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Politics of Oil and Natural Gas vis-à-vis the Foreign Policy of Iran

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Abstract: *This study discusses the relationship of Iran's oil and gas resources with its foreign policy. Because these resources play a major role in government power, they serve as a major focus of Iran's governmental policy and relations with other countries. Our review led us to conclude that despite Iran's abundant reserves — the world's fourth-largest crude oil and largest natural gas reserves-international powers influenced the country's foreign policy sufficiently for Iran to decrease its oil production. The authors will demonstrate how fluctuations in oil and natural gas production were the outcome of a globalized structure that affected instability in Iran's foreign policy in specific ways. Our conceptual investigation of energy politics after the 1979 revolution revealed different policies that caused numerous concerns for the new government. While Iran's politicians strove to retain the Islamic Republic above all, both doctrine and foreign policy revolved circuitously from a radical 1979 Revolution position to renewed radical position in 2005 with two intermediate shifts in position. One was pragmatic shift in the late 1980s, and the second took a more moderate tone in late 1990s by focusing almost entirely on the production of oil and natural gas.*

Key Words: *Iran; Oil and Natural Gas; Economic Diplomacy; International Political Economy; Resistance Economy*

I. Introduction

Over the last 35 years, issues concerning oil began dominating Iran's foreign policy and oil dependent economy. With the 1979 revolution's establishment of a new regime under Ayatollah Khomeini, Iran's oil history took a turn. Foreign policy was no longer

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oriented towards relations with Western countries, in particular, America. "Death to America" and "Neither East Nor West" became popular slogans of the Revolution, which brought a new direction in policy along with revolutionary ideology. Moreover, the new Islamic Republic of Iran cancelled oil agreements with more than twenty oil companies in the United States of America, Israel and South Africa. The new government stopped oil exports through those companies and planned to independently control oil production and global distribution. Iran's neo-fundamentalist foreign policy formulated a politics of oil that became independent of the contemporary international system.

> "The international-political system exhibits dual control. Behavior and outcomes change as interactions among the system's units become sparse or ordered, as alliances shift and/or as nations adapt their politics to one another. There are changes within the system, and often a system's dynamics are identified within and are limited to such changes. What really matters, it seems, are changes in the behavior of states and in their alignments".[①]

Different researchers have studied the effect of energy politics on Iran's foreign policy and have written about Iran's involvement in international politics. Although some assert that Iran's foreign policy is/was independent of the energy factor, Iran's foreign and energy policies, particularly with regard to oil revenues, appear to have a close relationship that cannot be ignored.[②]

II. Iran's Position in World Energy Resources

Currently, energy plays a key role in the socioeconomic development of many countries. World population growth and economic development have rapidly increased energy consumption. Global estimates of this consumption are listed in Table 1 for 2012 and 2013, respectively.[③]Some pundits estimate that crude oil and natural gas reserves will be depleted some 41.80 and 60.30 years, respectively.[④]

Table 1 Global Energy Consumption by Fuel.

Source	2012	2013
	Mtoe	Mtoe
Oil	4138.9	4185.1
Natural Gas	2986.3	3020.4

① K. N. Waltz, *Theory of International Politics*, Mass: Addison-Wesley, 1979.

② S. Alam, "The Changing Paradigm of Iranian Foreign Policy under Khatami," *Strategic Analysis*, Vol.24, No.9, December 2000, pp.1629-1653; Nasser Saghafi-Ameri, "Iran and 'Look to the East Policy'," *Center for Strategic Research,* 2008, pp.1-17; M. Zahirinejad, "Oil in Iran's Foreign Policy Orientation," *Journal of Peace Studies*, Vol.17, No.4, October-December 2010.

③ BP Group, "BP Statistical Review of World Energy June 2014," *BP World Energy Review*, 2014.

④ F. Birol, "World Energy Outlook 2010," *International Energy Agency*, Vol.11, No.3, November 2010; S. E. Hosseini, A. M. Andwari, M. A. Wahid, G. Bagheri, "A Review on Green Energy Potentials in Iran," *Renewable and Sustainable Energy Reviews*, Vol.27, 2013, pp.533-545; K. Mohammadi, A. Mostafaeipour, M. Sabzpooshani, "Assessment of Solar and Wind Energy Potentials for Three Free Economic and Industrial Zones of Iran," *Energy*, Vol.67, No.1, April 2014, pp.117-128; G. Najafi, B. Ghobadian, R. Mamat, T. Yusaf, W. H. Azmi, "Solar Energy in Iran: Current State and Outlook," *Renewable and Sustainable Energy Reviews*, Vol.49, No.36, September 2015, pp.931-942.

Coal	3723.7	3826.7
Nuclear Energy	559.9	563.2
Hydro electric	833.6	855.8
Renewables	240.8	279.3
Total	**12483.2**	**12730.4**

Hence, energy strategies demand judicious analysis, planning, decision-making and practical foresight to make the transition from present to future energy systems. Contexts for energy stratagems are local, national, regional and even global. Over the last 100-plus years, Middle East nations have played a key role in the supply of conventional hydrocarbon energy resources globally. As energy technology transitions to nuclear and renewable resources, Middle East countries will naturally consolidate efforts to maintain a distinguished and even collective role in the development and supply of both conventional and future energy systems. Table 2 compares the energy consumption of Iran to Middle East and global communities.[①]

Table 2 A Comparison of Energy Consumption in Different Domains

Source	**Iran**		**Middle East**		**World**	
	2012 Mtoe	2013 Mtoe	2012 Mtoe	2013 Mtoe	2012 Mtoe	2013 Mtoe
Oil	89.5	92.9	377.7	384.8	4138.9	4185.1
Natural Gas	145.4	146.0	371.6	385.5	2986.3	3020.4
Coal	0.7	0.7	9.7	8.2	3723.7	3826.7
Nuclear Energy	0.3	0.9	0.3	0.9	559.9	563.2
Hydro electric	2.7	3.4	4.9	5.7	833.6	855.8
Renewables	0.1	0.1	0.2	0.2	240.8	279.3
Total (Mtoe)	238.8	243.9	764.4	785.3	12483.2	12730.4

Our review of this special subject of energy strategy focuses on a full spectrum of issues confronting Iran as one of the most important countries, not only in the Middle East but also in the world, where energy strategies are ongoing. Deficiencies in Iran's coherence between energy strategy and policy have been noted for some time. Hence, a particular focus is placed on a forward-looking analyses of various options while seeking solutions for the future of Iran's energy systems. These are modeled to emphasize impacts on the power sector while formulating explicit decision-making criteria. The analyses, case studies and reports reviewed in this Energy Strategy Reviews (ESR) Iran special issue specifically consider supply and demand balances within social and environmental regulatory contexts, both regionally and globally.[②]

① BP Group, "BP Statistical Review of World Energy June 2014," *BP World Energy Review*, 2014.
② S. Griffiths, R. Weijermars, "Introduction to Energy Strategy Reviews Theme Issue: Strategy Options

Iran holds some of the world's largest deposits of proven oil and natural gas reserves, and ranks fourth and first as the largest holder of oil and natural gas reserves, respectively. Iran also ranks among the world's top five oil producers and top five natural gas producers. In 2013, Iran produced 3.2 million barrels per day (bbl/d) of petroleum and other liquids, and more than 5.6 trillion cubic feet (Tcf) of dry natural gas in 2012.

Iran benefits from enormous oil and natural gas reserves. According to estimates, at the end of 2014 Iran's natural gas reservoir contained 1,192.9 Tcf, and its oil reservoir contained 157.0 trillion barrels. This equates to approximately 20.9% and 10.1% of the world's total reserves, respectively.[①] Figures 1 and 2 list the top 15 oil and natural gas reserves in the world as the end of 2013.

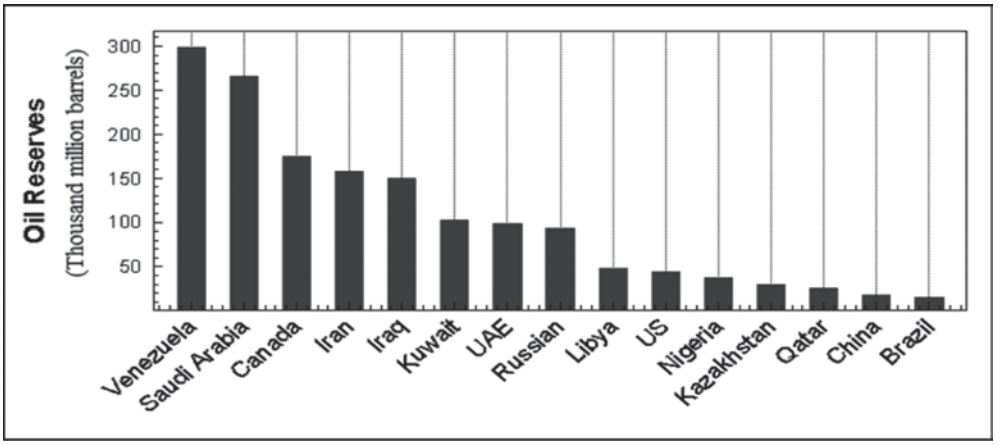

Figure 1 Top 15 Oil Reserve Countries in the world.

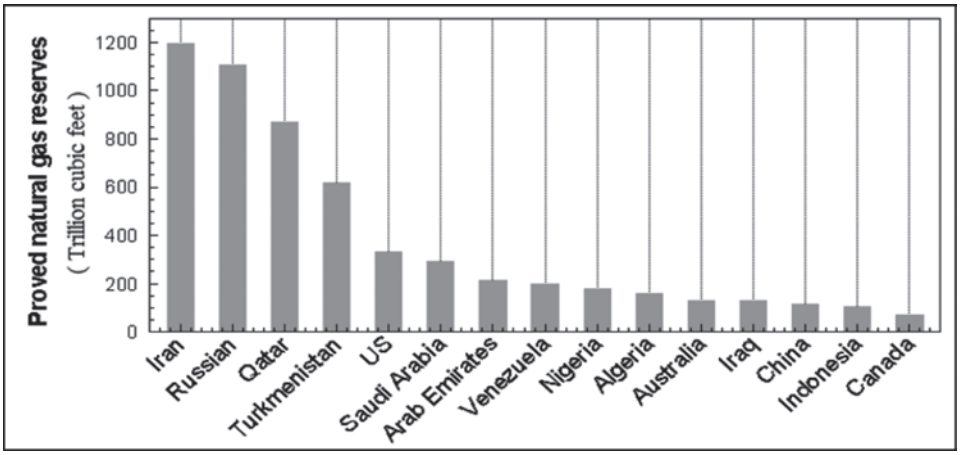

Figure 2 Top 15 Natural Gas Reserve Countries in the world.

According to Figure 2, Iran's proven natural gas reserves were estimated at 1,192.9 Tcf, the largest in the world, equal to 20.9% of proven global natural gas reserves and more

and Models for the Middle East and North Africa (MENA) Energy Transition," *Energy Strategy Reviews,* Vol.2, No.1, 2013, pp.1-4.

① S. E. Hosseini, A. M. Andwari, M. A. Wahid, G. Bagheri, "A Review on Green Energy Potentials in Iran," pp.533-545.

than one-third of the Organization of Petroleum Exporting Countries' (OPEC) reserves. Iran's largest natural gas field is South Pars and holds nearly 40% of these reserves. Nevertheless, the greater portion of Iran's gas reserves remains undeveloped. Iran also enjoys a high success rate of natural gas exploration in terms of wildcat drilling, estimated at 79%, compared to the world's average rate of 30% to 35%, according to Facts Global Energy (FGE).[①]

There is a non-associated South Pars gas field offshore in the middle of the Persian Gulf. South Pars is a part of a larger reserve that straddles territorial waters bordering Iran and Qatar. In Qatar, it is called the North Field. South Pars holds an estimated 17 million barrels of condensate (40% of Iran's total). Other major Iranian gas fields include Kish, Kangan, Forouz, North Pars, and Tabnak. These and others also hold large amounts of condensate reserves. Iran has an estimated 2 Tcf of proven and probable natural gas reserves, both onshore and offshore in the Caspian basin.[②]

From 2000 to 2011, natural gas production increased from 51,563 to 155,629 million m3 daily. Table 3 lists this production year-by-year. In addition, domestic natural gas consumption increased similarly.[③]

Table 3. Production of Natural Gas (Million m^3).

Year	Value
2000	51,563
2001	64,120
2002	72,905
2003	82,527
2004	93,348
2005	102,050
2006	112,723
2007	127,255
2008	132,230
2009	142,230
2010	148,338
2011	155,629

Table 4 lists the top 15 countries with the highest oil reserves, along with their share of total reserves and estimated years of remaining production.[④]

① BP Group, "BP Statistical Review of World Energy June 2014," *BP World Energy Review*, 2014; The United States, "Iran-Analysis-US Energy Information Administration (EIA)," 2014, https://www.eia.gov/beta/international/analysis.cfm?iso=IRN.

② G. Najafi, B. Ghobadian, "LLK1694-wind Energy Resources and Development in Iran," *Renewable and Sustainable Energy Review*, No.15, 2011, pp.2719-2728; The United States, "Iran-Analysis-US Energy Information Administration (EIA)," 2014, https://www.ei a.gov/beta/international/analysis.cfm?iso=IRN.

③ Ministry of Petroleum Iran, "Hydrocarbon's Energy Balance for Iran 2008," *Institute for International Energy Studies (IIES)*, Tehran, Iran, 2010; Statistical Center of Iran (SCI), "Production of Natural Gas Report," 2015, http://www.amar.org.ir/english.

④ BP Group, "BP Statistical Review of World Energy June 2014," *BP World Energy Review*, 2014.

Table 4 Top 15 Countries with Proven Oil Reserves as of the End 2013.

Countries	Oil reserves Thousand million barrels	Share of total Percent	Remaining reserves Years
Venezuela	298.3	17.7%	More than 100
Saudi Arabia	265.9	15.8%	63.2
Canada	174.3	10.3%	More than 100
Iran	157.0	9.3%	More than 100
Iraq	150.0	8.9%	More than 100
Kuwait	101.5	6.0%	89.0
United Arab Emirates	97.8	5.8%	73.5
Russian Federation	93.0	5.5%	23.6
Libya	48.5	2.9%	More than 100
US	44.2	2.6%	12.1
Nigeria	37.1	2.2%	43.8
Kazakhstan	30.0	1.8%	46.0
Qatar	25.1	1.5%	34.4
China	18.1	1.1%	11.9
Brazil	15.6	0.9%	20.2

Total primary energy consumption is the most important parameter that informs an approach to the control and management of energy policies. Iran consumed 9.67 quadrillion British thermal units (Btu) of energy in 2013. Natural gas and oil accounted for 97.9% of this primary energy consumption, with marginal contributions from coal, hydropower, nuclear and non-hydrocarbon renewables. Iran's primary energy consumption grew more than 50% over the past 10 years. Table 5 shows Iran's total primary energy consumption as of the end of 2013.[①]

① Ibid.

Table 5 Iran's Total Primary Energy Consumption at the End of 2013.

Type of consumption	Million ton oil equivalent	Percentage
Gas	146.0	59.832
Oil	92.9	38.066
Coal	0.7	0.290
Hydroelectricity	3.4	1.380
Nuclear	0.9	0.380
Renewables-solar	-	0.000
Renewables-wind	0.1	0.026
Renewables-Geothermal, Biomass	-	0.000
Other renewables	0.1	0.026
Total	243.9	100

Iran currently has 78 oil fields; 62 are onshore and 16 offshore. As of 2013, Iran's total proven oil reserves amounted to 157,000 million barrels, and the remaining lifespan at current production levels is estimated at approximately 100 years. Iran is the fourth largest holder of oil reserves after Venezuela, Saudi Arabia and Canada.

In 2013, Iran produced nearly 3.2 million bbl/d of petroleum and other liquids (total oil), comprising 2.70 million bbl/d of crude oil, 0.40 million bbl/d of condensate, and 0.10 million bbl/d of natural gas plant liquids (NGPL). Iran's total oil production in 2013 was 1.0 million bbl/d, nearly 25% lower than its 4.20-million bbl/d production of 2011. This drop in production was mainly due to western sanctions. According to FGE and the Arab Oil and Gas Journal, Iran faces a continued drop in production capacity because its fields have a relatively high natural decline rate of 8%-11% coupled to a low recovery rate of 20%-25%. Sanctions and unfavorable contractual terms were meant to impede the necessary investment to halt this decline. Moreover, sanctions enacted in late 2011 and during 2012 augmented the decline in Iran's production capacity.[①]

III. Crude Oil Fields

As seen in Table 6, the complete amount of oil and condensate reserves in Iran was appraised at 208.890 billion barrels in 2008 (80.20% offshore, and 19.80% onshore).[②]

The United States, "Iran-Analysis-US Energy Information Administration (EIA)," 2014, https://www.eia.gov/beta/international/analysis.cfm?iso=IRN.

② Ministry of Petroleum Iran. "Hydrocarbon's Energy Balance for Iran 2008," *Institute for International Energy Studies (IIES)*, Tehran, Iran, 2010.

Table 6 Production of Crude Oil (Thousand Metric Tons).[①]

Year	Value
2000	298,663
2001	283,932
2002	266,527
2003	304,409
2004	320,602
2005	337,150
2006	333,347
2007	340,430
2008	335,687
2009	331,216
2010	335,959
2011	333,410

Additionally, Table 7 shows nine active oil refineries in Iran with a total production of 1.42 million barrels per day.[②]The Abadan refinery has the largest capacity, producing 350 thousand bbl/d.[③]

Table 7 Effective Oil Refineries in Iran.

Refinery area	Capacity of oil (thousand barrels per day)
Abadan	350.00
Esfahan	200.00
Arak	150.00
Tehran	220.00
Bandar Abbas	320.00
Tabriz	110.00
Kermanshah	15.00
Shiraz	40.00
Lavan	20.00
Total	1425.00

① Statistical Center of Iran (SCI), "Production of Natural Gas Report," 2015, http://www.amar.org.ir/english.

② Iran Ministry of Power, "Energy Balance," Tehran, 2010.

③ M. Mohammadnejad, M. Ghazvini, T. Mahlia, A. Andriyana, "A Review on Energy Scenario and Sustainable Energy in Iran," *Renewable and Sustainable Energy Reviews*, Vol.15, No.9, December 2011, pp.4652-4658.

However, this refinery capacity does not meet the country's demand. Hence, Iran still imports petroleum. To solve this problem, Iran has recently invested in the construction of new refineries.

IV. Relationship between Energy and Foreign Policy

Current oil and gas reserves in Middle East countries, including Iran, potentially act as practical threats in the long-term. The present reliance on unsustainable energy and temporal monetary gain requires enormous organizational restructuring for the future. Consequent augmentation of revenues and possible alternative consumption strategies in Iran are definitely called for as the expected reduction in economic development accompanies diverse supply and monopoly of power decreases. The obvious existence of easy income is often an impediment to collective native wisdom and such countries do not take heed of much needed production and development in other economic sectors. A shallow sense of security reigns as many assume that oil reserve revenues will counteract neglect-of or losses-in other sectors. Unfortunately, it appears that instead of using oil reserves as a means to attain sustainable development, all efforts are directed towards production, which, in turn, can potentially cause instability in other economic areas.[①]

With this false assumption of ongoing income resources, decision-making regarding production, consumption, economic growth and new energy resource applications are not considered priority topics for discussion. From an economic point of view, creation and utilization of renewable energy in countries with an abundance of cheap fossil energy resources may not seem beneficial because production equals and might even exceed export and domestic demands. However, considering that production costs of nonrenewable energy resources are greater than costs of investment, extraction and transportation, etc., utilizing other energy resources, especially renewables, can lead towards more consistent and sustainable production.[②]

It should be pointed out that simple understanding of renewable energy utilization does not warrant cost adjustment. It is inaccurate to assume that renewable energies costs are declining and that production costs of nonrenewable resources are increasing. Costs for both are actually increasing but the rate of increase for fossil fuel production is greater compared to costs for non-renewables.[③] For example, reports[④] show that energy production costs in Europe increased between 2005 and 2008 due to increased raw material costs in addition to population growth, as well as decreases in available resource production and growing demands.

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① H. Bakhoda, M. Almassi, N. Moharamnejad, R. Moghaddasi, M. Azkia, "Energy Production Trend in Iran and Its Effect on Sustainable Development," *Renewable and Sustainable Energy Reviews*, Vol.16, No.2, February 2012, pp.1335-1339; P. Nejat, A. K. Morsoni, F. Jomehzadeh, H. Behzad, M. Saeed Vesali, M. Z. A. Majid, "Iran's Achievements in Renewable Energy during Fourth Development Program in Comparison with Global Trend," *Renewable and Sustainable Energy Reviews*, Vol.30, No.22, June 2013, pp.561-570.

② H. Bakhoda, M. Almassi, N. Moharamnejad, R. Moghaddasi, M. Azkia, "Energy Production Trend in Iran and Its Effect on Sustainable Development," pp.1335-1339.

③ Ibid.

④ M. I. Blanco, "The Economics of Wind Energy," *Renewable and Sustainable Energy Reviews*, Vol.13, No.6, September 2009, pp.1372-1382.

V. Policy of Energy Sources in the Middle East

Despite the fact that the Middle East has the world's largest resources of oil, the oil industry is linked to numerous colonial exploitation forms. Due to the geopolitical attraction, the Middle East oil remains indispensable to Europe and the United States. During World War I, Western countries' demand grew due to the oil powered planes, ships, and vehicles. After World War II, US dependency on foreign oil has gradually increased, which resulted in unilateral economic politicizes towards the Middle Eastern oil-producing countries. Therefore, Western oil companies sought concessions in the region to meet the demands. In 1960, when the first OPEC meeting was held in Baghdad, it was decided to expand the world energy market, and to set resolutions regarding the relations between the oil companies and the oil exporting countries.[①] Figure 1 shows that the five Persian Gulf members, Saudi Arabia, Iran, Iraq, Kuwait, and United Arab Emirates boast the richest oil reserves. The US unlimited need for oil and its desire to keep hegemony in the regions with oil resources have been one of, if not the, major factors to the political instability and conflicts in the area. Hence, relations between the United States and the Middle East became very complex and tense.[②]

In addition, energy fuels and services' governance have played a major role in the national and international policies in the Middle East. It is obvious that Middle Eastern oil-based economies would suffer from the global energy governance.[③] In the case of the Iranian government, tremendous crude oil and natural gas energy resources have been a crucial factor to the security of its national, regional and trans-regional power. However, intervention in the matter of promoting energy to be independence of sovereignty, to obtain full control, to benefit industries and trade of commodities for the country development, and to improve political relations has a diverse impact at times instead of utilizing investment, wealth, and employment opportunity for its nation.

Besides, there are various critical events that happened in the history of the Middle Eastern countries, where many problems have arisen due to oil and natural gas. For instance, one of the major objectives of the United States is to stop oil-rich countries from becoming regional powers which could contest Israel's hegemony vis-à-vis those states. Producing a low price of the oil supply is secured by Washington's foreign policy.[④] With the assumption of having a powerful Iran and weakened Israel, the regional situation could upset US goals. One more aim of Washington's foreign policy to maintain political stability in the region is to change the political system in individual countries through its oil companies trying to secure long-term energy supplies. As the case of Iraq has illustrated, politics of fear and war on terror have been used by Americans "as an excuse to put reliable regime into place".[⑤]

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① OPEC, "The First OPEC Meeting Held in Baghdad," Middle East Petroleum and Economic Publications Ltd., 1960, https://mees.com/opec-history/1960/09/16/first-opec-meeting-held-in-baghdad/.

② S. Bromley, *American Hegemony and World Oil: the Industry, the State System and the World Economy*, Penn State Press, 1991; Z. Khalilzad, "The United States and the Persian Gulf: Preventing Regional Hegemony," *Survival*, Vol.37, No.2, June 1995, pp.95-120.

③ A. Florini, B. K. Sovacool, "Who Governs Energy? The Challenges Facing Global Energy Governance," *Energy Policy*, Vol.37, No.12, December 2009, pp.5239-5248.

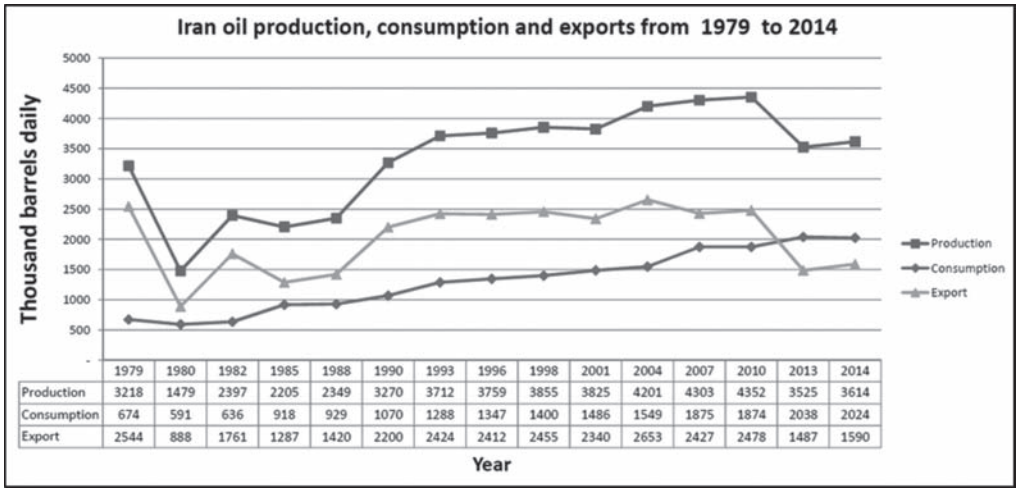
④ B. E. Marquardt, "Why the United States Supports the State of Israel," *Power and Interest News Report (PINR)*, October 2004, pp.2-4.

⑤ B. A. Higgins, "In Quest for Energy Security," *Wall Street Journal*, February 2004, pp.2-5.

VI. Iran's Different Political Periods and Oil Exports

The preceding survey and analysis of Iran's foreign policy, clearly shows that fluctuating oil prices, over time, has significant influence. During the first phase of the Islamic Revolution the region faced high degrees of an Islamic radicalization that was also exported. During this period, energy lost its robust linkage to foreign policy. As mentioned earlier, oil was seen as more of a domestic need. During the Presidency of Rafsanjani, this linkage was restored. He changed foreign policy and paved a way that created a more favorable climate because of increasing oil revenues. Thus, Iran began to reclaim its position as an energy player in world markets. During the Khatami period, this same connection was viewed in even clearer terms. After President Ahmadinejad came to power, his foreign policy showed a direct relation to higher oil prices. He continued with his policy and related budgeting until sanctions against Iran increased. Even so, his gas policy was later enhanced by policy reiterations towards Asia, reflecting ties with both China and India.[①]

Since the 1979 Iranian Revolution and the ensuing the Iran-Iraq war, coupled with United States sanctions which imposed restrictions on activities with Iran under various legal authorities, reductions in oil exports altered the country's economy, which then became largely controlled by the government. With regard to Islamic ideology and the subsequent radicalization of leadership under Ayatollah Khomeini, a new policy applied international overtones with prejudice against Israel and the West, in particular, the United States. But soon afterwards, the US Embassy hostage crisis in Tehran markedly distorted Iran's foreign relations. The country soon faced the emergence of a new historical period and policy. Obviously, Iran's foreign policy also influenced its energy policy and Iran's 1980 oil exports decreased to 888,000 bpd, almost a third of the preceding year's level.



	1979	1980	1982	1985	1988	1990	1993	1996	1998	2001	2004	2007	2010	2013	2014
Production	3218	1479	2397	2205	2349	3270	3712	3759	3855	3825	4201	4303	4352	3525	3614
Consumption	674	591	636	918	929	1070	1288	1347	1400	1486	1549	1875	1874	2038	2024
Export	2544	888	1761	1287	1420	2200	2424	2412	2455	2340	2653	2427	2478	1487	1590

Figure 3 Iran's Oil Production, Consumption and Exports (1979-2014).

[①] M. Zahirinejad, "Oil in Iran's Foreign Policy Orientation," *Journal for Peace and Justice Studies*, Vol.17, No.4, October-December 2010, p.17.

With Ayatollah Khomeini's death in June 1989, Iran's ideology-based foreign policy changed, which brought considerable modifications in the nation's governance and international relations. President Ali Akbar Hashemi-Rafsanjani's launched new policies, more pragmatic approaches that brought renewed benefits in different sectors, including the oil trade. After eight years of war accompanied by lower oil export volumes and prices, the economy was in disarray. Rafsanjani restored relations and changed foreign policy, which paved the way for a more favorable climate for the energy industry by increasing oil revenues. Iran then began to reclaim its seat as an energy player in world markets.

President Rafsanjani set unprecedented records. He considered it extremely important to increase oil production and enhance foreign relations, especially with Saudi Arabia, the leading and most powerful Arab nation. Figure 3 shows oil exports at roughly 3.2 million bpd in 1990, which increased to 3.7 million bpd in 1996; a level that repositioned Iran as the second largest oil exporter in the world, after Saudi Arabia. In addition, a significant agreement, the 'Saudi-Iranian Security Agreement', was initiated and signed in Tehran by Hojjatol-Islam Abdolvahed Mousavi Lari (Interior Minister of Iran), and his counterpart, Prince Nayef of Saudi Arabia, on April 18, 2001.

During Mohammad Khatami' presidency (1997-2005), the linkage between domestic and foreign policies became even clearer. His reformist principles focused on creating a religious society that provided welfare, justice, development, freedom and cogent responses to the demands of "today's world" as a "Dialogue among Civilizations".[①] He stated the following:

> "What do I mean by "today's world?" Briefly, I mean "Western Civilization," which dominates the world. This means that our economic, political, social, and cultural life is strongly influenced by the West; without its legacy and achievements, life is impossible for us Muslims".

His coalition for freedom and peace in the global climate and in particular, in the Middle East, as well as his policy towards the United States, was greatly welcomed at international levels. However, his government faced harsh economic difficulties due to inflation. Iran's foreign debt and its huge budget deficit became crushing burdens during 1998 when the price of oil hit a 30 year low.[②] Even so, Iran's oil exports increased from 2,455 bbl/d in 1998 to 2,340 bbl/d in 2001 (Figure 3).

President Khatami's foreign policy focused considerably on economic interdependence that attracted foreign investments, both public and private, in the energy sector, especially from Europeans who believed that economic relations boosted political reforms. Unfortunately, in 2001, the American-Iran relations deteriorated under the presidency of G.W. Bush after the 9/11 tragedy. Accordingly, a sense of urgent desperation strained international investment levels. Figure 3 shows that Iran's oil exports decreased in 2001. But in addition:

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① M. Khatami, *Islam, Liberty and Development*, New York: Binghamton University, Institute of Global Cultural Studies, 1998.

② A. A. Nourbakhsh, "Features: Khatami & Rafsanjani: Similar Goals, Different Legacies," May 2, 2005, http://www.payvand.com/news/05/may/1009.html.

> "Iran's application to join the World Trade Organization, which the United States in effect blocked (intriguingly, US opposition to Iran's World Trade Organization application created a domestic political atmosphere inside Iran that made possible implementation of difficult reforms needed to bring Iran in line with World Trade Organization practices-the only real reforms in Iranian policies in the second Khatami term)".[①]

During President Khatami's second term, Iran's oil exports increased from 2,340 bbl/d (2001) to 2,653 bbl/d by 2004 (Figure 3). Iran's main customers included European countries as well as China, Japan, Korea and Taiwan. However, the President's approach failed due to lower oil prices and a weakened domestic economy that had followed the eight-year Iran-Iraq War. These developments accompanied poor economic management and a lack of diversified domestic investment in various industries coupled with a failure to increase international trade initiatives. At the same time, Ayatollah Ali Khamenei, Iran's Supreme Leader, failed to endorse the president's reform policies. Thus, the need to keep Iran's status quo hegemony in place transformed reformist doctrines into radicalism, yet again.

When President Mahmoud Ahmadinejad came to power in 2005, his foreign policy also demonstrated linkage with higher oil prices. Accordingly, oil revenues were over $36 billion in 2007, and more than 54 billion by 2008. This enabled him to continue his policies until US and UN sanctions were further imposed. Ahmadinejad's policies affected Iran's foreign relations, especially with Western countries. Figure 3 shows the resulting post-sanctions disaster. Exports dropped precipitously to 1,487 bbl/d by 2013. Nevertheless, his gas policy advanced with favorable reiterations in Asia, which reflected good relations with China and India.[②]

Due to its booming economy, China demands and depends on the greater energy sources; therefore, it has roughly doubled the import of oil and gas compared to the last few years. China, a veto-wielding member of the Security Council, can be a beneficial political ally for the Islamic Republic of Iran. Moreover, economic collaboration between Tehran and Beijing embrace non-energy trade, such as weapons, to counter US power in the Middle East. Thus, China can contribute as a catalyst in Iran's struggles for gaining both a foreign investment and political allies for survival in the global stage.

Iran's attempts to broaden its sphere of influence and confirm a position in world politics were completely dependent on its energy resources. Hence, the possibility that Iran cannot do so must be brought to the table, despite the fact that it is second in the OPEC hierarchy.

Also, Ahmadinejad government's gas policy had internal drawbacks when he cut off the government subsidies that rapidly resulted in the rising prices of gas and complaints by Iranian public. His action aimed to arouse the economic development, but it could have caused to topple the regime.

In 2006, the United Nations (UN) Security Council has toughened the intense sanctions against Iran, including exports of refined petroleum products, crude oil, natural

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① P. Clawson, M. Rubin, *Eternal Iran: Continuity and Chaos*, New York: Palgrave Macmillan, 2005.
② M. Zahirinejad, "Oil in Iran's Foreign Policy Orientation," *Journal for Peace and Justice Studies*, Vol.17, No.4, October-December 2010, p.17.

gas, and petrochemicals. The sanctions also encompassed banking mainly with the Central Bank of Iran, insurance transactions, the embargo of shipping, and web-hosting services for commercial endeavors.[①] Hence, Iran's economy and people have enormously suffered from its nuclear program although has been insistently claimed by the government for civilian purposes including producing electricity and medical treatments.

With the slogan of "moderation and prudence", President Hassan Rouhani won the election in June 2013, and promised to improve civil rights, to build a stronger economy and to resolve the nuclear problem in a few months. However, the challenge took over a year when a group of six world powers (the P5+1) and Iran reached a provisional agreement in Lausanne, Switzerland, on April 2, 2015. To be finalized and implemented on the agreement framework, concerning its nuclear program, Iran was to stop the uranium enrichment for a period of at least ten years. As a result of the agreement reached on July 15, 2015, by January 16, 2016, most of the imposed sanctions by the UN were lifted.

Restoring "the dignity of the nations", developing Iran's economy, and enhancing international relations have resonated with many Iranians. At the same time, Rouhani's policy confronted with many weighty difficulties, including some Iranians who opposed the nuclear deal, against moderates aligned with him, "only a few weeks after the Iranian nuclear deal with foreign powers relaxed tough economic sanctions".[②] The protest was held by hardline students who gathered in front of the Oil Ministry in Tehran on January 30, 2016. Protestors opposed any "contract that would permit foreign oil companies to help revitalize outdated wells and infrastructure".[③] With regard to oil, Iran's history shows opposition to the "the plundering of national wealth" through nationalization of Iran's oil during Dr. Mohammad Mosaddeq premiership, 1951-1953.[④] Once again, a new political battle dealing with new foreign powers seems to be taking place.

Placed in an asymmetrical power structure on the global energy market, Iran can face even further erosion of its international position following yet another shift in orientation of both energy and foreign policies after another regime change. Iranian moves towards Asia flow from its energy sector's compelling momentum and such initiatives have accrued dividends, as Asia is currently the new emerging energy market. Asia needs Iran's oil and gas to further implement the contemporary shift of global power to its advantage.

VII. Conclusion and Policy Implications

This conceptual investigation of the politics of energy resources in post-1979 Iran reveals that the nation faced diverse policies and numerous issues. Its large oil and natural gas reserves were initially compromised by an exclusive foreign policy that later condoned the international system and brought many changes to Iran's oil politics. Total energy

① "31 CFR 560.540-Exportation of Certain Services and Software Incident to Internet-based Communications," *Legal Information Institute, Cornell Law School*, 2016, https://www.law.cornell.edu/cfr/text/31/560.540.

② T. Erdbrinkjan, "In Iran, New Battle Brews Over Contracts with Foreign Oil Giants," *New York Times*, February 1, 2016.

③ Ibid.

④ M. Ebrahimi, K. Yusoff, "The British Plot to Remove Iran's Democratically Elected Prime Minister from Power," *Acta Histriae,* Vol.23, No.4, 2015, pp.735-748; M. Ebrahimi, *The British Role in Iranian Domestic Politics (1951-1953)*, Germany: Springer Briefs in Environment, Security, Development and Peace, March 2016.

production and exports under different governmental administrations paved the way for different aspects of Iran's political history. Accordingly, Iran's oil policy towards international sectors requires the development of a collective energy policy framework based on global demands.

Energy strategy is one of Iran's major priorities. Iran can possibly implement a set of novel schemes as long-term approaches towards more stable development, with a particular regard for oil. Iran's Foreign policy has been and is shaped by oil, which reflects its role in terms of consolidating the nation's economic security, which, in turn, can potentially increase the stature of Iran's international political position.

Hence, Iran requires a proactive foreign policy approach that will improve its internal energy security and external influence via strategies that involve sound trans-and international planning. Iranian energy can potentially be a fulcrum for its advancing global influence. This strategic dimension validates the need for multiple exchanges that redefine a wide range of complex interdependencies between Iran and Western players.

Such redefinitions can generate innovative approaches even without considering an oil policy. The prospect holds great potential to bring far better outcomes regarding both sustainability and stability for the future. This perspective provides a foundation for future research that reduces foreign policy based on oil and natural gas while focusing on domestic industrial development. As a detailed overview, this study also provides a platform for future investigations of national policy towards dissolution of oil and natural gas production with a subsequent drive towards developing an industrial state. The importance of a precise strategy in compliance with environmental regulations commanding decreased greenhouse gas emissions is proposed, specifically for Iran as a country with massive oil and gas reserves.