OPEN ACCESS
Saudi Journal of Humanities and Social Sciences
Abbreviated Key Title: Saudi J Humanities Soc Sci
ISSN 2415-6256 (Print) | ISSN 2415-6248 (Online)
Scholars Middle East Publishers, Dubai, United Arab Emirates
Journal homepage: http://scholarsmepub.com/sjhss/

Review Article

Energy Diplomacy in International Politics: A Focus on Iran and China

Nse Etim Akpan, PhD[1], Olisah Christopher Ikem, PhD[2], Nebeife Chigozie Joseph[3]

[1]Department of Political Science Federal University Wukari, P.M.B. 1020, Wukari, Taraba Nigeria
[2]Federal University Wukari, Taraba, Nigeria
[3]Department of Political Science Federal University Wukari, P.M.B. 1020, Wukari, Taraba Nigeria

DOI:10.21276/sjhss.2019.4.6.6 | **Received:** 17.06.2019 | **Accepted:** 25.06.2019 | **Published:** 30.06.2019

***Corresponding author:** Akpan, Nse Etim

Abstract

It is stating the obvious that China is having what it deems as a 'peaceful rise' in the global arena. Many scholars believe that the most important dimension of China's Rise in recent years is in its economic front, and that China's foreign policy trend indicates some economic programs encouraging the country to enter the Middle East. During the recent decade, energy security has been significantly important for China and has become her main priority concerning the Middle East and Iran is one of its leading allies in this regard. This paper examines the role of energy in Iran-China relations. Its main argument is that energy and its secure supply is a determining factor in China's policy for developing relations with Iran. Qualitatively driven and relying on the secondary sources of data, the paper uncovers that because of a lack of internal oil resources, China has adopted a policy of getting energy supply from external resources and for such supplies, Chinese leaders have always had an eye on Iran. It equally discovered that following the sanctions imposed on Iran, China could particularly pay for energy imports from Iran through barter, hence expanding its exports to Iran. The paper concludes that energy security is significant in relations between countries and that it remains at the center of Iran-China ties sanctions notwithstanding.

Key words: China, Diplomacy, Energy, Iran, Middle East, Oil.

INTRODUCTION

Energy diplomacy is simply the pursuit of foreign relations on the basis of energy security which lies at the heart of China's foreign policy. This is because oil or energy remains a propelling force in China's economic growth and the country is deemed to have an insatiable appetite for oil amongst other resources. Thus, China has been accused of courting the friendship of corrupt regimes, supporting human rights abuses and defying international sanctions in countries where her oil supplies flow. Furthermore, China's rise is one of the most important issues that many debates have been held on its peacefulness. Having changed its leadership and hence changing the fundamental principles of its foreign policy, China has taken steps in the path of economic development since 1978. The continuity of China's rise depends on the continuity of its economic growth which in turn will lead to the increase of China's energy consumption. From the mid-1990s, China's internal oil production was not able to meet its needs. China's energy consumption growth occurred so rapidly that in 2003 China outstripped Japan and became the second world oil consumer after the United States of America [1]. China's oil consumption is four times more than it was in 1980. According to some estimates, China's oil consumption will reach 12 million barrels per day by 2020 and 16 million barrels per day in 2030 [2].

Therefore, China has appealed to external oil resources. The Middle East and in particular, the Persian Gulf due to their great oil resources, mean a lot to Chinese leaders; as a result, Chinese leadership adopted some policies for direct presence in the region and broad relationship with its countries, especially Iran. That is why studying the main variables for China's entering the region, identifying China's interests in the Middle East and evaluating its interaction with regional countries can be an important and sensitive issue for Iranian policy makers in order to adopt an active, interest-based and dynamic policy with China [3].

The fundamental aim of China's energy initiative with Iran is to firmly supply energy resources essential for achieving sustainable development of the Chinese economy and upgrading process. To attain this objective, China has largely pursued the following strategies: improving the capacity of strategic oil reserves, securing Iran's crude oil, securing oil supplies through land routes, and obtaining China's own energy resources through international ventures [4]. Historically, China established diplomatic relations with Iran in August 1971, when Iran recognized the People Republic of China as "the sole legitimate government of China" and China expressed its support for Iranian just struggle to defend its national resources [5]. In the late 1970s, Deng Xiaoping came to power and with him the induction of opening-up policy and economic liberalization came into fruition; China's economic development outset took off with a huge upward surge during this period. This rapid economic growth highly increased China's need for more sources of energy. Her local oil and gas reserves (respectively, 2% and 1% of total world reserves) were enough to supply for domestic energy needs until 1992 [4].

From 1992 to 2005, China proceeded from being independent in petroleum to dependence on imports for more than 1/3 of overall consumption. China is the world's 2nd largest energy consumer and in 2004, China overtook Japan as the world's second largest oil importer. According to the International Energy Agency (IEA) Oil Market Report [2], China is the second largest oil consumer in the world after the US, it's oil demand sustained to raise in 2013 at 10.1 mb/d, a 3% increase over 2012, and its estimated to reach 10.4 mb/d in 2014 and 10.8 mb/d in 2015. Over the longer term, IEA forecasts suggest that oil demand will reach 12 mb/d by 2018 and 15.6 mb/d by 2035. China is predicted to surpass the US as the largest oil consumer by around 2030 [4].

It is this tempo of energy consumption that has pitched China and Iran in a bilateral relation that has defiled international economic sanctions imposed on Iran by the United States of America. This paper focuses on the role of oil in the bilateral relations between Iran and China. Within this objective, the pattern of China's energy consumption, its "peaceful rise" policy and her relations with Iran in the context of energy diplomacy will be discussed before appropriate conclusion is drawn.

Decision Making Theory: A Framework of Analysis

The study of decision-making processes is not recent. It has been evolving with contributions from a number of disciplines for over some 300 years. Such contributions have ranged from providing mathematical foundations for economics to routine applications in many areas such as finance, medicine, military, and even cybernetics. As a result, decision theories have embodied several prevalent concepts and models, which exert significant influence over almost all the biological, cognitive, and social sciences [6]. New emerging theories of decision-making have been somewhat eclectic, as they demand a multidisciplinary approach to understand them. An example of this comes from Kay [7] who affirmed that it is essential to comprehend the nature and origins of human intuitions to understand the intricacies of decision making.

Decision and behavior may be the core characteristics of decision-making phenomena. They involve the process of human thought and reaction about the external world, which include the past and possible future events and the psychological consequences, to the decision maker, of those events. The essence of decision making seems to integrate both the beliefs about specific events and people's subjective reactions to those events. For instance, decisions are responses to situations and may include three aspects. First, there may be more than one possible course of action under consideration. Second, decision makers can form expectations concerning future events that are often described in terms of probabilities or degrees of confidence. Finally, consequences associated with possible outcomes can be assessed in terms of reflecting personal values and current goals [8].

However, besides integrating beliefs and expectations, the analysis of the decision processes also entails the breakdown of a choice dilemma into a set of smaller issues, so each problem can be dealt with separately. Thus, the decision analysis provides a formal mechanism for reintegrating the results later, and then a course of action could be provisionally selected. When implementing this model of choice analysis, decision makers must be clear and explicit about their judgments in order to review the analysis process for detecting the reasons why a particular strategy was selected, which Keeney [9], for example, called the divide and conquer orientation of decision analysis.

The decision-making phenomenon has been a frequently studied topic by several areas of human knowledge. According to Hoch, Kunreuther, and Gunther [10], although more than three decades of systematic research on decision science have provided insights on a variety of issues, many areas of the decision making field still need to be uncovered. For example, for many organizations the current decision-making models may not be the best fit because they generally omit the element culture from the process. Many areas of human knowledge have extensively researched decision-making theories. The literature has shown that choice and behavior represent the core characteristics of decision-making phenomena and involve the processes of thinking and reacting. A decision is a response to a situation and comprehends judgment, expectations, and evaluation.

Decision theory (or the theory of choice) is the study of the reasoning underlying an agent's choices. Decision theory can be broken into two branches normative decision theory, which gives advice on how to make the best decisions, given a set of uncertain beliefs and a set of values and descriptive decision theory, which analyzes how existing, possibly irrational agents actually make decisions [11]. Closely related to the field of game theory, decision theory is concerned with the choices of individual agents whereas game theory is concerned with interactions of agents whose decisions affect each other. Decision theory is an interdisciplinary topic, studied by economists, statisticians, psychologists, biologists, political and social scientists, philosophers, and computer scientists [12].

Most of decision theory is normative or prescriptive, that is, it is concerned with identifying the best decision to take (in practice, there are situations in which "best" is not necessarily the maximal, optimum may also include values in addition to maximum, but within a specific or approximate range), assuming an ideal decision maker who is fully informed, able to compute with perfect accuracy, and fully rational. The practical application of this prescriptive approach (how people ought to make decisions) is called decision analysis, and aimed at finding tools, methodologies and software to help people make better decisions. The most systematic and comprehensive software tools developed in this way are called decision support systems. Since people usually do not behave in ways consistent with axiomatic rules, often their own, leading to violations of optimality, there is a related area of study, called a positive or descriptive discipline, attempting to describe what people will actually do. Since the normative, optimal decision often creates hypotheses for testing against actual behavior, the two fields are closely linked [13].

A general criticism of decision theory based on a fixed universe of possibilities is that it considers the "known unknowns", not the "unknown unknowns", it focuses on expected variations, not on unforeseen events, which some argue (as in black swan theory) have outsized impact and must be considered, significant events may be "outside model". This line of argument, called the ludic fallacy, is that there are inevitable imperfections in modeling the real world by particular models, and that unquestioning reliance on models blinds one to their limits [14].

The above criticism notwithstanding, decision making theory remains suitable for this study because of the involvement of choice and some element of rationality which usually influences decisions taken by leaders of states saddled with the responsibility for foreign policy decisions. It exposes why leaders react differently to diverse issues and equally highlights the place of rationality in decision making particularly where the prevalent choices have to do with national interests of states. This is the crux of this paper as both Iran and China have decided to stick to their cooperation in spite of the sanctions imposed on the former by the United States of America. It is in China's interest to relate with Iran because of oil as it consumes energy voraciously. Chinese leaders and policy makers are quite aware of this and has made it the center piece of its Iranian policy.

Iran on the other hand has so much to gain from its strategic partnership with China. Outside technology and investments, and with the ravaging impact of international economic sanctions imposed by the United States and her allies, she needs a steady oil buyer and China has proven to be one even in defiance of the international sanctions. China is keen on Iran both as a market for goods and investment and as holder of the world's largest hydrocarbon reserves, 157 billion barrels of oil and 33 trillion cubic meters of gas. Iran sees China both as ally in supporting its rights as a signatory of the Nuclear Non-Proliferation Treaty (NPT) and as a source of investment and technology. China rose in condemnation of the U.S. withdrawal from the 2015 nuclear deal and, like Russia, ignores U.S. and European protests over Tehran's missile program. Beijing argues that no country is obliged to obey unilateral U.S. sanctions and seeks good political relations and trade with all countries whatever their rivalries, including Iran, Saudi Arabia, Qatar, Venezuela, and the United States.

The Doctrine of China's Peaceful Rise

Rising power is a term which is being increasingly applied by more people. Before anything, it has mainly an economic aspect, which means, the influence of one group of countries has recently increased their presence and effectiveness on global affairs and international equations, significantly. A newly rising power which has required capacities and sufficient resources can play a decisive role in the international arena. Although there is no consensus on the number of newly rising or emerging countries, this term is often applied for describing eleven countries including: Argentina, Australia, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea and Turkey [1].

In an article titled "Hegemony, Liberalism, and Global Order", Andrew Harrell [15] mentions four characteristics for rising powers and believes that any country which has these characteristics can be considered as a rising power. Such countries will follow their policies based on these characteristics. The first characteristic is to have a degree of political and military power as well as economic growth. The second characteristic is the willingness for increasing the influence or effectiveness on world issues. These countries try to play effective roles in issues followed by international organizations. The third characteristic

of rising powers is that they are after profound affinity in bilateral or multilateral relations in regional or international institutions. The fourth characteristic is the distinction made between rising powers and middle powers. Unlike Canada and many middle powers in Europe, the rising powers will never assume full membership of post-World War II, World Order. The strategic interests and perceptions of their own national interests make rising countries avoid accepting the current order entirely.

For China, it is needless to mention that the signs of this rising power have created some new waves of concerns particularly among its neighbors. Thus, by understanding these concerns, Chinese leaders have always tried to introduce their rise as peaceful, hence to decrease their neighbors' concerns in order to increase their environmental security. One of the most important and considerable dimensions of China's foreign policy is that newly rising China was not empowered by collapsing the current global order (but rather, having a reformist position in this regard) and it seeks to achieve its national interests through leaving the ideology aside and resorting to realism (4). In fact, China along with other countries has linked its wagon to the USA locomotive and sought to increase its share and improve its position in the international system [16].

In 2003, China declared the "Peaceful Rise Doctrine as the main strategy of her foreign policy aimed at eliminating the threat perception and creating regional stability as the prerequisite for China's economic development and growth. This was in itself considered to be the main line of Beijing's diplomatic activities. That is why Chinese officials have followed some strategies within the framework of peaceful rise and economic development including the strategy of active presence in the Middle East, developing relations with regional countries, particularly Iran, as well as providing national interests at the top of which energy security is placed. It is necessary to identify Chinese economic development pattern and the position or role of energy in China's development for clarifying the areas of Peaceful Rise Doctrine and its effect on Iran-China relations [17].

The Place of Energy in China's Economic Development

China followed a socialist economy based mainly on self-sufficiency during three decades after the Communist Revolution in 1949. Meanwhile, an allocation of resources for key economic sectors was to be carried out through administrative instruments and governmental supervision. When Deng Xiaoping came to power in China, the reform era began and ideology received less attention than Mao's leadership period. China established an economic development as its first priority of foreign policy through distancing itself from any international crisis and paying special attention to preserving its territorial integrity and national security. That was how the public ownership continued to be dominant and China adopted an Open Door Policy and began to reform the structure of its internal economy which gradually developed and turned China into one of the greatest economic powers around the globe [18].

According to Shafaee and Mohammadi [1], the first phase of the reforms, carried out between 1978-1984, was when the policies based on material incentives were adopted. There was also increased cultivation and diversification, increase in the purchase price of agricultural products by the government; the agriculture organization decentralized from a communal level to household level, preferred policies in special economic regions were equally adopted in order to attract foreign investments to acquire technology and develop exports (experimental period and foundation of rebuilding or transition period).

In the second phase (1984-1988), a wide-ranging set of activities was conducted in order to reform urban-industrial sectors (the period of removing deficiencies and completing productivity) while the third phase (1988-1991), witnessed the implementation of reforms which were successful in flourishing both demand and production but it also led to inflation. Consolidating actions to stabilize prices were successful but led to a decreasing economic growth, particularly in the industry sector. Consequently, loss sustained by public economic institutions increased and internal economic debts began to ascend. In late 1990, Chinese officials resorted to new financial policies and investment so that economic progress picked up speed [1].

As early as 1992, Chinese officials announced the end of the third reforms program and expressed their desire to accelerate the reforms process and open economic doors within the fourth phase. Creating and developing socialist market-based economy was recognized as a national goal and included in the country's constitution, in March 1993 (the phase of deepening reforms and preparation for entering the 21st century). The new (fifth) phase of Chinese economic reforms began in 1994 leading to the creation of a free economy where market forces play the initial role for allocation of resources. Meanwhile, public ownership as a major part of Chinese economy remained in some sectors including the shaping of corporate economic firms and cooperative companies. Reforms concerning currency and trade system included creating a currency rate, creating exchange interbank market, easier access and availability of foreign currency for trade and commercial transactions, as well as the decreasing commercial restrictions [19].

Indeed, by the end of the 1970s, China tended to develop industries in an increasing pace. From 1979 to 2003, the annual growth of China's industries was more than 10% and its production rate of major

industrial products experienced an unprecedentedly significant growth. Since 1996 up to now, China has always obtained the first place in production of steel, iron, coal, cement, chemical fertilizer, and television. By developing Chinese manufacturing and industrial sectors, its energy consumption has also increased. Because internal energy resources could not meet these needs, China has tended toward external energy resources, in particular to the Middle East oil. Studies on China's energy resources, production, and consumption indicate the importance of energy for its economic development [3].

Because of its geographical location and its expanse of territory and with respect to its potentials of energy resources, China is a rich country. At the beginning of 2004, China had significant resources of coal, about 114.5 billion tons (11.6% of total world coal reserves), 1.8 trillion cubic meters of gas resources (one percent of total world gas reserves) and 23.7 billion barrels of crude oil (2.1% world crude oil proven reserves). At present, coal is the most important energy resource for China; as such, it occupies the first place in the world and in 2003, it consumed 31 percent of all of the world's coal [3].

Coal meets about 67.8% of China's energy needs [18]. Natural gas provides also 2.5% of China's consumed energy. In 2005, this country consumed 70.8 billion cubic meters of gas which was increased to 88.7 billion cubic meters in 2009 and it is predicted that in 2015, 2020 and 2030, this value will increase to 138.8, 178.4 and 264.4, respectively; meaning that China needs to have an increasing amount of gas imports [20]. However, China deals with many challenges with respect to oil resources, which is its second energy resource after coal. Due to the environmental pollution caused by coal, it cannot be used as the main energy resource in long term. Thus, Chinese leaders realizing this problem have most of their attention focused on providing oil energy. China's crude oil production began in the Daqing oil field situated in the Manchurian state in1959. Since then to date, Chinese oil industry has developed through exploration and extraction of new oil fields in other areas such as Shengli, Daqing, Yumen and etc [19].

From the 1950s to the early 1970s, China was self-sufficient in the field of energy. In 1998 the production of China's crude oil decreased to 3.19 million barrels per day compared to 1997. Its oil production in 1999 remained 3.99 billion barrels per day, but in 2000 it decreased to 3.28 million barrels per day [19]. Since oil production in old oil fields located in the east and the south east was consistently decreased, it was in the Tarim fields located in the west and the Xinjiang fields where oil was mostly produced in the year 2000. In 2002 and 2003, China's oil production was 3.4 million barrels per day. In 2009, it reached 3.79 million barrels per day and it is predicted that it will reach 3.8, 4 and 4.7 million barrels per day in 2015, 2020 and 2030, respectively [21]. Of course, this little increase of production cannot certainly meet the increasing needs of Chinese dynamic economy and this will in turn double China's dependence on imported oil.

China has always played a major role in the world energy market. It occupies the second place as an energy consumer after the USA, and concerning energy production, it has the third place after the USA and Russia. Although in recent years, the use of new energies has increased in China, its oil imports have drastically increased. Considering China's 23.7 billion barrels of oil reserves, with a very slow pace of production growth during the recent years, one can conclude that in order to provide its growing oil demand, China has to increase its imports in future. In 2000, China's oil imports were 1.7 million barrels per day which has permanently increased since then. In 2005 this value reached 2.42 million barrels per day which amounted for almost 40 percent of its oil needs and in 2009 it increased to 4.84 million barrels per day which accounted for 56 percent of China's consumed oil [1].

In 2010 and 2011, its average was about 5.5-5.7 million barrels per day. (13) It is predicted that during the next ten years, China's internal oil demand will increase to 62-71 percent due to its rapidly growing economy. The analysts estimate that China's share from the world oil consumption will be doubled and enhanced to more than 14% in the next decade [22]. According to some estimates, by 2035, China will need to supply 70% of its crude oil demand through imports. It is predicted that China's oil consumption will reach 10, 12 and 16 million barrels per day in 2015, 2020 and 2030, correspondingly [3]. These values indicate China's increasing dependence on energy imports in a way that Chinese officials have defined this dependence as a strategic vulnerability and adopted a particular diplomacy in the energy sector.

Many experts in political affairs believe that the most important dimension of China's Rise during recent years has been its economic front. China's foreign policy trend indicates some economic programs encouraging the country to enter the Middle East. During the recent decade, energy security has been significantly important for China and today, it is China's main priority concerning the Middle East. By the beginning of its oil imports since 1993, China has adopted a Go out Strategy (towards external resources) and looked for stable regions and safe transportation ways to outsource its required energy resources. This approach reflects the rapidly growing demand for energy in this country which could be traced back to Beijing's fear of the American dominance on the marine resources, in case of a conflict outbreak over Taiwan, for energy transfer to China.

Today, the world faces two conflicting situations in the domain of energy. On the one hand, because of intensification of industrialization in many countries including China and India, the global demand for oil and gas has increased, on the other hand, fossil or carbohydrate energies supplies, particularly oil, is reducing, hence oil has reached its Peak Oil production. In such conditions, China, as a rising power has adopted some policies in different regions around the world including the Middle East and has very close or intense competition with other powers, especially the USA, in order to keep up with its economic growth and to provide its required energy [1]. Consequently, oil as a strategic product has found a special place in China's foreign policy and in her relations with Iran.

Taking cognizance of its energy needs, China places a lot importance on Iran within the Middle East. China recognizes Iran as a nation, its sizable area and population, rich energy-resources, and strategic location make it a main regional power in a strategically significant region of the world. As a regional power, Iran has big influence over the economic and political landscape of the Middle East. Chinese oil companies have been incredibly active in Iran since 2002, where Chinese National Oil Companies CNOCs (Sinopec and CNPC) attainment contract with Iran to assign at least $14 billion to explore and develop oil and gas fields [3]. In the period of 2011 to 2013, Chinese National Oil Companies (NOCs) have made important achievements in both upstream and downstream investments in energy-rich resources countries, getting more supplies of oil and gas to China and making strong partnerships with energy-rich resources countries, such as Saudi Arabia, Russia and, particularly, Iran, which are China's largest crude oil suppliers [4].

Iran-China Relations in the Context of Energy Diplomacy

With the ascendance of Deng Xiaoping to power in 1976 and the inauguration of open-door and economic-liberalization policies, China's economic growth began to take off in earnest. This dramatic economic development exponentially increased China's need for additional sources of energy. China's domestic oil and gas reserves (respectively, 2 percent and 1 percent of total world reserves) were sufficient to provide for domestic energy needs until 1992. But, as Charles Ziegler puts it, "From 1992 to 2005 the People's Republic of China went from self-sufficiency in petroleum to dependence on imports for over one-third of total consumption. China is the world's second largest energy consumer, and in 2004 it surpassed Japan as the world's number two oil importer [23]".

Another important factor contributing to China's spiraling demand for oil and gas is the need to reduce the use of coal, which is responsible for about three-fourths of the Chinese domestic energy supply. With the increasing environmental degradation and high level of pollution in major Chinese cities (carbon dioxide, sulfur dioxide and particulates), there is an urgent need to switch to other sources of energy, thus the increasing Chinese demand for imported natural gas, which generates much less carbon monoxide. The booming automobile industry is another source of the surge in energy demand. Car sales in 2004, for example, were about 5 million, making China the third-largest car market after the United States and Japan [23]. This stark rise in China's energy demand, paired with Iran's vast oil and gas reserves, makes the energy connection one of the most significant pillars of this relationship.

It is therefore stating the obvious that the energy factor (oil and gas) has been the most determining factor in development of Iran-China relations, which has also encouraged both sides to cooperate significantly both in regional and international levels. Prior to the 1990s, due to a lack of needs for oil, China's oil imports from Iran were very low. However, from the 1990s on, particularly after 1993 due to China's rapidly growing economy, from previous oil exporter (with the fifth place in production) has become an oil importer. Consequently, the origin of China's oil imports has shifted from Southeast Asia, particularly Malaysia and Indonesia to the Persian Gulf where Iran has become one of the most important suppliers for China's oil. With regard to present conditions, Iran supplies almost 14% of the total oil imports of China and there are many Chinese companies playing active roles in Iran. Most of those companies are dealing with developing ports, airports, oil, and gas projects [3].

In addition to its oil cooperation with Iran, China also follows up its natural gas imports. Since Iran has huge reserves and supplies of natural gas and China prefers it to oil, it seems that gas will find its right place in China's energy imports in the near future. China, as a great strategic partner hopes to participate actively in the exploration, excavation, processing, laying pipelines, and other activities related to Iran's oil and gas as well as to improve its conditions [22].

Anyway, under the present circumstances, oil continues to remain as the focus of Iran-China's energy bond. The amount of oil imported by China from Iran indicates that despite some fluctuations in import volumes, the two sides permanently emphasize on more cooperation in the energy domain. The percentage of China's oil imported from Iran during 1994-2005 was as follows: in 1994 Iran's oil exports to China accounted for 0.6 percent of China's oil imports which increased to 5.4% in 1995, 10.2% in 1996, 7.8% in 1997, 13.2% 1998, 10.8% in 1999, 10% in 2000, 18% in 2001, 15.3% in 2002, 13.6% in 2003, 10.8% in 2004, and 11.2% in 2005. China's oil imports from Iran in 2010

accounted for 11 percent of the total oil imports of China [1].

Furthermore, Iran-China's cooperation in the field of energy does not restrict itself to only oil exports and imports. Rather, in order to enhance the cooperation related to energy, the two sides have made great investments on exploration, providing equipment, technology, etc. and this policy has been significantly followed during recent years. Both countries have been involved in several projects but the most important ones which both sides have either come to agreement or currently negotiating or beginning to operate includes the Yadavaran oil field in which SINOPEC (China Petroleum & Chemical Corporation) signed a memorandum of understanding with Iran in October 2004, in which the Chinese company pledged to undertake 50% of Yadavaran field's production. This is the most important agreement or contract for Iran signed up as a buyback agreement regarding the huge oil field of Yadavaran, located in the southwest of Iran. This field has remarkable oil-rich reserves in place of which 3.2 billion barrels can be extracted. It has also 12.5 trillion cubic meters of gas combined with oil of which 2.7 trillion cubic meters can be exploited. Its production rate is more than 150 thousand barrels per day [24].

The Azadegan oil field remains another of such cooperative venture between both countries. In order to develop energy related cooperation between Iran and China, a consortium was held for developing the Azadegan oil field. Based on this consortium, 25 percent of this field's shares were granted to the Chinese. Despite having a 50% share, they abandoned the project practically for two reasons: first Japan wanted to leave Iran before any (possible) war break out between Iran and the USA and second, Iran exerted some pressures on Japan to accept China as its assistant in this project. In October 2006, Iran reduced Japan's share to 10 percent and began to negotiate with other companies for supplying required equipment and technology [20]. Iran had already signed a two billion-dollar contract for developing this oil field with Japan after a long delay in February 2004. This oil field had a production capacity of 260 thousand barrels of oil for 8 years [21].

Lastly, the Development Contract of North Azadegan oil field which was signed as a buyback contract between the National Iranian Oil Company and CNPC (China National Petroleum Corporation) is another project. Based on this contract, the Chinese contractor had undertaken to develop North Azadegan oil field in two phases. According to initial estimations, the oil in place at this field is approximately six billion barrels, which on average will produce 75 thousand barrels of crude oil a day for 25 years. As indicated in this contract, the capital and non- capital costs were estimated to be 1, 760, 000, 000 dollars; moreover, the maximum final capital costs related to this phase would be calculated after signing the contract and holding related bids [25]. In addition to the above projects, a number of Chinese companies that are active in energy related domains have signed some agreements with Iran over the years and have been actively involved in the Iranian oil sector.

CONCLUSION

This paper examined the role of oil in the bilateral relations between Iran and China. It discovered that China and Iran are economic and trading partners rather than political allies, and that both countries have assisted one another on many levels. In fact, China's history is free from any sort of internal interventions or zero roles in the domestic politics of Iran, unlike Western countries, such as UK and the US. China and Iran are developing nations that worry US strong hold in their neighborhood. China needs energy resources and Iran has enormous energy resources. Energy is a big challenge for a rising power like China in the twenty first century world. On the other hand, China is a source of investment, technology, and to some extent military hardware supplier to Iran. Hence, there is an increasing perception in Iran of overdependence on China. Based on the Peaceful Rise Doctrine, China tries to become an international great power. One of the most important elements for being a world great power is to have a growing and dynamic economy, which is certainly an important factor for steadiness and permanency in economic growth, energy supply, and energy security. That is why China has established relations with many energy- producing countries, especially oil producers, as well as it having a direct presence in the regions with major oil and gas reserves. The paper concludes that energy security is significant in relations between countries and that it remains at the center of Iran-China ties sanctions notwithstanding.

REFERENCES

1. Shafaee SMM & Mohammadi H. The Role of Energy in Iran-China Relations, *Discourse: An Iranian Quarterly.* 2014; 11(1-2), winter: 67-86.
2. Shariatinia M. China's Middle East Policy, *Foreign Policy Quarterly*.2007; 21(30.
3. Shafaee MM & Darabi G. Purposes and Dimensions of China's Energy Diplomacy, *Foreign Relations Quarterly*.2011; 3(4).
4. KHAN Z, GUO C. China's Energy Driven Initiatives with Iran: Implications for the United States. Asian Journal of Middle Eastern and Islamic Studies. 2017 Dec 1;11(4):15-31.
5. Park YS. China's Energy Security Strategy: Implications for the Future Sino-US Relations. Int'l J. Soc. Sci. Stud. 2015;3:30.
6. Doyle J & Thomason RH. Background to Qualitative Decision Theory. *AIMagazine.1999;* (20); 55-80.
7. Kay J. Beware the Pitfalls of Over-Reliance on Rationality: Attempting to Shoehorn Complex

Decisions into the Framework of Classical Theory can be a Mistake. *The Financial Times.* 2002; 9.
8. Oliveira A. Decision-Making Theories and Models. *EJBO Electronic Journal of Business Ethics and Organization Studies*.2002; 12(2): 12-17.
9. Keeney RL. Decision Analysis: An Overview. *Operations Research.*1982; (30): 803-838.
10. Hoch SJ, Kunreuther HC & Gunther RE. Wharton on Making Decisions. NewYork: John Wiley & Sons, Inc. 2001.
11. Myerson RB. 1.2: Basic concepts of Decision Theory. Game theory analysis of conflict. Cambridge, Mass.: Harvard University Press. ISBN 9780674728615. 1991.
12. Steele K and Stefánsson HO. "Decision Theory", *The Stanford Encyclopedia ofPhilosophy*, (Winter Edition), Stanford: Stanford University Press.2015.
13. Anand P. *Foundations of Rational Choice under Risk*. Oxford: Oxford University Press 1993.
14. Clemen R. *Making Hard Decisions: An Introduction to Decision Analysis* (2nd Edition), Belmont CA: Duxbury Press.1996.
15. Hurrell A. Hegemony, Liberalism and Global Order: What Space for Would-be Great Powers? *International Affairs.*2006; 82(1).
16. Ebrahimi S. China's Role in the Persian Gulf: Security and Energy, *Strategic Information Monthly*.2011; 9(96).
17. Niazmand F. *Guideline for Exports to China*. Tehran: Institute of Commercial Research and Studies. 2000; 2-36.
18. Taherzadeh E. *A Collection of Country Reports for China's Energy*. Tehran: Institute for International Energy Studies.2005.
19. Shadivand G. "China; Energy Security, and Future," *Energy Economy Monthly.* No. 2010; 135.
20. Daojiong Z. China's Energy Security and It`s International Relations, *The China and Eurasia Forum Quarterly*.2005;3(3).
21. Xuecheng I. Chinas Energy Security and its Grand Strategy, *Policy Analysis Brief*. 2006 ;(4).
22. Douglas JK, Nelson MB & Schwartz K. Rising in the Gulf: How China's Energy Demands are transforming the Middle East, *Alnakhlah, and The Fletcher School Journal for Issues Related to Southwest Asia and Islamic Civilization*, spring. 2007.
23. **Z**iegler CE. The Energy Factor in China's Foreign Policy, *Journal of Chinese Political Science*.2006; 11(1).
24. Gundzit JP. The Ties that Bind China, Russia and Iran, *Asia Times*, October. 2007; 29.
25. Farnoosh Mortazavi F. Yellow Monster Looking for Iran's Black Gold, *Tehran Times*, August. 2007; (7).