Analysis of the Iran-SEA cooperation (Indonesia-Malaysia-Thailand) in facing US economic sanctions

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Abstract. This research aims to discuss cooperation on economic sector between Iran and Southeast Asia (SEA) especially with Indonesia, Malaysia and Thailand after the implementation of US economic sanctions against Iran. The authors take samples from three countries; Indonesia, Malaysia and Thailand because the country has very good economic growth in the Southeast Asian Region. The concept used to analyze this research is the concept of interdependence from Robert Keohane and Joseph Nye which sees how Iran and the three countries in Southeast Asia need each other. The method used in this study is a qualitative method consisting of primary data and secondary data. In the primary data, the authors interviewed several figures relevant to this topic such as the Iranian Trade Attaché in Indonesia and Iranian institutions in Indonesia. While the secondary data by taking literature related to Iran’s cooperation with Southeast Asia in particular three countries, Indonesia, Malaysia and Thailand. The results show that the Iran-SEA cooperation is not only beneficial for Iran, but also for SEA, in this case, Indonesia, Malaysia, and Thailand as the best markets in Southeast Asia.

Keywords: cooperation, economic, Iran, Southeast Asia (SEA), US economic sanctions

1. Introduction
Bilateral relations between the United States and Iran worsened after the 1979 Iranian revolution. Previously, US-Iran cooperation went very well, especially in the field of oil-import exports during the Shah Pahlavi administration. The US succeeded in shifting Prime Minister Mohammed Mosaddegh for rejecting British shares and Mosaddegh being more pro against the Soviet Union in investing in oil. US appointed Mohammad Reza Shah Pahlevi as Iranian leader. Since then, Iran has been a US puppet government until an Iranian revolution led by Ruhollah Ayatollah Khomeini [1]. The Iranian government system also changed from a monarchy to an Islamic Republic of Iran under the authority of the Mullah (Supreme Leader). After the revolution, Iranian University students in Tehran attacked the US Embassy and kidnapped 52 US citizens and made them prisoners. Iranians demand that America return the Shah to be tried in Iran because after the revolution, the Shah was evacuated to America [2]. For this incident, America imposed economic sanctions on Iran in 1980. The sanctions continued during the Bill Clinton Administration. Clinton banned all US oil companies from investing in Iranian oil companies. US-Iran trade stopped. Some reasons for the American embargo on Iran are
preventing human rights violations, combating terrorism, preventing nuclear non-proliferation, preserving the environment, reducing the spread of conflict and regional threats [3].

Iran rejects all American allegations about enriching uranium to make nuclear weapons. Iran explained to the United Nations that the purpose of Iran's uranium enrichment was for the welfare of the Iranian people. However the embargo continued until the Obama administration. Before his term ends, Obama removes the Iranian economic sanctions through a JCPOA (The Joint Comprehensive Plan of Action) Agreement. Obama’s foreign policy is more pro-Iranian and opposes Israeli occupation of Palestine [4]. In 2016, Iran rebuilt relations with the European Union, especially in the economic sector. In the field of transportation, Iran cooperates with Peugeot and Renault Companies and purchases Airbus aircraft with European companies [5]. Unfortunately, it does not last long. When Donald Trump was elected as the 45th American president, he decided to leave the JCPOA Agreement and re-enact an Iranian embargo [6]. Some sectors such as hotels, restaurants, have decreased due to the embargo. The banking transaction process has stalled. In 2017, Iran’s GDP reached 447.7 billion US dollars from 80.6 population. Iran’s economic growth in the gas and oil sector has decreased by around 3.8%. On the contrary, in the non-oil sector, it has increased. In 2018, Iran’s economic growth fell again [7]. Unemployment rose sharply to 12.1%. China has helped Iran a lot in facing the United States embargo. Cooperation between Iran and China in almost all sectors. In the oil and gas sector, China invests in Iran through its Sinopce Company. China is the only biggest investor in the energy sector in Yadavaran, Iran, reaching 2 billion US dollars, in North Azadegan reaching 1.76 billion US dollars through CNPC, through North Pars CNOOC around 18 billion US dollars, South Pars CNPC reaching 4.7 billion US dollar. China also invests in the construction of a gas pipeline via Iran-Pakistan [8]. In Iran’s nuclear case, China always supports Iran. China abstained when the United States embargoed Iran. At the time the embargo was lifted, China immediately increased its economic cooperation with Iran and at the time Trump reinstated the embargo, China remained in the JCPOA agreement [9].

Furthermore, Iran and Russia cooperation. Iran-Russia cooperation has been established for a long time, especially in regional strengthening. Russia has always supported Iran in facing US hegemony in the Middle East. For example, in several conflicts in the Middle East, Russia indirectly gave full support to Iran. According to Israeli media, when Iran is involved in the Palestinian-Israeli conflict, which is supporting HAMAS against Israel, Russia provides arms supplies to Iran which is played through Hezbollah to help HAMAS [10]. The same for the conflicts that occurred in Yemen. Iran which supports the Houthis, gets supplies from Russia. Russia’s support for Iran is most clearly seen in the Syrian conflict. Russia sent drones to Syria to protect Bashar al-Assad (the Syrian government) which was supported by Iran from attacks by the opposition armed with Saudi Arabia and the United States. Russia’s support for Iran in the JCPOA (Joint Comprehensive Plan of Action) Agreement was very strong. During the Obama’s administration, Russia indirectly disagreed over the Iranian embargo for nuclear reasons. Iran was asked to stop enriching uranium. Pressure from the P5 + 1 countries made Russia silent. Eventually, Russia took an abstention at the UN (United Nations) forum to impose sanctions on Iran [11]. Iran-Russia economic cooperation has entered at a strategic level in the transportation sector by launching a transit route called the North-South corridor through the Caspian Sea. This is because Iran is an important country in gas supply to European Countries. More than 500 years since contact between Russia and Persia began, the Caspian Sea and the Volga River flowing into it, have played an important role in the lives of neighboring countries. In the past, the role of the sea was only limited to waterway transportation. Whereas in the present, the Caspian Sea has a role to include political, diplomatic, economic and military dimensions [11]. But cooperation with China and Russia is not enough to make Iran rise from the economic collapse due to the United States embargo. Iranian President, Hassan Rouhani decided to cooperate with Asia including the Southeast Asia (SEA) Region. There are three countries that are the focus of this study: Indonesia, Malaysia and Thailand. These three countries in Southeast Asia are important because these three countries experience very good economic growth in Southeast Asia. In addition, Iran also has special relations with Indonesia and Malaysia as the largest Muslim country in Southeast Asia. The problem
is, how Iran’s approach to Southeast Asia help the Iranian economy due to US economic sanctions and also benefit for Indonesia, Malaysia and Thailand?

2. Literature review

There are several literatures used by authors in writing this article. First, a journal article written by Mohammad Soltaninejad (2017), entitled “Iran and Southeast Asia: An Analysis of Iran’s Policy of Look to the East”, published by the International Journal of Asia Pacific Studies Volume 13, Number 1 (one), with Malaysian USM publishers. This article studies the increase in economic cooperation between Iran and Southeast Asia in 2007 to 2011. The authors of this article also link this increase to political factors. Iran, which was pressured by the West and the United States, tried to find a way out by strengthening ties with Southeast Asia. Unfortunately, this article does not mention in detail Iran’s relations with countries in Southeast Asia [12].

The second literature is the book chapter from Robert Keohane and Joseph Nye (2001) entitled “Interdependence in World Politics” from Power and Interdependence. Keohane and Nye tried to expand the assumption of realism from a military approach to an economic cooperation approach. This collaboration can also be played by non-state actors in the form of social foundations or Iran-funded educational institutions in Southeast Asia. In analyzing Iran’s cooperation with Southeast Asia, we use interdependence theory by Robert Keohane and Joseph Nye. This theory is often used in connection with global political cases, international trade, embargoes, and so on. In the concept of interdependence, the pattern of relations between actors shifts from mutual enhancing military power to dependence between one actor and another. The security issue changed initially, and only military forces became an economy of resources. This pattern also changes from the states of war to dependence between states. Keohane and Nye explained that interdependence in international politics is influenced by reciprocal elements between various countries or between state actors. There are three parts to this interdependence namely, state and non-state actors, the agenda of relations between countries includes a number of issues that are not arranged in a clear hierarchy, military power plays a relatively weak role [13].

The third literature, an article written by John Calabrese (2016) [14], entitled “Iran’s Economic Outreach to Southeast Asia” published by the Middle East Institute, American University. In the article, John explained that the beginning of Iran’s relations with Southeast Asia was not new relations. Iranian traders have historically come to the Southeast Asian region for centuries. About 100,000 Iranians work in Malaysia. It is estimated that by 2030, gross domestic product (GDP) from ASEAN countries such as Malaysia, Indonesia, the Philippines and Thailand, is expected to exceed 1 trillion US dollars. With the launch of the ASEAN Economic Community (AEC) in November 2015, ten member blocks were on a fully integrated market path. This bright prospect forms the background of Iran approaching ASEAN to help strengthen Iran’s economy due to international sanctions. John Calabrese explained how Iran’s relations with ASEAN continued to increase in the 2000s.

The fourth article was written by Saeed Khatibzadeh entitled “Iran Economic Diplomacy: An Assessment of Iran’s Economic and Trade Cooperation with Japan, China and South Korea”. This article together takes a case study of three countries in Asia and even the three are members of ASEAN plus six. The article explained that Iran chose these three countries in Asia because they were the countries with the best economic growth. The three countries have a wide market, high production and Japan has high technology to help Iran develop its economy. For example, Iran and Japan have cooperation in the oil sector to help Japanese industry. In his article, Khatibzadeh also explained about Iran’s GDP (Gross Domestic Product) which is always in the range of 6.5% to 7% despite the US economic sanctions. But in 2004, Iran’s GDP declined. Iran’s cooperation with Asia itself took place in 2004. Iran sees Asia as the world’s largest oil market due to the high level of production in the region. Hopefully, this article adds to the literature on Iran’s cooperation not only with Asia but also with ASEAN, in this case three countries whose economic growth is improving, and their markets are quite large: Indonesia, Malaysia and Thailand [15].
3. Iran approach SEA by educational and cultural institutions

After the Iranian revolution in 1979, Iran has established good relations with several countries in the Southeast Asian (SEA) Region, especially countries that have ideological similarities such as Indonesia and Malaysia. But here the authors will also involve Thailand because this country is a country with very good economic growth in Southeast Asia. Iran’s relations with Indonesia began in 1950. Indonesia has embassies in Tehran and Iran has an embassy in Jakarta. At the global level, Iran is involved in several of the same organizations such as Non-Aligned (NAM) and D-8 groups, OPEC (Organization of the Petroleum Exporting Countries). In the period of President Khadami, President Megawati visited Tehran in the D-8 meeting. Every period, the bilateral relations between Indonesia and Iran are very well. During President Rafsanjani and Khadami, their foreign policy towards Indonesia was more on the economy. But the policy changed during the Ahmadinejad period. Ahmadinejad approached Indonesia more on political interests because of Western pressure. Actually, Ahmadinejad managed to expand relations with Southeast Asia including Indonesia in an unprecedented way. Unfortunately, at the end of his position, he did not succeed in maintaining it. The value of economic interaction in the 2002-2013 period declined sharply [12]. Iran sees Indonesia as having an ideology that is both a Muslim country. Madzhab differences do not disrupt Iran-Indonesia relations. Iran has a Muslim population with Shia ideology, while Indonesia has the largest Muslim population in the world with Sunni understanding. Cooperation is established not only at the political, economic level, but Iran-Indonesia continues to improve cooperation in the fields of culture and education. Iran established several educational and cultural institutions in Indonesia [16].

Iran also organizes scholarship programs for Indonesian students. Many Indonesian students complete PhD programs in Iran. They returned to their homeland and contributed to several government institutions, universities in Indonesia and established cultural and Shiite Islamic foundations [17]. In Malaysia, there are around 4000 Iranian students studying at various universities. On the contrary, many Malaysian students go to Iran and study there. The Malaysian national library also participated in the improvement of the cultural cooperation of Tehran and Kuala Lumpur by holding various events such as the launch of the translation of the book Golestan Saadi. The Malaysian Library said there were about 622 works on Iran in the Malaysian Library in the form of paper, film and maps. Iran-Malaysia also often holds joint cultural exhibitions. Educational and cultural institutions are very important in influencing the politics of the three countries. For example, in Indonesia, scholars funded by Iran will return to Indonesia. Some of them have become politicians and involved in government. They also took part in taking foreign policy between Indonesia and Iran, including policies in trade and investment.

4. Iran-SEA on trade cooperation

Iran’s relations with SEA are very well. ASEAN especially three countries; Indonesia, Malaysia and Thailand have very good economic growth after the AEC (ASEAN Economic Community in 2015) was imposed. Unfortunately, the ASEAN market was blocked due to US economic sanctions [14]. The US embargo on Iran made, Iran have to pay to the Indonesian side through a third-party bank. Usually both Iran and Indonesia pay through the Turkish and Singapore Bank [18]. But that does not mean Iran-Indonesia trade has not progressed. Every year, Iran-Indonesia trade cooperation continues to increase. Various efforts continue to be made so that trade cooperation will improve over time. Both countries visit each other and do exhibitions and promote their products. According to data from the Indonesian Ministry of Foreign Affairs, in recent years, the volume of trade between the two countries has shown an increasing trend with a surplus on the Indonesian side. Indonesia’s main exports are paper and its yarn products, textile raw materials, tires, auto parts, cocoa powder, computer and electronic equipment, rubber, household appliances, coffee beans, cartons and wood products. While Iran exports semi-finished steel, aluminum, LPG, ethylene, propylene, carpets and mills, handicraft lamps and nuts to Indonesia. Iran’s exports to Indonesia in 2017 from 174 million US dollars increased to 500 million US dollars [19]. Based on data from the Ministry of Commerce, the total imports of pearl products, gemstones, Iranian metal in 2010 were US $ 490 million and in 2011 it
dropped to 28.89 million US dollars. In 2011, 10 (ten) main suppliers of pearls, gemstones, metals and coins in the Iranian market were UAE (46%), China (27.5%), India (16.1%), United Kingdom (4.1%), Italy (1.6%), South Korea (1.6%), Hong Kong (1%), Turkey (0.4%), Thailand (0.4%) and Austria (0.4%). Indonesia ranks 29th as the country supplying pearls, gemstones and metals to the Iranian market. While some ASEAN countries that have a greater share of Indonesia are the Philippines and Singapore. In the tourism sector, the number of Iranian tourists to Indonesia in the past few years still only issued 500 visas per year. To increase tourism cooperation, the two countries met and signed a Memorandum of Understanding in 2002. This MoU is the basis for the elaboration of bilateral relations between the two countries in the field of tourism and provides an opportunity to provide tourism education that is widely available in Indonesia and tourism institutions in Iran [20].

In the energy sector, Indonesia during Jokowi’s administration began to be interested in Iran as the best partner. Previously, the Indonesian government from the Soeharto era to President SBY, was closer to the United States and European Companies. Pertamina continues the purchase of liquefied petroleum gas (LPG) from Iran, approximately 500 thousand metric tons more. Pertamina will also buy crude oil from Iran and cooperate in the gas sector. Pertamina has been granted authority by Iran to manage two oil and gas working areas. Pertamina will carry out technical studies and financial analysis at Mansour-Teumoura. Indonesia and Iran will also establish a joint venture that builds a refinery or management of crude oil into finished oil in East Java with a total of 5 billion US dollars. In the electricity sector, the two countries signed an agreement between the Ministry of Energy and Mineral Resources and the Ministry of Energy of the Islamic Republic of Iran. This electricity MoU (Memorandum of Understanding) includes: the development of power plants, transmission and distribution, the exchange of experience regarding the central banking power plant, the development of renewable energy, encouraging and increasing investment, encouraging policy dialogue and others. In this collaboration, the Iranian company Mapna Group was offered to participate in the construction of an independent power plant. This company was chosen because in terms of production capacity and market share for gas turbines it is the number three company in the world. Indonesia uses 57 thousand megawatts, of which 60% is gas turbines. [21]

For the Southeast Asia Region (SEA), in addition to Indonesia, Iran also cooperates well with Malaysia, just as with Indonesia, Iran has good relations with Malaysia in almost all sectors. In trade, Iran-Malaysia bilateral in 2002-2013 the number of Iranian exports increased to 31 million US dollars. In 2006 it jumped sharply to 420 million US dollars and in 2017 it fell to 178 million. In 2017, Iran-Malaysia trade increased to 320 million US dollars [12]. Malaysian companies are interested in the Iranian market. The lifting of the Iranian embargo by the US during Obama’s administration, has increased the Malaysia-Iran trade balance. One of the increasing products is palm oil, crude oil and bitumen. In the field of engine parts and components is not exposed to volatility [12]. According to the Statistics Department, Malaysia’s total exports to Iran fell 10.6% to RM1.95 billion in 2015 compared to RM2.18 billion in 2014. Last year’s total imports decreased 25.6% to RM 139.5 million from RM187.4 million in the year 2008 the previous year. Malaysian palm oil exports to Iran fell 42.1% to 447,058 tons in 2014 from 635,258 tons in 2013. Exports of Malaysian palm products, dropped 36% to 515,231 tons in 2014, due to sanctions against Iran and discriminatory policies on imports of palm oil.

In the energy sector, Petronas and Amona are collaborating with Iranian oil and gas companies. In 2004, Petronas entered into a partnership with Iran on LNG production with a total of 20% stake. In 2007, South Pars-Petronas collaborated on the development of gas fields. In 2008, Amona-Iran also collaborated in the field of Rehabilitation of the Resalat oil field. In 2008, Petrofield-Iran collaborated in the field of Development of an LNG plant to process natural gas from the Golshan and Ferdos fields in southern Iran. In 2009, SKS Ventures Malaysia signed an agreement with Pars SKS in the construction of the Refinery Kadah in Northern, Malaysia [14]. In the field of education, Iran and Malaysia strengthen cooperation in the field of research, preparation of scientific cooperation programs and exchanges of professors and students. For example, Universiti Teknologi Malaysia
Iran-Malaysia cooperation is more on similar of ideology, but relations with Thailand because of the advantages of the geographical location of the trade route. Iran has adequate infrastructure in the port sector and the railroad corridor between the South and North as the most stable and safe area, can be the best gateway for the development of trade relations between East Asia and Thailand with Regions, Central Asia, the Caucasus and Europe. Iran sees, there are no obstacles in establishing cooperation with Thailand from various aspects. Iranian President Hassan Rouhani considered, Iran-Thailand also could cooperate in counter terrorism, violence, extremism. From the Thai side, it also saw Iran as a strategic area to connect Thailand with the Central region, West Asia and Europe [3].

5. Conclusion
In the face of US economic sanctions, Iran is trying to approach the Southeast Asia (SEA) to strengthen its economy. Iran chose Indonesia, Malaysia and Thailand to work together. Iran established many educational and cultural institutions in Indonesia and Malaysia to facilitate economic cooperation in the SEA because of ideological similarities. While cooperation with Thailand is purely due to the economy. Thailand has a good trade route from Southeast Asia to Iran. This article uses the concept of interdependence from Keohane and Nye to analyze that the Iran-SEA cooperation not only benefits for Iran, but also benefits for SEA, in this case, Indonesia, Malaysia, and Thailand as the best markets in Southeast Asia.

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