

## **Strategic Implications of Scenarios Facing Shanghai Organization on Iranian Energy Geopolitics**

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### **Abstract**

Shanghai cooperation organization, is a regional multilateral cooperation organization the permanent and observer members of which account for about 44% of world population, 20% of oil reservations and about 40% of world gas reservations. Also, permanent and observer countries of this organization have a significant share in oil and gas production. 24% world oil production as well as over 30% of world gas production is done in Shanghai region. Therefore, given the aggregation of the largest energy producers (Iran and Russia) alongside the largest energy consumers (China and India) in this organization and its huge energy potential, one of the cooperation fields is energy. As such, in order to provide some recommendations for Iran about the manner of membership in the organization using scenario planning method, this research investigates the impact of scenarios facing Iran and Shanghai organization on energy geopolitics and concludes that if Iran become a full member of Shanghai organization, it can take advantages from its positive consequences on energy security (acquisition of demand security, eliminate the threat of sanctions, foreign investment and access to technology).

**Keywords:** Shanghai cooperation organization, Iran , Energy, Strategic implications, Geopolitics.

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### **1. Introduction**

Shanghai cooperation organization was formed in April 1996 entitled “the shanghai - Five treaty” on the basis of preliminary agreements was signed in 1990 between Soviet Union and People's Republic of China to reduce the military facilities and forces in border areas between the two countries and the adoption of confidence-building measures. In 1996 in Shanghai, five countries of Russia, China, Kazakhstan, Kyrgyzstan, and Tajikistan signed a treaty to eliminate cross-border and regional differences, enhance mutual trust and disarmament in their border and establish border good neighborliness belt. Expansion of goals and policy makings of these measures and security issues to economic issues and political cooperation and performance and relative success of Shanghai 5 group, in addition to acceptance of Uzbekistan as a sixth member, led to the establishment of the Shanghai Cooperation Organization to be announced officially as a regional organization at a meeting in 2001 in Shanghai (Ghaderihajat,2012 ;73). At St. Petersburg meeting in 2002 the organizational structure of Shanghai organization was legally and politically approved. Since then, the organization has increased influence on international developments. Acceptance of Mongolia in 2004 and the three countries of Iran, India and Pakistan in 2005, as an observer member accelerated the evolutionary and growing process of this organization and raised it as one of the most dynamic regional organizations at the international level. The goal of this organization is to strengthen mutual trust and good neighborliness and friendship among the member countries, encourage member countries to effective cooperation in fields such as political, economic and trade, scientific and technical, cultural, educational, energy, road, environment maintenance, mutual effort for maintenance and supplying peace and security and the stability of the world and the region.

Considering the potential of this organization in energy production and consumption the most distinguished point is existence of biggest energy producers along with world's biggest energy consumers. While, by

coordinating eleven oil producers who are potential competitors, OPEC is considered as a representative of producers and in contrast, the international energy agency by setting up and recommending specific policies act as the representative of consumers, the Shanghai Cooperation Organization has aggregated producers and consumers together.

The issue of energy was started in Shanghai organization since 2004 and the cooperation among energy producer and consumer countries was raised. In this year, the organization was approved the framework of action for 127-article plan 19 article of which was allocated to energy cooperation, 20 to transport and about one-third of which was allocated to science and technology. In general, in the energy production plan, the development of new fields of hydrocarbon fuels and construction of oil and gas pipelines was raised as priorities for cooperation. Although energy-related projects, have not been implemented directly by the organization and was not expressly signed in the legal framework, but the Shanghai organization (SCO) has acted as a suitable platform for energy trading at bilateral level. Although, in direction of harmonization of their interests, the SCO member states have had some cooperation in the areas of energy, but there are some problems and slowing in terms of performance, effectiveness of organization on the implementation mechanisms and implementation strategies.

According to its geopolitics and geo-economics place in the region and also by relying on all political and economic capacities and facilities as well as alignment of its objectives with the goals of organization members at the bilateral relations level as well as macro level, Iran which is an observer member of the Shanghai Organization can have a special place in resolving the region problems, realization of lasting peace and security and development of justice and welfare. Also according to increasing importance and role of energy in development of member states, Iran which is one of the largest energy producers can be effective to the energy security

of the world's largest energy consumers which are SCO members. Iran in the facet of geo-economic (with respect to this point that it has the second place in having oil and gas resource sing the world) has the potentiality of being converted to one of the major energy partners of oil and gas consumers (Mossalanejad, 2014; 37).

On the other hand, given that Iran is the fourth country possessing oil reserves and the second largest holder of gas reserves and plays an important role in oil and gas production in the energy market, it must use the energy tool for gaining power and wealth. Iran's location in the heart of the world's energy heartland, create the potential and ability for the country that could have special place in the new structure of the world economy. However, to realize this, it must strengthen its energy geopolitics components. In this research 4 Indicators affecting the geopolitics of energy- security of demand, sanctions, investment and technology- are considered that scenarios facing the SCO as well as Iran's membership in the organization can have different effects on the Iranian energy geopolitics through these channels.

One important component of Iran's energy geopolitics is security energy demand. It is crucial for Iran that is one of the world's major oil and gas producers to access to a constant market with reasonable price growth in the future. Any possibility of reduced demand, or considering alternative energy in developed countries Or prefer to supply oil and gas from other countries is a threat to the demand security for energy producing country such as Iran and may jeopardize Iran's national interest and energy security. Other factors affecting Iranian energy geopolitics is sanctions against Iran as well as foreign investment in the oil industry. Although the positive impact of the sanctions on industry is raised from the aspect of self-sufficiency, its negative impact on the industrial sector especially oil industry is quite evident. After the intensification of sanctions from 2011 onwards, Iranian economy and subsequently the industrial sector was suffered serious

challenges. Among different industries, the oil industry due to reduced foreign direct investment and the subsequent reduction in production capacity of oil and gas was faced with crises that this weakened Iran's position in the global energy market.

Tougher sanctions since 2012 established some limitations for the purchase and transportation of oil and gas to Europe that heavily affected Iranian petroleum sector and within a year Iran's oil exports fell sharply from 2.8 million barrels per day in July 2011 to less than one million barrels per day in July 2012. Half of the reduction of Iranian oil export was due to prohibiting European companies from importing oil from Iran and the rest was due to purchase reduction of Asian countries. Also European ban on insurance for Iranian oil shipments prevented selling Iranian crude oil to all their customers. Therefore, with tougher sanctions oil production and exports faced a serious decline. On the other hand, by imposing sanctions inflow of foreign investments to Iran was strongly declined. The oil and gas industry attracted more than half of foreign investment. After the imposition of tougher sanctions in 2012 and 2014, no investment was done in the Iranian oil and gas industry and in 2015 it was a small amount. Thus, one of the reasons for the reduction in Iranian oil production was a decrease in foreign investment after the intensification of the sanctions.

Since the Iranian oil and gas industry is greatly capital intensive and foreign investment has a significant role in its prosperity in terms of entrance of technologies and know-how, reduced foreign investment in Iran's oil industry after the sanctions caused the industry to be deprived from access to technology and technical knowledge and finally Iran's oil production and exports decline.

Overall, scenarios facing Iran's membership in Shanghai as well as SCO's possible scenarios have different effects on Iranian energy geopolitics through 4 channels outlined above that are analyzed in this article.

### **Methodology**

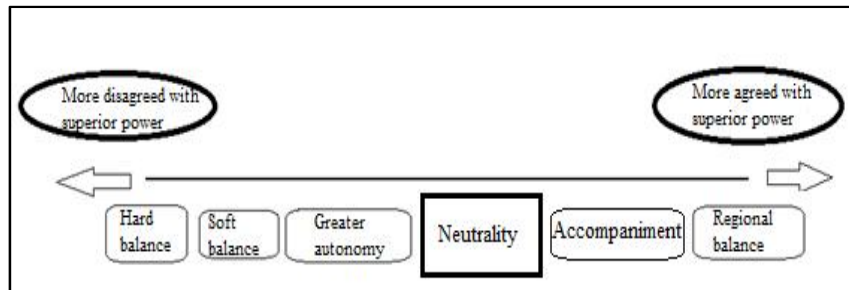
This paper uses the descriptive and analytical method and also based on information collected on the basis of library documents, magazines, journals and internet reputable sources to analyze the issues discussed. Methodology of information analysis and research findings is qualitative and is done through the scenario planning technique.

### **Theoretical foundations**

After the Cold War, the structure of international system that is a single-pole structure led to different international coalition. From the viewpoint of Stephen Walt, theorist and international relations professor of Harvard University, In definition of the coalition it is a formal or informal commitment to security cooperation between two or more States intended to increase the power, security and influence of each of them(Waltz,1979;173). In fact, the threats of one or more foreign actor lead to commitment to mutual support in a coalition.

It has been expressed different views on coalition in the period after the Cold War. One view is that being unipolar has made meaningless the coalitions. Another view states that, this situation makes closer other powers together and will lead to the formation of a balanced coalition. There is another view based on that the existing average powers do not have the capacity necessary for power balancing of the USA. In this view, it is believed that instead of balancing the USA, such states accompanying with. Also, a view is that the average states not because of fear of America, but because of the regional threats faced with make coalition with this country to respond to these threats. In general, the main goal of most coalitions is to aggregating the capabilities of their members to advance their interests, especially in the security field and actually they are the gun for the great powers and their management tool. Thus, the strategies of coalition in unipolar system can be shown as follow. The weaker countries in this system have three options: unity with each other to reduce the influence of

the dominant power, in coalition with superior power, and staying impartial. Given that the balance (or equilibrium) against the threatening power can be considered as a strategy that governments follow, hence through combining their domestic abilities and unity with each other, they can establish this balance. The balance may be in the three form of hard, soft and regional.



In the classic concept, the hard balance is synonymous with the balance of power. It is noteworthy; however, that this balance which can be done in both domestic and foreign forms has rarely happened in the real world. For example, increased China's military budget, efforts by Iran and North Korea to acquire nuclear capability, security cooperation of Syria and Iran (Slackman, 2006) and security cooperation of China and Russia may be interpreted in this direction. But, difference of these behaviors with hard balance standards implies that the balance is done not against the power but the threat level. Indeed, until the governments do not consider the unipolar as an immediate and definite threat against them do not balance against it and do not pay the balancing costs such as punishing by the ruling government, military spending and their dependence reduction.

The best theoretical foundation for the concept of soft balance has been presented by Robert Pop. According to Pop, the goal of creating soft balance may be neutralizing the performance of ruling government without direct deal. Success criteria of soft balance are not only abandoning a policy by a superpower, but the presence of more states in balancer coalition against superpower is also a good criterion (Pape, 2005:37). Indeed, by creating

provisional treaties these states can resist against the hegemonic power. In the soft balance, following the mutual support of balancers and diplomatic informed and coordinated measures, some results can be achieved in conflict with the priorities of the United States. In fact, to protect the interests of balancers the diplomatic capabilities are gathered rather than gathering military forces. America's inability to get a license from the Security Council for the invasion of Iraq is the best example of the formation of a soft balance.

Alliance with unipolar to obtain protection against a regional threat is also called regional balance. In fact, maintaining the regional balance is the motivation of coalition. An example of this coalition is the behavior of the Persian Gulf states and their coalition with the United States to maintain themselves against powerful neighbors in the region(Khadem, 2013:205).

When a state chooses accompanying with the strongest or the most threatening state, it has chosen the companionship policy. In fact, by accompanying, the threatened state wants to persuade the threatening state to leave him relaxed (Mearsheimer,1994:163).Velfers also believes that accompanying is a common behavior in unipolar system, because on the one hand balancing against a unipolar is more difficult and on the other hand, monopole in has a better position to punish or reward the others (Wohlforth, 2008: 103).

In addition to the above strategies, states may adopt neutrality strategy in some circumstances. These conditions are: When states are not faced with immediate threats, when states are faced with multiple threats each of which have the same consequences, and when the states tend to stay on the sidelines in competition of great powers.

The above strategies provide almost a complete list of states motives for coalition behavior in the unipolar world. Of course in the real world, the behavior of states is more complex and the strategies are rarely as an ideal.

According to the above approaches, the renewal of relations between



Russia and China in the Shanghai Cooperation Organization as an institutionalized stable alliance against the United States can be analyzed in the form of balance of soft power theory (Shafiee and Komaei Zadeh,2011:56). From this perspective, the SCO is a tool through which China and Russia are trying to establish balance against the US. In fact, China's defense policy is aimed to achieve geopolitical goals through multilateral dialogue and cooperation that is against the US unilateralism. Thus, Beijing is trying to form a balance against the US influence in the region through the Shanghai Cooperation Organization. Jan ZhuangZhi, knows the proximity of Russia, China and Central Asian countries within the framework of the Shanghai Cooperation Organization as a tool to balance against the United States which is in the interest of Central Asian countries(Zhuangzhi, 2004: 11). Also, Glason and Shaiodinov believe that the USA is effective in the formation and development of the SCO (Gleason and Shaihutdinov, 2005: 27).

## **Discussion**

### **The mechanism of energy in the SCO**

Energy has a decisive role in national and international energy policy and has formed patterns of rivalry, cooperation, conflict, aggression, cooperation, convergence and divergence in the international arena(Karimi,2015:126). Undoubtedly, in the Shanghai Cooperation Organization the most important ground for strengthening cooperation and economic approach and subsequently strengthening of security, is the existence of a wide market in energy production and consumption among countries.A huge energy cooperation network now stretches from the west to the east of the SCO region (Koolae,2013 :47). Experts believe that in the framework of the SCO, China wants to secure energy resources and markets, and Russia seeks to expand further its traditional influence in the security environment around him (Bozorgi, 2011: 67).

However, according to Alexander Yakovenkov, foreign minister deputy

of Russia, cooperation of organization members in the field of energy will be helpful and in this framework one can cooperate in joint exploration operation and jointly help to develop central Asian resources. Therefore, one of the areas of cooperation in the organization is energy cooperation, because it has a huge potential in energy sector. As the following table shows, the oil reserves of member and observer countries of this organizations are about 20 percent of world oil reserves and their gas reserves are also about 40% of world gas reserves. Therefore, Shanghai region has rich deposits of oil and gas and this makes attractive the region for Western countries to invest as well. Member and observer states of the organizations also have important contribution to oil and gas production. 24% of world oil production and over 30 percent of world gas production is done in the Shanghai region. The countries of Russia, Kazakhstan, Uzbekistan and Iran are the major energy exporter, and China, Tajikistan, Kyrgyzstan and India are the major importers of energy of this organization. Given that China and India, the world's largest oil consumers, are in the SCO, the organization has accounted for 23% of the world's oil consumption and 27 percent of world gas consumption. In a general view to energy status in the Shanghai Cooperation Organization, the most prominent point is the existence of largest energy producers beside biggest energy consumers. While by coordinating eleven OPEC oil producers who are potential competitors, OPEC is considered as the representative of producers and in contrast, the international energy agency by setting up and recommending specific policies act as the representative of consumers, the Shanghai Cooperation Organization has aggregated producers and consumers together which if managed properly and dominance of an international view can present a new model of cooperation in the energy sector. A Study conducted on statistical information of the SCO state members shows that the organisation has the capacity to be turned into one of the biggest international hubs in the fields of economy, trade, foreign

investment, energy and military in the coming decades (Bozorgi and Hosseini, 2011: 24).

The plan to create SCO energy club was proposed for the first time on September 23, 2004, by Mikhail Fradkov, Prime Minister of Russia, at a meeting of heads of governments of the Shanghai Cooperation Organization. He suggested that a single system to transport oil and gas as well as a club made up of consumers and producers of energy be established in the framework of the Organization. The plan was again proposed in November 2006 by Vladimir Putin, Russian president, at the Shanghai summit which was held in Astana, Kazakhstan and the idea of forming the club was approved by the leaders of the member countries. In order to realize Putin's idea, at a meeting in September 2006 in Dushanbe, technical working groups was formed to examine the grounds for creation of a single market in energy among SCO members. Sergei Lozianin, chairman of the Far East research Institute of the Russian Academy of Sciences believes that the main reason for raising the idea of forming the SCO energy club was the global crisis. He believes that the problems associated with large-scale energy projects should not be overlooked. For example, water-energy problems in Kazakhstan and China or problems in the pricing energy tanks in China and Russia are significant. Professor Lozianin believes that this time the project of establishing energy club has a chance for success. Within the framework of energy club the SCO can and should create energy cooperation system between energy producing countries and consumers. In the first group, Russia, Kazakhstan, Uzbekistan and Iran are present as members of the Shanghai Cooperation Organization. In the second group, China, Tajikistan, Kyrgyzstan as well as among observers India, Pakistan and Mongolia are presence. Sergei Lozianin believes that energy has long been considered as one of the security factor and the harmonic regular communication in this regard is very important for regional and global stability. He believes that the construction of the energy club increases the

credibility and effectiveness of the organization as well as the certain economic abilities of member states and observers. From the view of Lozianin, huge infrastructure projects in the field of energy such as the construction of power high voltage line in Tajikistan through Afghanistan, Pakistan and India needs serious political support. SCO countries are interested in it and are ready to show their support. Unfortunately, however, any new investment by the organization is facing with inaudible caution by the West.

Undoubtedly, if the exporters of goods in Central Asia adopt the same strategy against energy consumers they can increase their profits and this would be achieved if the energy club of the organization plays its role as well. Thus, by establishing an energy club the organization is trying to obtain a greater role in energy issues of the region. Despite the strong desire of Russia in set up an energy club, the idea despite some progress in some areas yet to be realized for many reasons and is facing with some considerations and difficulties.

**Requirements of forming energy club and comparison with the energy charter treaty (ECT)**

The idea of energy club has been introduced several times by Russia at the meetings of the SCO. But no discussion of its structure has been mentioned so far. Therefore, it should be conducted expert discussions about the nature of the energy club. Energy cooperation between SCO members can includes all stages of exploration, extraction, transformation, transmission and consumption market of all types of energy carriers (in the administrative and study dimensions) as well as the fields of investment, trade, transit, legal issues and dispute solution, efficiency and the environment. Supplying technological needs of energy-producing countries by the consumer countries may lead to the secure production of energy. This cooperation covers the following dimensions: research and development (R & D), development of the energy market, investment and technology which these

cases could be taken into consideration in expertise discussions.

In its beginning, energy charter treaty has been treated as a treaty for supplying energy security of West Europe, but during the evolutionary years of the last decade of twentieth century it became one of the important international multilateral contracts in the field of energy economics (Khadem, 2013:42). This treaty has currently become a relatively efficient juridical tool at international level for supporting investment, simplifying trade and energy transition among a broad range of energy producers and consumers. Membership in energy charter treaty is currently considered as an index and criterion for assessing and leading structural reforms trend in energy sector of countries as well as a tool for absorption or performing over border investments and expanding trade of energy material, products and equipment. This treaty characterizes and imposes the energy-related affairs and consists of 4 essential pillars include investment, trade, transit, and environment and energy productivity. In relation to the investment, this treaty do not forces countries to grant investment justification to foreign firms, however if a country decide to grant this justification to a firm, it shall indiscriminately behave with all the firms of countries who are treaty member. In relation to trade, this treaty fill out the gape related to the most favored principle in the field of trading energy material, products, and equipment for some countries so long as they aren't a member of WTO; whilst it has its especial discrepancy solution arrangements. As such, in this ground the members undertake to uniformly treat in trade between itself and others in the field of energy and observe the indiscrimination article. In transportation and transit sector, all of the member countries also undertake to do not create any barrier to energy transit from their territory and shall observe transit freedom. The pillar of efficiency, environment and energy productivity is of non-obligatory sections of this treaty within the context of which the members trade in information and experiences and provide some recommendations for

adjusting and setting economic efficient and normative policies in energy sector. Within the three main pillars of investment, trade and transit, the dispute solution mechanism is set, so that in the first step the international experts employed in ECT secretariat and if discordance the international courthouses are considered as the final source of adjudication.<sup>1</sup>

As such, like energy charter treaty, the SCO should firstly determine and design objectives, duties and administrative laws in the field of energy for the countries tending to membership in this club through designing and approving document of energy club formation and then give the scheme on activities covered by the club to the club members. It is noteworthy that the majority of energy charter treaty members are energy importers, but the energy club of the SCO is a combination of energy consumers and producers and the interests of the two sides must be provided.

To successful implement of this, one should act based on an actual and studied program considering conditions and interests of consuming and producing countries. In addition, to coordinate the interests of participants in the integrated market of the SCO, it should be conducted practical assessments to guarantee stable supply of various types of energy traditional resources. In a first step, the national reports include analyzing strategies, statistics, and reviews conducted on forecasted supply and demand for energy resources should be collected. The main goal of this must be definition of specific fields of multilateral advantages of energy cooperation among the region countries (Arkhangelskiy,2008:7). Hence, it seems reasonable that the organization abstinence entrance to cooperation in other fields such as nuclear energy and in the current stage focus on oil and gas.

Another point is that Shanghai energy club should not formed with the aim of forming a unity against the third party. This can be valid both for Shanghai members and non-members. For example, as mentioned in

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1. Since 2002, Iran has been accepted as ECT observer member and it was agreed that after conducting complete studies in this ground, it would be decided about full joining to this treaty.

China's interests of the club, China is worry about forming an energy cartel which leads to the monopoly in supply and price imposition as well as financial commitments and is not willing so much to form the club. The energy club should not create anxiety for other energy consumers and producers and challenge their interests. But it should act as guarantor of stable supply in world energy market and cooperator of mutual interests of energy producers and consumers. Indeed, the energy club should issue commandments which are generally acceptable and agreed by both energy producers and consumers.

In general, given that the energy charter treaty has been formed within Europe certain structure, however it can be a model for the SCO and energy club formation. Finally, Shanghai energy charter should be codified by the SCO members and meet the interests of members in the long-term.

### **Scenarios facing the Shanghai organization**

The Shanghai organization follows political, security and economic objectives. Also, encountering with the USA unilateralism is of the goals of this organization. To evaluate scenarios facing the Shanghai organization, in this section the three key and propellant factors affecting the future of the organization are considered. These factors based on the importance and uncertainty, are respectively:

1. The USA hegemony and unilateralism.
2. Similarity/ discrepancy of interests and economic-political orientations of Shanghai members.
3. Interactions of Shanghai countries with large powers.

From the combination of these factors 12 situations are obtained as follow:

Table 1: Scenarios facing the Shanghai organization

Driver factors situation	the USA Hegemony and unilateralism	Similarity/ discrepancy of interests	Interactions of Shanghai countries with large powers.	scenarios facing the Shanghai organization
1	Decrease	decrease	Increase	weakening the organization
2	Decrease	Decrease	Decrease	strengthening the economic convergence of the organization
3	Decrease	Increase	Increase	weakening economic and political convergence
4	Decrease	Increase	Decrease	weakening economic and security convergence
5	Increase	Decrease	Increase	strengthening the political and security convergence/ weakening economic convergence
6	Increase	Decrease	Decrease	strengthening the economic, political and security convergence of the organization
7	Increase	Increase	Increase	strengthening the security convergence/ weakening economic convergence
8	Increase	Increase	Decrease	strengthening the economic and security convergence of the organization
9	Decrease	Decrease	Fixed	keeping the current situation
10	Decrease	Increase	Fixed	divergence or collapse of organization
11	Increase	Decrease	Fixed	Strengthening the organization
12	Increase		Fixed	keeping the current situation

Given that some situations of the above table may not occur in the real



world, the following six scenarios are facing the Shanghai organization.

**First scenario:** keeping the current situation

The scenario of keeping the current situation is more possible in the following two situations:

1. When the USA hegemony and unilateralism decreases, discrepancy of interests of members decrease and interactions of members with large powers (European Union and the USA) are fixed, we would possibly see the scenarios of keeping the current situation and economic cooperation within the organization.
2. In situation where the USA hegemony and unilateralism increases, discrepancy of interests of members increase and interactions of members with large powers (European Union and the USA) are fixed, we would possibly see the scenario of keeping the current situation which requires a limit level of economic and security cooperation with more focus on central Asian issues and some simulative posturing at international level.

**Second scenario:** strengthening the organization

In the following three situations the scenario of strengthening the organization in terms of strengthening economic, political and security convergence is more likely: 1. When the USA hegemony and unilateralism increases, discrepancy of interests of members decrease and interactions of members with large powers (European Union and the USA) decrease, we would likely to see strengthening economic, political and security convergence of the organization. 2. When the USA hegemony and unilateralism increases, discrepancy of interests of members increase and interactions of members with large powers (European Union and the USA) decrease, we would likely to see strengthening economic, political and security convergence of the organization. 3. When the USA hegemony and unilateralism increases, discrepancy of interests of members increase and interactions of members with large powers (European Union and the USA) is fixed, we would likely to see strengthening the organization.

**Third scenario:** weakening the organization

In the following three situations the scenario of weakening the organization seems to be more likely: 1. When the USA hegemony and unilateralism decreases, discrepancy of interests of members decrease and interactions of members with large powers (European Union and the USA) increase, we would likely to see weakening the organization. 2. When the USA hegemony and unilateralism decreases, discrepancy of interests of members increase and interactions of members with large powers (European Union and the USA) increase, we would likely to see weakening the organization. 3. When the USA hegemony and unilateralism decreases, discrepancy of interests of members increase and interactions of members with large powers (European Union and the USA) decrease, we would likely to see weakening the security and economic convergence of the organization.

**Fourth scenario:** organization collapse

In the condition where the USA hegemony and unilateralism decreases, high discrepancy of interests of members and interactions of members with large powers (European Union and the USA) is fixed we would likely to see divergence process of the organization and ultimately its collapse.

**Fifth scenario:** strengthening the economic convergence of the organization

In the condition where the USA hegemony and unilateralism decreases, high discrepancy of interests of members and interactions of members with large powers (European Union and the USA) decrease, we would likely to see the scenario of strengthening the economic convergence of the organization and strengthening the economic cooperation among the member countries and the movement towards becoming an economic organization.

**Sixth scenario:** strengthening political and security convergence of the organization

In the following two situations the scenario of strengthening political and security convergence of the organization seems to be more possible: 1. when

the USA hegemony and unilateralism increases, discrepancy of interests of members decrease and interactions of members with the large powers (European Union and the USA) increase, we would likely to see the scenarios of strengthening political and security convergence of the organization and weakening the economic convergence. 2. In the condition where the USA hegemony and unilateralism increases, discrepancy of interests of members increase and interactions of members with large powers (European Union and the USA) increase as well, we would likely to see the scenarios of strengthening political and security cooperation of the organization. In this scenario, the movement will be towards more emphasize on political and security dimensions of the organization aimed to strengthening members' situation at international level and playing a more effective role in international and over-regional issues.

#### **Iran and the Shanghai organization**

Since 2005, Iran became a member of the Shanghai organization as an observer. The headers of Islamic Republic of Iran believe that according to its geo-economic and geopolitics position in the region and relying on all capacities and political and economic facilities, Iran is ready to announce the expansion of cooperation with the member countries to realize the stable peace and security and development of justice and welfare in the region and hope that see the increasing success of the SCO and its members.

#### **Scenarios facing Iran about the cooperation level with the organization**

To design scenarios facing Iran about the cooperation manner and level with the organization, we consider two factors which based on the trend of these two factors three scenarios are facing Iran. These factors include: 1. the pressure of the USA on Iran and imposing any factor putting Iran under the economic or political pressure such as sanctions. 2. Iran's interactions with the Shanghai organization.

Combining these factors yields 4 conditions include:

1. In conditions where the pressure of the USA on Iran is high and Iranian interactions with the SCO decreases we would possibly see the scenario of keeping current situation and Iran will be as an observer member in the SCO.
2. In conditions where the pressure of the USA on Iran is low and Iranian interactions with the SCO increases we would possibly see the scenario of keeping current situation and Iran will be as an observer member in the SCO.
3. In conditions where the pressure of the USA on Iran is high and Iranian interactions with the SCO increases we would possibly see the scenario of joining Iran to the organization as a full member.
4. In conditions where the pressure of the USA on Iran is low and Iranian interactions with the SCO increases as well, we would possibly see the scenario of deposal of Iran from the organization.

As such there are three scenarios in front of Iran about how to cooperate with the SCO.

**First scenario:** keeping the current situation, continuation of Iranian membership as an observer

In the following two situations the scenario of keeping current status seems to be more possible: 1. in conditions where the pressure of the USA on Iran is high and Iranian interactions with the SCO decreases, we would possibly see the scenario of keeping current status and Iranian observer membership in the organization would continue. 2. In conditions where the pressure of the USA on Iran is low and Iranian interactions with the SCO increases, we would possibly see the scenario of continuation of the current observer and semi active membership aimed at inform of organization decisions and participation in grounds which are possibly in direction of national interests of Iran.

**Second scenario:** Iran's joining to the organization and full membership

This scenario seems to be more possible in the following situation: in conditions where the pressure of the USA on Iran is high and Iranian interactions with the SCO increases, we would possibly see the scenario of attempt to full membership and active presence in the organization aimed at promoting its regional and

international role both in the field of regional economic cooperation and international political posturing which, of course, the structure of security and economic treaties of the organization is important in this field.

**Third scenario:** Iran's firing from the organization

In conditions where the pressure of the USA on Iran is low and Iranian interactions with the SCO decreases, we would possibly see the scenario of Iran's firing from the organization.

## **Result**

### **The effect of scenarios facing the SCO on the manner of membership and energy security of Iran**

It was stated in the previous section that there are six scenarios facing the SCO. With restating these scenarios, in this section we analysis the manner of Iranian membership under each of these scenarios and its effect on Iranian energy geopolitics.

#### **1. Consequences of the scenario of keeping current situation**

In this scenario, Iran possibly remains as an observer member. This type of membership may affect Iranian energy geopolitics with the following cases:

- Limited energy demand security, subject to providing some encouraging and discounts to these countries relative to the competitors;
- Resistance against international sanctions on Iranian energy sector from some members;
- The limited access to the east investments, especially China, with high profit margin for investor and reduction of Iranian interests;
- Limited access to the technology.

#### **2. Consequences of the scenario of strengthening the organization**

In this scenario, full membership of Iran is likely to be simplified and it is accepted as certain member. This membership may affect Iranian energy geopolitics with the following cases:

- The acquisition of the security of Iranian energy resources demand;
- Removal of the risk of international sanctions;
- Absorption of foreign investment in Iranian energy sector;
- The achievement of technology in the energy field of the Shanghai members.

### **3. Consequences of the scenario of weakening the organization**

Given that the USA unilateralism decreases and the organization is weakened as well, hence, in this scenario, the observer membership has no interests for Iran. Because, in this situation the organization do not have behavioral depth and the organization is weakening as well. This situation may affect Iranian energy geopolitics with the following cases:

- The serious threat of demand security;
- The possibility of approval of international sanctions in Iranian energy field;
- difficulty in access to the SCO investment in Iranian energy sector;
- difficulty in access to the SCO's technology.

### **4. Consequences of the scenario of the collapse of the organization**

According to this scenario, there is no longer an organization that Iran wishes to be its member. This situation can affect Iran's energy geopolitics with the following cases:

- Political insularity of Iran and the serious threat of Iranian energy demand security;
- Finalizing the energy sector sanctions by absorbing other cooperation;
- Broad prevention from universal investment in Iranian energy sector;
- Difficulty of access to the SCO's technology in the field of energy.

### **5. Consequences of the scenario of strengthening economic convergence of the organization**

In this scenario, full membership of Iran would be possibly facilitated and Iran would be accepted as a definite member. This type of membership can affect Iran's energy geopolitics with the following cases:

- Acquisition of energy resources demand security;
- Removal of the risk of the USA unilateral sanctions. Since the SCO members' interaction with the large powers is low in this scenario, it is possible that China and Russia support the formal and political sanctions but do not support the USA's sanctions;
- Absorption of the foreign investment of the SCO by Iranian energy sector;
- Access to the SCO's technology in the field of energy.

#### **6. Consequences of the scenario of strengthening political and security convergence of the organization**

In this scenario, the transition towards the full membership of Iran in the organization is facilitated and this membership may affect Iran's energy geopolitics through the following cases:

- Acquisition of energy resources demand security;
- Removal of the risk of the international sanctions.

The foreign investment of the Shanghai organization in Iranian energy sector does not necessarily increase. Since the interaction of the SCO organization with the large powers is high in this scenario, they do not immolate their interests for investment in Iran.

In summary, it is concluded that if Iran become a full member of the organization (outcomes of the scenarios 2 and 5), it can take advantages from the positive consequences of certain membership on the energy sector (acquisition of demand security, removal of the risk of sanctions, foreign investment and access to the technology).

#### **Conclusion**

The presence of the biggest world energy consumers such as India and China in the Shanghai organization on one hand, and the presence of the biggest world energy producers such as Iran and Russia on the other hand along with the access of the region countries to the international waterways and transportation infrastructures as well as seaports and airports can

transform the Shanghai organization into a safe environment for supplying region's energy from Pacific to Atlantic ocean in longitudinal axis and connection of the whole region with south through Iranian territory.

Iranian membership in the Shanghai organization actualizes its geopolitics and geo-economic potentials and deepening the international political and economic relations. Given its increasing role in the region security, the full and broad cooperation of Iran with the SCO can increase the bargaining power of Iran against the west and international challenges. In fact, an organization that involves over half of world population, has a complete economy based on all of the main infrastructures such as energy, transportation, finance and so on, will not be connivance for anyone and any power. Hence, if the threats of west against Iran increase, it can utilize opportunities and facilities of organization to decrease vulnerability of such threats.

Iranian membership in the SCO can at least prevent damages to national interests from decisions of this organization. It can also somewhat meet the interests of Iran in the field of countering the terrorism. But the entrance to the SCO should be carefully done, because this organization has a basic characteristic and it is nothing but the asymmetry of power among its members. Indeed, the SCO is an organization agendum of which is designed by Russia and China and hence the possibility of making role is so weak for other regional countries and powers such as Iran. Therefore, Iran should carefully analyze advantages and disadvantages of membership and balance between commitments it accept in the organization and latitude this organization will create for it in central Asia and other fields.

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