



The Riddle of Economic Diplomacy in the Foreign Policy of the Islamic Republic of Iran

Mohammad Heydari*¹, Sohrab Alamdari²

¹ Islamic Azad University, South Tehran Branch

² M.A in International Relations, Islamic Azad University, Karaj Branch

Received: 21 Dec 2011 ; Accepted: 11 Jun 2012

Abstract: Bill Clinton, the ex-president of the United States of America at the end of his two presidency period stated that one of his most important successes was the link between internal economy and the foreign policy of the country. Some general conclusions can be derived from this statement, which include the following and which make the hypotheses of this article: 1- Economic relations are necessary conditions for the political relations, 2- The powerful economic relations have influenced political relations, 3- Economic relations can synchronize political and foreign relations and in one way or another process the policies related to production, exchange of goods, services, and investments, 4- Economic diplomacy uses the economic resources to organize relations and changes in the behavior of countries in a wide range. These new economic performances in the domain of foreign policy are the outcomes of International and local developments during the last two decades which has prioritized economic policies over other diplomacies. Economic diplomacy is the observant of two fundamental developments related to mentioned basic developments. First, these governments are no longer the only actors in the field of diplomacy, but rather other supra and super national and transnational organizations enter the global domain more powerfully and day by day. Second, changes in the traditional performances and constructs of governments are unavoidable for preserving physical and psychological security of the citizens and preservation of the independence and integrity of governments. The questions raised by the researcher is that whether the foreign policy of the Islamic Republic of Iran has been able to make use of great economic capacities of the country along with preservation, empowering and expansion of national security and national interests of the country with updating the policies, guidelines, and operationalizing them, according to international changes and developments:

Keywords: Foreign Policy, Economic Diplomacy, Foreign Relations, Political Economy.

Introduction

Important international events like deterioration of the bases of bipolar systems are the indicators of the fast movement of trade and investments, globalization of economies and their more dependence on one another, because of the weakness and lack of efficiency of the economic system of

the one side and the economic power of the other side, establishment of economic,- commercial institutions like Global Trade Organization, International Monetary Fund, and entrance of national and transnational Non Governmental actors.

The fundamentals and the approaches of organizing and systematizing economic relations have

*Corresponding Author: mohammad_heydari47@yahoo.com

turned to the focal points of diplomacy, in a position at the same level to and perhaps even above the level of political and security concepts, during globalization, and a large portion of negotiations of political authorities of different countries heed to economic, trade, business, common investment problems and issues, according to which economic borders among countries gradually disappear and even increasing movement of resources, technology, goods and services, capital and even human resources get facilitated and they lead to an increase in the production and consumption in countries.

Accepting the new role and function of economics, and the position of international institutes in administering and directing global policies have necessitated the relations and developments of the interaction from the side of governments because of utilizing capacities to achieve objectives and the best use of national resources unavoidable. Therefore, presenting a clear and desirable perspective from the national economic system's output and the countries developmental plans, decreasing the risk of investment and increasing the security of the capital and the investor, giving priority to economics, trade and business, development of cooperation with global and local material institutes, and effective and constructive participation in the processes of negotiation and global interactions are among areas of economic diplomacies on the basis of which countries try to guarantee and stabilize their own local and global national interests security along with maximizing their own interests.

Islamic Republic of Iran as one of the powerful countries, which is developing and with possessing the great resources of oil and gas, better strategic position in the world and in its own area, and other potential factors, hasn't been able to benefit the way it is suitable for its Islamic, Iranian precedence, from a suitable position in the international economic domain. Passing of time and recession of power hardware made it lose the opportunities

possible and increase the threshold of threat and the vulnerability of national economies.

Therefore, deep, all encompassing and logical recognition of realities and global necessities, especially in the field of economics, will help the foreign policy get more efficient, and the grounds for effective and constructive interactive areas get more powerful. Although the 20 year perspective document of the country is explicit in stating that, Iran will be a developed country in 2026, with the first degree economic, scientific and technological position, among the South West Asian countries, with an emphasis on software developments, production of science, fast and important economic growth, relative increase in income per head and achieving full employment capacities

The nature of such goal orientation is an indication of the system's use of positive energy toward future, and belief in the country's potential power in the physical and human resources. The question of how and with what method our foreign policy can help achieve this perspective and how to provide the grounds for the national economy and commerce to enter the local and global markets is the basic question that any Iranian can ask the diplomacy system. Moreover, another important question whose answer requires separate studies and investigations is that how can it make a logical, procedure-oriented, and systemic relationship between inside and outside policies with such interwoven, verified and even sometimes contradictory constructs and the dominance of military-security thought over the foreign policy?

Theoretical Framework

The emergence of global political- economic system and special place and important role of economic discussions and their effects on the politics in the world arena and fundamental changes in the international system construct, have made effectiveness of economic power over foreign policy, unavoidable. Because of this situation, political economy of the world is also both a guide for

the process of globalization and an effective element over the processes of national, internal, and global policies.

It is clear that the military and political power of any country, at an international level, depends, to a large extent, on the economic effectiveness, and this is a general fact in international affairs. The ability of a country to support the military system, the wealth of the country and its victory in wars depends on its relative wealth and its ability and production, when compared to other countries.

The prominence of sovereign countries during the last 150 years is an indicator of ever increasing power in the relation of economic, political, military and technological processes. Thus, challenging, competitive and cooperative approaches which are among main elements of international relations has inclined, increasingly, toward the capacity of countries to produce wealth and technological innovations, and support institutes that have the ability to cope, fast, with the developing atmosphere.

Ever increasing tendency to preserve and expand globalized economies, has made countries and their rulers more eager to intervene in each other's internal affairs more than in any other time. Therefore, supporting this view, we can approach the issue that power, whether it is economic or military or political, grows in a domain of international relations theories. Much to the researcher's belief, in the recent period, the economic power equals economic diplomacy in definition and the present theories about international relations have are deemed toward exploration of phenomena and global developments in the light of military power and economic preference.

- Realists consider the basis of diplomacy as the construction of preliminaries of the power in a government- state, and consider the economic diplomacy as an instrument to distribute economic byproducts through which the political power increases. On the other side, any success in the area of economic diplomacy is subjected to the preference

of relative power of the negotiating parties and mutual understanding and agreements, bargaining and compromising, are more effective than legal rules, jurisdictional investigations, and moral truthfulness.

As an example, possessing levers for controlling or accessing the big markets or financial resources can change everything to the benefit of the powerful governments (Morgenthau 1993: 114-125).

- The Theory of Stability based on Dominance considers the success in economic cooperation dispensable to a dominant power. Without a sole dominant power assurance of countries submission to newly founded systems is not very weak and sometimes even, impossible. In other words, a government which plays the hegemonic role in international economic domain should be able to manage the international free economic proceeding, in addition to the priority in the power of national economy. This theory is considered to define and explore the how of making an international economic order under the dominance of the America, which posses three main criteria for intervention.

- Commercial sovereignty: this type of dominance has two aspects, one is surrounding and benefitting from global trade opportunities, and second is the administration of free international trade in the global domain. These two perspectives, in one way or another, empower one another. In addition to the America's possessing the highest competitive priorities, it necessitates the higher power and at the same time, its acceptance by the America against other governments.

- Financial dominance, this compilation has a key role in

compensating for momentary Vacuums caused by the commercial effluences of this country and to benefit from the monetary priorities of the America.

- Hegemony in the area of energy is from among other types of America's hegemony, which is trying to decrease its dependence on petroleum by administering the distribution of secure, durable, and sufficient sources of energy (Ghanbarlo, 2010: 22).

- The theory of reciprocal dependence also tries to generalize the rules of investment of the global economy with referring the economic decision makings and events to the relative power in international relations.

Although the theory of dependence is presented, specifically, to explain the underdevelopment, the developed countries, also may be left deprived from accessing economic objectives and programs, before hand, because of the lack of necessary power and sources to influence the global economy. Economic diplomacy, also continues the past unequal relations with expanding free trade, and tries to preserve the previous economic hierarchical structure; (Chilkot, 1978:72).

- The theory of global system of valerstein which is based on two main criteria: 1- The great civilizations and global emperorship, 2- global economic systems.

According to vallerstein, capitalism, with the help of organizing mass production, establishment of the worker class, and accumulation of capital, is composed of three components: Central Societies which are equipped with the most advanced activities equipped with the modern technologies, Societies in the Periphery which are the producers of raw materials for the central societies, and Semi Peripheral Societies comprising of countries, some

of whose economic activities, are similar to those of the countries in the center and some of which resemble to those of the countries in the periphery. These countries are mediators between central and peripheral countries and play the role of a communicative bridge between them (Wallerstein 1989:32).

- The Marxsit - Leninist Theory, explicitly states that international wars are the outcomes of capitalist Imperialist countries' competition and aggression, their ultimate objective is tp access the new markets and establishment of political dependence (Bozorgi, 1996: 53-4).

What is common among all previously stated theories is countries' seeking power and preference by the help of economic instruments, of course this economy does not necessarily lead to justice and provision of basic needs of individuals in the international society, but economic diplomacy of powerful countries direct them toward more power graining, and involvement in other countries affairs.

The economy of Iran, also, since the past to the present has been mixed with politics and polluted with hegemonic policy of the powers of the time, in the world. Monopolizing the trade of silk by Shirley Brothers and their influence in Shah Abbas-e Safavid's court, Monopolization of tobacco, that of Iran's oil and carrying out coup de tat against Mosaddegh government, plundering the oil of this country by the oil consortium, different types of economic, technical, and technological sanctions and, also recently the political and financial sanctions are all in line with their direct and indirect involvement and intrusion in the internal affairs of Iran. That is why, Iran's economy which is based on oil, only, has always been played with hegemonic policies of the powerful countries and has never been able to keep away from international political economics in both international and local levels.

Economic Intruding Theories

Theory	suppositions	outcomes
Realists	Power preliminaries of the governments, distribution of economic outcomes/ emphasis on agreement and conciliation, negotiations and compromise	Control and access to great markets or financial resources
Stability based on Hegemony	Success in economic cooperation necessitates a dominant power/ without such a power the hope to achieve the success of economic institutes is very weak. /Trade dominance/monetary and energy dominance.	The hegemonic country should manage the free economic current in addition to possessing a better economy
Reciprocal Relatedness	Generalizing the roles of economic games of capitalism to all countries/lack of success of less developed countries in accessing objectives and their programs	Continuation of unequal relations of the past in the light of free trade/ preservation and empowerment of economic hierarchies.
Global system	Dependence of great civilizations and world empires/organizing mass production/ localizing the	Hegemony and preference of the central societies/ societies producing the

	economic activities/ Dividing the world economies into three zones.	Raw materials/the semi peripheral societies as bridges between central and peripheral societies
Marxist-Leninist	Wars are the outcomes of immoral competitions of Imperialist-capitalist countries	Accessing the new markets/establishing the suppressed countries

Model by Heidary, M. 2011

Elements, Performances and Objectives of Economic Diplomacy

The idea of economic diplomacy in the fifties to seventys decades was expanded because of nationalization of industries in most countries, and obligation of diplomats to market the productions of nationalized industries (Rosenau, 2006) and emphasizes on two institutes of the market and government and their interactive reciprocity with the objective of providing individual needs and social welfare in the framework of the market, and considers politics as an instrument which helps what cannot be accessed naturally and regularly.

Therefore, giving a single definition of the word "economic diplomacy" is a tough job, but it is possible to consider organization and the proceeding of the politics related to production, transference, and exchange of goods and services in other countries as the subject of economic diplomacy. Actually, functionalizing the performance of diplomacy in the area of economics and putting to work the potential and practical abilities of diplomacy to objectify the economic objectives of the country, the economic diplomacy gets meaningful.

A: Elements

- *Sovereignty of the Economic Insight in the Foreign Policy*: Accepting the economic perspective and establishing economics as a pivot in the developments of the world political economic system are among necessities of the interaction with the world. The sovereignty of economic viewpoint makes new interests in the district and in the world in the light of benefitting from opportunities and forming new opportunities for the country.

- *Policy Making of the Foreign Politics with the Centrality of Economics*: If this basic choice is considered important, opportunities will be prepared for benefitting from foreign capitals and technology, attraction of foreign investments, accessing the widespread global markets, and decreasing many production expenses.

- *Uniting the National Economy to that of the World*: Economic diplomacy prevents decreasing the effect of economic ideas and outputs on the national society, and from the other side encourages the appearance in global markets, using new rules, norms and approaches in receiving and sending information, electronic commerce, signing trade agreements, and activities in international economic societies.

- *Reciprocal relation of economics and politics*: The structure of the world political-economic system has affected the mechanism of compilation and administration of foreign policy and internal problems and topics, surprisingly, and has related political, social, cultural, and especially economic procedures at the national and international levels.

B: Functions

- *Behavioral change of Governments*: Economic diplomacy is one of the effective techniques used in applying the foreign policy in the form of financial, commercial and technologic weapons. Using the economic weapon is not just to provide economic objectives, but to provide political and military control for governments during both the time of war and peace.

- *Giving Direction to Economic Policies of Countries*: Big and powerful countries try to direct the objectives and interests of other countries toward those of their own by establishing new and effective international and local economic institutes through economic diplomacy in addition to actualizing their own national activities, objectives and interests, and in this way prevent forming competitive and oppressive interests.

- *Attracting Foreign Investments and Making New Investment Opportunities*: Foreign investment plays a crucial role in the process of growth and development of developing countries. These investments increase the production capacity and economic efficiency through the transference of technology, and technical and administrative outputs.

- *Helping the Stability of Financial and Monetary Policies*

- *Decreasing or Eliminating the Involvement of Governments in Economic Activities*.

- *Empowering the Financial Markets and Relieving the capital*

- *Activating the Policy of Trust Making in the Foreign Relation*

- *Making Economic Infrastructures*

- *Amendments to the Rules and Regulations for the Purpose of Growth, Stability and Economic Development of the Country and the Best Use of Economic Potentialities to Promote Foreign Policy Objectives*.

- *And Finally the Economic Diplomacy*, which should benefit from the capacities, potentialities and economic resources in the form of praise and punishment and/or encouragement when having relations with other local and international activists to pursue and provide national benefits of the country, especially economic and commercial interests, and effecting the outcomes of exchanges between others and they themselves.

C: Objectives

Economic diplomacy follows three main objectives:

- *Accessing the Global Markets.*
- *Attracting the Foreign Investments.*
- *Preservation of National Economies against Global Economic Challenges* (OmidBakhsh, 2005).

Economic diplomacy of Iran's foreign policy, in any of the mentioned objectives, can play a role in the international political economic domain under the light of the role and the unique geopolitical position and its being placed between two great energy resources. Luckily, there is a common decree between the criterion of sustainable growth of Global economy and the economy of Iran. Global economy remains needful for the energy and petroleum as the better fuel compared with other energy vectors to make sustainable $\frac{3}{4}$ percent growth actualized. The global need for gas has increased to $\frac{4}{3}$ percent annually, and it will increase in future as well (Global Energy Outlook; 2000: 4-5).

Regarding the present resources and the degree of production, Iran is one of the most important countries to produce energy for the world. On the other side, petroleum is considered as the vital channel of Iran's economy and in the previous decades 40 percent of the country's exchange income was provided by the petroleum and imports only, or by current and constructive expenses. It is believed that this amounts to more than 60 percent, on the other hand, it should be accepted that since the time of the discovery of petroleum in Iran to the present time the foreign relations of the country have been based on oil and 80% of the issues related to Iran's foreign relations have been confined to those related to petroleum (Jafari Valadani (2004: 47-66).

The present situation is that the construct and organization of the ministry of foreign affairs has no necessary correspondence with this large capacity of the country and the society immediate needs, and basically there is no organized relations

and pre-defined formula between the diplomacy of the foreign policy and the diplomacy of petroleum and the main petroleum contracts and investments in the section of oil and gas of the country are followed and signed mainly by the ministry of petroleum. On the other side, the ministry of foreign affairs does not have access to efficient and competent diplomats in the field of oil and its markets to meet the complexities and delicacies of the processes of oil production and exportation, and fluctuations in its markets. Thus, it seems that establishment of a deputy in economic affairs, inside the ministry of foreign affairs, hasn't been able to coordinate with the dominant views in foreign policies with the internal and international conditions and the importance of economy in the political life of the country and provision of national security and political independence, and it needs, more than any other times, to educate diplomatic personnel and economic efficient officials in the ministry of foreign affairs.

Preservation of National Economy against challenges

Attraction of Foreign Capitals

Accessing the Global Markets

Principles and Fundamentals of Iran's Economic Diplomacy

During the period that economic apprehensions determine the main priority of the governments' policy making inside the indiscriminating internal and foreign borders or national and international ones, access to economic interests in diplomacy has got special importance and over increase in the speed of the global economic activities, putting to work the diplomacy in economics, that is using potential and actual diplomatic abilities to gain economic objectives of countries, have been considered more and more, and have provided necessary instruments to preserve a suitable atmosphere for economic growth and development, on the one side, and proceeding the national ob-

jectives and benefits, on the other side (Reymond and Lichia; 2002).

Concerning this issue, the economic construct of Iran, in spite of having potential capacities, lacks necessary movement and flexibility. Because of this, the most important element of economic growth or exaltation of Iran's position in the world economy is an external outlook with the objective of efficient union with the global economy and absorption of foreign investments. This, in addition to change in the insights of political elites, and decision making in foreign policy and attention to the important economic factors at the present time and providing or correcting legal security and credential constructs in the national economy necessitate activating economic diplomacy whose some principles are as follows.

- Pleasant use from Economic Instruments in Bargaining:

The diplomatic system of the country should pay attention to economic instruments in the diplomatic negotiations and activities in the age of complex and reciprocal relatedness.

- Solving the Present Problems and Complexities in the Relation between Iran and Great Economic Powers:

The role of great powers like America, European Union, Japan, China, and ... in global economy and commerce cannot be overlooked. Solution of Iran's present political problems and those of the mentioned countries is a great help for the economic growth of Iran because of the elimination of economic sanctions, attracting the foreign investors and financial institutes and trustees, and more active role in international financial and economic organizations.

- More Inclination of Iran's Diplomacy outside the Country toward Economic and Commercial Problems:

Concerning dominance of economic viewpoints in foreign policy and the necessity of using modern economic diplomacy, the representatives of Iran outside the country should be active with oth-

er countries to attract foreign investment, to do marketing and prepare backgrounds for economic and commercial cooperation, in a preplanned and directive procedure.

- Effort of the Foreign Policy in Operationalizing the Economic and Commercial Plans:

It is necessary that the system of foreign Policy helps, effectively, operationalize the economic plans like transference of oil and gas of the Central Asia and Caucasia to the Persian Gulf, India, and Pakistan, and planning for the transit corridor of North- South and transportation of the oil of Central Asia to Europe by the help of negotiations and innovative actions, to changes Iran to the commercial, Transit and Global Energy center.

- Establishment of constructive relation between the system of foreign Policy and the country's economic and commercial systems and their whole scale cooperation and coordination seem necessary.

Necessities of the Economic Diplomacy of Iran

Generally, diplomacy gets metamorphosed as a result of international change in relations, because when international relations change, instruments and mechanisms used to manage the interactions of countries to preserve interests, also, change.

The revolution of communication and information, and globalization has metamorphosed the organization and the construct of international economic relations and has affected the nature of politics and government in countries, in a way that governments could meet a network of interwoven relations and different types of reciprocal dependence at the levels of national and transnational, which would challenge the governance and monopolized performances of governments (Rosenau, 2006).

In such atmosphere, economic security makes one of the most important dimensions of national security. Provision of national security is not

possible without economic power and development. That is why countries are involved in hard competition with others to gain economic benefits. They compete to attract direct foreign investments and negotiate with other countries to access the global markets. On the other side, they try to preserve their own local markets against irregular global influences, and simultaneously try to cooperate with other countries to form organizations to coordinate and normalize economic, commercial and financial relations in the form of economic agreements and in the framework of economic organizations. Beyond this, the roles played by nongovernmental economic activists and multinational companies have tremendously increased in the area of local and international economics and politics (Raymond Saner: 2002).

Because of the mentioned activities, the objectives of economic diplomacy are to preserve economic development, and effecting on bi and multi lateral economic policies through coordinating activities of technical ministries, normalizing and forming negotiations, and processing exchanges in international and local organizations and institutions like World Trade Organization and OPEC, and, of course, using nongovernmental organizations at a suitable and effective time, and investigating other countries' developments and policies to influence on them, and provide necessary support and facilities for active economic companies outside the country.

Therefore, in the complex and globalized international relations, it is urgently necessary for Iran to have access to experienced and skillful experts to prevent, to prevent changing the competitions and potential economic disputes to rage, political anarchy and, even, wars. They should, also, be able to provide free access of the Islamic Republic of Iran to the local capital markets and local interests through removing economic and foreign obstacles and barriers.

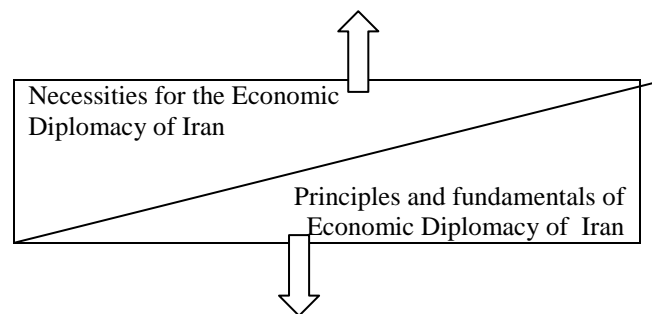
To access the economic diplomacy objective it is necessary to observe the following regulations:

- *Conception and Recognition of the Regional Change:* To manage and successfully direct the developments as the essences of diplomacy, it is necessary for decision makers, directors, and executers of diplomacy to recognize them.
- *Recognition of Self and Others' National Benefits:* One of the most important diplomatic dimensions and applications is managing and directing offensive and opposite interests, and removing them by negotiations, and Peaceful discussions.
- *Using the Soft Power in the Best Possible Way:* It is also necessary to make the best and pleasant use of power in a soft manner to effect local societies and nations. Although "soft power" sometimes is equal to civil power, normal power, and/or satisfying power, its purpose is using effective non material elements in international relations and foreign policies, in which sources like norms, values, ideologies, Islamic- Revolutionary discourses, political instincts, fame, morality, and Iranian- Islamic culture are used (Roohani; 2010, 183).
- *Multilateralism:* Being active in global and local relations, has made one or two sided diplomatic direction and management difficult for all countries including the Islamic Republic of Iran. Thus, choosing multi sided perspective toward international and local affairs in the age of globalization and reciprocal economic relatedness is a necessity.
- *Making-Trust:* Developing reliance is a necessary process to increase stability in the relations of Iran with the regional countries especially its neighbors. The core and essence of clear reliance are crystallization of the objectives and the intentions, and performances that organize the behavior of countries during disputes.

- *Attracting the Cooperation of Other Ministries and Systems:* Successful performance of diplomacy is not possible through only the ministry of foreign affairs, but concerning the development of diplomacy, management and direction of political, economic, military, and cultural subjects and problems has recently become technical and professional.
- *Coordination among Different Agents:* Coordination among active correspondents in the field of diplomacy is necessary at three levels of discourse, structural, and output. At the level of discourse, all agents and ministries should benefit from the same semantic, measurement, or discourse. Structural Unity means that all ministries and organizations should play their roles on the basis of a pre-determined position in the hierarchy of decision making and prevent from unnecessary involvement and redundancy in the activities.
- *Developed Human Resources:* Having access to professional, skilled, and experienced diplomats who are, also dedicated to Revolutionary- Islamic values is necessary to accomplish economic diplomacy.
- *Instrumental- Informational Development:* Diplomacy, today, needs developed instruments of communication and information. Accomplishment of regular, virtual, and medial diplomacy is not possible without accessing computers, satellite, media, press, internet, and the like (Ganjidoust, 2007: 132).
- *Coordination between Internal and External Policies:* The famous statement of "External policy is continuation of internal policy" has been proven more, today, than at any other time. Demarcating between internal and external policies is no longer an obstacle on the way of econom-

ic development, if it lacks efficiency, concerning the global village and global economics.

1. Deep recognition of the local and global developments.
2. Recognition of national interests of the others and the self.
3. Best use from the soft power
4. Multilateralism
5. Making-Trust
6. Attracting the cooperation of other responsible systems
7. Coordination among different agents.
8. The developed human resources
9. Using informative instruments
10. Coordination between internal and foreign Politics



- 1- Best use of economic instruments in diplomatic negotiations
- 2- Solving the present problems in the relations between Iran and other economic powers.
- 3- Concentration of Iran's diplomacy on economic and commercial issues.
- 4- Supporting the diplomacy system to benefit from the great economic and commercial plans.

Obstacles and Capacities of Economic Diplomacy of the Islamic Republic of Iran

Iran's economy has witnessed frequent ebbs and flows, efforts, and developments during recent decades. Today, foreign trade, because of using opportunities to make desirable relations in inter-

national ventures, on the one side, and, on the other to increase commercial dependencies, is considered one of the important and effective economic variables in the domain of foreign policy,

Because of this it should try to decrease external threats and increase its national security, by adopting logical policies in the external trade. In this regard, awareness of real needs and local abilities and, also recognizing relative advantages are of necessary conditions in shaping the foreign trade and efficiency of economic diplomacy.

Obstacles and Limitations

Economic Sanction of Iran imposed by the U.S. started since the onset of the Islamic Revolution and has been followed in different dimensions and at different levels. Economic sanction has had the objective of regulating Iran's behavior and preventing it from accessing to the modern technology. DAMATO and other laws and regulations declared by the Congress of the America, and limitations and punishments posed against economic and industrial organizations are among main obstacles on the way of attracting foreign investments at large scales. Regardless of these obstacles, foreign companies, especially those in the sector of oil and gas are willing to continue their cooperation with Iran.

Locating Iran among Countries that support terrorism by the US, is an important obstacle on the way of attracting and absorbing foreign policy and activating economic diplomacy.

National Economy of Iran while interacting with the global economic system is exposed to software threats and dangers. The most important source for exchange income in Iran can be accessed by oil, for predicting whose price, the global markets and their developments are effective. Dependence of about 60 percent of Iran's economy to the incomes received from oil causes following the objectives and national benefits and the output of

economic diplomacy to meet uncertain conditions because of tensions in the foreign relations and/or in the global politico- economic system.

Dependence on the Developments in the price of oil entails serious vulnerability for the economy of the country. the country's need to the import of fundamental goods, capital goods and raw materials, and direct relationship between international and local expenses with the global oil price, have increased the level of economic security threats to the country because of its dependence on the oil income (Soltani, 2001:17-19).

Any type of Seclusion in the World Economy, voluntarily or imposed one, can decrease the coefficient of power software and national benefits and can cause the force exerted the west and by the America to be more impressive.

Decreasing the Role of Government in the economy and promotion of economic privatization, reformation of market, economic variety, and decreasing dependence on oil are necessary conditions for economic diplomacy.

Precedence of Importation volume over non oil exportation volume is an indicator of ineffective presence of Iran in the global trade market and ignoring investments in this area.

Absorption of Foreign Investment and providing investment opportunities are, still, one of the most important economic challenges of Iran, because of the high risk of investment (Shargh Newspaper, 2005:10).

Inability in Using Economic Opportunities and lack of familiarity with global marketing.

Economic Constructs of Iran lack necessary potency and flexibility, in spite of having potential conditions (Pour Ahmadi, 2009:49).

Obstacles and Capacities of Foreign Investment in the Islamic Republic of Iran

obstacles	Capacities
<p>The high risk of investment in the country because of economic sanctions and lack of membership in WTO. Widespread presence of the government in economy</p> <p>Lack of stability in economic policies</p> <p>Announced limitations in the article 2 of the law of encouragement and support of foreign investments and excepting investment in the sections of oil and gas and replacing the approaches of financial provision of the country to encourage presence of multinational companies and foreign investment.</p> <p>Unsuitability of laws and regulations related to occupation for foreign investors in Iran.</p> <p>Unsuitability of laws and regulations related to taxes for the capital of foreign investors.</p> <p>Not signing the agreement of the</p>	<p>1- Using natural resources and great mines like those of oil and gas.</p> <p>2- Suitable position of Iran in goods transit and easy access to the markets of central Asia and Caucasus.</p> <p>3- The present capacity of economic growth in Iran's economy.</p> <p>4- The country's benefit from human resources and the professional and educated work power.</p> <p>5- Countries benefit from suitable infrastructure constitutions.</p> <p>6- Development of innovations, patented inventions and working skills.</p> <p>7- The number of specific and free zones in the country.</p> <p>8- Communicating the general policies of the principle no. 44 of the constitution and preparing the grounds for the presence of private sectors in the economy.</p>

<p>intellectual property rights related to commerce.</p> <p>Unsuitability of occupation atmosphere in the country.</p> <p>Preference of execution of substituting importation policies in accordance with the exportation development ones.</p>	<p>9- Existence of especial petrochemical zones of Asalouyeh and Technological Parks.</p> <p>10- Relative improvement of the law ratified in 2002 to encourage and support foreign investments.</p>
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Economic Diplomacy in Practice

The fact is that in the politico- economic system of the markets at the global level, industries, and national, international and interstate economic companies and organizations shape the power centers. As an example, the role and place institutes like International Monetary Fund, World Bank, and WTO or even Global Financial Markets play and manifest in the management and guidance of the process of world policies have doubled the necessity of development of interactions through economic diplomacy to make use of their influence in following national economic or non- economic objectives and interests. Providing a pleasant perspective from the national economic system output and development-oriented programs, elevation of national economic free activities, decrease in the risk of investment in the country, preference of economic interests over political, security and cultural considerations to give priority to national interests and activities, observing bilateral and multilateral economic interactions, elevation of relationship and cooperation with global and local financial institutes to make bene-

fit from their position in the process of global economic interactions and negotiations all get importance along the economic diplomacy (Rahbord, No 18: 18).

Therefore, economic diplomacy is shaped, not only because of putting global economy at the center of global policies and developments that effect national interests, seriously, but also because in the internal domains it is under the influence of economic centers of the market. This means that factors derived from internal economic power equilibrium (Production industry, market, investors, workers, commercial factors, and the like) and powerful actors in global economic systems (banks, foreign investees, monetary and financial markets, multinational great production companies and industries and also the procedure of distribution of surplus national income have key roles in economic diplomacy guidance consolidation.

In this way the most important fact that should be considered in understanding economic diplomacy is the necessity of paying attention to the difference between effectiveness of the diplomacy, economy and the increasing role of economics in guiding diplomacy, and their being effective.

Concerning what was mentioned before and the processes of decision making in the field of foreign policy of Iran, it should be accepted that it is the economic diplomacy which is at the service of foreign policy rather than the other way round. In a clearer concept, foreign policy determines in which zone of the world the economic capacities be concentrated while the dominant vacuum, without any economic logic and consideration and without recourse to the principle of expense benefits, the domination of such thinking and belief, sometimes turns the foreign policy toward Africa, sometimes toward South America, and sometimes toward East Asia, and the like. Following such dogmatic and political oriented approaches, the economic relative interests of the country does not

flow towards not much benefit making markets that brings the least interests for the country.

The reality of Iran's economy is that there is no separate demarcation between the private and public sectors, but if we accept that such a border exists, it has to be mentioned that the responsibility of economic diplomacy in its most ideal state, is to find secure, valid profiting markets along providing national interests and sectors for producing, and exporting goods and services, and to reach this objective the most evident principle in the foreign policy is coordination and cooperation between diplomacy system and other sectors either public or private which has turned to an unattainable wish.

If we ignore the role and place of the private sector and the importance of cooperating with this sector and reach role of administration posed by the state and economic systems like ministry of oil industry, commerce and trade and their dependent organizations, we can approach realities that make economic diplomacy ineffective and inefficient.

It is clear that above 60 percent of Iran's economy is based on oil and gas and their income, energy also, posses political, security, and diplomatic importance, in addition to economic one, which has made main activists in the field of oil to relieve themselves from the traditional patterns of free access to the oil of Persian Gulf and free exportation, and refer to the oil policy for the purpose of achieving freedom. The oil policy for freedom which is considered as the national security strategy of the U.S., has the objective of changing the American opposing regimes in the Persian Gulf zone and using the oil income to expand democracy and to control the countries in the zone.

Accordingly, the security of energy is among apprehensions of powerful countries like America to make sure that the oil incomes are not invested and used for anti American purposes. Thus, energy and geo political positions are threatening and opportunity making instruments for rich and poor

countries. Iran, also, because of having access to rich sources of energy in the Persian Gulf and its indispensable geo political condition, if follows an active, economic- oriented foreign policies, it can deactivate threatening oriented strategies of America and other powers, and because of that make a valid and defendable position for itself in the global constellation.

It has to be stated that the most important aspect of Iran's relation with regional and transregional powers is oil, and it is in the center of the political relations of the US and the Russia. For instance, Russia uses the exportation of gas to Europe as a lever to organize its political relations with the EU. Iran. Also, has no other choice except using energy, instrumentally, to harness and control the threats. This means that the foreign policy cannot be effective without using the energy as an instrument, conversely, energy without an active and potent foreign policy is of no effectiveness and potentiality in the international domain and turns to a raw material which is sold in the market without any political objective and just on the basis of surplus and demand.

Thus, the question that can be raised here is that whether we have had successful oil diplomacy so far. The answer is, unfortunately, negative. For instance, we have an urgent need to interaction between and among diplomacy and energy support systems to be able to compete and cooperate with our neighbors, successfully. In Pars e Jonoubi (South Pars), which is the biggest shared field between Iran and Qatar, Iran extracts 210 million cubic meter of oil, while Qatar does 360mcm daily (www.diplomacy.ir). The skillful strategy India uses in purchasing the oil and not paying for it, to Iran, because of vague and illegal excuses, are other inefficient diplomacy presented by the Ministry of Foreign Affairs and lack of coordination between the Ministry of Oil and the diplomacy system of the country.

To all these can be added the lack of commitment of Proom Oil and Gas company of Russia

toward its investment in developing the oil projects. If we add the cancellation of the contract and restrain of Russia from selling and delivering \$300 satellites, we should confess that economic diplomacy in the domain of foreign policy is exposed to unavoidable inefficiency and unluckiness in its foreign policies. It might be stated that maneuverability of the diplomacy is decreased because of international sanctions. The point is that the philosophy of existence of diplomacy is breaking the dead ends and finding innovative solutions in critical situations and emergencies, which doesn't seem, for Iran's political condition, to reach a point in international and local arenas to stay in reactionary state. There is still a vast example of Iran's potential and actual capacities at the local and world levels which can manage conditions much more complex than this. Recognition of such capacities and using them to provide Iran's national and local interests security, relate, to a large extent, to skillfulness and recognition of our own abilities and competitors and enemy vulnerabilities.

Moreover, the objectives indicated in the fifth plan of the country's development to reach an increase in the rate of eight percent of country's economy, in the most positivistic state and without considering the open price, need 500billion dollars of foreign investment (www.iplomacy.ir). How the responsible organs and especially the system of diplomacy will achieve this important issue is still vague and unclear.

Conclusion

Economic development and using economic benefit in a world full of reciprocal dependence and complexities require following logical-oriented foreign relations and also require removing the challenges in international interactions and expansion of friendly relations among commercial parties by expanding more cooperation, and operationalizing economic diplomacy.

While from the very beginning of the revolution, military threats, separatist movements observed in some districts located in the borders of the country, unsuccessful military coup de tats; Iraq's imposed war on Iran, America's military threats and economic sanctions put the defense and security among as the dominant strategy of country's foreign policy objectives, as a result, collating with these threats and preserving the identity of the country has become the number one priority of foreign policy, and following, that the armed forces attempted to play a more effective role in the process of decision making of foreign policy. Naturally, to access the least amount of defensive capacity, it was necessary to make use of oil economy and its income. On the other side, putting an end to the war with Iraq, political, military, and economic threats against Iran continued in another form. Critical condition of the surroundings with the violation of Kuwait by Iraq, the war posed by allied forces directed by the U.S. in the summer of 1990, demolition of the CCCP, appearance of newly made governments, eagerness of the America and Israel to be present in districts with power vacuum, and following that the event of September Eleven of 2001, and the invasion of America to Afghanistan and later to Iraq, the country consolidated and activated a type of security-oriented foreign policy.

On the other side, Iran's economy which was based on oil only, played a more stable and ever increasing role in directing the leading business equations, because of increase in prices. Ever increase in the dependence of the country's budget to incomes derived from the selling of crude oil, influenced other economic components, specially the national gross production, and caused internal producers specially those in the nongovernmental sector to lose their competition power and to need strong support of the government through the injection of cash and other financial and tariff supports. Ever increase of the country's need to oil incomes made the governments incline toward

investing in the oil and gas sectors. As a result, many of great industrial plans of the country were defined in this section whose execution was only possible by foreign investment and the participation of the private sectors. The ultimate result of such programming was dependence of other economic sections of Iran, in a wide range, from zero to one hundred degree, on the economy depended on oil. The more this dependence increases, the more the share of the government and related ministries will be in the process of decision making and foreign policies, while the base of economic diplomacy is on the decrease of the government's role in economy and elevation of the rate of economic privatization.

In addition to these, the criteria for free economy include: establishment and editing of commercial, monetary, financial, the process of foreign investment, banks, prices and wages, the right for possession, market clarity, and the like policies are all under the control of the government, and economic sectors of the government in the foreign areas are disorganized and sometimes take contradictory policies, causing the traditional economy of Iran lose its influencing areas, lacking the use of exceptional opportunities like appearance of new markets in Central Asia and Caucasia, Iraq, and Afghanistan (after its being occupied). It seems that as far as the development process of the government is as it was mentioned before, the potential and actual capacities of the economic diplomacy of the country, which were the main elements in all compassing developments of the country, could not be used, appropriately. Moreover, the constructive interaction which is emphasized on the 20 year perspective document of the country, requires adopting a solid road map in the national economy to move toward local and global markets, and this is the same lost link which has made the national economy vulnerable in accordance with global economic developments, potentiality of trade and investing process, and just because of access to large amounts of oil incomes,

no attempt was made to take away from it. Escaping this devastating and unacceptable condition requires reforming of constructs, decision making processes in the basic laws, growing a generation of economic specialists and diplomats in both internal and international dimensions, coordination and agreement of administrative systems and agents, conformity between the ideas of experts in the economic systems with those made by high rank administrators, trusting the private sector and abandoning the commerce to the nongovernmental sector (except some strategic cases), deviation in political and economic experts' ideas, movement toward free commerce with preservation of Islamic values, removing the obstacles on the way of foreign investments, joining to WTO, and more important than all these, relieving from the considerations which are more than enough, politically, defensively, and securely logical in the domain of foreign policy.

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www.DiplomacyIrani.ir

Mohammad Heydari

Has PhD in National Security from National Defence University and is Assistant professor in Islamic Azad University, South Tehran Branch.



Sohrab Alamdari

Has M.A in International Relations from Islamic Azad University, Karaj Branch.



