The Role of Iran’s Political Economy in International Security

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Submit date: 26/03/2020 Accept date: 04/04/2020

Abstract

The political economy of a country and international security is a cross-cutting issue that creates its own identity and political function to each other. The purpose of this study is to examine the political economy of Iran and its role in international security. At first, using the theory of logical deterrence, the political economy of Iran was examined and then its role in international security was evaluated. This research is based on the descriptive-analytical method and first-hand library data. The findings of the study show that many factors such as oil, free zones, government policy, Iranian industry, economic sanctions have a significant impact on the political economy of Iran, and their impact is such that it causes problems at some historical junctures. It has become a threat to the country’s economy and, as a result, to Iran’s national security. From the findings of the study, it can be concluded that in a global system in which there is a constant global security, countries need to be in a good political economy. Economic security is one of the essential prerequisites for political stability. Otherwise, there will be national security, regional security, and ultimately the global expansion of security and insecurity.

Keywords: International Security, Political Economy, Iran, Economic Security
1. Introduction

The first and most important parameter in national security is physical security. Physical security includes people’s security, territorial integrity, urban security, and more. Elements such as the military, police, hospitals and health centers, road and car security, rail and air infrastructure, and information security are all involved in providing physical security. Economic security is another security feature. Having job security, inflation and controlled unemployment, the constant supply of essential commodities and strategic infrastructure can ensure people’s financial security and make them feel safe.

In an environment in which economic power and relationships were central to political interaction among multiple great powers, it is not surprising that many scholars struggling to make sense of international relations during the 1930s and 1940s viewed close linkages between economics and security as necessary and normal. Hirschman, reflecting on the interwar experience, noted that “practice preceded theory” in that the extensive use of international economic relations as instruments of national power was a key feature that required the sustained attention of scholars. His own contribution, a theoretical framework for understanding how states use asymmetrical interdependence, became a foundation for later scholarship on international economic sanctions. Other prominent economists, including J. B. Condliffe and John Maynard Keynes, sought to model the connections among economic interdependence, economic nationalism, and international political tensions in an effort to promote peace. Similarly, and reflecting the sentiment of the League of Nations Covenant, students of international law and organization explored the potential for international economic sanctions to serve as a substitute for war (Mastanduno, 1998:803).

Economic forces are changing not only the structure of the international system but the manner in which it functions. In recent years, analysts have noted a marked tendency toward what has come to be referred to as globalization. As a result of improvements in transportation and communication, countries at all levels of development are becoming increasingly tightly interconnected - not only through the traditional ties of trade; but also by vast and rapid financial flows, exchanges of information, people, and technology; increases in all forms of foreign investment; the worldwide dispersal of production facilities by large corporations; and the formation of business alliances across national boundaries. The possible impact of these trends on the security of individual states has already begun to be felt in two related areas (Friedberg, 1991:270). The role of economic statecraft in the changing context of East-West relations will serve as an illustration of the new policies needed to promote national security in the 1990s. Defense expenditures are often discussed in terms of the levels "required" in order to “achieve” national security. Sacrifices of economic welfare and individual liberty in order to acquire an additional increment of national security will become immoral, inexpedient, or both. National security has both objective and subjective dimensions. One of the most important steps in formulating national security policy is making the decision about the range of values to be protected. The important thing in formulating national security policy is to be aware of the wide variety of means available. The utility of a national security policy is a function not only of its effectiveness in protecting core values but also of its cost (Baldwin and Milner, 2019:29).
2. Study area
The geographical location of the Middle East and North Africa region

![Location of the study](image)

**Figure 1. Location of the study**
*Source: Authors*

3. Concepts of Logical Deterrence Theory
The dominant approach to theorizing about deterrence involves the use of rational choice and game theory models in decision making. Deterrence theorists have consistently argued that deterrent threats to a defending state are credible to a transgressor, the deterrence success is likely to be greater.

Deterrence, military strategy under which one power uses the threat of reprisal effectively to preclude an attack from an adversary power. With the advent of nuclear weapons, the term deterrence largely has been applied to the basic strategy of the nuclear powers and of the major alliance systems. The premise of the strategy is that each nuclear power maintains a high level of instant and overwhelming destructive capability against any aggression—i.e., the ability, visible and credible to a would-be attacker, to inflict unacceptable damage upon the attacker with forces that survive a surprise attack. An essential element in successful deterrence is a degree of uncertainty on the part of a would-be aggressor as to whether the target power, although attacked and badly damaged, will nonetheless retaliate—even at the risk of suffering further, crippling damage in a second attack. Thus, the nuclear-deterrence strategy relies on two basic conditions: the ability to retaliate after a surprise attack must be perceived as credible; and the will to retaliate must be perceived as a possibility, though not necessarily as a certainty (britannica.com/topic) or to prevent them from doing something that another state desires. The strategy is based on the psychological concept of the same name. A credible nuclear deterrent, Bernard Brodie wrote in 1959, must be always at the ready, yet never used (Brodie, 1959). Hoyt states that if a defender has the military capability to impose significant costs on an attacking state in an armed conflict, it is considered a credible threat that will ultimately avert the attack and insecurity of the country.
In addition, Hoyt argues that both proponents and critics of the theory of rational deterrence agree that inadequate appraisal of domestic and international status by state leaders can undermine or severely discredit deterrence success. In a rational choice method, if the expected utility of non-use declines with decreasing status quo, it is likely to be deterrent because the alternative to using force becomes relatively more attractive (Huth, 1999).

4. Geography of the economy of the Middle East and North Africa (Iran)
The term inter-regional trade is used in two different contexts, inter-regional intra-regional trade, and inter-regional foreign trade. Inter-regional internal trade refers to trade between different regions of a country. Inter-regional trade refers to trade between two or more economic regions of the world if they are regionalized through trade agreements, for example, trade between the European Union and the South Asian Regional Cooperation or Trade Association. Latin American Free pointed out. Compared to interregional trade, international trade refers to the trade and export and import of goods and services between the inhabitants of both countries. And second, the profits from trading. Although the basis for international trade is the same as for domestic and regional trade, it also includes factors separate from international trade. These are: (a) geographical distances of production factors, immigration laws, tax system, language problems, laws, social customs, etc., and various political systems, (b) different currency and monetary systems, and (C) Commercial policies (Dwivedi, 2005: 25).

4.1. The economic history of the Middle East has been dominant for the past two hundred years: Impact and Reaction or Challenge and Response. The impact and response on capitalist European industrialization has been instrumental in expanding the search for food, raw materials, markets and media for their energy, capital and population worldwide and they were determined to enforce economic laws to guarantee their economy. The system under which Europe operates is applied to other parts of the world, which has slowed or slowed the Middle East’s challenges and responses, causing the region to stagnate, or even recede, for hundreds of years. In the Middle East, countries have been able to respond to the challenges posed by Europe's economic and political dominance and the powerful countries of the East and the West by using growing powers and a mix of foreign powers (Issawi, 2013: 1). Africa's economic history has been affected by the weak relationship of political history. Now, this relationship has become an equal, if not a privileged one. This is partly due to the dominance of expansionist discourse in African studies and public policy, and partly because of the revelation of nationalist historiography (Zeleza, 1997: 1). On the other hand, if we consider international trade unions and organizations in the Middle East and North Africa, we will see an important point. There is no strong convergent organization in Central Asia, which has deprived the regional organization of power in Asia and it is incapable of repelling the pressures of other organizations and unions.

4.1.1. petroleum
The word petroleum comes from Medieval Latin petroleum (literally "rock oil"), which comes from Latin *petra*; "rock", (from Ancient Greek: πέτρα, romanized: petra, "rock") and Latin *oleum*, "oil", (from Ancient Greek: ὕλαιον, romanized: ēlaion, "oil"). (thefreedictionary.com/petroleum). An examination of the conditions of oil revenues in Iran shows that, given the level of dependence on
oil revenues, the four decision-making frameworks of governments in Iran from the 1950s to the 1990s have:
1. haste and lack of opportunity for institutional reform, 2. disregard for the indigenous context, 3. isolation, and 4. disregard for stability and equality. This implies that issues in Iranian structures are continuously reproducing problems (Naderi et al., 2008: 83). Iran is among the top 10 world oil producers and takes its place among the biggest oil exporters. Currently, its oil export revenues have already reached $50 billion. In spite of the US sanctions, Iran continues to export oil to Asian and European markets. The growing energy needs of China and India, accompanied by the Europeans' search to diversify their natural gas suppliers, have paved the way for a fierce competition for Iranian energy resources. Iran has been growing into an energy superpower due to the growing external demand for its natural gas and oil. From this perspective, this article discusses Iran's potential as an energy superpower with regard to the current facts and trends in regional and global energy geopolitics. (Balamir Coşkun, 2009:180). Thus, from a long-term view of the Iranian economy, it can be seen that although oil was produced in Iran for a very long period, its importance to the Iranian economy was relatively small until the early 1960s. This centennial trend raises a big question: has oil in general been beneficial or harmful to the Iranian economy? Studies lead to different results when properly managed, oil revenue is a boon, but their fluctuations (which in Iran were much higher than fluctuations in oil prices in the world) can have very negative effects on production as For example, it causes excessive and persistent levels of inflation in society. In addition, the lack of appropriate policy-making institutions and mechanisms, which should have acted as shock absorbers in the face of high oil price volatility, has had a real impact on the real returns of the Iranian economy over the past hundred years. Meanwhile, eight years of war, trade sanctions and domestic political strife have compounded the problems (Alizadeh and Hakimian, 2013: 7-10).

4.1.2. Free Zones
The free economic zone (FEZ) has a long history and plays a more and more important role in the world economy. Most studies, however, focused on the theoretical analysis of benefit and cost as well as the economic role of FEZ in the less developed countries and little attention has been paid to the evolution of FEZ. This paper will improve the above-mentioned studies and put forward the structural and spatial evolutionary model of FEZ by analyzing the development of objectives, preferential policy, governance structure, industrial sectors and location of FEZs based on the international economic and political development. FEZs develop towards: 1) more comprehensive and macro objectives, 2) more industry-oriented and multi-preferential policies, 3) more cross-national and combination zones with administrative areas, 4) more technology-intensive and multi-industries, 5) more flexible location and larger spatial dimensions, 6) more rapid evolution and typologies, and 7) more economic integration to the host economy (Meng, 2005:103). Today, free trade zones, as one of the economic bases for boosting exports and attracting foreign investment, make up a large share of the advanced economies. But the fact that a particular region is designated as a free zone and purely for specific purposes and activities will not lead to positive economic growth and development in the region. What needs to be taken into account is how to plan and make a series of sequential and time-bound decisions that will allow the region to achieve its intended goals (Latifi and Agha, 2006: 78). The experience of free zones in Iran has been overshadowed by Iran's particular approach to economic integration in the global arena. Since the late 1980s, Iran has pursued a policy of attracting foreign investment and boosting regional trade by creating favorable conditions, in free trade industrial zones and special economic zones.
Free trade industrial zones are strategically important because of their potential international links to markets beyond Iran and special economic zones, as well as their value in serving key industries and improving the country’s distribution system and supply network. In general, liberal policies implemented in free zones to attract and benefit from a more international economic presence are contrary to Iran’s internal policies. In fact, the free zones of Iran, which served mainly as the "back doors" to the international economy, have largely been halted because of their progress from formal, if not inconsistent, attitudes toward the international economy have now been abolished. As a result, the ability of free zones to attract investment under the influence of negative external perceptions of Iran as an investment destination and the intriguing intricacies of such investments are limited (Alizadeh and Hakimian, 2013: 7-10).

4.1.3. Politics and government in Iran
Politics is the process by which people decide how to live together – whether it is a family, a school, or a nation. Government is the system used to make the decisions. There are many different systems of government – ranging from autocracy to democracy. In a democracy, everyone has the right to an equal say, and decisions are made through discussion and voting. In school, young people reflect on different systems of government and how decisions are made in their school and society. They learn about the practice of democratic politics through participation in class and student council elections (living-democracy.com/key-concepts), achieving and exercising positions of governance organized control over a human community (merriam-webster.com/dictionary/political). Experience has shown that governments, especially governments in developing societies, have a central place in society and play important roles in various social, economic, cultural, and political arenas. The importance of government is such that without direct or indirect intervention it cannot be expected to provide all forms of development, especially political and economic development in society. It is an inevitable fact that it will be difficult to achieve political and economic development without formal political will from the official political institutions. In other words, the realization of political development can depend on the ideology, strategies, and approaches that the government takes to govern society and realize the prospects. Therefore, the measures adopted by these theoretical and applied models, which are inevitably normative, may underpin or weaken political and economic development (Qadri, 2013: 37). The government's role in Iran’s political development and economic performance, despite partial liberalization and privatization since 2001, has often affected the banking system. Overall, these policies have both increased demand and costly inflation and weakened the central bank's independence in controlling inflation and maintaining the purchasing power of domestic currency domestically and internationally (Alizadeh and Hakimian, 2013: 7-10).

4.1.4. Iranian Industry
Iran’s Economics includes items such as production statistics, food industry, retail industry, automotive industry, defense industry, construction industry, mining and metals, textiles and apparel, aviation industry, pharmaceutical and health industries, oil, gas and petrochemical, power, electronics and computer industry, telecommunications banking, tourism industry, marine industry and machinery. In 1996, Congress and the executive branch began a long process of pressuring Iran’s vital energy sector in order to deny Iran the financial resources to support terrorist organizations and other armed factions or to further its nuclear and WMD programs. Iran’s oil sector is as old as the petroleum industry itself (early 20th century), and Iran’s onshore
oil fields are in need of substantial investment (Congressional Research Service, Iran Sanctions, 12). The development of the automotive industry in emerging markets has been followed by two distinct trends in recent decades. The first focuses on the implementation of a national car project, and while the government invests heavily in upgrading its technology capabilities, the second pathway focuses on expanding into global markets. However, these two trends are not unique and emphasize a single strategy. The Iranian car industry, along with the South Korean and Malaysian industries, belonged to the first group, while the automotive industries in Thailand, Turkey and Indonesia belonged to the second group. The results show that the Iranian automobile industry has been one of the fastest producing and value-added industries since the mid-1990s. In fact, the industry has used its industrial policies to achieve self-sufficiency. However, unlike South Korea's National Automobile Project, which has been able to enter major global export markets, Iran's auto industry has focused primarily on the domestic market with a low level of exports (Alizadeh and Hakimian, 2013: 7-10).

4.1.5. Economic sanctions

The sanctions against Iran refer to a series of actions taken by world powers to punish the Iranian government or force it to do or not to do something. Most of the sanctions against Iran after the revolution took place after the US embassy in Tehran was occupied and intensified following a challenge to Iran's nuclear program. Iran's sanctions are divided into four categories, UN Security Council sanctions, EU sanctions, unilateral sanctions by various countries such as the United States and US Congress sanctions (tasnimews.com/fa/keyword/954).

The end result of sanctions? Collapse or boom?

1. The victory of the sanctions and the collapse of the Iranian economy
2. The failure of the sanctions and the boom of the Iranian economy (porseman.com/article/148953).

During 2012-2015, when the global community was relatively united in pressuring Iran economically, Iran's economy shrank as its crude oil exports fell by more than 50%, and Iran had limited access to its $120 billion in assets abroad. Iran accepted the 2015 multilateral nuclear accord (Joint Comprehensive Plan of Action, JCPOA) in part because it brought broad relief through the waiving of relevant sanctions, revocation of relevant executive orders (E.O.s), and the lifting of U.N. and EU sanctions. Remaining in place were U.S. sanctions on trade with Iran, Iran's support for regional governments and armed factions, its human rights abuses, its efforts to acquire missile and advanced conventional weapons capabilities, and the Islamic Revolutionary Guard Corps (IRGC). Under U.N. Security Council Resolution 2231, which enshrined the JCPOA, there were nonbinding U.N. restrictions on Iran's development of nuclear-capable ballistic missiles and a binding ban on its importation or exportation of arms remained in place. The later ban expires on October 18, 2020. The sanctions relief enabled Iran to increase its oil exports to nearly pre-sanctions levels, regain access to foreign exchange reserve funds and re-integrate into the international financial system, achieve about 7% yearly economic growth (2016-17), attract foreign investment, and buy new passenger aircraft (Congressional Research Service, Iran Sanctions). The impact of economic sanctions on Iran has had both profound and superficial effects on the economy and has not been as sharp since the beginning, and its growth has been gradual. The sanctions were first imposed by the United States, which was Iran's main trading partner before the revolution. These are justified in a wide range of areas, such as the US embassy crisis in Iran in the 1980s, the US dual containment policy against Iran, as well as the punishment of Iranian support for US opposition groups. A new and more important reason was added in the
1990s when the United States became concerned about Iran's nuclear program. In the 2000s, as US-backed sanctions intensified, the European Union and the UN-imposed additional sanctions. In contrast, Iran has generally been able to avoid penalties through the choice of new business partners through flexible and dynamic business diplomacy. The impact of sanctions on Iran has been somewhat modest, but since 2011, sanctions on oil exports, financial transactions, the central bank and insurance have disrupted Iran's oil revenue and trade. In addition to economic problems for the population, it has also led to profound changes in the Iranian economy that can have a direct impact on the living standards of the Iranian people over the long term (Alizadeh and Hakimian, 2013: 7-10).

5. research findings
Maintaining sustained and relatively high economic growth rates is a major short-term and long-term challenge for Iran in all three national, regional and international arenas. To grow, Iran must not only replace and upgrade its worn-out equipment and theories in the oil and non-oil sectors, but also invest heavily in new industries, technology, human capital, and infrastructure. In addition, given the demographic and gender factors, the growth rate of labor supply is expected to be relatively high over the next decade and a relatively high growth rate of economic growth is required to boost labor demand. Rapid population growth at a rate of 2.6 percent a year increased the population from 26 million in 1966 to nearly 66 million in 2002. So, the factor of population at national level is very important. Failure to achieve a decent growth rate in the light of sound policies can lead to increased unemployment and increased poverty, especially among the young population with unpleasant social consequences. Therefore, national security in Iran is facing serious challenges. On the other hand, Iran needs to create and sustain sustainable economic growth, while macroeconomic policies in line with economic growth in the global arena are likely to be far more successful than in the regional arena. One of the reasons for the failure of the regional economy is the intense geopolitical competition between the countries of the region, which has posed serious challenges to economic cooperation. On the other hand, in order to become an international power, Iran needs to grow at a rate of 4.1 in its economic component; to have a growth rate of 1%, the investment rate must be at 2% of GDP, so it must raise the investment rate. It requires a high savings rate, which can only be achieved by controlling the rate of growth of government spending and greater financial discipline in public enterprises and by tax review, which is a form of fiscal measures to increase government savings rates (Jalali-Naini, 2005: 115). And the private sector economy also has a real meaning in attracting capital and coming to the aid of the government, but at present the private sector of the Iranian economy has no resemblance to the private sector in developed countries, which has both advantages and disadvantages (khabaronline.ir/news/1264343/). All of this will happen if a proper foreign policy is in place, as transnational corporations usually employ inter-territorial alliances to coordinate their policy-making and lobbying positions in international settings and governance, and thus political-economic weighting. And economic diplomacy must seek to see and interact with these weights (irdiplomacy.ir/en/news/1972101/). Political economy considerations affect components of national security, including threat, opportunity, vulnerability, and empowerment. The dimensions of hardware (the ability to buy or build equipment and weapons) and software (policy making and strategy design) of power are somehow subject to the evolution of the political economy and are
correlated with transformations in this area. It may not be an exaggeration to say that the type of strategy countries has in terms of offspring is partly due to economic-political variables (Asgari, 2004: 48). World economic experts, on the other hand, examine the current state of the Iranian economy and believe that the Iranian economy is heading towards a situation like the Venezuelan economic crisis. Garrett Friesen, a Forbes economist and analyst at Forbes magazine's Web site, described the current state of the Iranian economy as shaky and predicted that it would face a dangerous geopolitical crisis if Iran could not sell its oil under US pressure (fararu.com/fa/news/372821/). In the area of security, politics, and economics, it can be argued that, in the domestic context, political economy can be used as a mechanism for "crisis management" by controlling and shaping the increasing demands of individuals. In the external arena, the international political economy, in terms of its scope and depth, creates structural threats / opportunities for political entities (as appropriate) (Asgari, 2004: 48). In a political system, political stability is an indispensable prerequisite for achieving economic security, otherwise, according to Hobbes, a state is created to remove unsafe conditions (as he puts it, "everyone's guts"). Therefore, in the event of a political instability of the state, the very cause of the state itself for the sake of its own security is endangered (Zare Shahi, 2000: 218). Iran's Deputy Permanent Representative to the United Nations Eshaq Al-e Habib on Thursday described the US unilateralism as the biggest threat to the global security, saying that Iranian nation is paying for its resistance against the US' expansionism. Iran will keep working with its partners to create a new environment in which self-respecting nations can pursue their own interests and international obligations. We will continue to work to offset unlawful US sanctions and irrevocably eliminate the destabilizing phenomenon of the US extraterritorial application of domestic legislation (en.irna.ir/news/83545618). Also, various sanctions on Iran's economy have had adverse effects on social production and welfare (Marzban and Masterzad, 2015: 1). This will have a profound effect on precisely the national and then regional security of Iran and ultimately on the global stage.
6. Conclusion

Geopolitics and geo-economics are, in fact, one of the most intertwined issues that are a factor for crisis or control. The geographical economy of Iran has a great deal to do with the geographical economy of the Middle East and North Africa in the first place and with the world economy in the second place so that geography and the world economy are a factor for maintaining global stability and security. According to Figure 2, if Iran's economic growth is to be halted in the global and regional contexts, concerning the five components listed above: oil, free zones, government policy, powerful industry, economic sanctions, both world and regional. As such, these events will initially affect inter-state interaction, and ultimately affect global interactions, and will result in the growth or elimination or stopping of the global economy. This cycle goes on until the international economic policy cycle is disrupted about the security of the international economy. So consider that Iran's economic security is one of the most important factors in global security. It must be dealt within the context of Iran's political economy, and other countries in the world should not be hasty and unreasonable in dealing with the Iranian economy and imposing crippling sanctions. The economic downturn in Iran has a major impact on politics, and the economic consequences of Iran will be dominated by its security implications, with the loss of the security of a neighboring Iran in the first place and the global arena in the second place.

Figure 2. The conceptual model of research
Source: Authors
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