CHAPTER FOUR

THE ENERGY POLICY OF THE ISLAMIC REPUBLIC OF IRAN TOWARDS THE EUROPEAN UNION AND CHINA

Eva Patricia Rakel

Abstract: The Islamic Republic of Iran (IRI) is a strategically important country in the Middle East. Firstly, due to its position at the Strait of Hormuz, it is the main transport corridor for the export of oil from the Persian Gulf countries. Secondly, it has huge oil and gas resources. Both the European Union (EU) and China are potentially important economic partners for Iran. The country needs the EU because of its longings for foreign direct investment, technology, and knowledge transfer, which the EU member countries could provide. For the EU, Iran is a possible future supplier of oil and gas and a significant factor for stability in the Middle East and in its own backyard. Moreover, China’s national oil and gas companies have signed several deals in recent years on the import of oil and the exploration of major Iranian oil fields to secure China’s rising energy demand in the future. What does the strategic significance of Iran’s energy resources tell us about the country’s current and future role in international relations in general and its relations with the EU and China in particular?

Keywords: Iran, foreign policy, energy policy, European Union, China

1. Introduction

Since the disintegration of the Soviet Union in 1991, Iran’s position as a strategic player in the global oil and gas business has strengthened. Iran is one of the five Caspian littoral states and is thus a strategic link between the Persian Gulf and the Caspian region. Due to Iran’s position adjoining the Persian Gulf and the Strait of Hormuz, it is the main transport corridor for the export of oil from the Persian Gulf countries. Iran has huge oil and gas resources. It ranks second in the world in proven oil reserves, behind Saudi Arabia, and ranks second,

---

behind Russia, in proven gas reserves. With oil demands rising across East Asia in general, and in China and India, in particular, Iran tries to strengthen its position not only among regional producer countries but also in world oil markets. At times, it might even set the main consumers—the United States (US), the European Union (EU),\(^2\) China, and India—against each other. Both the EU and China are potentially important economic partners for Iran. Since the Islamic revolution it can be assumed that Iran needs the EU because of the country’s longings for foreign direct investment, technology, and knowledge transfer, which the EU member countries could provide. For the EU, Iran is not only a possible future supplier of oil and gas but also a significant factor for stability in the Middle East and—considering eastward EU enlargement—in its own backyard. Closer economic cooperation between Iran and the EU, however, has been hampered in recent years due to Iran’s nuclear program. The crisis around the nuclear issue has been to China’s advantage to some extent. China’s national oil and gas companies have signed several deals in recent years on the import of oil and the exploration of major Iranian oil fields to secure China’s energy supply in the coming years.

This article first describes the theoretical framework of foreign policy practices and applies it to the IRI. It then discusses state institutions and the political factions in Iran, as well as the formal foreign policy decision-making process. It further gives an overview of continuity and change of foreign policy of Iran since the Islamic revolution until the presidency of Mahmoud Ahmadinejad. In the following, the article looks at the oil and gas complex in Iran. It then analyses foreign energy relations between Iran, the EU, and China.

2. Rethinking Foreign Policy Practices

This article argues that the notion of geopolitics should be integrated into the concept of foreign policy practices. The term ‘geopolitics’ finds its origins in the realist school of International Relations (IR), according to which states are the sole actors in international relations and struggle for dominance in an anarchic world. The Swedish political scientist,

\(^2\) The term ‘EU’ is used throughout the whole article to refer to the European Union, thus it is also used for the time when the EU was referred to as the European Economic Community and European Community.