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SHIITE POLITICAL THOUGHT IN IRAN: BETWEEN THE DEMOCRACY OF PEOPLE'S SOVEREIGNTY AND THE THEOCRACY OF VELAYAT-E FAQIH

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Abstract

The question of democracy has gained extensive attention within Shiite political thought, especially after the Iranian revolution. The study argues that the value-centered underpinnings of the Twelver Shiite sect contradict with democracy. They reveal the situation and position of democracy in Iran at the expense of institutional parameters. The study attempts to discuss five main principles related to democracy and the position of Iranian Shiite political thought towards it, including: the principles of democratic systems (majority participation, competition, protestation); principles of sovereignty and nationalism (the people, the Sharia, the nation or the state). The study also reviews the nature of the system of government in Iran and the values that govern its political culture, which determine its position on democracy (pluralism, freedom, equality, justice).

Keywords: *Democracy, Islamic democracy, Velayat-e Faqih, Sharia, popular representation, Iranian Shiite political thought.*

Introduction

There is diversity within Iranian Shiite schools of thought. They cannot be unified into a single intellectual school of thought. It includes multiple ideological, cultural and ethnical sources. Shiite political thought is based on the main texts of the Twelver Shiite school of thought and the justifications of political activism brought forth by senior Shiite jurists, narrators (scholars of *Ilm-ul-Kalam*) recent and former historians, sectarian interpretations regarding the course of history and scholarly positions in relation to political circumstances. There is no doubt that the central focus of Shiite political thinking was on the theory of the imam and its critical tenets related to a just imam and ideal ruler. Hence, this Kalam-based and Mahdi-centered thought impacted Shiite jurisprudential and political thought about rulership and legitimacy.

Shiite jurisprudential opinions in relation to political thought vary when it comes to justification, withdrawal and rebellion. Maybe the constitutional movement which took place during the reign of the Qajar dynasty proved the existence of this intellectual political movement within Shiite political thought. It called for establishing a constitutional government which is restricted by the Sharia and paves the way for the Mahdi to reappear. This study discusses how traditional Shiite political thought adapted and was receptive to new political concepts such as the constitution and the republic and how it placed Velayat-e Faqih theory within a revolutionary context. However, this governance theory clashes with the tenets and principles of democracy because it limits the republican form of governance and contradicts with the requirements of democracy such as popular sovereignty

This topic is difficult to tackle because it has been discussed in many studies and publications which include arguments, criticisms and discussions of its main philosophical foundations. However, quite a few political and specialized law studies discussed this topic.⁽¹⁾

Some of these publications are considered as authentic sources such as the book "Islamic Government" authored by Khomeini in which he laid out the pillars of Velayat-e Faqih. Furthermore, there are writings which defend the concept and cite the jurisprudential and doctrinal justifications of the theory within Shiite political thought. This is in addition to writings criticizing the theory from a jurisprudential and religious point of view too. That is because most of the writings deal with the theory as a political religious ideology. But there are a few studies which argue that this theory is influenced to a large extent by republican and democratic contemporary thought.

There were attempts to incorporate this sectarian and political theory within

the contemporary democratic-republican model, which provoked discussions about the democratic and religious nature of “the Islamic Republic” and how democracy and Velayat-e Faqih could be brought together to address issues related to legitimacy and authority.

This is in addition to the domestic and external pressures imposed on the Iranian political elite for decades to force it to pursue more openness and undertake more political reforms to promote democracy within the Iranian political landscape. The elite, supportive of the Iranian government, provided justifications and clarifications to highlight Velayat-e Faqih’s democratic nature and how it does not contradict democracy.

One of the main arguments was by cleric Morteza Motahhari, a student and supporter of Khomeini who was assassinated at the beginning of the revolution. This is in addition to the countless studies released by the circles supportive of the Iranian government which emphasized multiple concepts such as religious popular sovereignty and religious democracy. On the other side, the studies criticizing and opposing Velayat-e Faqih reveal that the theory contradicts religious texts and at the same time contradicts the republican and democratic nature of a civil state, which cannot be religious and give precedence to a certain religious sect over others. This study attempts to examine a host of sub-questions which arise from one main question: how did the Iranian imamate Shiite theory reconcile with democracy?

Does it view democracy as a priority? How can the imamate theory and democracy be reconciled? Will the dominating nature of one undermine the other? How was the position in regard to democracy shaped in contemporary Iranian Shiite political thought?

Could this view towards democracy be a result of negative experiences regarding Western imperialism and its intervention in Iran and the position of Iran’s elite? Or is it related to the atmosphere and circumstances in which Shiism arose? Or is it related to the requirements and circumstances of the Iranian revolution and the charisma of Khomeini? Or was it related to the post-revolution era; the political pragmatism and selectiveness based on based on *taqiya* (a Shiite doctrine which means dissimulation, concealment of one’s belief in case of danger) or the history of Twelver Shiites who have long suffered from repression and have demonstrated political opposition?

How can we reconcile between the Twelver Shiite nature of the state and a government based on *Sharia* (Islamic law) and ruling on behalf of the Imam in the age of occultation and the principles of democracy based on freedom and popular representation? Can a special Iranian democratic model be made? Or will constitutional manipulation result in crises related to legitimacy and identity once again?

This study will attempt to analyze these questions through an analytical

study of a host of ideas, texts and documents. This is in addition to investigating the historical circumstances as well as reference texts to arrive at a conclusion concerning Iranian Shiite political thought's position on democracy and its relationship to democracy. This will be done by dividing the study into three main axes.

The first topic discusses the ideological tenets of Shiite political thought in Iran and how the theory of Velayat-e Faqih and the concept of a religious government arose within it. The second topic deals with contemporary Twelver Shiite thought's position towards democracy and how the religious and intellectual elites differentiated between religious guardianship and grassroots-based democracy.

The third topic reviews freedom in the context of Sharia and Iranian society. The fourth topic discusses the future of Shiite political thought towards democracy as well as the future of Shiite political thought, which varies between interpretation and justification.

1. Shiite Political Thought and Its Ideological Tenets

A theocratic government is one that derives legitimacy from religion and rules in its name. Theocracy is a Greek term meaning the rule of God. Democracy has many aspects, but briefly it means the rule of the people, by the people, for the people. Democracy requires peaceful and open competition, a viable rotation of power and political equality between all citizens.

Although the two definitions (theocracy and democracy) appear straightforward, there are complexities in regard to their practical implementation. We find theocracy, which is premised on the divinity of God and combines religious and political aspects, enshrined in the greatest democracies. Queen Elizabeth and Japan's emperor consider themselves to be appointed by God. ⁽²⁾

Many other countries also justify legislation and political symbols by invoking religion. Combining theocracy with democracy provides the opportunity to create a theo-democratic system. Theocracy does not necessarily invoke a negative connotation, but it is rather a concept that explains how a regime functions by integrating religious and political aspects.

Democracy has become a global system, with most countries today claiming to implement this system. However, there are some political governance models which are an exception based on certain historical and cultural factors. The case of the Islamic Republic of Iran and its governance system is a case in point. The system is based on a sectarian dimension related to the Twelver Shiite school of thought, the political and ideological dimensions of which gradually evolved in Iran and Iraq. This occurred through different schools but relatively geographically close (Qom, Baghdad and Basra). In terms of *Kalām* also known as *ʿIlm al-Kalām* (speculative theology), it was

heavily influenced by the opinions of *Mutazilites*^{(3)*} and their disputes with Sunni political schools of thought and Shiite factions which broke from it or competed with it at one time. It was also influenced by political events and the relationship of the school of thought's jurists with the ruling government, which either promoted the school of thought or resisted it.

1.1 Twelver Shiite Political Thought and the Imamate Theory

After the demise of Imam Ja'far al-Sadiq, a central figure in the Imamate-inspired Twelver Shiite and Ismaili political thought, the essential opinions of Shiite thought began to take shape. They transitioned from political-historical wrangling into well-established ideological tenets such as the succession of imams through the offspring of Imam Ali and then the offspring of Imam Hussein after Imam Hasan ibn Ali who ceded the caliphate to Muawiya I.^{(4)*} This is a critical point in Islamic history, because the imamate was separated from the caliphate; the separation between the spiritual leadership and the temporal leadership in the history of Islam. A full-fledged imamate theory in which the imams are infallible like the prophets and where they hold a luminous position like the prophets was outlined.⁽⁵⁾

The imams have the authority to interpret revelation and their words are infallible and sacred. Hence, the Shiite hadith records which appeared thereafter saw the concept of hadith and narration acquiring new aspects incomprehensible to the Sunnis whose records are confined to the prophet's statements, actions and confirmations. These aspects include the statements, actions and confirmations of the Infallible Imams as well as what was reported about them. The Twelver Shiites add the statements of the Infallible Imams to the sources of Sharia.

The imamate theory is made up of eleven Twelver Shiite imams and is concluded with the twelfth imam who is said to have disappeared during the late period of the Abbasid dynasty. He remained in contact with the four deputies of Twelver Shiism, according to the Shiite narrative. When the fourth deputy died, Shiite political thought officially entered the age of major occultation, with Twelver Shiism transitioning into a school of thought (sect) based on the idea of waiting (the reappearance of the Infallible Imam). This resulted in a host of edicts to suspend the religious and legal functions of the state such as collecting taxes, the execution of Sharia-prescribed punishments, jihad, and establishing Friday prayer until the reappearance of the Infallible Imam who has the genuine legitimate authority.⁽⁶⁾ The school of thought turned isolationist and opposed existing governments. Its jurists believed in the age of occultation so they would only allow themselves to organize Shiite communal affairs. Any flag other than that of Imam Mahdi (Master of the Age) according to this school of thought is a flag of disbelieving despots.⁽⁷⁾ The

tenets to avoid interactions with the ruling government evolved, including stripping the ruling government of religious legitimacy even if it was a Shiite government, and dealing with it from the perspective of waiting and taqiya to protect the Shiite community from persecution until the reappearance of the Mahdi who will establish the state of right and justice.

1.2 The Imamate Thought and the Theory of the Jurists' Guardianship

There were those who believed that Iran's political thought had its historic and cultural sources dating back to the ancient Persian traditions of the Sasanian Empire.⁽⁸⁾ It is a cultural heritage which reproduced the sultanic ruling system and justified it within both Sunni and Shiite jurisprudence, despite pursuing different methods. But the scholars of Shiite jurisprudence considered the rules of coexisting, i.e., dealing and living with the political system, especially scholars such as Shaykh al-Mufid, al-Mortaza and Muḥammad Ibn Ḥasan Tūsī known as the chief Shaykh of the school of thought as well as those who followed them. They believed it is necessary to deal with the ruler whoever he is during the age of occultation, while backing the just sultan who is defined as the one who is loyal to the sect and works to enforce jurisprudential rulings like the imams.⁽⁹⁾ The reign of the Buyid dynasty marked the golden age regarding the evolution of Shiite political thought, shaping the theory of imamate and the position of Twelver Shiite theory in relation to the sultan-ruled political systems.

The priority was to preserve the structure of the Shiite community during the age of occultation and to handle the absence of the imam, and to think over how the Absent Imam's representative would manage Shiite community affairs. In addition, dealing with a just or despotic ruler had to be addressed.

The theocratic political theory evolved, but in a guardianship framework rather than Shura. It gradually shifted from the Kalam-focused ideological theory into a practical and jurisprudential theory adopted by senior jurists in the Buyid dynasty and those that followed. This led to the emergence of *hisbah*-focused Velayat-e Faqih, which was supported by proofs including Shiite jurisprudential heritage, hadiths, narrations of imams, and the narratives of the four deputies during the age of minor occultation which ended officially in 328 AH following the death of Ali ibn Muhammad al-Samarri, the last deputy.

Velayat-e Faqih theory and the general guardianship of the jurist theory underwent a palpable evolution and gained more under the religious establishment when the Safavid dynasty arose. The latter adopted Shiism and imposed it as an official religion in Iran and the regions under its rule.

For this purpose, the rulers of the Safavid dynasty brought home clerics from Jabal Amel to form a radical Safavid Shiite school of thought. This was evident during the reign of Shiite jurist Ali Alkaraki (870-940 AH) who advocated the

legitimacy of the Safavid dynasty. Jurists transitioned from a phase of *taqiya* to exercising power as they were appointed in state apparatuses by Safavid sultans.⁽¹⁰⁾

In the beginning, the Safavid sultans claimed to have a “divine mandate” as they consider themselves protectors of the imams’ school of thought similar to the powers granted to the Russian Tsar who considered himself to be the Church’s representative. Later, they changed how they bestowed themselves with religiosity by granting Shiite jurists the title of *Shaykh al-Islam*.

In turn, the jurists presented themselves as guardians of the sect. This was an opportunity for some jurists to expand the concept of *Velayat-e Faqih*. This included the fatwa issued by Sheikh Abu Abdullah Muhammad Jamal Ad-Deen al-Makki al-Amili al-Jizzeeni, better known as ash-Shahid al-Awwal, about *hisbah*. A well-known quote of his is known among the supporters of the expanded version of *Velayat-e Faqih*. “Prescribed and discretionary punishments are enforced by the imam and his representative in general. In case of absence, the jurist specified in the judiciary should enforce them when he can do this. The public should strengthen him and prevent the one seeking to overpower him when possible. *Taqlid* shall not be sufficient for rule or issuing fatwas.”⁽¹¹⁾

Although the Safavid rulers sought help from Shiite jurists imported from Jabal Amel to cement their rule, they were cautious about the growing clout of the jurists. They worked to contain them within an institutional mold, which Tahmasp I had done with Alkarki who was granted the title of the imam’s deputy and *Shaykh al-Islam*.⁽¹²⁾

The same thing occurred under Abbas the Great. In his court senior Shiite clerics emerged such as Baha’ al-din al-Amili. However the emergence and overwhelming presence of the Akhbari school during this late period of the Safavid reign at the expense of the fundamental rational school, the most prominent clerics of which were Muhammad Amin al-Astarabadi and Mohammad-Baqer Majlesi, the author of “*Bihar al-Anwar*” which is the biggest Shiite hadith compilation book and one of the major dignitaries of the Akhbari school,⁽¹³⁾ resulted in the absolute and limited versions of the guardianship theory declining, and juristic involvement in politics decreased further at the beginning of the Qajar era. The government then encouraged Sufi Shiism and triggered competition between the *Usulis* and *Akhbaris*. The *Akhbaris* opposed the absolute version of *Velayat-e Faqih* adopted by the fundamentalists and considered it a deviation from the sect and the necessities of the occultation.

The *Akhbaris* cited hadiths narrated by Ja’far al-Sadiq such as: “Every single flag that is raised before the reappearance of the Mahdi (PBUH) is a flag of despotism” and a hadith reported by Abu Abdullah (Ja’far al-Sadiq) that

“whoever claims our position – the imamate – is an unbeliever.”⁽¹⁴⁾

But the subsequent victory of the Usuli school in the middle of the reign of the Qajar dynasty (1795-1920), due to internal weaknesses and increasing dependency on the religious seminary, revived the theory of limited guardianship but to encompass wider issues beyond endowments, looking after the affairs of orphans, marriage, divorce and gradual involvement in politics. They cited the hadith “The Ulema (scholars) are indeed the heirs of the prophets”⁽¹⁵⁾ to justify their expanded role as well as jurisprudential evidence to prove the need for jurisprudential guardianship over issues such as the assets of orphans and minors.

The issue which both parties agreed upon whether those advocating absolute or limited guardianship of the jurist was on the impermissibility of waging jihad as this is exclusively the right of the Imam. But they differed about the powers of the jurists who met the conditions needed to assume judicial positions and enforce Sharia-prescribed punishments — if they enjoy a social power and immunity granted from the sultan. Mulla Muhammad Mahdi Naraqi, in his writings about the fundamentals of Shiite jurisprudence,⁽¹⁶⁾ adopted previously accepted opinions. He reiterated the general and absolute guardianship of the jurist, a concept which was later developed by Khomeini, instead of remaining limited to the general hisbah-centered guardianship.

2. The Imamate Thought and the Position Regarding Political Modernity

Iranian Shiite political thought and its clash with Western modernity began with the Constitutional Movement in 1905, which the jurists provoked. New Twelver Shiite political heritage began to emerge, with the absolute guardianship of the jurist taking shape and this new heritage emphasized that jurists should not obey the ruler absolutely but the latter should comply with the Sharia.

1.2 Twelver Shiite Political Thought in Iran and the Constitutional Movement

Earlier in the 20th century, Iran witnessed a host of political protests, with jurists playing a prominent role in leading them. In Iranian history, these protests became known as the Constitutional Revolution. The movement was connected to the theory of Velayat-e Faqih returning. Muhammad Hossein Naini reiterated a hisbah-centered guardianship of the jurist in the age of occultation, but under civilian rule, where rulers are protectors of society and can be held accountable for their actions.

Naini's view of Velayat-e Faqih was a constitutional project in which guardianship was based on hisbah. The guardianship of the jurist identifies those who should take over power, but he does not exercise power or assume power. He compared the role of jurists in the age of occultation in standing up against the usurpers of absolute guardianship to those who stand up against

the usurpers of endowments. The role of jurists shall be confined to exercising oversight and giving the religious permission to act.⁽¹⁷⁾

This jurisprudential issue was jurisprudentially framed by Khomeini in a way that went against Naini's initiative, reaffirming the general and absolute guardianship of jurists leading to the necessity of one of the jurists to take over as vicegerent of the Infallible Imam to put an end to the waiting-centered Mahdi thought and give a practical alternative to it so as to solve the problem of the government's religious legitimacy and its new tasks. This occurred within a conservative jurisprudential framework. Although he attempted to use modern terms such as the state and the republic, he plainly opposed the concept of democracy, like all the other traditionalist clerics of the religious seminary. Many Shiite jurists plainly expressed their hostility towards the West and democracy alike. Khomeini and many other religious seminary figures considered democracy to be some sort of Western thinking which runs counter to the teachings of the Sharia and the instructions of the Infallible Imams.⁽¹⁸⁾ They also believed that the masses do not have guardianship over themselves, and popular sovereignty is ineffective against the ruling of the imam or his vicegerent, since the masses must follow jurists because the latter are "the hujja (proof of God) for the people as the Prophet (PBUH) was the hujja against them. The imams deemed due – for the jurists succeeding them – all the actions of the Prophet (PBUH)."⁽¹⁹⁾

This is a joint vision supported by the backers of Velayat-e Faqih and the supporters of the traditionalist hisbah-centered guardianship. But there are some progressive thinkers within the Twelver Shiite sect who attempted to come up with an innovative formula to reconcile democracy with the guardianship of the jurist concept adopted by Khomeini, arguing that democracy within the Islamic state is the democracy of Muslims and when Khomeini criticized democracy, he was referring to Western democracy.⁽²⁰⁾

This reconciliation is similar to the view of Abul A'la Maududi, who reconciled Islam and democracy, resulting in a theo-democratic system.⁽²¹⁾ In part, it is inspired by the canons of the divine Sharia with the ruler performing his duties in accordance with public approval. The matters not specified by religious texts should be left to the democratic process.

2.2 The Intellectual Positions Towards the West and Democracy

Similar to the case of intellectuals and clerics managing Western modernity in Islamic countries, contemporary Iranian political thought is divided into four approaches regarding democracy and the West.

- "The traditional and conservative approach."
- "The reformist secular approach."
- "The Islamic revolutionary reformist approach."

■ “The new post-revolutionary reformist approach.”

The first approach, “the traditional and conservative approach”, is marked by adopting an oppositional position. Those who adopt this approach view the constitutional rulings of democracy as being against the Sharia (Islamic law).⁽²²⁾ According to them, the alternative is to stick to the Sharia. Proponents of this “conservative approach” did not hesitate to adopt “a reformist program” which calls for the ruler limiting himself to the constitutional framework as determined by the Sharia and that there should be a constitution to regulate the ruler’s actions.

There is a revolutionary and new approach which took shape within the traditionalist religious establishment. It believes that the absolute guardianship of jurists and amassing power in the hands of the guardian jurist are important to pave the way for establishing an Islamic government which implements the teachings of Islam and hastens the reappearance of the Imam.

This approach was adopted by Khomeini and his supporters and adopted by the official apparatuses of the Islamic Republic since its establishment in 1979. The second approach is the modernist position embraced by the second generation of Iranian intellectuals^{(23)*} who believe that Islamic political thought should shed political doctrines that impede a movement towards a more democratic political theory. We find that Ahmad Kasravi who was assassinated because he was accused of apostasy called for renewing Islamic doctrines and the imamate doctrine as well as the practices of the religious marjaya that contradicted the prerequisites of establishing a modern and secular state.^{(24)*} Jalal Al-e-Ahmad wrote about “Westoxification” and utilized Shiite narratives to back up his Marxist revolutionary vision.⁽²⁵⁾

The same applies to Ali Shariati. He criticized the religious establishment and how it justified the practices of the ruling class. He argued that the religious elite had created a new religion which went against the original revolutionary religion.⁽²⁶⁾ However, he criticized Western democracy and proposed a type of democracy established on the principles of Islam, a democracy that is committed and principled, the foremost aim of which is not gaining a majority and deceiving the public but rather showing keenness to implement a reformist program and encourage a diversity of opinions across society.⁽²⁷⁾ It is a viewpoint which both the intellectuals and the clerics of the Islamic Republic — who support Velayat-e Faqih— will adopt in Iran despite their opposition to his criticism of the religious establishment.

The third approach, “the reformist movement”, emerged after the revolution. It embodied two perspectives: the first adopted reform from within and the other adopted radical reform and was much more liberal. For example, Khatami is one of the proponents of the “reformists” from

within the government. He defends the foundations of Velayat-e Faqih and describes it as a republican democratic system established on the will of the people through elections and referendum. He added that the government has elected institutions and to some extent ensures the rotation of power. Since its establishment in 1979, the Islamic Republic has had seven president who were elected successively and two supreme leaders.

But the “radical reformists” or “modernists” who represent the fourth approach, such as Abdolkarim Soroush, Mostafa Malekian, Yousefi-Eshkevari, Mohsen Kadivar, Mohammad Mojtahed Shabestari and others reject jurist involvement in politics⁽²⁸⁾ and believe that Velayat e-Faqih cannot be democratic as the core logic of the religious guardianship runs counter to that of democracy, which is based on citizenship and protesting authoritarian decisions. This is in addition to the host of prerequisites required by democratic institutions and democratic societies expressing civilian and public liberties, religious freedom, and total equality among citizens regardless of their religious affiliations. Abdolkarim Soroush, who is a former Khomeini supporter, believes that the attempt to reconcile democracy with Islam according to Twelver Shiite interpretations is doomed to failure because Shiite inherited jurisprudence teachings are obligation-centered, which focus more on obligations than rights though they still permit the rule of law.⁽²⁹⁾

3. The Iranian Constitution Between Twelver Shiite Principles and Republican Principles

The Iranian Constitution embraces the theory of Velayat-e Faqih and combines it with constitutional and republican principles. This resulted in a unique institutional structure which combines the presidential and parliamentary systems, with the supreme leader exercising full and absolute control over the three branches of power and a constitutional body which checks to what extent legislation complies with the teachings of Sharia and the Twelver Shiite interpretations or the Jafari school of thought. The Iranian Constitution declares unequivocally that Iran embraces the Twelver Shiite Jafari school of thought.

1.3 Principles of the Iranian Constitution and Shiite Political Thought

The Iranian Constitution contains a somewhat long preamble and 177 articles, up from 175 articles and 12 chapters. The Constitution also contains several Quranic verses to provide religious legitimacy and highlight the Islamic and religious nature of the republic and government institutions. According to the Comparative Constitutions Project (CCP), the Iranian Constitution's quality is mediocre. The number of rights enshrined in the Constitution amount to 45 human rights. It has also placed considerable limitations on the executive authority and has expanded the powers of the legislative and

judicial authorities. According to the CCP, the executive authority represented in the president of the republic got 2 out of 7 and the legislative authority got a modest mark of (.038), with the judiciary having a considerable degree of independence compared to the other two branches of power. It obtained 4 out of 7 on the scale of judicial authority, a position better than the US system.⁽³⁰⁾ Some articles were amended in 1989 which paved the way for Khamenei to take over later. Many clerics who opposed absolute Velayat-e Faqih were excluded, including the potential successor and the second-in-command within the republic Ayatollah Montazeri. The Constitution is full of legal and intellectual points justifying Velayat-e Faqih and the religious Islamic government. It includes principles, most of which are related to religion and belief and based on Twelver Shiite jurisprudence, especially the imamate. This is in accordance with Article 2 of the Iranian Constitution. According to Article 12 of the Iranian Constitution, "The official religion of Iran is Islam and the Twelver Jafari school of [shi'i] religion." Other articles reiterated the aforementioned such as the president's chapter which includes protecting the official religious school of the country. This is in line with Article 121.

The constitutional amendment reiterated that changing the Islamic nature of the ruling system is inadmissible, the nature of the system is based on Velayat-e Faqih and the theory of the imam, and the official religion of Iran is Twelver Shiism. The Iranian Constitution also includes provisions to respect other Islamic jurisprudential schools and their adherents. It mentions all other schools except the Abadi school. It literally mentions the four Islamic jurisprudential schools and the Zaidi school. Article 13 of the Constitution stipulates Zoroastrian, Jewish and Christian Iranians as the only recognized religious minorities, who, within the limits of the law, are free to practice their religious rites and ceremonies. The Islamic Republic does not recognize some religious minorities such as Bahais.

The Iranian Constitution has explicitly expressed the position and powers of the guardian jurist in Article 2 and Article 5, which stipulates "During the Occultation of the Valial-'Asr (may God hasten his reappearance), the wilayah and the leadership of the ummah devolve upon the just ['adil] and pious [muttaqi] faqih, who is fully aware of the circumstances of his age; courageous, resourceful, and possessed of administrative ability, will assume the responsibilities of this office in accordance with Article 107."⁽³¹⁾

Article 57 stipulates that he has powers to supervise all the executive, legislative and judicial authorities. He has supra-presidential powers such as calling for a referendum, and he is the commander-in-chief of the armed forces, hence can declare war, peace and call for a general mobilization. In addition, he appoints the Guardian Council, the chief justice who must be a jurist, the chief of staff, the chief of the IRGC, the head of the Islamic Republic

of Iran Broadcasting and senior commanders of the armed forces.

He also has the power to dismiss the president after a ruling is issued from the supreme court or the Islamic Consultative Assembly confirming his incompetence. He also approves the decisions of the Supreme National Security Council which implements the instructions of the supreme leader, supervises the amendments to the Constitution, and has the power to order the president of the republic to set up the Constitution Review Council. He appoints 10 representatives to the council. In case the president resigns, or his position becomes vacant, the supreme leader can appoint an interim president of the republic. The leader also appoints members of the Expediency Discernment Council. The Constitution allocates a chapter for his functions and powers from Article 107 to Article 112. In 1989, new articles were added and Articles 05, 107 and 109 were amended. The most significant constitutional amendments in 1989 were cancelling the condition of being a *marja* for the supreme leader; changing the method of forming the Assembly of Experts, which is in charge of choosing and electing the candidates for the supreme leader position; and establishing the Expediency Discernment Council (Article 112). This constitutional amendment eliminated the post of prime minister and repealed it, delegating it to the president of the republic whose powers were boosted. It also established a new constitutional institution to settle the differences between the Islamic Consultative Assembly which was called the National Assembly and the Guardian Council. This institution was called the Expediency Discernment Council. Two chapters were added to the Constitution, increasing the total chapters to 14.

2.3 The Iranian Constitution Between Guardianship and Democracy

In formal terms, the Iranian Constitution contains some democratic measures although the term democratic has not been mentioned and the word republic was used. The Constitution includes a host of democratic principles, with it reiterating the principles of freedom, independence and human rights, and includes in Article 9: "[...] no individual, group, or authority, has the right to infringe in the slightest way upon the political, cultural, economic, and military independence or the territorial integrity of Iran under the pretext of exercising freedom."

It also contains essential meanings related to popular representation "It is necessary that the Muslim community actively participate in the construction of the Islamic society by electing *competent* and *devout* administrators and by continuously supervising their work," according to the preamble of the Constitution.

Further, Article 6 affirms that "In the Islamic Republic of Iran, the country's affairs must be administered by reliance on the public vote, and through elections. These will include the election of the president, the deputies of the

Islamic Consultative Assembly (Majles), the members of the councils, and other such institutions, or through a referendum in such instances as are determined in other articles of this document." The number of representatives is 270 plus other representatives who are added every 10 years. It also includes seats for minorities: one for Zoroastrians, Jews, Christians, Chaldeans and Assyrians. Armenian Christians elect one representative, according to the chapter regarding the Islamic Consultative Assembly, from Article 62 to Article 70.

It also includes clear indications about democracy such as "the eradication of all kinds of tyranny, autocracy, and monopolization of power," Article 3, paragraph 6. "The establishment of a correct administrative system and the elimination of unnecessary institutions," according to Article 3, paragraph 10.

It also stipulates that the Shura Councils are of the sources of decision-making according to Article 7, "As the munificent Qur'an ordains: "They (conduct) their affairs according to these commands, by mutual consultation" (42: 38) and "And consult them in the affairs" (3: 159), the councils, the Islamic Consultative Assembly, the Guardian Council, the province of municipal and city councils and the district and village councils and so forth are the decision making and administrative organs of the country. The constitution and the laws arising from it shall determine the manner of formation of these councils and the limits of their authority." This is in addition to electing these councils as stipulated in Article 100. But this democratic characteristic is limited as ultimate power rests with the head of state, the guardian jurist. It stipulates restrictions on the representative and democratic duties performed by Parliament, stating it cannot legislate laws which contradict the official religion; the Twelver Jafari school of [shi'i] religion — enshrined in Article 12.

According to Article 4, "All civic, penal, financial, economic, administrative, cultural, military, political, and other laws and regulations must be based on Islamic criteria. This principle governs all the articles of the constitution, and other laws and regulations. The determination of such compatibility is left to the Fiqh of the Guardian Council." Also article 72 states that "The Islamic Consultative Assembly cannot legislate laws that contradict the canons and principles of the official religion of the country or the constitution. The Guardian Council is responsible for the evaluation of this matter, in accordance with Article 96." There is another restriction which is mentioned in many constitutions worldwide known as the constitutional court; the Guardian Council is responsible for supervising the ratifying of laws, ensuring they do not contradict the Constitution. This council consists of 12 members, six of whom are appointed by the supreme leader of the republic; the guardian jurist. The other six members are chosen by the judiciary and elected by the Consultative Assembly. In case there is a dispute between the Assembly and this council, the Expediency Discernment Council intervenes to

settle this dispute. The latter is a body in which all the members are appointed by the supreme leader of the republic according to Article 112. The last article of the constitution provides for irreversible principles, most of which revolve around the Islamic nature of the republic and the official doctrine of the country.

4. The Islamic Republic and the Dilemma of Democracy and Religious Legitimacy

Advocates of the Iranian system and those arguing for its constitutional philosophy believe that the guardianship of the jurist theory springs from the political culture and the religious and cultural values of Iran's society and that democracy requires political participation and reflects the will of the majority. This system represents the majority. This justification is based on the arguments brought forth by the martyr of the revolution Mortaza Motahhari, who indicated that the Islamic nature of the republic does not run counter to its republican democratic nature.

1.4 The Guardianship of the Jurist and the Democracy of the Believers

The supporters of the Islamic Republic consider it a republic established on the will of the people which complies intellectually and ideologically with Islam. Motahhari affirms in his book titled "Issues of the Islamic Republic" that the Islamic nature of the republic does not contradict its democratic nature. "The Islamic nature does not clash with the sovereignty of the people or democracy in general. The democratic principles don't require that society should deviate from every conservative line of thought."⁽³²⁾ Then, it is some form of religious democracy which takes into consideration popular sovereignty for the believing people. But it falls within Islam and the teachings of Sharia. In it, freedom and democracy are restricted by Islamic principles which turn into constitutional rules. As there is Western democracy which offers unrestricted freedom, there is also Islamic democracy which offers humanistic freedom instead of the "animalistic freedom" of Western democracy. According to him, Western democracy means limitless animalistic governance whereas Islamic democracy is based on the principle of freedom but within the framework of Sharia which offers limitless humanistic governance.⁽³³⁾ He then backs down and apologizes for not calling the republic democratic, citing an objection from Khomeini who believed democracy was a betrayal of the spirit of independence of the Iranian people as it would indicate the blind following of the West.⁽³⁴⁾

However, Islamic democracy came to the fore when Khatami took over the presidency in Iran. His supporters reiterated that even if the Islamic Republic does not consider itself to be a democracy, reality proved that democracy exists as restrictions are placed on the supreme leader's ability to exercise his power such as in making appointments.⁽³⁵⁾ This is in addition to the powers of

Iran's elected authorities such as the presidency and the Islamic Consultative Assembly, plus the separation of powers between Iran's three branches which is stated in the Iranian Constitution.

2.4 The System of the Republic and Popular Participation

The supporters of Velayat-e Faqih have defended the democratic nature of the republic's system. They have argued that the system has permitted greater levels of political participation compared to that of the former Shah. The Iranian system has met some of the essential requirements of democracy, such as the rotation of power, and the establishment of pluralistic constitutional institutions, which rotate the process of decision making between the institutions as well as monitor their performance. The constitutional framework of the Iranian system and its political behavior, according to the system's advocates, fulfil the core essence of Robert Dahl's democratic theory in which multiple institutional centers of power exist which exercise decision-making.⁽³⁶⁾ But opponents of the system believe that its republican nature is just nominal as it operates within the framework of the guardianship of the jurist and the latter's principles cannot be overstepped.

Mohsen Kadivar reiterates that Velayat-e Faqih cannot be democratic since the negative definition of democracy, i.e., the undemocratic ruling system, confirms that the Velayat-e Faqih ruling system cannot be established on democratic principles. Velayat-e Faqih deprives people from participating in public spheres and designates this task exclusively to the clergy. They also cannot have a say over appointing or dismissing the supreme leader whose authority is unaccountable and he cannot be controlled. It also violates the concept of political equality among citizens since running for certain positions is determined by whether one belongs to the class of clerics or not, which means the system is a kind of religious aristocracy.⁽³⁷⁾

This is in addition to the absence of many democratic characteristics which means that the foundations of the system contradict liberal democracy and its core principles. The creation of secular parties is forbidden and those who oppose the guardianship of the jurist are banned. There are restrictions on the right to run for elected positions and massive violations of human rights, as well as crucial and major restrictions on political participation. No one is safe nor immune if they overstep the principles of the guardianship of the jurist.

3.4 Guardianship of the Jurist and Democratic Sovereignty

The advocates of the Iranian system created more justifications which arose under the leadership of the current Supreme Leader Ali Khamenei. Democracy and the guardianship of the jurist were combined to create a new form of democracy, known as the democracy of popular sovereignty. It is the democracy of the believers who voluntarily choose to participate in appointing

a new religious guide for themselves, who represents their religious doctrine and is a vicegerent of Imam Mahdi, in order to continue the guardianship position and there will be always an imam or a vicegerent appointed by the Muslim community at the behest of the imams. According to this Twelver Shiite position, man's right to legislate with the approval of the community runs parallel with God's right to legislate which is established on the rule of God, His Prophet and imams. Its core principle is: power is in the hands of the community. It's given to the ruler as a trust whenever the ruler fulfills the requirements.⁽³⁸⁾ There is another perspective of democracy presented by some academics in Iran. They call this perspective religious democracy, which according to them opposes liberal democracy. It is based on five religious principles: participation, the rule of law, equality, freedom and independence.⁽³⁹⁾ Those who argue for this perspective suggest that the concept of popular sovereignty is at the center of Islam's philosophy, with its core spirit based on freedom, and fighting injustice and despotism. Popular sovereignty is vital to advance the religious and political legitimacy of the ruling system.

In intellectual terms, advocates of the democratic nature of Velayat-e Faqih from a Shiite perspective argue that the ruler is appointed by God and the nature of government is determined by Sharia sent down by God, with Sharia interpreted by the imams and their representatives. But democracy means respecting the will of the people to choose who will rule over them. However, Muslims will not have a say when God has already decided for them. Supporters of the guardianship of the jurist quote Khomeini as saying that Islamic democracy is more perfect than the democracy of the West which is based on deception and fake representation and does not meet human needs, especially the spiritual side. Thus, Islamic democracy combines respecting the will of the people and choosing a leader appointed by God, according to the principle of divine appointment of the Prophet and the imams and the leader who rules on behalf of them, who is the guardian jurist. He is a trusted leader and never rules against the will of the people. He has the powers of appointment and correction. According to this perspective, the contradiction between the "guardianship" of the jurist and the "free" will of the people is not resolved according to regular democratic practices.

4.4 Iranian Democracy and Resorting to Deliberative Democracy

There is a current within the Iranian religious establishment which argues that the democratic nature of Velayat-e Faqih is much more superior than the democracy found in the West. Iran's democracy is not based on majority representation but based on rationality, deliberation, and debating to arrive at the strongest position. Thus, The pro-Velayat-e Faqih theorists adopted the new "deliberative (discursive) democracy" and a Shura theory based on a new imamate analysis, which is established in accordance with the age of

occultation. Sheikh Mohammed al-Musnad believes that Islamic democracy — according to what he calls the “political imamate theory” – surpasses Western democracy as it does not see a value in the *majority* itself; rather, it sees a value in *righteousness*, which depends on intellect and science — which outweigh the opinion of the majority. Hence, the majority should submit to the truth (righteousness).⁽⁴⁰⁾ This came in response to those who defamed the imamate theory, arguing it was influenced by the hereditary monarchy and Khosrow rule.

This current criticized the Shura theory adopted by the Sunnis, arguing that it includes popular participation but does not allow the rule of the people. But it is based on *Ahl al-hall wal-aqd* (those qualified to elect or depose a caliph on behalf of the Muslim community). The ruler remains in office even if he rules unjustly. Reaching power is not only based on Shura but also on overpowering and suppression. Thus, they believe that the bedrock of the political theory of imamate is close to democracy, in particular deliberative democracy. This is because the opinion of people with expertise is more favorable than that of the opinion of the majority in some matters. However, the imamate’s Shura theory does not mean only deducing opinions according to the Sunni theory of Shura. It also recognizes the role of the people in government, but there is a need for a guardian who is infallible and represents the Infallible Imam.⁽⁴¹⁾

To disentangle the contradiction between the principles of democracy and the guardianship of the jurist in appointing the ruler, this current does not bring forth strong justifications except for the argument of custodianship over the masses. It believes that the imamate theory reconciles the two issues. There is a divine appointment of prophecy and imamate, yet there is an observation and assertion by the people that the imam meets the requirements of being divinely appointed.

On the other side, it holds that the Twelver Shiite school outweighs the individual approach which gives individuals the right to choose their ruler, and the intellectual approach in governance which focuses on the righteousness of decisions⁽⁴²⁾ by enabling the will of the people to choose the ruler, while taking into account intellectual criteria in this regard.

However, the counter-argument of the opponents to absolute Velayat-e Faqih confirm that Velayat-e Faqih drastically contradicts democratic theory (based on the rule of the people; multiple sources of decision-making; free elections; competitiveness; and the genuine rotation of decision-making). There is a contradiction between practice and theory in Velayat-e Faqih. Multiple indicators affirm that there is a problem experienced by the ruling system; the increasing levels of popular protests with people demanding more democracy. A huge proportion of the opposition feel marginalized and suppressed. This is in addition to killing and locking up dissidents, let

alone the fact that the idea of Velayat-e Faqih established on representing the Infallible Imam is not based on solid religious legitimacy as it is opposed by many clerics and it is merely a Kalam-centered ijtihad and a speculative jurisprudential opinion.⁽⁴³⁾

Further, Velayat-e Faqih excluded other potential jurisprudential interpretations and arguments, if we recognize that these interpretations enjoy solid proofs — including conflicts in jurisprudential issues; the multiplicity of religious loyalties, limiting religious loyalties to issuing fatwas and collect *khoms* (religious tax on one fifth of income incumbent on all faithful Shiites), limiting Velayat-e Faqih to hisbah-focused matters, which is common according to most of views of Twelver Shiism.

Conclusion

The absolute version of Velayat-e Faqih theory, which began to take shape within Iranian thought, is a theory of continued theocracy, although it did not gain consensus from the entire Twelver Shiite community inside or outside Iran. It believes that the imams must rule, and the temporal rulers must submit to the teachings of divinely appointed imams. Then it evolved into traditional sultanic rule when the rulers of the Safavid dynasty adopted a quasi-theocratic political system since they were the protectors of the Twelver Shiite sect. In this kind of political thought, there is no place for actual popular sovereignty, popular representation or rule by the people. It is a thought influenced by Platonism and Neoplatonism, which consider the rule by the people as a form of denigration and a decline in politics, which should be of an aristocratic nature. Ruling is a divine matter taken over by the Infallible Imam or those representing him partially among the jurists since they are the guardians of Shiism or the representatives of the imam during the age of occultation. It is not part of the task of people to “interfere in the affairs of their imam and the master of the time,” Naini quoted in his counterargument on this selective approach (Velayat-e Faqih).⁽⁴⁴⁾

But on the other side, given the needs of political modernity and the multiple meanings and dimensions of democracy, as it possesses concepts of several meanings and indications, Velayat-e Faqih could be given more than one meaning, or could be encapsulated into procedural measures. The suitable measures could be used to reconcile perspectives towards democracy and the conservative intellectual principles in Iranian Shiite thought such as the principle of the republic, popular sovereignty, the nation, constitutionalism, and restricting authority in line with the supreme principles enshrined in the Constitution.

Nevertheless, there are democratic principles and themes which contradict the Iranian government’s philosophy such as the principle of human rights

according to the Universal Declaration of Human Rights, the right to protest and demonstrate against the government, the right of the political opposition to engage in free political competition and political pluralism, which is seen by the religious establishment and the defenders of Velayat-e Faqih as contradicting with the principles of Islam according to the interpretations of Twelver Shiite thought.

When Shiite political thought developed the guardianship of the jurist theory based on the traditional theocratic heritage, it faced the problem of trying to reconcile this heritage with some constitutional principles and contemporary values of governance, such as the rule of the people, the rule of the majority, the rule of Parliament, personal and religious freedom. Advocates of Velayat-e Faqih strongly opposed these principles, mainly traditional jurists like Khomeini. However, despite the attempts of Shariati, Motahhari and some moderate and reconciling intellectuals to devise new interpretations within Twelver Shiite thought which are agreeable to democracy, they were not able to go beyond procedural issues while issues of freedom and legitimacy were not touched.

Critics of the Iranian political system believe that the Constitution entrenched cultist sectarianism and the superiority of the Jafari school over other jurisprudential schools. It also solidified despotic rule and usurped the popular will, which is exercised via free and competitive elections, through the authority of the guardian jurist who has wider powers than elected institutions. This is in addition to the fact that the Guardian Council which determines whether laws and decisions are constitutional and how far they comply with the Islamic Sharia according to the Jafari school solidifies the control of Shiite clerics over political decisions in the end.

The guardianship of the jurist, according to this perspective, which is based on the imamate doctrine, hijacks democracy and renders it void of its essential principles. Popular sovereignty within a system controlled by clerics is meaningless.

On the other hand, some would argue that the reformist attempts inside the political system by allowing some democratic practices to counter corruption — even if they failed or were restricted as was the case during the term of Mohammad Khatami — could lead in the medium and long term to a weakening of the guardian jurist. These attempts can turn Velayat-e Faqih into a symbolic authority if constitutional amendments are made, the “reformists” ascend to power, and assume the guardian jurist’s office.

Endnotes

- (1) In a research census, according to the WorldCat.org for libraries around the world, there are more than 179 papers on Velayat-e Faqih in Arabic between articles and books, but legal and political studies have only a modest share of 18 topics for both fields. See: Global Index Libraries Project <https://www.worldcat.org>
- (2) Jean-Yves Calvez, "Theocracy," *International Encyclopedia of Political Science*, ed. Bertrand Badie, Dirk Berg-Schlosser, Leonardo Morlino (Thousand Oaks, Calif: SAGE Publications, 2011), 2599.
- (3) * *Mutazilites* derived from Mu'tazila is a rationalist school of Islamic theology which flourished in the cities of Basra and Baghdad, from the 8th century to the 10th century.
- (4) * Muawiya I is the founder and first caliph of the Umayyad Caliphate and the fifth Caliph of Islam.
- (5) It is an opinion on a doctrine prevalent among many of the Shiite Twelver jurists. As Khomeini says in his book *The Islamic Government*: "One of the imperatives of our doctrine is that our imams have a place to which neither a close king nor a messenger prophet can attain" Ruhollah Khomeini, *The Islamic Government* (Beirut: Al-Alami Foundation for Publications, 1968), 52. [Arabic].
- (6) Ahmad al-Katib, *The Evolution of Shiite Political Thought from Shura to Valayet-e Faqih*, (Beirut: Dar al-Jadid, 1998), 291-292 and 301-320. [Arabic].
- (7) It is one of the hadiths narrated in Shiite books about Imam Al Mahdi. This narration was included in well-known Shiite books, such as the book *al-Kafi* by al-Kulayni: "Each banner is raised before the rise of Mahdi, the one under whom this banner is raised is tyrant who is worshipped other than God Almighty. See: Sheikh al-Kulayni, *Kitab Al-Kafi*, ed. Ali Akbar Al-Ghafari, 4th ed., (Tehran: Haidari Printing House, 1362 Shamsi), vol.8, 295. [Arabic].
- (8) Ali Shariati, *Alawite Shi'ism and Safavid Shi'ism*, trans. Haidar Majeed, 2nd ed., al-Athar al-Kamla series 13, (Beirut: Dar Al Amir, 2007), 124-126. Wajih Kawtharani refutes, as does Shariati, those allegations that link Persian Shi'ism to the myth of Hussein bin Ali's marriage to Shahrbanu, a Sassanid princess, a daughter of Yazdegerd III, the last Sassanid emperor of Persia. In addition to the fact that Shiism spread in the Arab and Turkish Azerbaijani regions before the establishment of the Safavid state, whose founders belonged to the Turkish peoples in Iran, who were Sunni. But this came without denying the cultural influence of the political legacy in the reproduction of the sultanic regimes in the Abbasid and then Safavid and Turkish eras alike. See: Wajih Kawtharani, *al-Faqih and al-Sultan* (Jurist and Sultan): *The Dialect of Religion and Politics in Two Historical Experiences of the Ottoman and Safavid-Qajari*, 4 (Doha: The Arab Center for Research and Policy Studies, 2015), 150. [Arabic].
- (9) Sultan Muhammad al-Nuaimi, *Iranian Political Thought: Its Roots, Schools, and Impact, an Analytical Study in light of Persian Sources*, 2nd ed., (Abu Dhabi: Emirates Center for Strategic Studies and Research, 2010), 19-20. [Arabic].
- (10) Ibid., 24.
- (11) Mohammed bin Makki, al-Amili, *Theological Lessons in the Jurisprudence of the Imamate, Part Two*, (Qom: Islamic Publishing Foundation, n.d.), 47-48. [Arabic].
- (12) Ali Al-Wardi, "The Safavid State and Shiism," *The Safavids, History, Conflict and Sediments* (Dubai: Al-Mesbar Center for Studies and Research, 2011), 19. [Arabic].
- (13) Fouad Ibrahim, *alfkih waldoulah alfkr alsyasi alshia'I* (The Jurist and the state, Shiite political thought) (Beirut: Dar al-Kunooz al-Adabiya, 1998), 281. [Arabic].
- (14) Muhammad ibn Ibrahim al-Nu'mani, *The Book of Occultation: Kitab al-Ghayba*, ed. Hussein al-Aish, (The Grand Ayatollah al-Milani Foundation for the Revival of Shiite Thought, n.d.), 113.
- (15) It is a well-known hadith among Sunnis and Shiites, and it was mentioned by al-Kulayni in his book *al-Kafi*, Part 1, 34.
- (16) Ahmad al-Naraki, *Awaid al-Ayyam* (Qom: Center for Islamic Research and Studies, 1996), 529-585. [Arabic].
- (17) Mohammad Hussein Naini, *Tanbih alummah wa tanzih almilla* (the awakening of the community and refinement of the nations) (Cairo: The Egyptian Book House, 2012). [Arabic]
- (18) Khomeini explicitly stated his position on democracy in his book *Islamic Government* where he shows the difference between the Islamic government and republican governments and the constitutional monarchy which is based on the legislation of the representatives of the people, which is

the basis of the democratic process, while the Islamic government derives its legislation from God and not from the representatives of the people, see: Rohullah Khomeini, *Islamic Government*, (Beirut: al-Aalamy Foundation for Publications, 1968), 41; Katayun Amirpur, "Iranian Islam and Democracy, the Biography of Adoption," trans. Hussain al-Muzani, *Goethe Institute for Thought and Art*, accessed December 4, 2020, <http://bit.ly/31678AI>. [Arabic].

(19) Khomeini, *Islamic Government*, 80.

(20) . Hashem al-Milani, "Democracy from the Greeks to the Postmodern World, Contemporary Terminology Series 5," Islamic Center for Strategic Studies, 2017, 108. [Arabic].

(21) Abu al-A'la Al-Maududi, *The Political Theory of Islam*, (Beirut: Dar al-Fikr, 1967), 31. [Arabic].

(22) They represent the current that supported the preservation of the monarchy and the so-called legitimate despot. See Sultan Muhammad al-Nuaimi, *Iranian Political Thought: Its Roots, Schools, and Impact, an Analytical Study in Light of Persian Sources*, 2nd ed. (Abu Dhabi: Emirates Center for Strategic Studies and Research, 2010), 38-39. [Arabic].

(23) * By saying modernist intellectuals of the first generation, we mean the entire community of Iranian thinkers who were influenced by liberal and leftist Western thought, such as Ahmed Khosrawi up to Shariati. The second generation is the one which participated in the Iranian revolution and emphasized the concepts of freedom and democracy, such as Soroush and Melikian.

(24) *Ahmed Khosrawi is considered one of the intellectuals affiliated with the Shah's regime in the 1940s, and he was assassinated by the Islamic Fedayeen Organization, which has a revolutionary and fundamentalist orientation, loyal to the affiliates of the seminary. This critical orientation of Shiite beliefs was met with strong resistance from the religious establishment in Iran.

(25) Farhad Khosrokhavar, "The New Intellectuals in Iran," *Social Compass* 51, no 2 (June 2004): 192, <https://bit.ly/3vxA6a6>.

(26) See his writings on religion and religiosity, and how the dynamic religious idea turns into a rigid and resistant system to change: Ali Shariati, *Religion Against Religion*, Haider Majeed's translation, al-Athar al-Kamila Series 8, 2nd ed, (Beirut: Dar al-Amir, 2007 AD); Shariati, *Alawite Shiism and Safavid Shiism*.

(27) Ali Shariati, *History of Civilization*, trans. Haider Majeed, al-Athar al-Kamila Series 27, 2nd ed., (Beirut: Dar Al-Amir, 2007 AD), 749-754. [Arabic].

(28) Khosrokhavar, "The New Intellectuals in Iran," 196.

(29) Haitham Ahmad Muzahim, "Abd al-Karim Soroush and the Conflict Between Khatmiyya and the Shiite Imamate," *Beirut News Arabia*, May 3, 2015, accessed January 11, 2021, <http://bit.ly/3eYoViv> [Arabic]. See Abd al-Karim Soroush *Heritage and Secularism: Structures, Foundations, Backgrounds and Givens*, trans. Ahmad Al-Qubani (Najaf: Dar Al-Fikr Al-Jadid, 2007), 153. [Arabic].

(30) "Constitution Rankings," *Comparative Constitutions Project* (2016), accessed March, 18, 2021, <https://bit.ly/3nKie98>.

(31) Two copies of the Iranian Constitution were used, the old version before the amendment, and the new version after the constitutional amendment, the Ministry of Islamic Guidance, the Constitution of the Islamic Republic of Iran (Tehran: Ministry of Islamic Guidance, 1403 AH); Ministry of Foreign Affairs, Islamic Republic of Iran, "The Iranian Constitution," accessed February 14, 2021, ar.mfa.ir.

(32) Murtaza Motahari, *Issues of the Islamic Republic* (Beirut: Dar Al-Hadi, 1981), 13. [Arabic].

(33) *Ibid.*, 33.

(34) *Ibid.*, 34

(35) Ghazanfar Ruknabadi, "Islam and the Political System in the Islamic Republic of Iran," (Beirut: Civilization Center for the Development of Islamic Thought, 2013), 434. [Arabic].

(36) Robert Alan Dahl, *Polyarchy: Participation and Opposition*, 26. print (New Haven: Yale Univ. Press, 1998).

(37) Mohsen Kadivar, "Velayat-e Faqih and Democracy," *Mohsen Kadivar Official Website*, October 23, 2002, accessed March 1, 2021, <https://kadivar.com/3103/> [Persian].

(38) The advocates of the concept of popular sovereignty infer that it combines democracy based on popular participation, collective rule, and the governance of God through the Vali-e Faqih. Mansur Mir Ahmadi, "Religious Popular Sovereignty: Between Possibility and Conceptual Abstinence," in *Popular Religious Sovereignty: The Problem of the Concept*, trans. Ali Al-Mousawi (Beirut: Dar Al-Ma'aref

Al-Hakamiah, 2014), 45. [Arabic].

(39) Mansour Mirahmadi, "Religious Democracy in Iran: Discursive Analysis of Imam Khomeini's Political Thought," *Journal of Islamic Political Studies* 1, no. 1(1 March 2019): 22.

(40) Muhammad al-Sanad, *Dialogue on Democracy* (Beirut: Dar Al-Mahajjah Al-Bayda, 2009), 36. [Arabic].

(41) Ibid., 46

(42) Ibid., 49

(43) Tawfiq Al-Saif, *The Theory of Authority in Shiite Jurisprudence: The Post-Valayet-e Faqih-Era*, 2nd ed., (Beirut: Arab Cultural Center, 2014), 280. [Arabic].

(44) Naini, *Tanbih alummah wa tanzih almillah*, 174.

IRAN'S POPULATION POLICY: BETWEEN DEVELOPMENT CHALLENGES AND GEOPOLITICAL CONSIDERATIONS

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Abstract

Iran's population policy has witnessed dramatic changes over the past 40 years. After the Shah's fall in 1979, and during the Iran-Iraq war, the revolutionary government revoked the Shah's family planning program and adopted a new policy aiming to increase population growth under the pretext that Iran needed millions of soldiers to defend the newly established republic. Following the sanctions imposed after the end of the Iran-Iraq war, Iran adopted a comprehensive family planning program to control birth and fertility rates. Accordingly, Iran's population growth declined dramatically. Over the last 10 years, Iran's population policy has shifted towards stimulating population growth in light of rising government concerns over the diminishing population size and an increasingly aging population. These shifts in population policy confirm that the issue of population in Iran is not limited to mere social and demographic dimensions; it is also related to geopolitical objectives and the aims of the Iranian government at home and abroad. The present study investigates one main question: what has been the impact of Iran's population policy — whether at home or abroad — in light of ongoing development challenges, the orientations of Iran's political system, and the country's geopolitical considerations?

Keywords: *Iran's population policy, development challenges, geopolitical impacts.*

Introduction

Population is a vital national asset and constitutes a significant variable in the balance of power equation between states. The development potential of any state is related to the size of its population and the economic resources that it has available. Its military capabilities, especially the size of its armed forces, are related to its population size and its age structure. Therefore, population size presents opportunities and challenges for any state against the backdrop of its goals, interests and ambitions. It provides a state with as much opportunities as it does dilemmas. In the case of Iran, its political goals and ambitions exceed its actual capabilities, and transcend its geographical borders since it strives to expand its regional presence and influence. Therefore, population is a key factor when evaluating Iran's capabilities, national assets and regional geopolitical influence. That is why Iran's population policy has always been subject to remarkable changes in light of the aforementioned considerations. This policy has witnessed radical, as well as contradictory transformations over the past 40 years. After the fall of the Shah's government in 1979, and with the onset of the war with Iraq, the revolutionary government abolished the country's birth control program which was put in place by the previous ruling system. The revolutionary government adopted a different policy intending to increase the rate of population growth under the pretext that Iran needs millions of soldiers to defend the new republic. With the end of the war, and under economic and developmental pressures, Iran adopted a comprehensive birth control program which led to a remarkable decline in the rate of population growth. During the last 10 years, Iran has readopted programs to increase the rate of population growth due to government leaders fearing a declining and ageing population, which would negatively impact Tehran's role and influence in the region. These changes in population policy confirm that Iran's demographic issue is not limited to purely social and demographic dimensions, but rather is linked to geopolitical considerations in the context of the Iranian government's goals and interests internally and externally. As a result, these changes need to be studied in light of Iran's regional environment and to determine their impact on Iran. The aforementioned is covered by this study. The research problem is based on one major question: what are the internal and external impacts of Iran's population policy in light of Iran's development dilemmas, the orientations of the current political system, and its geopolitical considerations?

Based on the previous question, this study aims to explore the internal and external impacts of Iran's population policy by trying to answer the following sub-questions:

What are the characteristics of Iran's population policy, and what have been the most prominent changes to it?

What is the nature of the development opportunities and what are the challenges that the demographic issue raises for the Iranian government?

What are the impacts of Iran's population policy on the Iranian government and its future?

What are the potential implications of Iran's population policy on its regional scale?

1. The General Characteristics of Iran's Population Policy and Its Most Prominent Changes

Unlike its regional counterparts, such as Turkey and Egypt, Iran began to take an interest in population issues relatively late. The first government birth control program was implemented in 1967 during the reign of the former monarchy. This program was accompanied by the enactment of some laws, especially the so-called family protection laws, with amendments made to marriage and divorce laws, such as limiting the practice of polygamy and restricting the right of men to divorce unilaterally.⁽¹⁾ This program was not comprehensive. It mainly targeted urban areas and major cities. It was limited and largely ineffective, and failed to achieve the goal of reducing population growth rates by reducing total fertility rates in Iran, which remained above six children per woman until the late 1970s.⁽²⁾

This birth control program and the subsequent amendments to the marriage and divorce laws resulted in many conservative figures and some religious leaders criticizing and condemning it on the basis that it was part of an imperialist conspiracy to reduce the number of Muslims in the world and to strengthen the hegemony of the West over Islamic countries and the Third World countries in general. Therefore, the program was suspended due to the outbreak of the revolution in 1979 and the establishment of the republic. Its trained cadres and workers were transferred to the health sectors. The new government, however, did not develop a comprehensive population policy. Instead, it pursued policies to promote childbearing. Many Iranian political leaders considered a large population as an important indicator of a state's strength. As a result, the government encouraged early marriage not only as a means to boost population growth, but also as an important means to end moral vices and tackle other social ills. Laws that limited early marriage and childbearing, such as the family protection law and restrictions on polygamy and temporary marriage were abolished; in addition, the minimum age for marriage decreased.⁽³⁾

As Iran engaged in a long and costly war with Iraq between 1980-1988, the narrative calling for the country's population to increase became much more prominent. The leader of the revolution, Ayatollah Khomeini, called on the Iranian people to increase childbearing to form an "army of 20 million men" to support the defense of the new republic. The state enhanced child subsidy

programs provided to poor families. Iranian families responded to such incentives, which resulted in the fertility rate increasing to its highest levels, with about seven children per woman near the middle of the war.⁽⁴⁾

In 1986, a significant turning point occurred regarding Iran's demographic history. In that year, the price of oil fell dramatically which led to a decline in government revenues as the war continued and entered its sixth year. Iran's first census revealed the country's significant population growth and its high fertility rates. The annual population growth rate was approximately 4 percent.⁽⁵⁾ This increase in the rate of population growth was rapid despite hindering factors such as the Iran-Iraq War's large human toll, the increasing number of Iranians emigrating, and economic uncertainty. In 1986, the population reached 50 million, an increase of 14 million in one decade.⁽⁶⁾

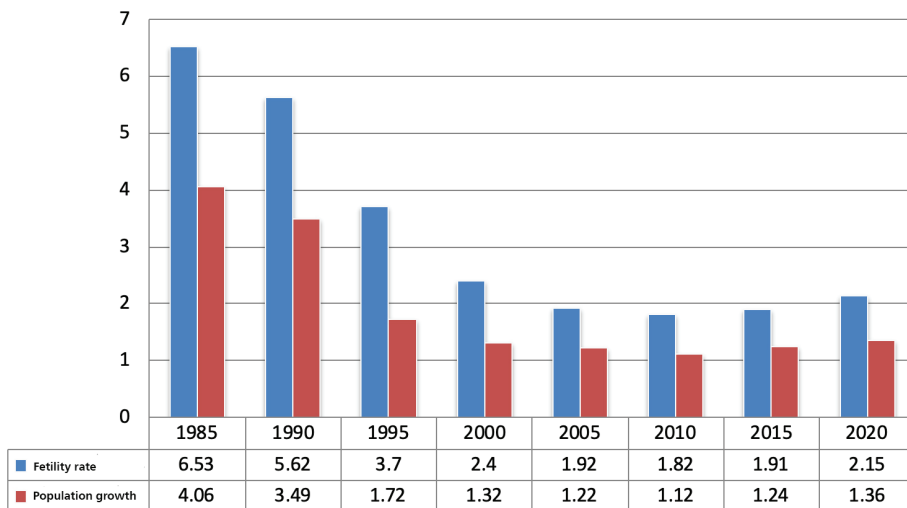
This large and rapid increase in population size impacted the thinking of many political leaders, as they realized that it would place a great burden on the country's limited resources. They also expected that the end of the Iran-Iraq War would increase the government's financial burden as it would have to reconstruct the areas that were destroyed during the war, and popular pressure on the government would also grow, particularly to meet promises which were sidelined during the war. The provision of healthcare and free education as well as job opportunities were pledged to the Iranian people by the government since it claimed to represent the oppressed and vulnerable. These provisions were included in the new Iranian Constitution to transform Iran into a just society, where everyone has equal opportunities.⁽⁷⁾ As a result, the national birth control program was re-implemented with the support of Iran's religious leaders and Khomeini, the supreme leader of the revolution.⁽⁸⁾

To bring about this radical shift in population policy without undermining the role of the government or religious leaders, the family planning program was handled under the umbrella of crisis management, and not as part of the government's development policy. A comprehensive strategy was also adopted to mobilize popular support for birth and fertility control programs. Public debates were raised in the media by experts to highlight the costs and the ramifications of a rapid rise in population size on education, health, agriculture, food supply, housing and public utilities. The discussion raised focused on the imbalance between the size of the population and public resources. The government to kick start the family planning policy established an independent body to oversee its implementation, which was the High Council on Family and Planning. It worked in concert with other relevant bodies to provide free and comprehensive birth control services to all urban and rural regions.⁽⁹⁾ In addition, a family planning law was enacted in 1989. It abolished the economic incentives offered to large families.⁽¹⁰⁾

Unexpectedly, the new policy to curb population growth achieved

considerable and remarkable success. The total fertility rate in Iran declined significantly as of 1989. However, the desired goal of family planning was to reduce the total fertility rate to 2.3 children per mother until 2010. This goal was actually achieved a decade earlier ahead of the scheduled time. The fertility rate in 2000 was very close to the replacement level (the amount of fertility needed to keep the population the same from generation to generation) and was estimated at 2.2 children per woman.⁽¹¹⁾ Consequently, the population growth rate decreased from 4 percent in 1986 to 1.4 percent in 1996.⁽¹²⁾ It was also estimated at 1.3 percent in 2011.⁽¹³⁾ This rate has continued to be low over the subsequent years as evident from Figure 1.

Figure 1: Total Fertility Rate and Population Growth in Iran (1985-2020)



Source: UN Department of Economic and Social Affairs, <https://cutt.us/2BCJE>

This significant and rapid decline in fertility and population growth rates raised concerns among government officials about a trend towards ageing and a possible decrease in population size during the coming decades, and they were concerned about the impact of this on Iran's power and influence in the region. Therefore, the government increasingly warned that population growth rates would be negative once again, leading to a decrease in the size of the population in the future. Once again, Iran's population policy radically shifted. The birth control program was abandoned, and Iran's official discourse encouraged childbearing to increase population growth rates.

In this regard, the former conservative President Ahmadinejad criticized the birth control policy as an evil Western policy. He called for increasing Iran's population to 150 million. In 2010, a new policy was launched to increase

population growth by providing financial incentives to encourage families to have many children.⁽¹⁴⁾

The Supreme Leader Ali Khamenei stated in October 2012 that “one of our mistakes was the birth control program. The population control policy was necessary at first, but it had to be stopped by the mid-1990s.”⁽¹⁵⁾ He stated again in 2019 that “reproduction is a very important and priority issue. The statistics now indicate that our fertility rate is below the replacement level, meaning that we will have an ageing society after 30 years. It is a great danger. This requires effort and action. Of course,, there are ways to fix that, and we have to figure them out.”⁽¹⁶⁾

Overall, it is noted that Iran’s population policy lacks a comprehensive and multidimensional vision regarding population issues. It is also characterized by confusion and improvisation because it lacks a stable, effective and long-term strategy to deal with Iran’s demographic situation and its problems. It can be said that this policy is mostly a set of measures, actions and temporary decisions to deal with the population issue as determined by circumstances, in accordance with the immediate interests of the ruling government and the directions of its leaders. They tend to view population size from a radical traditional angle, sometimes population size is a key element in the state’s balance of power, and at other times it is a huge burden or a causation of development crises. However, they ignore the fact that these crises are not because of a large population, but the outcome of limited and ineffective government policies.

2. The Development Opportunities and Challenges Arising From Iran’s Population Policy

Population policy is closely related to development theory. According to this theory, it is evaluated whether population size offers an advantage or opportunity for development, or whether it impedes it. There is an interrelationship between population policies and development. The effectiveness of population policies is thought to reflect positively on development. Also, the latter is supposed to positively impact population affairs. Any population policy must consider the correlation between population on the one hand, and the availability of resources and prospective opportunities for economic growth and development on the other hand.

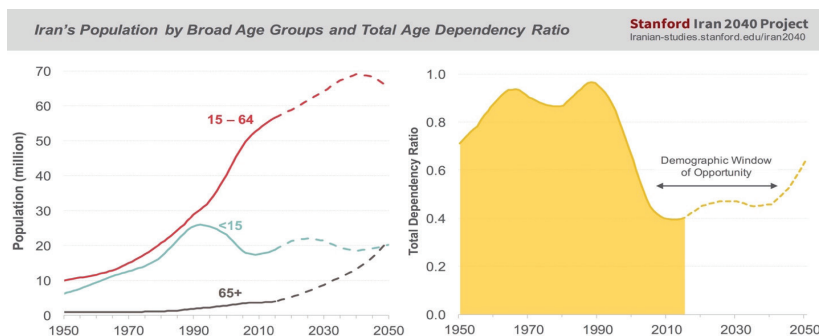
In the case of Iran, its population policy offers opportunities as well as dilemmas and challenges. This policy lowered total fertility rates, thus reducing overall population growth. This has led Iran to enter a new phase since 2005 known as the “demographic window of opportunity” for growth, where the working age population exceeds the number of dependents and elderly (as shown in Figure 2). If this demographic opportunity is managed effectively and successfully, it could have a positive impact on Iran’s economic situation

and development. If this opportunity fails to be properly managed, it will have a negative impact, turn into a crisis and will represent a major impediment to development.

As a result of the sharp decline in fertility, the percentage of the population under the age of 15 decreased, while the population aged 65 years and over remained relatively stable. Consequently, the age dependency ratio decreased from 93 percent in 1990 to 46 percent in 2005 and reached its lowest levels to 40 percent in 2010. It is expected to be around the same rate for about four decades. Then, the constant increase in the relative share of the elderly population will lead to a steady increase in the total dependency rate in 2030 to 58 percent in the middle of the 21st century.⁽¹⁷⁾

During the window of demographic opportunity which Iran is currently experiencing, the working age population between 15-64 years is expected to peak at around 65 million in the mid-2030s before it begins to decline later. With fewer dependents (children and elderly) who require investment in basic needs, education and healthcare, the government can allocate more resources for investment in economic development. It will be able to achieve rapid economic growth rates if it can obtain sufficient capital from domestic and international sources in the future to finance the creation of a relatively large number of well-paying jobs, so that its large and well-educated workforce is employed as soon as possible. Therefore, Iran can benefit from this demographic opportunity if appropriate economic policies are adopted to address the current high unemployment rate, and if it is able to improve governance, increase investment, and adopt appropriate and effective social and economic policies. This will allow Iran to accommodate a large percentage of its working-age population, employ their skills and help them to raise their standard of living, so that they can contribute to the economy through work, investments and savings.⁽¹⁸⁾

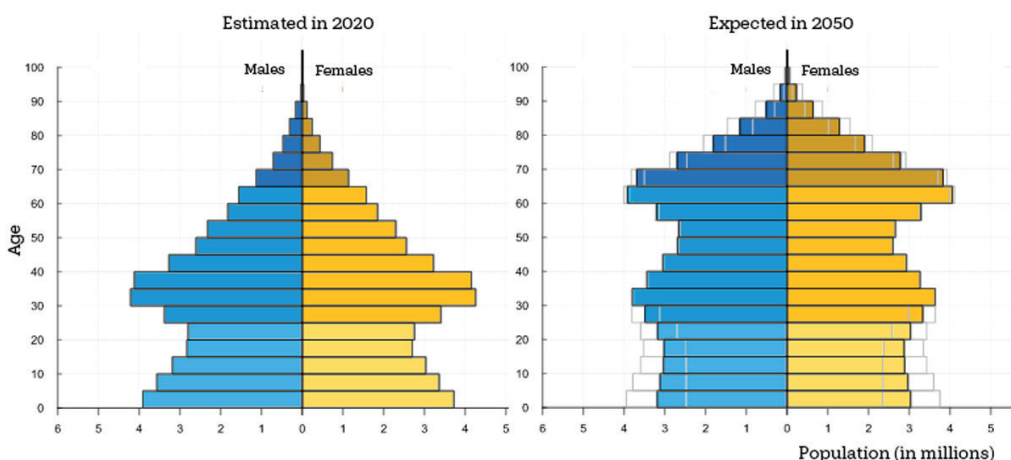
Figure 2: Iran's Population by Broad Age Groups and Total Age Dependency Ratio



Source: Farzaneh Roudi, Pooya Azadi and Mohsen Mesgaran, "Iran's Population Dynamics and Demographic Window of Opportunity," *Stanford Iran 2040 Project*, Stanford University, October 2017, <https://stanford.io/3uqnwsv>

However, the possibility of Iran taking advantage of this demographic opportunity is thwarted by many challenges and obstacles. While the favorable demographic conditions at this stage can possibly lead in the future to increased productivity and reduce the government's welfare obligations, they will begin to reverse as Iran's population grows over the coming decades. This makes it necessary for Iran to increasingly take full advantage of its workforce and to work on creating favorable financial conditions. Meanwhile, it will have to revamp its healthcare and public pension systems to cope with an ageing population in the future. The rapid pace of age-structural shifts indicates the urgent need to reform the pension and social insurance system which is poorly designed and managed and unsustainable. With the trend towards ageing, Iran's social security system will be under severe stress. In this context, a World Bank report issued in 2003 predicted that Iran's social security system would become insolvent, and that its liabilities would rapidly increase within three to 10 years as has happened. Of the 22 public and occupational investment funds of the insurance system, only two funds currently generate sufficient returns to pay due pensions. The remaining monthly obligations are currently covered by the government, which pays 76 percent of all pension payments.⁽¹⁹⁾ This situation is expected to worsen during the coming decades, especially if the demographic window is not properly leveraged, as it is expected that the percentage of elderly, especially those who are retired, is to increase. This is illustrated in Figure 3.

Figure 3: Iran's Population Pyramids



Source: United Nations, DESA, Population Division. Licensed under Creative Commons licenses CC by 3.0. IGO. United Nations, DESA, Population Division, *World Population Prospects 2019*, <https://cutt.us/RRBrm>

Another challenge relates to investment prospects and obtaining sufficient capital from local and international sources to create employment opportunities that are commensurate with Iran's increasing working population. However, the overall climate in Iran is not conducive to investment. Iran's security institutions often view foreign investment, local businessmen, and multinational corporations with suspicion. The leaders of the government consider foreign investment as a pretext for overthrowing the regime. The IRGC also tends to perceive local entrepreneurs and multinational corporations as competitors if not a threat. This situation has hindered economic prosperity, exacerbated the shortage of economic opportunities for citizens, and has increased unemployment rates, especially among the youth, therefore increasing the Iranian brain drain. A report issued by the International Monetary Fund in 2009 ranked Iran first in brain drain out of 91 countries. The Iranian minister of science, research and technology estimated in 2014 the number of educated citizens who emigrate abroad each year at nearly 150,000, which caused Iran an annual loss of \$150 billion.⁽²⁰⁾

In addition to the aforementioned challenges regarding Iran's ability to manage the demographic window, there are other development challenges and dilemmas facing the country. Their difficulty and danger will be further exacerbated in the future if Iran's population size increases as the leaders of Iran's ruling system desire. Although it is a comparative advantage for Iran and compatible with its wide geographical expansion, and contributes in one way or another to upholding its regional influence, a large population size could lead to very difficult challenges in regard to the availability of economic resources. This will also strain the government's capabilities to meet growing demands which will put a tremendous burden amid the government's limited and ineffective economic policies and the imbalance between development needs and available resources. Perhaps the most significant challenge is the one that is related to dealing with the shortage of fresh water and the provision of adequate housing.

If the government's current policies related to encouraging childbearing lead to a rise in population size, this will further complicate the water crisis that Iran is facing at the present time in a way that negatively impacts livelihoods and development. A rising population rate will place tremendous pressure on existing insufficient water resources, in a way that reduces water per capita and reduces the quantity of water needed for agriculture, which in turn may cause serious challenges regarding food security.

Iran suffers severely from a scarcity of fresh water because of frequent droughts, which have lowered surface and ground water volumes, and have decreased the water reserves of dams. This presents the country with a very difficult challenge, especially regarding how to balance between limited water

resources and a growing population. The amount of water that was available for 30 million and 35 million people is now similar (or less) for a population of about 84 million. Government officials, however, are demanding to increase it to 120 million or 150 million. The growing challenge reveals that the water shortage crisis in Iran, if it is not managed properly, will force 50 million people to leave the country. Some forecasts also indicate that if the level of water consumption in the agricultural sector continues at the current rate, eastern and southern Iran will be completely deserted in less than 25 years.⁽²¹⁾

Moreover, in light of the current population size, providing adequate housing is another difficult challenge for Iran, which will worsen as the population increases in the future, especially as the government lacks a comprehensive and effective strategy to balance between population size and the growing demand for adequate housing units. The results of some studies indicate that demographic developments have been neglected in crafting policies and housing plans. The failure to take demographic issues and changes into account is a major factor contributing to Iran's inadequate housing policies.⁽²²⁾ The rise of slums is the most prominent indicator of the government's ineffective housing policies. In 2017, some reports indicated that the rise of slums and social marginalization in Iran are directly related to rising levels of migration from rural to urban areas, in addition, to the government's inability to address this dangerous phenomenon. 19 million people, nearly a quarter of the population, live in ramshackle slums that lack adequate sanitation and facilities.⁽²³⁾ If the situation is this bad under the current demographic reality, it will be catastrophic if the population size increases.

3. The Impacts of Iran's Population Policy on the Political System and Its Future

Population policies, and their correlation with development have always had an important and decisive influence on successive governments in Iran. The extent of government legitimacy and stability in Iran is related to the following: the effectiveness of government plans and public policies; government success in tackling demographic shifts and their challenges, which in turn is related to ensuring appropriate economic satisfaction levels, and government efficiency in responding to political demands, which are generated from demographic shifts, including rising urbanization rates and education needs.

The development during the Shah's reign focused on creating an urban middle class, expanding the urban economy by investing oil revenues, and adopting an agricultural reform program that significantly changed the traditional structure of Iran's rural areas and also brought about rapid urbanization.⁽²⁴⁾ This rapid urbanization and the growing size of the educated middle class, along with high population growth rates, which government

policies were unable to reduce or deal with including the increasing challenges arising from them, contributed to increasing societal demands for political reform and expanding political participation, which finally led to the overthrow of the monarchy.

After the 1979 revolution and the establishment of the republic, the revolutionary government adopted a developmental populist approach, prioritizing the most urgent basic needs, and avoiding the indignation of the less wealthy segments that constituted the main support base of the revolutionary government. As part of the policies implemented after the revolution, the government worked to meet the needs of the less wealthy segments by providing basic food items, and health services. In addition, it established a ration system to ensure the provision of critical food items and fuel at low prices. However, these policies massively drained the budget which made it difficult for the government to continue with providing subsidies for a long period of time. The government also expanded access to education, which created challenges related to the government's ability to continue providing basic education in a comprehensive manner given the continuous increase in the number of school-age people. These realities have drawn attention to the problems caused by population growth rapidly increasing.⁽²⁵⁾ This prompted the government to change its direction and abandon its policy that encouraged childbearing, and to adopt a policy to limit population growth to reduce the burdens on its shoulders before adopting a policy to increase population growth rates once again. These radical changes in population policies impacted the political system, especially its credibility, legitimacy, and stability.

The radical contradictory shifts in the population policies of successive governments have greatly undermined their public credibility. Iranian governments have shown inconsistency because their purported values, principles, slogans, orientations, and policies have changed in accordance with circumstances and their interests. When a large population size served the government's interests and its alignments during its early stages and amid the war with Iraq, government officials in the mid-1980s considered this to be a blessing and a divine gift to Iran. However, when the government recognized the difficult challenges arising from a growing population and was unable to deal with them, its officials proposed fertility control and family planning, and considered this to be a national goal as well as a social and religious duty. When total fertility and population growth rates dropped resulting in a trend towards ageing, and government officials feared that this would negatively impact Iran's position and regional influence in the future, the birth control policy was once again criticized as an evil Western scheme to weaken the country. Iran's political leadership admitted that implementing the birth control policy was a mistake.

The most prominent indicator of the decline of the political system's credibility because of its shifting demographic policies is the Iranian public's failure to respond to its call to increase childbearing to raise the population growth rate. This call, which has been growing for more than 10 years, is not received well in society. Official statistics indicate a continuing decline in Iranians wanting to have children, even though the leader of the republic, Ali Khamenei, has repeatedly called for increasing the country's population size, most recently in February 2021. He mentioned that "marriage and childbearing are two vital needs of the country at the right time, now and in the future." He called on the media to "devise a plan to promote marriage and childbearing at the right time."⁽²⁶⁾ This continuous decline in Iranians wanting to have children is linked to a lack of confidence in the government's performance because of its ineffective policies which have caused various crises, exacerbating the degree of economic uncertainty, resulting in worsened living conditions. This has contributed to the delay in the age of marriage and the increase in older unmarried women, which has resulted in fertility rates decreasing. In this context, there are increasing warnings that many young men and women exceed the age of marriage. In 2016, they were estimated at more than 11 million. The largest proportion of them are females which would lead the number of elderly single women to increase in the future. This could cause many problems in Iranian society.⁽²⁷⁾

On the other hand, the government's population policies have negatively impacted its legitimacy. It became clear over time that the ruling government lacked a comprehensive and long-term strategy to deal with the demographic shifts resulting from its population policies, and its development policies failed to deal with the pressures and challenges resulting from these demographic shifts. The government was unable to meet the basic economic and social needs of the Iranian people. This significantly decreased the legitimacy of the government, as it lost the support of its popular base, the most important source of its legitimacy. It was unable to address crises, achieve success in development, secure social justice and economic wellbeing.

The decline in legitimacy, in turn, impacted stability, which decreased significantly. This is evident by the unrest and frequent popular protests, with popular demands including calls to improve socio-economic conditions and change the political system.

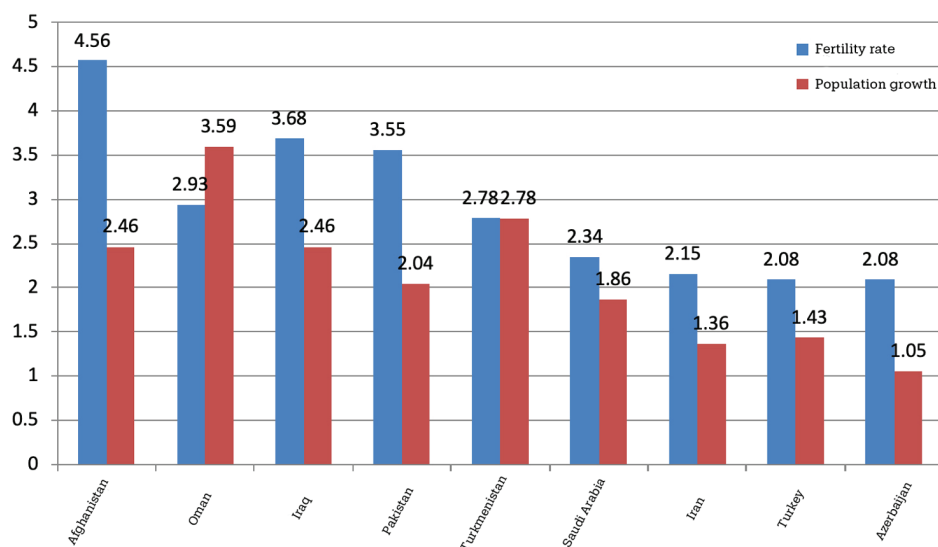
These pressing and critical realities impose difficult choices on the current ruling system. As a result, it may be forced to change some of its convictions and reconsider its positions to prioritize economic interests instead of its revolutionary ideology. This may lead in the medium or long term to fundamental changes in the nature of Iran's political system, leading it to be less closed, radical and authoritarian, and more inclusive, open and

liberal. These changes will be triggered by developments related to increasing demographic shifts, such as rising urbanization rates and education needs, which are expected to lead to greater social demands for political participation. This may lead to the emergence of reformist forces within the political system itself. These forces may redirect the orientation of the political system, moving it slowly and gradually towards more economic and political liberalization, or instigate a radical change through a popular uprising.

4. The Potential Repercussions of Iran's Population Policy at the Regional Level

The leaders of Iran's political system consider population size to be an important and decisive element in regard to the country's national capabilities and geopolitical influence at the regional level. Demographic considerations are intertwined with political and strategic considerations. Iran's leaders are currently calling for an increase in population and have warned against an ageing population. Iran appears to be in demographic competition with its neighboring countries. This competition is closely related to its ongoing political and strategic competition with other regional powers and parties to increase its presence and expand its sphere of influence in the region. Given the demographic situation in the region, it is evident that most of Iran's neighboring countries surpass it in terms of total fertility rates and population growth rates (as shown by Figure 4), and have younger demographic structures compared to Iran (as shown in Figure 5). The leaders of Iran's ruling system realize that their neighborhood, which is very different to Iran both in ethnic and sectarian terms and includes bitter enemies or at least competitors, constitutes an important impediment to Iran's ability to achieve its goals, aspirations and national interests; and poses a threat to its existence, especially against the backdrop of its lower population growth rates, the movement towards an ageing population, and a possible decline in population size in the long run. This may result in Iran's national entity vanishing in light of its human and geographical surroundings. Iran's surrounding states have considerable ethnic groups inside the country. Thus, Iran's population is not merely limited to the country's internal demographics, but it is also connected to its regional surroundings. Iran's population will likely have a significant impact on the balance of power equation and on Iran's regional influence as well as impact regional stability and the nature and areas of competition between regional powers.

Figure 4: Fertility and Population Growth Rates in Iran Compared to Some Neighboring Countries (2020)



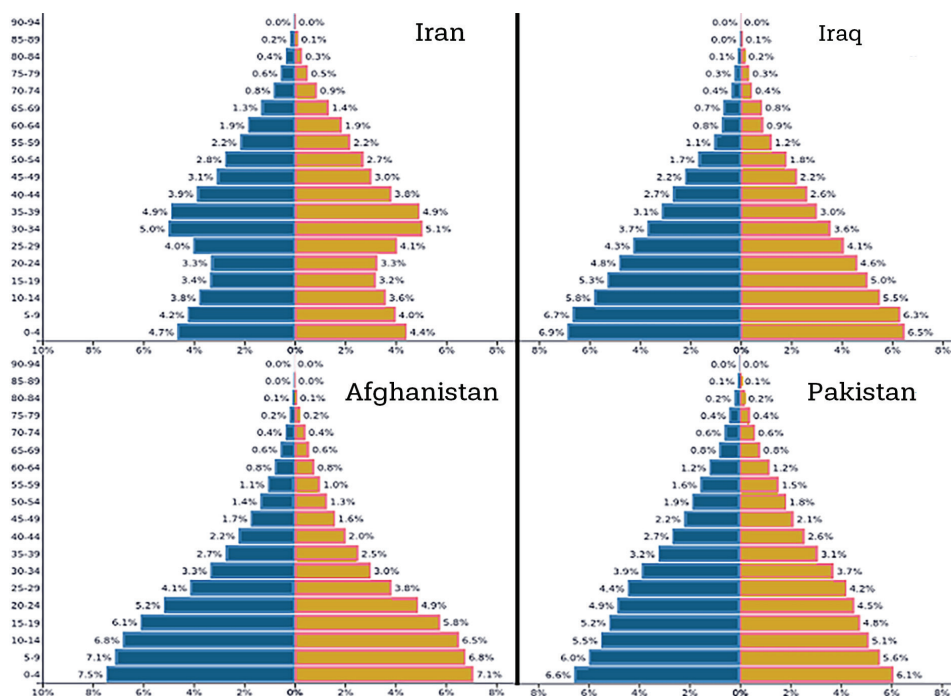
Source: UN Department of Economic and Social Affairs, <https://cutt.us/0Fi9M>

In regard to the impact on Iran's balance of power and regional influence, it is possible that a declining population size, an ageing population, and a decrease in the number of young people of military age, will reduce the Iranian government's ability to support the country's huge military establishment. The latter has various wings: the regular army, the IRGC, internal security forces, and militias operating outside the country. Further, it is expected that the economic pressures—generated from the imbalance between economic and development capabilities/needs and the size of Iran's current population.— and the country's increasing financial burdens caused by high dependency rates in the near future as well as the trend towards an ageing population will lead to a relative reduction in the expenditure on Iran's military (military development programs and arms deals) and foreign militias. This will lead, in the medium and long term, to significant changes in the balance of military forces in the region to the disadvantage of Iran, and in favor of other regional parties. Some of these parties are characterized by relatively high rates of population growth and have younger population structures which offer an opportunity for greater military mobilization, while others have better economic or financial capabilities that offer an opportunity for more weaponization compared to Iran.

This reality is likely to have important repercussions on Iran's regional

influence. It will place great pressure on the Iranian government, and may force it to reduce its external role and activities to control some neighboring countries, and influence the existing balances in the region to serve its interests. Consequently, Iran will stop, or at least reduce, its financial and military support for its proxy political organizations and militias, especially in Iraq, Syria, Lebanon and Yemen. This could reduce Iranian influence in the region and turn Iran, in the medium or long term, from a regional power that is ambitious and struggles for greater influence beyond its borders, into a normal regional state that works to adapt in order to survive.

Figure 5: Iran's Population Pyramid Compared to Some Neighboring Countries (2020)



Source: Population Pyramids of the World, <https://cutt.us/nG8id>

In terms of influencing regional stability, Iran's demographic reality is likely to have two opposing impacts on regional and political stability. First, the pressures and development problems resulting from demographic shifts; the potential changes in the balance of power against Iran; the decline of Iran's external interventions and expansionist activities — a result of its self-isolation and preoccupation with addressing internal challenges and problems — can solve crises and conflicts that have emerged from Iran's interventions and

de-escalate the political tensions in the region. Second, these developmental pressures also can potentially prompt the Iranian government to change its behavior that generates tension, to remove the international sanctions imposed on Iran, and to avoid further sanctions in the future. This change would be in the interest of regional stability.

On the other hand, it is assumed that the pressures resulting from the discrepancy between available resources, especially water resources, and the current size of the population in Iran, which government officials are wanting to increase, will damage regional stability. The water crisis is likely to exacerbate the economic, social, political and security problems internally due to the possible escalation of the current disputes over the distribution of water to Iranian regions and the possible extension of the impact of these problems to neighboring countries. In addition, this crisis will possibly escalate tensions and conflicts between Iran and its neighbors over water resources, into armed confrontations. The signs of this escalation began to appear years ago, as tensions and disputes increased between Iran and Turkey, Iraq and Afghanistan over the sharing of the waters of the common rivers. It will increase mutual accusations of restricting the flow of rivers.⁽²⁸⁾

In terms of influencing the nature of regional competition, it is possible that demographic shifts in Iran will impact the nature of regional competition by shifting its focus from political and strategic considerations into economic considerations. Under the increasing pressure and developmental challenges resulting from Iran's demographic shifts, and as the government was forced to respond to these pressures, in an attempt to benefit from the demographic window that Iran entered since 2005, it is believed that Iranian attempts will increase to secure the largest possible economic gains to ensure a balance between the size of its population and its financial resources. This is likely to escalate the competition between Iran and its neighboring countries over economic interests. It seems that the shift in the nature of regional competition towards a greater focus on economic considerations has already started recently. This competition was evident over oil and gas pipelines from the Arabian Gulf region to Pakistan and India, and between Iran and Turkey over the oil and gas transportation route from Central Asia to Europe. There is also competition in the land and sea transport routes, such as the North-South Corridor between Central Asia and Iran, up to India through Chabahar port, the Central Corridor through the Caspian Sea, the Pakistan-China Economic Corridor, and the New Silk Road.

Conclusion

Over the past four decades, the Iranian government has adopted a volatile population policy. This policy, at one stage, was able to achieve its goal of reducing fertility levels and population growth rates, but it failed to control this reduction in a way that could achieve a balance between population growth and economic development, and to ensure that Iran's population structure remains balanced in the medium and long term. At this stage, the government appeared to be ineffective in dealing with the demographic shifts and the ensuing challenges and development dilemmas. Therefore, the government was unable to push for increasing population growth rates to avoid an ageing population structure, and its potential future ramifications on dependency rates. In addition, the government was unable to improve economic capabilities and the country's geopolitical standing nor was it able to achieve adequate levels of development that meets the demands of the current size of the total population. Furthermore, it was unable to invest the outcomes of the demographic shifts, known as the "demographic window of opportunity." This reality, in addition to its internal impact on the credibility, legitimacy and stability of the government, also has implications regionally because of its impact on the balance of power, and on the nature of competition in the region. These impacts, as a whole, are against Iran, leading Iran to face two difficult choices: neglecting its developmental and political challenges generated from the population crisis and continuing its regional conflicts, or changing its foreign policy and settling its conflicts so that it can devote itself to dealing with the dilemmas arising from its population shifts and their related development pressures. Of course, the choice that is made will depend on whether government officials will prioritize revolutionary ideological considerations in the future or the economic interests of the Iranian people. The latter requires integration, coexistence and cooperation rather than conflict.

Endnotes

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THE ECONOMIC AND STRATEGIC SIGNIFICANCE OF IRANIAN PORTS: JASK PORT AS A CASE STUDY

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Abstract

From Iran's point of view, Iranian ports are not only economically important but also strategically significant, given the Iranian government's vision. This study attempts to shed light on the different aspects of these ports and their importance. It also presents Jask port as a model which Iranian decision-makers take into consideration when thinking of how to benefit from Iran's other ports. The study includes the following: the importance of Iran's sea ports, the map of the northern ports overlooking the Caspian Sea, the southern ports overlooking the Arabian Gulf, Iran's goals for developing its ports, Jask port as a model, the challenges of developing Iranian ports, and the problems facing the Jask port project.

Keywords: Jask Port, Caspian Sea, Arabian Gulf, seaports.

Introduction

Maritime navigation plays a significant role in Iran's economy because it contributes to approximately 95 percent of all Iranian commercial activities. The southern ports on the Arabian Gulf and the northern Caspian Sea ports are the main corridors for Iranian oil and non-oil exports to all parts of the world. A large number of Iranian ports help in this respect. These ports number about 300 and they are mostly small ports. Some of them belong to local organizations, municipalities, and governorates, and others to the Iranian Navigation Authority.

Iran seeks to develop these ports to promote its ambitions, especially since its geographical position means that these seaports are of great economic significance to Iran and the world. The southern port of Jask which is located on the Gulf of Oman is one of the important ports that has attracted the attention of Iran's government. There is a project to provide it with a 1,100-kilometer oil pipeline to serve its various economic, strategic and security goals.

This study argues that despite the great economic importance of Iran's various ports, some of these ports, such as Jask port, are not only important from an economic angle but are also significant from a strategic perspective. The study also argues that there are challenges and difficulties that impede Iran's ability to fully take advantage of these ports, most importantly the sanctions which Iran has had to face for decades.

1. The Importance of Iran's Seaports

Iran has a long coastline exceeding 5,800 kilometers stretching across seven Iranian provinces bordering both the Caspian Sea and the Arabian Gulf: Gilan, Mazandaran, Golestan, Bushehr, Khuzestan, Sistan and Balochistan and Hormozgan. These seven provinces are inhabited by about 18 million people, more than 22 percent of Iran's population. Nevertheless, these provinces lack sufficient development. Therefore, in recent years, Iran has endeavored to develop its ports to promote its economy, to distribute its population along its coast and to reduce internal migration to Tehran. The management of some of these ports was handed over to the private sector, such as the ports of Fereydunkenar and Astara on the coast of the Caspian Sea, and the ports of Delyam, Kangan, Ganaveh and Choobdeh on the coast of the Arabian Gulf.⁽¹⁾

The northern ports on the Caspian Sea have several benefits and are of great economic importance. Some of these ports are tourist destinations such as Bandar-e Gaz port or support international trade such as Anzali (also known as Bander Anzali port). Other ports are used to transport natural gas, food and grain such as Fereydunkenar port. Some of these ports are considered central points for exporting caviar such as Turkmen port, or transporting

oil, commercial trade and food items such as Bushehr port, or linking Iran industrially with Central Asia such as Amirabad port.

The southern ports on the Arabian Gulf are of great economic importance to Iran because they are open passages to the world's oceans through which it imports most of its needs, such as the port of Shahid Rajai. From the ports of Imam Khomeini, Bahonar and Khorramshahr, Iran exports its most important products such as oil, petrochemicals and minerals. Bushehr port is used to transport goods between Iran and the countries in the Arabian Gulf. Abadan port is used for fishing, tourism and transporting passengers between Iran and the Gulf states. Chabahar port is used as an international trade transit corridor to Central Asian markets in collaboration with India. However, this joint project has been suspended many times due to successive economic sanctions on Iran.

This geographical distribution of Iran's ports keeps its maritime lines of communication open with the world, especially if any conflict breaks out in the Arabian Gulf, and the Strait of Hormuz, or if this strait is closed or maritime traffic is threatened in it. This diversification is not limited to Iran, but some Gulf states have made similar plans to secure their oil exports.

Generally, Iranian ports serve Iran's geopolitical interests. Iran has an important position in the middle of the world, where international trade lines and several global competing projects are geographically intersecting. Some of these Iranian ports are included in these competing projects, such as the Belt and Road Initiative, and other initiatives that shorten the time for transporting goods. Some Iranian ports could potentially be logistical centers and provide much-needed support for shipping lines between the East and the West. This service would generate enormous revenues for Iran.

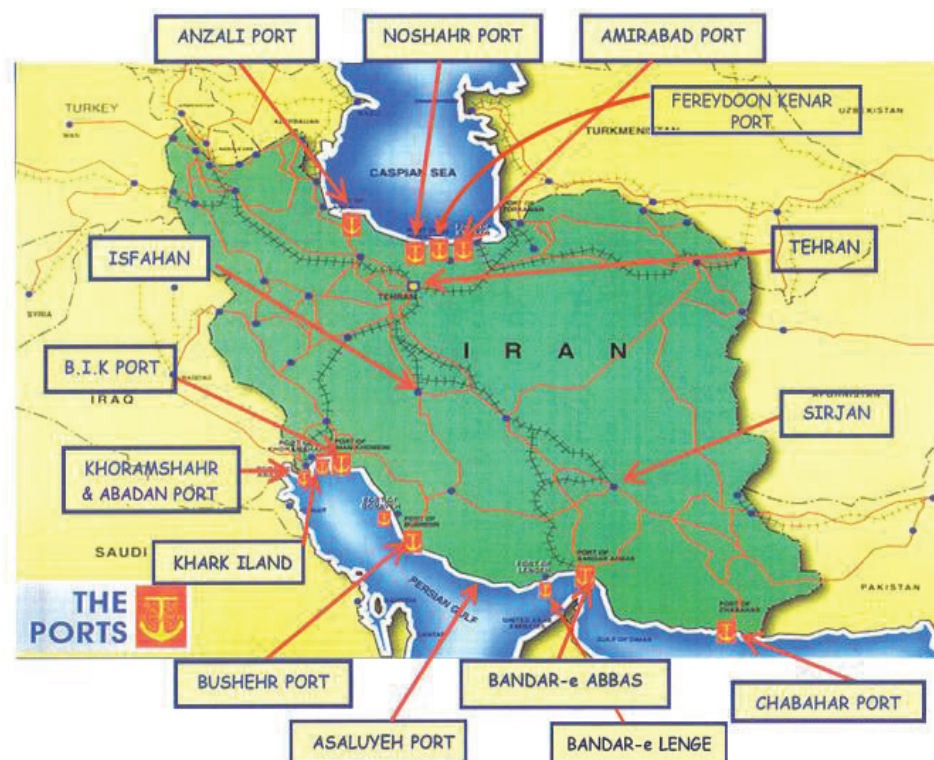
Iranian ports are the main points to export Iran's oil to the world. They are also the main points for exporting non-oil goods, such as minerals, raw materials and agricultural items; these items also make an important contribution to Iran's annual budget. In addition, these ports are part of the Iranian government's plans to develop some regions and governorates, and attain a developmental equilibrium to limit migration to major cities.

Iranian ports are militarily and strategically significant for the IRGC and the Iranian army. There are many military bases located around Iranian ports. They provide various navigation options for Iran's navy, either to the Arabian Gulf, the Indian Ocean, or to Central Asia. This allows weapons to be delivered to Iran's militias, as well as oil to allied countries such as Syria and Venezuela. Finally, Iranian ports are considered as centers for smuggling goods and IRGC illegal operations; the latter is spearheading Iran's strategy to counter US pressure.

The Iranian government perceives its ports as a platform to support its

policies of economic resistance, (see Map 1). They diversify the government's options when it comes to dealing with US sanctions. These ports are important exit points for Iran's oil and smuggled goods. They also offer options to diversify Iran's oil export terminals. This increases Iran's ability to export oil as well as non-oil goods which are of strategic significance to the economy.

Map 1: Iran's Most Significant Ports



Source: "US Shipping Lines to Return to Iranian Ports," *Sea News*, April 6, 2015, accessed April 28, 2021, <https://bit.ly/3tiDh55>

2. The Northern Ports Bordering the Caspian Sea

The Caspian Sea region is in northern Iran and is one of the most important economic and tourist destinations in the country. Due to the vast Caspian Sea space, five countries border it: Russia, Iran, Azerbaijan, Turkmenistan and Kazakhstan. Along the Caspian Sea's coast, there are a number of ports that are important in trade and tourism between Iran and the Caspian Sea bordering countries such as the following:

2.1 Anzali Port

Anzali port is one of the most important Iranian ports on the Caspian Sea. It is located in Anzali, which is the second largest city by population in Gilan Province after the provincial capital Rasht. This port is the first and largest port in Iran on the shores of the Caspian Sea. It is of economic significance to this region. Anzali is a tourist destination that attracts many tourists from inside and outside Iran.⁽²⁾

The port's importance has increased with the signing of the Memorandum of Understanding (MoU) between the Free Zone Organization in Anzali and the Economic Cooperation and Investment Association of China in 2018. The transport of goods along the Sino-Iranian Corridor are among the most important items of the MoU. It is known that this corridor starts from Urumqi in China, leading to Aktau port in Kazakhstan, and to Anzali port in Iran. The MoU aims to establish new joint routes between Iran and China with a focus on the Free Zone in Anzali, and to increase shipment capacity in the Caspian Sea.⁽³⁾

This port is of strategic significance because it is an alternative to the Suez Canal, especially for shipments heading from India to northern Europe. The corridor's objective is to transport goods from the Nava Sheva port in India to Chabahar port in southeastern Iran, and then to ship them by land to Bandar Anzali port on the coast of the Caspian Sea, and finally to transport them by sea to Astrakhan, Russia. The goods will be transported from there to northern Russia or Europe by rail. This corridor aims to reduce the long distances and the time to transport goods from 38 days to 14 or 16 days.⁽⁴⁾

2.2 Nowshahr Port

Nowshahr (Noshahr) port was built between 1930 and 1939 by two Dutch and Belgian companies and is considered one of the most important economic and commercial ports in Iran. Large quantities of goods are exchanged annually through Nowshahr port. It is the closest port to the Iranian capital, Tehran. The distance between this port and Tehran is 200 kilometers. It has nine terminals; one of these terminals is for transporting oil, and the others are for importing and exporting commercial goods.⁽⁵⁾

Another advantage of this port is its proximity to important production and industrial centers in Iran: Tehran, Semnan, Khorasan, and Markazi Province. In addition, the area where the port is located enjoys favorable climatic conditions to export food items to the Central Asian and Caucasus countries. There is an airport for domestic trips near the port. It reduces the distance and time for European and Central Asian countries.⁽⁶⁾

2.3 Amirabad Port

This port was converted from being a fishing center to a trade and economic harbor 17 years ago. With an area of about 1,600 hectares, it is expected to increase to 2,000 hectares. This port is one of Iran's most crowded and active ports, and it is

officially named the Special Economic Zone. The activities at this port, including the export, import and transit of goods, are undertaken at a faster pace compared to other Iranian ports (see Map 2).⁽⁷⁾

This port was named after Amirabad village, located 10 kilometers from the port. It is one of the multipurpose ports in Mazandaran Province. The region where this port is located is one of the most important economic and industrial areas in Iran. It is the fourth most important port after the ports of Shahid Rajaei, Imam Khomeini and Qeshm. This port is the main free zone in Mazandaran Governorate, which connects Iran with the Central Asian countries via the Caspian Sea.⁽⁸⁾

2.4 The Port of Fereydunkenar

This port is located 8 kilometers from Fereydunkenar on the coast of Mazandaran Governorate, with an area of 73 hectares. In 1990, this port was approved by the Iranian Parliament. Its current dock was built between 1995 and 2002.⁽⁹⁾ Given its significance to Iran because of its location and role in maritime and commercial transport, this port was added to the list of Iran's best ports. In 2007, the management of this port was handed over to the private sector for 40 years. The port is multipurpose, and has a number of terminals: a general cargo terminal with a warehouse area of 36,000 square meters, and a container, as well as grain, oil, and liquefied gas terminals.⁽¹⁰⁾

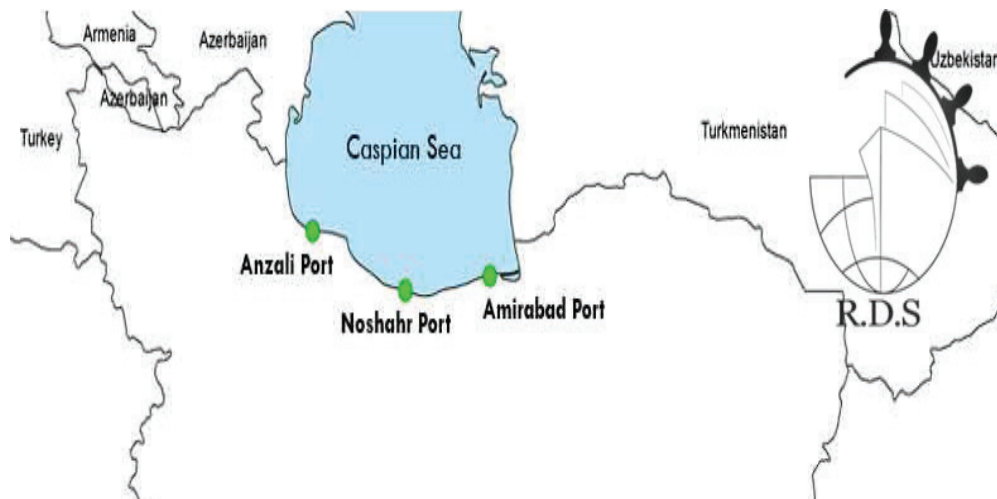
2.5 Turkmen Port

This port is one of the oldest Iranian strategic ports on the Caspian Sea. It was established in 1927. During the Pahlavi state, it was called "the Port of the Shah," it is located 10 kilometers from the Turkmen desert and has multiple areas which are tourist attractions. It is one of the oldest ports to be linked by railway.⁽¹¹⁾ Interestingly, it is the caviar capital of the world. 40 percent of the caviar in Iran is acquired from this region. It also exports caviar and cotton. The region where Turkmen port is located is famous for its fair weather, handicrafts, horse breeding, and scarf industry. The port is one of the main tourist attractions and destinations in the region, and overlooks other tourist destinations such as Sofikom Reserve, Dushanbe Bazaar, and Qarah Qashli village.⁽¹²⁾

2.6 Bandar-e Gaz Port

It is in western Golestan Province, about 44 kilometers from Gorgan city. It is characterized by a temperate climate as it is adjacent to the Caspian Sea. These climatic conditions, greenery, forests and waterfalls make the port and its surrounding areas an attractive tourist destination.⁽¹³⁾

Map 2: Most Significant Ports on the Caspian Sea



Sources: RDS (RAHIAN DARYAYE SAADAT) shipping company, (n.d), accessed April 28, 2021, <https://bit.ly/2YCu7Ck>

3. The Southern Ports Overlooking the Arabian Gulf and the Indian Ocean

There are more ports in southern Iran than in the north. They even have greater importance because most of Iran's imports and exports are done via these ports. The most important ports are the following:

3.1 Shahid Rajai Port

This port is located 23 kilometers west of Bandar Abbas, north of Qeshm Island and the Strait of Hormuz. The commercial significance of this port is its privileged geographical location, easy access to international waters across the Arabian Gulf, connection to international railway networks and the Silk Road, and its proximity to the free zone of the Kish and Qeshm islands and the Arabian Gulf ports.⁽¹⁴⁾ It has an area of 2,400 hectares with wide maritime borders. This port plays the most important role in the international transport and trade industry; it contributes to the exchange of goods with more than 80 other world-famous ports and the 35 best container lines in the world.⁽¹⁵⁾

3.2 Bahner Port

This port was the only major port of Bandar Abbas. However, after establishing Shahid Rajai port, it became the city's second port. It is in southern Iran and the northern Arabian Gulf, and it ranks third among the ports that export Iranian goods, especially non-oil goods. Due to its location in the Bandar Abbas region, it receives many tourists and travelers. Over the past years, it

has played an important role in the economic prosperity of this region.⁽¹⁶⁾

3.3 The Port of Imam Khomeini

It was called “the Port of Shahpur.” After the Iranian revolution, its name was changed to the Port of Imam Khomeini. It is one of the largest Iranian ports. It is located northwest of the Arabian Gulf with an area of 11,044 hectares, near the petrochemical industrial area and the Arvand commercial area. At this port, all kinds of goods are loaded and dispatched quickly. This makes it one of the most important commercial ports on the Arabian Gulf.⁽¹⁷⁾

This port is 927 kilometers from the capital Tehran. It is also one of the most important ports because it specializes in exports and imports. It also has the most important oil refineries, the largest petrochemical assemblies in Iran and two commercial areas.⁽¹⁸⁾ The commercial area of this port is about 11,000 hectares. Therefore, it is one of the largest commercial zones in Iran. Over the past few years, and after the movement towards more privatization, this port was able to attract capital from the private sector, amounting to more than 12,000 billion Iranian riyals, or more than \$285.7 million.⁽¹⁹⁾

3.4 Bushehr Port

Bushehr Province has a land area of 23,167 square kilometers, and a coastline of 937 kilometers on the Arabian Gulf. It has many small and large ports. The most important and largest port in regard to commercial goods is Bushehr port, which receives about 8 million tons of goods, and has the capacity to offer container and passenger services, and goods and petroleum items can also be stored there.⁽²⁰⁾ Bushehr port, located 1,228 kilometers from Tehran, has a number of public and private berths. It is used in particular to transport public goods between Iran and the countries bordering the Arabian Gulf.⁽²¹⁾

3.5 The Port of Khorramshahr

This port, which is the largest free trade port in Iran, is located in the northwest of the Arabian Gulf and southwest of Iran, at the junction of the Arvand, Shatt al-Arab, and Karun rivers in Khuzestan, Ahvaz. This port has a long maritime history. It was one of the largest Iranian ports even before the Iranian revolution with 20 berths.⁽²²⁾

The economic importance of this port is its area, which amounts to 320 hectares, its proximity to Iraq, and the location near the Arvand commercial area. Its proximity to the Abadan refinery, the steel plants in Khuzestan, and its access to internal railway lines that link it with the country's railway network have increased this port's commercial significance.⁽²³⁾

3.6 The Port of Abadan

This port is located on the banks of the Arvand River, Shatt al-Arab. It has five berths and a breakwater with a depth of 5.5 meters. The total area of the port

is 6.5 hectares, and the covered reservoir area is 2,000 square meters. The port of Abadan is multipurpose, and used to transport passengers and travelers to neighboring countries, where about 300 passengers are transported by boat every day.⁽²⁴⁾

3.7 Chabahar Port

Chabahar port is in Sistan and Balochistan, southeast Iran. It connects Iran with the Indian Ocean via the Gulf of Aden and the Arabian Sea. This large port consists of two terminals: Al-Shahid Beheshti and Al-Shahid Kalantari. Each terminal has five berths.⁽²⁵⁾ Over the past few years, Iran has taken major steps to develop this port. It increased its capacity from 2.5 million tons to 8.5 million tons. In 2018, a port with 1,800 square meters was built.⁽²⁶⁾ This port is pivotal to India's ambition to establish a transport corridor to Central Asia and Afghanistan to avoid passing through Pakistan, its rival.

The development of Chabahar port is an Iranian-Indian project serving political and security goals, such as activating direct trade between the two countries, and between both countries and Afghanistan and the Central Asian countries, by linking the port with a road and railway network that extends to Afghanistan. In 2003, the two countries decided to expand Chabahar port and to connect land routes from the port in southern Iran on the Indian Ocean to Afghanistan's borders in northeastern Iran.⁽²⁷⁾

Table 1 illustrates the location and the length of Iran's most significant ports along the Arabian Gulf and the Caspian Sea.

Table 1: Iranian Ports on the Caspian Sea and the Arabian Gulf

Port	Province	City	Distance from Tehran (km)	Harbor length (m)	Location
Anzali Port	Gilan	Anzali	365	1,578	Caspian Sea
Amirabad	Mazandaran	Behshahr	300	1,800	Caspian Sea
Nowshahr	Mazandaran	Nowshahr	215	1,430	Caspian Sea
Shahid Rajaei	Hormozgan	Shahid Rajaei	1,350	8,245	Arabian Gulf
Imam Khomeini	Khuzestan	Mahshahr	1,000	7,765	Arabian Gulf
Bushehr	Bushehr	Bushehr	1,100	2,272	Arabian Gulf

Port	Province	City	Distance from Tehran (km)	Harbor length (m)	Location
Chabahar	Sistan and Balochistan	Chabahar	1,961	1,280	Gulf of Oman
Khorramshahr	Khuzestan	Khorramshahr	997	2,471	Arabian Gulf
Linka	Hormozgan	Badar Linka	1,700	475	Arabian Gulf
Shahid Bahonar	Hormozgan	Banadar Abbas	1,500	1,447	Arabian Gulf
Abadan	Khuzestan	Abadan	1,000	416	Arabian Gulf
Jask	Hormozgan	Jask	1,602	520	Gulf of Oman

Sources: Iranian Port and Maritime Organization (PMO), (n.d.) , accessed April 28, 2021, <https://bit.ly/2ZsPR4L> and Behrah (n.d.) accessed April 28, 2021, <https://bit.ly/30TnWLB>.

4. Iran's Motivations for Developing Its Ports: Jask Port as a Model

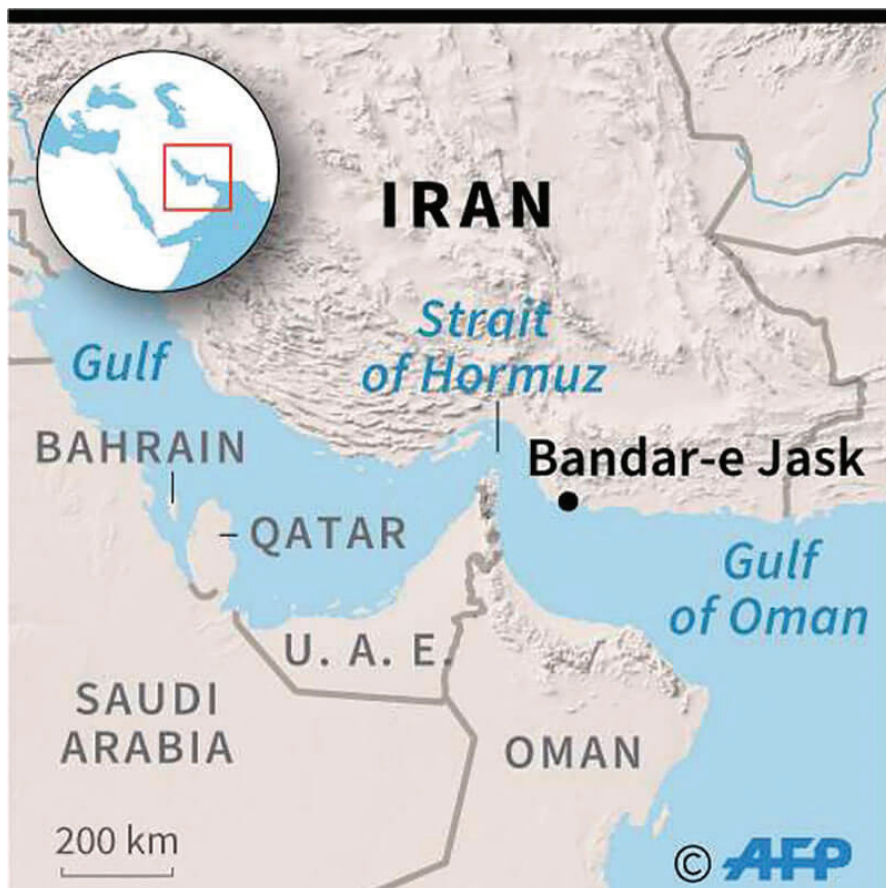
The significance of Jask port increased remarkably after Rouhani's government decided to initiate a large project to construct an oil pipeline to the port in mid-2020. This port is treated as a model because of its important role in serving Iranian policy:

4.1 Jask Port – Location and Significance

Jask is located 320 kilometers east of Bandar Abbas in Hormozgan Province, southern Iran (see Map 3), and it has been of special importance since ancient times. The port, which is located in this region, has multiple economic purposes and tourist attractions. It has deep water, waterways for ships, docking for large ships and provides easy access to international waters. Jask Port is of great economic advantage to Iran due to its strategic location and its ability to generate significant revenues from the transit and shipment of goods. Therefore, it is one of Iran's main sources of income after oil and gas.

On the other hand, the strategic location of Jask is of special importance to Iran because it is located among three important straits: Hormuz, Bab al-Mandab, and Malacca. This region accounts for one third of world trade. The enormous capacity and potential of this port made it an appropriate center for developing the coast of Makran by linking it with oil pipelines, and establishing Iran's second terminal for storing and exporting oil after the Khark terminal which is located in the northeastern corner of the Arabian Gulf, off Bushehr.

Map 3: Jask Port on the Gulf of Oman



Source: Atalayar citing AFP, May 11, 2020, accessed April 28, 2021, <https://bit.ly/3dve9Cq>.

Concerns regarding regional tensions leading to a potential disruption of navigation in the Strait of Hormuz and oil bottlenecks prompted oil-producing countries to seek alternatives to this strait in order to export crude oil to other countries. Accordingly, a 1,200-kilometer pipeline west of Saudi Arabia from Abqaiq to the port of Yanbu on the Red Sea was constructed. The 380 kilometer Habshan-Fujairah pipeline in the UAE was established. In addition, three other pipelines (Kirkuk-Ceyhan and Kirkuk-Baniyas) were established. In Iran, Supreme Leader Ali Khamenei recommended that oil storage and export terminal diversification must be considered.⁽²⁸⁾ This recommendation was motivated by the need to find an alternative to the Strait of Hormuz as well as an additional option to allow Iran to circumvent US sanctions imposed

by the Trump administration. Therefore, the focus was placed on Jask port to develop it into Iran's second oil export terminal after Khark island's main terminal.

Accordingly, President Hassan Rouhani inaugurated a project on June 25, 2020 to lay oil pipelines from Ghora in Bushehr, southwestern Iran, to Jask Province, southeastern Iran, which overlooks the Sea of Oman away from the Strait of Hormuz (see Map 4). The pipelines extend to approximately 1,100 kilometers. A huge oil storage unit was established. The project is due to be completed in March 2021, according to Iran's Oil Minister Bijan Zanganeh.⁽²⁹⁾ The Jask port project is estimated to cost \$1.8 billion.⁽³⁰⁾

Map 4: The Route of Oil Pipelines From the Ghora Region to Jask Port



Source: "Gore-Jask Pipeline; Eliminating Energy Security Threats," *Ettelaat* (n.d.), accessed April 28, 2021 <https://bit.ly/3tnfArw> [Persian].

4.2 Economic Objectives of Developing Jask Port

By developing Jask port, Iran intends to attain several economic benefits, mainly:

- Hastening oil exports and expanding its export terminals: Iran established its first port to export oil beyond the narrow Strait of Hormuz, which is congested with tankers transiting to and from all the countries bordering the Arabian Gulf. This port started to export oil. Jask port will join Iran's main oil export ports after Khark was considered as the country's main terminal.⁽³¹⁾ Iran exports more than 80 percent of its crude oil through the Khark terminal. It has sought to develop the Makran coast where Jask port has been located for decades, albeit at a slow pace. After Khark island faced intense shelling during the eight year war with Iraq, Iran has considered diversifying its oil export terminals ever since.

■ Aiming to increase export and storage capacities: Iran will be able to export an additional 1 million barrels per day when US sanctions are lifted, and increase its storage capacity by 30 million barrels, after it constructed 20 large storage units.⁽³²⁾ It is noteworthy that total Iranian oil exports plummeted due to US sanctions to about 200,000 barrels per day only in mid-2020, after it reached more than 2.5 million barrels per day in 2017.⁽³³⁾

■ Increasing petrochemical exports to double the rate of these exports: car and aircraft fuel, propylene, and other petroleum products by using Jask port to transport supplies of crude oil to petroleum refineries and petrochemical plants. In so doing, Iran intends to increase its petrochemical export revenue to \$25 billion annually, instead of \$12 billion, as it also focuses on the Asian market.⁽³⁴⁾

■ Revitalizing some stagnant local industries: Iran seeks to revive some of its local industries, especially those that are under sanctions, such as the iron and steel industries, so that they can manufacture pipes. The development of Jask port needs 1,100 kilometers of pipelines to transport oil. Parts for these pipes were manufactured locally. There is a desire to revive some secondary and complementary industries, such as the manufacture of pumps, technical equipment, and valves.

4.3 The Strategic and Security Objectives of Developing Jask Port

On the strategic and security side, Iran intends to achieve the following:

■ Export oil amid crises: Iran can only meet this aim by finding an alternative to the Strait of Hormuz. This is an aim that Iran has been trying to achieve on the ground for years although it has never closed the international chokepoint, even during the Iran-Iraq War.⁽³⁵⁾ However, Tehran is keen to ensure the flow of cash revenues to the government via alternative routes in case the dispute with the international community escalates. It will probably use its repeated threats to close the Strait of Hormuz as a pressure card to place more pressure on the international community. These threats have always been questionable because there is no alternative for exporting Iranian oil. Regarding this matter, Rouhani said at the inauguration of the Jask project: "The strategic dimension of this project lies in the fact that many countries in the region have been able to find other alternatives to export their oil. If something serious took place in the Strait of Hormuz, Iran will be the only country whose oil exports will cease."⁽³⁶⁾

■ Assure its clients especially China of the availability of oil supplies in light of various prospective natural or exceptional circumstances. Iran wants to send a message that it can ensure the supply of oil even if navigation in the Strait of Hormuz is disrupted.

■ Reconstruct the Makran coast and the western region of Iran which lacks urban and human development. Chief of General Staff of the Iranian Armed

Forces Mohammad Bagheri believes that the Iranian defense strategy aims to “develop the Makran beaches and complete the project.”⁽³⁷⁾

■ Exploit the port to circumvent US sanctions and serve Iran’s policies towards regional states, supported by IRGC military bases deployed along the Makran coast near the port of Jask. These aims will be met via the following:⁽³⁸⁾

1. Transporting smuggled oil, especially to China and for sale on the black market. Beijing has not ruled out providing engineering support in developing Jask port.
2. Shipping smuggled goods, especially weapons and oil, to the Yemeni Houthis and pro-Iranian forces in Somalia and Kenya.
3. Threatening the security of the Kingdom of Saudi Arabia from the south: the Gulf of Aden.
4. Expanding the IRGC naval presence near Indian-Pakistani soil, which is strategically important to Iran.

Accordingly, Iran does not need a new terminal to export its oil given the high export potential of Khark port.⁽³⁹⁾ Practically, no country constantly threatens to close the Strait of Hormuz except Iran. This supports the notion that there are no economic goals behind Iran’s determination to develop Jask port.

5. The Challenges of Developing Iranian Ports and the Problems Facing the Jask Project

Maritime navigation and ports are of considerable importance to the Iranian economy, especially for the transportation of oil and various goods to and from Iran. Therefore, there are many ports north of the Caspian Sea, and in the south on the Arabian Gulf and the Sea of Oman. Their economic importance ranges from being tourist attractions to commercial hubs for transporting gas, oil, grain, and other unique Iranian products such as caviar and nuts. These ports are also strategically significant for their role in logistics, connecting Iran — and some neighboring countries such as India— with the Central Asian countries.

The Iranian government has attached the utmost importance to the development of some ports, including the strategic Jask port since mid-2020, and the construction of long pipelines to transport oil to it from the Ghora region, for 1,100 kilometers. Iran seeks to reposition its oil export terminals away from the Strait of Hormuz, and to achieve other non-economic goals by possibly using the port to circumvent sanctions and conduct smuggling operations to serve the government’s foreign policy objectives in the region, supported by the IRGC military bases deployed near this vital port.

However, there are many challenges and weaknesses regarding the infrastructure of some Iranian ports, which makes them incapable of receiving large ships and containers because of difficulties in accessing these ports. In

addition, they lack container terminals and container storage areas, and have low performance indicators when compared to competing ports.

US sanctions have impacted the development of Iranian ports and maritime transport in general. Iran faces a financial deficit and several economic difficulties due to the US sanctions imposed on it, and its inability to access its frozen assets in several countries such as South Korea, Japan, and China. As a result of these difficulties, the Jask project is currently facing a shortage of construction materials and equipment, and a lack of finances to complete it on time.

Iran has been facing challenges preventing it from benefiting from its ports since 2010, especially after it faced severe sanctions, which greatly impacted the Iranian economy and the daily lives of Iranians. The United Nations imposed sanctions on Iran's maritime activities in 2010 under resolutions 1803 and 1929, allowing Iranian ships to be inspected in international waters. In the same year, the European Union (EU) froze the financial assets owned by Iranian Shipping Lines (IRISL) and banned EU-based insurance and reinsurance companies from dealing with Iranian companies. These EU decisions remained in effect for five years before they were reversed under the nuclear agreement that was signed in 2015.⁽⁴⁰⁾

The sanctions also froze the assets and properties of IRISL and all its subsidiaries on US soil, as of July 2005 under US Department of the Treasury Resolution No. 13382.⁽⁴¹⁾ In November 2018, US sanctions stifled Iranian port activities such as transport, shipping and insurance. They caused severe economic damage⁽⁴²⁾ such as a decline in Iranian trade with the world during 2019. Imports of Iranian goods and services decreased by almost 40 percent, and all Iranian exports by 30 percent.⁽⁴³⁾ This contributed to Iran importing less food items and medicines in particular because payment mechanisms were disrupted and transport ships were forced to queue in front of major ports such as Imam Khomeini and Bandar Abbas, and they refused to unload goods before receiving payment.

The sanctions also prevented Iran from completing the development of some ports and international trade lines, hindering it from making full use of its partnership with major countries. For example, Chabahar port has been suspended more than once due to successive economic sanctions on Iran, although Iran established land routes within its territory. India pledged to complete the remainder of the project inside Afghanistan. However, cooperation between both countries remained limited due to the escalation of Western sanctions against Iran in 2012 and India's concern about being subjected to sanctions. This project was revived after sanctions against Iran were lifted in 2016.⁽⁴⁴⁾

The project was soon disrupted once again due to the sanctions imposed by

the Trump administration in mid-2018, and the concern that this project would impact Indian-American interests, although it was exempted from sanctions. Therefore, in July 2020, Iran decided to exclude India from the project because it had not been serious and to continue alone to complete the infrastructure and establish the railway line.⁽⁴⁵⁾ Once Joe Biden won the US presidency, India again hinted its desire to continue its investments in Chabahar port.

The Jask project requires investments worth \$1.8 billion. By mid-2020, Iran had already spent \$300 million, according to the country's Oil Minister Bijan Zanganeh. He indicated that the rest will be financed via the investment market.⁽⁴⁶⁾ Russian companies will cover a portion of the funding through investment partnerships.⁽⁴⁷⁾ Russia may clash again with US sanctions imposed on Iran, which have hindered the import of equipment and building materials needed to complete the project.

As a result of US sanctions, the Iranian government has tasked some Iranian companies: Mobarakeh Steel Company in Isfahan, Khuzestan Auxin Steel Company, Ahvaz Pipes Factory, Mahshahr Pipes Factory, Al-Safa Pipes Factory, to manufacture 1,100 kilometers of steel pipes to be used in the project. However, these factories may face difficulties because of the sanctions. In addition, some of these companies were added to the sanctions list because of their collaboration with the IRGC which is accused of financing terrorism.⁽⁴⁸⁾

Conclusion

Iran enjoys a significant location, controlling several strategic ports that are crucial to trade movement. This location grants Iran with opportunities enabling it to achieve vital economic and strategic gains. However, the Iranian government's foreign policy and the isolation and international sanctions Iran has been facing since the 1979 revolution prevented it from reaping the maximum benefit from these tremendous opportunities afforded by its unique location. Sanctions have restricted Iran's trade movement through its own ports and obstructed the flow of essential equipment needed for developing its ports and increasing their capability and effectiveness in international trade movements.

These constraints remain. The development project of Jask port is an example of these challenges that are related to sanctions and poor funding, although President Rouhani had planned to complete and inaugurate this project before the end of his second presidential term so it can be counted as one of his achievements during his presidency. However, it seems that the calls to focus on quality, and not to quickly inaugurate the project, US sanctions, financial difficulties, and the government's inability to conclude agreements with international companies that specialize in building oil transmission lines and fuel storage terminals may impede Rouhani's plan, and the project will take more time to be completed.

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THE VARIABLES OF DOMESTIC AND FOREIGN POLICY AND THE COMPETITIVENESS OF IRAN'S ECONOMY

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Abstract

The present study investigates the development of the competitiveness of Iran's economy in the second decade of the 21st century and its impact in the short and medium term. The main problem of this study lies in the fact that despite the impact of political variables at home and abroad on Iran's economy, they are still limited because they are basically related to the capacity of Iran's economy to endure crises and its ability to grow at other times. To tackle this problem, the study adopts inductive analysis, using historical facts, statistical data, and tools of economic analysis. The study is therefore divided into four main topics as follows: theoretical background, structural imbalances in Iran's economy, economic collapse and the points of strength in Iran's economy, and the extent of the responsiveness of Iran's economic competitiveness to political variables whether internal or external.

Keywords: *Competitiveness, Iran's economy, competitiveness of Iran's economy, structural imbalances, political system, external variables.*

Introduction

Iran's unique political and social system has caused distinct economic tools to emerge to circumvent the pressure and blockade it is facing. But at the same time these tools have led to restrictions on the country's economic growth. This can be determined by tracking the competitiveness of Iran's economy; which means referring to the economic characteristics that allow for more efficient utilization of productive factors (manpower, capital, natural resources, and the good management of these resources). Despite the political developments at home or abroad, Iran's economy faces an integral problem; the obstacles hindering its growth.

Therefore, the study hypothesizes that ongoing structural imbalances will impede the competitiveness of Iran's economy, restrict its growth, and obstruct improvements in income levels for the state and people via attracting new investments. These structural imbalances will continue to impede the Iranian economy in the future.

The significance of the present study stems from the need for studies based on inductive analysis to analyze the extent of the competitiveness of Iran's economy, comparing it with other economies competing for international investments — in light of the global trend towards greater openness which Iran has been unable to take advantage of.

To study the impact of political variables on Iran's economic competitiveness, we need to define competitiveness, explain its parameters and then follow up and assess the evolution of Iran's economic competitiveness from the beginning of the 2010s to the end of this period. This is in addition to clarifying Iran's structural economic imbalances and proving their existence in the long term and finally analyzing the reasons for the decline in Iran's economic competitiveness. Amid the ongoing movements in the global economy and the static nature of Iran's economic policymaking, the strength of Iran's economic competitiveness vanished. Iran's economic prowess was sufficient to improve the competitiveness of its economy over the past decades but now Iran's economic capability has been severely diminished.

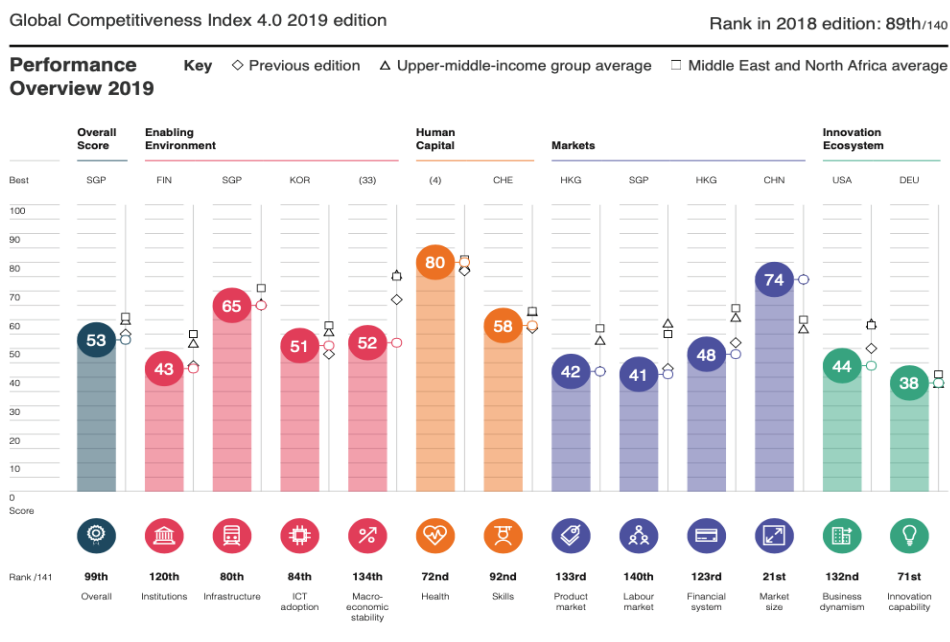
1. Theoretical Background

For years, the World Economic Forum (WEF) has managed to explain the disparities in economic growth and income levels across countries and forecast national economic growth through issuing its annual "Global Competitiveness Report." The WEF has mentioned that a set of institutions, policies and factors determine economic productivity levels. The most competitive countries are the most capable of growth in the medium and long term.⁽¹⁾

The Global Competitiveness Index (GCI) consists of twelve pillars: efficiency of institutions, infrastructure, the extent of dependence on communication and information technology, macroeconomic stability, health, skills, product market, labor market, financial market, market size, business dynamism, innovation capability.

Each pillar is scaled from zero to 100, where 100 points are the highest and awarded to the country with the best economic practices. The best country is taken as a benchmark to evaluate the rest. This evaluation is carried out in accordance with several indicators in each sub-index, ranging between 1 to 26 indicators. For one sub-index, raising the total indicators to 103, which include everything related to the competitiveness of the economy. These indicators are evaluated according to a methodology that integrates the latest statistics collected from international organizations and also includes a survey of the opinions of company executives operating in each country.⁽²⁾ See Figure (1).

Figure 1: Competitiveness Index Performance Overview (Iran)



Source: Klaus Schwab, ed., *Global Competitiveness Report 2019* (Davos: World Economic Forum, 2019), 286.

To make a straightforward comparison, countries are divided according to several criteria, including income groups, geographic scope, extent of economic growth, development rates, and social justice. These criteria are difficult to change from one report to another. But the only change that Iran's economy has witnessed over the course of a decade is in relation to "income thresholds to determine the stages of development."

Countries are divided into five stages according to US GDP per capita. There are three main stages and two transitional stages. The first major stage is the stage of economic dependence on raw materials, and the second major stage is the stage of production efficiency. The third major stage is the stage of economic innovation. There is a stage of transition between stage one (dependence on raw materials) to stage two (production efficiency) and from stage two to stage three (innovation and creativity).

As for Iran, it was not included in the "Global Competitiveness Report" until 2010-2011 due to a lack of data and the difficulty in getting corporate executives in Iran to fill out questionnaires. Within 10 years, Iran has succeeded in completing the transition phase between stage one and stage two, putting it in an inferior position compared to other Middle Eastern countries. The report classifies the UAE economy as dependent on innovation, while Saudi Arabia's economy is transitioning between stage two and stage three.⁽³⁾

2. Causes and Indicators of Iran's Structural Economic Imbalances

Structural imbalance refers to a lack of balance in the relationship between economic elements and components. It is important to determine the extent of Iran's imbalances, their frequency, and the period or the change in the essential characteristics of their economic structure. The latter is important to determine in order to evaluate its impact on economic growth and development.⁽⁴⁾

As a result of Iran's ongoing structural imbalances as highlighted in the country's aggregate economic data, the average investment flow for five years between 2014 and 2019 was about 0.7 percent of GDP, which is less than the lowest global average during the same period (1.3 percent for 2018).

The average annual growth rate of Iran's GDP (GDP valued in US dollars according to current prices) for the second decade of the 21st century was 1.3 percent. This is an exceptionally low figure. It is lower than the average global economic growth rate for any year during the second decade of the current century (the 2010s). The lowest economic growth rate posted in the world in a single year over the decade (2010s) was 2.4 percent in 2019, according to World Bank data.

Even if we overlook the consecutive collapses in the exchange rate of Iran's rial, the share of Iran's GDP in purchasing power parity in 2010 was

1.19 percent of global GDP. It remained at the same level until 2020, which means that Iran's economic share in goods and services consumed globally remained unchanged for 10 years. This is rare for emerging economies, which in principle drive global growth and increase their share of global GDP each year. The WEF's "Global Competitiveness Report" highlights Iran's economic structural imbalances in two ways:

2.1 Apparent Structural Imbalances Based on the Complaints of Executive Directors

The results of opinion polls indicate that the same complaints are repeated on an annual basis, which means that problems and imbalances are repeated for a long period of time, or – in other words – are "structural." The WEF conducted a poll regarding the complaints raised by Iranian executive directors in 2010-2011, and 2017-2018. Then the WEF integrated the complaints into the sub-indexes in its last two reports, along with the evaluations of entrepreneurs.

The five main complaints of Iranian executives who responded to the first report's (2010/2011) opinion poll were the same as those that would be registered in following reports, without the slightest change. The most important among these complaints were: difficulty in accessing finance, constant change of policies, high inflation, low efficiency of government bureaucracy, and inadequate and inefficient infrastructure.⁽⁵⁾

This is in addition to other complaints regarding impediments that obstruct economic and business growth, but to a lesser degree. The main complaints were regarding: labor law restrictions, lack of educated/skilled manpower, Iran's workforce lacking basic work values, corruption, complicated rules governing currency exchange, excessive tax laws, a high tax rate, government instability, a decline in public health levels among citizens and crime increasing. The same complaints continuing for 10 years indicate a stalemate in Iran's economy and that the country's economic policymakers are detached from the real problems of the economy.

2.2 Structural Imbalances Apparent in the Sub-Indexes

Some economic imbalances have occurred because of international political and economic developments, including Iran's economic blockade, and its signing of international agreements with international or regional partners, as well as the impact of the global financial crisis, the coronavirus pandemic, and other developments with far-reaching global repercussions. But some imbalances are related to the way the state is run, the existing economic structure's limited capabilities and weaknesses, as well as its dependence on sectors with weak growth or those that have a limited impact on the whole economy. This is known as a structural imbalance, and it continues over many years.

Iran's structural imbalances are evident in all the sub-indexes that measure the country's economic competitiveness. Many of the sub-indexes related to Iran's economy remained among the worst in the world over the 10 years covered by this paper, which impeded economic growth. In the span of 10 years, Iran's economy witnessed changes in the heads of government, blocs controlling the Parliament and even shifts in US policies towards Iran, from signing agreements to the imposition of a siege as well as a decline in overall relations between the two countries. However, it is noticed that Iran's economic competitiveness was ranked 69th in the first report (2010-2011). Iran maintained this position in the eighth report (2017/2018). But the methodology for calculating the rankings changed in the last two reports, leading Iran's ranking to plummet to 89th position in 2018 and to decline further to 99th position in 2019.

This decline is attributed to three main reasons. First, the change in the methodology to calculate the competitiveness of countries by depending on a bigger extent on a country's potential for industrialization, which Iran lacks. Second, Iran's economy witnessed decline on many indexes, despite the methodology of calculating these indexes not changing. Third, many countries experienced development during the 2010s. The economies of these countries were less competitive than Iran's earlier in the decade but they outpaced Iran's economy later in the decade which led Iran's ranking in the "Global Competitiveness Report" to drop.

However, it is noticed that some sub-indexes remained low throughout the 10 reports regardless of what was happening domestically or abroad. This means that these indexes cannot be improved because there are structural economic imbalances or because Iranian policymakers are not willing to correct these imbalances as this would expose the flaws in their economic decision-making.

2.3 Structural Imbalances Related to the Nature of the Political System

As a result of the exceptional nature of Iran's political system, the multiple centers of power and the overarching role of individuals and institutions (the supreme leader and the IRGC) whose authority surpasses Iran's elected institutions and representatives, Iran's economy is suffering from mismanagement, a decline in rational economic decision-making and a constant inclination towards isolation to avoid international competition; thus preserving the gains of certain individuals and institutions. This has meant that it has not been possible to accurately estimate the extent of the financial resources controlled by the supreme leader and the IRGC. They control vast financial resources estimated by some research institutions such as Rand to be worth tens of billions of dollars.

For instance, the balance sheet of the Ministry of Finance in 2012 revealed that Khatam-al Anbiya Construction Headquarters and its affiliated institutions control about 57 percent of the country's imports and 30 percent of non-oil exports. Yet, according to international estimates, the supreme leader and the IRGC control between 20 percent and 40 percent of the Iranian economy.⁽⁶⁾

According to the former reformist lawmaker Bahga Nabavi, 60 percent of government resources are controlled by four institutions: Khatam-al Anbiya Construction Headquarters, the Execution of Imam Khomeini's Order (Setad), which includes some banks, oil and telecommunications companies, Mostazafan Foundation and Imam Reza Foundation which includes more than 50 companies and factories. These institutions are run by the Iranian supreme leader and the IRGC.⁽⁷⁾

To maintain the gains of these institutions, it was necessary to weaken new competitors and entrants to the markets or prevent their entry altogether. This was clear in the "Global Competitiveness Report (2010/2011)." Among 139 countries included in the report, Iran's ranking in terms of trade restrictions was 135. Iran also imposed the fifth-highest customs tariff in the world and was the worst country worldwide in terms of foreign ownership of companies.

According to a survey among businesspeople working in the Iranian market, the labor market is the most conservative in terms of restrictions, and it was ranked 135. As for the level of brain drain, it was ranked 109. The bonus structure does not depend on merit. Iran was 121st regarding dependence on professional management and 111st in relation to the relationship between production and wages. The percentage of women in the labor force was among the lowest in the world, ranked at 126th place.

Regarding the efficiency of Iran's financial sector, it was ranked at 120th, a low position, while the country's ranking for company access to financing (via diverse financial and banking products) was also low at 129th place. This is in addition to a decline in confidence in the banking sector (114th position). The most important among the foregoing was whether entrepreneurs have easy access to loans to finance business plans without causing damage to the economy. This led to an evaluation of 1.6 out of 7, lower than a quarter of the global evaluation. This indicates the extent of the ruling elite's control over Iran's banking system and stock market.

The difficulty regarding the entry of foreign partners into Iran and the difficulty in transferring sophisticated technology into the country caused the growth of the private sector to be limited. Iran's ranking in terms of a company's ability to incorporate sophisticated technology was 116th and access to this technology was extremely limited (123rd position). All in all, we can say that Iran is among the most difficult countries in the world regarding

the establishment of foreign companies. Hence, it is difficult to transfer technology to local companies. If companies are successfully established, entrepreneurs will face difficulties in acquiring finances, carrying out import and export activities and recruiting or dismissing workers. Restrictions will be on all the elements of production (capital, imported natural resources, workforce, and management). Furthermore, Iran's excessive restrictions prevent the private sector from acquiring international expertise to develop their resources.

3. The Manifestations of the Collapse of Iran's Economic Competitiveness and Strengths

Since the first report (issued in 2010/2011), the strengths of Iran's economy were confined to a high savings rate compared to GDP (26th position globally), low government debt compared to GDP (17th position globally), a huge market (20th biggest globally), a high primary education enrollment rate (fifth position globally) with an enrollment percentage of 99.7. This is in addition to one of the lowest differences between the rate of return and lending (0.03 percent) in the banking system, occupying third place globally, immediately behind the Netherlands and the United Kingdom and ahead of France among 139 countries covered by the report.

In the "Global Competitiveness Report (2017/2018)," the savings rate reached 37.4 percent of GDP (17th place globally) out of 137 countries. Countries depend on financing investments primarily through local savings. After investing local savings, other financing needs for investment are borrowed from abroad. It is the so-called financing gap, which is the difference between the value of domestic investment and domestic savings. If Iran has a savings rate among the highest in the world, this means that it can rely on its internal resources to finance most of its investment needs and does not need to borrow a lot of money.

In the "Global Competitiveness Report (2017/2018)," the government debt-to-GDP ratio increased to 35 percent, 37th place globally. Iran's GDP amounted to \$1.5 trillion, valued in purchasing power, making the Iranian market 18th in the world in terms of size. The enrollment rate in basic education declined to 99.2 percent, occupying 14th position globally. Nonetheless, the report saw the removal of the index related to the difference between the rate of return and the lending rate within the banking system due to the difficulty in verifying the accurate values of this index, especially in countries such as Iran where several entities control the interest rate.⁽⁸⁾

There are banks affiliated with the Money and Credit Council (MCC) run by the Central Bank of Iran (CBI) and institutions and banks affiliated with the IRGC, in addition to finance and credit institutions which invest public money at high interest rates. The CBI restructured several banks after they

declared bankruptcy over the past years.⁽⁹⁾ Iran considers the fixed-interest system as totally usury-based and rejects it. Although this complicated system may benefit the country in terms of circumventing sanctions and boosting the capabilities of the IRGC in terms of money laundering,⁽¹⁰⁾ it at the same time destroys the ability of the government to fund private projects.

In the 2019 report, a change in its methodology and the economic siege on Iran led to a steep decline in Iran's evaluation. The country occupied 64th place on the new index related to debts (the dynamics of managing debts), an index which measures the rate of savings and government debt compared to GDP. The question "How much are you saving?" is no longer the most important question. It is rather, "How do you manage your savings and debts flexibly to generate the biggest return?" The report also no longer focuses on the rate of education enrollment, but rather it focuses on the average number of years of school enrollment, which is 10 years in Iran (61st position globally). The only index that remained rather static was the evaluation of market size, Iran ranked 20th globally, out of 141 countries. This means the strengths of Iran's economy vanished, except for the size of its economy. This is because the reports measure the size of GDP on the basis of purchasing power, not current prices. This is considering the fact that the purchasing power parity of the exchange rate is the rate at which the currency of one country must be converted into the currency of another country to buy the same amount of goods and services.⁽¹¹⁾

In other words, a comparison is drawn between the number of goods and services that citizens buy in each country. According to this evaluation, countries with the largest population climb to the top of the global ranking because they are naturally the biggest consumers of goods and services. But Iran's ranking is relegated to 26th place globally if we consider the current prices of products and services.⁽¹²⁾ But if we try to measure GDP per capita (at the current US dollar exchange rate), Iran will be ranked 118th globally.⁽¹³⁾

This is associated with densely populated middle-income countries, which fall victim to what the World Bank called "the middle-income trap," in its report entitled "A New Economy for the Middle East and North Africa."⁽¹⁴⁾ The term "middle" expresses a relative measurement, between high and low, whereby the middle part remains in the middle no matter how much it grows because the larger and smaller branches also grow unless the middle part achieves exceptional growth. Therefore, Iran's GDP growth averaged 1.3 percent within 10 years. It barely maintained its position among the middle-income countries.

In terms of income, countries are divided into three groups: low, middle and high, based on the average purchasing power parity per capita compared to that of the United States. A country is defined as low-income if its GDP per

capita is less than 10 percent of that of the United States, middle-income if it is between 10 percent and 50 percent, and high income if it is higher than 50 percent of the average income in the United States. This means that as long as the average Iranian citizen can buy between 10 percent and 50 percent of the goods that are available to an average US citizen, Iran is a middle-income country. This was the situation during the 2010s, where Iran's per capita GDP equaled, according to purchasing power parity, about one-fifth (19.6 percent) of the United States per capita GDP, according to World Bank data.

The World Bank believes that developing countries are prevented from rising to the level of high-income countries due to the existence of a ceiling for economic growth after a country joins the ranks of middle-income countries because of the economic models pursued by these countries. After reaching a certain average income, countries lose their ability to grow rapidly. This happens as the economy gradually gives up the advantage of cheap labor, with the surge in average income. This is in addition to the fact that leading sectors are unable to spearhead growth at the same rates.

In Iran's case, the low growth rates posted at 1.3 percent annually and the frequent decline in the value of the rial led to a reduction in consumer purchasing power compared to that of the United States, remaining at the same level of income. The gap between the average income in Iran and the average income in advanced countries widened.

Finally, the World Bank only sees a way out of this trap by countries modifying their economic systems and replacing existing sectors spearheading the economy with new sectors, foremost among these is the information technology sector. It is a good locomotive for growth globally and results in huge leaps in income levels in short periods, especially amid the high percentage of human capital in Iran, according to World Bank estimates. It advises Iran to pursue an economic model based on technology, encourage innovation and creativity and to endure risks, goals that are hard to achieve according to the rest of the indexes in the "Global Competitiveness Report."

4. The Responsiveness of Economic Competitiveness in Light of National and International Variables

Iran has seen changes at domestic and foreign policy levels over the past decade. This impacted the competitiveness of Iran's economy at the beginning of 2010. This was the first year in which Iran appeared in the reports published by the WEF regarding global competitiveness. These changes are as follows:

4.1 The First Phase (2010-2013)

The 8th session of the fundamentalist-controlled Islamic Consultative Assembly (Iran's Parliament) coincided with electing Ali Larijani as the speaker. The assembly was not in harmony with the economic policies of

Mahmoud Ahmadinejad, especially as this session saw the UN Security Council tightening the economic, commercial, financial and military sanctions on Iran through four packages of sanctions considered the toughest at that time. They had a role in sparking widespread popular protests. Nevertheless, this period witnessed a slight improvement in the evaluation of Iran's economic competitiveness. The ranking of Iran's economy improved, from 69th position in the "Global Competitiveness Report (2010/2011)," to 66th place in the "Global Competitiveness Report (2012/2013)." It was driven by a significant improvement in the domestic road network, the increased use of cell phones, and the surge in the national savings rate to 53.8 percent of GDP, the third-best rate across the globe. The general budget posted an exceptional surplus of 0.2 percent of GDP.

The system of establishing companies in Iran is one of the most salient indications of the Iranian government's unprogressiveness. Earlier in the decade, Iran had one of the fastest systems to establish companies, with the establishment of a company taking only eight days, 28th position globally, with only six measures required for establishing a company. But the world's countries have raced to modernize these procedures, which made Iran's ranking in the 2012/2013 report decline to 34th globally in terms of the time required to establish companies, and 47th globally in terms of the number of procedures.

As for the weaknesses cited in the "Global Competitiveness Report (2012/2013)," they included a decline in the government's transparency, falling to 127th position globally, especially amid the major disagreements between the president and the Parliament. The government's ability to protect investors declined to 130th position globally. Despite the huge improvement in the road network, the dilapidated transportation system made Iran occupy 132nd position in relation to transportation efficiency. When it comes to structural imbalances, Iran's economy did not see improvement. The labor market remained among the most conservative in terms of its measures. Rather, it retreated to 139th position out of 142 countries included in the "Global Competitiveness Report (2011/2012)" despite the high inflation rate of 12.5 percent (136th globally) and the low credit rating of the state (114th globally).

In the "Global Competitiveness Report (2012/2013)," Iran occupied the rock bottom 144th position in relation to the prevalence of foreign ownership of companies. It also maintained high customs tax at 25.6 percent on goods and services, the fifth-highest rate globally.

Regarding the labor market, it was the worst in terms of flexibility in regard to determining wages (134th position), 109th globally in terms of brain drain and the worst ratio of women compared to men working in the labor market. Women's ratio to men in the labor market reached 23 percent, the second worst

rate globally. Iran also maintained its position among the 10 worst economies in terms of providing financial services. Companies suffered difficulties in terms of accessing finance/loans.

Hence, we notice that despite the domestic and international turmoil, Iran, by the end of the first phase, achieved a slight improvement in competitiveness with a medium range of competitiveness. This was driven by an improvement in availability, not efficiency (of road networks, the availability of mobile phones, the surge in the national savings rate and an exceptional budget surplus). This availability was not efficiently exploited, turning into a liability on which money was spent without achieving the desired outcome, as became apparent in the subsequent stages.

4.2 The Second Stage (2013/2016)

This stage coincided with the ninth session of the Islamic Consultative Assembly (2012-2016) which saw the rise of the “fundamentalists” close to Supreme Leader Ali Khamenei at the expense of the backers of President Mahmoud Ahmadinejad. The government of reformist President Hassan Rouhani signed the nuclear deal with the P5+1 in 2015, with the Iranian economy witnessing a temporary breakthrough after the lifting of sanctions.

However, the ranking of Iran’s economic competitiveness declined from 66th position globally to 74th position in the “Global Competitiveness Report (2015/2016).” The economic and political breakthrough curbed the decline of Iran’s economy. If the international pressure and domestic unrest continued, the decline would have been steeper than eight positions. This appears evidently in the “Global Competitiveness Report (2014/2015).” Although Iran declined 17 positions in only two years, the WEF allocated a slot for the Iranian economy, forecasting that the economy will head towards stability after two years of hardship, driven mainly by external developments. This stable economic forecast provided an important opportunity for Iran to enhance its competitive capabilities. The report added that Iran should build on its basic strengths such as its strong macroeconomic position, the huge size of its market and its well-educated population to improve its capabilities. The report also lauded the improvements which Iran introduced to increase the efficiency of production, its workforce and financial markets. The WEF hoped this would benefit Iran’s competitiveness and boost its economic growth in the short and long run.⁽¹⁵⁾ Backed up by this optimism, the “Global Competitiveness Report (2015/2016)” witnessed an improvement in the ranking of Iran’s economic competitiveness by nine positions in a single year, occupying 74th position. The most remarkable improvement was in public trust towards politicians, with the ranking jumping 16 positions (49th position globally). Furthermore, the index on nepotism improved by 15 positions, and the burden of government regulation improved by 20 places.

The efficiency of government in settling disputes also jumped 13 positions up and the transparency of government decisions climbed 12 positions. However, all the structural imbalances remained nearly unchanged. The efficiency of Iran's labor market maintained its position as the third-least efficient across the world. It also occupied 130th position in terms of protecting intellectual property rights. Some indicators also declined. The number of days needed to establish a company increased to 12 days, with Iran becoming a country with the highest rate of customs tariff in the world at 27.1 percent. The country also maintained its position as having the lowest prevalence of foreign ownership in the world, which impacted the availability of raw materials from abroad. Iran also became the fourth-lowest country worldwide in terms of the size of imports to GDP, where imports make up only 16.2 percent of GDP.

Iran also maintained labor market restrictions and a low ratio of working women compared to men at 0.23 percent, the second-lowest rate globally. This is in addition to the state's low ability to retain talented people in all fields of the labor market (121st position globally), let alone its ability to attract talented people from other economies (134th position) and the continued reliance on trusted people rather than competent professionals.

The rate of willingness to delegate authority to lower positions continued to decline (132nd position), and companies continued to have limited capacity to accommodate sophisticated technology (132nd position), impacted by Iran's weak ties with the outside world and the brain drain. The rate of applying for a patent remained unchanged at 0.1 patents per million citizens, placing Iran 104th globally.

By the end of this phase, Iran's structural economic imbalances became rather salient. Despite the domestic and external breakthroughs, the low efficiency of Iran's economy blocked any benefits. The lifting of sanctions does not necessarily lead to improvements in goods and labor markets, but this requires a flexible economic atmosphere capable of swiftly benefiting from breakthroughs and absorbing shocks.

4.3 The Third Stage (2017-2020)

This stage coincided with the 10th session of the Islamic Consultative Assembly (2016-2020) where the "reformists" again returned to partake in the parliamentary election. They captured 120 seats out of 290, which was a triumph for their movement after they aligned themselves with the candidates of the moderate movement. The "conservatives," meanwhile, won 115 seats while the "independents" captured 49 seats, let alone the five seats allocated to religious minorities.

The Parliament also saw the biggest ratio of women lawmakers compared to the previous sessions, which amounted to 17 women representatives. The economic crisis returned to the country again after the United States withdrew

from the nuclear deal and imposed a package of sanctions described as the toughest in the history of the country. This was added to placing the IRGC on the terrorism blacklist.⁽¹⁶⁾

Iran's competitiveness can be evaluated during this period by looking at two issues:

4.3.1 *The Limited Improvement in the Report (2016/2017)*

"The Global Competitiveness Report 2016/2017" dedicated a section to Iran. It forecasted that the uncertainty regarding the future of energy prices will lead Iran to see a low growth rate and a high financial deficit amid increasing concerns about unemployment. This happened in the following years due to the failure of Iran's economy to turn into a model which depends to a lesser extent on energy resources.⁽¹⁷⁾ In the "Global Competitiveness Report 2017/2018," Iran occupied 69th place globally, the same ranking it obtained in the first report that included data on Iran (2010-2011). This means that Iran had maintained the same rank for eight years. This year saw a palpable decline in trust in Iranian institutions and policymaking, and a surge in corruption and irregular finances needed to undertake business activities. Iran was ranked 83rd globally. In a survey of opinions of businesspeople about to what extent the government protects investors, the assessment was 3.5 out of 10 (126th position globally). Iran has not seen any considerable change in its infrastructure, except for the continued improvement in available airline seat kilometers (422.2 million kilometers per week), occupying 53rd place globally, in addition to the prevalence of cell phones. The US withdrawal from the nuclear deal and the economic crisis caused a huge surge in government debt. It reached 35 percent of GDP amid a stable budget deficit and national savings rate.

As some foreign companies entered the country during the period of easing the embargo, Iran ceded its longstanding position in the lowest two positions globally in terms of the presence of foreign companies, occupying 133rd position. This was due to more flexibility in determining wages (20th position globally) and a limited improvement in access to loans (125th position globally). Its position when it comes to imposing the highest customs tariffs in the world remained unchanged.

4.3.2 *The Major Collapse and the Failure of Policy: Maintaining the Same Positions in "The Global Competitiveness Report 2018"*

The report's methodology was changed as decision-makers realized that the concept of competitiveness has become more connected to globalization, openness, and the ability to accommodate sophisticated technology and the availability of services. The strength of state institutions is important, not only the institutions intricately linked to the economy. There are institutions

whose functions are intertwined with the economy, affecting it directly and indirectly such as the judiciary and the press. Furthermore, the crime rate of a country also impacts its economy.

The way of calculating the index was changed to become 100 points. The country with the best practices on any sub-index is given 100 points and the rest of the countries are compared and evaluated according to this country which is a benchmark.⁽¹⁸⁾ The report's name was changed to "The Global Competitiveness Index 4.0" (GCI 4.0) in light of the key concepts of the Fourth Industrial Revolution (4IR)— espoused by the report's supervisor general.⁽¹⁹⁾

In the GCI 4.0, Iran descended 20 positions all at once, relegated to 89th position globally because of this report drawing a connection between openness, increasing competitiveness and economic growth. Open markets are more creative and hence more competitive. The report, when defining openness, included – in addition to the traditional definition of free trade – free movement of individuals and the exchange of ideas. According to this definition, Singapore, Germany, the Netherlands, Sweden, Finland, and the United States are among the most open countries in the world, while the report chose Iran as a clear example of one of the most closed countries in the world.⁽²⁰⁾

The authors of the report devised several indicators to measure this openness. Iran's ranking on most of these indexes was exceptionally low: government transparency was 11.5 percent (134th position), independence of the judiciary was 41.5 percent (86th position), freedom of the press was 39.3 percent (134th position), and the rate of exposure to corruption was 30 percent (109th position), given that 100 percent is the evaluation of the best country in each sub-index.

There is no longer any interest in the school enrollment rate, in which Iran has a distinguished position. But rather the focus turned to the skill of graduates, Iran's position was 113th globally, and critical thinking in teaching, 102nd position out of 140 countries. Whether or not the methodology changed, Iran maintained the highest customs tariff in the world at 28.49 percent, with the participation of women in the labor market dropping to 21 percent. The average duration of establishing a company increased to 15 days, 88th position globally. Iran saw a jump regarding the quality of research institutions, occupying 16th place worldwide. It also saw an increase in the number of registered patents to 0.08 per million citizens, 100th position globally.

"The Global Competitiveness Report 2019" saw a significant improvement in the competitiveness of the Gulf states. The UAE occupied 25th position globally, coming on top, followed by Qatar (29th position), and then Saudi Arabia (36th position). Meanwhile, Kuwait saw the biggest improvement in the region (occupying the 46th position, up eight places) while Iran went down 10

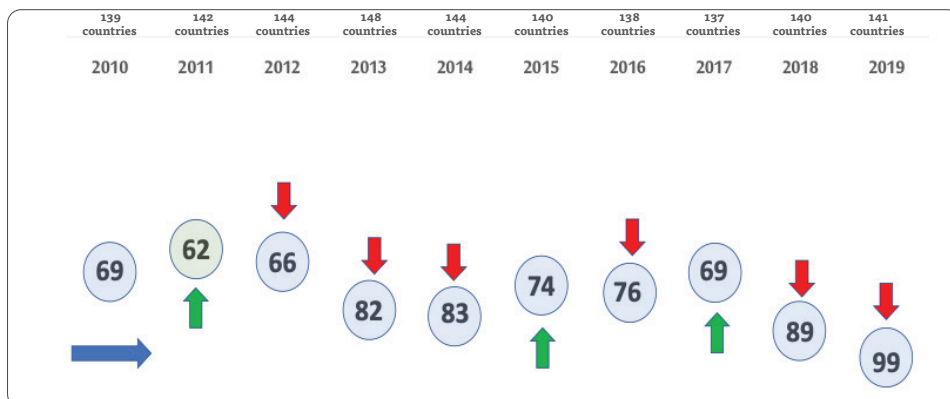
positions (99th position) and Yemen settled in the 140th position.

The report emphasized that the region has significantly absorbed information and communication technologies. Many countries have advanced infrastructure. However, greater investments in human capital are needed to transform the countries of the region into more diversified, innovative, and creative economies.⁽²¹⁾

The main competitiveness index was divided into twelve sub-indexes. Iran had no place among the best 20 economies according to any of the sub-indexes. Its best position was 21st globally, the sub-index related to the size of the economy, the only place among the first half of the 141 economies covered by the report. In the rest of the sub-indexes Iran occupied middle ranking positions, which included creativity (71st position), health (72nd position), infrastructure (82nd position), and adopting communications and information technology (84th position) and skills (92nd position), and bottom-placed positions, including the efficiency of institutions (120th position) and the financial system (125th position).

Iran was also ranked among the 10 worst economies in the world according to four sub-indexes: commodity market efficiency (133rd position), labor market efficiency (140th position), macroeconomic stability (134th position) and labor dynamics (132nd position), according to the “Global Competitiveness Report 2019,” which is the latest assessment of Iran’s competitiveness. The competitiveness of Iran’s economy was not compared to the rest of the world’s economies in 2020 due to the difficulty of collecting data at the time of the coronavirus pandemic.

This phase coincided with the victory of the “reformists” in addition to the US pullout from the nuclear deal and the imposition of sanctions considered the toughest in the country’s history. But Iran’s designation among the 10 worst economies globally — according to four sub-indexes — was not related to sudden changes to the economy. It was attributed to two reasons: the first was Iran’s failure to improve the management of its economy and the second was isolation from the world, with Iran becoming an example of economic closedness and inaction. US sanctions do not determine labor rules and laws in the Iranian market. The alternating control of the “reformists” and “fundamentalists” over Iran’s legislative and executive branches did not result in lower import costs or fewer requirements to establish companies. In all cases, the Iranian market remained accessible to those actors dominating the domestic political and economic arenas and closed to any new investments, whether foreign or local. (See Figure 2).

Figure 2: Competitiveness Index Performance Overview (2010-2019)

Source: World Economic Forum

Conclusion

It is worth noting that competitiveness is measured through an economy's position compared to other economies. The ranking of Iran's economy dropped by 30 places, from 69th position to 99th position during the 2010s. This drop coincided with the volatile performance of some sub-indexes due to political and economic changes. Iran's structural imbalances did not see a significant improvement, regardless of the local and international circumstances which placed restrictions on production (capital, natural resources, workforce and management).

Finally, the most important factor to increase competitiveness and boost production is open access to the world. Iran should focus on this especially as it is a closed state. To evaluate the degree of Iran's openness to the world, we can measure Iran's efforts to liberalize trade between itself and other global countries. Over the past decade, China has dominated the foreign trade of Iran. Iran also reorganized its economic diplomacy. In 2019, an interim agreement regarding a free trade zone was initiated between Iran and the Eurasian Economic Union, which includes Armenia, Belarus, Kazakhstan, Kyrgyzstan and Russia. The agreement was signed days after the Trump administration withdrew from the Iran nuclear deal in May 2018. It was hoped that the agreement would become permanent within three years if the talks ended successfully. This was the first regional economic agreement of its kind for Tehran, whose request for membership in the World Trade Organization (WTO) has been pending since 1996. It appears that Iran views the Eurasian Economic Union and its 183 million inhabitants as an important market and a useful tool to circumvent US sanctions.⁽²²⁾ However, according to the tallies published by the executive body of the Eurasian Economic Union and the Eurasian Economic Commission, trade

among the members of the union and Iran declined from \$2.7 billion in 2018 to \$2.45 billion in 2019, compared to its peak which reached \$3 billion in 2016 when the Iranian nuclear deal entered into force. This means that even these compensatory agreements are impacted by the embargo on Iran and are not an alternative to the WTO. Without membership to the WTO, Iran is likely to remain closed off to international expertise. Thus, the negative impact on its economic competitiveness will remain unchanged in the future if the sanctions continue. But if the nuclear deal is revived and sanctions are lifted, there may be a suitable opportunity for improving Iran's economic competitiveness.

Nevertheless, there are still several impediments to improving Iran's economic competitiveness, regardless of whether the president and Parliament speaker change or not, or whether there is an improvement in Iran-US ties or not. The first impediment is that competitiveness is a race between the world's economies, hence Iran needs to improve its economic, legislative and procedural environment so that it can move ahead of its competitors. This seems unlikely considering the cutthroat race among countries to improve competitiveness and attract investments.

The second impediment is the rigidity of Iran's structural imbalances in the face of any change. These imbalances have remained despite the many domestic and external changes that Iran has witnessed over the past decade. These imbalances are related to all factors of production and to the nature of the Iranian economy which suffers from institutions controlling its fate, inefficiency and irrationality in decision-making.

The third impediment is the closed nature of the Iranian economy. Iran imposes the highest tax rate in the world, and it has not joined yet the WTO, which includes 164 countries worldwide. Its regional trade agreements have not compensated for the international agreements necessary to open up the country's economy to goods and technology and promote the free movement of people and ideas. These matters are critical to boosting economic competitiveness.

The fourth impediment is the middle-income trap, which limits the growth of middle-income, densely populated countries. Even if Iran can overcome the first three impediments and can attract more investments, these investments will not be able to provide high incomes for the Iranian people, nor strengthen domestic demand. In the short or medium term, it will be exceedingly difficult for the Iranian economy to move to a higher stage of competitiveness that depends on innovation and continuous development, unlike the countries neighboring Iran that have succeeded in doing so.

Finally, the nature of Iran's political system itself, and its economic policies which are based on religious and ideological orientations, constitute the biggest impediment to developing the country's economy, boosting competitiveness and achieving sustained economic growth.

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IRANIAN ATTITUDES TOWARD EURASIA: OBJECTIVES, OPPORTUNITIES AND CHALLENGES

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Abstract

Iran-Eurasia relations have witnessed significant developments in recent years in light of Iran's eastwards orientation – or “look to the East.” The present paper discusses Iran's attitudes towards Eurasia with a particular eye on the Free Trade Agreement (FTA) signed in May 2018 in Kazakhstan – which entered into force in October 2019. It also explores Iran's cooperative and competing relations with two giant global players like Russia and China. The paper argues that despite the potential gains which Iran can achieve from its partnership with the Eurasian Economic Union (EAEU), there are evident obstacles and constraints hindering Iran in this regard. The paper discusses first the theoretical background of regionalism; second, the EAEU's establishment, its objectives and shortcomings; third, the free trade agreement with Iran; fourth, Iran's political and security imperatives; fifth Iran's engagement with Eurasia and China's overwhelming role; and finally findings and conclusions.

Keywords: *regionalism, Iran, EAEU, economy, security, free trade agreement, Russia, China,*

Introduction

This paper discusses Iran's attitudes towards Eurasia with a particular eye on the Free Trade Agreement (FTA) signed in May 2018 in Kazakhstan – which entered into force in October 2019. It also explores Iran's cooperative and competing relations with two giant global players like Russia and China.

The premise is that Iran's eastwards orientation – or “look to the East” – over the past years reflects its ambition to overcome its longstanding economic isolation, due to Western powers' relentless sanctions policy. Iran's slow return to international markets was characterized by a rapprochement with Western powers, which came simultaneously with what has been labelled as its “untiring push toward greater regionalism and Eurasian cooperation.”⁽¹⁾ Tehran's engagement with Moscow and Beijing can be seen as a result of a detailed risk assessment in case Western powers decide to raise their walls once more. However, Tehran's resolve to engage in a “preferential” trade agreement (PTA) is directly poised to bring positive economic results and political ones as well. But it has evident limits and constraints as well.

This paper attempts to answer two main interrelated research questions: first, how integrated is Iran with Eurasia? This question entails asking if it is a strategic partnership or merely a tactical one. Second, will Iran-Eurasia relations improve Iran's economic performance? This one is grounded on the hypothesis that to some extent the FTA will help Iran take a breather from the sanctions regime which has been crippling its economy for a long time. A hypothesis that must be verified. In fact, as many have observed, Moscow exploits the Eurasian Economic Union (EAEU) as a tool at its own disposal. Indeed, the main argument is that Iran will face evident limits in completely integrating into the EAEU, due to structural constraints – both systemic and also historic, referred to as deeply rooted national role conceptions.

All in all, these questions will help in understanding the problems, opportunities, challenges and limits of this intriguing issue of current international relations. A collateral aspect is to what extent this economic agreement will influence Iran's relations with Russia – which is by far the major player inside the EAEU. Symmetrically, the matter is to detect the ultimate significance for Iran to engage in a trading partnership with a regional organization made up of Russia's post-Soviet satellites. Finally, one important issue at stake is to understand how it will affect Iran's strategic orientations and its responses to external threats. Is such an economic agreement going to impact Iran's military and foreign policy doctrine?

This research has been conducted by first relying on a solid set of assumptions drawn from the Copenhagen School of IR, which tries to explain security dynamics by employing (neo)realist and ideational factors in an eclectic way. To better understand Iran's foreign policy, the systemic level must be given

as much importance as the domestic one. Geopolitics, external constraints, the distribution of power in the regional and global systems concur to explain Iran's international posture and attitudes as much as its national role conceptions, the establishment's perceptions of external threats, and domestic factionalism. The validity of the initial hypothesis has been tested by first reverting to academic monographs and journal articles, and also to reports and in-depth analysis issued by research and policy centers and even articles from newspapers – with the main goal of collecting more information to help inform the political, economic and regional context in which Iran is situated. Raw data has been drawn from international institutions by directly consulting online databases available on official websites.

1. Theoretical Background

To better understand Iran's orientations towards the EAEU, it is significant to review its theoretical dimensions as follows:

1.1 Regionalism and the Significance of Operational Perspectives to Explain Iran's Position on Eurasia

Regionalism is an increasingly dominant trait in international politics, flourishing especially as of between the late 1980s and the early 1990s. At that time, it became clear that regionalism was about to make a qualitative leap as reflected in the establishment of new regional agreements such as the North American Free Trade Agreement (NAFTA), the ASEAN Free Trade Area (AFTA) and, above all, the European creation of a common market. Regionalism has been defined as one of the three constituents of the international commercial system along with multilateralism and unilateralism.⁽²⁾ It is established on the idea that the more a region is economically integrated, the more it is politically integrated. A region's key attributes are connected to both geographical proximity and mutual interdependence.⁽³⁾ Regionalism refers to a grouping of states within a specific region sharing common interests in cooperating with one another through common institutions and rules. Depending on the extent of integration, a regional agreement can be organized either through intergovernmental structures – which evolve around sovereign states – or supranational institutions – which are more independent from governments. The European Union (EU) is a case in point.

Political science and international relations theories have tried to explain “how and why nation-states cease to be wholly sovereign”⁽⁴⁾ by elaborating on a theory of regional integration known as neofunctionalism. This theory posits that through regionalism sovereign states “voluntarily mingle, merge, and mix with their neighbors so as to lose the factual attributes of sovereignty while acquiring new techniques for resolving conflicts between themselves.”⁽⁵⁾ Sovereign states intentionally undergo a process whereby they transfer their

loyalties, expectations and some of their sovereignty on different issues (cultural, environmental, economic, health-related and so on) to a new entity which demands jurisdiction over them.

The neofunctional theory explains well Iranian attitudes towards Eurasia – and particularly Tehran’s signing of the FTA with the EAEU in 2018 – for at least two main theoretical reasons. First, neofunctionalism introduces “an unambiguously utilitarian concept of interest politics that stands in sharp contrast to the notions of unselfishness or common good that pervade functionalist writings. Assumptions of goodwill, harmony of interests, or dedication to the common good need not be postulated to account for integration.”⁽⁶⁾ Neofunctionalism introduces an important component of utilitarianism to explain a state’s behavior. In a realist worldview, states pursue selfish goals reflecting national interests. However, they turn to supranational means when they deem it to be profitable. Therefore, neofunctionalism is not that different from political realism. Second, although oscillating between pan-Islamism and Iranian nationalism, and between ideology/radicalism and pragmatism, as well as between détente and post-détente, Iran’s foreign policy from the 1979 revolution can be almost wholly explained within a realist framework. This means that, “despite the influential role of religion in the country’s politics and policies, Iran has remained committed to defensive and realist imperatives for most of the last 40 years.”⁽⁷⁾

1.2 The Securitarian Dimension of Regionalism

A primary dimension of regionalism is security. A number of regional studies have focused on the security dimension. From this dimension, regions are defined in accordance with their security relations which are developed within the context of geographically-connected states, “territorially coherent subsystems defined by interlocking patterns of securitisation.”⁽⁸⁾ Regional Security Complex Theory (RSCT) is one of the major theories developed to analyze relations between regional states and how and why security dynamics develop among them. According to Barry Buzan and Ole Weaver (2003), a regional security complex shows specific geographically clustered patterns of security. In this regard, regionalism primarily refers to the emergence of security dynamics within a specific regional context. Due to geographical proximity, security interactions are higher among countries belonging to the same region, while they are lower among states located in different areas, even though “non-territorial security constellations exist too.”⁽⁹⁾

During the Cold War, regionalism was thoroughly overlooked amid a power struggle between the United States and the Soviet Union. As a result, scholarly debate mainly focused on the bipolar order, global dynamics, deterrence, and nuclear proliferation. The regional level was either almost totally ignored or considered as a subsystem. Robert Kelly argues that IR theory has traditionally

neglected regional autonomy by emphasizing the importance of the global system over regional subsystems,⁽¹⁰⁾ according to a long-standing viewpoint that the latter was not significant. The birth of the European Economic Community (EEC) in the late 1950s led to interest in the regional level, even though it “remained weakly conceptualized.”⁽¹¹⁾

The “first wave of regionalism” failed between the 1970s and 1980s. This is because primal regional experiments such as OPEC and the New International Economic Order (NIEO) failed as well as the fading of Third Worldism, all of which “have prioritized the international system once more.”⁽¹²⁾ However, towards the end of the Cold War, regions gained more relevance as power units, and heated scholarly debate arose.

A strong tendency to link regionalism with security dynamics emerged as global great power competition faded, leaving room for regional dynamics to play out. The “new wave of regionalism” did not neglect the hardcore essence of neorealist theory – territoriality, state-centrism, violence and war. Buzan and Weaver, for instance, recognize that “the regional level is compatible with, and we think complementary to, neorealism’s structural scheme, but it contradicts the tendency of most neorealist analysis to concentrate heavily on the global level structure.”⁽¹³⁾

The new wave of regionalists believe that states “cannot project power over long distances.” As such, “states are much more threatening to their near neighbors than to others”⁽¹⁴⁾ and “the ability to project declines over distance for most states.”⁽¹⁵⁾ One of the most heated debates that gripped the new regionalist wave was related to geography and territoriality. Lake and Morgan considered these factors to be rather irrelevant, with friendship or enmity between states determined more by technology than location.⁽¹⁶⁾ However, Buzan strongly stressed on linking geography with history, a key premise in analyzing patterns of enmity and amity among neighboring states. Although most new regionalists accept geography as the basic criterion in defining a region, Buzan and the Copenhagen School argue that while territorial contiguity is important, the necessary condition for the existence of a “region” is a historically established pattern of rivalry or cooperation, depending on the intensity of that/those interaction/s.

Iran’s full integration into the EAEU is dependent on the following points: a) the EAEU’s goals and the incentives it can offer to Iran in regard to economic growth and security; b) the size of economic and trading integration between Iran and the EAEU, which is the key factor prior to any other kind of functional integration, even military; c) Iran’s status as a “middle power” and the dangers of attaching itself to a “great power” with ambitions of regional hegemony, whether a region is defined geographically or functionally; d) Iran’s security threats and how other external factors (the EAEU) may help in this regard.

2. The EAEU: Establishment, Objectives and Shortcomings

The EAEU was formed under Russia's influence in May 2014 involving some former members of the Soviet Union, with Belarus and Kazakhstan constituting the core countries and Armenia and Kyrgyzstan joining immediately afterwards. It represented the revival of a former organization whose origin dates back to January 1995, when Russia, Belarus and Kazakhstan signed their first treaty to form a Customs Union (CU). Later, Kyrgyzstan and Tajikistan joined the CU.

According to its treaty, the EAEU aims to create a geographic area for the free movement of goods, services, capital and workers, and to provide for common policies in macroeconomic spheres: transport, industry, agriculture, energy, foreign trade, investment, customs, technical regulations, competition and antitrust regulation, with plans to create a single currency and deeper integration in the future. The EAEU's main goal is to counterbalance the EU's economic and political influence and establish an alternative successful model of regional economic integration.

According to the EAEU's website, "the Union is being created to comprehensively upgrade, raise the competitiveness of and cooperation between the national economies, and to promote stable development in order to raise the living standards of the nations of the Member-States." The EAEU embraces an integrated single market of 183.8 million people and a gross domestic product of \$1.9 trillion, which represents 32 percent of global gross domestic product.

When discussing the EAEU, it is imperative to focus on Russia, as it is by far the most powerful state in the union. It univocally exerts a major influence on the other states in the union, and has the potential to impact global politics as well as to exploit the union for its own geopolitical ends. Indeed, some critics of the EAEU have highlighted Russia's intent to create a trade bloc composed of former Soviet satellite states to counterbalance the EU, the United States and China [Henley, February 18, 2014]. Though Russian President Vladimir Putin denied his intention to bring the Soviet Union back to life through the EAEU, the former US presidential candidate and Secretary of State Hillary Clinton described the EAEU as "a move to re-Sovietize the region [...] We know what the goals are."⁽¹⁷⁾

For his part, Putin expressed his view on the EAEU in an article published by the Russian newspaper *Izvestia* on October 3, 2011. He stated that "it is crucial that the Common Economic Space is rooted in coordinated action in key institutional areas such as: macroeconomics, ensuring competition, technical regulations, agricultural subsidies, transport, and natural monopolies tariffs. Later, this framework will also include common visa and migration policies, allowing border controls between our states to be lifted. In

fact, we are adapting the experience of the Schengen Agreement that benefits Europeans as well as everyone who comes to work, study, or holiday in the EU.”⁽¹⁸⁾ According to Putin, the EU is taken as a model “it took Europe 40 years to move from the European Coal and Steel Community to the full European Union. The establishment of the Customs Union and the Common Economic Space is proceeding at a much faster pace because we could draw on the experience of the EU and other regional associations. We see their strengths and weaknesses. And this is our obvious advantage since it means we are in a position to avoid mistakes and unnecessary bureaucratic superstructures.” For Putin, the EAEU will serve as an efficient bridge between Europe and the dynamic Asia-Pacific region and an opportunity to expand cooperation with China, the EU and the United States. Putin has expressed his support to form a partnership between the EAEU and the EU, rejecting the notion of confrontation between the two blocs.⁽¹⁹⁾

Putin has refuted speculation about Russia’s allegedly aggressive foreign policy agenda by listing the virtues and strengths of the EAEU. However, the EAEU exists alongside the Collective Security Treaty Organization (CSTO), a political-military experiment which hosts the EAEU member states plus Tajikistan and pre-exists the union. The eventual creation of a single currency and a centralized bureaucracy would indicate Russian plans to dominate.⁽²⁰⁾

As suggested by Ksenia Kirkham, most academic studies view the EAEU as a rival to the EU and depict it as a Russian tool to restore Moscow’s power/influence, a threatening scenario for Western states.⁽²¹⁾

Despite speculation about Russia’s intent to use the EAEU for its own geopolitical purposes, it must be pointed out that within its institutional architecture, the membership of its Commission, which is the organization’s governing body, reflects a push towards multilateralism. In fact, it is composed of two governing bodies: the Collegium, made up of five members, one for each state, and the Board, comprising 10 members, two for each member state, with equal voting power.

Academic scholars have highlighted the EAEU’s low legitimacy among its own member states and this is a major weakness.⁽²²⁾ The threat of Russian economic, political and military dominance over the EAEU member states that gained independence from the former Soviet Union approximately 30 years ago means that they do not completely trust the Russian-sponsored regional integration initiative, especially after Moscow’s intervention in Georgia in 2008 and Ukraine in 2014. As a result, the EAEU focuses on trading relations or similar arrangements such as customs unions, and stays away from pushing integration on the political front.

The Russian leadership treats “the post-Soviet nations as having only “limited sovereignty,” being part of the region controlled by Russia as a “great power

[...]” Finally, a number of the largest Russian firms profit from open access to the markets of the less economically advanced post-Soviet countries. “[...] a number of the largest Russian corporations are relatively more competitive in the region. They are interested in sustaining the asymmetrical economic dependence of ex-Soviet republics.”⁽²³⁾ The first and foremost indication of its will to emerge and be recognized as a great power is to impose its dominance over the former Soviet-sphere, which Moscow considers as its own backyard. A major reason behind Moscow’s intent to achieve global power status is to consolidate domestic support and legitimacy.

Most analysts state that among other EAEU weaknesses, economic asymmetry is one of the most troublesome. Indeed, Russia’s economy is by far the largest among the EAEU member states, not to mention Moscow’s share of trade with other EAEU member states, a figure which is almost negligible, while the EAEU represents more than 50 percent of Belarus’ trade.⁽²⁴⁾

Another EAEU weakness has been the faltering construction of a Eurasian identity, along with widespread corruption in the EAEU member states, and “low efficiency of the democratic power structures through which the formation of cultural leadership can take place.”⁽²⁵⁾

2. The Free Trade Agreement With Iran: Economic Opportunities and Limits

The early phases in establishing a free trade agreement between the EAEU and Iran blossomed in December 2015, when Tehran signed a temporary agreement to lower tariffs. Mohammad-Reza Nematzadeh, Iran’s Minister of Industry, Mines and Trade at the time, expressed optimism about Iran joining this union, stating that expanding trading relations was a strategic priority for Tehran.⁽²⁶⁾ The implementation of the agreement would no doubt speed up the establishment of the infrastructure needed for the International “North-South” Transport Corridor via Iran, Russia and the Caspian Sea, according to Veronika Nikishina, the Eurasian Commission’s Minister for Trade. This corridor will also benefit other countries in the Middle East and Central Asia, revealing the strategic importance of Iran’s geography.⁽²⁷⁾ The agreement was expected to last for three years and become permanent if things worked out during the talks. According to Iranian officials, this was the goal they intended to reach.

Geopolitically speaking, the strategic importance of Iran for the EAEU was underlined by Tigran Sargsyan, who served as the Chairman of the Eurasian Economic Commission (EEC) between 2016-2020, during a summit held at the EEC’s headquarters in Moscow in early September 2019. Sargsyan said “the Heads of State of our Union attach special importance to deepening cooperation with Iran.” He noted the importance of Iran’s business community attending the summit, indicating Tehran’s willingness to integrate and Iran’s

significant role in linking “North-South” and “West-East” transport hubs.⁽²⁸⁾ Such optimism was echoed by Veronica Nikishina. She stressed that the union’s business community was interested in trading with Iran even before the agreement was signed, with Iran’s exports to the union’s countries rising by 28 percent in 2018.⁽²⁹⁾

From Iran’s perspective, this agreement represents a major breakthrough for its trade. Iran’s Energy Minister Reza Ardakanian at the EAEU summit in Yerevan on October 1, 2019, pointed out that “about 840 commodity items will be subject to preferential tariffs, which means tariffs on some goods will be reduced and some will become zero tariffs.”⁽³⁰⁾ To be exact, the agreement involves 862 agricultural and industrial items, of which 502 are Iranian and 360 are from the EAEU. Under this agreement, Iran’s main exports include fruits, vegetables, metal products, construction materials, and items such as tableware and carpets. Similarly, Iran is to reduce tariffs on imports from the EAEU such as meat, selected agri-food products, metals, and electronics as well as other items.⁽³¹⁾ Among agri-food products that Iran imports, barley, sunflower products and corn constitute the major part and they mainly come from Russia and Kazakhstan.⁽³²⁾

For Tehran, this agreement facilitates its entry into new markets amid renewed sanctions. Other Iranian officials hailed the agreement too. Iran’s Minister of Industry Reza Rahmani emphasized its potential benefits in the face of US sanctions, while Mohammadreza Jahanbiglari, a member of Iran’s Chamber of Commerce, welcomed the agreement with even more optimism by predicting a four-fold growth in Iran’s trade turnover with the EAEU to reach \$10 billion within one year.⁽³³⁾ This optimism proved to be too unrealistic, let alone not considering the impact of negative externalities arising from the COVID-19 health pandemic.

From the Russian perspective, this preferential agreement would contribute to developing bilateral trade and expanding investment cooperation, according to the Russian Minister of Energy Alexander Novak.⁽³⁴⁾ This is important for Russia as it recovers economically from the sanctions regime imposed by the West post-Moscow’s invasion of Ukraine. Just five months before this agreement, Iran had signed another strategic and historic agreement, the Joint Comprehensive Plan of Action (JCPOA) with the P5 + 1 (the five permanent members of the UN Security Council – the UK, China, France, Russia and the United States – plus Germany).

According to a report quoted by Tehran Times, the signing of this “preferential agreement” has been beneficial to Iran. In terms of Iran’s trade growth rate, Iran’s exports to the EAEU member states increased by 216 percent in value and 522 percent in weight between January and September 2019 compared to the same period in 2018.⁽³⁵⁾ The report highlights that the major increase

was registered with Armenia, setting the stage for a competitive advantage for Iranian products compared to those coming from Turkey, a country which used to dominate the Armenian market before the implementation of this agreement. Actually, the EAEU-Iran trade agreement covers about 55 percent of the total mutual trade between the partner states. According to the agreement, Iran's products receive much higher tariff reductions compared to EAEU products. According to Adarov and Ghodsi, future growth in import-export relations will benefit the EAEU member states more than Iran, with a confirmation of an upward trend in Iran-Russia trading relations, compared to other EAEU member states, with mutual trading gains, especially in relation to vegetables and fruits.⁽³⁶⁾ Certainly there is some room for optimism, but the agreement must be contextualized within the framework of Iran's current affairs and its overall trading relationships.

Despite Iranian enthusiasm surrounding the agreement as displayed in Iranian newspapers, other sources report different figures, pushing scholarly analysis to be more realistic. Based on alternative raw data as mentioned, Iran's trading relations with the EAEU member states are highly downsized when compared to Iran's trade with China and the EU. China is by far Iran's largest trading partner and a major market for Iranian exports.

According to the International Monetary Fund (IMF), Iran's exports to China in 2019 were worth approximately \$12.643 million, nearly four times the amount of Iranian exports to Turkey, Iran's second ranked market. At the same time, Iran imported approximately \$6.585 million of Chinese products in 2019, much more than the \$4 million of Iranian imports from the UAE, which is the second largest exporter to Iran, not considering the EU as a whole.⁽³⁷⁾ While the value of European imports of Iranian products is much lower when compared to other countries such as China, Turkey, India, Korea, Afghanistan, the UAE and Japan, the value of European products exported to Iran in 2019 was nearly \$10 million.⁽³⁸⁾

The total share of Iran's imports from and exports to EAEU member states is considerably negligible, as the two following tables indicate.

By briefly analyzing the data in the above tables, some observations can be made. First of all, Russia is by far Iran's major trading partner among the EAEU member states. Russian imports remained relatively stable, moving from 85.38 percent of total EAEU imports in 2016 to 81.68 percent in 2019 (Table 2). Exports to Russia accounted for around half of the total, moving from 57.81 percent in 2016 to 47.14 percent in 2019 (Table 1). Among the EAEU's exporters, Kazakhstan is the second largest exporter to Iran after Russia, accounting for 13 percent of total EAEU exports in 2019. The other EAEU member states accounted for only 5.3 percent of total EAEU exports to Iran.

A second interesting observation is that Iranian exports to Armenia

Table 1: Iran: Exports of Goods to Its Partners**Millions, US Dollars**

	2016	2017	2018	2019
Russia	285.63	370.75	496.02	363.88
Armenia	154.7	164.81	254.1	306.54
Belarus	5.3	77.18	11.8	8.65
Kazakhstan	43.14	64.08	84.22	76.22
Kyrgyzstan	6.22	8.58	12.04	16.53
TOTAL	494.99	685.4	858.18	771.82

Source: IMF, Direction of Trade Statistics (DOT)

Table 2 : Iran: Imports of Goods from Its Partners**Millions, US Dollars**

	2016	2017	2018	2019
Russia	1,544.08	704.43	671,16	749.92
Armenia	20.89	25.68	28,62	24.97
Belarus	29.2	16.1	9,86	9.54
Kazakhstan	210.76	66.64	69,93	119.38
Kyrgyzstan	3.46	6.06	13,53	14.25
TOTAL	1,808.39	818.91	793,1	918.06

Source: IMF, Direction of Trade Statistics (DOT), <https://bit.ly/35vh2Pq>.

doubled from 2016 to 2019 (Table 1) and almost reached the value of exports to Russia, with 39.71 percent of the total – a figure indicating Iran's increasing importance to Armenia over the past four years. Exports to Kazakhstan and Kyrgyzstan similarly show an upward trend, despite these markers not being

extremely significant for Iranian products. As underlined by the Washington Institute, “much of this volume comprises fruits, vegetables, nuts, cement, ferrous metal products, petroleum products, and natural/liquefied gas.”⁽³⁹⁾

Last but not least, while Iranian exports have progressively grown over the past four years – rising by 56 percent (Table 1) – Iranian total imports almost halved in the same period (Table 2), largely due to a dramatic decline in Russian products imported to the Iranian market, but also due to a visible decline in imports coming from Belarus and Kazakhstan. Armenia remained almost stable, with only Kyrgyzstan registering an increase. Such a downhill trend in imports should not be interpreted as a bad sign for Iran. On the contrary, it means that Iran has considerably reduced its trade deficit with the EAEU, as its exports have increased at the same time.

Notwithstanding this positive trend, the Washington Institute further highlights that “the FTA covers only about 50% of goods traded between Iran and the EAEU, with limited liberalization. To protect domestic production and promote self-sufficiency, Iran maintains a 4% across-the-board minimum import tariff. [...] Apart from Armenia, Iran’s energy exports to union member states count for little given Russia’s dominance in that sector.”⁽⁴⁰⁾ Arguably Russia covers the lion’s share. Russia’s quest for power represents one of the major limitations not only to the agreement’s implementation but also to any future developments in Iran-EAEU relations.

Beyond the above-reported tables, a few words must also be said about Iran’s importance for Armenia –the latter is probably more significant to the former. While Russia represents Yerevan’s top trade partner – as one might expect – Iranian goods have been ranking fourth overall in the past four years and accounted for almost \$325 million in 2019. A special trading relationship, the potential of which has been highlighted by Rouhani in a bilateral meeting with President Armen Sarkissian during the already-mentioned summit in Yerevan, “the Islamic Republic of Iran and Armenia have many capacities in various areas such as energy, transit, tourism and industry to use in line with benefiting the two nations.”⁽⁴¹⁾ His words were echoed by Armenia’s Prime Minister Nikol Pashinyan: “Iran is a sustainable source of energy and natural gas for Armenia, and his country wants to extend the gas-to-electricity barter agreement with Iran until 2040.”⁽⁴²⁾

With Russia dominating the EAEU, what real chance does Iran have to establish major trading relations with its members in the future? To what extent can Russia tolerate any possible rapprochement between Iran and its former satellite states, with Moscow still considering them to be part of its backyard? How likely are Iran-EAEU relations to be cooperative in the future? Will cooperation lead to competition? The following sections attempt to address these important questions.

3. Political and Security Imperatives for Iran

Since a region can be defined either from a geographical, functional, political, and even economic point of view, the real “boundaries” (or breadth) of a region can vary depending on these different definitions. The Middle East is the natural region Iran historically belongs to. However, the Middle East is paradoxically “a region without regionalism.”⁽⁴³⁾ Actually, at the dawn of the Cold War, Iran was co-opted into regional security agreements such as the Baghdad Pact (1955) including Iraq, Pakistan, Turkey and the United Kingdom and the Alliance of Periphery (1958), along with Turkey, Israel and Ethiopia. These regional security agreements reflected global alliances in the bipolar world. Despite the absence of any structured regional framework, some regional organizations began to appear on the scene, like the Arab League and the Gulf Cooperation Council. It goes without saying that Iran was totally excluded from all of them. Moreover, political strength, technological superiority and the military successes of Israel against Arab countries over the decades caused a decline in Arab nationalism in favor of the emergence of a new identity based on political Islam during the 1970s and 1980s. A new securitization pattern strongly emerged and has been dominating regional politics to the present day.

The 1979 revolution in Iran reshuffled the cards in the Middle East and had global repercussions. From that moment on, Iran’s foreign policy revolved around a set of pillars grounded on the search for “independence, freedom and the Islamic Republic.”⁽⁴⁴⁾ Iran’s post-revolutionary foreign policy resulted from the rediscovery of the country’s inner identity and the awareness that the only way to survive in international politics would be to only depend on itself.

Iran’s special cultural identity, Persian, is situated in an Arab-dominated region and this situation is also appreciated by countries like Turkey and Israel as they are indeed encompassed by a dominant Arab culture as well. In addition, Iran’s encirclement syndrome has created a sense of constant frustration as it is threatened by external forces and fears invasion. Rather than being totally driven by religion and ideology, Iran’s foreign policy has often been inspired by pragmatism and rationality.⁽⁴⁵⁾ Regional strategic alliances have resulted in many US-led initiatives against Iran. At the same time, Tehran has been prioritizing its struggle against the United States’ encroachment in the region, and Saudi Arabia’s leadership in the region, and Israel’s existential threat.

Iran’s pivot to the East necessarily followed.⁽⁴⁶⁾ The search for economic partnership with Russia and the free trade agreement signed with the EAEU was a specific aspect of its pivot strategy, despite the limits and constraints.

By speaking at the EAEU summit in Yerevan on October 1, 2019, Iran’s

President Hassan Rouhani said, "The international community must take a firm decision and also take effective actions to counter the United States' unilateralism and hostile approach. [...] The international system is based on multilateralism and cooperation among the members of the international community. All countries are duty bound to counter unilateralism based on their international commitment and responsibility and in line with protecting global security and stability. [...] Peace and security in the Gulf, Sea of Oman and Strait of Hormuz should be provided by the regional countries. As I said at the United Nations General Assembly summit⁽⁴⁷⁾ I invited all the countries influenced by developments in the Gulf and Strait of Hormuz to join the Hormuz Peace Endeavor."^{(48)*}

Rouhani also emphasized Iran's efforts to support cooperation within the framework of regional economic and political organizations such as the EAEU, the Shanghai Cooperation Organization (SCO) and the Economic Cooperation Organization (ECO). Just before leaving for the Armenian meeting in question, he mentioned, "I think this is the first time in our country that we are entering a regional economic union. [...] In conditions when the Americans are putting pressure and sanctions on the Iranian nation and global trade, this is a very important move."⁽⁴⁹⁾

Rouhani's remarks can be interpreted in two ways. First, Iran's official position is to attach great importance to regional agreements, whether economic or political-military. However, it seems that adhering to such regional frameworks is nothing but a function of its bitter confrontation with the United States. Second, from a political-security perspective, Iran's reference point in the regional context remains the Middle East. Opposition to Israeli policies in Lebanon and the Gaza Strip, fierce political rivalry with Turkey in Iraq and Syria⁽⁵⁰⁾ – despite an engaging trading partnership with Ankara – harsh ideological and political struggles, as well as energy competition with Saudi Arabia and its clash with the United States at all levels remain Tehran's top foreign policy issues which drive its regional and international behavior.

So, the question at stake is: to what extent can the EAEU, or other Eurasian security organizations such as the CSTO and the SCO or even just Russia or China, help Iran in overcoming the economic, political and military difficulties it faces in the Middle East? Compared to 20-30 years ago, Russia and even more China are real global competitors to the United States in many regional theaters including Eastern Europe, Southeast Asia and the Middle East. This has pushed Moscow and Beijing to be more aggressive in countering US-led efforts to impose sanctions on Iran because they indirectly harm Russian and Chinese economic interests. In 2020, Russia and China in the UN Security Council vetoed to extend US-sponsored Resolution 1747,⁽⁵¹⁾ which imposed an arms embargo on Iran in 2007.

Despite its economic, diplomatic and military rapprochement with Russia and China over the past two decades, it seems that sharing a broad counter-hegemonic narrative with them is not enough. For instance, it must be pointed out that Russia and China are not completely satisfied with Iran's aggressive foreign policy in the Middle East, because it impedes their efforts to secure energy and trade routes. China in particular expressed concern about Iran's foreign policy in the Strait of Hormuz, a strategic bottleneck where a large volume of world trade passes on a daily basis.

Iran is concerned about its economic dependence on China and is a bit reluctant to move towards greater economic integration with Russia. Although economic and energy relations with them have been improving throughout the past 30 years, the signing of the Iranian nuclear deal in 2015 paved the way for a win-win situation as well as an opportunity for rapprochement with Western powers. However, Donald Trump's decision to withdraw from the deal in May 2018 pushed Iran towards Russia and China.

4. Iran's Engagement With Eurasia and China's Overwhelming Role

The EAEU predominantly reflects Russia's position towards the international order. On the one side, the EAEU reflects an interesting experiment of regional integration. On the other, it signifies the latest Russian initiative to restore its former status as a global power through its domination over former satellite states. Such an objective is not only driven by domestic imperatives but also by an ambition to resist Washington's encroachment into the region. Iran's attitudes towards Eurasia are primarily molded in accordance with its relations with Russia.

Iran and Russia undoubtedly share similar positions, particularly to counter Washington's power in the world. Iran and Russia are held together by what has been singled out as an "ideational synergy,"⁽⁵²⁾ encompassing "common feelings of 'international misrecognition' and 'common threat perceptions.'"⁽⁵³⁾ Russia's push towards economic integration in Eurasia was the outcome of Moscow's will to counterbalance Western efforts to isolate it internationally in the wake of the end of the Cold War. According to Kirkham, Russia's isolation was threefold: "a) political-economic (the IMF and the World Bank), b) military (NATO's operations), c) spatial (the EU and NATO's physical border expansion)."⁽⁵⁴⁾

Even though Russia and Iran share similar concerns regarding security and have common interests in facilitating the signing of agreements, this is not sufficient to lead to a strategic alliance. While, the two countries have preferred to describe their relationship as a "strategic partnership,"⁽⁵⁵⁾ it would be more accurate to describe it as a bilateral relationship based on structural geopolitical rivalry, which has allowed them to arrange some mutual tactical understandings in regard to specific issues.

The Astana peace process, involving Turkey too, is just a marriage of convenience between Russia and Iran which is based on a political trade-off between their competing interests, its durability may continue or expire, depending on sudden changing geopolitical conditions. Furthermore, the signing of the FTA between Iran and the EAEU indicates not only converging trade interests but also Russia's exclusive authority to permit a foreign state to access its post-Soviet space economically.

Iran's integration into the EAEU has not met its expectations to date. The lack of financing and crippling economic sanctions towards both Iran and Russia have slowed down economic integration. Therefore, the EAEU for Iran is one among a number of regional initiatives which remain stagnant, along with the International North-South Transport Corridor (INSTC) for instance. The latter's delivery of equipment has been delayed by repeated setbacks.^[56] The INSTC is a major project for the land transportation of freight from India to Europe passing through strategic countries such as Iran, Azerbaijan and Russia, by overriding more expensive routes through the Strait of Hormuz, the Indian Ocean and the Red Sea. From Iran's perspective, it is not only a matter of reducing the transit time and costs by geographically avoiding strategic rivals such as Saudi Arabia in the Red Sea and Israel in the Mediterranean, it is also viewed as an opportunity to rise as a hub for geo-energy and geo-economic dynamics in Eurasia. A way to re-emerge from isolation after decades. A matter of survival.

Vladimir Putin's proposal in 2016 to create a "Greater Eurasian Partnership" encompassing China, India, Iran and Russia along with its CIS partners and the EAEU, is another enticing initiative for Iran's reinstatement into the international economy. It came just a few months after the March 2015 proposal to economically integrate the EAEU with the New Silk Road Economic Belt. Negotiations regarding a Greater Eurasian Partnership have failed due to major strategic divisions among its prospective member states. After all, economic cooperation is one thing, a strategic alliance is something else. Actually, Russia's geopolitical ambitions clash with China's rise as a global power. Although some room for integration between the EAEU and the Silk Road exists, no real mechanism has come of age so far to try to integrate elements of both initiatives, hence creating a convergence and competition paradox^[57] which has resulted in a Sino-Russian condominium over Eurasia.^[58]

Another significant factor limiting Iran's prospects to benefit from deeper integration with Eurasia is China's growing partnership with the Eurasian countries, being the EAEU's second biggest trade partner at present.^[59] China's growing economy requires hydrocarbons, thus generating a potential struggle between competitors in the energy sector.

China is also Iran's largest economic partner. Upon visiting Tehran in

January 2016, Chinese President Xi Jinping signed a Comprehensive Strategic Partnership (CSP) with Iran, which “marked the official recognition of Iran as a crucial partner for China”⁽⁶⁰⁾ three years after Beijing launched the Silk Road initiative. Bilateral relations between the two countries have been good for the past decades, however, as the imposition of international sanctions against Tehran increased, Iran became more and more dependent on Beijing, resulting in a “substantial reduction of Iran’s agency.”⁽⁶¹⁾

However, first the signing of the Iranian nuclear deal in July 2015 – in which China’s role was decisive – and secondly the establishment of the CSP – most of its 17 memorandums were related to the BRI – represent evident signs that Iran has grown as a strategic partner in China’s world vision, setting the conditions for overcoming “the dynamics of the Great Power-Middle Power relationship.”⁽⁶²⁾ By emerging as a crucial pivot in the middle of Eurasia, Iran may in fact turn into China’s gateway to the West. Iran and China are naturally complementary economic and trade partners, as Iran heavily depends on China’s imports of machinery, industrial products and technology while, conversely, China needs Iran’s oil supplies to feed its industry. This may in turn benefit Iran’s stagnant oil sector. “China is making efforts to secure energy resources from the Caspian region as an alternative to Middle Eastern oil. Therefore, Iran is a vital link for the transit of oil pipelines to transfer energy from the Caspian region to China, indicating that China has a strong interest in maintaining a strong strategic partnership with Iran.”⁽⁶³⁾

However, many limits to advance Iran-China relations remain. Iran not being upgraded to a full member in the SCO is significant. While Russia fully supports Iran’s full membership to the SCO, reflecting its vision for the organization to act as a counterweight to US policies and NATO operations, China is more prudent since it views the SCO more as a pragmatic organization to aid intra-regional cooperation and integration.⁽⁶⁴⁾ Moreover, China likes to mitigate risk in international relations, and it has expressed concern about Iran’s aggressive behavior in the Middle East. Last but not least, even if Iran’s leadership views the SCO as an opportunity to create a counterweight to the United States and NATO in the East, Iran’s aversion towards over-dependence on foreign states still remains, thus hindering its integration into the EAEU and advancing relations with China on different fronts.

Conclusion

This paper attempts to evaluate Iran’s engagement with Eurasia through analyzing its benefits, opportunities, and challenges as well as its limits. From an economic perspective, the FTA agreement with the EAEU has been somewhat beneficial to Iran’s economy, but with noticeable limits as reflected in the trade data. The sharp fall in trade volume between 2016-2019, because

of a decline in Russian exports to Iran, was partially recovered in a matter of seven months, between the end of 2019 and early 2020 – namely, since the implementation of the FTA agreement itself – exceeding \$2 billion.⁽⁶⁵⁾ However, it seems too early to evaluate this positive turnaround amid the ongoing coronavirus pandemic which will upset trade relations around the world. Therefore caution is needed. It would be advisable to wait for more complete datasets to draw a more balanced conclusion concerning trading relations with the EAEU. Against the backdrop of Iran's economic entente with the EAEU, and despite successful tactical dealings with Russia on energy and security matters, Tehran's economic relationship with Moscow is the weakest leg of the partnership. Conversely, it has been largely pointed out that Iran's main trading partner is unquestionably China. In spite of a significant fall in trade worth approximately \$26 billion in 2018 to \$19 billion in 2019,⁽⁶⁶⁾ Beijing has strengthened not only its trading relations with Tehran, but also its diplomatic and military relations. Iran has become "profoundly, disproportionately, and perhaps irretrievably dependent on Beijing, despite its own revolutionary opposition to reliance on foreign powers."⁽⁶⁷⁾ Upon launching the BRI in 2013, Beijing started to increasingly perceive Tehran as its door towards European markets without passing through Russia, highlighting Iran's strategic geographic position in China's worldview. However, China is in fact interested in securing energy supplies from Iran as much as from Saudi Arabia and its GCC partners.

Tehran has viewed economic integration with Eurasia via the FTA with the EAEU as an important opportunity to thwart US-led sanctions. The early talks regarding the FTA began just a few months after signing the Iranian nuclear deal in July 2015 between Iran and the P5 + 1. Iran's external environment was ostensibly becoming much more cooperative after decades of harsh political-ideological confrontation and crippling economic isolation. Iran's slow return to international markets was characterized by a rapprochement with Western powers, and what was simultaneously labelled as its "untiring push toward greater regionalism and Eurasian cooperation." However, President Donald Trump's announcement to withdraw from the Iranian nuclear deal on May 8, 2018 occurred just days before Iran signed the FTA on May 17. Thus, the signing of the FTA can be considered as a sign of Iran's pragmatic desire to diversify its economic partners in case the United States imposed harsh sanctions on its economy.

In conclusion, despite pushing towards Eurasia and the East, Iran still relies almost totally on its main long-standing foreign policy pillars such as independence, nationalism and self-sufficiency. The signing of the FTA has proven to be more of a symbolic agreement to create a unified front with Russia against Washington's encroachment in the post-Soviet space and

the Middle East rather than a substantial turning point in Iran's economic integration into Eurasia. Similar thinking can be applied to Iran's attempts to join the SCO and its diplomatic and political rapprochement with China. Even though Iran has not been upgraded to a full member in the SCO so far, the country's path towards Eurasianism has been critical in its drive to balance anti-Western pressures.

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MALAYSIA AS THE PRINCIPAL COLUMN OF IRAN'S "LOOK EAST POLICY"

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Abstract

This study explores the dynamics of Iran-Malaysia relations during the recent decades. Historically, Malaysia has always employed the policy of neutrality in conflicts involving two or more Muslim countries. The country's geographic location has resulted in close commercial and military ties to the West— especially during Mahathir Mohamad's tenure, which contributed to advancing mutual interests. The study analyzes the dynamics of the various interests Tehran is pursuing in Malaysia, and the ways in which it enhances its goals, taking into consideration the limits and constraints hindering the development of its relationship with Malaysia through discussing five main topics: the factors impacting Iran's relations with Malaysia; Iran's soft power in Malaysia; dimensions and levels of Iran-Malaysia relations; Mahathir Mohamad's approach, and the challenges facing Iran-Malaysia relations.

Keywords: *Malaysia, Iran, Mahathir Mohamad, soft power, sanctions, Saudi Arabia, diplomacy.*

Introduction

The geopolitics in the Middle East region and Malaysia's domestic political situation have mainly influenced Malaysia and Iran's bilateral relationship. The two countries have consistently shown mutual interest in further strengthening their economic partnership in trade, investment, and cooperation in the energy sector. Malaysia has constantly made attempts to enhance its partnership with Iran in the oil and gas sector which Putrajaya⁽¹⁾ views as a massive untapped market. However, such initiatives have faced hurdles as a result of the United States led economic sanctions on Iran due to concerns about Iran's nuclear program. This is in addition to Malaysia's concerns regarding Iran's religious policies and illegitimate practices in Malaysian territory, as well as Malaysia's view of its relations with Saudi Arabia.

1. Factors Impacting Iran's Relationship With Malaysia

1.1 Strategic Location

Malaysia enjoys an influential geostrategic location in Southeast Asia, including the most significant trade route in the present and the past connecting the East and the West; and the Strait of Malacca; one of the most significant maritime routes across the world. It runs between the Indonesian island of Sumatra, Peninsular Malaysia, and Singapore. It links the Indian Ocean, the South China Sea, and the Pacific Ocean; thus, it shortens the route between the Middle East and the mega Asian markets (China, Japan, South Korea). The volume of oil transported through this strait is approximately 16 million barrels per day (bpd) and 85 percent to 90 percent of total annual oil flows transported through this strait is crude oil while other oil products constitute 10 percent to 15 percent. It is the second busiest route in the world, and it is an area of conflict between international powers: China and the United States as well as regional competitive powers. Iran's trade with Southeast Asia, particularly with its major trade partners, China, Japan, South Korea — is mostly oil exports to these countries.

1.2 Independent Development Experience

Malaysia has its own independent economic experience in Southeast Asia, which has not been influenced by international powers or the policies of the International Monetary Fund (IMF). Thus, its economic experience is quite interesting for Islamic countries, and its model attracts Iran's attention — since independence and self-sufficiency have been the main principles of Iran's foreign policy since the 1979 revolution. Through this experience, Malaysia transformed its economy from being dependent on agriculture to industry, especially with advancements in computer hardware and electronic products.

It established mega projects, succeeded to be among Asia's top rising powers, and advanced its international stature.

1.3 Common Islamic Orientations

The ideological influence of the Iranian revolution: The Iranian revolution of 1979, which saw the religious clergy led by Ayatollah Khomeini come into power in Iran, triggered a geopolitical realignment in the Middle East that remains to this day.⁽²⁾ Soon after the revolution in Iran, the new Islamic Republic made a constitutional commitment of spreading the ideology of the revolution beyond its borders and called for a revolution throughout the Islamic world, Khomeini in his speech instructed the people of Iran to "endure hardships and pressures" to allow the country's officials to "carry out their main obligation, which is to spread Islam across the world."⁽³⁾

According to Sundaram & Cheek (1988), the 1970s witnessed a new wave of political Islam in Malaysia where groups such as the Malaysian Islamic Youth Movement (ABIM) and the Parti Islam SeMalaysia (Pan-Malayan Islamic Party, PAS) that took inspiration from the Iranian revolution emerged as the leading Islamic political outfits in the country.⁽⁴⁾

The PAS began to identify themselves as the true representatives of the *mustadhafin* (the meek) as opposed to the *mustakbirin* (the arrogant), fighting for the *adil* (just) against the *sasaad* (wicked), which has ideological similarities with Ali Shariati Mazinani, who is often referred to as the "ideologue of the Iranian revolution."⁽⁵⁾

PAS leaders such as their current President and the Special Envoy of Malaysia to the Middle East Abdul Hadi Awang, who studied at the Islamic University in Madinah and Al-Azhar University in Cairo, saw himself being compared by his followers to the religious leaders that came into power in Iran.⁽⁶⁾

Other PAS leaders of that time, such as Mohammed Sabu, who very recently served as the Minister of Defense in Mahathir Mohamad's cabinet (after quitting PAS and joining The National Trust Party), used the revolutionary rhetoric of Ayatollah Khomeini in his public speeches, referring to the United States as the "Great Satan."⁽⁷⁾

The ABIM, on the other hand, from the outset, appeared to be a relatively reformist and modernist group and had ideological leanings to the Ikhwan in the Arab world and the Jamaat-e-Islami in Pakistan and was also greatly impressed by the Iranian revolution.

Anwar Ibrahim, who back then was the president of the ABIM and has served as the 12th and current leader of the opposition in Malaysia, visited Iran soon after the revolution and held a meeting with Ayatollah Khomeini.⁽⁸⁾

1.4 The Iranian Diaspora in Malaysia

The Iranian diaspora in Malaysia plays a crucial role in Malaysia's relationship

with the Islamic Republic of Iran. The diaspora includes students in various Malaysian universities as well as white-collared workers such as academicians, engineers, IT professionals, business owners, and entrepreneurs. The current number of Iranians in Malaysia is estimated to be roughly around 200,000, which is the highest in any East Asian country.⁽⁹⁾

The 1990s witnessed a mass wave of Iranians migrating abroad mainly due to the worsening economic situation in the country; this occurred around the same time when Malaysia adopted a state policy of projecting the country as an international education hub, and hence, due to lower tuition fees and living expenses compared to other countries attracted students from around the world, particularly the Middle East and North Africa (MENA) region. This policy resulted in many Iranian students arriving in Malaysia to pursue their education in various universities.⁽¹⁰⁾

This was also influenced by the fact that multiple countries in Europe and the United States imposed various visa restrictions on Iranian citizens and the Iranian passport's devaluing; therefore, traveling to Malaysia became the more affordable and more accessible option for Iranian citizens.

Other than students, the Iranians arriving in Malaysia also consisted of economic migrants that saw Malaysia as a gateway to other countries such as Australia due to the close geographical proximity between the two countries and Malaysia's liberal visa policy for Iranian citizens compared to other countries.⁽¹¹⁾

The trend of Iranians migrating to Malaysia has also been influenced by the political climate and crackdown on dissidents against Iran's current government. The Green Movement in Iran, which came into being as a civil rights movement against the controversial reelection of Mahmoud Ahmadinejad, witnessed a massive crackdown within the country. Several of their activists fled to Malaysia. These activists who fled to Malaysia included several students who continued their education in Malaysian universities and individuals who set up businesses in Malaysia.⁽¹²⁾ These Green Movement activists in Malaysia went on to form the *Anjuman e rahe sabz e Irani e malezi* (Green Track Society of Iranians in Malaysia), who remain in touch with the Green Movement activists in Iran.⁽¹³⁾

1.5 Malaysia's Relations With Iran's Regional Competitor: Saudi Arabia

Over the years, Malaysia has shown keen interest in developing its ties with Iran while having retained historically strong and warm relations with Saudi Arabia.

The Malaysian relationship with Saudi Arabia developed soon after the country's independence in 1957. The first Prime Minister, Tunku Abdul Rehman, paid a visit in 1958 and performed the pilgrimage to the holy city of Makkah.⁽¹⁴⁾ Saudi Arabia also played a crucial role in mediating between

Malaysia and Indonesia during the Borneo confrontation period.⁽¹⁵⁾

Saudi Arabia has been a source of financial assistance to Malaysia for many years. Between 1975 to 1993, Saudi Arabia donated roughly \$85 million from the Saudi Economic Development Fund for socio-economic infrastructure in the Malaysian economic development plan.⁽¹⁶⁾

After the industrialization phase in Malaysia that begun in the 1990s, the number of Saudi tourists in Malaysia increased every year; this included a massive campaign launched by the Malaysian government where several high profile delegates traveled to Saudi Arabia to promote the tourism industry.⁽¹⁷⁾

1.6 Malaysia's Relations With the United States

Malaysia and the United States have a longstanding relationship, dating back to the 19th century. The United States had supported Malaysia's independence from Indonesia, so it gained a special influence in the country later. Their relations had witnessed tensions on some issues in the Middle East. Mahathir Mohamad criticized the 2003 US invasion of Iraq, launching scathing criticism on US foreign policies back then. However, the United States remained a major trade partner to Malaysia. In 2002, the Malaysia-US Friendship Council was established to strengthen friendship between the two countries. The council played a role in reviving their mutual relations under the reign of former Prime Minister Najib Razak. Under President Obama's "Asia Pivot" policy to counter China, their relations were boosted further. In 2014, Obama made a landmark visit to Malaysia as the first US president to visit the country. An agreement of comprehensive cooperation was concluded. In 2013, the United States was the fourth largest trade partner to Malaysia, while Malaysia was the 22nd largest trade partner to the United States with a trade volume of approximately \$44 billion. In 2016, the United States was Malaysia's third largest export market in terms of value, while Malaysia was ranked 25th in US trade export destinations and recognized as a top trade partner to the United States.

However, Malaysia has great interest in its relations with US international rival China. Malaysia is located on the Silk Road and is amazed by the Chinese development experience. Mahathir Mohamad, in particular, has a special interest in strengthening Malaysia's ties with China under his orientation of independence and rebalancing relations with the United States; unlike Najib who had strong relations with the United States. The change of the government's orientations impact Malaysia's foreign policy towards the East, China, and towards the West, the United States.

2. Iran-Malaysia Relations: Dimensions and Tools

The use of soft power by Iran is deep rooted in the Persian history of showcasing its culture to the world. This formed a crucial part of public diplomacy prior to the revolution during the time of the Shah of Iran and continues to influence

the way the Islamic Republic projects its influence on the world stage.⁽¹⁸⁾

According to Sadeghi & Hajimineh (2019), the three pillars of Iranian soft power are:

- History and culture: this includes tourism and cultural events to promote Persian culture and language. The use of the Persian (Farsi) language is a primary source of attraction due to its synthesis with other languages such as Urdu, Hindi, Turkish, and many more. The Iranian diaspora abroad helps promote Persian culture through cuisine, music, products, and more.⁽¹⁹⁾

- Political values: this includes promoting the political model that emanates from the Iranian revolution. The model is presented as a hybrid political system that employs the notion of a “religious democracy.” This model is considered very appealing to the audience that consists of religious Muslims.⁽²⁰⁾

- Foreign policy: this stems from the Iranian Constitution, which shapes its foreign policy based on Islamic values, fraternal commitment to all Muslims, and safeguarding the oppressed worldwide.⁽²¹⁾

Iran uses hard power tools in regional countries, especially in Shiite-majority ones. However, in Malaysia Iran has employed soft diplomacy tools, which focus on the promotion of Persian culture and language and political and religious models that form the basis of the Iranian revolution.⁽²²⁾ The Iranian student diaspora in Malaysia has often been viewed as a driving force behind the people-to-people relationship and interactions between the two countries. The High Council of Iranian Affairs Abroad (HCIAA) has gone on record to state that the Iranian diaspora in Malaysia should be considered as an opportunity to promote Iran’s economic, social, and cultural goals and objectives.

Malaysia-Iran relations cover various fields such as the following:

2.1 Economic Cooperation

Although Malaysia has been cautious about keeping in check any religious and ideological spillover of the Iranian revolution into their territory, this has not significantly impacted the economic relationship between the two countries, which has remained stable and uninterrupted even after the revolution.

According to Shahrman Lockman: “Although doing business with Iran has met with problems due to the sanctions, in Malaysia, Iran is still viewed as a country that is potentially offering a huge market.”⁽²³⁾

Formal diplomatic interactions between the two countries continued after the revolution, and the most significant meeting that took place between the two countries after the revolution was during the visit of President Mohammad Khatami, who in 2002 paid a four-day visit to Malaysia from July 21 to July 24.⁽²⁴⁾ During the visit, the two countries signed multiple MoUs on economic cooperation in tourism, trade agreements, and an agreement for the promotion and protection of investments.

Since then, Malaysia and Iran have engaged in joint industrial projects, eased travel restrictions for Iranian citizens to Malaysia (Iranian citizens are entitled to a visa-free 14-day stay in Malaysia)⁽²⁵⁾ and have signed bilateral agreements in various areas.

The Malaysian government has also shown significant interest in cooperating with Iran in the energy sector. In 2007, the countries signed a multi-billion-dollar agreement to develop two offshore gas fields in Iran, which was billed by Iranian Oil Minister Gholam Hossein Nozari as the "biggest investment in the country."⁽²⁶⁾

After the signing of the Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1 (the five permanent members of the United Nations Security Council — China, France, Russia, the United Kingdom, the United States — plus Germany) together with the European Union, which lifted some of the international sanctions on Iran, in exchange for Iran limiting its nuclear program, bilateral economic relations between Iran and other Southeast Asian countries like Malaysia witnessed significant developments.

Soon after the lifting of the sanctions, the head of Middle East operations at the Malaysian state-owned oil and gas company Petronas was quoted as saying, "A new chapter is about to begin in relations between Petronas and the National Iranian Oil Company." Petronas also expressed willingness to import 50,000-60,000 barrels a day of Iranian crude.⁽²⁷⁾

Iranian President Hassan Rouhani, as part of his 2016 Southeast Asian tour, paid a bilateral visit to Malaysia where in a press conference with Malaysian Prime Minister Najib Razak, the two leaders both pledged to enhance their economic relations further, this included doing business within the banking systems of the two countries which was not possible during the sanctions.⁽²⁸⁾ A year later, Malaysia and Iran reached an agreement where the two sides decided to integrate their bank card systems and discussed the prospects of conducting business in local currencies.⁽²⁹⁾

After Mahathir Mohamad's resignation and the subsequent appointment of Muhyiddin Yassin as prime minister, Hassan Rouhani spoke to the new prime minister. As per a statement issued by the Malaysian prime minister, the two leaders discussed ways to boost cooperation in many areas such as trade, investment, tourism, and higher education and expand potential cooperation in the areas of trade and investment.⁽³⁰⁾

Soon after the conversation, Iranian Foreign Minister Javad Zarif and the new Malaysian Foreign Minister Hishamuddin Hussein held a virtual meeting where the two sides agreed to finalize the preferential tariff agreement and the holding of a joint economic commission.⁽³¹⁾

2.2 Education and Research Cooperation

Academic officials from Iran and Malaysia held a meeting in Tehran in 2019,

which saw the attendance of the Director-General of the Malaysian Ministry of Higher Education Datin Siti Hamisah; during the meeting, the Iranian side expressed its interest in developing relations with Malaysia in all-out scientific areas, particularly in student exchanges.⁽³²⁾

The Malaysian delegation also expressed the keenness of the Malaysian Ministry of Science to enhance educational cooperation with Iran and called on Muslim countries to hold dialogues on different issues and make efforts to develop a common attitude through academic research.³⁵

The meeting also saw the University of Tehran sign two separate agreements with University Putra Malaysia and University Utara Malaysia.³⁵

There have been various conferences and seminars in Malaysian universities that have been held in collaboration with Iranian universities and academicians. Most of these conferences have focused on the geopolitics in the Middle East and the cultural and linguistic bonds between Iran and Malaysia. Many of these events have happened in collaboration with the Iranian Embassy in Kuala Lumpur and have seen the attendance of students and academics from Iranian universities.

An example of such conferences is one that was held at the oldest and highest-ranking university in Malaysia called the University of Malaya, which was titled “Civilizational and Cultural Heritage of Iran and the Malay World; A Cultural Discourse” which was organized as a collaboration between various universities in Malaysia and Singapore and the Embassy of Iran in Kuala Lumpur. The event was attended by various academicians from Malaysia, Iran, Indonesia, and Singapore and the Iranian Ambassador to Malaysia Marzieh Afkham, (who also happens to be the first female ambassador since the revolution). The event organizers stated that: “Iran has played a significant role in the spread of Islam in Central Asia, the Indian subcontinent and East Asia from China to Malaysia and Indonesia while Arab and Iranian traders, Indian Sufis introduced Islam to Southeast Asia in the 13th century.”⁽³³⁾

Another similar example is an event from 2018 titled “Globalization of War: US-NATO Threats Directed Against Russia, China, Iran and North Korea” that was hosted by the Malaysian NGO called The International Movement for a JUST World and was held at the International Institute of Advanced Islamic Studies (IAIS), the event saw the attendance of Canadian academician and conspiracy theorist Michel Chossudovsky, the Iranian ambassador to Malaysia as well as several Malaysian academicians and students.⁽³⁴⁾

2.3 Cultural Influence and Media

According to an Iranian professor based in Malaysia,⁽³⁵⁾ the earliest exposure that the Malaysian public had to Iranian culture in the media was a Persian television series from the early 2000s titled “Khaneh be Doosh,” which was centered around an Iranian family’s struggles that wants to move to Malaysia.

The professor also states that the diaspora in Malaysia had played a significant role in introducing Iranian culture among the local population, which was minuscule prior to the mass migration of Iranians in the 90s.

The Iranian Film Festival in Malaysia was first held in 2018 in the capital city of Kuala Lumpur; the festival was organized by the Cultural Centre of the Iranian Embassy in Malaysia in partnership with Golden Screen Cinema, the largest entertainment and film distribution company in Malaysia. During the event, the Iranian Embassy Cultural Counselor A.M. Sadeghi was quoted as saying, "We hope that this festival will strengthen long-standing ties between Iran and Malaysia, and promote Iranian cinematic art as a bridge for cultural understanding and friendship between both countries."⁽³⁶⁾

To mark the occasion of the 41st anniversary of the Iranian revolution, Ali Salemi, the public diplomacy consular officer at the Iranian Embassy in Kuala Lumpur, wrote an op-ed published by The New Straits Times titled "Iran-Malaysia Relations: Bridge to Stronger Ties." In the op-ed, he termed the anniversary of the revolution as the "decision of the Iranian people to determine their own progress, planning developmental frameworks by themselves without the influence of foreign powers" and also stated that "Malaysia is a friendly and brotherly country, as well as being a Muslim-majority nation, all these have been taken into consideration by Iran."⁽³⁷⁾

2.4 Recruiting the Iranian Diaspora to Support Iran's Foreign Policy Agenda

To assert their presence, many Iranian dissidents who fled to Malaysia after the 2009 presidential elections organized protests outside diplomatic missions such as the Iranian embassy in Kuala Lumpur and the United Nations (UN) office.⁽³⁸⁾

In some cases, they even attempted to hijack events organized by the Iranian embassy. One such protest took place in February 2011 during a concert organized by the Iranian embassy to celebrate the victory of the 1979 revolution. The protesters belonging to the Green Movement turned it into an anti-regime gathering, chanting anti-government slogans.⁽³⁹⁾ These incidents raised alarms within the Iranian government who saw the increasing number of dissidents moving to Malaysia and asserting their political positions publicly as a threat.

The HCIAA, which operates under the Iranian Ministry of Foreign Affairs, sent a delegation to visit Malaysia in 2013. The head of the delegation Ali Shabani stated that the Iranian diaspora in Malaysia should be considered an opportunity to promote Iran's economic, social, and cultural goals and objectives. During his visit, he held meetings with various members of several Iranian organizations, which he claimed served the Iranian political system and its grand interests; he also suggested the formation of a cultural center to counter the anti-revolutionary dissidents that are attempting to infiltrate the community.⁽⁴⁰⁾

2.5 Gaining Malaysia's Support to Address US Sanctions

The Malaysian mission to the United Nations also expressed support for the JCPOA, with its first secretary of the mission to the UN having stated that: "To date, the ongoing implementation of the Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5+1 on Iran's nuclear program is an example of the successful implementation of safeguards and verification. The JCPOA highlights the importance of IAEA safeguards as a fundamental component to nuclear non-proliferation as well as its indispensable role in the implementation of the NPT. Malaysia believes that such mechanisms should be retained or further improved to ensure States remain in full compliance with their safeguards obligations, thus boosting confidence among the international community."⁽⁴¹⁾

Mahathir Mohamad, during his second tenure, expressed disappointment with the fact that due to the sanctions imposed on Iran by the Trump administration, Malaysia was unable to trade freely with Iran, and was quoted as saying that "There is no provision in the United Nations that a country which is dissatisfied with another country can impose sanctions on that country and other countries trading with that nation."⁽⁴²⁾

3. Malaysia's Significance in Iran's Plans to Circumvent US Sanctions

Malaysia was significant in Iran's plans to circumvent US sanctions due to its strategic location and the big number of Iranian diaspora. Iran's major policies in this regards are as follows:

3.1 Money Laundering and Illegal Exports

Money laundering has emerged as one of the essential businesses among the Iranian diaspora in Malaysia. This started off as a low-key operation mainly catering to the Iranian students there and facilitating the transfer of money between the two countries. However, with time, against the backdrop of sanctions imposed during the presidency of Ahmadinejad, international bank transfers became very hard to carry out for Iranian banks, which led to the emergence of several bogus Iranian money changers in Malaysia, actively involved in money laundering.⁽⁴³⁾ In 2019, following a notification by the central bank of Malaysia calling on banks to take note of a statement by the Financial Action Task Force (FATF) urging "enhanced due diligence" on Iranians by members of the global money-laundering watchdog, several banks in Malaysia terminated the accounts of Iranian individuals and companies.⁽⁴⁴⁾ Malaysian Prime Minister Mahathir Mohamad referred to the steps taken as a consequence of "extreme pressures from certain quarters."⁽⁴⁵⁾

3.2 Importing Nuclear Material

A report by the Washington-based Institute for Science and International Security (ISIS) states that Malaysia serves as a key point of transshipment of American products heading to Iran, which is in direct violation of United Nations Security Council (UNSC) Resolution 1540, which makes it mandatory for all member states to create and implement export controls and monitor companies' activities on their territory.⁽⁴⁶⁾ In 2008, a US-based businessman pleaded guilty to illegally exporting fighter jet parts from Malaysia through his corporation called Vash International. The illegal shipping of F-14 parts was crucial for Iranian buyers to maintain their decade-old fighter jet fleet.⁽⁴⁷⁾

French police arrested an Iranian businessman by the name of Majid Kakavand on charges of exporting items made in the United States to Iran; upon further investigation, it was discovered that Kakavand and his associates ran a front company in Malaysia named Evertop Services Sdn Bhd., which illegally purchased items from the United States and Europe.⁽⁴⁸⁾ The owner of another Malaysian based company called Evertop Services was indicted in 2011 by the United States Services for illegally exporting American goods to clients in Iran, which included military entities in Iran involved in Iran's nuclear and ballistic missile programs.⁽⁴⁹⁾

The same year, Malaysian police seized equipment they suspected could be used to make nuclear weapons from a Malaysian-registered ship traveling from China to Tehran while it was docked at a central Malaysian harbor; this equipment was being shipped illegally and did not have a special permit required under Malaysia's anti-trafficking law.⁽⁵⁰⁾

Similarly, another American based businessman named Hossein Ali Khoshnevisrad was arrested on charges of using front companies in Malaysia to purchase Rolls Royce engines worth \$4.27 million and aerial cameras used for surveillance to upgrade bombers and fighter jets such as the F-4E Phantom, which were later acquired by the Iran Aircraft Manufacturing Industrial Company which is controlled by the Ministry of Defense.⁽⁵¹⁾

3.3 Smuggling Oil

A report by Sweden based company Tanker Trackers notes that Iran, in a bid to increase its oil sales against the backdrop of US sanctions, uses Malaysia to sell oil illegally to China and seems to be getting critical assistance from Malaysia.⁽⁵²⁾

Samir Madani, the co-founder of TankerTrackers.com, stated that: "Iranian oil typically arrives in the Strait of Malacca and is handed over using ship-to-ship oil transfer to Chinese very large crude carriers."

3.4 Drug Syndicates

Malaysia has also emerged as a focal point for Iranian drug syndicates; over the years, several Iranian nationals have been arrested in drug raids throughout

the country. Reports from Malaysian state media confirm that Iranians and Nigerians are the two dominant nationalities when it comes to drug syndicate masterminds.⁽⁵³⁾

The illegal trafficking of drugs and narcotics has been a matter of tension between Malaysia and Iran for many years. Despite an agreement on cooperation in antinarcotics measures between Malaysia's National Anti-Drugs Agency and Iran's Drug Control Headquarters in 2008, illicit drug syndicates with ties to Iranians are still rampant in Malaysia.⁽⁵⁴⁾

4. Mahathir Mohamad's Approach: Between Iran and the Kingdom of Saudi Arabia

Former Malaysian Prime Minister Mahathir Mohamad, who is often referred to as "the father of modernization" due to the rapid industrialization and economic growth Malaysia experienced during his tenure, has served as prime minister twice, first from 1981 to 2003 and then briefly from 2018 to 2020.

During his first tenure, Prime Minister Mahathir forged close relations with Saudi Arabia and the other Gulf states to extend his "Look East" policy. Saudi Arabia provided crucial financial assistance to Malaysia used in key infrastructure projects during the modernization period under Mahathir.

During Mahathir's first visit in 1982, Malaysia managed to secure loans worth \$10 million from the Saudi Development Fund.⁽⁵⁵⁾ Later on, Saudi Arabia approved an additional \$58 million for the second phase of the East-West Highway¹⁰ construction, and later on January 24, 1986, the Saudi Development Fund ratified roughly \$50 million for the second phase of two projects, the Port Project in Penang Island, and the East-West Highway. Up until 1984, the overall loan from the Saudi Development Fund was \$252.2 million.⁵⁷

During the Asian Financial Crisis in 1997, Saudi Arabia and the other Gulf countries emerged as a new market for Malaysia's overseas exports and tourism.

However, 15 years later, during his second tenure as prime minister, Mahathir's policy towards the Middle East emphasized building stronger ties with Iran and Turkey. While he paid a much-hyped visit to Turkey, he did not pay a single visit to Saudi Arabia despite receiving a formal invitation.⁽⁵⁶⁾

A major policy of his that was in contrast to his earlier tenure was to host the Kuala Lumpur summit, which saw the attendance of Iranian President Hassan Rouhani, Turkish President Recep Erdogan, and the Emir of Qatar Sheikh Tamim bin Hamad al-Thani, which aimed to create a Muslim bloc that saw itself as a potential replacement to the Jeddah based Organization of Islamic Cooperation (OIC).

Mahathir also, on numerous occasions, openly defended the Iranian government from international sanctions. In a meeting with Iranian

President Hassan Rouhani on the sidelines of the Kuala Lumpur summit, Mahathir pledged to promote trade relations with Iran and condemned the US sanctions on Iran as "illegal;" Rouhani, on his part, stressed the need for efforts to address the problems of Iranian expatriates in Malaysia and to hold a meeting of the Iran-Malaysia Joint Commission on Economic Cooperation.⁽⁵⁷⁾

During a state visit to Qatar, Mahathir addressed the Doha forum where he termed the US sanctions on Iran as a violation of international law and stated that his country did not support the sanctions and was losing out on a "big market" as a result of this.⁽⁵⁸⁾

Shahriman Lockman has explained this dissimilarity in Mahathir's approach to the Middle East as "naïve" on the part of the former prime minister who, after coming out of retirement, faced a different situation in the Middle East, not realizing the extent to which the geopolitics had changed and instead ought to play a role in uniting the Muslim world together and foster close relations with everyone making any tradeoffs.⁽⁵⁹⁾

Shahriman also states that: "This behavior of Mahathir can also be explained by looking at the people he was surrounded by during the period from 2003 to 2018 when he was out of power. During this period, Mahathir exposed himself to many Non-Governmental Organizations (NGOs) and Civil Society type groups that were very ideological in their approach and, although slightly left of center, were somehow sympathetic towards Iran. There is something to be said of how the Iranians have managed to win the hearts and minds of some of the NGO groups in Malaysia that work on these issues." The current bureaucracy in Malaysia perceives the Kuala Lumpur summit that took place during Mahathir's tenure as a "brief romance that shall not be repeated," says Lockman.

Over the years, Malaysia has faced a constant struggle in preserving its relations with Iran, and at the same time retaining its longstanding ties with Saudi Arabia. Economic cooperation and business interests, particularly in the energy sector, have been the cornerstone of Malaysia's relationship with both countries.

However, another significant aspect of Malaysian-Saudi Arabian relations is the people-to-people interaction through travel. On the one hand, many religious pilgrims from Malaysia travel to the Saudi Arabian holy cities of Makkah and Madinah for hajj and umrah. On the other hand, a significant number of Saudi tourists travel to Malaysia every year.

The immigration authorities of Malaysia and Saudi Arabia in 2019 launched a joint initiative to ease the movement of Malaysian hajj pilgrims, this included the use of automated identification and rapid data capture and relay technologies for immigration clearance at both ends to help pilgrims reach Makkah and Madinah by avoiding time delays at the airport upon arrival and administrative challenges faced previously.⁽⁶⁰⁾

Based on the 0.01 percent quota of 2020, the number of Malaysian pilgrims soared to 31,600, an increase from 30,200 pilgrims who performed hajj the previous year, the Minister in the Prime Minister's Department, Mujahid Yusof Rawa, credited this increase to the discussion between the governments of the two countries.⁽⁶¹⁾

Tourism has always been viewed as an essential driving force in the economy and is the third most significant contributor to the gross domestic product (GDP) of the country, which stood at 5.9 percent in 2018.⁽⁶²⁾ Moreover, after the Asian Financial Crisis in 1997, the Malaysian government launched a vigorous campaign to attract tourists from the Arabian Gulf, particularly Saudi Arabia.

The number of Saudi tourist arrivals to Malaysia increased from 27,808 in the year 2000⁽⁶³⁾ to nearly 100,000 in the year 2017 and are considered to be one of the biggest spenders in Malaysia's tourism industry.⁽⁶⁴⁾

In the year 2019, the number of Saudi tourists traveling to Malaysia dropped by 20.5 percent, which the Malaysian media attributed to "geopolitical tensions."⁽⁶⁵⁾

5. Challenges Facing Malaysia-Iran Relations

Though Malaysia and Iran preserve good relations to varying degrees, yet there are serious challenges that impede the development of their mutual relations. The most prominent ones are as follows:

5.1 Malaysia's Concerns Over the Impact of Iran's Revolution

Malaysia is often described as a diverse and multi-ethnic country. Although 60 percent of its population are Muslim, it has various religious minorities such as Christians, Buddhists, and Hindus. Islam is the country's official religion as per the Constitution and is represented by the Shafi'i version of Sunni Islam, which is practiced by the majority of the Muslims in the country.⁽⁶⁶⁾

Director of the Chief Executive's Office of the Institute of Strategic and International Studies (ISIS), Malaysia, Shahrizan Lockman, states that: "Although the commitment of the Malaysian state to Shafi'i Islam was initially not very strong, but later the "racial politics" in the country compelled them to avoid any divisions within the society since having divisions among Malays on sectarian lines can have severe political consequences."⁽⁶⁷⁾

However, there happens to be a strong perception that the UMNO (United Malay National Organization), which ruled Malaysia as a part of the Barisan Nasional coalition uninterruptedly from 1957 to 2018, has always been very aware of resisting greater ideological and religious influence from the Iranian revolution and has separated its diplomatic relations with Iran from its internal policies.

According to Nair (1997), during a meeting with Iranian officials in Bangladesh, the then Malaysian Foreign Minister Ghazali Shafie received

assurances from Iran that they would not train Malaysian nationals in any subversive activities. Later, Deputy Prime Minister Datuk Musa Hitam expressed concern regarding a visiting delegation from Iran that the potential misapplication of "Iran's brand of revolutionary Islam" within Malaysia's multi-racial and multi-religious context would prove to be disastrous.⁽⁶⁸⁾

In the past, Malaysia has expressed concerns about Iranian religious influence in their country, which they fear can have severe political and sectarian consequences,⁽⁶⁹⁾ and have detained Iranian citizens involved in religious preaching.⁽⁷⁰⁾ However, the presence of a vast number of Iranians in the country prompts the government in Iran to continue with their agenda of spreading ideologies and narratives that are beneficial to Iran.

Shahriman Lockman states that: "While the security services in Malaysia are very anxious about the 200,000 Iranians present here, it is not something that keeps them awake at night."⁽⁷¹⁾

5.2 Malaysia's Concerns About Iran's Illicit Practices

The Ministry of Foreign Affairs of Iran was involved in a diplomatic tiff with Malaysia after two of its female citizens were sentenced to death for drug trafficking. The Iranian Foreign Ministry warned that relations between the two countries will suffer and called on Malaysia to halt the executions "so that the friendship and brotherhood" between the two countries can continue.⁽⁷²⁾

According to the country report on drug issues published by the Malaysian Ministry on Home Affairs, Iranian nationals have constituted the local drug syndicates operating in the country for several years.⁽⁷³⁾

The Iranian drug syndicates in Malaysia have also been actively involved in supplying "roving chemists," i.e., experienced chemists from Iran who are hired to process drugs.⁽⁷⁴⁾ These Iranian chemists are active in the illegal production of methamphetamine, and their activities are not restricted to just Iranian syndicates but any drug syndicate that is willing to pay lucrative incentives.

The drug syndicates that operate within Iran and other countries like Malaysia constitute a significant source of foreign currency flow into Iran.⁽⁷⁵⁾ This illicit flow of foreign currency into Iran through the international drug trade has received IRGC and Hezbollah patronage.⁽⁷⁶⁾

In response to the arrests of Iranian citizens in drug-related offenses, the press in Iran has mostly responded to such incidents by terming it as the religious prejudice of the Malaysian authorities towards Shiite Muslims and have termed it as an "anti-Iranian and anti-Shiite project."⁽⁷⁷⁾

5.3 US Sanctions on Iran

However, sanctions have prevented the Malaysian government from exploring the full potential of their interest in Iran in the oil and gas sector. In 2010, the

Malaysian state-owned oil and gas company Petronas had to halt the supply of gasoline due to US sanctions on oil firms with supply ties to Iran.⁽⁷⁸⁾ Moreover, a couple of years later, Petronas had to stop imports of 50,000-60,000 bpd of Iranian crude oil due to a US embargo.⁽⁷⁹⁾

After the US withdrawal from the JCPOA in 2018, the Iranian state-owned newspaper, *Tehran Times*, dubbed Malaysia as Iran's "new all-weather friend" and reported that the Malaysian Deputy Prime Minister Wan Azizah Wan Ismail expressed support for the JCPOA in principle as an important development in efforts to promote peace, security, and stability in the world.⁽⁸⁰⁾

Malaysian Prime Minister Muhyiddin Yasin's statement after his telephone call with Iranian President Hassan Rouhani highlighted his government's willingness to continue cooperation with Iran for trade and investment.⁵² This was followed by a virtual meeting between the foreign ministers of the two countries where both sides agreed to negotiate a preferential trade agreement.⁵³

With Joe Biden taking over as the 46th president of the United States and the soaring likelihood of the renegotiation of the JCPOA, the prospects of Malaysia rushing to do business with Iran are high. The past support extended by Malaysia to the JCPOA, and the subsequent meetings between the Muhyiddin administration in Malaysia and the Iranian government, where both sides expressed the desire to strengthen existing economic relations, indicate that any normalization in US-Iran ties to the extent of returning to the JCPOA would reignite Malaysian interest in exploring business opportunities in Iran, particularly in the oil and gas sector.

Malaysia has openly confirmed its interest in exploring the trade and investment opportunities in Iran's oil and gas sector, even before signing the JCPOA. An example of cooperation in oil and gas preceding the JCPOA includes the setting up of a joint company between the National Iranian Oil Engineering and Construction Company and Malaysian SKSD called SKS-PARS to construct the Kadah Refinery in northern Malaysia.⁽⁸¹⁾

However, Malaysian foreign policy experts like Shahrman Lockman remain cautious of any immediate attempts by Malaysia to upgrade the current economic relations with Iran, suggesting that the return to trade ties "will not be at the same pace." Shahrman adds that "Malaysia had made a lot of investments in their relationship with Iran after the signing of the JCPOA. However, the subsequent withdrawal of the Trump administration made the continuation of business with Iran impossible. So, while there will be economic interests in Iran that Malaysia would like to tap on, there will not be the same rush due to the Trump experience."⁽⁸²⁾

5.4 Restructuring Malaysia's Relations With Saudi Arabia and the Gulf After Mahathir's Tenure

After Mahathir Mohamad's resignation and the subsequent takeover of a new coalition under Prime Minister Muhyiddin Yassin, the Malaysian government has begun to reassess its Middle East policy. In a press conference after taking over as foreign minister, Hishamuddin Hussein stated that his main focus would be to mend bilateral relations with Saudi Arabia.⁽⁸³⁾

Foreign Minister Hishamuddin Hussein went on to announce the establishment of a high level strategic committee (HLSC) between Malaysia and Saudi Arabia, which will be chaired jointly by both Hishammuddin and Saudi Foreign Minister Prince Faisal bin Farhan. Malaysian state media dubbed this move as a new milestone in Malaysia and Saudi Arabia's close ties.⁽⁸⁴⁾

The negotiations on the HLSC were finalized during a state visit by Foreign Minister Hishamuddin Hussein to Riyadh, where he held bilateral talks with his Saudi counterpart Prince Faisal bin Farhan.⁽⁸⁵⁾ Foreign Minister Hishamuddin stated that the key areas of consultation that would be held regularly in the HLSC included regional and international political security issues, post COVID-19 economic recovery, hajj and umrah matters, food security, and palm oil trade.⁸¹

Hishamuddin Hussein issued a statement on his Facebook account after concluding his visit to Saudi Arabia that: "Saudi Arabia is the country where the holy cities of Makkah and Medina are located. Maintaining a close brotherly relationship is very important for both countries. Not only in the context of diplomacy but more importantly for the sanctity of the religion of Islam itself – thank God it was a very beneficial work trip."⁽⁸⁶⁾

The recent geopolitical tensions in the Middle East which include the killing of IRGC General Qassem Soleimani, which heightened tensions between the United States and Iran, and the increasing Iranian proxy warfare in countries such as Yemen, which is viewed by the Gulf Cooperation Council (GCC) states like Saudi Arabia and the UAE as a threat to their sovereignty, has put Putrajaya^{(87)*} in a tight spot where its policy of managing their relations with both Iran and the GCC nations may no longer be a viable option.

The recent setting up of an HLSC strategic committee between Malaysia and Saudi Arabia serves as an indicator that both countries want to further enhance their economic cooperation, and Riyadh's willingness to create the perception that doing business with them has an added value.

Conclusion

Whether the United States returns to the JCPOA and sanctions are lifted or otherwise, Iran will press ahead in consolidating its lobby and soft-image in Malaysia by employing every tool available, from its active diaspora to the

rhetoric of the Muslim ummah. As long as Putrajaya continues to employ policies that are helpful to the Iranian government (such as the liberal visa policy), Iranians will keep thronging to the tropical paradise. This phenomenon brings the country into the global limelight owing to Iran's quest for dual-use technology and hard currency through shell companies. As much as Tehran works overtime to build on the existing gains in Malaysia, Putrajaya is likely engaged in a cost-benefit analysis of the relationship. As referenced in the paper, pro-government Iranians based in Malaysia have been detained for involvement in proscribed activities, hence bringing a bad name to the country.

In the post-Mahathir era, the Southeast Asian nation has already begun pursuing a more level-headed foreign policy as necessitated by realpolitik. The Gulf Arab nations, however, will pursue their interests in Asia beyond their immediate neighborhood. The recent visit of Malaysian dignitaries to Riyadh exhibits the mutual desire to strengthen multifaceted cooperation. The ties with Iran will remain eclipsed by its regional and international policies, ranging from propping up proxy militias in its neighborhood to defying multilateral agreements including its adherence to the nuclear non-proliferation treaty.

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