



DANISH INSTITUTE FOR INTERNATIONAL STUDIES
STRANDGADE 56 • 1401 COPENHAGEN K • DENMARK
TEL +45 32 69 87 87 • diis@diis.dk • www.diis.dk

IRAN AND THE NEW GEOPOLITICS OF OIL
AN ANNOTATED BIBLIOGRAPHY

Luke Patey

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Danish Institute for International Studies, DIIS

Strandgade 56, DK-1401 Copenhagen, Denmark

Ph: +45 32 69 87 87

Fax: +45 32 69 87 00

E-mails: diis@diis.dk

Web: www.diis.dk

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Luke Patey, Research Assistant, DIIS

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Introduction

Since its revolutionary birth in 1979, the Islamic Republic of Iran has had a turbulent existence in international relations. From the US hostage crisis to the Iran-Iraq War to the current provocative development of its nuclear program, the short history of the Islamic Republic of Iran has been characterized by its volatile foreign politics. In fact, this is a feature very much resemblant of the country's tumultuous past, born from both its immense energy resources and its geo-strategic location. Regardless if Iran was under the rule of a Shah or the ultimate power of an Ayatollah, since the discovery of oil in the early 1900s, Iran's generous natural endowments have created an intimate link between itself and geopolitical competition.

More recently, in a world where the rapidly growing economies of populous China and India, and a resurgent Russia, have intensified competition for global energy resources with mainstays the United States, Europe, and Japan, Iran's importance in international relations has been enshrined for many years to come. Iran maintains 11.5% of the world's proved oil reserves, surpassed only by Saudi Arabia with 22%. Tehran is also the world's fourth leading producer of petroleum, after Saudi Arabia, Russia, and the United States respectively, and commands 14.9% of the world's natural gas reserves, with only Russia, at 26.6%, holding more of this increasingly influential energy resource.¹ However, despite these figures Iran's oil and gas industry remains a shell of its former self. An onslaught of sanctions since the Islamic Revolution has limited the lengths Iran could redevelop its energy resources after a devastating war with Iraq. The ire of Washington has also limited Tehran's involvement in oil and gas development in the Caspian Sea region. While European and Japanese investment have kept Iran's oil industry, and subsequently its economy, afloat, American sanctions drove Iran to seek further investment partners in the rising eastern powers of China, India, and Russia, which have in return found a critical energy partner in Tehran and one that shares concerns of American hegemony. As a result of these evolving relations, the direction of the Islamic Republic of Iran and geopolitics remain closely bound.

The subject of Iran, oil, and geopolitics is more one of current events than reflective academic thought. The constant development of circumstances concerning Iran puts researchers in the precarious position of attempting to present objective explanation, while history apathetically pushes on, exposing facts in its wake that were once believed to be oblique and indiscernible. However, as the years past and the Islamic Republic strengthens the foundation of its existence

¹ Quantifying Energy: BP Statistical Review of World Energy, www.bp.com/statisticalreview. June 2006.

in the international system of states, observers and investigators can more closely describe the reasoning behind streams of events since its inception. This annotated bibliography aims to aid such endeavors by providing a resource for developing a deeper understanding of the association between Iran's oil and gas industry and geopolitics. Although it certainly fails to offer an exhaustive list of existing literature on Iran and oil – there exists a wide and growing selection to choose from – it does present numerous journal articles, book chapters, and Internet papers which can act as a compass for researchers by directing them towards specific authors and topics on this significant issue in international relations.

The bibliography is divided into three sections of relative importance to Iran, oil, and geopolitics: Neighborhood Politics: Iran, Oil and the Persian Gulf and Caspian Sea Region, The Ties that Bind: Oil and Iranian-American Relations, and New Opportunities: Iranian Relations with Eastern Powers. First, at a regional level, Iran remains a crucial player in the politics of the Persian Gulf and Caspian Sea regions. These two regions are synonymous with oil development and international relations, with countries in the Transcaucasus and in Central Asia in particular becoming heated areas of geopolitical competition since the fall of the Soviet Union. In a post-Khomeini era, Iran looked to benefit as world powers flocked to the Caspian Sea region to develop the landlocked countries oil and gas resources. Tehran aimed to moderate and join regional and international relations in order to reignite its own oil and gas industry and act as a transit point for Caspian energy resources. Indeed, Iran's geographical location, as a bridge between Central Asia and the Middle East positioned the country perfectly to represent the conduit for the Caspian Sea region's economic development. However, Washington's reach was long in a uni-polar world and it would not forget its troubled past with the Islamic Republic. The United States, through its sanctioning of Iran would put even more pressure on the Persian nation by creating military and economic partnerships with newly conceived Caspian states on the condition that Iran's involvement in exploiting the region's energy resources would be marginal at best.

Since the US hostage crisis of 1979, Iran has faced an assortment of sanctions from the world's largest economy and its former leading trading partner. In 1995, President Clinton would solidify these measures with two Executive Orders and the Iran and Libya Sanctions Act to stifle the growth of the Iranian economy and its all-important oil industry. His successor in the White House, George W. Bush, would later renew unilateral sanctions due to the perceived nuclear threat Tehran had gradually become. The result, albeit lessened by European and Japanese investors, devastated the rehabilitation of Iran's main industry following the Iran-Iraq War, and would push Tehran to find new trading partners in the global economy. Thus, at the turn of the century it appears that despite long-running sanctions, the United States was unable to suppress

Iran into submission. The emergence of moderate leaders, Presidents Rafsanjani and Khatami, would set about a greater openness in Iran to foreign relations and investment in its oil and gas industry, and new partners would present themselves. With the election of hard-line President Mahmud Ahmadinejad in June 2005, however, these more moderate foreign policies have been replaced by religiously ultra-conservative and extreme nationalistic political stance. But while this political rhetoric may jeopardize Iran's previously steps forward in opening up to the West, Tehran remains open to foreign partners to develop its energy resources. The question is rather, from which countries future foreign investments will come from.

Lastly, the growing relationships between China, India, and Russia mark an evolving trend in the subject of Iran, oil, and geopolitics. The energy demands of the two rising Asian economies and the reappearance of an independent Moscow in international relations, powered by its immense energy resources, have provided Tehran with alternative military and economic partners. In addition to European and Japanese investors, the national oil companies of these three rising powers have moved to fill the void left by Washington and consequently lessen the effectiveness of its containment policy on Iran. Moreover, with evolving regional alliances in Central Asia, that put energy security high up on the agenda and a counterweight to American hegemony in everyone's mind, Iran has set about to profit from its energy wealth as new found foreign investment presents the opportunity to ignite growth in its underdeveloped oil and gas industry.

NEIGHBORHOOD POLITICS: IRAN, OIL AND THE PERSIAN GULF AND CASPIAN SEA REGION

Al-Suwaidi, J.S. “Gulf Security and the Iranian Challenge.” *Security Dialogue*. Vol. 27. No. 3. 1996: 277-294

The author argues that the political actions and foreign policies of Iran represent a significant element of instability and insecurity in the Persian Gulf. He explores the role Iran plays in Gulf security and the positions of other Gulf countries towards Tehran. The article first outlines the motives behind Iran’s military build-up and the specific influence of the United States on Tehran’s policies. This is followed by a description of Iran’s specific security and economic relationships with other Gulf States, which are limited by US containment of Iran in the region, adding to the dire state of the Iranian economy. The author argues that Gulf security would be jeopardized if regional investment flowed into a militarizing Iran. He concludes that Iran needs to temper its military ambitions to assure its neighbors that its potential economic rise through outside investment would not further destabilize the Gulf.

Aras, B. “Iranian Policy toward the Caspian Sea Region Basin,” in *The New Geopolitics of Eurasia and Turkey’s Position*. London: Frank Cass Publication, 2002

The chapter studies the interests of Iran in the Caspian Sea region and argues that Iran is the key to peace and stability in the region. It first discusses the debate over the legal status of the Caspian Sea and therefore the rights of the surrounding countries to its lucrative oil and gas deposits. It then focuses on the relations with Iran to the Caspian Sea countries: Azerbaijan, Kazakhstan, Turkmenistan, and Russia. It notes various oil and gas development projects between the countries and related obstacles and opportunities. Finally, it examines the role of the United States and Turkey in the region, listing incidences of American intervention in the region. Iran is seen as central to the region and a factor that cannot be put aside.

Bahgat, G. “Pipeline Diplomacy: The Geopolitics of the Caspian Sea Region.” *International Studies Perspectives*. Vol. 3. 2002: 310-327

The article explores the policies of the five Caspian Sea region states: Azerbaijan, Iran, Kazakhstan, Russia, and Turkmenistan. It argues that oil and gas development in the region can contribute to diversifying global energy resources. First, it highlights the historical significance of the Caspian Sea region as a supplier of energy resources and the new found relevance of the region largely due to the tremendous interest of international oil companies in exploiting these now accessible oil and gas deposits. It then assesses the energy resources of the region, as there has been much dispute concerning actual amounts. Next, the geopolitical considerations of the region are detailed, with foreign policy goals seen to conflict with commercial ones, in particular

due to the influence of the United States. Bahgat continues by outlining the policies of the US, Russia, Turkey, and Iran in the region. The significance of September 11th and ethnic divisions in the Caucasus are then weighed in as factors influencing oil and gas development. Finally, Bahgat examines the numerous pipeline routes, in construction or proposed, to exploit the landlocked energy resources of the Caspian Sea region. He concludes inclusion, rather than isolation and competition, as the best method to harness the Caspian's oil and gas resources for all involved parties.

Djalili, M.R. "Iran and the Caucasus: Maintaining Some Pragmatism." *The Quarterly Journal* No. 3 September, 2002

The article examines the relationship between Iran and Azerbaijan and argues that it largely determines Iran's relations with other states in the Caspian region. Due to the collapse of the Soviet Union, Iran's geopolitical environment has been modified significantly and the country has taken on the policy to maintain its own security while developing bilateral and multilateral economic relations in the region. Another aspect of this pragmatic shift from ideological preoccupations is a closer affiliation with Russia.

The article describes the roots of unrest in the relationship between Iran and Azerbaijan. It notes their ethnic and religious similarities and the divergence in ideological views of their common history and how a legal regime should be constructed involving oil and gas resources in the Caspian Sea. This relationship is made more tenuous by Iran's evolving relations with Armenia. The article briefly details Iranian-Georgian relations and concludes by offering perspectives on Iran's regional and global relations. In particular, it considers the rising influence of the United States in the region through increased relations with Azerbaijan and Georgia, and the inclusion of Iran by the Bush Administration in the "Axis of Evil."

The Economist Intelligence Unit. "Iran: Country Report 2006." www.eiu.com Accessed: July 6th, 2006

The annual report from The Economist Intelligence Unit provides a political and economic outlook for Iran in 2006. In domestic politics it discusses the election of the new president of Iran, Mahmoud Ahmadinejad and the repercussions of his policy stances. Ahmadinejad aims to reform much of the conservative leadership within the country's public servant enterprises, such as oil companies and banks. In international relations, much is dependent upon international concerns of the country seeking nuclear weapons capability. While the USA and EU may seek punitive sanctions against Iran for its moves towards furthering its nuclear agenda, China and Russia, with developing economic interests in Iran, will resist strong sanctions against the country. Overall, there is little desire from any country to see a further increase in oil prices that

UN sanctions would surely bring on. The economic outlook covers Iran's policy trends, fiscal policy, monetary policy, and provides various economic forecasts. The presidency's aim to implement a more expansive distribution of the country's oil wealth is supported by strong oil prices. Emphasis will be placed on local rather than foreign investment in the oil industry, however Iran is predicted to have difficulty meeting their OPEC enforced quota.

Ehteshami, A. "Oil, Arms Procurement and Security in the Persian Gulf." *Asian Affairs*. Vol. 34. No. 3. November 2003:260-270

The author explores the militarization of the Middle East throughout the 1970s, 80s, and after the Cold War. He argues that there is an intimate link between defense expenditures in the region and the expanding oil economy. Without oil income the region would have experienced a different pattern in economic, political, and strategic relationships. In the 1970s rising defense figures in the Levant, due to the Arab-Israeli crisis of the late 60s, indirectly increased of military expenditures of governments in the Persian Gulf. The substantial increase in government revenues due to oil income allowed Middle Eastern countries to purchase sophisticated military weaponry. In the Persian Gulf these expenditures were more the result of the geopolitics of the Cold War rather than direct security threats between regional states. The author argues further that this build-up of arms through anticipation made conduct of war that much more possible.

The Iran-Iraq war dominated the security picture of the 1980s. However, the author sees no direct relationship between the price of oil, which fell during the 80s, and continual high defense expenditures. After the Cold War, Middle Eastern states continued to spend great amounts on defense, largely due to the invasion of Kuwait by Iraq, with Saudi Arabia in particular maintaining high levels of spending. On the other hand, Iran was the state that exhibited a drop in defense budget, allocating a larger amount of its national income towards reconstruction and the economy in general. Finally, the author forwards that the arms race will continue in the Middle East with oil income playing a particularly large role in the case of Iraq and its neighbors.

Entassar, N. "Iran: Geopolitical Challenges and the Caspian Region," in Crosisant M.P. and Aras, B. (eds.) *Oil and Geopolitics in the Caspian Sea Region*. Westport: Praegar Publications, 1999

The chapter examines the role and interest of Iran in the Caspian Sea region taking into account regional and international relations. It focuses on political, economic, and strategic variable influencing Iran's policy decision in the region rather than the typically examined Islamic dimension. The author argues that because Iran's geographical location bridges the Persian Gulf and Caspian Sea region the country can play a significant role in the politics and economics of both regions. Therefore, Iran should not be isolated in the region as its involvement can play a

stabilizing and constructive role. Entassar states that due to Iran's new "both North and South" foreign policy as well as given that Iran's national security is linked to peace, stability, and economic development in the neighboring Caspian Sea region, the country has developed a two-prong security to protect its borders while also ensuring the political and economic independence of the region. He outlines relations with Turkmenistan, Kazakhstan, and Azerbaijan. The latter country is given particular attention due to existing ethnic and religious ties between the two nations, Iran's mediating role in the crisis with Armenia, and the role of America in Azerbaijan's political environment.

Finally, the chapter highlights Iranian foreign policy towards the development of oil in the Caspian Sea region. Iran has aimed to play a large role in such development but these efforts have been limited given the influence of American sanctions and pressure from Washington to lead Azerbaijan to limit relations with Iran. However, Iran has attempted to demonstrate its crucial role through its gas pipeline development and oil swap deals with Turkmenistan. The article covers these and other issues regarding the politics of energy resources and pipelines in the Caspian Sea region.

Ghorban, N. "By Way of Iran: Caspian's Oil and Gas Outlet," in Amirahmadi, H. (ed.) *The Caspian Region at a Crossroad: Challenges of a New Frontier of Energy and Development*. New York: St. Martin's Press, 2000

The chapter discusses the various proposed oil and gas pipeline schemes in Central Asia and the role of Iran in the exportation of Caspian petroleum resources. It argues that the obvious choice for the Caspian Sea region countries is to export oil and gas via Iran. A route north to Russia is also considered, but those to the east and west are dismissed. It details the specifics of these alternative routes and the geopolitical aspirations behind these economically irrational options, forwarding the use of Iran for exporting Caspian oil. The author argues Iran is situated ideally geographically, has existing refinery and pipeline capacity, and the needed export facilities on the Persian Gulf to exploit Caspian oil. The other options would be more costly and timely ventures. It goes further to note how oil exportation could take place via Iran. The chapter also describes the evolving oil swap deals between Caspian Sea countries and Iran and gas export pipeline possibilities between the Caspian region and South Asia. Altogether, it posits that oil and gas connections between the Caspian Sea region and Iran offer positive interdependency synergies to bring stability and economic development to these newly conceived states.

Herzig, E. "Regionalism, Iran and Central Asia." *International Affairs*. Vol. 80. No. 3. 2004:503-517

The article explores the increased emphasis Iran has placed on regional relations since the end of the war with Iraq and death of Ayatollah Khomeini. It explains the country's growing interest in regional cooperation by analyzing geopolitical, regional, and internal dynamics and reflects these policy shifts on two multilateral regional organizations: the Economic Cooperation Organization and the Caspian Sea Cooperation Organization. First, Herzig discusses the reasoning for Iran's new focus on regional relations. The geopolitical and functional aspects of this novel policy focuses on cooperation between regional, Muslim, and possible other alternative major centers of power to counter US containment. However, Iran is also aware of its own significant, globally, but particularly regionally due to the collapse of the Soviet Union.

The author argues that Iran's focus on regionalism can be viewed as a reaction to US containment through economic and political sanctions as well as pressuring other countries in the region to abstain from relations with the Islamic Republic. However, he sees Iran's anti-US rhetoric as a drawback to the construction of regional political and economic cooperation, as other states in the Caspian region aim to benefit from relations with Washington. In this light, geopolitics explains Iran's regional politics. Moreover, functional areas such as security and investment ties in energy and other areas present the actual development of Iran's regional relations. But the author continues to argue that Iranian regional aspirations are, albeit promising, thus far failing, due to their birth from policy initiatives rather than substantial interdependencies in need of specific policy designs. Thus, multilateral regional relations are more prospective than actual. Nonetheless, Herzig still states that these policy initiatives have helped Iran to avoid isolation and containment.

Kemp G. and Harkavy R.E. "The Strategic Energy Ellipse: The Persian Gulf and Caspian Basin," in *Strategic Geography and the Changing Middle East*. Carnegie Endowment for International Peace. Washington D.C.: The Brookings Institution Press, 1997

The chapter outlines the importance of the Persian Gulf and Caspian Basin to world energy demands. In particular, it highlights the increasing demand for energy from growing economies in East and South Asia and the resulting geopolitical implications. The economic costs and political issues associated with the extraction, transportation, and pricing of oil and natural gas in the two regions is also discussed. The pipeline politics of the Caspian Sea Region are detailed with Iran's position in these dynamics argued to be its geographical location and established infrastructure for facilitating the transportation of petroleum resources to the Persian Gulf from the Caspian region on top of its own significant oil and gas reserves. In this regard, the authors

argue that the benefits of restricting American investment in Iran by the US government does not clearly outweigh the costs of regional dependency on Russia as a controller of the procurement of Caspian oil and gas resources to the world market.

Mohsenin, M.M. "The evolving security role of Iran in the Caspian region," in Chufirin G. (ed.) *The Security of the Caspian Sea Region*. Stockholm International Peace Research Institute. Oxford: Oxford University Press, 2001

Mohsenin takes a point of departure from the collapse of the Soviet Union and the inherent landlocked nature of Central Asian states to discuss current situation of oil and gas development in the region and Iran's specific policy towards these dynamics. Central to the geopolitics of Central Asia are energy resources and Iran's position will be defined by the development of oil and gas along with its relations with the United States. The historical legal statue of the Caspian Sea under treaties between Russia and Iran is first described, followed by developments in the 1990s and the strategies of principal actors in the region. Iran primarily seeks to establish a legal regime in the Caspian region to setoff a balance of power and economic convergence. The Caspian Sea Cooperation Organization was established with these objectives in mind. The various oil and gas pipeline routes are then examined, with the southern route through Iran argued to be the most viable option due to existing infrastructure and the mutual benefits of swap agreements between the Caspian Sea countries and Iran. This alternative is seen to be prevented by US sanctions on Iran.

Finally, the foreign policy of Iran in the region is explained with its motivation stemming from national interests rather than ideological commitments since the early 1990s. The two main lines of Iranian foreign policy in the region are that instability in the Caspian Sea region is a serious threat to national security and an intensification of economic relations in the region. Thus, Iran aims at ensuring peace and stability through regional cooperation and has steadily developed political and economic relations with neighboring countries despite the obstruction of Washington.

Robins, P. "Iran," in *The Future of the Gulf: Politics and Oil in the 1990s*. The Royal Institute of International Affairs. Aldershot: Dartmouth Publishing Company, 1989

Robins writes an informative piece of the political situation of Iran according to its domestic politics and external relations following the end of the Iraq-Iran Conflict. This provides a historical perspective of Iran's stance in regional and global relations that can be reflected with current circumstances. Robins argues that Iran's influence on foreign policy agendas of regional states and its own susceptibility to the policies of others is underlined by its demographical and geographical conditions: Iran's population is the highest in the region, by far surpassing those of

other Gulf states making it a significant export destination, and it is dependent on access to the Persian Gulf for its own crude oil exports.

The chapter attempts to alleviate the shortcomings of American understanding of the internal political environment in Iran by detailing the reasoning for the Tehran's acceptance of the UN Security Council Resolution 568 to end its war with Iraq. Military failure and popular dissatisfaction for the war led to the agreement's signing for Iran. Robins also argues that in contrast to other authors the political elite of revolutionary Iran is far from being unstable and the country will likely remain an Islamic republic. However, the acceptance of the ceasefire with Iraq demonstrated a shift in the government's motivation for its international actions, acting out of national interest rather than from an ideological, pan-Islamic stance. Peace in the Persian Gulf waterways, oil revenues, the potential dominance of Iraq in the region, and relations with the superpowers will dictate Iran's future interests. Finally, Robins outlines Iran's relationships with other Gulf States and the superpowers.

Tarock, Adam. "The politics of the pipeline: The Iran and Afghanistan Conflict." *Third World Quarterly*. Vol. 20. Issue. 4. August 1999:801-820

The article posits that the potential conflict and ongoing tension between Iran and Taliban-led Afghanistan in the late 1990s was due to Iranian security considerations and the question of whether Iran or Afghanistan/Pakistan should be the route for the export of oil and gas resources from the Caspian Sea region. Both Washington and Islamabad have supported the Taliban in Afghanistan to persuade oil companies to consider the exit-route in the country, despite the economic rationale for Iran playing this role. The author also argues that the historical tribal background of Afghanistan is the reason for the lack of establishment of a strong central government in Kabul in modern times. He provides a historical analysis of the creation of Afghanistan and its relations to Iran to underline this point, implicitly supporting the rationale for an Iranian exit-route.

Attempts to mediate conflict in Afghanistan by Iran and Pakistan are described with the two countries conflicting interests seen to limit the success of these interventions. Iran is argued to oppose the Taliban due to threats to national security and economic interests it would pose if seated as a permanent fixture in Kabul. Indeed, security concerns exist along the Iran-Afghan border, and due to the repatriation of Afghan refugees and the destabilizing effect of the Taliban in Central Asia. On the economic side, despite the practicality of having Iran act as the exit-route for oil from Central Asia, Washington has supported the Taliban to further contain and isolate Iran, holding aspirations that the route will lead through Afghanistan and Pakistan. Hostility between Tehran and Washington are central to these dynamics.

THE TIES THAT BIND: OIL AND IRANIAN-AMERICAN RELATIONS

Afrasiabi, K. and Maleki, A. “Iran’s Foreign Policy After 11 September.” *The Brown Journal of World Affairs*. Vol. 9. Issue 2. Winter/Spring 2003:255-265

The article argues that a major reshuffling of Iranian foreign policy priorities has taken place since September 11th, 2001. This was the result of the new geopolitical environment the country faces in the fall of the Taliban in Afghanistan and the establishment of American power in the region. The article begins by describing the crisis management role taken on by Iran in the mid-1990s in the Caspian Sea region. It then focuses specifically on Iranian-Russian relations and the shifting stances of Moscow after 9-11, particularly concerning the legal regime governing the Caspian Sea region. This is followed by a synopsis on Iran’s own aims in the region. Finally, possibilities of Iranian involvement in the Gulf Cooperation Council and the Shanghai Cooperation Organization are argued to be further proofs of a more outward reaching Iranian foreign policy.

Bahgat, G. “The New Iran: A Myth or a Reality?” *Asian Affairs*. Vol. 29. No. 2. July 1998:141-160

Bahgat forwards that the election of Muhammad Khatami as president of the Islamic Republic of Iran marks a further turning point towards moderation for the country. He explores the new administration’s options in the areas of the economic system, political structure and foreign policy of Iran. The economic system is seen to be shaped by the country’s population explosion, domestic and regional developments, such as greater openness in the economy to foreign investment, and the economic performance of Iran under previous President Rafsanjani in face of continual US sanctions. The political structure has three significant elements: the strength of the Islamic regime, the differences of opinion within the political structure, and the high degree of institutionalism in the political system. In regards to foreign policy, Bahgat sees this as a reflection of domestic policy and more recently a shift towards national interests in economic policies over ideological considerations of exporting revolution. Bahgat goes on to detail how recent political change in the United States may led to better relations with Iran and Tehran’s relations with Europe and Russia, remarking that these relationships is largely due to containment by the United States, but further demonstrate Tehran’s gradually, increasing moderation.

Bahgat, G. “US-Iranian Relations: Sanctions and the Caspian Sea.” *Security Dialogue*. Vol. 32. No. 2. 2001:231-243

The article assesses the Clinton administration’s policy towards Iran in the areas of oil and gas investment and transportation routes in the Caspian Sea region to international markets. It aims

to present possible changes in US-Iranian relations under the Bush administration. The author argues that sanctions have had two primary effects: restraining the modernization of Iran's oil and gas infrastructure and slowing the development of energy resources in the Caspian Sea region. Iran has attempted to offset American influence through expanding oil and gas production toward foreign investment from Europe and Japan. Next, in regards to pipeline infrastructure in the Caspian Sea region, the United States has promoted routes through Turkey that exclude Iran, while Iran has pushed transportation routes to its Persian Gulf facilities or the development of oil swaps. The article concludes with six factors that will dictate relations between Washington and Tehran under the Bush administration.

Barnes, J. and Jaffe, A.M. "Post-War Iraq and Iran's Petroleum Sector," in Whitlock, E. (ed.) *Iran and its Neighbors: Diverging Views on a Strategic Region*. German Institute for International and Security Affairs. www.swp-berlin.org 2003. Accessed: July 6th, 2006

Barnes and Jaffe argue that a stable, oil producing Iraq will suppress world oil prices and thus be harmful to other Persian Gulf and Caspian Sea producers. Potential higher Iraqi oil production will highlight long-standing problems in the lack of production from Iran's oil sector, giving the Islamic Republic a limited amount of time to improve its capabilities or face adverse effects from oil price movements. The article discusses the decline of Iran's oil sector since the years of the Shah and Iran's evolving policy of a greater openness to foreign investment to make-up for the sector's underdevelopment. At the heart of this reform is the use of buyback contracts that allow foreign companies to act as contractors without violating constitutional laws that prohibit foreign ownership through concessions or equity stakes. Furthermore, the article explores ongoing problems with attracting foreign investment and the current projects being undertaken with Iran's National Iranian Oil Company. The authors see a need for Iran to open up more to foreign investment to get oil production back on track and improve relations with Washington.

Bill, J.A. "The Politics of Hegemony: The United States and Iran." *Middle East Policy*. Vol. 8, No. 3, September 2001:89-100

Bill argues that efforts by American administrations to weaken Iran through sanctions have failed and a new approach is needed. Iran is especially relevant to the United States due to its large population, geostrategic location, energy resources, and its overt independence. The author uses a report of the Atlantic Council on the failures of US sanctions against Iran to build on his argument. He focuses on the growing relationship of Iran with European countries and Russia. He argues that the United States seeks to prevent the rise of Iran and China as dominant regional hegemonies in order to control geostrategic significance and natural resources. He goes further to posit that US condemnation of Iran and China has resulted in the expansion of regional alliances to adjust to American containment policies. He examines the Israeli factor on policies towards

Iran, concluding by outlining the reasons for the position of the United States and recommendations on how the situation can be improved.

Clawson, P. “What to Do About Iran?” *Middle East Quarterly*.

www.meforum.org/article/275 December 1995. Accessed: July 6th, 2006

Clawson examines the difference between the hard position taken by the United States on Iran versus the European critical dialogue approach. He sees the major points of contention being commercial factors, geostrategic visions, and the possibility of reinforcing moderates. Although he argues that the American tactics have proved more useful to dissuading Iran from expanding its international terrorism and nuclear proliferation than European policies, he proposes that Washington take a similar stance on Iran as it did to the Soviet Union in promoting common interests between the people of America and Iran. The article explores the attractiveness of the Iranian market, the importance of Iran's geostrategic location, the country's influence on Muslims, to weighing the basis for differing hard and soft policies used on Iran. Finally, Clawson examines the policy options available to the US.

Dickey, C. “The Oil Shield.” *Foreign Policy*. May/June 2006

Dickey argues that oil is the factor shaping the timetable of talks on the Iranian nuclear crisis. Oil has significantly slows down the process of UN actions against Iran's nuclear ambitions, if not outright prevents the implementation of sanctions against the country. The process has also been conducted cautiously by the US due to the possibility that further instability in the Iranian situation could lead to another spike in already high oil prices. Dickey argues that high oil prices give Iran a shield to promote its nuclear program and that if Tehran becomes nuclear it will have another shield to protect it against US pressures. He sees increased production by Saudi Arabia, and therefore heightened levels of oil reserves that drive the price of oil down, as the factor that will lead Iran to lose this high bargaining chip. Thus, Iran is pushing to develop its nuclear capabilities before the price of oil drops.

Estelami, H. “A Study of Iran's Responses to U.S. Economic Sanctions.” *Middle East Review of International Affairs*. Vol. 3. No. 3. September 1999:51-61

The article provides a detailed examination of the political and economic response of Iran to US economic sanctions. It argues Iran has utilized a variety of strategies in face of US sanctions. These strategies have evolved as an element of internal and regional political conditions, with sanctions very much influencing Iran's international trade policy. The author divides Iran's reaction to US sanctions into four periods: revolution and the Iran-Iraq War Years, the Post-War Reconstruction Era, Dual Containment and Trade Sanction Renewal, and Iran-Libya Investment

Sanctions. In the latter stage Iran has worked on developing regional economic partnerships as a means to counter US sanctions, particularly those targeting the country's oil industry.

A general theme running through all the periods was a forced drive to find replacements for high levels of US investment in Iran over the years and to promote non-oil exports. This has meant respectively, among other measures, investment into other sections of the economy such as carpets, and assertively developing economic relations with Central Asian states as well as finding other sources of oil investment in Europe and Asia; major investments were taken on by China and India in this regard. Altogether, while US sanctions have delayed the expansion of the Iranian oil industry and caused significant inflation and unemployment, they have provided the appropriate incentive to diversify not only foreign investment and sources of petroleum in the oil industry, but also the economy in general. Overall, the article provides an excellent overview of the various shifts and focuses of the Iranian economy, dominated by oil interests, which have occurred during two decades of US economic sanctions.

Friedman, T.L. "The First Law of Petropolitics." *Foreign Policy*. May/June 2006

Friedman posits that the global price of oil and freedom in oil-rich petrolist states move in the opposite direction. He sees the rise of the price of oil as the primary reason why political freedoms and economic reforms are limited in authoritarian countries dependent on oil development for a substantial portion of their exports and gross domestic. He notes Iran, Venezuela, Nigeria, and Russia as cases where the high oil price in recent years has impeded the development of freedom and democratization because oil-backed governments do not have to respond to popular demand but rather control their countries through oil revenues. His argument is connected to the "Dutch Disease" and "Resource Curse" and he recommends Americans, as the primary users of the world's energy resources, take on more energy conservative practices as a point of national security.

Karagiannis, E. "The US-Iranian relationship after 11 September 2001 and the transportation of Caspian energy." *Central Asian Survey*. Vol. 22. No. 2/3. June/September 2003:151-162

The article explores US-Iranian relations since the events of September 11th, 2001 and assesses US oil policy in the Caspian Sea region. It views Washington's sanctions against Iran as policy-based and thus in need of re-examination from an economic perspective. It first looks at bilateral relations between Iran and the Bush administration since September 11th and the unprecedented actions and statements of Tehran in support of American-led efforts in Afghanistan. Later, with the US coalition invasion of Iraq, Iran felt the pressure of encirclement from Washington on top of continued containment.

Since 9-11 the US has sought to reduce its dependency on energy resources from the Middle East region, thus putting more emphasis on oil and gas development in the Caspian Sea region. Imports from this region can diversify the supply of oil, increasing competition between oil producers, particularly eroding OPEC power. This falls in line with Washington's constructing of military bases throughout the region. The article goes on to discuss the issues of pipeline development in the Caspian region and the established networks that by-pass Iran. It also discusses the evolving interests of the countries involved, particularly Azerbaijan and Russia. US pressure has led to the underdevelopment of energy infrastructure in the region, as Iran is the most feasible route for oil and gas exports. The article finishes by outlining potential scenarios for the future and efforts from particular US groups and the EU to engage more fully in Iranian oil and gas sectors in relation to US sanctions as well as the internal conservative vs. reformist politics that influence this industry in Iran. It highlights the disadvantages of sanctions for both Iran and the United States. It concludes in arguing that lifting of the sanctions in combination with positive reform in Iran can be beneficial for all parties.

Katz, M.N. "Iran and America: Is Rapprochement Finally Possible?" *Middle East Policy*. Vol. 12. No. 4. Winter 2005:58-65

The policy focused piece summarizes the author's impressions on political differences between the United States and Iran based on his visit to academic and research institutions in the latter country. He argues that there exist enough common interests between Washington and Tehran, primarily from the threat of Sunni fundamentalism in the Middle East, to make rapprochement of the countries long-standing hostile political relations. He presents the views of Iranians he spoke with concerning the Bush administration, democratic revolutions, the nuclear issue, the Arab-Israeli conflict, Iraq and Afghanistan, the rise of Sunni fundamentalism, and Russia and Europe relations. Finally, he discusses how the common threat of Sunni fundamentalism is a factor that could bring Iran and the US closer towards rapprochement. Katz defends this argument despite the hard-line stance taken by newly elected President Ahmadinejad on Israel and the consequential worsening of relations between the US and Iran.

Klare, M. "Oil Geopolitics, and the Coming War with Iran," in Engelhardt, T. TomDispatch.com, Nation Institute. www.tomdispatch.com 2005. Accessed: July 6th, 2006

Klare argues that although it has not been a talking point for the Bush Administration, Iran's strategic importance to the US should include its role in the global energy equation. Iran is significant to global energy supplies as the second largest producer of petroleum resources and by having considerable growth potential. Not only does Klare posit that Iran is relevant to America's interest due to the country's vast energy resources, but also that instability in the Persian Gulf

would effect other primary sources of oil such as Saudi Arabia and other Gulf States. As a result, Klare argues Washington is not concerned with a direct nuclear threat from Tehran, but rather aims to set about regime change in Iran to diminish the threat it poses to international energy supplies, particularly through disrupting regional activity in the Persian Gulf. It is also a major question in international affairs as Iran is a major supplier of oil and gas to China, India, and Japan. Klare outlines the two strategic issues in Washington: how to open up oil and gas investments in Iran to American firms and concern over Iran's increasing ties with other major oil importing nations. Overall, he puts forward that while the Bush administration is not openly speaking about oil issues in the Iran crisis, it is a major point framing thinking in Washington.

Placke, J.A. "Iran's Oil and Gas Development and the Effect of U.S. Economic Sanctions," in Whitlock, E. (ed.) *Iran and its Neighbors: Diverging Views on a Strategic Region*. German Institute for International and Security Affairs. www.swp-berlin.org 2003. Accessed: July 6th, 2006

Placke examines U.S. policy towards Iran and the consequences of U.S. sanctions on the Iranian oil and gas industries. First, he outlines the how the United States has acted in the Caspian Region in order to isolate Iran from oil and gas developments. This is most clearly presented by their development of the Azerbaijan-Georgia-Turkey oil pipeline to circumvent Iran and Russia despite the practicality of either a North or South route for the petroleum resources. He then presents US congressional attitudes to sanctions on Iran and prospects for relaxation of those measures. Next, Placke shifts to Iranian attitudes and responses to US sanctions and the EU's particular interest in constructive dialogue with Iran while increasing oil and gas investment in the country.

Pollack, K. and Takeyh, R. "Taking on Tehran." *Foreign Affairs*. Vol. 84. No. 4. March/April 2005

As the title suggests, this article examines American possibilities for confronting Iran over its rising nuclear developments. It proposes that Washington take advantage of political differences in Iran between conservatives and reformists, along with the support of Europe and Asia, to offer Tehran economic incentives for ending its nuclear program. The authors highlight the divisions between the two political trends in Iran as well as within the conservative camp. The sorry state of the Iranian economy and the requirements for much needed foreign investment in the oil sector is examined and connected with possibilities in convincing Iran to drop its nuclear program. The article argues Washington must up the ante in terms of both carrots and sticks offered to Iran to disengage its nuclear ambitions with the backing of Europe and Japan.

Roshandel, J. "Iran's Foreign and Security Policies: How the Decisionmaking Process Evolved." *Security Dialogue*. Vol. 31. No. 1. 2000:105-117

The article explores the changes in Iranian government since the beginning of the revolution. It argues that there has been a shift in foreign policy toward a more rational relationship with the rest of the world, partly breaking away from former ideological motivations. This is further depicted through an expansion of ties with neighboring countries. The framework and formal structure of Iranian government, particularly related to foreign and security policy, is first discussed and how its Islamic nature plays a role in decisionmaking. It then examines the time period after Ayatollah Khomeini in which the views of conservatives and reformists were more openly expressed under President Rafsanjani. Finally, the policies of President Khatami are discussed, in particular his greater openness to the outside world, including the United States. The author argues now foreign policy in Iran receives some popular input due to President Khatami's approach.

NEW OPPORTUNITIES: IRANIAN RELATIONS WITH EASTERN POWERS

Ahrari, M.E. “Iran, China, and Russia: The Emerging Anti-US Nexus?” *Security Dialogue*. Vol. 32. No. 4. 2001:453-466

Ahrari argues that Iran, China, and Russia are building closer ties to offset the geopolitical dominance of the United States. First, the article investigates how Russia and China have moved to counter the containment of Iran by the United States. One example is in Russia supplying nuclear and missile technology to Iran. These relationships are the product of American stances on Taiwan and Chechnya as well as the perceived threat of American global dominance. The three countries seek the construction of a multi-polar international system. Central to this arrangement is the control of oil and gas resources, such as those in the Caspian Sea region, which are discussed in the article. In the case of Iran, the author argues the US must strengthen the hand of reformers in the country by making concessions towards Tehran.

Bahgat, G. “The geopolitics of natural gas in Asia.” *OPEC Review*. Organization of the Petroleum Exporting Countries. September 2001:273-290

Bahgat investigates the development of natural gas markets between the Middle East and Asia. Given the expenses of transporting natural gas, Asia is an obvious market for these resources from the Middle East. The author argues that competition between Asian consumers over natural gas will increase in the next few decades and the expansion of the natural gas market will play a larger role in geo-economic and geo-strategic interests. The article examines the efforts by Iran, Qatar, the UAE and Saudi Arabia to supply the markets of Turkey, India, China, Japan and South Korea and competition with other suppliers such as Russia and those in the Caspian Sea region. Despite this apparent competition between suppliers, Bahgat argues that economic expansion in Asia can absorb increasing amounts of natural gas and that energy security will be ensured for all given the diversity of the suppliers and consumers.

Bahgat, G. “Energy Partnership: China and the Gulf States.” *OPEC Review*. Organization of the Petroleum Exporting Countries. June 2005:115-131

The article explores the extent to which the Caspian Sea and Russia can satisfy China’s rising energy demands and argues that the Gulf States will continue to have a growing relationship with Beijing to fulfill this need. It also posits that China’s increased demand for oil and gas resources should not be seen as a threat to other major oil consumers given the integration and diversity of the world energy industry. The article first highlights Sino-Russian energy cooperation discussing the issues of production, reserves, investment expenses, and instability due to government intervention in the Russian oil industry that will limit Moscow’s supply of energy to China. This is followed by a discussion of the problems and misconceptions of oil and gas development in the

Caspian Sea region. Lastly, Bahgat outlines why the Gulf States will continue to be the principle suppliers of energy to China, arguing that these nations have the largest reserves and excess capacity of energy resources in the world. Bahgat concludes by forwarding that energy cooperation in international relations will continue to be the dominant trend despite China's rising demand for these precious resources.

Bubalo, A. and Thirlwell, M.P. "Energy Insecurity: China, India and Middle East Oil." Lowy Institute for International Policy. www.lowyinstitute.org December 2004. Accessed: July 13th, 2006

The Issues Brief examines the rising dependency of China and India on Middle East oil. It argues that the rise of these two economies will have profound effects on the global oil market. It first describes China and India's demand for energy due to their rapidly growing economies. Although China's economy is powered by industrialization and India by services, both countries will become vulnerable to supply distributions and price increases in the oil market. While China will represent the current major demand for oil resources, India will become a more important player in the future. Next, the brief examines the importance of the Middle East as an oil supplier and the tendency of China and India to build relations with oil producers, such as Iran and Sudan, which have been sanctioned by the United States. This leads into a broader discussion of Indian and Chinese relations with the United States and how their rising energy demand may alter current trends. In this regard, the authors argue that Middle Eastern states will utilize India and China as a counter-balance with the United States.

Calabrese, J. "Dragon by the Tail: China's Energy Quandary." *Middle East Perspective*. Middle East Institute. www.mideasti.org/pdfs/calabrese304.pdf March 2004. Accessed: July 13th, 2006

The paper examines the implications of China's growing oil demand for the United States, with a particular focus on Middle Eastern oil. It describes the various challenges China faces in meeting the oil demand of its rising economy, and argues that the United States should take on a policies that assist the integration of China into the international system rather than view it as a economic competitor. It first provides a profile of China's domestic energy resources and future needs. China is highly dependent on plentiful, accessible, and the low production costs of Middle Eastern oil. Calabrese then outlines the three implications of China's reliance on foreign imports of oil: the country's inadequate preparations to manage potential supply crises, reliance on good relations with the US to ensure economic growth, and disdain for dependency on outside sources. To offset these factors China aims to diversify and increase its long-term access to international oil sources. The paper goes on further to describe the relationship between China and various Middle Eastern and African oil-producing states as well as Russia. It concludes by

presenting implications for the United States and provides recommendations on how to carry out relations with China given its growing dependency on oil.

Criss, N.B. and Guener, S. “Geopolitical Configurations: The Russia-Turkey-Iran Triangle.” *Security Dialogue*. Vol. 30. No. 3. 1999:365-376

The authors explore areas for cooperation and conflict between Turkey, Russia, and Iran. They highlight how these dynamics include other states in the Caspian Sea region as well as the interests of the United States and Europe due to energy resources. It presents numerous future scenarios of this geopolitical triangle. Many of these relations form along the regional blocs of Russia, Iran, Syria, Greece, Armenia, and Cyprus versus Turkey, Azerbaijan, Georgia, and Israel. The authors discuss how countries have pooled resources and coordinated activities when faced with a common threat, such as that of the extra-regional influence of the United States. Within these regional and global maneuvers the exit point of Caspian Sea region oil and gas pipelines is one of particular significance and is discussed, along with the emerging presence of China as a factor that could tip the balance towards a regional alliance rather than a reliance on extra-regional nations.

Freedman, R.O. “Russia and Iran: A Tactical Alliance.” *SAIS Review of International Affairs*. Johns Hopkins University. Vol. 17. No. 2. 1997:93-109

The article argues that there exists a positive relationship between Russia and Iran since the breakup of the Soviet Union. It first explores the shifts in Russian foreign policy under President Yeltsin from pro-American to nationalistic stances. It then forwards that the Iranian-Russian relationship exists due to Tehran’s demand for a source of arms and nuclear technology coupled with Moscow’s need for hard currency. This relationship is further strengthened by Russia’s stance in demonstrating an independent foreign policy to that of the United States on Middle East issues as well as common regional interests. Finally, problems associated with the bilateral relationship are discussed, particularly from conflicting stances on regional religious issues and economic differences connected to oil and gas development in the Caspian Sea region. However, Freedman sees the benefits outweighing the costs.

Goldsmith, B. “Here There Be Dragons: The Shanghai Cooperation Organization.” *Center for Defense Information*. www.cdi.org September 2005. Accessed: July 13th, 2006

Goldsmith explains the historical development of the Shanghai Cooperation Organization (SCO) and predicts the rising significance of this regional organization in global politics. He argues that the SCO is a manifestation of efforts by member nations to counteract American influence in Central Asia. The original Shanghai Five, Russia, China, Kazakhstan, Tajikistan, and Kyrgyzstan were later joined by Uzbekistan to form regional security agreement. Since 2004 the SCO has

taken on a greater focus on the region's economic integration, including energy powers such as Iran, demonstrating potential mechanism to offset the influence of the United States in Central Asia. Overall, the strategic goals of China, particularly towards accessing Caspian Sea energy resources remain pertinent to the future development of the SCO.

Jaffe, A.M. and Lewis, S.W. "Beijing's Oil Diplomacy." *Survival* Vol. 44. No. 1. Spring, 2002:115-134

The authors examine China's increasing demand for international energy resources to feed its growing economy and the role of the West in ensuring Beijing's policies align with current multilateral initiatives. The article first describes China's depleting domestic energy resources and increasing need for oil and gas imports. It then demonstrates China's strategic goal of diversifying its international energy sources, a wider use of natural gas, and the internationalization of its own oil industry. Next, the authors outline China's expanding activities in the Middle East, induced through granting access to military equipment, but hindered due to the closed nature of Middle Eastern oil industries. China's involvement in oil development in Central Asia is then discussed. This is followed by explanation for Beijing's strategy to exploit energy resources in countries where American companies have been restricted due to sanctions, such as Sudan and Iran, in order to avoid the intense competition of the oil majors. The transfer of arms and sensitive technology by China to these states is seen as a further potential cause of instability. An alternative strategy to Chinese international oil development is suggested through the inclusion of China in the International Energy Agency in order to join other major consumer nations in offsetting high oil prices through strategic reserves.

Mueller, F. "Why Iran is Key for Europe's Security of Energy Supply," in Whitlock, E. (ed.) *Iran and its Neighbors: Diverging Views on a Strategic Region*. German Institute for International and Security Affairs. www.swp-berlin.org 2003. Accessed: July 6th, 2006

Mueller argues that although European reliance on Iranian energy is minor at present this will rise significantly in the future, particularly concerning the supply of natural gas. His article investigates the state and prospect of both oil and gas development in Iran, suggesting that Iranian natural gas will provide Europe with an alternative to its current reliance on Russian supplies. Finally, it looks at future prospects for both the supply and demand of world energy resources.

Reissner, J. "China and the Wider Middle East." in Wacker, G. (ed.) *China's Rise: The Return of Geopolitics?* German Institute for International and Security Affairs. www.swp-berlin.org February 2006. Accessed: July 13th, 2006.

The article begins with a short history of Sino-Arab relations, spurred on by a dramatic increase in Chinese oil imports from the region since the early 1990s. It describes China's major

investments in the region's oil and gas industry as well as its military arms deals with various countries. This is followed by the most controversial link between China and the Middle East, Iran's nuclear development, where the author argues that although China's relationship with the United States is of utmost importance, due to the country's oil needs, Beijing holds its energy relationship with Iran very close. Here, China, Iran and other Middle Eastern states see a major threat in America's pursuit of hegemony.

Shen, D. "Iran's Nuclear Ambitions Test China's Wisdom." *The Washington Quarterly*. Vol. 29. No. 2. Spring 2006:55-66

The article examines the position of China in face of the Iran's nuclear development and calls from primarily Western nations to halt such efforts. It explores the questions of whether Iran will force China to make a clear decision on its stance to the world community by developing its capabilities further and how Beijing must balance its energy and nonproliferation interests due to Tehran's expanding nuclear capabilities. It first outlines the motivations of Iran for developing nuclear technology, questioning the peaceful intentions of this activity given the vast energy resources already available to the oil-rich country. The article then presents potential reasons for the development of nuclear weapons by Iran and Beijing's considerations concerning the issue. China's position on respecting sovereignty, promoting nonproliferation, and its economic ties, primarily in energy, as well as the need to balance its relations with the United States and Iran are all examined. Finally, the article explores China's policy options according to the advancement or decline of Tehran's nuclear ambitions, suggesting that Beijing's energy interests in Iran will lead the rising power to not support Western sanctions.

Xu, X. "The Oil and Gas Links between Central Asia and China: A Geopolitical Perspective." *OPEC Review*. Organization of the Petroleum Exporting Countries March 1999:33-54

The author provides a deeper understanding of the energy links between Central Asia and China. He argues that Central Asian resources are critically important to China's growing dependency on oil and gas imports and developing a link to these resources. The article first examines the resources of Central Asia, primarily in Kazakhstan, Uzbekistan and Turkmenistan, followed by the state of China's own energy resources. It forwards that regional co-operation is required to best develop Central Asia's energy resources. Moreover, China appears to be developing multiple sources of oil and gas imports from Central Asia, largely from Kazakhstan, Russia, and the Middle East. Beijing aims to be a front player in market penetration, a major actor in international oil and gas production, and a geopolitical force. However, in the end the author states, despite political considerations, China's goals in Central Asia are market-orientated.

