctions imposed by the United States has led Iran to seek alternative markets, and place more emphasis on Europe and Asia. At this point, energy reserves, the country's most important source of income, are also one of the most important economic factors that enable the country to become a regional power. Iran is the second largest oil producer in the Middle East after Saudi Arabia<sup>7</sup> and sits on the second largest natural gas reserve in the world after Russia.<sup>8</sup> Oil exports make up 80% of Iran's total export and 50% to 60% of its government revenue.<sup>9</sup> A clear sign that Iran successfully uses the strategic position of the Strait of Hormuz, which is the passing point of ships that carry crude oil to the world. This is a clear advantage, especially considering that 40% of the Middle Eastern oil, which makes up more than half the total oil production in the world, is transported via the ships passing through this geographic point.<sup>10</sup> Nevertheless, in spite of its geographic and oil reserve advantages, Iran is still dependent on its import of advanced technology to increase energy revenues.

It is not easy to understand Iran's foreign policy, particularly Tehran 's internal engagement and complex policy processes. A gap between its rhetoric and its actions; between its perception of grievance and its revolutionary attitude; and between its ideological and national interests.<sup>11</sup> For this reason, the objective of this thesis is to explore and analyze the internal and external factors

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<sup>7</sup> Samuel Stebbins, "These 15 countries, as home to largest reserves, control the world's oil", available at <https://www.usatoday.com/story/money/2019/05/22/largest-oil-reserves-in-world-15-countries-that-control-the-worlds-oil/39497945/> accessed on 01.04.2020

<sup>8</sup> Iran, Country Analysis, US Energy Information Administration, January 7, 2019; available at <https://www.eia.gov/international/analysis/country/IRN> accessed on 01.04.2020

<sup>9</sup> Today in Energy, US Energy Information Administration, April 26, 2013; available at <https://www.eia.gov/todayinenergy/detail.php?id=11011#:~:text=Iran's%202012%20net%20estimated%20oil,to%20the%20Economist%20Intelligence%20Unit>, accessed on 01.04.2020

<sup>10</sup> Today in Energy, US Energy Information Administration, June 20, 2019; available at <https://www.eia.gov/todayinenergy/detail.php?id=39932> accessed on 01.04.2020

<sup>11</sup> Ray Takeyh, "Gizli İran: İslâm Cumhuriyeti"nde Güç ve Paradoks", Ekvator Yayıncılık, 2007, p. 11

shaping contemporary Iranian foreign in the scope of politics of energy especially after Islamic Revolution.

The thesis answers the question of “What is the role of politics of energy in Iran’s Middle East policy”. It is assumed in this thesis that neoclassical realism is the dominant theory to explain the use of energy (resources) as a tool in its foreign policy. Neoclassical realism offers the most suitable conjectural framework of analyzing the Iranian foreign policy as it is deliberately designed as a foreign policy theory rather than as an international policy theory and it mainly seeks to explain countries' foreign policies by referring to national and international stages. Following the main research question, other sub questions are addressed to provide the skeleton around which will find information to answer our main research question. Is Iran trying to be a major regional power or more than this in the Middle East? And where does the energy stand? How Iran use “energy” in foreign policy especially after the Islamic Revolution? Is it a weapon or is it a tool or is it a leverage or all of them?

The thesis consists of four chapters excluding introduction and conclusion and attempts at the analysis of the role of energy in Iranian foreign policy towards the Middle East. First chapter is the historical background and aims to expose the 1973 oil crisis, which sets the oil usage policies of major oil exporters and the 1980-1988 Iran-Iraq War, which enabled Iran’s ideology to militarize. Then the implications of Iran’s foreign policy for its relationship with the EU are explored within the scope of ‘Critical Dialogue’ to ‘Comprehensive Dialogue’ follows. Whether “the Axis of Resistance” shaped by the Iranian leadership and the regional leadership race with Saudi Arabia are the precursors to Iran's rise to regional power will be discussed. Then it will describe the impacts of the 1991 Gulf War, which triggered the reflection of US influence in the Middle East and the US existence in the region for Iran. The next chapter examines the 1979 Islamic Revolution, which underlaid the objectives of the anti-Western credential and the anti – systemic ideology of Iran and then the use of sanctions as a foreign policy tool and their negative impact on Iran's economy together with the systemic, domestic and ideologic factors on Iran foreign policy. In the third chapter, theoretical framework will be delivered for the analysis of politics of energy in Iranian foreign policy, neoclassical realism is the dominant theory to explain the use of energy (resources) as a tool in its foreign policy. In the final chapter, the oil and natural gas strategies, the nuclear energy program, the international crisis created by nuclear energy and the negotiation process initiated for its solution, the importance of this process, the withdrawal of the United States from the process and the economic, political and military consequences will be evaluated. Last but not least it will be examined whether Iran is

using its energy resources as a tool, as a weapon, as a leverage or all of them in the Middle East policy.

The methodology of the thesis is based on qualitative research with the combination of addressing expert views also through personal interviews in order to reach a substantial analysis on the role of politics of energy of Iran's Middle East policy.



## **Chapter One: The External Factors Shaping Contemporary Iranian Foreign Policy**

This chapter focuses on evaluating what the external dynamics in Iranian foreign policy have been in the last four decades. It establishes the major economic, political, and military events or issues surrounding Iran and their relations with the wider international community in question. Paying attention to the oil crisis of 1973, which set the tone for oil usage in the foreign relations of main oil exporters as a tool such as Iran; The Islamic Revolution, which shook the world in 1979 and paved the way for its anti-systemic ideology; and the Iraq War of 1980 – 1988, which reinforced the ideology in a militarized context.<sup>12</sup> The chapter then analyzes the 1991 Gulf War which sparked the Middle East expansion of U.S. dominance as a 'local power' and, and the EU-Iran relations which are grounded from the failure to success in dialogue. In the following section the axis of resistance and the Cold War between Iran and Saudi Arabia will be discussed and The U.S. Foreign Policy in the Middle East and Persian Gulf and their effects to Iran will be analyzed.

### **1.1 The 1973 Oil Crisis**

One of the most important events in the 20th century not only in terms of geography of the Middle East, also in terms of the political history of the world is the establishment of the state of Israel in 1948 in the Middle East. With the support of the United States and Britain, despite the reaction of many states, especially the Arab states, Israel have engaged in many wars in order to survive. The first of these wars occurred when the British mandate order ended and Israel declared its independence on 14 May 1948. In a short time, this state was recognized by many countries, especially the United States and the USSR. However, Arab states have declared war against Israel by declaring that they do not accept the declaration of independence. Israel has expanded its territory for the first time by defeating the armies of Egypt, Jordan, Syria and Lebanon.

The Prime Minister Nasser's decision on nationalization of the Suez Canal, which was operated by British and French companies in 1956 sparked the Second Arab-Israeli War. Israel, along with Britain and France, has waged war against Egypt. In the war that began in 1956, these states made progress against Egypt, but with the intervention of the United States and the USSR in favor of Egypt, Israel, Britain and France stopped their attacks and withdrew their troops from Egyptian territory. The third of the wars between Arabs and Israelis is the 1967 war, also called

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<sup>12</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.", June 2012, p.22

The Six Day Wars. The mentioned war is considered to be the most critical battle between the parties. In this war, which took place between Israel and Egypt, Syria, Jordan and Iraq and lasted for 6 days on various fronts, Israel had a great advantage over the Arab states. Israel has managed to occupy critical areas such as the Sinai Peninsula, the Golan Heights, the West Bank and Gaza. The fourth Arab-Israeli war (Yom Kippur War) began on October 6, 1973. During the Yom Kippur holiday, which is considered sacred to the Jews, the Egyptian and Syrian armies attacked Israel in October 1973 and managed to capture some areas. However, the Israeli army, which received the logistical support of the United States in particular, soon regained the upper hand and defeated the Arab armies.

With these four wars between Arabs and Jews between 1948 and 1973, the state of Israel was not only established but expanded its territory. These wars are the most important reason for the 1973 oil crisis. The Arab states saw the support given by the Western states to Israel as a reason for their defeat, and they hold oil as their most effective power over these states.

Arab oil producers succeed in the oil crisis of 1973 in their existence, the lessons they learned from previous failed attempts to use oil as a weapon were effective. The Arab states made some attempts to use the oil leverage before 1973, but none of these attempts were as effective as in 1973. The West's tendency towards alternative countries, sources and routes in oil supply and the Arab states' inability to follow a common policy have been instrumental in this. However, the growing needs of the West and the steps taken by the Arab states to pursue policy together helped bring about the 1973 oil crisis.

Due to the defeat in the 1967 War, the Arab states sought ways to use oil as a more effective weapon, and they established The Organization of Arab Petroleum Exporting Countries (OAPEC). Thus, the foundations of the idea of establishing a common policy and setting a strategy have begun to be laid. This has been an important attempt by Arab states to act together on oil and to use this trump card as a political tool. On the other hand, with the level of development captured in the aftermath of the Second World War, the oil needs of developed countries, especially the Western states, gradually increased. As of 1973, 46.2% of the energy resources consumed worldwide were petroleum resources and 40% were natural gas and coal resources.<sup>13</sup> However, at these dates, Middle East oil has more than one-third of the oil resources used in the world.<sup>14</sup> With its own oil resources until the mid-twentieth century the US was

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<sup>13</sup> World Energy Resources Full Report 2016, World Energy Council, March 10, 2016; available at <https://www.worldenergy.org/assets/images/imported/2016/10/World-Energy-Resources-Full-report-2016.10.03.pdf> accessed on 01.04.2020

<sup>14</sup> International Energy Agency, "Key World Energy Statistics-2017", p. 6

consumed in the country by the early 1970s, it started supplying 20% of the oil from other countries. At 1973, the amount of oil imported per day reached 3.4 million barrels, of which 1 million barrels were supplied from the Arab states.<sup>15</sup> In one sense, at the beginning of the 1970s, Arab oil became an important address to the oil needs of the United States.

In this environment, the fourth of the Arab-Israeli Yom Kippur War began, and the oil crisis erupted shortly after that war. Arab states have sought ways to use oil as a political tool against countries that support Israel, and discussions have focused on two major axes. The first of these was the reduction of production and exports, and the second was the raising of prices. But it was decided to implement the policy of raising prices, which is the second way, and this strategy was implemented, considering that the reduction of production and exports could also harm the economies of these states, which are already underdeveloped.

Due to the recent developments, oil prices increased to 4,75 USD at the end of the year 1974 and increased to 12,21 USD in 1975.<sup>16</sup> The increase in oil prices over a short period of time has led to serious changes in the economies of oil producers and countries in need of oil. While oil producers generated significant revenues, the economies of the countries that supplied the oil from outside suffered considerable damage. This situation turned into a stagflation crisis, where production capacities, unemployment and high price increases along with insufficient economic growth, and the price stability and full employment became unobtainable. With the 1973 crisis, many states such as the USA, Germany, France, United Kingdom, Japan and the Netherlands were affected by this situation and the growth rates of the countries were negative in 1974-75. This was also reflected in inflation and unemployment rates. The annual inflation rate in the United States, which was 3.3% in 1972, rose to 6.2% in 1973 and 11.1% in 1974. However, the unemployment rate in the United States, which was 4.89% in 1973, rose to 8.47% in 1975.<sup>17</sup>

The 1973 oil crisis affected energy security in many ways. Defining the concept of energy security especially supply security, increased the importance given to energy independence, adopted new energy policies by the developed countries and turned towards alternative energy suppliers, sources and routes, adoption of policies based on collective struggle with the establishment of institutions such as the International Energy Agency, and adoption of austerity measures are the main elements. The oil crisis has caused the United States to feel heavily

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<sup>15</sup> Keith Reid, "1973 Oil Crisis", National Petroleum News 96, Vol: 9, August 2004, p. 18

<sup>16</sup> Gas & Oil Prices - A Chronology, NPR Online, March, 2000; available at <https://legacy.npr.org/news/specials/oil/gasprices.chronology.html> accessed on 01.04.2020

<sup>17</sup> Salih Öztürk-Selin Saygin, "1973 Petrol Krizinin Ekonomiye Etkileri ve Stagflasyon Olgusu", Balkan Sosyal Bilimler Dergisi, Cilt: 6, Sayı: 12, p. 3-9.

dependent on Middle East oil, and the Middle East has experienced many wars and US military interventions since the United States concentrating on the turmoil in the region. While it is a separate topic of research where the United States does not focus much on the Middle East and its oil when it does not pose economic threat to America, it will be focus in the following sections the United States become sworn rivals of a conflict with Iran that lasted more than four decades, only after the Shah was overthrown in 1979. As it will be analyzed in the following section, we can see the oil crisis as a historic event in which the seeds of the Islamic Republic of Iran were first laid on the road to becoming the target of Western sanctions that halved oil exports from 2.5 million barrels per day to 1 million.<sup>18</sup>

## **1.2 The Emergence of Contemporary Iranian Foreign Policy (The Iran – Iraq War)**

The Iran-Iraq War, which was not mentioned much in the history of the Middle East, was actually more destructive than all Arab-Israeli Wars and its effects on the region were more widespread. Before the war, Iraq, unlike Iran, had a closer image to the Western Bloc. In addition, it exported Iraqi oil to the West via Kuwait and established close relations with the West, especially in economic terms.

Iranian support for the separatist Kurds in Iraq, the Shatt al-Arab dispute, the situation of the Arab minority in Khuzestan in Iran, and the Shiite population in southern Iraq, confronted Iran and Iraq from time to time.<sup>19</sup> However, these problems, especially the Shatt al-Arab dispute, were solved to a great extent by the Algerian Treaty of 1975; but two important developments in 1979 made the wars inevitable. These developments were coming to power of Khomeini and Saddam Hussein. Iraq accused Iran of exporting its regime to its territory. On the other hand, Iran would claim that Saddam Hussein had unjustly attacked Iran for the leadership of the Arab world. In fact, the claim of both sides was not wrong. Saddam Hussein explicitly demanded the leadership lost by Egypt in the region after the Camp David agreement. In his many speeches after the Revolution, Khomeini called on all Muslims in the Islamic world to resist the dictators, while contributing to the establishment of many structures in Lebanon and Palestine and supporting the existing ones at the same time. These are threatening developments for Iraq, a major part of its population is Shiite.

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<sup>18</sup> Alex Lawler, “Hit by sanctions and rising tensions, Iran's oil exports slide in July”,2019 available at <https://www.reuters.com/article/us-oil-iran-exports/hit-by-sanctions-and-rising-tensions-irans-oil-exports-slide-in-july-idUSKCN1UPIUD> accessed on 13.06.2020

<sup>19</sup> Background Guide, Historical Security Council, 2020 available at <https://www.imuna.org/wp-content/uploads/2019/11/HSC-NHSMUN-2020.pdf> accessed on 05.04.2020

Saddam Hussein had taken the advantage of Iran was isolated after the hostage crisis and Khomeini's refusal to support of USSR. Saddam Hussein, in his speech at an extraordinary meeting of the Parliament on 17 September 1980, made a harsh statement that the Algerian treaty had been forcibly adopted under the conditions of that day under the pretext of severe border violations and that Shatt-ul Arab should belong to Iraq. Iraq invaded Iran on 22 September 1980, beginning a war that continues to devastate both countries during eight years. The reason for the declaring war on Iran by Iraq was that Iran did not bring the commitments of the Algerian Treaty and Iraq resumed aid to the Kurds.

Iran, which suffered great losses in the early days of the war, began to strike the balance. In May 1982, when Iraqi President Saddam Hussein asked the other Arab states to send emergency aid, only a day later on the recapture of Khorramshahr by Iranian forces, he put it on the agenda with a statement that Iraqi forces would be withdrawn from Iranian territory. Although the demands of Saddam Hussein were not accepted by Iran, the attacks of "Operation Ramadan", "Operation Muslim Bin Aqil" and "Operation Fajir-Al-Nasr" were organized and disturbed other Gulf states. As Iran's forces began to advance towards Basra, diplomatic contacts between the Gulf States intensified, prompting concern over the Iranian invasion of Iraq. On the other hand, the war lasted for eight years and heavy losses were inflicted on both sides, as the conditions offered by Iran to stop the war were not accepted by Iraq. The war caused a severe economic crisis alongside the loss of large numbers of people in both countries. As a result, the Kurds and Shiites in Iraq revolted against Saddam Hussein. On the other hand, the national power that emerged in Iran during the war helped them escape the anti-revolutionary reactions and build the system on solid foundations, and helped bring people together around the Khomeini revolution against the United States and Israel. In the name of Islamic solidarity against Israel, which they believe led them to war, Hezbollah supported Islamic Jihad and the Palestinians, while also pursuing a policy of rapprochement with Russia to counterbalance the United States.

The war has led to the rebuilding of relations between the Gulf states and Iraq's Arab states, which have benefited from the siege of Iran. Countries that saw Iran as a threat were constantly supporting Iraq throughout the war. Arab states in the region have always sided with Iraq, aiming to reduce the Khomeini regime's influence in their own countries. Global powers would shift their support from one to the other at times when the balance of power in the region was deteriorating, depending on the state of affairs. Because, although the Iran-Iraq War was a regional problem, it was both endangering the distribution of oil and profoundly affecting the balance of power in the region. In addition, the Iran-Iraq War had created a security issue for

the Gulf states. Therefore, on 26 May 1981, the Gulf Cooperation Council<sup>20</sup> (GCC) was established between six Gulf states (Kuwait, UAE, Qatar, Bahrain and Oman) and Saudi Arabia.<sup>21</sup>

Although the United States, like the USSR, took a firm stance early in the war, its relations with Iran were at a point of rupture and tension. In general, the United States was in a position to ensure its global security through regional gendarmes, rather than directly intervening in countries it considered as a threat to its own security and interests after the Vietnam War. The Middle East had also increased the importance of Iran under the Shah's regime. However, the overthrow of the Shah's regime in Iran by the Islamic Revolution caused a significant oil basin to fall from the United States, and the United States lost one of its regional gendarmes. After 1979, Iraq came to the fore as a new candidate to fill this position. After 1979, Iran emerged as a threat to both Iraq and the United States. Therefore, Iran's Islamic Revolution administration is a common enemy for the United States and Iraq. During the Iran-Iraq War, Saddam's regime was supported economically, militarily and diplomatically by the United States and its allies to counter the threat posed by Iran.

On the other hand, after the USSR invaded Afghanistan, The Carter administration's policy towards the Gulf was to encircle the USSR influence. For the United States, the encirclement of the USSR hegemony in the region was paramount. However, the United States did not stop arms sales to Iran throughout the war, even though it changed its stance and supported Iraq after Iran turned the direction of the war in its favor in 1982. (Figure 1) In short, the reason for such a policy (bilateral protection policy) pursued by the United States was nothing more than the concern of the USSR to establish hegemony in the region. So, the superpower states were against the absolute success of any side of the war, even other states in the region. Because neither the USSR nor the United States wanted to upset the balance of power in the region.

**Figure 1: US Arms Sales to Iran (1970-1979)**

<b>1970</b>	<b>1971</b>	<b>1972</b>	<b>1973</b>	<b>1974</b>	<b>1975</b>	<b>1976</b>	<b>1977</b>	<b>1978</b>	<b>1979</b>
<b>\$113</b>	<b>\$397</b>	<b>\$519</b>	<b>\$2.157</b>	<b>\$4.373</b>	<b>\$3.021</b>	<b>\$1.688</b>	<b>\$5.803</b>	<b>\$3.000</b>	<b>\$2.625</b>
<b>million</b>	<b>million</b>	<b>million</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>	<b>billion</b>

<sup>20</sup> The GCC is an organization of six Persian Gulf oil-exporting countries which is also known as the Gulf Arab States Cooperation Council. In 1981, the Cooperative Council was established to foster cultural, science and entrepreneurial cooperation. The GCC headquarters are located in its largest member Riyadh, the capital of Saudi Arabia. The army, the Peninsular Shield Force, was formed in 1984 in response to military attacks on members. As of October 2019 the leaders were the United Arab Emirates, Bahrain , Kuwait, Oman , Qatar , Saudi Arabia.

<sup>21</sup> Arthur S. Banks, Alan J. Day, Thomas C. Muller, "Political Handbook of the World 1998", Binghamton University, New York, p.1111

Source: MERIP Reports<sup>22</sup>

In conclusion, this war significantly shaped Iran's future political and military strategy, setting the conditions for Iran to achieve a militarized program to be able to cope with external threats.<sup>23</sup> The most important of these was that determination its position and policies on the axis of resistance, improved relations with the Sunni states within the GCC, and require to have a nuclear program. As individuals who have experienced the war have risen through the Iranian political ranks, it has led to radical conservative politicians like Ahmadinejad being able to gain support from this generation in elections.<sup>24</sup> In its struggles against the West, it also laid the groundwork for the formation of the Islamic Revolutionary Guard Corps (IRGC) and other similar organizations.<sup>25</sup>

### **1.3 The EU-Iran Relations: From a ‘Critical Dialogue’ to ‘Comprehensive Dialogue’ with Iran**

Despite Iran's ancient ties and geographic proximity to many European countries, Tehran has had comprehensive and complicated connections with the European Union (EU). Iranian Revolution, its anti-Western stance and its demand for a shift in the region's status quo have influenced its relations with the EU. Iran's leaders expressed their interests in developing and strengthening ties with many foreign powers, including the EU, especially after the end of the Iran – Iraq War. While the EU has formulated a policy focused on approaching the Islamic Republic, a confrontational approach embraced by the United States. The Union initiated a “critical dialogue” with Iran at the 1992 Edinburgh Summit. According to the EU, the way to restore Iran into the international community and to ensure the stability in the region was not to stand against Iran, but to make a policy with Iran. The EU has held talks with Iran on preventing the spread of weapons of mass destruction, terrorism, the Middle East peace process and human rights.<sup>26</sup> As Iran's application to join the World Trade Organization was rejected due to the economic and diplomatic sanctions applied by US, Iranian leaders sought to establish other close trade relations with major economic powers. The heads of departments of Iran and the EU foreign ministries met in Brussels in 1998, building on some systematic changes in the Iranian

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<sup>22</sup> MERIP Reports, “U. S. Arms Sales to Iran, No. 71, October. 1978, p. 22-23.

<sup>23</sup> Robert Mason, “Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.”, June 2012, p. 22

<sup>24</sup> *ibid*

<sup>25</sup> *ibid*

<sup>26</sup> Press Release, EU-U.S. Summit, December 17, 1999; available at [https://www.consilium.europa.eu/ueDocs/cms\\_Data/docs/pressdata/en/er/14074.EN9.htm](https://www.consilium.europa.eu/ueDocs/cms_Data/docs/pressdata/en/er/14074.EN9.htm) accessed on 19.04.2020

regime brought on by the "critical dialogue" that preceded it, in a new period of "constructive engagement."<sup>27</sup> The new process was named by the EU "comprehensive dialogue," which would continue to function along cultural, economic and political lines with President Khatami's reform agenda.<sup>28</sup> During this period, along with the human rights and terrorism, the Middle East peace process, non-proliferation issues, the economic relations such as energy, investment and trade became more important. In fact, the 'comprehensive dialogue,' the most significant of which was trade and energy problems, led to a near doubling of EU imports from Iran between 1999 and 2000 to €8.4 billion.<sup>29</sup> The continued high degree of interaction between Iran and Europe had been a major diplomatic achievement for Iran in terms of economic gains.<sup>30</sup> The EU Green Papers on security of supply (2001 and 2006) express concern that the supply of oil and gas in the near future will rely on a small number of oil and gas producing countries, and that reliance on imports requires an improvement of economic ties with key production countries.<sup>31</sup> The EU Member States (EU 25) have approximately 0.4% of the proven reserves of oil, 0.9 % of proven reserves of natural gas, 6.5 % of proven reserves of coal, and 18.0% of the capacity to generate electricity.<sup>32</sup> All these figures show that the EU is a net energy-importer.

**Figure 2: EU28 Gross Inland Consumption (Mtoe, left; shares (%), right)**

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<sup>27</sup> Politics and Defence: Iran – EU Meeting', GSN, 23/587, 1 June 1998, p.6

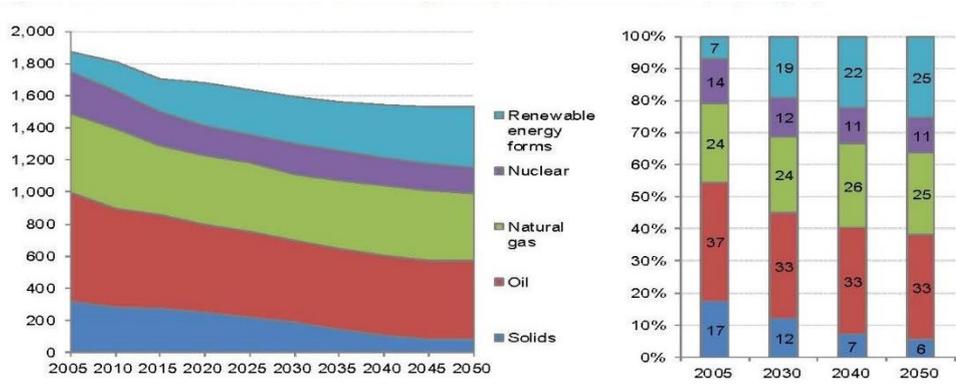
<sup>28</sup> Abdullah Baabood, 'EU Relations with Iran', EU-Gulf Political and Economic Relations, p.14

<sup>29</sup> Ziba Moshaver, 'Revolution, Theocratic Leadership and Iran's Foreign Policy: Implications for Iran-EU Relations', Analyzing Middle East Foreign Policies, p.187

<sup>30</sup> *ibid*

<sup>31</sup> Rakel, E. P. (2008). The Iranian political elite, state and society relations, and foreign relations since the Islamic revolution, University of Amsterdam, 2016

<sup>32</sup> Questions and answers on security of energy supply in the EU, European Council, May 28; 2014; available at [https://ec.europa.eu/commission/presscorner/detail/en/MEMO\\_14\\_379](https://ec.europa.eu/commission/presscorner/detail/en/MEMO_14_379) accessed on 25.05.2020



Source: PRIMES



EU dependence on imports shows a steadily growing trend over the predicted period, from 53% in 2010 to 58% in 2050.<sup>33</sup> Renewable energy sources deployment, energy efficiency developments and nuclear production counteracts the strong projected decrease in EU's fossil-fuel production.<sup>34</sup> The predicted period is marked by a decrease in solid imports, crude oil and feedstock, and a small rise in imports of oil products.<sup>35</sup> Natural gas imports are rising slowly over the long term, approaching net imports of about 370 bcm2 by 2050.<sup>36</sup> According to the EU Energy Outlook for 2020, the EU import two-thirds of its energy demand by 2020, the majority of which will be imported from Russia, Norway, Africa, and the Middle East. Western European countries accounted for around 81% of the company's exports from Russia, whereas Central European countries accounted for 19%.<sup>37</sup> EU seeks to diversify Russian Gas with Azerbaijan and Iran through the Southern Gas Corridor (SGC, a pipeline system that connects Europe to the Caspian Sea's gas-rich area and probably the Middle East). Iran plays important role for EU as supplier of both gas and oil. Iran is also projected to become one of the most important sources of energy and transit countries in Europe, as it is the shortest and most economical transit route between the oil-rich Caspian Sea Basin.<sup>38</sup>

The policy of conditionality, which was lacking in the critical dialogue process, took its place in the comprehensive dialogue process. It was aimed at directing Iran to reform with economic and trade incentives. European Commission relations with Iran in 2001 trade between the EU and Iran to improve and increase the pace of Iran's reform and it was proposed the signing of the Trade and Cooperation Agreement. The oil and gas sectors in Iran have been seriously under-invested since the Islamic Revolution. Despite the US and European countries' sanctions against Iran, many oil contracts have been entered into in recent years. A more recent example

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<sup>33</sup>Energy, Transport and GHG Emissions Trends to 2050, EU Reference Scenario, July 20, 2016; available at [https://ec.europa.eu/energy/sites/ener/files/documents/20160712\\_Summary\\_Ref\\_scenario\\_MAIN\\_RESULTS%20%282%29-web.pdf](https://ec.europa.eu/energy/sites/ener/files/documents/20160712_Summary_Ref_scenario_MAIN_RESULTS%20%282%29-web.pdf) accessed on 25.05.2020

<sup>34</sup> ibid

<sup>35</sup> ibid

<sup>36</sup> ibid

<sup>37</sup> Delivery Statistics, Gazprom Reports, 2018; available at <http://www.gazpromexport.ru/en/statistics/#:~:text=In%202018%2C%20Gazprom%20Export%20LLC,Central%20European%20states%20took%2019%25>, accessed on 14.06.2020

<sup>38</sup> Suleyman Elik, "Iran-Turkey Relations, 1979-2011: Conceptualising the Dynamics of Politics, Religion and Security in Middle-Power States", Routledge, 2013, p.142

of the strengthening of energy ties between the EU and Iran is the proposed Nabucco pipeline. The Nabucco pipeline is projected to reduce EU gas dependence. Nevertheless, the future of the pipeline is actually no longer clear, as Russia has entered into gas transportation agreements with Turkmenistan and Kazakhstan. The Persian pipeline emerged as an alternative to the Nabucco pipeline and it aims to Iran aims to implement diversified energy exports, and to ensure security for its energy exports, to weaken the Western economic blockade and political isolation through the construction of a cross-border energy corridor.<sup>39</sup>

The direction of EU-Iran relations changed after the exiled opposition group the National Council of Resistance of Iran revealed the building of two top-secret Iranian nuclear facilities in Natanz and Arak.<sup>40</sup> Since then, the focus of the EU-Iran relationship has been on the nuclear crisis. Since the secrecy of the development activities and the subsequent procrastination of the IAEA inspection created suspicions about the regime's purpose. On the other hand, September 11 attacks in the United States at the turn of the 21. century played a role on security and international politics. From the beginning of the nuclear crisis, the EU has argued that diplomacy in general is the most appropriate tool for crisis resolution. Huda and Ali claim that also diplomacy on energy can aim for broader diplomatic and security objectives, particularly when large infrastructural projects can bring together historic opponents.<sup>41</sup> Energy diplomacy often includes "the systematic application by stakeholder consultation of energy projects to promote collaboration, decrease tension, and facilitate interdependence." Conflict resolution can be carried out through pipelines when pipelines are used as cooperation infrastructures. Energy diplomacy should also be seen as the use of energy projects for inclusive cooperation and conflict deterrence in the Middle East. This is why the Joint Comprehensive Plan of Action reached by Iran and the P5+1 (China France, Germany, Russia, the United Kingdom, and the United States) which we will be addressed in detail in the last chapter, is one of the most

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<sup>39</sup> Zhang L. "Iran- South Asia trans-border energy passage: a game the outcome of which remains to be seen" *South Asian Stud. Q.*, 32 (03) (2007), pp. 34-40

<sup>40</sup> A. Jafarzadeh, Remarks by Alireza Jafarzadeh on New Information on Top Secret Projects of the Iranian Regime's Nuclear Program, Iran Watch, 14 August 2002, retrieved 20 February 2016, available at <http://www.iranwatch.org/library/ncri-newinformation-top-secret-nuclear-projects-8-14-02>

<sup>41</sup> Huda, M. S., and S. H. Ali. 2017. Energy diplomacy in South Asia: Beyond the security paradigm in accessing the TAPI pipeline project. *Energy Research & Social Science* 34:202,p.205

important achievement to ease the tension in the Middle East. Nuclear deal signed with Iran in 2015, have argued that the best way to prevent Iran from developing nuclear weapons in the face of the attempts by Trump-led US to withdraw from the respective deal is to stick to the deal. In this context, EU countries have argued that the related agreement successfully limited Iran's uranium enrichment efforts and therefore the agreement should be protected. However, today it is seen that the EU countries want to curtail Iran's ballistic missile capabilities, which they fear will serve nuclear purposes. On the other hand, the EU continues to work on protecting the economic returns of the nuclear deal. And special purpose vehicle (SPV) -was developed for INSTEX system- which helps ease trade with Iran – trade that the return of US sanctions has significantly hampered can be the most obvious example of these efforts.<sup>42</sup>

#### **1.4 The New Cold War in the Middle East: The “Axis of Resistance” and Iranian–Saudi Arabian Conflict**

After the Islamic Revolution, one of the unchanging elements of Iranian foreign policy is the support given to the Palestinian resistance. Regional legitimacy of the Iranian government is closely related to its policies of 'resistance' that endorse the war against the Israeli occupation of Palestine and in opposition to a two-state solution<sup>43</sup>.<sup>44</sup> On the other side, Saudi Arabia's pro-Western bloc determines the legitimacy of its regime in order to promote a two-state solution.<sup>45</sup> According to a range of historical and highly complex concerns, including those between Iran and GCC participants, the Saudi-Iranian Proxy War has emerged which will be analyzed in the following part of this section.<sup>46</sup>

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<sup>42</sup> Ellie Geranmayeh and Manuel Lafont Rapnouil, “MEETING THE CHALLENGE OF SECONDARY SANCTIONS”, European Council on Foreign Relations (2019) Stable URL: <https://www.jstor.org/stable/resrep21492> accessed: 13-06-2020

<sup>43</sup> The two-state solution is two states for two peoples. This would potentially ensure the stability of Israel and allow it to maintain a Jewish demographic majority while at the same time allowing the Palestinians to establish a State.

<sup>44</sup> Robert Mason, “Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.”, June 2012, p. 119-120

<sup>45</sup> *ibid*

<sup>46</sup> *ibid*

### 1.4.1 The “Axis of Resistance”

Iran's ties with Shia resistance movements like Hezbollah, Sunni resistance movements like Hamas and direct Iranian proxies like the Palestinian Islamic Jihad (PIJ), which form the 'axis of resistance'<sup>47</sup> together with Syria.<sup>48</sup> After the meetings in Tehran in 1992, Iran has supported virtually every opposition group in Palestine at different times with Hamas and the PIJ obtaining the highest degree of funding.<sup>49</sup> According to senior Palestinian and Israeli sources, Hamas has received as much as 150 million dollars per year in aid from Iran with PIJ receiving nearly that amount PIJ used these resources to support its organizational expenses, militant operations and weapons developments.<sup>50</sup> Even Fatah militants received money from Iran through Hezbollah during the Second Intifada. Iran's position is to be considered a major player in the axis, helping a variety of non-state actors through the Quds forces, a 15,000 IRGC unit operating with Hezbollah in Lebanon and Hamas and the PIJ in the Gaza Strip and West Bank in 2007.<sup>51</sup>

At first, Iran's relationship with the Palestinian resistance was largely carried out through the Palestine Liberation Organization (PLO).<sup>52</sup> But due to Arafat's support for Saddam Hussein during the Iran-Iraq War and his role as an actor in the ‘Peace Process’, the PLO-Iran relations deteriorated support for the resistance and resistance against Israel was shown through Hezbollah. Following Israel's 1982 invasion of southern Lebanon, the Revolutionary Guards,

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<sup>47</sup> The word "Axis of Resistance" was first brought to the attention of the Libyan daily Al-Zahf Al-Akhdar in response to the assertion of the US President, George W. Bush, that Iran, Iraq and North Korea had established an "axis of evil." In an article entitled "Axis of Evil or Axis of Resistance" in 2002, it claimed that "the only common denominator among Iran, Iraq and North Korea is their resistance to American hegemony.

<sup>48</sup> Robert Mason, “Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.”, June 2012, p. 119-120

<sup>49</sup> Richard Davis, “Hamas, Popular Support and War in the Middle East: Insurgency in the Holy Land”, Routledge, 2016, New York, p.64

<sup>50</sup> *ibid*

<sup>51</sup> Anthony H. Cordesman, ‘The Quds (Qods, or Jerusalem) forces’, Iran’s Revolutionary Guards, the Al Quds Force, and Other Intelligence and Paramilitary Forces, Center for Strategic and International Studies, 16 August 2007, p.8-9

<sup>52</sup> Richard Davis, “Hamas, Popular Support and War in the Middle East: Insurgency in the Holy Land”, Routledge, 2016, New York, p.64

who went to the region to organize Shiites against the occupation, played a decisive role in the establishment, development and strategy of Hezbollah.<sup>53</sup>

The relationship between Hamas and Iran is based on the opposition to the 'peace process'. Hamas Political Bureau, which was forced to leave Amman in 1999 due to tensions between Hamas and Jordan, was moved to Damascus, the capital of Syria which is an ally of Iran. The interruption of the peace process and the intifada of Al-Aqsa, which erupted in September 2000, were also instrumental in helping expand Iran's influence in the region. On the one hand, Iran has improved its relations with resistance organizations such as Hamas and the Palestinian Islamic Jihad Movement, and on the other hand, it has reconciled with Arafat and started to support the Palestinian National Government. After the partition of Palestine in January 2007 as a result of tensions and clashes between Fatah and Hamas, Iran has emerged as the biggest supporter of Hamas, which seized control in the Gaza region. It has provided both financial and military support to Hamas, which has been hit hard by the embargoes and the Israeli siege.<sup>54</sup>

Support for Hamas and the Palestinian issue has gained new importance for Iran in recent years, when regional politics have begun to take shape on a sectarian axis. Hamas has risen to prominence as almost the only non-Shiite ally of the axis of resistance. Hamas's position in the axis of resistance and its support for Palestine have been instrumental in undermining the sectarian and Shiite-centrist accusations voiced against Iran. However, relations between Iran and Hamas began to deteriorate after the start of the conflict in Syria. After this development, which is considered in many circles as Hamas departure from Tehran and 'axis of resistance', Iran withdrew its military and financial support to the organization and began to transfer its resources to Islamic Jihad this time.<sup>55</sup>

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<sup>53</sup> What is Hezbollah?, Council on Foreign Relations, August 3, 2020; available at <https://www.cfr.org/backgrounder/what-hezbollah> accessed on 10.01.2020

<sup>54</sup> René Rieger, "Saudi Arabian Foreign Relations: Diplomacy and Mediation in Conflict Resolution" Routledge, 2016, p.422

<sup>55</sup> Valentina Napolitano, "Hamas and the Syrian Uprising: A Difficult Choice", Middle East Policy Council, available at <https://mepc.org/hamas-and-syrian-uprising-difficult-choice> accessed on 10.01.2020

Hamas was the target of a military operation called “Operation Protective Edge” that Israel launched on July 7 against Gaza. According to some theories, because of the ‘proxy’ relationship between Hamas and Iran, this war was actually a war against Iran. Iran's ‘radical’ stance on the Palestinian issue and the fact that the conflict has almost turned into a proxy war between Iran and Israel has led the Arab world to a stalemate. As the support given to Hamas is seen as directly following Iran and clashing with Israel, and the lack of support is seen as having an indirect relationship with Israel.<sup>56</sup>

Iran has long sought to exploit this paradox by presenting itself as the ‘sole defender of the Palestinian cause abandoned by the Arabs’, thus increasing its influence and prestige in the region. The desire to preserve the point reached in relations with the West and to continue negotiations is effective. Decreasing on purpose of the anti-Israeli tone in the rhetoric and actions of the Rouhani government within the framework of a moderate foreign policy is one of the reasons behind this balanced attitude. Nevertheless, there will be no significant change in Iran's Palestinian policy unless the ideological structure and geopolitical balances in the region change. The lack of resolution of the Palestinian issue and any tension in the region cause the ‘axis of resistance ’ to rise to prominence and thus increase the influence of Iran on the resistance movements. The Palestinian issue is not just a center of resistance for Iran, but a source of power and prestige in the Arab and Islamic world; an outpost against its enemies.<sup>57</sup>

The U.S. is concerned that Iran aims to end its historic vulnerability, boost its domination of the Persian Gulf, and transfer weapon of mass destruction (WMD) to violent Islamist groups operating in the Gulf States and the Levant.<sup>58</sup> Iran’s relationship with Hezbollah and Hamas is therefore part of the U.S. fears concerning Iranian nuclear proliferation.<sup>59</sup> Iran’s resistance policies in the Middle East gain strength from them being one of the few points of convergence

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<sup>56</sup> David Menashri, “Iran, Israel and the Middle East Conflict”, *Israel Affairs*, 2006, 12:1, p.107-122

<sup>57</sup> Dalia Dassa Kaye, Alireza Nader, Parisa Roshan, “Israel and Iran A Dangerous Rivalry”, National Defense Research Institute available at

[https://www.rand.org/content/dam/rand/pubs/monographs/2011/RAND\\_MG1143.pdf](https://www.rand.org/content/dam/rand/pubs/monographs/2011/RAND_MG1143.pdf)

<sup>58</sup> Kenneth Katzman, “Iran: U.S. Concerns and Policy Responses, CRS Report for Congress, Congressional Research Service”, 8 August 2011, p.27

<sup>59</sup> *ibid*

between Shi'a and Sunni public opinion.<sup>60</sup> Amjad Atallah says the broader Arab public does not only care about Iran's regional strength but thinks that it will be the best to continue having that regional force - unlike their leaders' appraisal - in the region, perhaps in light of America's perceived weakness vis-à-vis Israel.<sup>61</sup> Iran's rise can therefore largely be attributed to being the only viable and willing shield against alleged Israeli aggression. More importantly, there is indication that Iran's approaches to Israel have intensified not only because of Israel's response to its nuclear program, but also in relation to Israel's blockade of Gaza in particular.<sup>62</sup>

From a geopolitical point of view, Iran sees Syria at a strategic position for its resistance against the enemies of Iran and its allies. Said Calili, the Head of the Iran's National Security Council point out this geopolitical perspective by saying "What is experienced in Syria is not an internal matter but a conflict with the region's and world's resistance axis and the enemies of it".<sup>63</sup> The break-up of the Resistance Axis of which Syria is an integral part would be unacceptable. This perspective describes the discrepancy between Iran's approach to the 2010 Middle East and North Africa uprisings and its response to Syria's protests. Syria has a different position in Iran's perception in the Arab Spring. Iran defined the uprisings in the other countries in the region to be an "Islamic Awakening" and considered it to be a natural result of the local dynamics and the reactions of the people of the region against the regimes who were puppets of the US.<sup>64</sup> It interpreted then public riots in Syria as the instigation movements supported by the West who wanted to destroy the Assad regime. This perception is the result of the fact that Iran defines Syria to be an area where it fights against its enemies. The point may be made that Iran's attempts in order to defend its national security are influenced by its perception that the rise of radical Sunni groups and terrorist organizations, in the light of an identity problem and

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<sup>60</sup> Rachel Brandenburg, 'Iran and the Palestinians', The Iran Primer, United States Institute of Peace, available at <http://iranprimer.usip.org/resource/iran-and-palestinians> accessed on 20.01.2020

<sup>61</sup> Amjad Atallah, 'What do Arabs Really Think About Iran?', Foreign Policy, 11 August 2010, available at [http://mideast.foreignpolicy.com/posts/2010/08/11/what\\_do\\_arabs\\_really\\_think\\_about\\_iran?sms\\_ss=fa](http://mideast.foreignpolicy.com/posts/2010/08/11/what_do_arabs_really_think_about_iran?sms_ss=fa) cebook

<sup>62</sup> 'Iran/Israel: Regime Insider Reportedly Passes Tough Message on Israeli Hostages', Wikileaks, 7 April 2009, available at <http://www.cablegatesearch.net/cable.php?id=09LONDON837&q=safavi%20salma>

<sup>63</sup> Özüm Sezin UZUN -Muharrem Ekşi, "Continuities and Changes in Iran's Foreign Policy: Analysis Of Syrian Case", ANKASAM Bölgesel Araştırmalar Dergisi, 29.11.2017, s.222

<sup>64</sup> Mehmet Seyfettin Erol-Şafak Oğuz, "Hybrid Warfare Studies and Russia's Example in Crimea", Gazi Akademik Bakış, Cilt: 9, Sayı: 17, Kış 2015, p. 263.

its view of Syria, is a danger to its region of power and is a fighting area between itself and its allies and the enemies. In this context, it is understood that Iran sometimes maintained the uncertainty areas in its Syria policy and mostly arranged its relations with different players depending on the regional developments.<sup>65</sup> Two interconnected problems further complicate the battle for Syria, in which several of the same characters face each other off. The first is the fight between Iran, on the one hand, and the US-supported Saudi Arabia and Turkey for manipulating or controlling the energy-rich Iraq and the second is Iran's dispute with the US, the EU, Israel and Saudi Arabia on the right and requirements for Iran's nuclear enrichment.<sup>66</sup>

Therefore, Syria has been an indivisible part of a regional struggle that primarily includes re-equalizing two interrelated power balances: one between Iran and Saudi Arabia in the Persian Gulf; one with the overall international power balance between the U.S .- Israeli axis and Iran.<sup>67</sup> Since Syria is one of the last anti-Western states in the region and is major part of the Russian sphere of influence in the area, Russia also plays a large role in preserving al-Assad rule. In order to prevent regime change in Syria and the risk of a new government joining in for NATO allegiance, Russia and Iran will continue to support al-Assad. As part of a big deal with the West, Iran could soften its foreign policy towards Syria and Lebanon. If the West gives the Iranian regime the right set of incentives which the nuclear deal is the most prominent one at this stage, Iran will continue to weaken both the positions of the West and the Arab governments. In light of all these developments, it would not be wrong to say that Iran is trying to increase the cost - the economic strait and isolation - for the region as well increases the cost for itself. Supporting all these paramilitary formations makes the Middle East more insecure. At this point, the incentives are the key to answer whether Iran is an advocate or a threat for Middle East's energy security.

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<sup>65</sup> Özüm Sezin UZUN -Muharrem Ekşi, "Continuities and Changes in Iran's Foreign Policy: Analysis Of Syrian Case", ANKASAM Bölgesel Araştırmalar Dergisi, 29.11.2017, s.222

<sup>66</sup> Mohammed Ayoob, " The New Cold War in the Middle East", The National Interest available at <https://nationalinterest.org/commentary/the-new-cold-war-the-middle-east-7974?page=0%2C1> accessed on 02.04.2020

<sup>67</sup> ibid

In conclusion, there are four key determinants of Iran's Syrian strategy. Iran views Syria in the light of the national security system, not as an external and international policy, but as an internal matter. Regarding the Shia Crescent and geopolitics, Syria completes the Shia triangle in Hezbollah's Lebanon and the Shia government in Iraq.<sup>68</sup> In the sense of a power balance, Syria has a position in favor of a nation that balances Iran's dominance with the Saudi Sunni bloc. Literally balance of power is the underlying factor of Iran-Saudi Arabia rivalry.<sup>69</sup> Last but not least Syria plays a fundamental role in making Iran a regional and hegemonic power. In addition to Iraq and Hezbollah Lebanon, guaranteeing Syria support makes Iran one of the powerful Middle East country. Thus, one may state that Iran will create a regional hegemony in Syria via support to Syrian regime.<sup>70</sup>

#### **1.4.2 Iranian–Saudi Arabian Conflict**

Saudi – Iranian ties have changed from the political contradictions that arose after the Islamic Revolution, the volatile Iran-Iraq War alliances, to the fairly better relations between the presidency of Rafsanjani and Khatami in the late 90's before the 2001 United Nations "year of dialog between civilizations."<sup>71</sup> After the end of Saddam Hussein's rule in Iraq, Iran is once again a core concern and existential danger to Saudi Arabia.<sup>72</sup> In a regional, political scene focused on the geopolitical rivals and controversy over Islamic leadership, the 2003 invasion of Iraq brought a new truth about this. Iran's role in al-Qaeda attacks in Iraq, considered only to have been worsened over time by the USA and Saudi Arabia.<sup>73</sup> The Saudi Arabia administration should have interfered straight into Iraq to defend Sunnis and rising Iranian control if US pressure and fears about inflaming sectarian conflict had not occurred. Since the two countries

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<sup>68</sup> Kayhan Barzegar, "Iran and The Shiite Crescent: Myths and Realities", *The Brown Journal of World Affairs*, Fall/Winter, Volume: XV, Issue: 1, 2008, p. 90.

<sup>69</sup> Ariel Jahner, "Saudi Arabia and Iran: The Struggle for Power and Influence in the Gulf", *International Affairs Review*, Volume: XX, No: 3, Spring 2012, p. 44.

<sup>70</sup> Asher Susser, "Iran and the Arabs: The Historical Shift in the Balance of Power", *Strategic Assessment*, Volume: 18, No: 3, October 2015, p. 16

<sup>71</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.", June 2012, p. 74

<sup>72</sup> *ibid*

<sup>73</sup> Asher Susser, "Iran and the Arabs: The Historical Shift in the Balance of Power", *Strategic Assessment*, Volume: 18, No: 3, October 2015, p. 16

rivalry is founded on Iran's policy of building the Shia Crescent to the Middle East after the revolution of 1979.<sup>74</sup> Religion is the most important factor of identity in both countries and religious differences have been used to foster, in the interests of incompatibility, rivalry and hostility, and tension between the SA and Iran and between its allies.

This rivalry has shown up within regional political instability including the Iraq crisis, the Lebanese question, the Syria dispute, the Yemen War and the Bahraini political turmoil.<sup>75</sup> A multitude of opposites are built on Iranian – Saudi Arabian tension, but none of them are more important than Iran's sense of regional hegemony-leveraging the Resistance Axis, disputed territorial claims, and nuclear proliferation.<sup>76</sup> Iran-UAE (and the GCC) ongoing disputes over the sovereignty of the Greater Tunb, Lesser Tunb and Abu Musa Islands continue to stand in the way of an improvement of relations with Saudi-Arabia, which could have grown according to the position of Saudi Arabia as the main energy producer, and the big economic potential of Iran.<sup>77</sup>

Openly challenges Saudi Arabia in a sectarian and ideological struggle over the Middle East Peace Process (MEPP) since the consequences of solving the Israeli – Palestinian conflict have major implications for the legitimacy of both the Saudi and Iranian regimes. <sup>78</sup> The rivalry between Iran and Saudi soft power shifted to a proxy war along with the launch of the Syrian civil war in 2011. As Syria's war is a proxy war in the rebalancing of the Saudis against Iran and the Americans and Israelis against the "Axis of Resistance." <sup>79</sup> Both countries are fighting in Syria for power as explained in detail in the previous part. Saudi Arabia supported the Free Syrian Army and other groups in battling against the Assad government, while Iran supported

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<sup>74</sup> Athina Tzemprin et al., "The Middle East Cold War: Iran-Saudi Arabia and the Way Ahead", Croatian Political Science Review, Vol: 52, No: 4-5, 2015, p. 188.

<sup>75</sup> Abdullah S. F. Al-Marzouq, "An Exploration of the Security Dilemma in the Middle East: The Impact of the Transformative Power of Iran's Foreign Policy", Keele University, 2016

<sup>76</sup> *ibid*

<sup>77</sup> *ibid*

<sup>78</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.", June 2012, p. 120

<sup>78</sup> *ibid*

<sup>79</sup> *ibid*

the Shia militias and fought alongside Assad’s troops.<sup>80</sup> Both countries are playing especially for the Muslim World to lead the Middle East. This rivalry prompted both countries to adopt an expansion policy by developing a patronage relationship with the Sunni and Shia groups following the start of the Syrian civil war.<sup>81</sup> Saudi Arabia in particular regards Syria's accession to the Shia Crescent as a threat to its existence after Iraq. Likewise, Iran is assuming that it will be the next after Syria has been lost. Syria is the current epicenter of the competition between two nations, the political and the geopolitical. In Yemen, Iraq, Lebanon, Israel and Gaza, the proxy war continues with Syria. In this context Syria is the subject of both country's theopolitical and geopolitical dispute. The following table analyses the relationship between these two actors will give further insight into the tangled web of Middle Eastern alliances and interests, as well as exploring the motivation and resilience behind their ties.

**Table 1: Saudi-Iranian Proxies** <sup>82</sup>

	<b>Saudi Proxy</b>	<b>Iranian Proxy</b>
<b>Lebanon</b>	Lebanese government of Saad Hariri, Sunni minority and Lebanese	Hezbollah and Shiite minority
<b>Syria</b>	Salafî Islamist groups and Sunni Muslims	Syrian government, Alawites and Shiite minority
<b>Yemen</b>	Yemeni government, Yemeni Salafî groups and Sunni majority	Houthi insurgents

Along with number of factors that affect their rivalry including sectarianism and nationalism has been the politics of oil which are the main subject of this thesis.<sup>83</sup> The Islamic Revolution, like many other issues, marked a turning point for the Saudi-Iranian relationship in terms of

<sup>80</sup> Özüm Sezin UZUN -Muharrem Ekşi, “Continuities and Changes in Iran’s Foreign Policy: Analysis Of Syrian Case” , ANKASAM Bölgesel Araştırmalar Dergisi, 29.11.2017, s.220

<sup>81</sup>The Sunni-Shia Divide, Council on Foreign Relations, February,2016;

<https://www.cfr.org/interactives/sunni-shia-divide#!/sunni-shia-divide> accessed on 04.04.2020

<sup>82</sup> Zuzana Kovacikova,“Balance of Identity and Balance of Power: The Case of Conflict Dynamics between Saudi Arabia and Iran”, MA diss., Charles University, 2019

<sup>83</sup> Cildir, Sukru, “How Saudi-Iranian oil rivalry has been shaped by American power?”. The Conversation,2019 available at <https://theconversation.com/how-saudi-iranian-oil-rivalry-has-been-shaped-by-american-power-124123> accessed on 12.04.2020

where oil played. Prior to this, the two countries were important US allies, which brought political and economic advantages particularly for the oil industries. However, the Iranian Revolution caused the roads diverged.

Due to trends in oil reserves and production capacity, time is a major source of tension between Iran and Saudi Arabia. The short-term future of the global oil markets is of more interest to Iran while the Saudis are more focused on the longer term.<sup>84</sup> Recent figures shows that Iran has an oil reserve of 136 billion barrels<sup>85</sup>, while Saudi Arabia has oil reserves of 266 billion barrels. <sup>86</sup> World Energy Outlook projections also indicate Saudi Arabia's production will rise from 10.2 mb / d (million barrels per day) in 2007 to 14.4 mb / d in 2015 and 15.6 mb / d in 2030.<sup>87</sup> By comparison, Iran's output may shrink by as much as 10 to 15 percent per year as a result of its deteriorating oil infrastructure, government mismanagement, and subsidy-driven domestic demand growth. <sup>88</sup> Short-term price manipulation is a source of tension among two countries.

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<sup>84</sup>Frederic Wehrey, Theodore W. Karasik, Alireza Nader, Jeremy Ghez, Lydia Hansell, Robert A. Guffey “Saudi-Iranian Relations Since the Fall of Saddam”, 2019 available at [https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND\\_MG840.pdf](https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG840.pdf) accessed on 01.04.2020

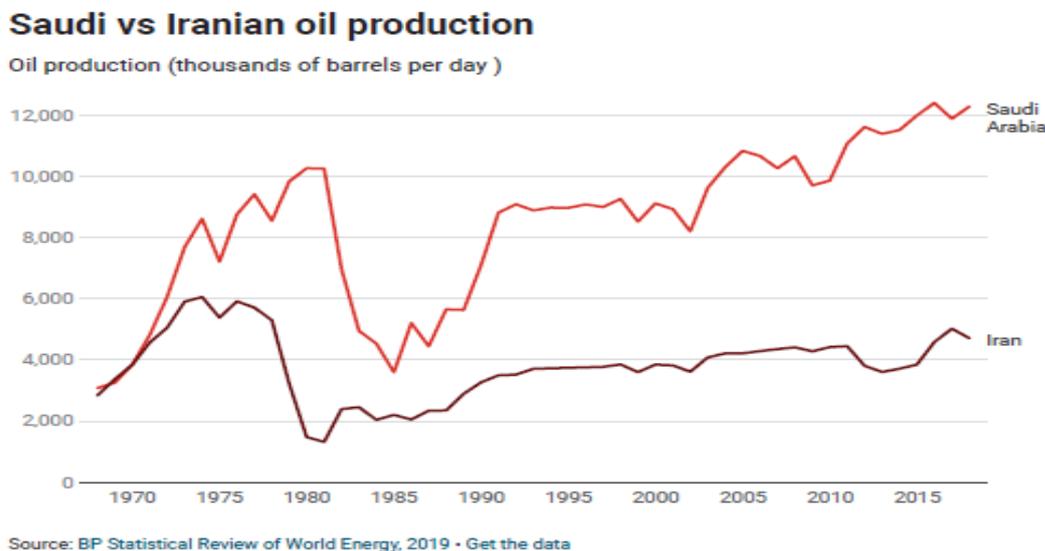
<sup>85</sup> Iran, Overview, US Energy Information Administration, January 7, 2019; available at <https://www.eia.gov/international/analysis/country/IRN> accessed on 04.05.2020

<sup>86</sup> Saudi Arabia, Overview, US Energy Information Administration, January 7, 2019; available at <https://www.eia.gov/international/analysis/country/SAU> accessed on 04.05.2020

<sup>87</sup> Frederic Wehrey, Theodore W. Karasik, Alireza Nader, Jeremy Ghez, Lydia Hansell, Robert A. Guffey “Saudi-Iranian Relations Since the Fall of Saddam”, 2019 available at [https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND\\_MG840.pdf](https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG840.pdf) accessed on 01.04.2020

<sup>88</sup> *ibid*

**Figure 3: Saudi vs Iranian oil production**



The oil industry of Iran thereby fell behind Saudi Aramco, the state-owned oil company of the Kingdom and other regional competitors and was refused foreign investment and technology transfer<sup>89</sup>. Saudi Arabia particularly supported by U.S. isolation and political sanction, especially in Iran's petroleum industry which has been a source of continuous tension in ties with Saudi and Iran.<sup>90</sup> This also deprived Iran of the technology, capital and knowhow required to modernize its aging petroleum industry and restrict production. Therefore, the position of the American force in a globalizing world has been crucial to the shape of this international political competition for oil although the Saudi-Iranian oil rivalry seems like a regional problem.<sup>91</sup>

A third source of tension includes the challenges of foreign investment in Iran. Although Saudi Arabia maintained a loyal US ally, Iran embraced a radical and anti-Western foreign policy that

<sup>89</sup> Sukru Cildir, "How Saudi-Iranian oil rivalry has been shaped by American power?". The Conversation, 2019 available at <https://theconversation.com/how-saudi-iranian-oil-rivalry-has-been-shaped-by-american-power-124123> accessed on 12.04.2020

<sup>90</sup> ibid

<sup>91</sup> ibid

prompted its isolation from an American-dominated international system.<sup>92</sup> Since Western companies are still faced with US sanctions if they invest in Iran, Russian companies have a big chance of filling this void. A strong oil relationship between Russia and Iran will strengthen the political-military ties between the two states and deepen the fears of Saudi Arabia about the regional aspirations of Iran and its force projection in the Gulf.<sup>93</sup>

In addition to oil, natural gas and natural liquefied gas (LNG), the Saudi policies in the Gulf are increasingly challenging and will favor Iran, whether or not an OPEC such as the gas cartel (Qatar, UAE, Oman) is formed.<sup>94</sup> Iran could increase its standing in its proposed gas group which might rival Saudi dominated OPEC, and include Qatar and Russia which are known to be less pro-U.S. than other states in the region.<sup>95</sup> Iran is also looking at the projected increase of EU dependence on gas from 50% to 80% by 2030 and sees an opportunity to regain a major export market through exporting via third party states.<sup>96</sup>

To sum up there are four big problems impacting ties with Riyadh – Tehran. The first is a sectarian religious issue. Secondly, the regional leadership race. The third is the foreign relations especially US relations. Finally, the issue of oil, which includes price and production policies. It is important to note that Saudi Arabia is perceived as protector of the Gulf's status quo and moderate Islam while Iran is trying to reconfigure the existing balance.<sup>97</sup> The defensiveness – and the subsequent aggressive policies – are both the product of Saudi policy and Iran's attempts to gain a stronger presence in the region and its legacy of being an outcast in international politics.<sup>98</sup> Many experts believe that Iran has not been able to substitute Saudi Arabia as regional force because they have not enough funds they have not been emboldened

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<sup>92</sup> Frederic Wehrey, Theodore W. Karasik, Alireza Nader, Jeremy Ghez, Lydia Hansell, Robert A. Guffey “Saudi-Iranian Relations Since the Fall of Saddam”, 2019 available at [https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND\\_MG840.pdf](https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG840.pdf) accessed on 01.04.2020

<sup>93</sup> ibid

<sup>94</sup> ibid

<sup>95</sup> Richard Dalton (ed.), ‘Iran: Breaking the Nuclear Deadlock’, Chatham House, 2008, p.15

<sup>96</sup> Claude Mandil, “Russia Must Act to Avert a Gas Supply Crisis”, FT, 22 March 2006, available at <http://www.ft.com/cms/s/0/9d8a635a-b948-11da-b57d-0000779e2340.html#axzz1Hcfpoavq>

<sup>97</sup> Matteo Legrenzi, “Security in the Gulf: Historical Legacies and Future Prospects”, Routledge, 2013

<sup>98</sup> Ali Fathollah-Nejad, “THE IRANIAN–SAUDI HEGEMONIC RIVALRY” available at <https://dgap.org/en/research/publications/iranian-saudi-hegemonic-rivalry> accessed on 06.04.2020

by support of super powers.<sup>99</sup> There is much talk of the 'Shia Crescent' of loyal Iranian states but whether Iran can do more than simply create control in countries such as Syria, Lebanon or Iraq is still uncertain.<sup>100</sup> It is also debatable. Nonetheless, the only thing Iran can do with its limited resources is to act directly by supporting proxies to undermine Saudi dominance in the Middle East. Especially because they see the situation as a zero-sum game where gains in one of them eventually means loss of the other, is the issue of the Saudi-Iranian relationship.<sup>101</sup> This means that if a consensus is not found, the two sides will try to balance one another, and as recent developments show, they won't hesitate to cause chaos in the whole Middle East.<sup>102</sup>

### **1.5 U.S. Foreign Policy in the Middle East and Persian Gulf and Its Effects to Iran**

The United States, which was the leader of the Western world during the Cold War period that started after the Second World War, tried to play an active role in the Middle East and not to lose its influence in this region to the Soviet Union. In this context, since the loss of one state would be equal to the gain of another state, there was a zero-sum game period in international politics, and efforts to establish supremacy in the region laid the groundwork for a conflict environment.

From the end of Cold War in 1989 to the first Gulf War in 1990, there were a series of discussions within the United States regarding the country's foreign policy. The Gulf War was a major event, especially when the U.S.S.R. was eliminated as an opposing force in the Gulf in the changing ties between the United States, the GCC and Iran. The First Gulf War marked the beginning of expanded and overt American intervention in the Middle East through new base

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<sup>99</sup> Jonathan Marcus, "Why Saudi Arabia and Iran are bitter rivals", September 16, 2019; available at <https://www.bbc.com/news/world-middle-east-42008809> accessed on 06.04.2020

<sup>100</sup> Hanin Ghaddar, The Shia vs. the 'Shia Crescent, 2020 available at <https://www.washingtoninstitute.org/policy-analysis/view/the-shia-vs.-the-shia-crescent> accessed on 01.03.2020

<sup>101</sup> Frederic Wehrey, Theodore W. Karasik, Alireza Nader, Jeremy Ghez, Lydia Hansell, Robert A. Guffey "Saudi-Iranian Relations Since the Fall of Saddam", 2019 available at

[https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND\\_MG840.pdf](https://www.rand.org/content/dam/rand/pubs/monographs/2009/RAND_MG840.pdf) accessed on 01.04.2020

<sup>102</sup> ibid

deals on the Gulf and the GCC allies' security.<sup>103</sup> The USA has also created renewed Iranian resistance and counter-strategies by being a "local force" in the Gulf.<sup>104</sup> Western hostages in the mid-80's, the assassination of former Iranian Prime Minister Shapour Bakhtiar in 1991, and a fatwa targeting Salman Rushdie are one of the examples of Iranian provocative acts.<sup>105</sup> While the defeat of its foe Iraq was welcomed positively by Tehran, the increasing US influence in the region has caused discomfort.

Access to foreign oil resources and protect the oil flow have been cited as a matter of national security for the United States many times. The idea that the country that dominates the Middle East will dominate the world has also been seen effectively in US foreign policy and has come to the fore as an important view. It is a clear fact that if the United States has the energy resources in the region, it will also have the upper hand against the countries that need the energy resources in the region. Thus, the US continue its hegemonic role through alliances. In a 1992 report by Paul Wolfowitz, it was stated that "the first priority of the United States is to prevent the emergence of a superpower that will challenge itself."<sup>106</sup> In this view, it was very important to keep East Asia and the Middle East under control, including the former Soviet geography. In the following process, the US's resort to military force rather than diplomacy in different geographies can be considered as a projection of this policy.

United States' another priority of foreign policy is to ensure the security of American and Western oil companies that invest abroad.<sup>107</sup> The interests of these companies are considered equivalent to American national interests by the country's rulers and policy makers.<sup>108</sup> An important reason for military interventions in risky areas such as the Middle East is to ensure

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<sup>103</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.", June 2012, p. 38

<sup>104</sup> *ibid*

<sup>105</sup> Salman Rushdie is a British-Indian author best known for *Midnight's Children* (1981) and *Satanic Verses* (1988), for whom he was accused of blasphemy against Islam.

<sup>106</sup> Richard J. Samuels, "Encyclopedia of United States National Security, Massachusetts Institute of Technology, Sage Publications, 2006, p.515

<sup>107</sup> *Multinational Corporations and United States Foreign Policy. Hearings, Ninety-third Congress [Ninety-fourth Congress, Second Session], United States. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations, 1974 .p.4;7*

<sup>108</sup> *ibid*

the security of U.S. energy companies that have investments there.<sup>109</sup>In this way, the United States also aims to guarantee the security of its country's energy supply. After the end of the Cold War, within ten years, the economic, political and social models of the United States began to be influential in the world. George W. Bush administration has declared that “Pax Americana”, fictionalized during the Bill Clinton era, is over, with no interest in problems that do not directly concern the United States. As a result of the September 11 attacks, it can be said that the United States has shifted from consensual hegemony in foreign policy to coercive hegemony.

Seizing the opportunity with the September 11 attacks, the U.S. administration has tried to show that the world still needs American military power through its military operations in Iraq and Afghanistan especially for energy security. U.S. interventions in Afghanistan and Iraq, which it claims are the source of global terrorism, have strengthened the hand of Russia and China, which are battling terror and separatist groups. American-backed democratic revolution initiatives in Central Asian countries that do not have a democratic tradition have been described by Russia and China as initiatives that would bring instability to the region. With the invasion of Iraq, the United States turned its attention more to the Middle East.

The United States resorted to the military force as a result of the strengthening of religious groups which were used against the USSR at the end of the Cold War. In the subsequent period, democracy and free market developments are required in the aids has been made in the region. However, the use of this rhetoric in the operations to Afghanistan and Iraq has created a serious contradiction. The Color Revolutions have been made in the former Soviet satellite states are identified being pro-American and pro-Western rather than as a goal of the democracy. The United States acted according to the conjuncture while supporting the Taliban in the 1990s, then declared this regime as an enemy after September 11. Bush delivered a speech in 2002, and he stated that the containment policy was no longer sufficient against dictators who would welcome terrorists who would not hesitate to commit suicide for the sake of their goals. In

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<sup>109</sup> ibid

addition to those who saw the “pre-emptive strike”<sup>110</sup> as a strategy to justify the intervention in Iraq, there were also those who argued that it would undermine the legitimacy and credibility of the United States and thus other states would put their own pre-emptive intervention strategies on the agenda. <sup>111</sup>It is considered that the return to consensual hegemony began when Barack Obama came into power in November 2008, trying to reduce the consequences of both the global financial crisis and the isolationist policies pursued during the Bush era.<sup>112</sup> After the September 11 attacks, Obama made changes from the previous administration that envisioned the use of hard power in the region and began to take steps to make policies for the use of soft power. He has made one of his primary tasks to pursue policies aimed at peaceful resolution of the problems left over from the George Bush era. One of the most important changes Barack Obama's policies have brought to the region is the military withdrawal of the US from Iraq. <sup>113</sup> This withdrawal, which took place in 2011, deeply affected the entire Middle East region. President Obama also took concrete steps towards the region by carrying out his campaign slogan “Change” and pulled troops out of Iraq and ending the war.<sup>114</sup>

The United States presidential election has led to significant changes in American foreign policy consequently Iran's. Republican candidate Donald Trump, who won the election with the slogan “Make America Great Again,” focused on regional and border security, preventing the emergence of a hegemonic power, fighting against terrorism and the Islamic State of Iraq (ISIS) and dominating oil resources in the Middle East region.<sup>115</sup>

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<sup>110</sup> A pre-emptive strike is military action taken by a country in response to a threat from another country - the purpose of it is to stop the threatening country from carrying out its threat.

<sup>111</sup> Lamont Colucci, “The National Security Doctrines of the American Presidency: How They Shape Our Present and Future” Praeger,2012, p.437

<sup>112</sup> Wesley Widmaier , “Presidential Rhetoric from Wilson to Obama: Constructing Crises, Fast and Slow” Routledge,2015,p.22

<sup>113</sup> Wesley Widmaier , “Presidential Rhetoric from Wilson to Obama: Constructing Crises, Fast and Slow” Routledge,2015,p.22

<sup>114</sup> Georg Loffmann ,“The Obama Doctrine and Military Intervention” PERCEPTIONS, Spring-Summer 2019, XXIV, Number 1, pp. 59-82.

<sup>115</sup> Allen L. Keiswetter, "Trump's national security strategy: Implications for the Middle East" January 20, 2018; available at <https://www.mei.edu/publications/trumps-national-security-strategy-implications-middle-east> accessed on 08.03.2020

The political economist Susan Strange provided a theoretical framework of the US hegemony over the international system has four principal dimensions: production, finance, security and knowledge. This is also a good way to understand how the US forms the international oil market – and the rivalry between Saudi and Iranians.<sup>116</sup> By 2018, as a result of the U.S. Shale Revolution, the United States became the world's largest oil producer, hitting 15 mbpd. In financial terms, petroleum has been priced and traded in US dollars, particularly since the beginning of the 1970s, when a number of talks and agreements were concluded between Saudi Arabia and the US linking oil to the US dollar.<sup>117</sup> This has boosted worldwide dollar demand, and has helped the US manage its trade deficit and maintain low interest rates. It also has helped the US monitor the oil trade by controlling the transfers of global banks.<sup>118</sup> Increasing global demand for US dollars has helped the US tackle its trade deficit and keep its interest rates down. This has also helped the US track petroleum exchange by monitoring transactions from global banks.<sup>119</sup>

Finally, in 2018 the Trump Administration withdrew from the 2015 Multilateral Nuclear Deal with Iran (JCPOA) which is covered in greater detail in chapter 4 and has been imposing "maximum pressure" on Iran since mid-2019. In response to the maximum pressure campaign, Iran and Iran-led military targeted and captured merchant ships, damaged some vital infrastructure in the Persian Gulf states, targeted U.S. military personnel facilities in Iraq, and damaged an unmanned U.S. aircraft.<sup>120</sup> Iran also has limited its cooperation with JCPOA terms as part of its actions under the phrase "strong resistance." In order to deter Iranian intervention in the future, the U.S. committed additional military forces to the region.<sup>121</sup> General Qassem

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<sup>116</sup> Sukru Cildir, "How Saudi-Iranian oil rivalry has been shaped by American power?". The Conversation, 2019 available at <https://theconversation.com/how-saudi-iranian-oil-rivalry-has-been-shaped-by-american-power-124123> accessed on 08.05.2020

<sup>117</sup> ibid

<sup>118</sup> ibid

Sukru Cildir, "How Saudi-Iranian oil rivalry has been shaped by American power?". The Conversation, 2019 available at <sup>119</sup> <https://theconversation.com/how-saudi-iranian-oil-rivalry-has-been-shaped-by-american-power-124123> accessed on 08.05.2020

<sup>120</sup> Kenneth Katzman, "U.S.-Iran Conflict and Implications for U.S. Policy", Congressional Research Service, 2020, p.2

<sup>121</sup> Kenneth Katzman, "U.S.-Iran Conflict and Implications for U.S. Policy", Congressional Research Service, 2020, p.3

Soleimani who is Iranian most powerful general in the Islamic Revolutionary Guard Corps (IRGC) from 1998 until his death in 2020 and the commander of its Quds Force was killed by US strike. The assassination of Iran's most powerful general in Baghdad is expected to have drastic consequences around the world.<sup>122</sup> A major question is whether the rise in the level of U.S. force in the region – coupled with President Trump's further threats if Iran retaliates for General Soleimani 's death – will prevent Iran from retribution or further retaliation. It is clear that Iran, which has been squeezed by sanctions and attacks, has pursued more hawkish policies as a result of the assassination. Tehran 's intent of retaliatorily actions against U.S. interests in the Middle East or its allies raise concerns about market disruptions, particularly in the volatile Hormuz shipping region — where over 20 percent of the global oil supply passes and tankers were threatened only last year by Iran.<sup>123</sup> Drone strikes on major oil production plants operated by Saudi Aramco, a state-owned company, which caused severe disruption to global oil markets happened after the withdrawal of US from nuclear deal. All these developments are such as demonstrate the hawkish foreign policy of Iran as stated in the speech of Rouhani “If one day they want to prevent the export of Iran’s oil, then no oil will be exported from the Persian Gulf.<sup>124</sup>” Iranian Commander of Revolutionary Guards, Ismail Kowsari, also said that Iran would prevent oil transportation from the Hormuz Strait if Iranian petroleum sales were banned.<sup>125</sup>

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<sup>122</sup> Karen Zraick, "What to Know About the Death of Iranian General Suleimani" The New York Times, available at <https://www.nytimes.com/2020/01/03/world/middleeast/suleimani-dead.html> accessed on 09.05.2020

<sup>123</sup> Andrew Fawthrop, “Global oil market stable for now after Soleimani assassination, as oversupply provides buffer” January,7 2020; available at <https://www.nenergybusiness.com/features/qassem-soleimani-oil-market-iran-us/> accessed on 10.06.2020

<sup>124</sup> Business Report, “If Iran can't export oil from Gulf, no other country can, Iran's president says” Reuters, December 4, 2018; available at <https://www.reuters.com/article/us-oil-iran/if-iran-cant-export-oil-from-gulf-no-other-country-can-irans-president-says-idUSKBN1O30MI> accessed on 10.06.2020

<sup>125</sup> ibid

## **Chapter Two: The Internal Factors Shaping Iranian Foreign Policies**

This chapter focuses on evaluating what the internal dynamics in Iranian foreign policy are. It establishes the major economic, political, and military events or issues surrounding Iran and their relations with the wider international community in question. Paying attention to the Islamic Revolution, which shook the world in 1979 and paved the way for its anti-systemic ideology and then main determinants of Iranian foreign policy. The Islamic Revolution that took place in the country in 1979 not only changed Iran's political regime but also started a new era in energy policies. The chapter then analyzes the influence of international financial and energy sanctions have placed new burdens on Iran's economy and the counter energy policies towards to them.

### **2.1 The Regime Paradigm and Foreign Policy after the 1979 Islamic Revolution**

Since Iran is located in a region with rich natural resources, it has been a country of intense interest to Western countries throughout history. In this respect, Iran's energy sectors have developed mainly with the contributions of the United Kingdom, the United States and Russia. The first oil exploration and extraction activities in Iran were carried out by the British, while the country's natural gas industry was developed by the Russians and its nuclear program by the US. Until the end of the Pahlavi era, the country's natural resources have been the most important revenue gate of the Iranian economy. Mahdavi therefore defines pre-revolutionary era as a rentier state<sup>126</sup> due to Iran's oil revenues being one of the main components of the Iranian economy.<sup>127</sup> During this period, Iran's energy policy develops mainly around oil, and thus oil becomes the leading sector in energy. The Islamic Revolution that took place in the country in 1979 not only changed Iran's political regime but also started a new era in energy. After the Islamic Revolution in Iran, the new administration's attitude towards Western

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<sup>126</sup> Rentier states receive a substantial amount of external rent, either from the sale of oil/minerals or rental paid by foreign governments and individuals for shipping passage and similar transactions on a regular basis.

<sup>127</sup> Parvin Alizadeh & Hassan Hakimian, "Iran and the Global Economy: Petro Populism, Islam and Economic Sanctions", Routledge, 2013, p.77

countries also affects the country's energy policy, and its foreign dominance in Iran's energy industry is broken by the regime's anti-Western Islamist and nationalist policies. These crises and subsequent sanctions, on the other hand, the Iran-Iraq War caused production and export activities in the country's energy market to decline. The failure of the post-revolution country's oil production to reach Pahlavi-era production levels and the damage of the Iranian energy market due to government policy, sanctions and political risks have significantly hampered the development of Iran's energy market.<sup>128</sup> For this reason, the examination of the new regime and the post-regime administration will be useful both in terms of understanding energy policies and the country's foreign policy making process.

The Islamic Revolution in Iran is a crucial period also for Iran's current foreign policy as it is the beginning of an independent republic, of an unaligned Islamic state, and of diplomatic ties with the United States soon afterwards.<sup>129</sup> The post-revolutionary Iranian leader Khomeini considered Iran and its foreign policies not to be Eastern and Western but to be Islamic only.<sup>130</sup> At the beginning of the Iranian revolution, he called for 'independence, freedom and the Islamic Republic,' which are still the foundation of foreign policy decision-making to date, as laid down in the constitution.<sup>131</sup> Independence was an important concept given the recent history of Iran's oil industry which the British and Russians dominated in the 1970s.<sup>132</sup> Iran needed to build up the "enemies of Islam and Iran," embodied by the U.S. and support the overthrow of Nationalist Prime Minister Mohmad Mosaddeq, in order to establish itself as "a center of Islam."<sup>133</sup> The fast evolving post-revolutionary era developments like 'internal power struggles, distrust of American plots, and clerical populism' made the U.S. embassy crisis virtually inevitable.<sup>134</sup>

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<sup>128</sup> Maloney, S. "Iran's Political Economy since the Revolution." USA: Cambridge University Press. 2015, p.368

<sup>129</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran." , June 2012, p. 29

<sup>130</sup> Anoushiravan Ehteshami and Mahjoob Zweiri, 'Preface', in Anoushiravan Ehteshami and Mahjoob Zweiri (eds.), *Iran's Foreign Policy: From Khatami to Ahmadinejad*, Reading: Ithaca Press, 2008, p.216

<sup>131</sup> R. K. Ramazani, 'Iran's Foreign Policy: Independence, Freedom and the Islamic Republic', *Iran's Foreign Policy From Khatami to Ahmadinejad*, p.1

<sup>132</sup> Anoushiravan Ehteshami, 'Iran', *Economic and Political Liberalization in the Middle East*, p.216

<sup>133</sup> *ibid*

<sup>134</sup> Ray Takeyh, "Relations with the Great Satan, Guardians of the Revolution: Iran and the World in the Age of the Ayatollahs", Oxford: Oxford University Press,, 2009, p.35

There was an increasing reaction to the US in Iran. Just after Shah is allowed by Carter to come to the United States for treatment in November 1979, the pro-Khomeini students occupied the US Embassy and they took more than 60 American diplomats and citizens.<sup>135</sup> The initial reaction of the United States has not been harsh, considering that it would endanger the situation of the hostages. But with the escalating events that followed, the United States froze Iran's assets, asked American companies not to sell Iranian oil and buy goods from allies, and especially Japan. This was followed by decisions to send a national task force to the Persian Gulf and abandon the delivery of half a billion dollars' worth of paid weapons' spare parts to Iran. In addition, the United States has announced that it has cut diplomatic relations with Iran. The US rescue operation of the hostages on 24 April 1980 was unsuccessful and the US use of force in this incident drew reaction from both countries of the region and the international public. Moreover, the failure of the operation to rescue the hostages has strengthened the belief that the U.S. has insufficient capacity and power in the region. However, the concern of the United States arose from the concern that the reaction against the United States in Iran would spread to the Middle East and damage its interests in the region. Because the Iranian Revolution of 1979 gave rise to new revolutionary hopes for Islamic groups that desire an Islamic State and a style of governance in the Islamic world, especially in Malaysia, Afghanistan and Algeria.

The main goal of Iranian Revolution, which is anti-American and anti-systematic, was to gain global prominence beyond the regional influence caused in the Middle East. The U.S.-Iran tension started with the revolution, escalated with the hostage crisis and then entered the crisis period. U.S. efforts to exclude and isolate Iran internationally have brought Iran closer to Russian, European and Asian international actors by moving it beyond its classic foreign policy line. After the Islamic Revolution, the United States developed its policies towards Iran with an enemy paradigm, pursuing a strategy to corner Iran and weaken the regime at every turn. Although Iran itself resorted to the hostile paradigm, the implications of this policy pursued by the two sides were different. While U.S. efforts to portray Iran as a major danger legitimized

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<sup>135</sup> Susan Chun , “Six things you didn't know about the Iran hostage crisis”, 2015 available at <https://edition.cnn.com/2014/10/27/world/ac-six-things-you-didnt-know-about-the-iran-hostage-crisis/index.html> accessed on 04.04.2020

its foreign policy strategies, Iran's embrace of the great evil argument helped it be used more as a domestic policy material. On this occasion, the United States laid the groundwork for its policies of isolating, besieging and even settling Iran in the region.

After the assessment of Zbigniew Brzezinski, the national security advisor for the United States, in regards to Islamic movements are the developments threatened American interests in the early 80s, Fukuyama's End of History book shown the Islamic world is the new threat to Western values in the early 90s. In the mid-90s Huntington's The Clash of Civilizations thesis claimed that the Islamic world is at the center of the clash of civilizations, and this put Iran in a difficult position labeled as fundamentalist. Therefore, it can be interpreted that Iran is greatly affected by the enemy paradigm, is created by the USA. Although this interpretation, Iranian revolution was a revolt of the society against the state. The revolution did not adhere to the normal standards of Western revolutions in some of its fundamental characteristics, since the state embodied not just an ordinary regime but an absolute and authoritarian structure that lacked democratic legitimacy and a social base practically throughout society.<sup>136</sup> However, an assessment based on the criteria of Crane Brinton, author of "the Anatomy of Revolution", who likened the revolutions to a fever, will show that the goals and circuits of this revolution are no different from other major revolutions in the West, especially in Britain, France and Russia.<sup>137</sup> The popular uprisings led by the rebels, the Jacobins, and the Bolsheviks all demanded from a privileged royal minority independence and empowerment. Iranian revolutionaries did likewise. The use of religion by Iran was not even a novel one. This has also been a part of the political uprisings in Western societies.<sup>138</sup>

Understanding the founding philosophy of post-revolutionary Iran and the Islamic ideology of the state depends on understanding a paradigmatic personality like Khomeini. Ayatollah Khomeini is the living symbol and architect of the 1979 Revolution and the Islamic Republic of Iran. Ayatollah Ruhollah Khomeini showed to the masses that the nation is the source of

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<sup>136</sup> Homa Katouzian, "Iranian revolution February 1979", 2009; available at <https://www.mei.edu/publications/iranian-revolution-february-1979> accessed on 01.04.2020

<sup>137</sup> Crane Brinton, "The Anatomy of Revolution", Vintage, 1983 revised August 12, 1965, p.17-18

<sup>138</sup> ibid

salvation and each nation must determine its own destiny, and even governments are at the service of the nation. In this sense, there is no concept of “State” in Islam, but there is a concept of “servant”. This is a revolutionary expression of nationalism. It is a contemporary idea formulated with the phrase “sovereignty belongs to the nation”.<sup>139</sup> In addition, “Velayat-e Faqih” is Khomeini’s idea and the Faqih identified the state in charge of Allah and elevating the state to a holy position and giving it a divine identity.<sup>140</sup> Even though nation-based discourse is contradictory, it actually coincides with the nationalist thought process in the West. While the Islamic Republic ideologized Islam, Khomeini’s new interpretation of Faqih enabled the institutionalization and decision-making of the state to transcend religious and ideological boundaries and constraints and it saved Iran from interrupting its rational and real-political flexibility. While Iran has taken a more radical ideological stance inside, it has transformed Islamic ideology into an instrumental variable in foreign policy and has kept the national interest above all these.

The revolutionaries saw themselves as the vanguard of encircling the entire Muslim world, and the conflict between these aspirations and the need to create a constitutional law for an entrenched nation was reflected in the text of the Constitution.<sup>141</sup> The Iranian regime paradigm maintained its secularism and rationality, or rather, its secular rationality before and after the revolution. This claim can be examined in Iran’s foreign policy stances, which are expected to take an ideological approach. It is a fact that the Islamic Revolution has led to radical changes in foreign policy and in Iran’s internal structure. Iran, which broke away from the US in the Khomeini era and thereby broke away from the West, has paradoxically become isolated and faces a security threat as it seeks to increase autonomy. Moreover, the feeling of being surrounded by the countries in the region during the Iran-Iraq War led to Iran build a counterbalance against the United States which is backed regional alliance and the security threat by Iraq as analyzed in detail in the first chapter. This led to Iran’s attempt to create a

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<sup>139</sup> Mehmet Zeki İşcan , “İmamiye Şia’sında Politik Bir Teori Olarak İmametin İmkânı”, EKEV Akademi, 2002, Sayı 10, p.89.

<sup>140</sup> İsmail Sarı “Post-Revolution Iran’s Regime Paradigm and Its Foreign Policy Trends,” Turkish Journal of Middle Eastern Studies, Vol: 2, No: 1, 2015 , p.95-135

<sup>141</sup> Chehabi, H. E. “The Islamic Republic of Iran”, Journal of Persianate Studies, 2012, p.183

counterbalance, which it saw as an element of support for its historical, cultural and religious hinterland. Therefore, Iran's policy of revolutionizing Islamist movements and the Shiite hinterland is a real political decision rather than an idealistic ideological approach. Moreover, Iran is not seen as a fully rational actor within the international system and is often labeled as a fundamentalist. Many studies have argued that Iran's foreign policy making falls between “pragmatism” and “idealism” based on Islamic ideology, and that there are tides.<sup>142</sup> Contrary to this, the Iranian regime is a “secular theocracy”, and therefore the Iranian foreign policy elite has the mental tools to act like a secular state despite all Islamic statements, and the arguments that legitimize real-political foreign policy behavior.<sup>143</sup>

In conclusion, it can be seen in general Iran entered into a new foreign policy style in the period after the 1979 Revolution. However, the difference in foreign policy before and after the revolution is not at the target level. Only the strategies to achieve this goal have changed. The aim of the Shah's “nationalism-modernism” ideology is to ensure that Iran can develop and act independently against the great powers (seeking autonomy), as well as the goal of the post-revolutionary Iranian regime's Islamist ideology. Because both ideologies (modernism and Islamism) are the result of a defensive (apologetic) reflex in the face of the Western challenge, seeking solutions and autonomy.<sup>144</sup> After the revolution, Iranian decision makers carefully read the terms of the international system and acted appropriately rationally and pragmatically apart from the first years of the revolution (hostage crisis). Iran's foreign policy elite has the mental tools to act like a secular state despite all its Islamic rhetoric, arguments that legitimize real-political foreign policy behavior. In this sense it is not right to think that the revolution has created an irrational foreign policy under ideological reservation in Iran. While it is certain that the ideological excitement of the ruling cadres interacted with the foreign policy of post-revolutionary Iran, Iran's foreign policy is not an irrational one, convicted to the residual logic of ideological calculations. We need to see the pragmatist goals behind the ideological rhetoric.

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<sup>142</sup> Hamid Ahmedi, “İran İslâm Cumhuriyeti’nde Ulusal Çıkar İkilemi”, 21. Yüzyılda İran, çev. Pınar Güven, Ankara: Sitare Yayınları 2011, p. 65

<sup>143</sup> İsmail Sarı “Post-Revolution Iran’s Regime Paradigm and Its Foreign Policy Trends,” Turkish Journal of Middle Eastern Studies, Vol: 2, No: 1, 2015 , p.95-135

<sup>144</sup> ibid

Of course, this does not mean that the Islamic Republic of Iran has no religious or ideological reflex. Perhaps the best way to understand Iranian foreign policy is to analyze the internal matrix (Islamist ideology, national interests and factionalist policies), which is contending with each other and constantly in conflict and strife.<sup>145</sup> From this perspective, Iran's foreign policy has always been shaped by the fierce tension between dogma, idealism and pragmatism.<sup>146</sup> Since the revolution, when national interests were sacrificed for the sake of Islamist militancy, there have been cases where moderation has been replaced by ideology.<sup>147</sup> But as time passed over the Revolution, the balance in the mix of ideology and pragmatism within the revolutionary discourse that determines Iran's foreign policy has deteriorated in favor of pragmatism.<sup>148</sup> But this did not mean that Iran has completely abandoned its ideological tools.<sup>149</sup> The way to test this claim is to examine the foreign policy attitudes in case studies in which post-revolutionary Iran is expected to approach ideologically such as Syrian Uprising during the Arab Spring. In this regard, to understand the ideology that has shaped and driven the Islamic Revolution since its inception, it is necessary to understand not only the context of the ideology's emergence but also the system that built it and the domestic structure that crystallized it.

## **2.2 Determinants of Iranian Foreign Policy: The Impact of Systemic, Domestic and Ideologic Factors**

Most scholars believe that Iranian foreign policy principles and traditions have remained consistent since they illustrate self-sufficiency, indigenization, exceptionalism (Persian history and Shia crescent offer a dominance over other nations) and resistance.<sup>150</sup> Taken together, those ideals intensify the isolation of Iran in the international arena. Iran foreign policy based on

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<sup>145</sup> Ray Takeyh, "Gizli İran: İslâm Cumhuriyeti"nde Güç ve Paradoks", Ekvator Yayıncılık, 2007, s. 11

<sup>146</sup> ibid

<sup>147</sup> ibid

<sup>148</sup> Shireen T. Hunter, "Iran and the Spread of Revolutionary Islam", Third World Quarterly, Vol. 10, No. 2, Islam & Politics (Apr., 1988), p.38

<sup>149</sup> ibid

<sup>150</sup> Mahmood Sariolghalam, The Foreign Policy of the Islamic Republic of Iran: A Theoretical Revision and the Coalition Paradigm, Tehran: Center for Strategic Research, CSR Press, 2005, p.236

geopolitical position, ethnicity, social values, historical experience, heterogeneous ethnic structure, religion: Shia understanding of Islam, social structure, political culture, economy and oil revenues-are analyzed in following section as wider explanation is required.<sup>151</sup> These determinants are relevant since they underlie Western concerns about Iran and the justification for sanctions particularly.

- **Geopolitical Position:** Iran is in Southwest Asia and is surrounded by the Caucasus, the Caspian Sea, Central Asia, the Gulf region, the Gulf of Oman, Turkey, Iraq, Afghanistan and Pakistan. <sup>152</sup>For centuries, Iran's natural borders have helped the country develop its unique identity and have offered the Iranian people natural protection. Primarily, its geographical location helps spread the influence of Persian society into the interior of Asia. On the other hand, Iran is in competition with major powers, seeks to form and expand its own sphere of influence. Until the 1970s, Iran has struggled to become the cornerstone of the Western security system in the region. After the 1979 Islamic Revolution, Iran abandoned this policy and has started to use its military power to export Islam in the region. These initiatives are seen as a historical responsibility by Iranian statesmen. Perceptions against historical hurts and foreign interference lead to the development and strengthening of Persian nationalism in Iran. Especially during the British occupation which lasted until 1947, the partition of Iran in two again and the creation of states and autonomous regions such as the Republic of Mahabad and the National Government of Azerbaijan were among the most important events that laid the groundwork for the formation of Iranian nationalism.<sup>153</sup> In 1952, after the overthrow of Prime Minister Mohammad Mosaddeq in a US and UK-backed military coup, further growing nationalism was transformed into a religious response led by ulema-controlled religious institutions in the country.<sup>154</sup> Dissatisfied with the

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<sup>151</sup> *ibid*

<sup>152</sup> Islamic Republic of Iran, Economic Cooperation Organization, available at [http://www.eco.int/general\\_content/86050-Islamic-Republic-of-Iran.html](http://www.eco.int/general_content/86050-Islamic-Republic-of-Iran.html) accessed on 13.12.2019

<sup>153</sup> Fred H. Lawson. "The Iranian Crisis of 1945–1946 and the Spiral Model of International Conflict", *International Journal of Middle East Studies*, Vol. 21, No. 3. (August 1989), p. 316

<sup>154</sup> Fariborz Mokhtari, "Iran's 1953 Coup Revisited: Internal Dynamics versus External Intrigue" *Middle East Journal* Vol. 62, No.3, Summer, 2008, p. 457-488

Shah's policies, the Shah's regime was subjected to pressure at varying rates until 1979, but lost its international and local support and was replaced by a new government with a civil revolution. Until the Islamic Revolution, the basic parameters of Iranian foreign policy were pro-American and Western-oriented. This image ended with the Islamic Revolution was led by Ayatollah Khomeini in 1979. Iran, which emerged as a new “Islamic pole” in the region after this date, has tried to shape its Middle East policies by developing a discourse on the hostility of the United States and Israel as analyzed in previous chapter in detail.

- **Heterogeneous Ethnic Structure:** Persians are Iran’s largest ethnic group, but nearly a dozen other ethnicities represent well over a third of the 81 million population.<sup>155</sup> The largest ethnic groups, which are major factors in Iranian politics, are Azeris, Kurds, Arabs, Baluchis, and Lors. Others include Turkmen, Qashqai, Mazandarani, Talysh and Gilaki.<sup>156</sup> They hold dozens of seats in the current parliament. Some of the revolution’s biggest names have come from ethnic minorities.<sup>157</sup> This social, sectarian and ethnic division of Iran causes Iranian rulers think that their countries may attempt to disintegrate by foreign powers, and that these groups may be associated with other states. For this reason, Iran has a skeptical attitude in its foreign policy. After all, Iran is a country that is deeply distrustful because of its ethnic diversity, sensitive about its territorial integrity and political independence, and overly disturbed by other states' statements on these communities.
- **Religion - Shia understanding of Islam:** The major part (89%) of the population in Iran is Shi'a Muslim, 10% is Sunni Muslim, and the remaining 1% are Christian, Zoroastrian, Baha’i and Jewish.<sup>158</sup> Judaism has a very long history in the country,

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<sup>155</sup> Bijan DaBell, “Iran Minorities 2: Ethnic Diversity”, United States Institute of Peace, September 3, 2013; available at <https://iranprimer.usip.org/blog/2013/sep/03/iran-minorities-2-ethnic-diversity> accessed on 13.12.2019

<sup>156</sup> ibid

<sup>157</sup> ibid

<sup>158</sup> Iran Population 2020, World Population Review, available at <http://worldpopulationreview.com/countries/iran-population/> accessed on 13.12.2019

although the Revolution and the establishment of Israel have left just under 9,000 Jews in the country.<sup>159</sup> Christians are the largest minority religion at 250,000 to 370,000. Most Christians have an Armenian origin.<sup>160</sup> Since 1979, the Iranian government has also added the dimension of religion to its national power. Islamic issues have directly affected Iran's image in the region and its policies regarding neighboring states. Iran's regional standing is determined by Islamic geopolitics. In the 1980s, Iran's expansionist Shiite understanding threatened the current balance of the region and therefore led its Arab neighbors to worry about their territorial integrity. Because of this expansionist Shiite geopolitical strategy, Saudi Arabia and Iran conflict emerged. Iran started to struggle to spread its own Islamic understanding to the region while Saudi rulers perceive these initiatives as a threat to its national independence and balance of power in the region and develop policies to prevent the spread of Iran's Islamic understanding. Each religious leader has desire to Islamic uprisings to be carried out in most of the Arab and Muslim communities. These calls are welcomed sympathetic responses from the Shiite minority in the region. Naturally, Iran's messages and positive reactions from the region help Arab rulers and elites to have deep doubts about Iran's intentions, while encouraging attempts to limit Iran's influence in the region. Towards the end of the 1980s, Iranian rulers have been forced to change their understanding of foreign policy due to the end of the Iran-Iraq War, more pragmatist leaders coming into the power (except Ahmadinejad), the increasing importance of oil policy, the invasion of Kuwait by Iraq and Iran's desire to redevelop their relations with post-Cold War regional states.

- **Social structure:** There are two different social strata in Iran. As a result of the internal migrations in the 1960s and 1970s, uneducated and deeply Islamic people settled in cities throughout the country. They support the Revolution unconditionally and it advocates the preservation of the Islamic characteristic of the state.<sup>161</sup> In contrast, young

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<sup>159</sup> Iran, World Jewish Congress, August 15, 2016 available at <https://www.worldjewishcongress.org/en/about/communities/IR> accessed on 13.12.2019

<sup>160</sup> Iran Population 2020, World Population Review, available at <http://worldpopulationreview.com/countries/iran-population/> accessed on 13.12.2019

<sup>161</sup> Shibly Telhami & Michael Bernett, "Identity and Foreign Policy in the Middle East", p. 90-100.

Iranians are less respectful of the Islamic identity of the state because of their better education and contact with Western societies.<sup>162</sup> Young population are more likely to support government restructuring and economic development policies.<sup>163</sup>

- **Political Culture:** Iran's long and rich with its historical heritage remain under the occupation of Western countries in the 19th and 20th centuries, Iranian rulers and people, Persian nationalism has a very powerful and effective regional policies of the Western countries against intrusions and overly sensitive. These sentiments have led to an outpouring of sympathy among the Iranian people for nationalist rhetoric. The understanding of political pluralism dominates political culture in Iran. The Shia tradition in particular supports the understanding of multiple religious leaders. In addition, Shia tradition includes consensus among religious ulema, supremacy of laws, and inclusivity. These pluralistic themes are supported not only by democratic and secular sections, but also by those who adopt the Islamic tradition. Family ties are very strong in Iranian society, and they have a strong influence on political and social structures. Politicians heavily rely on their own children, old friends and siblings.<sup>164</sup> Politicians prioritize family members and close friends and it serves to lead corruption on the political system and economy. For this reason, Iranian politics has strong patrimonial and tribal leanings.<sup>165</sup> Thus, the country's non-governmental organizations are less effective in politics. On the other hand, political culture in Iran shows some differences between social layers. In other words, there are differences of opinion between the proponents of conservative wing and the reformist wing. Comparing the conservatives with reformist, they are more religious, less educated, less cosmopolitan, and often depend more on personal connections, are concerned about and the decline of Islam in Iran and the spread of Western culture and values.<sup>166</sup>

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<sup>162</sup> *ibid*

<sup>163</sup> *ibid*

<sup>164</sup> Karl Yambert, "The Contemporary Middle East: A Westview Reader" Hachette UK, 2012, p.216

<sup>165</sup> Mehrzad Boroujerdi, Kourosh Rahimkhani, "Post Revolutionary Iran: Political handbook", Syracuse University Press, 2018, p.22

<sup>166</sup> *ibid*

- The Leadership and the making of foreign policy:** The Iranian political structure is complex and factionalism based. The decision-making mechanism is split between the state structure and a parallel, vertically organized 'shadow' state system, under the Supreme Leader's direct control. <sup>167</sup>The Supreme Leader (currently Ali Khamenei) is the commander-in-chief of the armed forces, and has the right to replace the head of the IRGC. From the transfer of power between reformists and conservatives, to the advent of the IRGC, Bonyads<sup>168</sup> are part of the major political changes as half-autonomous military and economic centers with a direct connection with the Supreme Leader.<sup>169</sup>The president has the authority to determine and manage Iran's foreign policy. The presidential bureaucracy is at the center of executive power. The National Security Council is also under the control of the presidency. The council is the main decision-making body where foreign policy developments are discussed. Representative of the religious leader is involved in the council, thereby the religious leader has the power to influence the foreign policy planning process. Religious leader could discuss foreign policy, he can criticize and even offer some advices. The Deputy Speaker of the Assembly serves as the Secretary of the National Security Council, and he represents the religious leader on the council. The State Department reports foreign policy developments directly to the president. As the president is also the President of the Council of Ministers. The State Department is responsible for conducting foreign policy. However, presidential bureaucrats observe and control the implementation of foreign policy. Islamic Parliament of Iran is able to take an active role in foreign policy making through its Foreign Relations Committee. The Parliament may request detailed explanations from the ministries. Through this mechanism, Member of Parliaments (MPs) are able to influence foreign policy decisions and observe foreign policy developments. By making statements, conducting interviews and publishing written

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<sup>167</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran." , June 2012 p.110

<sup>168</sup> Bonyads are charitable foundations that play an important role in Iran's non-oil economy, control about 20% of Iran's GDP and direct the proceeds to groups that support the Islamic Republic.

<sup>169</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran." , June 2012 p.110

articles, MPs are able to express their views on foreign policy. Due to the weak civil society and political parties in Iran, informal and policy-based organizations play a more active role in the decision-making process.

### **2.3 The Iranian Economy after the Islamic Revolution**

Iran's economy is characterized by the hydrocarbon sector, agriculture and services sectors, and a noticeable state presence in manufacturing and financial services. Iran ranks second in the World in natural gas reserves and fourth in proven crude oil reserves.<sup>170</sup> Economic activity and government revenues still depend to a large extent on oil revenues and therefore remain volatile.<sup>171</sup> The policies of modernizing Iranian society and industrializing the economy have increased Iran's dependence on natural resources. Oil economy and policy of Iran affects foreign and national security policies. The increasing role of oil in the economy has led to a strengthening of the economic dimension of foreign policy. During the Shah's reign, encouraging foreign direct investment, establishing foreign trade zones and establishing deep economic ties with the Western world became the main goals of Iranian foreign policy. During the period between 1950 and 1970, oil revenues increased Iran's opportunities, so Iranian leaders had the opportunity to influence regional developments. Thus, Iran entered in search of alliances with powerful states outside the region and extensively developed its military capacity during this period.<sup>172</sup> In progress of time, oil revenues have limited Iran's foreign policy options. That is because Iran's dependence on oil revenues has made the country open outside influences and pressures.<sup>173</sup>

After the 1979 Islamic Revolution, Iran's role in the international economic structure remained unchanged. Although the Islamic Revolution had targeted a sense of full independence in the

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<sup>170</sup> Islamic Republic of Iran, Overview, The World Bank, available at <https://www.worldbank.org/en/country/iran/overview> accessed on 11.11.2019

<sup>171</sup> *ibid*

<sup>172</sup> Ali Abbas, "Kapitalizm Öncesi İran", İstanbul: Avesta Basın Yayın, p. 151-189.

<sup>173</sup> Islamic Republic of Iran, Overview, The World Bank, available at <https://www.worldbank.org/en/country/iran/overview> accessed on 11.11.2019

economic and political areas, Iranian officials and ruling elites have briefly understood that low oil prices mean the economic weakness of the oil - dependent country. For this reason, Iranian executives have sought ways to increase oil revenues by cooperating with other regional oil producers. In the 1990s, Iran began to experience serious economic problems such as negative growth rate, high unemployment, low production level, insufficient investment capital, high import dependence, excessive increase of public sector while increasing its dependence on Iran's oil sector, Western countries capital, technology and the need for industry experience was paramount.

Iran's Gross Domestic Product (GDP) is forecast at USD 463 billion in 2019/20.<sup>174</sup> The hydrocarbon, agriculture and services industries, as well as an significant state presence in manufacturing and financial services, define Iran 's economy with 82,8 million population.<sup>175</sup> The Iranian economy, which has been facing tough sanctions due to its nuclear program, experienced a heavy decline despite the high oil prices. The United States has imposed several sanctions in various ways and Iran has been struggling with economic sanctions since the 1980s. According to the data of the International Energy Agency, Iran's one-day oil exports amounted to 2.5 million barrels before sanctions, downed to 1 million barrels. This decline brought about economic collapse due to the fact that 60 percent of budget revenues and 85 percent of export revenues were dependent on oil and natural gas. Not only the decline in oil sales, but also freezing the assets of the Iranian Central Bank together with other banks and the prevention of transfers caused a negative impact on the growth performance in the country, also led to a decline in foreign exchange inflows. This has led to an excessive depreciation of the Iranian Rial. Economic and political tensions have led to the growth of the difference between the official exchange rate and the market rate.

The rise in exchange rates caused an increase in the general price level. The increase in the exchange rates in the Iranian economy, which has an industrial structure based on assembly and

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<sup>174</sup> Islamic Republic of Iran, Overview, The World Bank, available at <https://www.worldbank.org/en/country/iran/overview> accessed on 19.04.2020

<sup>175</sup> ibid

mainly works with imported inputs, has caused inflation. The decline in oil exports as a result of economic sanctions has led to a decrease in the high rate of foreign trade surplus in Iran. While the ratio of current account surplus to GDP was 11 percent before the sanctions, afterwards it decreased to 6 percent.<sup>176</sup> When the Iranian economy is evaluated in terms of public budget balance, the public budget, which gave an average surplus of 2.7 percent between 2000 and 2010 before sanctions, started to give deficit after sanctions due to the fact that almost 60 percent of its revenues are dependent on oil and natural gas.<sup>177</sup> It is estimated that budget deficits will continue to increase in the coming period.

Oil, as in other Gulf countries, constitutes the basic dynamic of the economy in Iran. Although Iran's human capital and manufacturing industry are in a better position compared to other Gulf countries, oil prices continue to have a direct impact on the economy. Oil prices, which were around \$ 110 in June 2014, fell below the \$ 35 level.<sup>178</sup> Undoubtedly this decline in oil prices carries enormous risks for oil exporting countries. The economic difficulties Iran has experienced due to sanctions have increased with the fall in oil prices. In 2019, a growth rate of -9.46% was achieved. In addition, increasing budget deficits can be considered as a risk factor. (Figure 4)

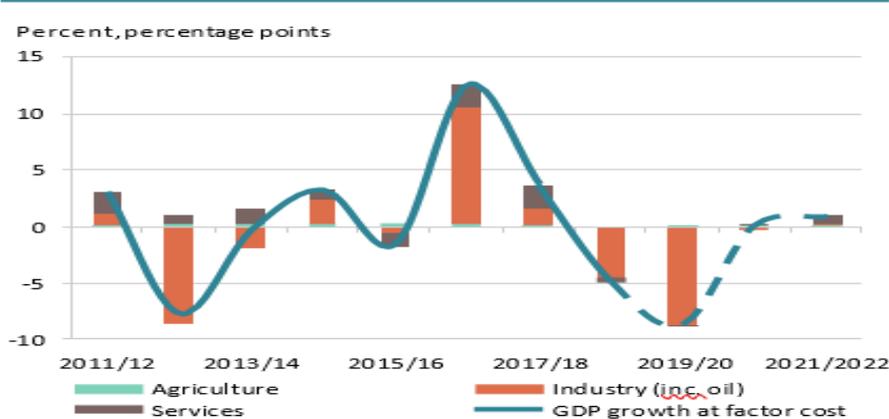
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<sup>176</sup> Iran Economic Monitor “Understanding the latest poverty trends in Iran (2009–2016)“, Fall 2018; available at <http://documents.worldbank.org/curated/en/676781543436287317/text/Iran-Economic-Monitor-Weathering-Economic-Challenges.txt> accessed on 18.05.2020

<sup>177</sup> Henry Rome, “Iran's Crisis Budget”, The United State Institute of Peace, April 2, 2020; available at <https://iranprimer.usip.org/blog/2019/dec/16/irans-crisis-budget> accessed on 03.02.2020

<sup>178</sup> Oil Price Charts, August 16,2020 available at <https://oilprice.com/> accessed on 18.05.2020

**Figure 4: Islamic Republic of Iran / GDP growth and supply side components**

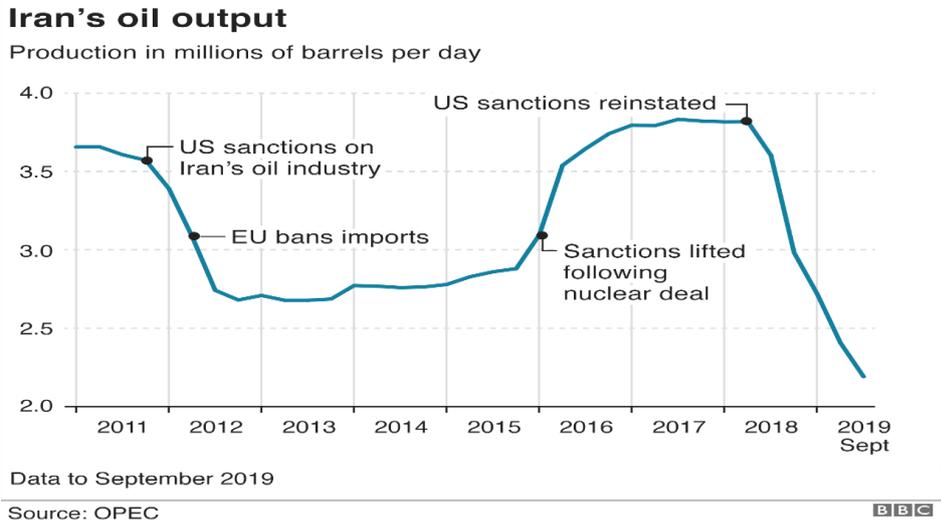


Sources: CBI, SCI and World Bank staff estimations.

The decline in exports comes after US exemptions have expired for Iran 's key importers of petroleum and strengthened banking controls, as well as new sanctions on the petrochemicals, metals, mining and maritime sectors of that country.<sup>179</sup> The expected fall in economic growth would result in a 90% decrease in the economy by the end of 2019-20, compared with just two years ago.<sup>180</sup> Due to the legacy of the 2018-19 oil shock, which is driving state expenditure such as social protection measures upwards while receiving lower oil revenues and fiscal revenue, the budget deficit is expected to continue to grow in two years.<sup>181</sup> The economic sanctions and the falling oil prices cause serious damage on the Iranian economy. As the sanctions were lifted after 16th January 2016, the Iranian oil production has risen to 3.5 million bpd, 0.5 million more than in the beginning of 2016. However, it must be noted that the sudden increase in the Iranian oil output was not the outcome of increase in production. For a long time, Iran had stored unsold oil on ships (40 million barrels in 2015) that has been gradually emptied by Spring 2017.<sup>182</sup>

<sup>179</sup> Oil Price Charts, August 16,2020; available at <https://oilprice.com/> accessed on 18.05.2020  
<sup>180</sup> Iran's Economic Update — October 2019, The World Bank, October 9, 2019 available at <https://www.worldbank.org/en/country/iran/publication/economic-update-october-2019> accessed on 18.05.2020  
<sup>181</sup> ibid  
<sup>182</sup> Jonathan Saul, “Iran struggles to expand oil exports as sea storage cleared”,2017 available at <https://www.investing.com/news/commodities-news/iran-struggles-to-expand-oil-exports-as-sea-storage-cleared-471925> accessed on 25.07.2017

**Figure 5: Iran’s Oil Output**



Growth fell back to 3.7% in 2017, helping to fuel the economic discontent that led to the biggest anti-government protests in Iran for almost a decade that December.<sup>183</sup> The reinstatement of US sanctions in 2018 - particularly those imposed on the energy, shipping and financial sectors that November - caused foreign investment to dry up and hit oil exports. The sanctions bar US companies from trading with Iran, but also with foreign firms or countries that are dealing with Iran. As a result of the sanctions, Iran's gross domestic product (GDP) contracted an estimated 4.8% in the 2018 and is forecast to shrink another 9.5% in 2019, according to the International Monetary Fund.<sup>184</sup> The influence of the energy and financial sanctions will be analyzed in detail in following section because of the crucial importance of them on Iranian economy and foreign policy.

<sup>183</sup> "Six charts that show how hard US sanctions have hit Iran", BBC, 9 December 9, 2019 available at <https://www.bbc.com/news/world-middle-east-48119109> accessed on 08 Jan 2020

<sup>184</sup> ibid

## **2.4 The Influence of International Financial and Energy Sanctions on Iran's Economy Policies and Informal Economy**

In the aftermath of the Iranian Revolution, America and Western countries in general lost an important ally in the Middle East and faced a regime that produced policies against the interests of the West in the region. By the 2000s, the new regime was among the first enemies to be fought on the grounds of 'anti-Israel', 'support for terrorism', 'human rights violations', 'axis of evil' definitions and 'obtaining nuclear weapons', in addition to the policy of 'exporting revolution' in the region for Western states. The scope and target of the sanctions imposed on Iran have differed from time to time from the revolution to the present day. The sanctions in the 1980s and 1990s were generally imposed, citing Iran's "support for terrorism" and 'human rights violations'.<sup>185</sup> The September 11, 2001 attacks presented an important opportunity for the United States to clamp down on Iran. In 2002, the disclosure of two secret nuclear facilities by Aliriza Jafarzade, the head of the US-based Iranian National Resistance Council, in Washington, brought the "Iranian nuclear issue" to the world public and the allegations that Iran has obtained nuclear weapons, which will last from this date to the present, were raised.<sup>186</sup>

The sanctions imposed on Iran from 1979 to the mid-2000s were not strategic, with clear objectives with some exceptions. In this period, the U.S. has asked Iran for a number of policy changes with many different reasons, and the effectiveness of the sanctions has been questioned. The fact that the desired targets are so diverse has led to the lack of international contribution to sanctions and the reactionary policies of the counterparty. In addition to sanctions that are not well prepared for the current targets, suspicions that the US's main goal is 'seeking regime change' in Iran have led Iran to engage in a psychology of existence in the face of sanctions. The ineffectiveness of the sanctions in this period is closely related to the content of these targets and the problems in their implementation. This deadlock in the sanctions

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<sup>185</sup> Kenneth Katzman, "Iran Sanctions". Congressional Research Service. 2019, p.4.

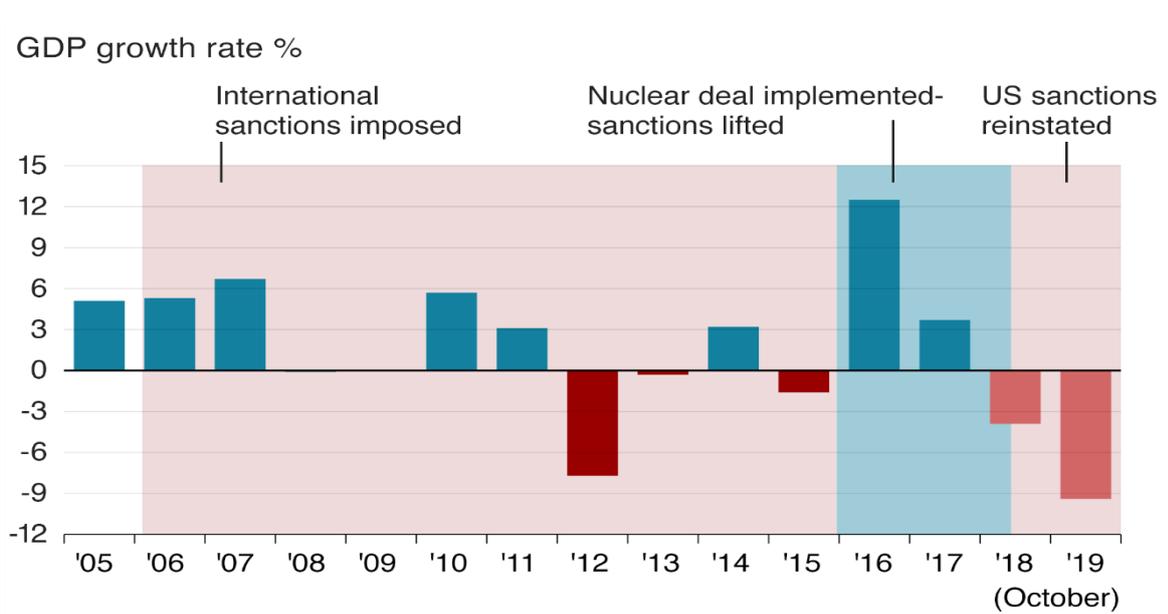
<sup>186</sup> Mohammad Reza Farzanegan · SAIS Review of International Affairs ... University Press · Volume 33, Number 1, Winter-Spring 2013, p.13-36

related to Iran can be said to have improved in favor of the sanctions since 2002 and especially after 2006, when the nuclear issue came into play and the sanctions became multilateral. As a matter of fact, the sanctions aimed at bringing transparency to Iran's nuclear work and bringing Iran to the path of reconciliation have both gained more support internationally and had much more serious effects on Iran, initiating the second phase of the sanctions. In this respect, two important determinations regarding sanctions can be made after 2006. First, in addition to unilateral sanctions, multilateral sanctions were initiated. Second, as a result of the sanctions, the targets were partially narrowed and the targets were drawn to the 'rational' level (for example, the nuclear issue) that should be in the normal foreign policy instruments. At the same time, old enforcement failures that would have rendered sanctions ineffective have also been minimized.

Although the ultimate goal of the sanctions imposed on Iran is to resolve the nuclear issue, the economy is one of the areas that will challenge the Iranian administration in achieving this goal. The aspect of the economy directly affects to public is constituting an important pillar of national power and the sanctions are economy-weighted has been the most important factor in the establishment of this pressure. Iran's economy has performed below its potential since the revolution. Iran's policies related to economic management can be cited as the reason for this situation.; poor economic management, structural problems, partially owned rentier state structure etc. are the dynamics negatively effecting Iran's development. However, all these are issues that may be resolved in the long-term in some way by the decisions of the Iranian rulers and their rational economic policies. At the same time, these structural problems have been at a level that can be endured to some extent and the severity that the public can tolerate. The sanctions, combined with these structural problems of Iran, led to the removal of the solution from Iran and gave control to the countries that imposed the sanctions. Especially with the sanctions, the effects on basic macro data such as inflation, economic growth, unemployment, foreign trade volume have been considerable. The economic effects of the sanctions are clearly visible on Iran's GNP. Especially after 2010, increasing pressures caused Iran's economy to contract for two consecutive years.

Due to the US, UNSC and EU tripartite sanctions, Iran has faced negative growth that has not been seen in its history for the past 20 years. Looking at Iran's growth rates over the past 15 years, the problem of slowing down and negative growth has emerged after the intensification of sanctions.

**Figure 6: Economic Growth in Iran**



Source: Central Bank of Iran, IMF



Sanctions have become an effective tool due to the EU's involvement and tightening of other unilateral practices in 2010 and especially after 2012.<sup>187</sup> These sanctions have raised serious problems in Iran, particularly in the areas of energy, transportation, insurance and finance. The energy and financial sector in Iran faced difficulties due to the unilateral Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA) decisions taken by the United States in 2010. At the end of 2011, unilateral US sanctions were imposed on the Central Bank of Iran, which had not previously been sanctioned, and restrictions were imposed on foreign banks in case they did business with Iran made the situation difficult for Iran. These sanctions were

<sup>187</sup> On target? EU sanctions as security policy tools, REPORT N° 25, Issue, September 2015; available at [https://www.iss.europa.eu/sites/default/files/EUISSFiles/Report\\_25\\_EU\\_Sanctions.pdf](https://www.iss.europa.eu/sites/default/files/EUISSFiles/Report_25_EU_Sanctions.pdf) accessed on 13.11.2019

imposed by UNSC sanctions Resolution 1929 in June 2010 and the EU's first sanctions in the same year, which isolated Iran from the global financial system. After 2012, EU sanctions reached their peak, covering many areas such as oil, insurance, Society for Interbank Financial Transactions (SWIFT). Iran's economy, which already has structural problems as a result of the populist economic policies of the Ahmadinejad administration, has been made even more fragile by the sanctions. Iran's economy experienced negative growth in 2012 and 2013 for the first time since then the Iran-Iraq War.<sup>188</sup> Indeed, negative growth rates two years in a row and then the interim agreement made on November 2013 between Iran and P5+1 countries, partially pausing the sanctions, releasing the portion of Iran's frozen assets in the negotiation process and the positive tone of the political atmosphere Iran has shown little improvement in economic terms.<sup>189</sup>

Besides the economic effects of the sanctions, they have had significant repercussions in Iranian domestic politics. Discussions in Iranian domestic politics after 2006 have taken place over the effects of sanctions on the Iranian economy and the connection of the Iranian nuclear program to these effects. In Iranian politics, reformers and extreme conservatives have represented two separate poles in these debates. The escalating tensions following the election of Ahmadinejad as president in 2005 caused the Iranian nuclear program to come on the agenda of the UNSC and the first sanctions decisions were taken within the organization. During this period, Ahmadinejad's harsh rhetoric and non-negotiable policy have increased international public support for sanctions. Although the sanctions were mainly implemented in the period of Ahmadinejad to ensure that Iran meets certain obligations related to the nuclear program and to prevent Iran from obtaining nuclear weapons, the most affected area was the economy and therefore the Iranian people. The aggravation of these economic effects has evolved into an atmosphere in which the effects of sanctions are discussed in Iran's domestic policy and different sections offer different solutions, while there are serious differences of opinion at the same time.

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<sup>188</sup> Tom Muller, "Political Handbook of the World 2012", Sage, 2012, p.1280

<sup>189</sup> "Iran and the P5+1: Solving the Nuclear Rubik's Cube", Middle East Report N°152, 2014, p.3

The election of Hassan Rouhani after the June 2013 presidential election, in which the pressure on Iran was peaked, was an indication of the extent to which the sanctions have affected domestic policy. The debate in the 2013 elections was centered around the nuclear program, sanctions and related economic problems.<sup>190</sup> Rouhani criticized many of Ahmadinejad's policies both during and after the election, saying that the former president made impulsive decisions without consultation, ignored economic problems and caused Iran to make many enemies in foreign policy.<sup>191</sup> Rouhani's most fundamental criticism has been about sanctions imposed because of Ahmadinejad's nuclear program. Indeed, the abandonment of nuclear negotiations after 2005 has been the main point of criticism during Rouhani's election campaign. Therefore, Rouhani made promises that the nuclear crisis would be resolved and that sanctions on Iran would be lifted, while at the same time stating that political and social rights and freedoms would be expanded.<sup>192</sup>

In fact, Rouhani has admitted the effects of sanctions on Iran by arguing that there can be no sustainable recovery for Iran living in isolation.<sup>193</sup> He also emphasizes while sending a message to the opposition in the country lifting the isolation through an agreement and compromising with the West does not mean abandoning its principles and ideals.<sup>194</sup> “Some people may not like to see the sanctions lifted.”, “Their numbers are few, and they want to muddle the waters.” during the negotiation process, he also expressed his concern and the presence of a part of Iran's internal politics that would be uncomfortable as a result of the lifting of sanctions.<sup>195</sup>

The sanctions have a negative impact on Iran's economy, and they also have caused some economic activities occur outside the normal administrative and regulatory framework. However, these informal activities have led to increased corruption and the effectiveness of certain institutions and individuals within the state in the economy. Some parts who criticize

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<sup>190</sup> Saeed Ghasseminejad and Nathan Carleton, “Iran sanctions: They work, so keep them”, CNBC, 2013, p.12

<sup>191</sup> Clifton W. Sherrill, “Why Hassan Rouhani Won Iran’s 2013 Presidential Election”, Middle East Policy, Vol. 21, Issue 2, (Summer 2014), p.72.

<sup>192</sup> Farzan Sabet, “Iran’s conservative consensus on the nuclear deal”, The Washington Post, 15.04.2015.

<sup>193</sup> Ray Takeyh, “Iranian reformers oppose government’s nuclear ambitions”, Los Angeles Times, 07.01.2015

<sup>194</sup> Ladane Nasser, “Rouhani Tells Iranian Economy Can’t Grow With Nation Isolated”, Bloomberg Business, 4 .01.2015.

<sup>195</sup> Thomas Erdbrink, “Iran’s President Pledges to Face Down Forces Opposing a Nuclear Deal”, The New York Times, 15 02. 2014.

the nuclear negotiation process, made destructive criticism to negotiating team due to the fear of losing their position within Iran in case of the deal. At the top of the institutions in question is the Revolutionary Guards. The Revolutionary Guard is an important executor of many military, political and economic activities in Iran, such as national security, nuclear program, industrial products. Rouhani's rejection of an offer to increase the budget of the Revolutionary Guard after taking office and the fact that he gave far fewer seats to Revolutionary Guard commanders in his cabinet than Ahmadinejad epitomizes his policies on this structure.<sup>196</sup>

In discussions during the nuclear negotiation process, he also revealed differences of opinion within Iran regarding sanctions and the nuclear program. During this period, the lifting of sanctions after a possible deal has made some within Iran uneasy about the regime's existence. Because the nuclear activities carried out by the continued sanctions not only prevented external threats to the regime, but also protect to Iran from external threats by being isolated in many areas. Lifting that isolation means that Iranians who directly feel the effects of sanctions for these segments can be much easier to engage in Western influence. Such an effect has the potential to strengthen the opposition in Iran and expose serious problems to the regime's presence. These debates have been at the heart of a number of economic difficulties Iranians are experiencing due to the sanctions. In a study investigating the reasons why the people voted for Rouhani in 2013 are beliefs Rouhani would fix the economy, his reformist personality, fixing the relations with other countries and stopping sanctions shows us that economic factors are predominate. Among the answers to the question of which problems Rouhani should deal with after taking office, the issues with the largest proportion are high costs, inflation, unemployment, sanctions, external pressures and poverty. As for the nuclear program, even though the Iranians are behind any civilian nuclear activities, 80% of the public think that sanctions have a negative impact on Iran's economy.<sup>197</sup>

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<sup>196</sup> Mehdi Khalaji, "President Rouhani and the IRGC", 2014 available at <https://www.washingtoninstitute.org/policy-analysis/view/president-rouhani-and-the-irgc> accessed on 16.01.2020

<sup>197</sup> Ebrahim Mohseni, "Iran's Presidential Election and Its Domestic and International Ramifications", Center for International & Security Studies at Maryland, Presentation, July 2013.

As a result, due to the sanctions have forced Iran in the economic area, there have been discussions on many issues in Iran, from the presidential elections, to the debates between the ultra-conservative and the reformist, from the effectiveness of structures such as the Revolutionary Guard, to what can be done in the face of the people's inability to endure economic difficulties. At the core of these discussions were the nuclear activities and the content of the negotiation process, which was put on the agenda in return for the lifting of sanctions. The lifting of sanctions was made clear by the Iranians after the heavy sanctions imposed in 2012, which would only happen after the nuclear issue was resolved. Iranian decision-makers, who think they can pursue policies that can mitigate the effects of sanctions in some way by 2012, are at the negotiating table in the face of devastating economic impacts.<sup>198</sup>The idea that the economic damage to Iran is far more important than the nuclear issue is now being considered by both the Iranian rulers and the public has created a conjuncture in which the nuclear issue has been negotiated in exchange for the lifting of sanctions and has led to the restart of the negotiation process. It is clear that the US sanctions on Iran have not led to a political transformation that the West desires, such as a democratic grassroots movement or a pro-Western regime taking power. Instead, sanctions-avoidance measures, trade realignment and subsidy reforms have been encouraged. On the other hand, the sanctions have created a perception among Iran's ruling elite that the United States is planning an attack, leading Iran to push the United States and its allies into an area where they cannot pose a threat to Iran's national security or strategic interests, and to try to reduce their influence in the region. As analyzed in 1<sup>st</sup> chapter in details, Iran has accomplished this by leveraging proxies, Shi'a communities and militia groups in the region, establishing alliances with similarly anti-Western states, new conflict zones, like Iraq and Afghanistan.<sup>199</sup>

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<sup>198</sup> Interview by Dr. Hassan Hakimian, Interviewee [Toni Johnson](#), Interviewer, 2012 available at <https://www.cfr.org/interview/how-sanctions-affect-irans-economy> accessed on 16.01.2020

<sup>199</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran." , June 2012 p.108

## 2.5 Countering International Sanctions and Western Interventions

Since the implementation of economic and financial sanctions in 2006, and following an existential threat to the 'resistance axis' posed by the Arab Uprisings in 2012, Iran is stepping up its quest for stability.<sup>200</sup> Iran is reassessing its internal economic policies, key trade alliances in Central Asia, barring any incentives to align with the GCC, and is seeking to internationalize the 'resistance axis.'<sup>201</sup> Iran seems to be fighting the United States over 'axis of oil' strategy to increase its energy revenues, above all through partnerships with states with a common anti-U.S. sentiment, under sanctions or in desperate need of international cooperation.<sup>202</sup>

- **Policies against Reducing and Relieving Subsidies and Reforms:** One countermeasure taken by Iran after sanctions were imposed by the UNSC in 2006 was to limit subsidies from the Iranian government. It was a quick and easy step to stop the economic downturn resulting from the sanctions was a fast and easy move. While sanctions have placed immense pressure on Iranians and Iranian firms, the regime's politics and policies have yet to be modified in domestic pressure to address the root causes of the sanctions.<sup>203</sup> The subsidy cuts are part of a sanctions counter measurement policy, but they are not yet far enough. More importantly, Iran must be able to pay its import bill, cover social security expenses, help the elite and find oil markets.<sup>204</sup>
- **Economic Alliances in Central Asia:** Under the administration of Ahmadinejad, the country abandoned efforts to bring the West closer, particularly the US, and instead concentrated on improving relations with Russia, China and Venezuela..<sup>205</sup> Given the fact that Iran-Venezuela relations date back to the 1940s, when two countries were

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<sup>200</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: The Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.", June 2012 p.133

<sup>201</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: The Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.", June 2012 p.133

<sup>202</sup> *ibid*

<sup>203</sup> *ibid*

<sup>204</sup> *ibid*

<sup>205</sup> Ali Haydar Senyurt "Iran Seeking for Alternative Foreign Policies against the Prevailing Global Political-Economic System" International Journal of Social Sciences and Humanity Studies Vol 4, No 1, 2012, p.18

seeking to gain more influence over their oil resources, Tehran-Caracas had no substantive economic and diplomatic ties except to found the (OPEC) in 1960 until the three day trip to Tehran by the President, Hugo Chavez, took place on May 20..<sup>206</sup> In addition, by launching joint initiatives in Venezuela, to develop tractor, cement and automotive plants, Khatami's administration has developed the ties with Venezuela that build export outlets for Iranian industry and highlight political links.<sup>207</sup> Since Ahmadinejad's coming to power in August 2005, with the aid of adopting a more robust travel schedule and strident, anti-Western rhetoric, he sought to intensify the current bilateral relations on the basis of "anti-USA imperialism."<sup>208</sup> Energy is the main aspect of relations between Iran and China. Since its 1993 transformation into a net oil importer, Iran has been a major energy supplier to China, a country that relies on energy resources to sustain economic growth.<sup>209</sup> The Commodity Exchange Statistics of the United Nations show that the export of Iranian crude oil to China has risen steadily from 1993 through 2011<sup>210</sup>. China, on the other hand, is Iran's largest foreign energy investor.<sup>211</sup> It has also signed billion dollars' worth of oil deals with Iran, especially at the end of It has also signed oil deals worth billions of dollars with Iran, especially in the late first half of the 2000s. For example; in October 2004, China Petroleum and Chemical Corporation (SINOPEC) and Iran signed an agreement worth some \$750-1000 million.<sup>212</sup> Therefore, China made its first big investment in Iran's energy sector.<sup>213</sup> It has also made it difficult for government agencies and the private sector to function in many ways by isolating Iran from the global banking system through expanded sanctions at the end of 2011. The sanctions also increased the cost of production and imports in Iran's economy, resulting in significant losses in sectors dependent on

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<sup>206</sup> Ali Haydar Senyurt "Iran Seeking for Alternative Foreign Policies against the Prevailing Global Political-Economic System" International Journal of Social Sciences and Humanity Studies Vol 4, No 1, 2012, p.18

<sup>207</sup> Johnson, Stephen, "Iran's Influence in the Americas", Center for Strategic and International Studies (CSIS), 2012,p.9

<sup>208</sup> ibid

<sup>209</sup> ibid

<sup>210</sup> Barbara Slavin, "Iran Turns to China, Barter to Survive Sanctions", Atlantic Council,2011, p.3

<sup>211</sup> ibid

<sup>212</sup> Ali Haydar Senyurt, "Iran Seeking for Alternative Foreign Policies against the Prevailing Global Political-Economic System" International Journal of Social Sciences and Humanity Studies Vol 4, No 1, 2012, p.18

<sup>213</sup> ibid

imports. In particular, the decrease in oil exports, the main export component, was also reflected in total exports and the decrease in both the export and import figures. For the past 10 years, not only numerical decreases have been noted, but also shifts in classification of the most traded nations, with European countries being replaced by Asian countries, in particular China.<sup>214</sup> Under Ahmadinejad, Iran saw the Shanghai Cooperation Organization, one of the two key members of which is Russia, a second China, as the precious asset of its efforts to against American interference in the area and keep Western powers from intervening with the region for themselves. Tehran also decided to receive support from the members of SCO for its efforts to enrich uranium in the hope that it could improve its security against international pressure led by the USA..<sup>215</sup> Russia is Iran's largest weapons supplier, and is reluctant to go beyond a certain point in cultivating arms-trade links with Iran, where such an effort would cause major problems in relations with the West.<sup>216</sup> In August 2010, after Russian side repeat delays in Moscow by the United States and its western allies and was connected to Iran's power grid in September 2011, Russia helped Iran construct its nuclear facility in Bushehr and finally launched the first Bushehr nuclear facility.<sup>217</sup> These developments indicate the strategic significance of cooperation with Russia on the nuclear issues for Iran: "Russia is the only international actor that recognizes the legitimate right of Iran to produce nuclear energy and helps Iran to justify its position in the international forum."<sup>218</sup> On the other side, between 2006 and 2010 Russia voted for UNSC sanctions against the Iranian nuclear program.<sup>219</sup> Russia firmly believes that a nuclear Iran will pursue a more hostile, autonomous policies for the Caucasus and Central Asia, with a military aspect to the Iranian nuclear program.<sup>220</sup>

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<sup>214</sup> Ali Haydar Senyurt "Iran Seeking for Alternative Foreign Policies against the Prevailing Global Political-Economic System" *International Journal of Social Sciences and Humanity Studies* Vol 4, No 1, 2012, p.18

<sup>215</sup> *ibid*

<sup>216</sup> *ibid*

<sup>217</sup> *ibid*

<sup>218</sup> Bulent Aras and Fatih Ozbay, (2008), "The Limits of the Russian-Iranian strategic alliance: its history and geopolitics, and the nuclear issue", *The Korean Journal of Defense Analysis*, Vol. 20, No.1, p. 145

<sup>219</sup> *ibid*

<sup>220</sup> Ali Haydar Senyurt "Iran Seeking for Alternative Foreign Policies against the Prevailing Global Political-Economic System" *International Journal of Social Sciences and Humanity Studies* Vol 4, No 1, 2012, p.19

- **The Iran – Pakistan – India (IPI) Pipeline:** In May 2009, during a three-way summit hosted by Iran, Iran and Pakistan agreed on the natural gas pipeline linking the two Muslim majority nations.<sup>221</sup> The South Fars gas field is linked to Pakistan's Balochistan and Sindh provinces under the \$7,6 billion natural gas pipeline agreement. It was then predicted that the so-called "peace pipeline" would cross into India and thus become the Iran – Pakistan – Indian pipeline. (IPI).<sup>222</sup>
- **Iran-Iraq Pipeline:** Iran has signed a gas export agreement for Iran to Iraq. Under this deal, Iran shall export 40-65mcm every day for six years to Baghdad and Basra.<sup>223</sup> By the end of 2017, Iranian gas is expected to be ready for export to Iraq, with both countries investing about \$2.3 billion in construction.<sup>224</sup>
- **Iran-Oman Gas Pipeline:** In March 2014, Iran concluded the Gas Export Agreement to Oman in 2017.<sup>225</sup>Iran will export 10 million cubic meters annually according to this agreement.<sup>226</sup>They address the construction of an undersea pipeline for 260 km to bring Iranian gas into the country throughout the Persian Gulf.<sup>227</sup>
- **Regional Economic Organisations:** While Iran prefers bilateralism, in Iran's immediate environment there are two multilateral organizations which Iran tries to establish or join.<sup>228</sup> They are the Economic Cooperation Organisation (ECO) and the Shanghai Cooperation Organisation (SCO). The ECO is based in Tehran and its

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<sup>221</sup> Iran Regional Presence Office Dubai: Window on Iran', Wikileaks, 28 May 2009

<sup>222</sup> ibid

<sup>223</sup> Omid Shokri Kalehsar, "A flexible pipeline dream: Iran's LNG goals", Energy & Environment Vol. 27, No. 5, August 2016, p. 542-552

<sup>224</sup> Iran signs deal with Iraq for Basra gas, The Energy Year, November 12, 2015; available at

<https://theenergyyear.com/news/iran-signs-deal-with-iraq-for-basra-gas/> accessed on 10 May 2015

<sup>225</sup> Simone Cantarini, "Iran and Oman Determined to Build an Underwater Pipeline" 2017 available at

[https://www.aboutenergy.com/en\\_IT/topics/UnderwaterPipeline-Iran-Oman-en.shtml](https://www.aboutenergy.com/en_IT/topics/UnderwaterPipeline-Iran-Oman-en.shtml) accessed on 20.04.2020

<sup>226</sup> ibid

<sup>227</sup> ibid

<sup>228</sup> Robert Mason, "Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.", June 2012 p.146

members include: Afghanistan, Azerbaijan, Iran, Kazakhstan, Kyrgyz Republic, Pakistan, Tajikistan, Turkey, Turkmenistan and Uzbekistan.<sup>229</sup>



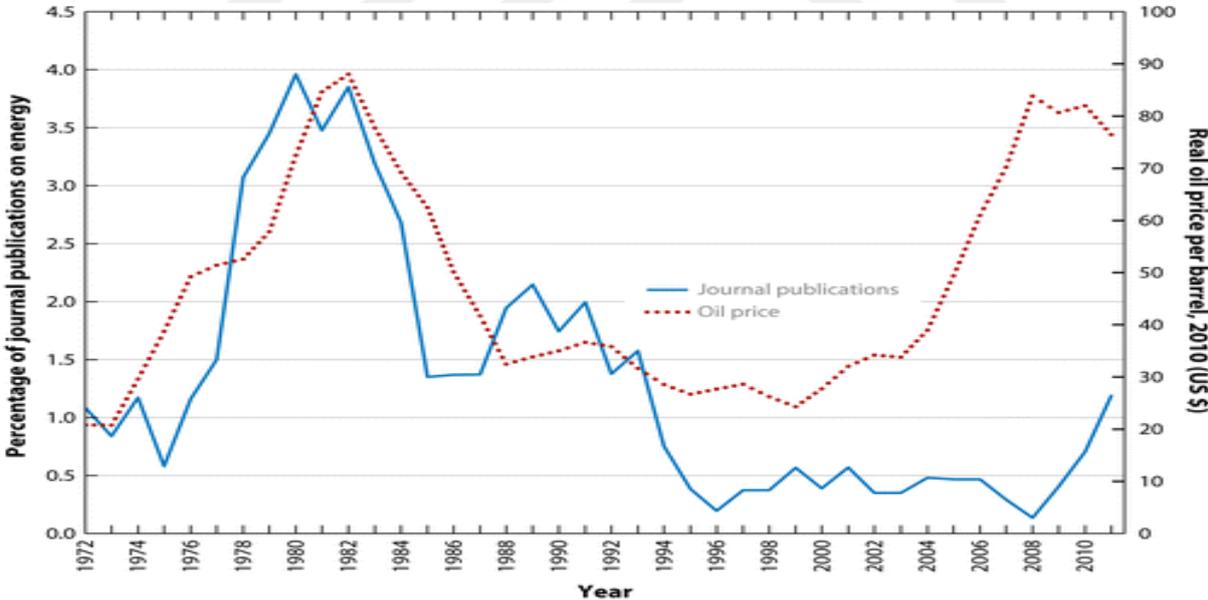
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<sup>229</sup> Robert Mason, “Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran.” , June 2012 p.146

**Chapter Three: Developing Theoretical Framework for the Analysis of Energy on Iranian Foreign Policy**

Energy is playing an increasingly important role in politics. While energy has become one of the greatest determinants and foundations for international relations, the lack of theoretical or conceptual context makes it more difficult to research energy politics. The academic research on this topic has been a superficial analysis of literature on energy politics. Figure 7 shows the percentage of journal articles in top journals of political science mainly dedicated to the study of energy policy since the 1970s.<sup>230</sup> International Security most commonly discussed energy issues in the publications reviewed, with 5.8 per cent of papers on the subject. Despite its significance in relation to other, more traditional issues, energy policy seems to be overlooked.

**Figure 7: Oil Prices and Political Science Journal Publications on the Politics of Energy, 1972-2010**



 Hughes L, Lipsy PY. 2013. *Annu. Rev. Polit. Sci.* 16:449–69

<sup>230</sup> Llewelyn Hughes1 and Phillip Y. Lipsy, “Politics of Energy“*Annu. Rev. Polit. Sci.* 2013. p.452

In general, early studies of energy politics focused on the national security implications of resource dependence, and energy sources-particularly oil- were treated as a national security issue. Firstly, realism has become the stand-out theory in evaluating energy in politics.<sup>231</sup> the basic assumptions in Realist theory were generally based on access to natural resources, national power, and interest. Conflict and war over these resources are probably inevitable.<sup>232</sup> in this context, this chapter, then, will focus on Iran and Iran's Middle East foreign policies and the countries ' energy policies and it aims to provide a conceptual framework to understand how the policy applies to. Realism, and especially neoclassical realism, best describes the role of energy resources in foreign policy, especially Iran's relations with other countries.

Iran is one of the significant actors attracts large audience of regional and international experts and also policymakers. It caught the attention of the great powers during the Cold War due to its geopolitical position. The Islamic Revolution opened a new chapter in its international relations. Iran's foreign-policy outlook was once again under pressure by the nuclear disclosures. The Arab Spring wave has increased Iran's role in the region, which culminated in the crisis in Syria. Iran is a "strongly independent and challenging player" who wants to be an active player in regional and global politics. Due to the many different dualities, Iran is a difficult case for foreign policy analytics on many levels.<sup>233</sup>

In the theoretical context, there have been three ' thinking patterns ' common in politics from the dawn of recorded civilization. Wight claims that three opposing ideologies in international relations; realism, rationalism, and revolutionism continuously and constantly coexist at any given point, as shown by an interplay with each other.<sup>234</sup> Each of the three traditions project thought patterns embodying a description of the nature of international politics and a set of

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<sup>231</sup> Llewelyn Hughes1 and Phillip Y. Lipsy, "Politics of Energy" *Annu. Rev. Polit. Sci.* 2013. p.452

<sup>232</sup> Ronald Dannreuther, "International Relations Theories: Energy, Minerals and Conflict", *Polinares Working Paper*, No.8, 2010, p.3

<sup>233</sup> Tuğba Bayar, "Multiple Dualities: Seeking the Patterns in Iran's Foreign Policy", *All Azimuth* V8, N1, 2019, p.37

<sup>234</sup> Barry Buzan, "The English School as a research program: An overview, and a proposal for reconvening," (unpublished manuscript, 1999), p.4

international conduct prescriptions.<sup>235</sup> Therefore, while states function within the normative framework of a rationalistic international society expressed by institutions, the views, thoughts and actions of Iranian statesmen cannot be entirely stripped of the practical and rationalistic ' thought traditions.<sup>236</sup> It is argued that, in the field of international relations, the one (and sub school) of these three ideologies of realism, rationalism and revolutionism is the idea of the Iranian political elites, and therefore their actions. After the Second World War, realism emerged as a response to the failure of the arrangements in the interwar period and became a fashionable approach. The common aspect of all said and done works is that in order to understand international relations, we must focus on the power policy and the power factor. Although the post-Cold War security field has undergone profound changes with the rise of individual security, the weakening of the nation state and the relative decline of military security, the intellectual framework proposed by realism still remains to be seen with various data when we look at the issues being discussed around the world today. This study aims to analyze the current security environment within the framework of realism and neoclassic realism mostly. The fact that military options are still a strong trump card due to problems such as terrorism and border issues will be judged in terms of international relations theories. The current international relations and international security environment will analyze and it was pointed out that states still hold a strong position. Especially in recent years, as civil wars have gained more prominence on the international agenda and have begun to affect people, military options have begun to come to the fore, and powerful states in unstable regions have entered a race of interests. Nevertheless, state behavior cannot be understood without considering at international system and domestic factors, on the one hand, and ideational influence and material power on the other. For this reason, both theories of realism and neoclassical realism can provide a fundamental understanding of how to view the larger picture of the regional environment by assessing politics of energy that affect foreign policies. Since the scope of this

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<sup>235</sup> Hedley Bull, *The Anarchical Society: A Study of Order in World Politics*, 3rd ed. (Basingstoke: Palgrave, 2002) p.26

<sup>236</sup> Laleh Gomari-Luksch, "Realism, Rationalism and Revolutionism in Iranian Foreign Policy", PHD Thesis, University of Tübingen, 2017, p.30

thesis focuses the role of politics of energy in foreign policy practices, we will need to look at where energy stands first.

### **3.1 What Does Politics of Energy Mean in Foreign Politics?**

Politics of energy appears as an important area of political science after two decades of relative silence and another reason for this is the growth in demand in emerging economies, which has pushed real prices of crude oil to higher levels not seen since the 1970s.<sup>237</sup> There are convincing reasons to think that interest in politics of energy will stay strong.<sup>238</sup> The International Energy Agency (IEA) predicts that investment of \$26 trillion will be needed by 2030 to meet growth in energy demand, most of which is underpinned by the improvement of living standards of huge populations in the Asia-Pacific and the Middle East.<sup>239</sup> It is estimated that the installed generation of electricity, reflecting a significant part of fossil fuel demand, will increase by five times the United States ' current capacity by 2030.<sup>240</sup> This growth in demand has profound political, cultural, and ecological implications and the political sciences tools are essential to understand the financial, individual societies and international relations consequences.<sup>241</sup> Increase energy demand is related to a wide range of protection and environmental externalities and is a function of economic growth in developed and developing countries. For example, the relationship between nuclear proliferation and civilian nuclear technologies, climate change policies, science and technology policies, and governance issues related to natural resource ownership could all potentially be discussed under the umbrella of "politics of energy."<sup>242</sup>

What are the political factors and consequences of the different structures regulating natural resources acquisition and use and other energy sources? It is concentrated on the developed industrialized states that attract the greatest attention in the current work, but many perspectives are important for the emerging markets and developing countries as major energy producers

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<sup>237</sup> Llewelyn Hughes1 and Phillip Y. Lipsy, "Politics of Energy" Annu. Rev. Polit. Sci. 2013. p.450

<sup>238</sup> *ibid*

<sup>239</sup> Llewelyn Hughes1 and Phillip Y. Lipsy, "Politics of Energy" Annu. Rev. Polit. Sci. 2013. p.451

<sup>240</sup> *ibid*

<sup>241</sup> *ibid*

<sup>242</sup> *ibid*

such as Iran. First question should be “What types of energy sources are used most?” Fossil fuels (coal, oil, gas) have, and continue to, play a dominant role in global, some countries have given much more importance to other energy sources. Second should be “How successful are countries in using their own energy resources?” The United States consumes almost as much energy as it produces.<sup>243</sup> Although some of this variability is due to non-political factors such as geography and demographics government policies are likely to play a role too. Thirdly, what instruments use governments to meet their energy targets? Alongside tariffs, governments that choose different types of regulations and taxes to target a certain energy profile.<sup>244</sup> There are wide-ranging international instruments available for states, including dependence on market mechanisms, bilateral energy resource access agreements, cartelization and uniform demand management cooperation.

Regarding the interpretation of the international political system, the answer to these questions matters. Meeting the growing need for energy worldwide would require investment of more than \$48 trillion over the period up to 2035.<sup>245</sup> Today's \$1.6 trillion annual energy-supply investment needs to rise steadily to \$2 trillion over the coming decades and measured against a 2012 baseline, annual energy consumption needs to rise from today's 130 billion dollars to more than 550 billion dollars by 2035.<sup>246</sup> In the early 1980s, academic interest throughout energy policy peaked — as governments responded to the challenges of the oil shocks of the 1970's — and then declined. Attempts to identify and describe cross-border and international energy policy differences were the foundation of much of the early seminal work in the international political economy.<sup>247</sup> In the following decades much has been modified, e.g. by the adoption of renewable energies and energy efficiency initiatives by many nations, by China, as major energy users, and by growing global warming concerns.

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<sup>243</sup> How the United States uses energy, US Energy Information Administration, June 18, 2020; available at <https://www.eia.gov/energyexplained/use-of-energy/> accessed on 15.04.2020

<sup>244</sup> Llewelyn Hughes1 and Phillip Y. Lipsy, “Politics of Energy“Annu. Rev. Polit. Sci. 2013. p.450

<sup>245</sup> World needs \$48 trillion in investment to meet its energy needs to 2035, International Energy Agency, June 3 2014; available at <https://www.iea.org/news/world-needs-48-trillion-in-investment-to-meet-its-energy-needs-to-2035> accessed on 16.02.2020

<sup>246</sup> *ibid*

<sup>247</sup> *ibid*

While energy policy is mostly domestic approach is needed to address energy development with the energy production, distribution, consumption and cooperation with the energy companies, politics of energy is reflected in international area and it is subject to foreign policy. In the international arena, the energy producing countries use their energy sources as a weapon, exporting their energy as well as their capacity to strengthen their position to establish hegemony in their region, as in the case of Iran. Owing to the supply, the production and the exportation of vast amounts of crude oil, the oil market has always been dominated by the OPEC countries. In the international arena, OPEC 's position in stabilizing oil markets has been very important. However, the countries that supported Israel in the Yom Kippur War and the United States were subjected to an oil embargo by OPEC countries because of their support in 1973. As discussed in first chapter, the oil prices have affected, and the World has been driven by the big economic crisis as oil prices have risen. Many developed countries have experienced financial problems and the majority of developing countries have funded their energy imports through foreign debt. The U.S. felt heavily dependent on Middle Eastern oil because of the oil embargo and in turn centered its attention on turmoil in the region, which has included several wars and other military interventions since then.<sup>248</sup> The energy resources in international relations are used as a tool, in particular as a weapon just like the OPEC countries as the result of their applied politics of energy.

### **3.2 The Use of Natural Resources in Theoretical Perspective**

#### **3.2.1 Realist Approach**

Jeffrey W. Legro and Andrew Moravcsik note that "realism, the oldest and most influential theoretical model in international relations," and "is not a philosophy, but a theory family."

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<sup>248</sup> Greg Myre, "The 1973 Arab Oil Embargo: The Old Rules No Longer Apply, October 16, 2013; available at <http://www.npr.org/blogs/parallels/2013/10/15/234771573/the-1973-arab-oil-embargo-the-old-rules-no-longer-apply> accessed on: 22.02.2020

Realist political economy rests upon three foundations the nature of the actors: rational, unitary political units in anarchy; secondly, the nature of state preferences: set and consistently contradictory objectives; and, thirdly, international structure: the primacy of material capacities.<sup>249</sup> Growing of these three characteristics distinguishes realism from other approaches to the study of the politics of international economic relations policy, such as liberalism and Marxist forms..<sup>250</sup> Part of the national interest 's distinction derives from the nature of anarchy — the lack of absolute international authority, and hence the absence of any assurance that the country would not be invaded, overwhelmed, captured, and plundered.<sup>251</sup> Security is a public welfare, public goods cannot be adequately provided by private actors, so the state is responsible for ensuring security..<sup>252</sup>.

Although the intellectual origins of realism, can be extended to Machiavelli is best known for writing “The Prince” in the 16. century, although Carr led the attack to idealists, the greatest intellectual support for realist thought in international relations after the Second World War came from Morgenthau's book “Politics Among Nations” written in 1948, which introduced a more conceptual approach to international relations, later known as the father of the realist school. Here, Morgenthau emphasized the importance of the struggle to achieve power in explaining human behavior and therefore the behavior of states.

In international relations, the focus on military capabilities does not fully represent the contemporary situation in the current global political environment. The increasing trend of globalization and growing interdependence of global states leads to a environment in which the advantages gained by military actions are controversial and there are more effective ways of extending power abroad. J. W. Legro, A. Moravcsik noted that " Realists need only to assume

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<sup>249</sup> Jonathan Kirshner, “Realist Political Economy” Routledge handbook of international political economy (IPE) : IPE as a global conversation / edited by Mark Blyth, Chapter 2, p.36

<sup>250</sup> Susan Strange “Paths to International Political Economy” Routledge Revivals, p.3

<sup>251</sup> Jonathan Kirshner, “Realist Political Economy” Routledge handbook of International Political Economy (IPE) : IPE as a global conversation / edited by Mark Blyth, Chapter 2, p.36

<sup>252</sup> *ibid*

that efficacy is proportional to total capabilities."<sup>253</sup> When the war is insufficient in order to provide better access to natural resources, military force replaces other forms of power.<sup>254</sup>

States' positions on energy resources issues in the international system rely on disputes, negotiation and convergence of the interests of the most powerful states, and interaction between the exporting, transiting and importing states of energy resources. Exporting and transiting countries seek to take as much power as they can from the energy resources and importing countries try to gain energy resources. This translates into power elements. "Energy supply policy is as much a part of the policy arsenal as other economic tools, military power and diplomatic tactic." This idea is supported by Anita Orban; it refers to the idea of James E. Dougherty and Robert L. Pfaltzgraff stating that "military power did not appear to be the key variable that explains states placed in the international system."<sup>255</sup>

Furthermore, Morgenthau sees energy as a major component of "hard power" which is the most powerful factor in determining state political strength.<sup>256</sup> In realist theory, energy is an integral part of global politics, and energy supplies beyond their market price have a strategic importance. While the energy sector is considered a strategically sensitive field, realistic theory assumes that the monitoring and involvement of the state is important for national survival and vital for it. Some of the key realist arguments regarding energy policy could be summarized as follows:

1. A key component of national power and interest is access and control of natural resources.

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<sup>253</sup> Jeffrey W. Legro and Andrew Moravcsik, "Is Anybody Still a Realist?" *International Security* Vol. 24, Issue 2 (1999) available at <https://www.ies.be/files/documents/JMCdepository/Legro,%20Jeffre,%20Andrew%20Moravcsik,%20Is%20Anybody%20Still%20a%20Realsit.pdf>

<sup>254</sup> George Dimitriu, "Clausewitz and the politics of war: A contemporary theory, *Journal of Strategic Studies*", 2018, p.4

<sup>255</sup> Brenda Shaffer, *Energy Politics* (University of Pennsylvania Press, 2009), p. 1

<sup>256</sup> Morgenthau, J. H., 1954. *Politics Among Nations: The Struggle for Power and Peace*, 3rd ed. Chicago: University of Chicago Press.p.31

2. Energy resources are becoming increasingly scarce and vulnerable which could end with resource wars
3. States will become more competitive for resources
4. There is an increasing risk of conflict and war over resources.<sup>257</sup>

Energy politics is influenced by the impacts of resource dependence on national security. The rise of mechanized warfare on the demand side made oil products necessary for states to be able to wage war. On the supply side, the most important oil supply and demand centers – other than the United States – were geographically distant from each other. This has made it possible that corporations or governments dominated by manufacturing can profit economically or politically by exercising market power, or by threatening it. This view of politics of energy, particularly of oil, as an issue of national security and the academic field, has been popularized in early books, and the practical tradition most notably emphasizes the centrality of national security interests in energy politics. The most influential realist tradition claims the centrality of national security interests in the politics of energy. Power over natural resources is recognized as a key of national power feature in war and peace by Morgenthau.<sup>258</sup> Gilpin claimed to be a major driver for state actions in resource competition.<sup>259</sup> Krasner also focuses on state interests and suggests that states have a distinct set of policy objectives for commodities markets.<sup>260</sup> The underlying model focuses on government as the most important player in designing and implementing politics of energy, and asserts that the national security consequences of import dependency form state strategies.

Energy is yet another example of how states might maintain control in an anarchic, zero-sum environment while the resource base to which ensuring adequate energy supplies contributes is

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<sup>257</sup> Ronald Dannreuther, “International Relations Theories: Energy, Minerals and Conflict”, Polinares Working Paper, No.8, 2010, p.3

<sup>258</sup> Gellman, Peter. “Hans J. Morgenthau and the Legacy of Political Realism.” *Review of International Studies*, vol. 14, no. 4, 1988, pp. 247–266. JSTOR, [www.jstor.org/stable/20097151](http://www.jstor.org/stable/20097151). accessed on 17 June 2020.

<sup>259</sup> Jeffrey W. Legro and Andrew Moravcsik, “Is Anybody Still a Realist?” *International Security* Vol. 24, Issue 2 (1999) available at <https://www.ies.be/files/documents/JMCdepository/Legro,%20Jeffre,%20Andrew%20Moravcsik,%20Is%20Anybody%20Still%20a%20Realist.pdf>

<sup>260</sup> *ibid*

only one of several policy areas where states compete for absolute benefit with each other.<sup>261</sup> Energy resources are seen as 'key factors' to the degree that they alter the capacity balance between states and thus influence power sharing within the international system.<sup>262</sup> The focus in these accounts tends to be on the likelihood of conflict as states compete for energy resources<sup>263</sup> for example through the troubling international politics of Eurasian energy transit pipelines.<sup>264</sup> These strategies offer more insight as to why international cooperation on energy has, been partitioned and why energy has been so much securitized according to consumers and manufacturers,. Realist analyzed in the next part. To sum up approaches may appear to be best positioned to understand the recent return of 'resource nationalism' and the increased dominance of national oil companies than liberal approaches.<sup>265</sup>

In conclusion, since the use of national resources is mainly related to the state's pursuit of power, reality and its rivals will always be the topic of an everlasting conversation. While politics of energy is regarded by realists as an instrument for political domination or conflict, on the other hand, it should also be noted that realism is useful in understanding how states worked before the 1990s but now that the Cold War is over, it's largely useless.<sup>266</sup> For this reason, neoclassical realism will try to explain states' behaviors in foreign politics in the following chapter.

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<sup>261</sup> M. Klare, "Rising powers, shrinking planet: How scarce energy is creating a new world order." Oxford: Oneworld, 2008, p.

<sup>262</sup> Hancock, K. J., & Vivoda, V. "International political economy: A field born of the OPEC crisis returns to its energy roots.", *Energy Research & Social Science*, 1, 2014, p.207

<sup>263</sup> S. Bromley, "Blood for oil?", *New Political Economy*, 11 (3),2006, p.419–434

<sup>264</sup> A. N. Stulberg, "Strategic bargaining and pipeline politics: Confronting the credible commitment problem in Eurasian energy transit." *Review of International Political Economy*, 19(5), 2012, p.808

<sup>265</sup> A. Goldthau, "From the state to the market and back: Policy Implications of changing energy paradigms." *Global Policy*, 3(2), 2012, p.198–210

<sup>266</sup> John J. Mearsheimer, "Realism, The Real World, and the Academy", *Realism & Institutionalism in International Studies*, Edited by Michael Brecher and Frank P. Harvey, The University of Michigan Press, 2002, p.24

### 3.2.2 Neoclassical Realist Approach

The concept of neoclassical realism was first used in 1998 by Gideon Rose in the article “Neoclassical Realism and Theories of Foreign Policy”. Neoclassical realism is a theoretical approach to international relations that belongs to a realistic tradition. By focusing on strength and conflictual relations between states, realist theories have tried to make sense of the international reality. Given this common characteristic, realist theories have come up for different sources of interpretation to determine conflict and war: human nature, the complexities of national politics, or major international politics. Neoclassical realism, on the other hand, mainly seeks to explain countries' foreign policies by referring to national and international stages. This enables neoclassical realism to bridge the gaps in other versions of realism, particularly in respect of previous foreign policy choices. For this purpose, neoclassical realism offers the most suitable conjectural framework of analyzing the Iranian foreign policy as it is deliberately designed as a foreign policy theory rather than as an international policy theory.<sup>267</sup>

International policy theories are designed to explain the conduct of states on the international level.<sup>268</sup> As a realistic school member, neoclassical realism is built on classical realism and neorealism. Both assume the global system is anarchic. And the distribution of power is the primary determinants of the priorities and actions of the society. Generally, they support Wohlforth's definition of "power" from which refers to "the capabilities or resources with which states can influence one another."<sup>269</sup> Neoclassical realism claims that the level of power contributes to domestic thinking and politics. The emphasis on domestic factors can be traceable to classical realism, which focuses on the internal structures of states in foreign policy.<sup>270</sup>

Interests, resources, identity building and understanding of the reputation of the state are all factors that affect a government's perception of threats. The assessment shall not neglect civil

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<sup>267</sup> Kenneth N. Waltz, “International Politics is Not Foreign Policy,” *Security Studies* 6, no. 1, 1996, p.54

<sup>268</sup> *ibid*

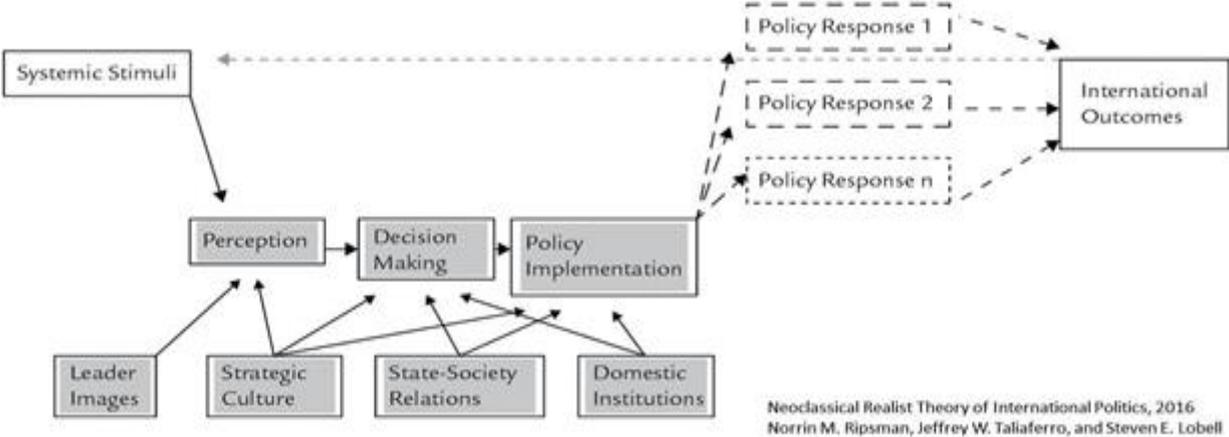
<sup>269</sup> William Wohlforth, *The Elusive Balance, Power and Perceptions during the Cold War*, (Ithaca: Cornell University Press, 1993), p. 4.

<sup>270</sup> *Ibid*

military ties, public / elite views or organizational policies affecting the capacity of a government to evaluate threats. Although neoclassical realists admit that states seek security, they maintain that states respond by controlling and shaping its internal contexts to uncertainties in international anarchy. They propose an assessment of how states interpret systemic stresses to understand the ways they perceive and react to their external surroundings. Neoclassical realists argue that systemic pressures are being translated into interfering unit levels, for example decision makers' perceptions and the internal structure of the state.<sup>271</sup>

Domestic variables are one of neoclassical realism's most significant and important developments. And it defines perception, decision-making and policy formulation as the domestic mechanisms that have the ability to deflect the development of a state's foreign policy and its responses to structural incentives. Hereby, as shown in Figure 8, the four intervening variables (leaders, strategic culture, state-society relations, domestic institutions) of NCR directly influence one or several processes and have different capabilities for influence.

**Figure 8: The Neoclassical Realist Model of Foreign Policy<sup>272</sup>**



<sup>271</sup> Gideon Rose, “Review: Neoclassical Realism and Theories of Foreign Policy”, *World Politics*, Vol. 51, October 1998, p. 151-152

<sup>272</sup> *ibid*

Leaders, Supreme Leader in Iranian case, are often known as executives of foreign policy and are seen as key officials responsible for implementing their foreign and security policies. In addition, the president has the authority to determine and manage Iran's foreign policy. While Iran maintained pragmatic conservative foreign policy under the presidency of Rafsanjani, it transformed to liberal pragmatic vision under the presidency of Khatami. Then Iran returned to its extremist roots with “neo-Khomeinist” Ahmadinejad’s populist policies. Centrist-pragmatic vision in Iran's foreign policy has begun with current President Hassan Rouhani. As is seen, change in government directly effects the foreign policy dynamics. This variable emphasizes that a person who takes decisions has a set of core beliefs, pictures and values that drive their relationship with other states, regions and the international system.<sup>273</sup> Secondly, strategic culture includes a collection of interdependent values, expectations and standards, which forms policy understanding between decision makers, the public and social elites. A country's strategic culture may also be developed and restored over time as a result of major historical events, such as foreign occupation intervention, wars or ideologies. Thirdly, the relationship between the state and its citizens will affect how much power a decision-maker or state has. While a high degree of harmony provides the government with greater freedom to pursue foreign policy that it finds best to minimize or adjust to systemic pressures, a low degree of harmony poses the risk of government policies reacting to domestic requirements rather than systemic needs, putting the government at a strategic disadvantage.<sup>274</sup> The policy-making process will have a great amount of consultation and negotiation if the domestic political environment of a country were fractionalized between two main camps and might end up in incoherent foreign and domestic policies, because they are likely to be focused on concessions and pragmatism.<sup>275</sup> The last factor concerns internal governmental institutions, their respective powers, and their unique, institutional interests, which seek to influence the development and

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<sup>273</sup>Morten Knøster, Neoclassical Realism and the Contemporary Foreign Policy of Iran, Master Thesis, Roskilde University, Global Studies Department of Social Sciences and Business, April 2019 available at [https://rucforsk.ruc.dk/ws/portalfiles/portal/64268844/Morten\\_Knoster\\_Neoclassical\\_Realism\\_and\\_the\\_Contemporary\\_Foreign\\_Policy\\_of\\_Iran.pdf](https://rucforsk.ruc.dk/ws/portalfiles/portal/64268844/Morten_Knoster_Neoclassical_Realism_and_the_Contemporary_Foreign_Policy_of_Iran.pdf) accessed on 01.02.2020

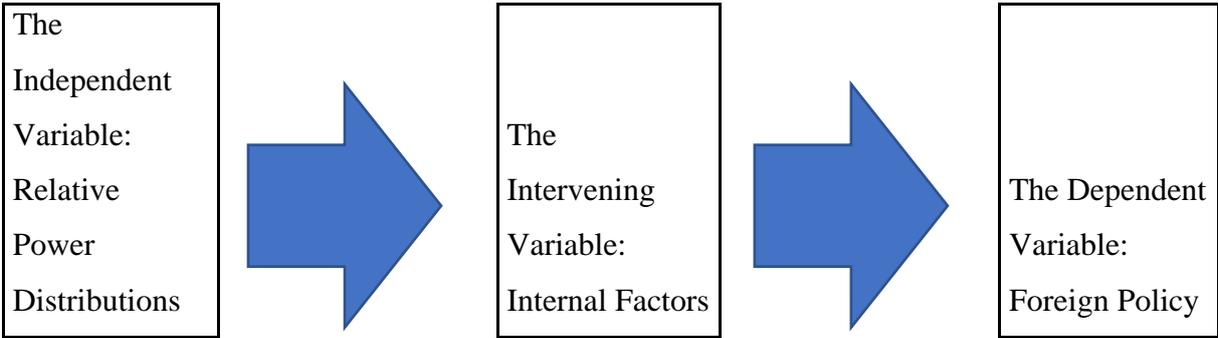
<sup>274</sup> Ripsman, N. M. & Taliaferro, J. W. & Lobell, S. E., “Neoclassical Realist Theory of International Politics”, New York: Oxford University Press, 2016, p.61-71

<sup>275</sup> *ibid*

implementation of policies within the central government of a state.<sup>276</sup> The decision-making actors have chosen methods and leverage from various opinions that supporters and critics have the best outcomes in their interests, whatever their national and mutual interests.

Although realist tradition, neoclassical realism agrees the contribution of domestic politics in foreign policy as social and economic structure, national identity, part politics, ideology. Another important intervening variable in NCR is the capacity of a government to collect and control their societies ' resources. This ability is called state's relative power, and is viewed as a significant part of national power. In foreign policy, energy resources are more frequently used to carry out interests abroad in states with closer links with the government in the energy industry compared to countries with a more government-focused energy industry.<sup>277</sup> The transfer of energy resources from national power to state power, which is more distinct from the governmental structures, becomes more difficult.<sup>278</sup> This is why states abstain from democracy more commonly and efficiently use energy resources in foreign policy as state interests are expanded abroad as in the case of Iran.<sup>279</sup>

**Figure 9: Neoclassical Realism's Causal Logic**



<sup>276</sup> Ripsman, N. M. & Taliaferro, J. W. & Lobell, S. E., “Neoclassical Realist Theory of International Politics”, New York: Oxford University Press, 2016, p.61-71

<sup>277</sup> Giedrius Česnakas, “Energy Resources in Foreign Policy: A Theoretical Approach”, Article in Baltic Journal of Law & Politics, August 2010, p.47

<sup>278</sup> ibid

<sup>279</sup> ibid

Foreign policy outcome is the dependent variable according to above causal chain. Foreign policy is not inherently characterized with systemic pressures. Neoclassical realism explains why states cannot respond correctly to the systemic restrictions and implications in their research by integrating domestic restraints. Rathbun notes that "if states do not reply to their systemic circumstances in an ideal way, neoclassical realism advises us to find proof of domestic policy and ideas that deflect decision-making."<sup>280</sup>

In conclusion, neoclassical realist foreign policy analysis is a model in which independent variables (systemic pressures) are transformed into dependent variables (foreign policy strategies and outputs) through intervening variables (decision makers' perceptions and domestic dynamics).<sup>281</sup> Neoclassical realism is a theory which makes it possible to analyze the role of politics of energy in foreign policy of countries and closely interlinks interactions and variables, recommending comprehensive explanations and predictions.<sup>282</sup>

### **3.3 Realists versus Neoclassical Realists**

The realist tradition, which dated back to the Athens era, had been the leader theory of the world politics for more than half a century. Realism has not only undergone assaults from other paradigms since then, but has also shown a divisive pattern. Different scholars in international relations have tried to build a new and improved version of realism, each using new terminology or adjectives to claim these different aspects, while other researchers have developed a realism typology.<sup>283</sup> As Fareed Zakaria pointed out, "a good account of the foreign policy of a nation should include structural, domestic and other influences, specifying which aspects of the policy can be explained by which factors." Neoclassical realism is an important part in the realistic

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<sup>280</sup> Brian Rathbun, "A Rose by Any Other Name: Neoclassical Realism as the Logical and Necessary Extension of Structural Realism", in *Security Studies*, (1998), Vol. 17, p. 296

<sup>281</sup> Gideon Rose, "Review: Neoclassical Realism and Theories of Foreign Policy", *World Politics*, Vol. 51, October 1998, p. 151-152

<sup>282</sup> *ibid*

<sup>283</sup> Brooks, G. S., "Dueling Realisms. International Organizations", 51(3), 1997, p. 445-477.

paradigm of developing rich foreign policy accounts.<sup>284</sup> It places the key determinant of state behavior, arguing that relative power forms behavior, at international system level.<sup>285</sup> In addition, to acquire more precise foreign policy explanations, the black box of the state must be opened and national variables integrated, which act as filters between systemic pressure and political choices.<sup>286</sup>

In international politics, the aim of neoclassical realists is not to create a general theory. Instead, the goal is to clarify a particular state's foreign policy behavior.<sup>287</sup> According to Baylis the key concepts of neoclassical realism are that foreign policy is the product of international structure, domestic power and a complex relationship.<sup>288</sup> Realists have rejected foreign policy theories and neoclassical realists provide a context within which to get a detailed picture of the foreign policy of any country.<sup>289</sup> Rose argued that systemic pressures and motives determine the general lines and direction of the state's political behavior toward the external environment, but that only systemic explanations do not make it possible to reach specific details.<sup>290</sup>

Moreover, the NCR accepts the idea that anarchy is effective in relations between states, which is one of the fundamental principles of the realist paradigm. Indeed, today's proponents of the theory argue that NCR is a logical extension of the realist tradition.<sup>291</sup> In addition, Rose emphasizes that the effect of anarchic order on state behavior will be shaped by deciduous variables such as leader perceptions.<sup>292</sup> The main difference of the theory from other versions

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<sup>284</sup> Juneau, Thomas, "Squandered Opportunity : Neoclassical Realism and Iran's Foreign Policy", Stanford University Press, 2015, p.41

<sup>285</sup> *ibid*

<sup>286</sup> *ibid*

<sup>287</sup> William C. Wohlforth, "The Oxford Handbook of International Relations", 2018 available at <https://www.oxfordhandbooks.com/view/10.1093/oxfordhb/9780199219322.001.0001/oxfordhb-9780199219322-e-7>

<sup>288</sup> Baylis, J. Smith, S. and Owens, P. (Eds) "The Globalization of world politics.", New York, Oxford University Press Inc., 2008

<sup>289</sup> Rose, Gideon, "Review: Neoclassical Realism and Theories of Foreign Policy.", *World Politics*, 51(1), 1998, p. 144-172.

<sup>290</sup> *ibid*

<sup>291</sup> Ripsman, N. M. ve Taliaferro, J. W. ve Lobell, S. E. (2016), *Neoclassical Realist Theory of International Politics*, New York: Oxford University Press, p.20

<sup>292</sup> Rose, Gideon. (1998) Review: Neoclassical Realism and Theories of Foreign Policy. *World Politics*, 51(1), p.144-172.

of realism is that it originated for the purpose of positing a theory of foreign policy rather than constructing a theory of systems.<sup>293</sup>

Clearly the NCR is not entirely independent of the general principles of the realist paradigm, nor does it put forward opposing arguments to them. Just as in other versions of realism, NCR is recognized in a world with scarce resources and uncertainty, the endless struggle between states for material power and security.<sup>294</sup> This is a clear indication that the theory has not separated from the realist tradition.

Energy resources should be evaluated in a realistic theory since the focus of this context is material power. Not only do states retain a control over energy resources, they also aim to enhance it, as energy resources are strategically critical factors. The change in the world system shows that non-military aspects of power become increasingly important. Energy resources are becoming very important factors of power in the contemporary world, when military power is used to increase control over energy resources. Due to the lack of global supranational organizations, which are involved with energy resources problems in international arena, states are the key players in their foreign policy.<sup>295</sup> States are rational actors, but energy rationality does not automatically imply economic rationality, which can be sacrificed to expand government power and influence abroad. States fight for survival or hegemony, and states fight for power in the form of material resources in order to achieve goals.<sup>296</sup> In short, the neoclassical realism is a combination of classical realism, neorealism with domestic variables and other constructivist theory elements of it. While the international environment, the interpretation of the processes and the interpretation of state powers are independent variables, foreign policy is a dependent variable.<sup>297</sup> Foreign policy is focused on the ability of states to use power and energy resources in this area. Various state power and different understanding

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<sup>293</sup> Lobell, S. E. ve Ripsman, N. M. ve Taliaferro, J. W. (2009) (Ed.), *Neoclassical Realism, the State and Foreign Policy*, New York: Cambridge University Press, p.20

<sup>294</sup> *ibid*

<sup>295</sup> Giedrius Česnakas, "Energy Resources in Foreign Policy: A Theoretical Approach", Article in *Baltic Journal of Law & Politics*, August 2010, p.50

<sup>296</sup> *ibid*

<sup>297</sup> *ibid*

of the international system allow the foreign policies of states that belong to the same community to justify the various functions of energy resources. States trying to increase influence abroad to use energy resources more widely in foreign policy and those with more state power are allowing energy resources to be used more efficiently and effectively in foreign policy, with the ability to draw resources from domestic power.<sup>298</sup>

**Table 2. Classical Realism versus Neoclassical Realism<sup>299</sup>**

<b>Theory</b>	<b>View of the International System</b>	<b>View of the Units</b>	<b>Dependent Variable</b>	<b>Causal Logic</b>
<b>Classical Realism</b>	Somewhat important	Differentiated	Foreign Policies of States	Power distributions→ Foreign Policy
<b>Neoclassical Realism</b>	Important	Differentiated	Foreign Policies of States	Relative Power Distributions→ Internal Factors→ Foreign policy

In conclusion, realist tradition has been influential in the discipline of international relations at all times. However, classical realism has been criticized, especially at the point of starting from human nature, and these criticisms have resulted in the emergence of structural realism. The most current version of the traditional NCR can better explain foreign policy behaviors than any preceding versions when examining the emergence of a theory, together with review of internal and external factors, strategic culture and perception of the subject to be included in

<sup>298</sup> Giedrius Česnakas, “Energy Resources in Foreign Policy: A Theoretical Approach”, Article in Baltic Journal of Law & Politics, August 2010, p.50

<sup>299</sup> Lobell, S. E. ve Ripsman, N. M. ve Taliaferro, J. W. (2009) (Ed.), Neoclassical Realism, the State and Foreign Policy, New York: Cambridge University Press. p.20

the realist tradition, for reasons such as prominence of leadership especially in today's realist foreign policy behavior of states. This is because leaders are beginning to dominate foreign policy decision-making processes today. In this respect, the trend in the international arena positively affects the disclosure of NCR. In this context, studies in Russia, China and Iran are prominent in the literature. The reason the NCR studies for these countries stand out is that its features, such as examining internal and external factors together and taking leadership into the forefront, providing detailed information on explaining the foreign policy processes of these states. In this thesis, the geopolitical position-main reasons for the security concerns-and abundant hydrocarbon resources of the state has been considered as the external factor shaping Iranian foreign policy. They are main aspiration of being regional power posed by it have been examined along with domestic factors such as nationalism and ideology are the main components of the regime identity.<sup>300</sup> Even if the power balance among the major factions of the regime changes, it remains under the dominant discourse of the Islamic Republic<sup>301</sup>. When factional power is turned for the benefit of conservatives and the hardliner, foreign policy is shifted in that direction.<sup>302</sup>

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<sup>300</sup> Juneau, Thomas, "Squandered Opportunity: Neoclassical Realism and Iran's Foreign Policy", Stanford University Press, 2015, p.8

<sup>301</sup> *ibid*

<sup>302</sup> *ibid*

## **Chapter Four: Assessing the Capacity: Where Energy Stands in Iran's Foreign Policy? (Politics of Energy Perspective)**

It is clear that in the past, energy played a crucial role in shaping the foreign policies of states and their war strategies as well. This idea was proved in the transformation of the Iranian geography into the battlefield in the First and Second World War as the access of energy resources played an important role in determining the future of the war. Thus, Iran has become one of the leading geographies of the struggle between the major states. Nevertheless, the significance of energy in shaping the dynamics of world politics did not lost their importance in recent years.<sup>303</sup> With the increasing interdependence among states, the nature of energy policy also changes significantly. At that point, it could be claimed that it is very difficult to understand the dynamics of energy security or diplomacy without taking into account a theoretical background. Also, the integrated nature of national security and energy policy forms a bridge between security and international political economy studies.<sup>304</sup>

While oil has long been perceived as a political tool since the oil crisis of 1970's, natural gas is a relatively new political commodity.<sup>305</sup> Natural gas proceeds to surpass coal or oil in both the Stated Policies Scenario (where demand for gas is growing by more than a third) and the Sustainable Development Scenario (where demand for gas is growing modestly until 2030) before returning to current levels by 2040.<sup>306</sup> Currently, most of the debates on Iranian energy future are focusing on "How Iran's energy relations will change after Western sanctions?". According to Fitch for example, with its huge natural gas reserves Iran has definitely a potential to become a major player once the sanctions are lifted.<sup>307</sup>

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<sup>303</sup> Nalin Kumar Mohapatra, "Energy Security and Russia's Foreign Policy", University of Cambridge: Centre for Rising Powers Department of Politics and International Studies, May, 2013, p.2

<sup>304</sup> Özgür Özdamar, "Energy, Security and Foreign Policy", ISA, Vol.3, No. 61, p. 1416

<sup>305</sup> Jessica Miltenberger, "Beholden the Bear: The Political Economy of Natural Gas Trade with Russia", Claremont-UC Undergraduate Research Conference on the European Union, p.43.

<sup>306</sup> IEA (International Energy Agency), "Natural Gas", available at <http://www.iea.org/topics/naturalgas/>

<sup>307</sup> Oil Price, "What The Iran Deal Could Mean For Natural Gas Markets", 17.06.2015, available at <http://oilprice.com/Energy/Crude-Oil/What-The-Iran-Deal-Could-Mean-For-Natural-Gas-Markets.html>

This chapter attempts to analyze primarily natural gas, LNG and oil strategies of Iran and then nuclear energy policy. It will then be revealed why Iran's nuclear energy program and nuclear energy politics are important. In this direction, the basis of the Iranian nuclear program, the impact of the JCPOA on Iranian foreign policy and regional security, and the change in Iranian foreign policy after the JCPOA will be examined.

#### **4.1 Natural Gas, LNG and Oil Strategies of Iran**

The most consumed energy sources in the world are fossil fuels, including natural gas and oil. Today, fossil fuels account for about 80% of the commercial energy used in the world.<sup>308</sup> However, given the pace of population growth in the world and the new emerging economies, it is anticipated that demand for fossil fuels will increase in the future.<sup>309</sup> The current demand for all energy resources in the world, future demand growth and depletion of resources, considering the specs on Iran the capacity to affect international capital accumulation in terms of resource consumption and production the evaluation will be in place.

Iran holds the world's fourth-largest proven oil reserves and the world's second-largest natural gas reserves according to IAE data. Iran also has discovered a new oil field in the southwest of the country that has the potential to boost its reserves by about a third.<sup>310</sup> Once the third-largest exporter of crude oil, Iran has seen its exports drop to 1.5 million bbl/d in 2012 as the United States and the European Union tightened sanctions that target the country's oil exports.<sup>311</sup>

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<sup>308</sup> Fahd M. Mohammed, Fadwa T. Eljack, Fossil Fuels, the 4th International Gas Processing Symposium, Science Direct, 2015; available at <https://www.sciencedirect.com/topics/engineering/fossil-fuel> accessed on: 08.01.2020

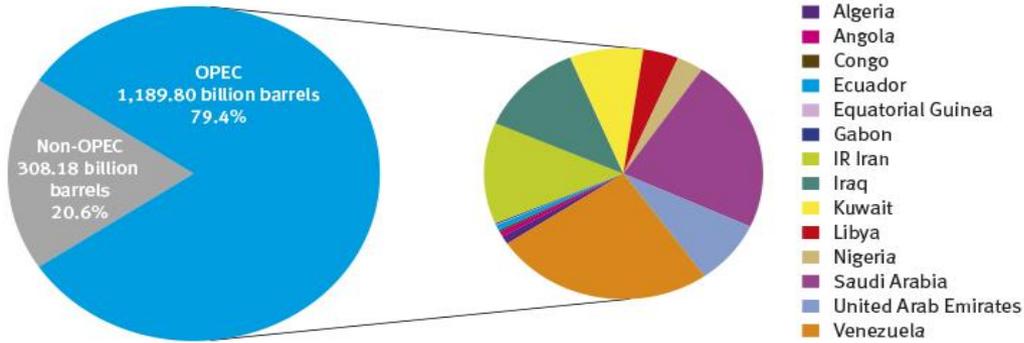
<sup>309</sup> OECD Green Growth Studies, Energy, 2011; available at <https://www.oecd.org/greengrowth/greening-energy/49157219.pdf> accessed on: 08.01.2020

<sup>310</sup> Iran says finds new oilfield with 53 billion barrels of crude, Reuters, November 10, 2019; available at <https://www.reuters.com/article/us-oil-iran-rouhani/iran-says-finds-new-oilfield-with-53-billion-barrels-of-crude-idUSKBN1XK083> accessed on 20.04.2020

<sup>311</sup> EIA: U.S Energy Information Administration, accessed on 03.02.2017 <http://www.eia.gov/countries/country-data.cfm?fips=IR>

**Figure 10: Largest proved reserve holders of crude oil**

**OPEC share of world crude oil reserves, 2018**



**OPEC proven crude oil reserves, at end 2018 (billion barrels, OPEC share)**

Venezuela	302.81	25.5%	Kuwait	101.50	8.5%	Algeria	12.20	1.0%	Gabon	2.00	0.2%
Saudi Arabia	267.03	22.4%	UAE	97.80	8.2%	Ecuador	8.27	0.7%	Equatorial Guinea	1.10	0.1%
IR Iran	155.60	13.1%	Libya	48.36	4.1%	Angola	8.16	0.7%			
Iraq	145.02	12.2%	Nigeria	36.97	3.1%	Congo	2.98	0.3%			

Source: OPEC Annual Statistical Bulletin 2019.

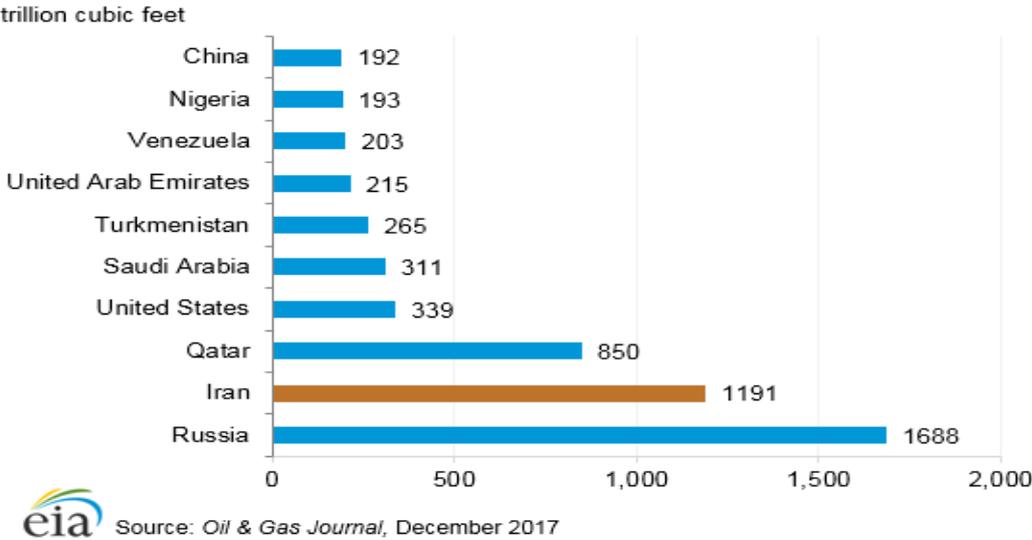
Iran produced almost 4.7 million barrels per day (b/d) of petroleum and other liquids in 2017 and an estimated 7.2 trillion cubic feet (Tcf) of dry natural gas in 2017.<sup>312</sup> Iran consumed more than 270 million tons oil equivalent of primary energy in 2016.<sup>313</sup> Iran has a total of 40 oil production sites, 27 of which are onshore and 13 of which are offshore. While 71% of Iran's total resources are in the coastal oil fields, 81% are in the south west Khuzestan Basin, near the Iraqi border, Iran has two very important goals for its oil production capacity: the development of the Azadegan and Yadavaran oil fields. The Azadegan oil field, consisting of two parts north and south, was announced as Iran's largest discovery in the last 30 years when it was discovered

<sup>312</sup> Country Analysis Executive Summary: Iran, US Energy Information Administration, January 7, 2019; available at [https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Iran/pdf/iran\\_exe.pdf](https://www.eia.gov/beta/international/analysis_includes/countries_long/Iran/pdf/iran_exe.pdf) accessed on 12 Nov 2019

<sup>313</sup> ibid

in 1999 and has a supply of 26 billion barrels. The Yadavaran oil field is planned to be developed in two phases by 2016 under the agreement with the PRC.<sup>314</sup>

**Figure 11: Largest proved reserve holders of natural gas**



Iranian development of its natural gas resources continues and picked up pace following the implementation of the JCPOA. However, production growth had been slower than expected because sanctions targeting Iran’s nuclear activities between 2012 and 2016 also affected natural gas development as a result of lack of foreign investment and technology.<sup>315</sup> Iran’s natural gas activities are centered on the South Pars natural gas field, located offshore in the Persian Gulf, which holds roughly 40% of Iran’s proved natural gas reserves.<sup>316</sup> The field is being developed mainly by Iranian companies. South and North Pars at the head of the largest natural gas fields in Iran, Kish and Kangan are from pomegranate pitches. The National Iranian

<sup>314</sup> Iran, Overview, US Energy Information Administration, 2017 available at <http://www.eia.gov/countries/cab.cfm?fips=IR> accessed on 1.12.2017

<sup>315</sup> Iran, Background, US Energy Information Administration, 2017 available at [https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Iran/background.htm](https://www.eia.gov/beta/international/analysis_includes/countries_long/Iran/background.htm) accessed on 08.01.2020

<sup>316</sup> Facts Global Energy, *Iran’s Oil and Gas Annual Report 2017*, December 2017, p. 37.

Gas Company is responsible for the infrastructure, transportation and distribution of natural gas in Iran.<sup>317</sup> The South Pars natural gas field, one of the world's largest natural gas deposits and shared between Qatar and Iran, is one of Iran's largest energy projects.<sup>318</sup>

All estimates show that natural gas would be the world's largest source of energy, reaching over 28 per cent by 2035.<sup>319</sup> Today, countries like the U.S., Russia, and Australia have made major investments aimed at taking up a greater share of the liquefied natural gas<sup>320</sup> market. Iran holds large reserves of oil and gas, yet is not able to play a leading role in the Middle East or the world gas market due to aging refineries, sanctions and economic constraints. Each year, Iran exports only 10 bcm of natural gas to Turkey and could not complete any of its five planned LNG projects. After the revolution, the US sanctions explicitly affected Iran's energy revenues and lowered oil and gas output capacity, making it possible for Iran to contribute less than 1 percent of its worldwide gas, even though it holds the second-largest natural gas reserves in the world. Iran currently prioritizes completing its LNG project with an annual production potential of 10 million tons. The project is underway at 52 percent and 4-6 billion dollars are expected. If the LNG project could be implemented and the estimated 80 million tons of gas produced, Iran would rank fourth among global exporters, but could also finish fifth with a respectable 20 million tons.<sup>321</sup> With regard to gas pipeline routes, the proposed pipeline from Iran through Iraq to Syria and on to Europe has been accepted by European countries, and if conditions were favorable, European partners look to participate in the production of those plans. Iran's gas exports to Europe through pipelines and LNG are under way, allowing multiple buying mechanisms. LNG is both a prudent and much more affordable option for European customers than a pipeline.<sup>322</sup>

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<sup>317</sup> Background Reference: Iran, Overview, US Energy Information Administration, January 7, 2019 available at [https://www.eia.gov/international/content/analysis/countries\\_long/Iran/background.htm](https://www.eia.gov/international/content/analysis/countries_long/Iran/background.htm) accessed on 08.01.2020

<sup>318</sup> *ibid*

<sup>319</sup> Malcolm Abbott, "The Economics of the Gas Supply Industry", Routledge, 12 May 2016, p.217

<sup>320</sup> Liquefied natural gas (LNG) is natural gas that has been cooled to a liquid state, at about -260° Fahrenheit, for shipping and storage.

<sup>321</sup> Omid Shokri Kalehsar, "The Challenges and Opportunities of Iranian LNG Projects", United World, October 17, 2018; available at <https://uwidata.com/641-the-challenges-and-opportunities-of-iranian-lng-projects/> accessed on 22.01.2020

<sup>322</sup> Email interview with Dalga Khatinoglu, expert on Iran energy issues at London-based NGW magazine, 10.03.2020

The state-owned National Iranian Oil Company is responsible for all upstream oil and natural gas projects.<sup>323</sup> The Iranian constitution prohibits foreign or private ownership of natural resources.<sup>324</sup> However, international oil companies have the option to participate in the exploration and development phases through the Iranian petroleum contract, a relatively new model for its upstream oil and natural gas fiscal regime.<sup>325</sup>

**Table 3. Iran's state-owned energy companies**

<b>Facility</b>	<b>Status</b>
<b>National Iranian Oil Company (NIOC)</b>	Operating
<b>Baku–Novorossiysk (Northern Route Export Pipeline)</b>	The upstream activities of NIOC are monitored through its eleven subsidiaries for oil and natural gas.
<b>National Iranian Gas Company (NIGC)</b>	The NIGC manages downstream natural gas operations. The goal of the company is to store, dispatch and distribute natural gas. for domestic purposes. NIGC has a range of subsidiary activities.
<b>National Iranian Oil Refining and Distribution Company (NIORDC)</b>	All refining and distribution activities relating to pumped oil and petroleum products, including refining and storage plants, pipelines and gasoline station operations, are carried out by NIORDC. NIORDC operates these operations via its four main subsidiaries.

<sup>323</sup>Background Reference: Iran, Overview, US Energy Information Administration, January 7, 2019 available at [https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Iran/background.htm](https://www.eia.gov/beta/international/analysis_includes/countries_long/Iran/background.htm) accessed on 08.01.2020

<sup>324</sup> ibid

<sup>325</sup> ibid

**Table 3. Iran's state-owned energy companies**

<b>Facility</b>	<b>Status</b>
<b>National Petrochemical Company (NPC)</b>	NPC operates Iran's petrochemical industry through its subsidiary businesses, including many operations of petrochemical complexes.

Source: U.S. Energy Information Administration, Facts Global Energy, Arab Oil & Gas Directory, and NIOC

On the other hand, Iran would like to prove itself as a reliable supplier and to use the natural gas resources as a foreign policy tool to strengthen regional and international relations as in the case EU and Iraq. At this point it can be argued that natural gas strengthens regional and international relations of Iran, provides reintegration with the West and increase the reputation as a reliable supplier in the European energy-security strategy.

However, natural gas has four main obstacles for a possible integration of Iran into interregional gas market. As we analyzed in previous chapter, first obstacle is the institutions. Political system of Iran and its decision-making process are the major factors.<sup>326</sup> Second, Iran does not have sufficient infrastructure to deliver its natural gas to the market<sup>327</sup>. Iranian gas can only be accessed on the market through a pipeline or as an LNG; however, until then Iran needs to improve its transport system and infrastructure. Third one is lack of the investment and advanced technologies due to the sanctions which is the fourth obstacle.<sup>328</sup> Although EU sanctions hampered economic activities between Iran and Europe, UN sanctions have had a greater impact on Iran's economy as they are binding on all UN members. The sanctions impacted the Iranian energy sector significantly as the sanctions prohibited primarily the export and import of goods and technology.<sup>329</sup>

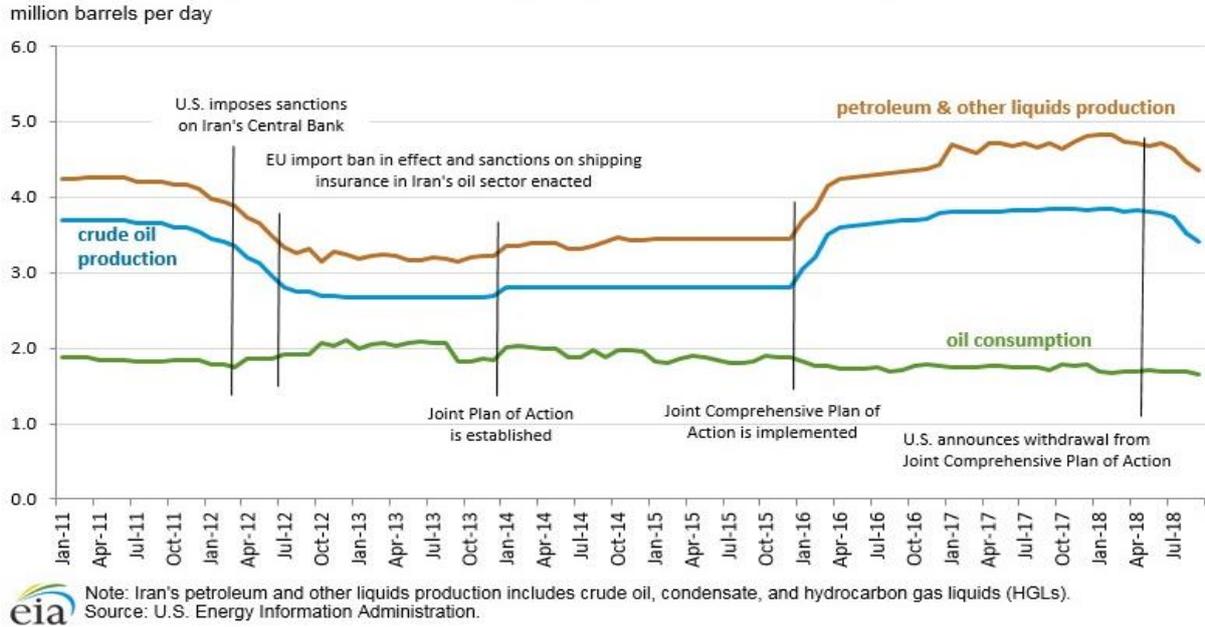
<sup>326</sup> Maximilian Kuhn, "Enabling the Iranian Gas Export Options: The Destiny of Iranian Energy Relations in a Tripolar Struggle over Energy Security and Geopolitics", Springer Science & Business Media, 2014, p.27

<sup>327</sup> *ibid*

<sup>328</sup> *ibid*

<sup>329</sup> *ibid*

**Figure 12: Iranian Petroleum and other liquids productions and consumption**



The production capacity of refineries in Iran is low due to the absence of technologically advanced means of production and enhanced oil recovery methods. Oil production and not opening up fast enough new oil fields will have a negative impact on the future of Iran's oil exports. Another claim is that the main factor holding Iran's oil production steady despite Iran's base production declining at an annual rate of about 4% is the newly discovered oil resources.<sup>330</sup> However, while new oil resources may increase production in the short term, achieving sustainable development in the long term depends on the development of these resources by means of new investments and new technological methods.<sup>331</sup> Despite all this newfound its oil resources, with 10.3 percent of the world's total oil resources, Iran only has the world's oil production of 5.7 per cent<sup>332</sup> when performing the world's oil resources 5.6% of which has

<sup>330</sup> Fared Mohamedi , “The Oil and Gas Industry”, United States Institute of Peace, October 11, 2010; available at <https://iranprimer.usip.org/resource/oil-and-gas-industry> accessed on 29.04.2020

<sup>331</sup> ibid

<sup>332</sup> Background Reference: Iran, Overview, US Energy Information Administration, January 7, 2019 available at [https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Iran/background.htm](https://www.eia.gov/beta/international/analysis_includes/countries_long/Iran/background.htm) accessed on 08.01.2020

Russia % and 2,2%, having USA<sup>333</sup> of respectively world oil production % 12,9% and % 8,5% pays.<sup>334</sup> In order to use its oil resources efficiently and maintain its position in the international energy market, two closely related issues need to be clarified for Iran: first, foreign investment in the Iranian energy sector and sanctions restricting investment in connection with. Second, the assessment of whether Iran needs nuclear energy as it will be analyzed in the next part.

To sum up, international sanctions have affected Iran's energy sector by limiting the foreign investment, technology, and expertise needed to expand capacity at oil and natural gas fields and to reverse declines at mature oil fields.<sup>335</sup> Iran has had to depend mainly on local companies to develop oil and natural gas fields in recent years.<sup>336</sup> Although the Iranian (or Integrated) Petroleum Contract (IPC)<sup>337</sup> was intended to reverse this trend, Iran has had limited success in attracting international oil companies to its oil and natural gas upstream.<sup>338</sup> In any case, Iran has numerous occasions announced its intentions to boost oil production and export ability.<sup>339</sup> Iran is more ambitious in setting long-term goals to make the country;

- Top oil and gas producer in the region.
- OPEC's second oil producing country.
- The world's third largest gas producer.
- Oil and gas trading center and hydrocarbon corridor in the area.

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<sup>333</sup> BP Statistical Review of World Energy, 2019; available at <https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/energy-economics/statistical-review/bp-stats-review-2019-full-report.pdf> accessed on: 01.02.2020

<sup>334</sup> Oil Information Overview, International Energy Agency, July 2020; available at <https://www.iea.org/reports/oil-information-2019> accessed on 3.01.2019

<sup>335</sup> Background Reference: Iran, Overview, US Energy Information Administration, January 7, 2019 available at [https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Iran/background.htm](https://www.eia.gov/beta/international/analysis_includes/countries_long/Iran/background.htm) accessed on 08.01.2020

<sup>336</sup> ibid

<sup>337</sup> In late 2016, Iranian parliament adopted the latest oil contract model, called the Iranian (or Integrated) Petroleum Contract (IPC), and the government enforced it. The main aim of this new structure is to attract international investment and technology in order to encourage upstream oil and gas projects to expand.

<sup>338</sup> Background Reference: Iran, Overview, US Energy Information Administration, January 7, 2019 available at [https://www.eia.gov/beta/international/analysis\\_includes/countries\\_long/Iran/background.htm](https://www.eia.gov/beta/international/analysis_includes/countries_long/Iran/background.htm) accessed on 08.01.2020

<sup>339</sup> Economic Outlook, "2019 oil issues: economic growth, embargo on Iran, OPEP management, "shale oil", IMO standards and more " available at [ifpenergiesnouvelles.com/article/2019-oil-issues-economic-growth-embargo-iran-opep-management-shale-oil-imo-standards-and-more](http://ifpenergiesnouvelles.com/article/2019-oil-issues-economic-growth-embargo-iran-opep-management-shale-oil-imo-standards-and-more) accessed on 12.06.2020

Besides, when it is taken into account that the importance of the Strait of Hormuz which is the world's most important chokepoint with an oil flow of about 17 million barrels per day and liquefied natural gas flow totaled about 100 billion cubic feet for oil-exporting Gulf countries and oil-importing countries, is controlled by Iran.<sup>340</sup> In terms of geopolitics of oil, it is feared that Iran is using oil as a weapon to suspend oil exports and disrupt oil traffic in the Strait of Hormuz, through which 40% of the world's oil trade passes. As it is used as a trump card in US-Iran Naval Dispute<sup>341</sup> between 2011-2012 and the tanker attacks in 2019.

At present, Iran is trying to break the Western economic blockade and political isolation by building a cross-border energy corridor, so as to realize diversified energy exports and guarantee the security of its energy exports. But from the perspective of Iran's cross-border energy corridors, transnational oil and gas pipelines are relatively few, especially oil pipelines.<sup>342</sup> There is only one Iraq-Iran oil pipeline, which is mainly to provide crude oil processing services to Iraq and provides Iran to use it as an offensive tool. Therefore, realizing the diversification of the energy export market and energy transport corridor is an important strategic goal for Iran's foreign policy.<sup>343</sup>

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<sup>340</sup> The Strait of Hormuz is the world's most important oil transit chokepoint, US energy Information Administration, June 20, 2019; available at <https://www.eia.gov/todayinenergy/detail.php?id=39932> accessed: 08.01.2020

<sup>341</sup> Suyin Haynes, "The Strait of Hormuz Is at the Center of Iran Tensions Again. Here's How the Narrow Waterway Gained Wide Importance" Time, July 23, 2019 available at <https://time.com/5632388/strait-of-hormuz-iran-tanker/> accessed on 17.06.2020

<sup>342</sup> Fei-feiGuo, Cheng-fengHuang, Xiao-lingWu, "Strategic analysis on the construction of new energy corridor China-Pakistan-Iran-Turkey" Energy Reports, 2019 available at <https://reader.elsevier.com/reader/sd/pii/S2352484719300034?token=A71406A6CBC3762C2201EB73F6EE0E79464095CFC741F0CDB13A7A52CBB0762A0268FEB73165F168B7EE386C4B0DDFC5> accessed on 08.01.2020

<sup>343</sup> Fei-feiGuo, Cheng-fengHuang, Xiao-lingWu, "Strategic analysis on the construction of new energy corridor China-Pakistan-Iran-Turkey" Energy Reports, 2019 available at <https://reader.elsevier.com/reader/sd/pii/S2352484719300034?token=A71406A6CBC3762C2201EB73F6EE0E79464095CFC741F0CDB13A7A52CBB0762A0268FEB73165F168B7EE386C4B0DDFC5> accessed on 08.01.2020

## **4.2 Iran's Nuclear Energy Program and Politics of Energy**

Iran's nuclear energy policy is one of the issues that has not fallen off the agenda recently in the Middle East geography, which is heating up every day and its importance in the international relations literature is never diminished. Especially in the last 10 years, this issue has never fallen from the headlines of media organizations in many countries. After the Islamic Revolution, the “Iran nuclear crisis” began from the day Iran began operating to obtain nuclear energy. Some Western countries, especially the United States, have promoted Iran's activities to the world public as a dangerous project to produce nuclear weapons.

Many observers on both sides of the Atlantic, however, suspect with good reason that Iran is trying to develop nuclear weapons. Neither the United States nor Europe can countenance Iran possessing a nuclear bomb. But how can Europe and America ensure that Iran's weapons program remains peaceful? There is no obvious answer but we will try to answer this question in this chapter.

### **4.2.1 The Short History of Iran Nuclear Program**

It was presumably year 1955 when the first discussions on developing a nuclear program for Iran took place. However, the first concrete step was taken in 1957, when the United States concluded a civilian nuclear security deal with Iran. It was implemented in the sense of the United States Atoms for Peace Programme, which is intended to provide technological assistance and to lease uranium to the signatories, as well as collaborative work into the peaceful use of nuclear power.<sup>344</sup> Iran became a member in 1958 to IAEA as a result of the agreement was made with USA. In 1959 the Shah ordered establishment of a nuclear research center at Tehran University, Tehran Nuclear Research Center (TNRC), and began negotiating with the US to purchase a 5-megawatt (MW) reactor for the Center.<sup>345</sup> In 1968 Iran signed the Nuclear

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<sup>344</sup> Muhammad Sahimi “Iran's Nuclear Program”, 6-part series, published in Payvand accessed on 27.12.2015 <http://www.payvand.com/news/04/dec/1186.html>

<sup>345</sup> ibid

Non-proliferation Treaty (NPT) and then approved it on February 2, 1970 and Atomic Energy Organization of Iran (Sazeman-e Enerji-e Atomi-e İran) established in 1973.

Mohammad Reza Pahlavi, who wants to make Iran military super power in the region revealed a target of 20 nuclear reactors having a power of 20 000 MW within 20 years.<sup>346</sup> Gaining access to nuclear energy was a priority, but options for the potential production of a nuclear weapon were left open.<sup>347</sup> All these developments are interpreted as the turning point for Iran's nuclear operations. Economic opportunities are provided by the oil crisis in 1973, gave new opportunities to Iran for these targets to speed up their works. During this period, Shah was able to build six nuclear reactors. It should not be forgotten that not only US also Europe contributed Iran's nuclear works.<sup>348</sup> In 1974, Germany was agreed with Iran to establish 1,200- megawatt power plant at Bushehr in Iran.<sup>349</sup> Also, same year, an agreement was made with France to place a 900-megawatt nuclear power plant. Belgians established the Nuclear Medicine Center at Karja in the same period. The power plant operations are started with the agreements was made between French Framatome and German KWU companies.<sup>350</sup> Iran became 10% partner of the world's largest uranium company French Eurodiff.<sup>351</sup> Following these developments, American and European companies began to compete with each other to become partners in Iran's nuclear energy program. On March 3, 1975, Iran and the United States signed a \$ 15 billion agreement for the construction of eight nuclear reactors with a total capacity of 8,000

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<sup>346</sup> Mustafa Kibaroglu, "İran Nükleer Bir Güç mü Olmak İstiyor?" *Avrasya Dosyası*, Vol 5, No 3, Fall 1999, p. 273.

<sup>347</sup> Golnaz Esfandiari, *The Father Of Iran's Nuclear Program Recalls How It All Began*, 2015 available at <https://www.rferl.org/a/father-of-iran-nuclear-program-recalls-how-it-began/27108228.html> accessed on 14.06.2020

<sup>348</sup> Chomsky, Noam (2015). "Iran is not the Greatest Threat to World Peace", *the Nation*, 20 August, 2015 available at <http://www.thenation.com/article/iran-is-not-the-greatest-threat-to-world-peace/>

<sup>349</sup> Jack Caravelli, "Beyond Sand and Oil: The Nuclear Middle East: The Nuclear Middle East", *ABC-CLIO*, 2011, p.83

<sup>350</sup> Bijan Mossavar-Rahmani, "Energy Policy in Iran: Domestic Choices and International Implications", *Elsevier*, 2013, p.108

<sup>351</sup> Iran owns 10 percent of French nuclear fuel plant, *Reuters*, September 29, 2009, available at <https://www.reuters.com/article/us-nuclear-iran-france-sb/iran-owns-10-percent-of-french-nuclear-fuel-plant-idUSTRE58S4F820090929> accessed on 10.05.2020

MW.<sup>352</sup> Lastly, US President Jimmy Carter, on a visit to Tehran in 1978, declared Iran The ‘Most Favored Nation’ for nuclear fuel exports.<sup>353</sup> And it has signed a new treaty between the two countries to facilitate cooperation in the field of nuclear energy and to provide Iran with nuclear equipment and materials. All these developments received full support from the American public. The Financial Times even wrote that the efforts of an oil-producing country to acquire nuclear power for the first time should be appreciated, and that the Shah's efforts have received great support from the US public. The main goal of the United States was to build it up a buffer state against the Soviet Union (USSR).<sup>354</sup> In this context, it was thought that Iran, which had a 1786 km demarcation line with the USSR, would surround the USSR along with other allied countries, Pakistan and India.<sup>355</sup> Another strategic goal was for Iran to play a role in ‘maintaining stability’ in the Persian Gulf as part of the “dual containment” policy<sup>356</sup> of the United States along with Saudi Arabia, which is also an allied country. This policy was based on preventing the rise of Arab nationalism against the state order and system in the Middle East established by the West. As a result, pro-western Iran's possession of nuclear energy or even weapons were not seen as a threat. On the contrary, the support, encouragement and contribution of the US and Western European governments to Iran's nuclear program continued until the 1979 Islamic Revolution, in line with the above-mentioned strategic goals.

The Islamic Revolution took place in 1979 has been a pause point for nuclear studies. This new anti-US regime and the West and westward programs were the most important factors stopping the reliance on this program. Besides the nuclear program was found inconvenient because of the religious justifications. Furthermore, Iran’s nuclear energy activities are found too costly and stopped by the Islamic regime governors because of having rich oil and natural

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<sup>352</sup> Iran will spend \$15-BILLION in US over five years, The New York Times, March 5, 1975; available at <https://www.nytimes.com/1975/03/05/archives/iran-will-spend-15billion-in-us-over-five-years-8-nuclear-plants.html> accessed on 10.05.2020

<sup>353</sup> Mustafa Kibaroglu, “İran Nükleer Bir Güç mü Olmak İstiyor?” Avrasya Dosyası, Vol 5, No 3, Fall 1999, p. 273.

<sup>354</sup> Seyed Hossein Mousavian & Mohammad Mehdi Mousavian, “Building on the Iran Nuclear Deal for International Peace and Security”, Journal for Peace and Nuclear Disarmament ,2018, p.169

<sup>355</sup> Tarock, A. (2006). Iran’s nuclear program mean to the West. Third World Quarterly. 27:4, p.645

<sup>356</sup> Dual containment policy is created by USA as a two-state solution to counter threats by regional isolation of Iran and Iraq, cutting them off from the world economic and trade system and the promoting the regime change in Iraq.

gas reserves. As Iran holds the world's fourth-largest proved crude oil reserves and the world's second-largest natural gas reserves.<sup>357</sup> One of the main reasons for the suspension of nuclear work was the Iran-Iraq War. Iran's economic power was insufficient to be able to handle such a costly work during the War period. Iran, which has suffered international boycotts and isolations, mainly from the United States, was subjected to a military attack by Saddam Hussein immediately after the Revolution. Saddam Hussein's use of WMD against Iran had a major impact on Iran's nuclear energy program. Iran nuclear operations had started more powerful as they want to increase their military capabilities. Iran has made the first significant cooperation with Russia after 1989. The technological, commercial, economic and scientific cooperation agreement was signed between Iran and the USSR on January 22, 1989.<sup>358</sup> In 1992, as the continuation of this agreement, a nuclear cooperation agreement between the Iranian and Russian governments on building Bushehr nuclear power plant in Iran was signed in Moscow on August 25, 1992.<sup>359</sup> In the late 1990s, however, with a much lower budget than before the revolution and limited external support from Russia, China and Pakistan, the program was revived. Iran's new nuclear program consisted of a number of research centers, a uranium mine, a nuclear reactor and a uranium enrichment center. In 2002, the Iranian nuclear crisis began with the international public announcement of the unknown Iranian Natanz uranium enrichment and Arak heavy water production facilities by an opposition group based in Iraq called Iranian National Resistance Council.<sup>360</sup>

After the Islamic Revolution, the reasons of proceeding nuclear energy expanded to military and strategic purposes including multi-dimensional socio-economic requirements. These reasons can be summarized in three main categories: political ideology of the Revolution,

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<sup>357</sup> EIA: U.S Energy Information Administration, accessed on 13.01.2017

<https://www.eia.gov/beta/international/analysis.cfm?iso=IRN>

<sup>358</sup> Michael Eisenstadt, "Russian Arms and Technology Transfers to Iran:Policy Challenges for the United States" available at <https://www.armscontrol.org/act/2001-03/iran-nuclear-briefs/russian-arms-technology-transfers-iranpolicy-challenges-united> accessed on 03.11.2019

<sup>359</sup> Michael Eisenstadt, "Russian Arms and Technology Transfers to Iran:Policy Challenges for the United States" available at <https://www.armscontrol.org/act/2001-03/iran-nuclear-briefs/russian-arms-technology-transfers-iranpolicy-challenges-united> accessed on 03.11.2019

<sup>360</sup> David Albright and Andrea Stricker, "Iran's Nuclear Program", United States Institute of Peace, October 6, 2010; available at

<https://iranprimer.usip.org/resource/irans-nuclear-program> accessed on 03.11.2019

defense policy and economic reasons. The policy of development and self-sufficiency in every field first started with the Revolution and also covered the nuclear energy activities to balance domestic energy consumption. The goal here can be read in two ways: first, the development of nuclear energy in parallel with all other sectors of development, in relation to the ideology of revolution. The second is that development in other areas increases the need for nuclear energy. Other indirect reasons to be underlined at this point are the increasing importance of nuclear energy in the world, especially in the fields of medicine, agriculture and science, and the policy of reducing the use of these resources in a country where fossil energies are very limited.<sup>361</sup> Since the country's previous experience shows that it cannot rely on Western countries for energy issues, Iran needs to meet its own energy needs. Along with energy production, Iranian leaders were planning to reduce Western countries' energy dependency on Russia and other energy producing countries and move itself to a stronger position in negotiations. The second reason is the defensive measures. Although Iranian leaders have advocated on every platform that Iran's nuclear activities should be used only for peaceful purposes, it is clear that there has been a security vulnerability in Iran since the Islamic Revolution. Especially after the invasion of Iraq, Iran was surrounded by forces commanded by the United States, which predicted that Iran could be the next country. Besides all these reasons, during the first years of the revolution, the ethnic-based revolts in Iran's Kurdistan and Khuzestan regions, the subsequent civil war and political uncertainty in Afghanistan, the division of Iraq after Saddam Hussein and the Civil War in Syria, increased the importance of nuclear energy for Iran in terms of defense.

Israel is undoubtedly the most notable country in Iran's defense policy. The environment of ongoing insecurity between two countries since 1979, mutual explanations thrives the tension, and most importantly being the only country in the region with nuclear weapons, and it feels free to use this power when it will be necessary and the statements not to hesitate to use its nuclear energy when it needs at every chance are the reasons increased Iran's

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<sup>361</sup> Non-power Nuclear Applications, Overview, World Nuclear Association, May 2017; available at <https://www.world-nuclear.org/information-library/non-power-nuclear-applications/overview/the-many-uses-of-nuclear-technology.aspx> accessed on 03.11.2019

enthusiasm for nuclear energy. The fact that every incident in Palestine, Lebanon and Syria directly confronts two countries has made this issue even more important. Adding to all this is the ‘Sunni bloc’, led by Saudi Arabia (the possibility of transformation to hot war over different groups in Yemen and Syria from the ongoing ‘Middle East Cold War ’ between Iran and Saudi Arabia due to the ideology and sectarian conflicts), separatist Kurdish groups and radical Islamic terrorism, especially Al Qaeda and ISIS, the importance of nuclear energy not only in terms of security, but also in terms of geopolitics make even greater.<sup>362</sup>

Another important factor that needs to be underlined in defence policy is Russia. Despite the volume of trade between the two countries and Russia's contribution to the Bushehr nuclear reactor in Iran, there are many important reasons why a full strategic alliance between Russia and Iran could not be achieved.<sup>363</sup> First of all, Iran's official state ideology and Russia's Muslim population in their territory, it can be said that the two countries ‘ideologies do not mix well. It is also a fact that the economic interests of Russia and Iran do not always match. Since the two countries are big producers of gas and oil always there has been a rivalry between them. After the collapse of the Soviet Union, the two countries also advocated different routes regarding the legal status of the Caspian Sea and the transportation of hydrocarbon resources in the Caspian to global markets.<sup>364</sup> However, Russia would like to maintain the current status quo in the region.<sup>365</sup> An important front of the dispute on the one hand, the US which is the ‘superpower’ of the World, and on the other hand, Russia which is on the way to becoming a superpower again with Putin, and whose role in the Syrian Civil War and its effectiveness in the Middle East is well felt is undoubtedly Iran. While the United States constantly wants to weaken the Iranian regime, the Syrian problem and other developments have shown that Russia does not want a weak Iran in the region. Will it be able to build environment of confidence in

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<sup>362</sup> F. Gregory Gause, III , “Beyond Sectarianism: The New Middle East Cold War”, The Brookings Institution, 2014 p.5;7

<sup>363</sup> Eric Wheeler, Michael Desai, “Iran and Russia: A Partnership in the Making”, Middle East Institute, September 12, 2016 available at <https://www.mei.edu/publications/iran-and-russia-partnership-making> accessed on 03.11.2019

<sup>364</sup> Gawdat Bahgat, “Nuclear proliferation: The Islamic Republic of Iran”, Iranian Studies, Routledge, 2006, p.326

<sup>365</sup> Orlov, V. A. & Vinnikov, A. (2005). The great guessing game: Russia and the Iranian nuclear issue. Washington Quarterly, 28:2, p.49

the Middle East, or will it remain an arena in which a new Cold War will take shape around new polarizations? Iran's nuclear energy policy is at the heart of this important issue.

To sum up, the fact that international superpowers and regional countries can so easily cross Iran's 'red lines' has exposed the fact that Iran can rely only on its own resources for its own security. In order to protect Iran's political interests, to maintain its 'balance of power' and 'deterrence' policy effectively, and to eliminate changing regional and extraterritorial threats, the use of nuclear energy for its defense is of paramount importance. Third, the Iranian economy policy is getting rid of its dependence on oil revenue and turning to new technologies has increased the importance of nuclear energy. Rising standard of living in Iran and the requirement to access cleaner energy have also supported this desire. The use of nuclear energy is even more attractive considering that Iran will not be on the list of Petroleum Exporting Countries in the next 15 years, and the damage to the environment caused by the use of crude oil and fossil energy.<sup>366</sup> On the other hand, Iran's known reserves of uranium ore are estimated to produce as much electricity as 45 billion barrels of oil.<sup>367</sup> This figure shows that if Iran produces nuclear energy for domestic consumption, oil and natural gas used for domestic consumption can be exported. Thus, Iran's economy will be less affected by changes in hydrocarbon prices and also new job opportunities will be created. Nuclear energy is also a more efficient than the petrochemical industry<sup>368</sup>, and the high subsidy the Iranian government gives to oil companies is no longer at affordable rates. Therefore, the use of nuclear energy is necessary in order to balance energy expenditure. It is important that Iran has more than enough uranium resources needed for nuclear energy, and unlike most countries with nuclear energy, it does not need to import uranium.<sup>369</sup> When Iran starts producing nuclear energy, it will be able to do it at a low cost and thus become a country which exports its energy.

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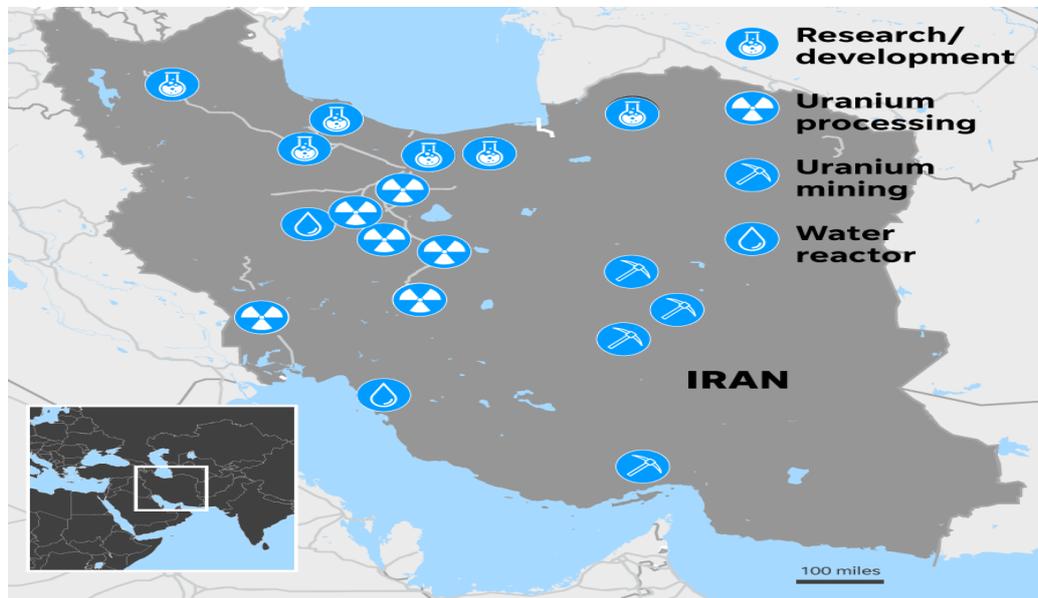
<sup>366</sup> Eric Wheeler, Michael Desai, "Iran and Russia: A Partnership in the Making", Middle East Institute, September 12, 2016 available at <https://www.mei.edu/publications/iran-and-russia-partnership-making> accessed on 03.11.2019

<sup>367</sup> Tarock, A. Iran's nuclear program mean to the West. *Third World Quarterly*. 27:4,2006, p.650

<sup>368</sup> Institute of Physics, Nuclear Power, 2012, available at [https://www.iop.org/activity/groups/subject/env/prize/file\\_52570.pdf](https://www.iop.org/activity/groups/subject/env/prize/file_52570.pdf) accessed on:12.01.2020

<sup>369</sup> Gharibabadi, K. (2009). *Iran's Nuclear Program: Fundamental Reality*. Tehran: Institute of Publications and Printing of the Ministry of Foreign Affairs of Iran, p.22

**Figure 13: Iran's Nuclear Facilities** <sup>370</sup>



#### 4.2.2 Iran's Nuclear Efforts: Targets, Debates, Realities

Nuclear energy is the most important source of dispute between the international community and Iran. Because of the devastating effects of sanctions on the country's economy and the fact that Iran has cut off all economic relations with the international community, it is important to explain the relationship between the debates in the international community on nuclear energy, Iran's targets and realities. Iran defines nuclear energy as the basis of technological development, especially in medicine, agriculture and electricity generation, and desires to have that energy for the peaceful purposes which of the foundations were laid with the help of the United States headed by Eisenhower. Although Iran says some of its nuclear activities are for civilian use, the West has serious doubts, as the UN report says some of Iran's nuclear activities

<sup>370</sup> George Petras, Jim Sargent, Janet Loehrke, Karl Gelles and Javier Zarracina, "Timeline: How tensions escalated with Iran since Trump withdrew US from nuclear deal" USA TODAY, 8 January 2020; available at <https://www.usatoday.com/in-depth/news/2020/01/03/us-iran-conflict-since-nuclear-deal/2803223001/> accessed on 12.01.2020

are related to the production of nuclear weapons, as well as the studies on the deployment of Tehran's warhead missiles. In addition, Iran demands its nuclear program and recognizes it as a national honor. Also, nuclear energy is the dream of Iran to show everyone itself is a developed country.<sup>371</sup> Iran is not giving up its nuclear program, and they give a message to the whole world about how they are committed to the nuclear issue.

So, what are the sources of legitimacy according to Iranian nuclear activities?

- i) Iran refuses being dependent on imported energy sources in near future. Holding the significant oil and gas resources cannot be a logical reason not to have nuclear energy for Iran. The current electricity needs of Iran are much higher than anticipated. The consumption of electricity in Iran was gradually rose in recent years and the power industry of Iran became weaker. The energy consumption of the nation was equal to 267.2 million tons of oil, although it was equal to 177.5 million tons of oil 10 years earlier.<sup>372</sup> Iran cannot possibly rely solely on oil and gas with an annual growth of 6-8 percent in electricity demand and a projected population of about 100 million by 2025.<sup>373</sup> The ageing oil industry was unable to achieve the level of production pre-revolutionary at 5.5 million barrels per day<sup>374</sup>, mainly because of US sanctions. Moreover, Britain, France, Germany and Russia give great importance to the use of nuclear energy today to generate the electricity.<sup>375</sup> For the entire world, the percentage of electricity generated by nuclear power is 13.42%.<sup>376</sup>

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<sup>371</sup> Telephone interview with Masud Zarvani, Investment and Budgeting Manager of Ministry of Petroleum of Islamic Republic of Iran, 07.03.2020

<sup>372</sup> BP Statistical Review of World Energy June 2016

<sup>373</sup> Long Run Energy Demand in Iran: Efficiency and Renewable Energy Scenarios USAEE Working Paper No. 11-071 March 5, 2011; available at [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1778430](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=1778430) accessed on 02.01.2020

<sup>374</sup> Anthony H. Cordesman, "The Iran Nuclear Agreement and Iranian Energy Exports, the Iranian Economy, and World Energy Markets", CSIS, revised August 27, 2015, p.30

<sup>375</sup> Brian F. Towler., Nuclear Energy, The Future of Energy, 2014 available at <https://www.sciencedirect.com/topics/engineering/nuclear-energy> accessed on 02.01.2020

<sup>376</sup> *ibid*

- ii) Iran's nuclear program critics also argue that Iran should opt for more economical electricity from natural gas-fired power plants. These claims are not true, either. Two MIT professors have recently studied that the cost of generating electricity from gas (and oil), not to say, the harmful effects of pollution of carbon or maintain Iran's gas reserves in order to make Iran one the leading supplier of gas to Europe and Asia, in 20 or 30 years ' time, comparable to what the cost of generating it through nuclear reactors is.<sup>377</sup>
  
- iii) Iran's nuclear energy policies are not seen as solely designed for energy production they also have a different dimension as national case and matter of prestige. It is seen essential for the country's economic development and its efforts to reach scientific self-sufficiency.<sup>378</sup> Iran considers the possibility to have high technology especially in nuclear energy in the way of becoming major regional power. Besides Iran would like to show the US cannot do whatever it wants to do in the Middle East. It shows how critical the search for status is and the narration of the Islamic Republic focuses on the subject "on enhancing Iranian national pride and making Western countries recognize the Islamic Republic's legitimacy as an independent actor and as their equal"<sup>379</sup>
  
- iv) Why should Iran use non-renewable energy and gas energy sources to turn to sustainable nuclear energy, much as the energy-rich United States and Russia? Nuclear reactors have difficulties and will not solve Iran's persistent energy shortage.<sup>380</sup> However, they are an important first step towards the diversification of

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<sup>377</sup> Mohammad Sahimi, Pirouz Mojtahed-Zadeh and Kaveh L. Afrasiabi, "Energy : Iran needs nuclear power", International Herald Tribune, 14 October 2003, available at <https://www.nytimes.com/2003/10/14/opinion/IHT-energy-iran-needs-nuclear-power.html?auth=login-facebook> accessed on 08.03.2020

<sup>378</sup> Baktiari, B. ( 2010 ) "Seeking International Legitimacy: Understanding the Dynamics of Nuclear Nationalism in Iran," in Yaphe, J. (ed.) Nuclear Politics in Iran . Washington, DC: National Defense University Press, p. 25

<sup>379</sup> Baktiari, B. ( 2010 ) "Seeking International Legitimacy: Understanding the Dynamics of Nuclear Nationalism in Iran," in Yaphe, J. (ed.) Nuclear Politics in Iran . Washington, DC: National Defense University Press, p. 25

<sup>380</sup> Mohammad Sahimi, Pirouz Mojtahed-Zadeh and Kaveh L. Afrasiabi, "Energy : Iran needs nuclear power", International Herald Tribune, 14 October 2003, available at

energy production as it is therefore essential to prosperity and security of the country.

- v) The Middle East in general, Iran in particular are surrounded by the countries having nuclear weapons. Today Israel, Pakistan, India and Russia have nuclear weapons.<sup>381</sup> China and Russia account for the highest number of reactors under construction.<sup>382</sup>In such an environment, although it has been refused by Iran, having nuclear weapons (at least having nuclear weapons technology) will be a unique shield and deterrent force for Iran. Iran will not come close to meeting the U.S. regional military strength and military superior force of regional U.S. allies due to sanctions and limited resources. Iran's nuclear program is largely motivated by its traditional military weakness.<sup>383</sup> Even though the possibility of possessing nuclear weapons by Iran does not sound good it has great importance in terms of preventing US arbitrary intervention into the Middle East and helping to leave Israeli uncompromising attitude. Besides Iran had not been in aggressive attitude towards any country since the 1973 Islands crisis with the UAE.<sup>384</sup> On the other hand, the biggest factor preventing a possible conflict between the two existing poles during the Cold War having the counter strike capability and nuclear weapons of both sides.
- vi) Iran's insistence on nuclear energy has brought with some positive discussions. The world's focus on this issue has also provided the opportunity of questioning why Israel which has important nuclear weapons and Israel's disengagement from the

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<https://www.nytimes.com/2003/10/14/opinion/IHT-energy-iran-needs-nuclear-power.html?auth=login-facebook>  
accessed on 08.03.2020

<sup>381</sup> Scott MacLeod&Nahid Siamdoust, 'Iran, Still Defiant: How Tehran Views the Nuclear Standoff with the West,' TIME, Dec 2004.

<sup>382</sup> Şebnem UDUM, "Nuclear Energy and International Relations: Outlook and Challenges for Newcomers" Summer-Autumn 2017, Volume XXII, Number 2-3, pp. 57-84 available at <http://sam.gov.tr/wp-content/uploads/2018/02/57-84.pdf> accessed on 02.01.2020

<sup>383</sup> Juneau, Thomas, "Squandered Opportunity : Neoclassical Realism and Iran's Foreign Policy", Stanford University Press, 2015, p.172

<sup>384</sup> Gökhan Çetinsaya, 'İran ve Güvenlik Algılamaları' (in) Refet Yinanç&Hakan Taşdemir (eds), Uluslararası Güvenlik Sorunları ve Türkiye, Ankara, Seçkin Yayınları, 2002, p. 145.

non-proliferation regime, is not exposed to the similar sanctions.<sup>385</sup> It has been started to discuss in a serious way that Security Council permanent members Britain, France, China, Russia and the USA which are privileged of having nuclear weapons, are also needed to sacrifice for nuclear disarmament (ie complete destruction of their nuclear weapons).

In conclusion, in consideration of all these targets and debates, the realities of Iran's nuclear efforts can be summarized as below in the scope of neoclassical realism which is the main theory of the thesis. As a factional power balance, the third intervening variable of NCR, which is progressively supported by hard-liners and conservationists, tilted nuclear policy toward its preferred results be fitting a regional power.<sup>386</sup> Thanks to the nuclear program, Iran has gained some influence more than in the Arab-Israeli conflict but less than in Iraq. Most significant promising advantage of nuclear power is its value as a bargaining chip provided leverage to pursuit of regional hegemony in foreign policy.

#### **4.3 The Politics and Politics of Energy of Iran After Joint Comprehensive Plan of Action**

After Iran's reformist President Hassan Rouhani won the country's presidential election, a new round of talks between Iran and Western countries was began. Rouhani his desire to start negotiations with the P5+1 announced immediately after the presidential election since resolving the nuclear issue, ending Iran's international isolation and rebuilding engagement regionally and globally were one of his ambitions plans in Iran's foreign policy. Unlike other leaders, the responsibility for continuing the negotiations has been transferred directly to the State Department, which has held by Dr. Mohammad Jawat Zarif. Rouhani's positive attitude also corresponded by the United States, and in September 2013 and Rouhani and Obama made phone calls. This was the first meeting between the leaders of the two countries in the last 30

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<sup>385</sup> Gawdat Bahgat, "Nuclear Proliferation in the Middle East: Iran and Israel", *Contemporary Security Policy*, 26:1, p.25-43

<sup>386</sup> Juneau, Thomas, "Squandered Opportunity: Neoclassical Realism and Iran's Foreign Policy", Stanford University Press, 2015, p.41

years. It can be argued that possible change in foreign policy depends on changes in domestic politics in the light of all these developments.

JCPOA is a crucial feature of the confidence-building mechanism for the country's nuclear activities between Iran and the P5 + 1 countries, as it both guarantees Iran's peaceful nuclear activities and also guarantees Iran's right to have nuclear power in line with the NPT. The agreement entered into force on 18 October 2015 and the US and EU moved to lift sanctions against Iran's nuclear weapons.<sup>387</sup> Iran's nuclear sites were subject to inspections by the International Atomic Energy Agency pursuant to the agreement, and after the inspection, the IAEA declared that Iran was not engaged in activities to build nuclear weapons. After the announcement, the United States and the EU announced on January 17, 2016 that economic and financial sanctions imposed against Iran would be lifted. Its effects in the near to medium term emphasizes as: (i) the lifting of the EU oil embargo, (ii) the reduction in Iran's trade costs, and (iii) the liberalization of cross-border imports of financial and transport services.<sup>388</sup> With this decision, Iran's financial institutions and banks were restored to operation and the prohibitions against the natural gas and oil, shipping, shipbuilding and transportation sectors were lifted. In addition, the sale, supply, export and transport of gold, metals, other precious metals, banknotes and coins were permitted. But sanctions and restrictions on armament, missile technology, nuclear transfers and activities have been decided not to be lifted until all doubt on the construction of its nuclear weapon has been cleared.<sup>389</sup>

Iran will also move out of a closed economy and into free trade, reducing the prospect of war with the countries. It was also expected to engage in new cooperation alternatives other than

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<sup>387</sup> Information Note on EU sanctions to be lifted under the Joint Comprehensive Plan of Action (JCPOA), 2016, Brussels, available at [http://eeas.europa.eu/archives/docs/top\\_stories/pdf/iran\\_implementation/information\\_note\\_eu\\_sanctions\\_jcpoa\\_en.pdf](http://eeas.europa.eu/archives/docs/top_stories/pdf/iran_implementation/information_note_eu_sanctions_jcpoa_en.pdf) accessed on: 13.02.2020

<sup>388</sup> Borna\_Mirahmadian, "Lifting Economic Sanctions on Iran: Global Effects and Strategic Responses", The World Bank available at <https://www.worldbank.org/en/country/iran/publication/lifting-economic-sanctions-on-iran> accessed on 13.02.2020

<sup>389</sup> Information Note on EU sanctions to be lifted under the Joint Comprehensive Plan of Action (JCPOA) January 23 2016; available at [http://eeas.europa.eu/archives/docs/top\\_stories/pdf/iran\\_implementation/information\\_note\\_eu\\_sanctions\\_jcpoa\\_en.pdf](http://eeas.europa.eu/archives/docs/top_stories/pdf/iran_implementation/information_note_eu_sanctions_jcpoa_en.pdf) accessed on: 13.02.2020

countries with good relations to improve Iran's economy and foreign policy, which has been subject to sanctions over the years. The most important reason for the JCPOA agreement to include concessions on limiting nuclear activities is that energy policies that it has failed to develop for years have diversified and become active again. Iran's main goal in this regard is to get its collapsed economy back on its feet and become a major power in the region. In this case, Iran aims to become a new alternative energy hub for Europe, which has a good energy market. The EU will be able to develop interdependent relations with Iran, which has natural resources in its territory, in order to meet its energy needs. While meeting the European energy needs from the interdependence relationship, Iran will improve its economy by marketing its energy potential abroad and thus become an important actor in the international system by strengthening its political relations with Europe. After the deal, for example, Iran's President Rouhani attended the Davos WEF summit on 17 January 2017 after a long hiatus<sup>390</sup>, and then made visits to Europe for the first time at the level of the president. Through this relationship, Iran will strengthen its political-economic relations by gaining bargaining power against Europe, while at the same time strengthening Iran's international position by exposing Europe's sensitivity to Iran.

Iran's return to the international arena with the lifting of sanctions could bring about new energy cooperation with many countries outside Europe (India, PRC, neighboring countries). Its allowance for per capita welfare increases of 3.7% is anticipated mainly due to the lifting of the EU embargo on oil and the liberalization of foreign trade in financial and transport services.<sup>391</sup> Furthermore, the country's natural gas production is expected to increase by 30-40% by 2020 after sanctions are lifted, according to Iranian officials.<sup>392</sup> Deprived of foreign investment, Iran's energy sector has become active again with the lifting of post-JCPOA sanctions. Under the deal,

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<sup>390</sup> Frank Kane, "Iran's president Hassan Rouhani to attend Davos WEF summit", January 20, 2014; available at <https://www.thenational.ae/business/iran-s-president-hassan-rouhani-to-attend-davos-wef-summit-1.687882> accessed on 22.03.2020

<sup>391</sup> Borna Mirahmadian, "Lifting Economic Sanctions on Iran: Global Effects and Strategic Responses, the World Bank", available at <https://www.worldbank.org/en/country/iran/publication/lifting-economic-sanctions-on-iran> accessed on 22.03.2020

<sup>392</sup> Alexey Khlebnikov, "Iran, Russia, and the impact of US sanctions", July 17, 2019; available at <https://www.mei.edu/publications/iran-russia-and-impact-us-sanctions> accessed on 22.03.2020

foreign companies began turning to Iran again after sanctions were lifted. British Petroleum, one of the world's major oil and gas companies, has announced that they are ready to resume operations in Iran's energy sector.<sup>393</sup> Total was the first major foreign oil and gas company to return to Iran in 2016, after the lifting of sanctions on Iran.<sup>394</sup> National Iranian Drilling Company (NIDC) has signed an MoU with Italian oil and gas major Eni for drilling and exploration projects.<sup>395</sup>

Iran's post-JCPOA effort to develop its economy by diversifying energy cooperation stems from its desire to increase its economic strength. It is envisaged that the natural gas sector, including Iran's oil sector, will have new collaborations on the basis of absolute gain, and that the old stopped projects will become active. Iran is starting to play an important role for European energy security, with Caspian Sea natural gas coming to the fore. In this context, the EU might bring the Nabucco project, which has a carrying capacity of 32 billion cubic meters, back on the agenda with the lifting of sanctions against Iran and the return of the country to the energy market. With the lifting of sanctions, the TAP Consortium might also consider Iran's participation in the project, which replaces Nabucco project, thus taking an active role in solving the European energy shortage.<sup>396</sup> As an alternative project ITE Pipeline across Turkey to deliver natural gas produced in Iran and Turkmenistan to Turkey and Germany is suspended due to the US withdrawal from nuclear deal only the Tabriz-Ankara section remains operational.<sup>397</sup> Today, Iran wants to take part in international projects as a reliable supplier. In addition, Iran's post-JCPOA energy policies are expected to diversify, extending to the Middle East, Far East, Asia and Europe. Projects that have been frozen or cancelled due to sanctions

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<sup>393</sup> David Adesnik and Saeed Ghasseminejad, "Foreign Investment in Iran: Multinational Firms' Compliance with U.S. Sanctions", September 10, 2018; available at [https://www.fdd.org/wp-content/uploads/2018/09/MEMO\\_CompaniesinIran.pdf](https://www.fdd.org/wp-content/uploads/2018/09/MEMO_CompaniesinIran.pdf) accessed on 22.03.2020

<sup>394</sup> South Pars Gas Development Project, Persian Gulf, NS Energy available at <https://www.nsenergybusiness.com/projects/south-pars-gas-field-persian-gulf-iran/> accessed on 22.03.2020

<sup>395</sup> The Return of a Major Oil & Gas Producing Country, SPTEC Advisory – 2015 Country Review, 2016, p.18 available at [http://www.sptec-advisory.com/SPTEC\\_Advisory-Iran\\_2015\\_News\\_Review](http://www.sptec-advisory.com/SPTEC_Advisory-Iran_2015_News_Review)

<sup>396</sup> Omid Shokri Kalehsar, "Iran-Azerbaijan Energy Relations in the Post-Sanctions Era", Middle East Policy Council available at <https://mepc.org/journal/iran-azerbaijan-energy-relations-post-sanctions-era> accessed on 01.05.2020

<sup>397</sup> Gokce Mete, "Energy Transitions and the Future of Gas in the EU: Subsidise or Decarbonise" Springer Nature, 2019, p.173

are projected to be implemented again. Total of 15 pipeline projects including Iran-Bahrain, Iran-Kuwait, Iran-UAE, Iran-Iraq-Syria, Iran-Pakistan-India, Iran-Oman and China-Japan-South Korea-India Natural Gas Pipe Line projects, together with total of 7 LNG projects, which are expected to become active.

As a result, after the JCPOA, Iranian officials have declared that Tehran will return quickly to the international arena as soon as the sanctions are lifted. Iran will achieve this return by increasing its existing production in the oil and natural gas sectors and replacing the country's old buy back model with new contracting model in oil industry, by attracting foreign capital and opening up new production sites.<sup>398</sup> Though Iran tried to recover its power in energy sectors, the country's lack of infrastructure does not lead for rapid development of the country's energy industry. To this end, after the sanctions were lifted, Iran cooperated with the PRC, Russia, South Korea and several Western companies in the context of increasing foreign capital and production capacity. It is also in talks with potential countries to revive and put into operation the pipeline projects that are already in the natural gas sector and whose construction has been halted. Iran's planned natural gas pipeline projects with Pakistan, India and the PRC are expected to be realized at absolute profit.<sup>399</sup> In addition, Iran's oil exports increased after the first month of the lifting of sanctions and this increase is expected to increase exponentially in the following months. In other words, it was seemed possible that Iran's post-JCPOA energy sector could become active and reach the level before sanctions and integrate with the international community as especially the cooperative characteristics of natural gas trade. Although Iran has attempted to develop its energy sector and regain its power in the global energy market, the lack of infrastructure in the country has prevented the development of the country's energy industry at the desired level due to various reasons such as problems in the country's legal and banking systems.

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<sup>398</sup> Background Reference: Iran, US Energy Information Administration, January 7, 2019 available at [https://www.eia.gov/international/content/analysis/countries\\_long/Iran/background.htm](https://www.eia.gov/international/content/analysis/countries_long/Iran/background.htm) accessed on 12.01.2020

<sup>399</sup> Iran-Pakistan-India Gas Pipeline For Regional Prosperity, International Energy Forum, available at <https://www.ief.org/news/iran-pakistan-india-gas-pipeline-for-regional-prosperity> accessed on 12.01.2020

#### 4.4 Iran's Policy after US withdrawal from JCPOA

Regardless of its views on Iran's regional policies and actions, or on the policies and actions of its regional rivals such as Israel and Saudi Arabia, the US withdrawal on May 8, 2018 from the JCPOA is regrettable and it frustrates all efforts given. It undermined the value of multilateral diplomacy and undermined belief in the sanctity and sustainability of international agreements. The US withdrawal from the JCPOA severely undermines the trust and confidence in international institutions and regulations, fundamental parts of the global security architecture.<sup>400</sup> In particular, U.S. action undermines the global-scale effort to prevent nuclear proliferation by destroying a significant and effective anti-proliferation treaty.<sup>401</sup> Nevertheless, European countries have announced that they will continue with the Joint Comprehensive Plan of Action. Belgium, Denmark, Finland, the Netherlands, Norway and Sweden have joined Instrument in Support of Trade Exchanges (INSTEX) as shareholders<sup>402</sup>, aiming to protect European companies from US sanctions on trade with Iran, the nuclear deal with Iran and continue trade in a legitimate framework. France, Germany and the United Kingdom gave a statement on INSTEX and European commitment to the JCPOA. "This step further strengthens INSTEX and demonstrates European efforts to facilitate legitimate trade between Europe and Iran and is a clear expression of our continuing commitment to the JCPOA,"<sup>403</sup> Germany, which wants to keep the Tehran administration in the nuclear deal, had set up INSTEX in January 2019 to facilitate trade with Britain and France.<sup>404</sup> So, Iran and European companies would be protected from U.S. sanctions but it was never implemented.

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<sup>400</sup> Dan Smith, "The US withdrawal from the Iran deal: One year on" 2019, available at <https://www.sipri.org/commentary/expert-comment/2019/us-withdrawal-iran-deal-one-year> accessed on 12.01.2020

<sup>401</sup> *ibid*

<sup>402</sup> Background Reference: Iran, US Energy Information Administration, January 7, 2019; available at <https://www.theguardian.com/world/2019/dec/01/six-more-countries-join-trump-busting-iran-barter-group> accessed on 12.01.2020

<sup>403</sup> Iran and INSTEX: E3 statement, Foreign & Commonwealth Office, November 30, 2019; available at <https://www.gov.uk/government/news/e3-statement-on-iran-and-instex> accessed on 12.01.2020

<sup>404</sup> Steven Erlanger, "3 European Nations Create Firm to Trade With Iran, but Will Anyone Use It?" 2019, available at <https://www.nytimes.com/2019/01/31/world/europe/europe-trade-iran-nuclear-deal.html> accessed on 12.01.2020

On the other hand, it is required to summarize briefly how tensions escalated with Iran since Trump withdrew US from nuclear deal in May 2018. The United States reimposes economic sanctions targeting Iran's energy, financial, shipping and shipbuilding industries. Iran declared it will take unspecified actions regarding the nuclear deal if Britain, France, Germany, Russia and China don't help it engage in international trade in August-November 2018. Thereafter in April 2019 Trump officially designated Iran's military unit, the Islamic Revolutionary Guard Corps (IRGC), as a foreign terrorist organization.<sup>405</sup> Trump also emphasized that United States will end exemptions on sanctions against countries buying oil from Iran, putting more pressure on Iran's economy. Iran US tension continued to rise and US blamed Iran of the attacks in Persian Gulf. In June 19, Iran shoots down a U.S. surveillance drone due to the violation of Iranian airspace.<sup>406</sup> One week later, the U.S.-Iranian confrontation heated up, culminating with the rocket attack on U.S. troops in Iraqi bases. In January 2020, Iranian military leader Qassem Soleimani and five others are killed in a U.S. drone strike at Baghdad airport. U.S. officials called it a "defensive action," stating Soleimani planned attacks on U.S. diplomats and troops.<sup>407</sup> Soleimani's killing marks a major escalation in tensions between Washington and Tehran. And it was seen the most reckless move in the veiled and undeclared war between the United States and Iran since 1979. Soleimani's assassination marks far more than the killing of any country's chief of staff. The US killing someone in this position would be seen as a clear declaration of war.<sup>408</sup> In response to the sanctions such as economic war, the shooting down of American drones, the targeting of some oil tankers and Saudi oil giant Aramco, and the firing

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<sup>405</sup> Natasha Turak, "How Trump's terrorist designation of Iran's revolutionary guard impacts its economy", 2019 available at <https://www.cnbc.com/2019/04/12/trump-terrorist-designation-of-irans-irgc-the-economic-impact.html> accessed on 12.01.2020

<sup>406</sup> Strait of Hormuz: US confirms drone shot down by Iran, BBC, June 20,2019; available at <https://www.bbc.com/news/world-middle-east-48700965> accessed on 12.01.2020

<sup>407</sup> George Petras, Jim Sargent, Janet Loehrke, Karl Gelles and Javier Zarracina, "Timeline: How tensions escalated with Iran since Trump withdrew US from nuclear deal", 2020 available at <https://www.usatoday.com/in-depth/news/2020/01/03/us-iran-conflict-since-nuclear-deal/2803223001/> accessed on 12.01.2020

<sup>408</sup> World reacts to killing of Iran's Qassem Soleimani , Euronews with AP, January 3, 2020; available at <https://www.euronews.com/2020/01/03/a-declaration-of-war-and-an-escalation-the-world-reacts-to-soleimani-killing> accessed on 12.01.2020

of rockets at US bases by Hashd al-Shaabi forces in Iraq were seen as raising the risk bar for Tehran.<sup>409</sup> The predictions are that Iran will not respond to Suleimani's assassination but will not rush to retaliate.<sup>410</sup> In this case, we can say that the United States will not return to the nuclear agreement in the short and medium term and the crisis will escalate between the two countries.

**Figure 14: Attacks in Persian Gulf**



In conclusion, despite the IAEA's statement that Iran has complied with all the conditions so far, the US unilaterally withdrew from the agreement, its threats against Iran and the new sanctions are started to implement have caused alarm bells to ring. Trump's claim Iran is one of the “most supportive of terrorism” countries, designation Iranian Revolutionary Guard a foreign terrorist group, re-imposition sanctions from banking to entire energy sector, and contract termination of the companies doing business with Iran have re-raised the tension and shown

<sup>409</sup>Maysam Behravesht, “How drone attacks on Saudi Aramco might blow up US-Iran tensions”, 2020 <https://www.aljazeera.com/news/2019/09/drone-attacks-saudi-aramco-blow-iran-tensions-190916051658838.html> accessed on 12.01.2020

<sup>410</sup>Fehim Taştekin, İlhan Uzgel, Musa Özüğurlu, Mühdan Sağlam, “Kasım Süleymani'den sonra ne olacak?”, 2020 available at <https://www.gazeteduvar.com.tr/dunya/2020/01/03/gazete-duvar-yazarlari-degerlendiriyor-kasim-suleymaniden-sonra-ne-olacak/> accessed on 12.01.2020

these developments can cause instability and conflicts in the region. In return, Rouhani's statement that any action against Iran's military force, including the Revolutionary Guards, will be countered and Iran's hardliners accused US of withdrawing from the JCPOA to raise the price of oil and called on OPEC to raise its production to resist the US which seeks to boost shale oil production.<sup>411</sup> November May 2019 in the Gulf of Oman two oil tanker explosions and the downing of the U.S. drone,<sup>412</sup> immediately after these events, the U.S. cyber-attack on Iran's weapons computer systems and the killing of Qassem Soleimani show that the recent tension between the two countries will increase further and possible war scenarios will be exacerbated.<sup>413</sup>Iran's failure to convince foreign investors, the lack of full release of Iran's assets, the ongoing sanctions, the economic troubles in the country and the relatively ineffective effort of the European Union show how important the problem is and the issue of Iran's nuclear energy policy will continue as a complicated road with no end.

#### **4.5 The Importance of the Nuclear Deal and Reintegration**

Former US president Barack Obama's decision to withdraw from the Middle East has enabled Iran to be influential in the region. The impact of the Arab Spring has enabled Iran to emerge as an actor who can establish order in the Middle East, where it has neutralized the powerful Arab countries, alongside the Gulf countries that are the carriers of the Wahhabi ideology. However, this perspective turned into a situation against Iran with the recognition of the limits of Iran's cross-border activism on the field. The Israel-Gulf balance has been able to convince the Trump administration to deal with Iran issues. The ideal situation, the option for America to deal with the problem, became flesh and blood with the Trump administration as detailed in previous section.

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<sup>411</sup> Amy M. Jaffe, "The Complicated Geopolitics of U.S. Oil Sanctions on Iran" Council on Foreign Relations, 2018 <https://www.cfr.org/blog/complicated-geopolitics-us-oil-sanctions-iran> accessed on 12.01.2020

<sup>412</sup> Strait of Hormuz: US confirms drone shot down by Iran, June 20, 2019 available at <https://www.bbc.com/news/world-middle-east-48700965> accessed on 12.01.2020

<sup>413</sup> The Killing of Gen. Qassim Suleimani: What We Know Since the U.S. Airstrike, The New York Times, Jan. 3, 2020; available at <https://www.nytimes.com/2020/01/03/world/middleeast/iranian-general-qassem-soleimani-killed.html> accessed on 12.01.2020

First of all, the mutual steps and initiatives taken to reduce tensions and repair relations within the region will depend on the persuasion of the two regional rivals and arch-enemies Russian-backed Iran and US-backed Saudi Arabia and in some way on a minimum mutual agreement. In areas of conflict such as Syria, Yemen and Iraq, where they are heavily engaged in regional power struggles, it is vital to ensure peaceful solutions that the two countries will accept. As long as Iran continues its expansionist policies and continues to strengthen its political and military ties with Shiite groups in the region, and Saudi Arabia does its utmost to prevent this situation, even the partial re-enactment of the nuclear deal will not be a reasonable success. In the current regional power equation, such diplomatic initiatives can reduce the level of tension between the parties at most and restore diplomatic relations. Unless the contrary has been proved, the emergence of a political climate in which normalization will not be achieved and opportunities for cooperation will not be seen as a strong possibility. Iran is cursed to remain isolated and suffocated by the sanctions without JCPOA.<sup>414</sup> In short, it would expect considerable gain from a step away from rejectionism and give Iran a chance to fulfill its ambitions.<sup>415</sup> Avoiding rejectionism offers major benefits and will give Iran the chance to achieve its ambitions.<sup>416</sup> It would optimize its protection more effectively; it would minimize the risk of an attack, decrease its isolation and alleviate its acute insecurity dilemma.<sup>417</sup>

The second important factor that will directly affect the desired normalization of relations is closely related to how the Donald Trump administration will shape Middle East Policy. In the regional context, the nuclear deal implied softening of the pressure on Iranian regime and Iran would become a responsible actor in the region. For this reason, the sustainability of the JCPOA is crucial for the stability of the region, the uncertainty continues today as a result of the change that the Middle East has experienced in recent years. The flow of arms increased in the region, the difficulty of achieving the expected stability and lowering the current tension becomes

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<sup>414</sup> Juneau, Thomas, "Squandered Opportunity : Neoclassical Realism and Iran's Foreign Policy", Stanford University Press, 2015, p.41

<sup>415</sup> *ibid*

<sup>416</sup> *ibid*

<sup>417</sup> *ibid*

clearer.<sup>418</sup> In 2015–19, the Middle East accounted for 51 per cent of overall exports of US weapons.<sup>419</sup> Between 2010–14 and 2015–19, US weapons exports to the region increased by 79 per cent.<sup>420</sup> In 2015–19, Saudi Arabia became the largest purchaser of U.S. arms, accounting for 25% of U.S. weapons exports, compared to 7.4% in 2010–14 especially after the “Arab Spring” that began at the end of 2010 shows the seriousness of the situation for Iran.<sup>421</sup> In the Persian Gulf, the occasionally escalated tension turn into a power struggle between Iran and the United States, and the rhetoric becomes hard at the point of sovereignty over the Gulf. Considering the importance of the Gulf, the fact that it is one of the most important waterways of the world's energy transportation, that the U.S. aircraft carrier sailed through the Strait of Hormuz and into the Gulf and that it is historically perceived as the cultural heritage of the ancient Persian Empire has the potential to bring the situation to the brink of a crisis that could soon spread from.<sup>422</sup> And that is precisely why it is so important to return to the agreement and the integration of Iran into the region. With the lifting of sanctions, Iran will have a chance to develop existing energy sources and develop into an energy hub, increasing its regional influence.

From domestic concern, the majority of authoritarian energy rich states use their energy sources as a defensive tool of foreign policy.<sup>423</sup> The aim is to ensure the regime continues; to consolidate domestic control, and to prevent outside intervention<sup>424</sup> through establishing strategic partnerships with key global actors usually via pipelines or contracts of supply with major

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<sup>418</sup> Pieter D. Wezeman, Aude Fleurant, Alexandra Kuimova, Diego Lopes da Silva, Nan Tian and Siemon T. Wezeman, “TRENDS IN INTERNATIONAL ARMS TRANSFERS, 2019” SIPRI Fact Sheet, 2020 available at [https://www.sipri.org/sites/default/files/2020-03/fs\\_2003\\_at\\_2019\\_0.pdf](https://www.sipri.org/sites/default/files/2020-03/fs_2003_at_2019_0.pdf) accessed on 02.03.2020

<sup>419</sup> *ibid*

<sup>420</sup> *ibid*

<sup>421</sup> Pieter D. Wezeman, Aude Fleurant, Alexandra Kuimova, Diego Lopes da Silva, Nan Tian and Siemon T. Wezeman, “TRENDS IN INTERNATIONAL ARMS TRANSFERS, 2019” SIPRI Fact Sheet, 2020 available at [https://www.sipri.org/sites/default/files/2020-03/fs\\_2003\\_at\\_2019\\_0.pdf](https://www.sipri.org/sites/default/files/2020-03/fs_2003_at_2019_0.pdf) accessed on 02.03.2020

<sup>422</sup> Strait of Hormuz: the world's most important oil artery, Reuters, July 5, 2018; available at <https://www.reuters.com/article/us-iran-oil-factbox/strait-of-hormuz-the-worlds-most-important-oil-artery-idUSKBN1JV24O> accessed on 02.03.2020

<sup>423</sup> Energy as a tool of foreign policy of authoritarian states, in particular Russia, European Parliament, April 2018; available at [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO\\_STU\(2018\)603868\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO_STU(2018)603868_EN.pdf) accessed on 02.03.2020

<sup>424</sup> *ibid*

foreign powers. Governments also can do this indirectly by using the energy revenue to create internal security infrastructure, improve armed forces, procure up-to-date military equipment, or provide subsidies and other financial incentives in order to avoid domestic opposition.<sup>425</sup> This defensive use of energy resources is not inherently benevolent, because it may protect the nation from external pressure enabling it to adopt an assertive, and potentially destabilizing, foreign policy or proceed with domestic authoritarian policies.<sup>426</sup> One of the greatest fears is that by abandonment of the deal, Rouhani and the reformist administration will be after the next elections replaced by Ahmadinejad-style political and religious hardliners with uncompromising attitudes in both domestic and foreign matters. That is the very reason why the sanctions are needed for lifting and reintegration is necessary both domestically and internationally

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<sup>425</sup> Energy as a tool of foreign policy of authoritarian states, in particular Russia, European Parliament, April 2018; available at [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO\\_STU\(2018\)603868\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO_STU(2018)603868_EN.pdf) accessed on 02.03.2020

<sup>426</sup> *ibid*

## Conclusion

This thesis examined the role of politics of energy in Iran's Middle East policy and how Iran's permanent quest for regional power status shaped its foreign policy. The main purpose of the thesis is to observe what are the external and internal factors that shaped Iran's foreign policy and its impact on Middle East-centered foreign policy practices after the Islamic Revolution in the scope of politics of energy. At this point, the answer to where the energy stands and whether Iran is using its energy resources as a weapon or as a tool or as a leverage has been tried to be found.

Due to increasing long-term global energy demands, its strategic position and energy reserves Iran attracted the attention of world powers during the Cold War and became one of the most important actors in both the regional and international arena.<sup>427</sup> Its foreign policy are primarily linked to the traditional aspirations of being regional power, safeguarding its national and security interests also energy resources and protecting regime identity.<sup>428</sup> Iran's geographical and socio-historical conditions (being Persian and Shiite) will bring some strategic constraints to the country, such as divergence of interests with other regional and international forces, to the degree that it needs to constantly change its strategy in line with evolving regional policies such as the Arab Spring. Iran is a "strongly independent and challenging player" who wants to be an active in regional and global politics. While ideology also plays a role in Iranian foreign policies, it is argued that the primary objective of the regime is to build power across the Middle East to fight the dominance of the United States, Israel and Saudi Arabia.

Neoclassical realism is recognized in a world with scarce resources and uncertainty, the endless struggle between states for material power and security. Iran holds large reserves of

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<sup>427</sup> Tuğba Bayar, "Multiple Dualities: Seeking the Patterns in Iran's Foreign Policy", *All Azimuth* V8, N1, 2019, p.37

<sup>428</sup> Golmohammadi, Vali., (2019) "The Foreign Policy of the Islamic Republic of Iran: Prospects for Change and Continuity", *All Azimuth* V8, N1, 2019, p.93-102

oil and gas, yet is not able to play a leading role in the Middle East or the world energy market due to aging refineries, sanctions and economic constraints. Due to the US, UNSC and EU tripartite sanctions, Iran has faced negative growth that has not seen in its history for the past 20 years. It is clear that the US sanctions on Iran have not led to a political transformation that the West desires, they have led sanctions-avoidance measures, trade realignment and subsidy reforms instead. The sanctions have also created a perception among Iran's ruling elite that the United States has hostile tendencies toward Iran to push the US and its allies into an area where they cannot pose a threat to Iran's national security or strategic interests, and trying to reduce their influence in the region. Iran has accomplished this by leveraging proxies, Shi'a communities and militia groups in the region, establishing alliances with similarly anti-Western states, new conflict zones, like Iraq and Syria.

Iran is living in an unsecured environment near non-NPT nuclear states (Pakistan and India), having hostile regimes confronting military invasion as neighbors (Taliban), living close to near-failed neighbors (Pakistan, Afghanistan, Iraq, Syria) and having politically based neighbors in the Persian Gulf, all coupled with a general dissatisfaction with the authoritarian regime.<sup>429</sup> Apart from that, Iran strives to be a regional actor as a result of revolutionary Islam and Persian nationalism. It aims to create a foreign policy to meet its national ambitions while seeking to enforce policies of protection against disgraceful national conditions. In line with national concerns the government is attempting to adjust the doses of religious ideology. The foreign policy agenda is filled with important issues, including international agreements, economic aspirations, regional disputes and ties with the Western world.<sup>430</sup> Main goals of Iranian foreign policy in Middle East to developing the economy and preserving territorial integrity and national sovereignty which energy plays significant role in this context. Second establishing Islamic society based on Shi'a

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<sup>429</sup> Tuğba Bayar, "Multiple Dualities: Seeking the Patterns in Iran's Foreign Policy", *All Azimuth* V8, N1, 2019, p.41

<sup>430</sup> Tuğba Bayar, "Multiple Dualities: Seeking the Patterns in Iran's Foreign Policy", *All Azimuth* V8, N1, 2019, p.51

principles. And third, defending Muslims and external liberation movements and fighting against Israel and the West. The Farsi slogan written in tiles above the Foreign Ministry entrance in Tehran today reads: “Neither Eastern nor Western, Islamic Republic.”<sup>431</sup> The slogan is intended to remind everyone that Iran is neither ally nor subject to any other power, but rather stands alone.

This history allows for the Iranian political conflict to be grouped into energy concerns with regard to the socio-economic effect of oil, the political and diplomatic impact of nuclear energy and the collaborative nature of natural gas trading.<sup>432</sup> Concerning oil, various cooperation and conflicts have been developed in accordance with the government's view on cooperation with other countries and foreign firms. In terms of natural gas and of energy stability, the increase in natural gas should have been required not only to preserve state income from hydrocarbons but also as a tool for consolidating regional relations.<sup>433</sup> In respect to the nuclear program, cooperation with the United States until 1979 was intermittent, and then there was a steady dispute with the world community.

To sum up, the role of politics of energy in Iran's Middle East policy can be sorted out as below.

- In terms of oil is a weapon. From a practical point of view geopolitics of oil is more effective weapon due to Iran's lacking swing status. The constant stream of fuel tankers through the Hormuz Strait<sup>434</sup> provides multiple chances of interruption of global oil flows. However, an in-depth study of Iran 's capabilities concludes that the threat should not be rejected, but that it does not cause alarm. This decision is

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<sup>431</sup> Hooman Majd, “Pride and Prejudice in Tehran” July 16, 2018; available at <https://foreignpolicy.com/2018/07/16/pride-and-prejudice-in-tehran-iran-farsi-nafs/> accessed on 12.03.2020

<sup>432</sup> Mert Bilgin, “Political History of Iran's Energy Policy” Avrasya Etüdler, 2016, p.50

<sup>433</sup> ibid

<sup>434</sup> About 34 million barrels of crude from Saudi Arabia, Iraq and Kuwait was passing through the channel on their way out of the Persian Gulf and toward U.S. ports last month, according to Bloomberg tanker tracking. available at <https://www.bloomberg.com/opinion/articles/2020-01-05/will-oil-become-a-weapon-in-iran-s-escalation-with-the-u-s> accessed on 18.04.2020

confirmed when the implications of Iran in fact causing a crisis, trying to block oil traffic through the strait, are taken into account. Yet, provocative actions such as 2011-2012 US- Iran Naval Dispute<sup>435</sup> and the tanker attacks on May 2019 in the Gulf just outside the Strait of Hormuz and official statements such as “closing the Strait of Hormuz to oil traffic would be easier than drinking a glass of water”<sup>436</sup> by Iran have fostered concerns.

- In terms of natural gas is a tool to strengthen regional relations, reintegration with West and international reputation as a reliable supplier as in the case of the role of Iran in Iraq (Iran-Iraq Pipeline)<sup>437</sup> and in the European energy-security strategy.<sup>438</sup> Natural gas is a type of energy that requires pipelines projects are based on the pricing, the reliability together with long-term deal. Therefore, natural gas strengthens cooperation and ensure economic benefits rather than causing conflicts.
- In terms of nuclear power is a political leverage can be used either to prevent external security threats and ensure regime survival and increase bargaining power such as the ‘Resistance Axis’, and ‘Shi‘a Triangle’.<sup>439</sup> Iran is deprived of the technology, capital and knowhow required to modernize its energy industry due to US sanctions and political isolation. The only thing Iran can do with its limited resources is to act directly by supporting proxies to undermine US and Saudi dominance in the Middle East. If the West gives the Iranian regime the right set of

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<sup>435</sup> Suyin Haynes, “The Strait of Hormuz Is at the Center of Iran Tensions Again. Here’s How the Narrow Waterway Gained Wide Importance”, available at <https://time.com/5632388/strait-of-hormuz-iran-tanker/> accessed on 17.06.2020

<sup>436</sup> Tabassum Zakaria, “Closing Strait of Hormuz not so easy for Iran: analysts” December 29, 2011; available at <https://www.reuters.com/article/us-iran-usa-hormuz/closing-strait-of-hormuz-not-so-easy-for-iran-analysts-idUSTRE7BR1DG20111228> accessed on 17.06.2020

<sup>437</sup> Email interview with Dalga Khatinoglu, expert on Iran energy issues at London-based NGW magazine, 10.03.2020

<sup>438</sup> Lukáš Tichý and Nikita Odintsov, “Can Iran Reduce EU Dependence on Russian Gas” available at <https://mepc.org/journal/can-iran-reduce-eu-dependence-russian-gas> accessed on 15.05.2020

<sup>439</sup> “Energy as a tool of foreign policy of authoritarian states, in particular Russia” Policy Department for External Relations Directorate General for External Policies of the Union, 2018, European Parliament. Available at [https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO\\_STU\(2018\)603868\\_EN.pdf](https://www.europarl.europa.eu/RegData/etudes/STUD/2018/603868/EXPO_STU(2018)603868_EN.pdf) accessed on 12.03.2020

incentives which the nuclear deal is the most prominent one at this stage, Iran and the West together with the Arab governments avoid confrontation and develop towards compromise. Otherwise it leads Iran to reduce US and its alliances influence in the region through proxies using Shia triangle in Iraq, Lebanon, Syria. Iran increases the cost - the economic strait and isolation - for the region as well increases the cost for itself.

After the nuclear deal, the easing of sanctions has provided an opportunity for the development and modernization of the energy industry, paving the way for the country to cooperate with Western companies to make new investments in the country. Under these developments, the tension in the region decreased. On the other hand, US withdrew the nuclear deal and continued to increase sanctions due to the US administration's skeptical manner on the nuclear deal under the new President led to escalate the tension in the region again. Moreover, Iran's rivalry with Saudi Arabia is heating through proxies such as Iraqi Shiite militias, Hezbollah in Lebanon and Syria, Houthis in Yemen. Saudi Arabia has largely backed the US policy of isolating and sanctioning Iran, particularly the Iranian oil industry. This contributed to the ongoing tensions in the Saudi-Iranian relationship and has made the Middle East more insecure.

As a result, Iran's foreign policy has been mostly shaped by the politics of energy, reflecting its role in consolidating economic stability for the country, which can theoretically increase Iran's international political status. Following the nuclear deal, the international transformation of Iran's position was possibly aligned with a collaborative process focused on international nuclear cooperation, rather than a protective mechanism centered on the weapon of geopolitics of oil and the leverage of nuclear energy. In this regard, the nuclear deal contributes to improved integration into the global economy, further engagement with the global system, and the Iranian people's ability to flourish and succeed. This cooperative history is capable of promoting the establishment of long-term trade relations with Iran between a range of regional and global parties in which gas tends to be of primary

importance also peaceful resolution of conflict. In this regard, it is so important the nuclear deal is sustained. Therefore, the politics of energy of Iran are dependent to domestic, regional and international dynamics that have built a network of links among oil, natural gas, nuclear energy issues which have been subject to temporary changes.



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## **Annex 1: Interview with Experts**

### **1. Interview with Masud Zarvani<sup>440</sup>**

**Q: Hasret Özer:** Could you give your insights regarding the changes in Iran's foreign policy in Middle East and how Iran shape the politics of energy in its foreign policy after the Islamic Revolution?

**A: Masud Zarvani:** Iran's foreign policy before the Islamic Revolution was completely different with now. Before the Islamic Revolution government had a clear policy about energy. Nowadays Iranian politics have been imitated before the Islamic Revolution but in successful way. They like to find a way to use energy as a tool the same pattern that before the revolution had been. But because of continuously decreasing in oil production and increasing oil domestic consumption, the tool has been found weak in relative before the revolution. For understanding this, we need to check Iran production in energy sector 50 years ago and check domestic consumption during that time. To see that Iran has missed being energy power in Persian Gulf and Middle East and missed its share in Middle East in terms of energy export. Regarding the production of energy, comparing oil with nuclear power, oil production is cheaper to produce than nuclear power. But for giving back the share of energy production in Middle East you need large amounts of money and investment. That's because of the sanctions especially US sanctions from 40 years ago, Iran could not have enough foreigner investor by 1978. As you know the first sanction that U.S. government exercised on Iran was oil and gas development sanction. So, Iran after the Islamic Revolution could have not developed oil production as Saudi Arabia and other countries in ME and because of rapid expansion in the population and subsidies in domestic price control. Iran have faced rapid increasing on energy consumption inside. It means production down, self-consumption up and export seriously down. And the real power of that tool decreased and decreases. Iran just like other energy rich states use its energy resources as a defensive tool in their foreign policy and for this reason they signed two

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<sup>440</sup> Investment and Budgeting Manager of Ministry of Petroleum of Islamic Republic of Iran

agreements of selling natural gas to UAE and Pakistan. Besides there is a difference between exporting oil and gas as a political policy. When you export gas to a country, that country is related to you more than oil. Now after US sanctions Iraq has to buy Iranian gas. When you export gas to a country that country have to make investment for piping around 1 to 3 billion dollars. For example, Iraq had to make canalization and piping from the Iran border to their electrical power plant. So, Iraq must take Iranian gas even after sanctions and Iraq could not be able to mitigate substitution of Iranian gas. But for oil, in a moment you can switch from one country to other country. The only waiver that US government has published is for Iraq to buy gas from Iran. And because of this goal, Iran wanted to export natural gas to his neighborhood, US do not allow to Pakistan and UAE signed long term contract natural gas with Iran. US is a main enemy of Iranian government, and they tried a lot for canceling of Iran and Pakistan gas contract and they were successful. And now US is trying to cancel Iran and UAE gas contract. Because US knew why Iran interested to sell gas to his neighbors. Now the only exporting contract that be effective was Iran and Iraq contract.

**Q: Hasret Özer:** Is Iran trying to be a major regional power or more than this in the Middle East? And where does the energy stand?

**A: Masud Zarvani:** Iran desires to be the king of ME and Islam in almost the same proportions with US and Europe. Iran sells oil to Syria with cheap price for political reasons especially having ally near Israel. Four MOUs about exporting gas to Iran's neighbors-UAE, Pakistan, Oman and Iraq remain on the agenda. But in that plan Iran succeeded only in one contract. Even though all of Iran's neighbors need a lot for Iranian gas, US did not allow to those countries to be dependent with Iranian energy since they know it will be used an offensive tool. In any case Iran was successful about dependence of Iraq to Iran. If Iraq follows US sanctions, Iraq has to face with electricity deficit in the country. Due to these reasons, Iraq negotiates a lot with US to get waivers. As you know Iran is the main natural gas producer in the region and oil production is more expensive than gas. The profit of producing oil is higher than gas but Iran prefers to produce gas instead of Saudi Arabia. On the other hand, nuclear energy at least ten times more expensive than oil. But nuclear energy is the dream of Iran to

show everyone Iran is a developed country. It is symbol of the development that accrued after the Islamic Revolution. It is the official reasoning.

## **2. Interview with Dalga Khatinoglu<sup>441</sup>**

**Q: Hasret Özer:** "Do you believe which international political economy theory better explains Iran's actions in the international arena, realism is still the pre-dominant theory to explain the use of energy (resources) as a tool in its foreign policy or neoclassical realism is structured by complex interactions of both global and domestic factors? And how does Iran shape the politics of energy in its foreign policy?"

**A: Dalga Khatinoglu:** I think, as you mentioned, the dominant theory among experts for characterizing Iran's foreign policy is realism and mostly based on offensive realism. It is quite understandable, because after Islamic revolution, without regarding the international policy structure, Iran started to spread revolutionary spirit among Shia communications from Azerbaijan to Iraq, Lebanon, etc. But, coming to the last 3 decades, I think Iran started to recognize the international policy structure, though it has been attempting to restructure the regional sphere, encouraging the friendly states to unite against Western values – from Latin America to Africa, Middle East and its neighbors. Therefore, it is mostly defensive polity, relying mostly on the needed responses to changes in international policy. Indeed, I think creating of Shia crescent in region by Iran is not offensive, but a defensive policy to prevent itself and its people from both Western and Sunni values. I emphasize on values, because Iranian government is an ideological system, surrounded by Sunni and pro-Western states, excepting Armenia and Russia. On the other hand, talking about the shape of Iranian policy is very complicated issue, because many of observers believe that Iranian authorities are acting as a revolutionary group rather than politicians and established system. Especially, we see that its

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<sup>441</sup> Dalga Khatinoglu, expert on Iran energy issues at London-based NGW magazine, with 14 years experience in media and cooperating with energy related companies. He served as head of Iran news service at Azerbaijan's Trend News Agency (2007-2017). He frequently comments on Caspian littoral states' energy issues for Iran, Azerbaijan and other countries media as well as for Persian departments of BBC, DW, and others. He has been a freelance energy analyst for RFE/RL since 2010.

core foreign policy maker is IRGC, especially in ME. Almost all of its ambassadors in the Middle East are IRGC officials, including Lebanon, Iraq, Afghanistan, etc.

Coming to energy issue and using it as a political tool and leverage, we have Turkey, Iraq and Nakhichevan around Iran that has been heavily depended to Iranian electricity and gas imports, but all of them are trying to get rid of this situation. Azerbaijan and Turkey are negotiating to construct Iğdir - Nakhichevan gas pipeline to stop Azerbaijan-Iran gas swap deal. Turkey has been linked by four major pipelines (Baku-Tbilisi-Erzurum, Southern Gas Corridor, Blue Stream and Turk Stream) to other gas reserves and its LNG capacity is very huge. Iraq is trying to curb 17bn m<sup>3</sup>/yr. gas flaring in its oil fields to change with Iranian gas import, while Pakistan and Oman seem has abandoned gas import deals with Iran. On the other hand, Turkey stopped Iranian electricity import since 2018, while Iraq is trying to import electricity from Saudi Arabia or other neighbors. Iran's electricity export has almost halved during last 3 years. Iraq shares 80% in Iran's total electricity exports and the remained volume goes mostly to Afghanistan. We see, Iran occasionally stops gas and electricity exports to Iraq to put pressure on it. On the other hand, despite failing Iraq to pay off Iranian gas and electricity payments since October 2018 due to sanctions (more than \$2bn debts was created last year), Iran continues exports to this country, just to deepen its influence there.

Coming to oil and oil products exports, if we see the non-sanctions era, Iran mostly imports goods from its major oil importers. For instance, in non-sanctions era (2017-2018) Iran exported about 11-billion-euro crude oil to EU and imported the same value of goods. Or, China, as Iran's main oil client was importing 690,000 b/d from Iran and became the major exporter to Iran with worth \$18.7 billion, or India, Japan, South Korea. UAE is Iran's major oil products client and it's the second exporter to Iran after China. However, after halting Iranian oil exports to EU, its imports from the Union halved, from China declined 37%, from SK and Japan almost halted. But UAE kept oil products imports (these products are not sanctioned) and Iran's imports from UAE even increased. On the other hand, if we see the Iranian statistics, its overall imports declined 10-15%, not as much as plunge in imports from China, EU, Japan and SK. Therefore, Iran has punished these countries and replaced their goods by other states.

Iran has reportedly established huge financial money laundering networks with Syrian, Lebanese, Chinese, UAE, Iraq, Hong Kong, etc. to bypass US sanctions. Recently, Lloyd's Maritime Intelligence<sup>442</sup> reported that "Deceptive shipping practices from offshore loadings from the Iraqi port Khor al-Zubair reveal hidden cargoes of sanctioned Iranian fuel oil are being shipped to Malaysia and Fujairah." The smuggled oil products volume in January is huge: 2.1 million tons, or 490,000 barrels per day. It is 50% more than Iran's crude oil export in January 2020. Indeed, Iran can directly export these cargoes, but it wants to be exported as Iraqi mazut or diesel to get US dollar instead of other currencies. As you see Iran both support Shia groups in region, even delivers 40-50 kb/d oil to Syria without any charge, but uses them in critic situation against SAK, US sanctions, etc. theatrically, it is a defensive action.

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<sup>442</sup> <https://lloydlist.maritimeintelligence.informa.com/LL1131293/Sanctioned-Iranian-fuel-oil-shipping-from-Iraq> accessed on: 12.03.2020