

Core States in Regional Cooperative Arrangements: Examining Role of Iran in Economic Cooperation Organization

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Abstract

Core states of various contemporary regional cooperative arrangements have contributed positively and negatively to developing measures that facilitate regional cooperation. Policy measures like settlement of differences between the member states, provision of cooperative leadership, financial contributions, implementation of the liberal mood of economy, and development of cordial relations with the USA fall in the category of positive contribution. Contrary to these policy measures, the divergence of interest, challenging liberal capitalism, and antagonism towards the USA are negative contributions. Germany, Brazil, and Indonesia have rendered positive contributions to the European Union (EU), the Association of the South-East Asian Nations (ASEAN), and MERCOSUR. However, Iran – the core state of ECO – has been unable to completely follow positive policy measures, which appears to be harmful to the ECO. This paper primarily investigates how far the core states have contributed positively to regional integration by following the above-stated policy measures. Keeping in view, the role contributed by Germany, Indonesia and Brazil, this paper argues that Iran could not substantially contribute positively to the ECO because it has been unable to pursue all the said policy discourses. The stated assertion has been probed under the application of both qualitative and quantitative techniques of research.

Keywords: Core States. Regional Cooperative arrangements. Regional integration. Iran. ECO

Introduction

In contemporary world politics, powerful regional actors have strengthened their position at regional and global levels. Their strengthened locus has allowed them to play influential roles in regional as well as global issues. At the regional level, the role of a core or leading state has been acknowledged as an established driver of regional integration. A core or leading member is one who has more influence than the other states in a particular regional cooperative arrangement. Its influence may originate from economic clout, military capability, geographical position, and foreign policy behaviour. A core state can either augment or impede the process of regional cooperative arrangements. Its interests may fall in a materialistic or normative category. Germany, Indonesia, Brazil, Nigeria, India and Saudi Arabia have been recognized as core or leading members of the EU, ASEAN, MERCOSUR, Economic Community of West African States (ECOWAS), South Asian Association of Regional Cooperation (SAARC), and Gulf Cooperation Council (GCC) respectively (Fawcett, p. 45-46). Javid Hussain analyses the role of the powerful state in the regional economic settings. According to him, 'the more powerful state or states tend to dominate the regional organization's decision-making process' (Hussain, 2016). Germany, Indonesia, and Brazil followed policy discourses like the convergence of interests; settlement of differences'; financial contribution; demonstration of cooperative leadership; cordial relations with the leader of the global political economy (the USA) and the implementation of a liberal mood of economy or market economy in their respective regional cooperative arrangements.

Being a core member of the Economic Cooperation Organization (ECO), Iran took many initiatives to make this particular organization a vibrant one. If Iran's role is compared with that of Germany, Brazil, and Indonesia, it appears mixed. Like Germany, Indonesia and Brazil, Iran also converged its interests with Pakistan and Turkey during the formative year of ECO (1985). Later on, its interests diverged with other members of the ECO, including Pakistan and Turkey (the founding members of the ECO). To a great extent, Iran could not settle its differences with these ECO members. Being a leader of the regional cooperative arrangements, it took many initiatives to strengthen regional cooperation

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on the forum of the ECO, and it also financed many projects launched by the organization. So far as the development of cordial relations with the USA and implementation of a liberal mood of economy or market economy are concerned, Iran went against such policy discourses. As a result, priority areas of the ECO, namely trade, transport and energy, could not take off properly.

In the literature on the ECO and foreign policy of Iran with particular reference to regionalism, only a few studies have been conducted to assess the role and conception of Iran in the ECO. Such studies include A. H. Abbasi (2019), M.A. Abbasi and M. Khan (2019), J.K. Achakzai (2010), K.L. Afrasiabi and Y.P. Jalali (2001), M. Ali and N. Mujahid (2015), N.T.T. Hang (2018), N. Hazar (2012), E. Herzig (2004), F. Sardashti and H. Ahmadi (2016), N. Marat (2008), and U. Javaid and H.J. Siahmardy (2017). All these studies could not address the nature of the role of Iran, being a core member of the ECO, while keeping in view the roles contributed by Germany, Indonesia and Brazil to the EU, ASEAN and MERCOSUR, respectively. This paper addresses this query utilizing qualitative analysis of primary and secondary data. The application of primary sources like the online data/facts of the International Financial Institutions and interviews with former ambassadors and secretary generals of the ECO are part of the analysis. The secondary sources for this paper consist of academic journals, books, newspaper articles, and working papers.

This paper has been divided into four sections. The first and second sections deal with the role of core states in other regional cooperative arrangements and give a systematic analysis of the roles of Germany, Indonesia and Brazil, keeping in view the different strategies pursued by these core states. The third section critically examines the role of Iran in ECO in comparison to the strategies pursued by Germany, Brazil, and Indonesia in their respective regional cooperative arrangements. The final section concludes this article.

Core States in Regional Cooperative Arrangements: A Conceptual Framework

Writers like Walter Mattli, Robert Gilpin, Louise Fawcett, Andrew Hurrell and Alexander Libman have stated that the role of core states is a determining feature or a core factor that leads to either the success or failure of regional cooperative arrangements. The decisions of the regional and international institutions depend on the power relations of the members of those institutions. Barkin argues that power is demonstrated during negotiations and agenda-setting. It is expressed by those who have it. Krasner argues, 'The strongest states have simply done what they have pleased,' which authenticates the role of power politics (Krasner, 1991). Mattli (1999) analyzes the role of leading countries in a regional cooperative setting. He reasons: 'Such a [leading] country serves as a focal point in the coordination of rules, regulations, and policies; it may also help to ease tensions that arise from the inequitable distribution of gains from integration, for example, through side-payments. Contested institutional leadership or the absence of leadership makes coordination games very difficult to resolve'. Andrew Hurrell also shares similar views, and he argues that the economically powerful member mostly bears the high costs of financing the regional arrangements (Hurrell, 2007). Robert Gilpin maintains that the world economy can flourish under the banner of a leader. The same is the case of a regional economic setting where the role of a robust economic state overruns those of less powerful members (Gilpin, 2001).

In the policy discourses of convergence of interests and settlement of differences, the signing of the European Act was the result of 'the convergence of national interests' among Germany, France, and Britain (O'Brien, 1995). Similarly, a common agricultural policy expedited the establishment of the European Economic Community in 1957. Accessing the German market for its agricultural exports was the necessary compensation accorded to France to open its market to German industrial goods. Resultantly they devised a common agricultural policy (Matthews, 2015, p. 149). In the case of MERCOSUR, contraction in trade and debt crisis acted as common motivating factors behind the formation of trade agreements on Brazil and Argentina. The South American countries considered regional integration a viable mechanism to counter the harmful effects of trade contraction and the debt crisis (Campos, 2016).

Convergence of interests becomes a realized regional policy discourse when core members settle their mutual differences. Trust has been regarded as an essential driver of regional community-building by Philomena Murray. Trust and reconciliation are built by core states in the preliminary stages of regional integration. Fear and suspicions hamper reconciliatory processes in a regional organization. Robert Putnam argues, 'trust lubricates cooperation ... and cooperation itself breeds trust' (Murray, 2015, p. 54). Antagonistic narratives undermine prospects for regionalism. Germany and France settled their political disputes to pursue the accelerated pace of regional economic integration in the forum of the EU. Ambassador Shafkat Saeed points towards this phenomenon. According to him, 'France and Germany fought two Great Wars, and they wanted to capture resource-rich regions of Alsace-Lorraine. They realized to replace disputes with economic projects' (Shafkat Saeed, personal communication, September 22, 2020). Thomas O'Keefe had been president of Mercosur Consulting Group in the 1990s. He argued that the hypothesis of war that assumed the inevitable result of the antagonistic relations between Argentina and Brazil was debunked. Both the Brazilian and the Argentinean armies ceased to think about each other as potential enemies (Campos, 2016).

Financial contributions and cooperative leadership are also interlinked policy discourses of regional cooperative arrangements. The core state must finance the budgetary expenses of the organization, and it is also necessary for it to fund different projects to create enthusiasm among the weak partners towards regional integration. Germany contributes the maximum budgetary requirements of the EU. The formula of the distribution of the EU budget expenses is based on the GDP of the member states. In 2019, as per the report of the World Bank Titled World Development Indicators Database, Germany was listed as the fourth-largest economy in the world based on GDP (US\$ 3,845,630 million). The other core member of the EU with the largest GDP was France, rated in the 7th position with a GDP of US\$ 2,715,518 million. Out of the total 27 countries in the EU, the major bloc of 20 with the lowest GDPs collectively barely equal Germany alone. This is a measure of the economic clout of Germany, which is bigger than the economic strength of twenty members of the EU (Kurecic, 2017). In establishing the European Monetary Union and handling the Eurozone crisis, the roles of France and Germany have been like the major financiers of the organization. In the words of Ambassador Shafkat Saeed, 'Germany and France have been successful in formulating monetary union. They are industrial powers. They have large stakes in maintaining the EU. The Eurozone is led by France and Germany' (Shafkat Saeed, personal communication, September 22, 2020). The appearance of 'Merkozy', Angela Merkel, Chancellor of Germany, and Nicholas Sarkozy, President of France, as the primary decision-makers during the Eurozone crisis from 2009 till 2012, validates the cooperative leadership role of core members in expediting the process of regional cooperative arrangements. Germany acted as a major driving force behind these initiatives in the Cologne Declaration of 1999 and the Helsinki Headline Goals (Stumbaum, 2015, p. 139).

The USA is the leader of the global political economy. Liberal economic philosophy is also regarded as the American philosophy. In the era of capitalism, regional economic integration cannot be achieved without the goodwill of the USA. The USA maintained the support of the EU, North Atlantic Free Trade Area (NAFTA), ASEAN Free Trade Area (AFTA), and Latin American Free Trade Area (LAFTA). The ASEAN appeared as a 'political defense against Chinese infiltration and influence' (Emmers, 2003). According to Kelley, 'ASEAN has been locked into a capitalist path to development from its inception' (Kelly, 1999). In Europe and East Asia, the US sought the availability of regional forums to exert influence systematically. Javid Hussain further delineates that the US has been devising strategies for a Trans-Pacific Partnership (TPP) and Transatlantic Trade and Investment Partnership (TTIP). If the US gets the driving seat of these two trading blocs, it will influence 70% of the world's trade. The leadership of TPP and TTIP would certainly help the US counter the growing economic clout of China (J. Hussain, 2016). In 2008, the trade between the US and the ASEAN was at \$177 billion. In 2016, this trade touched \$234 billion, and ASEAN became the fourth largest trade partner of the US in FDI (foreign direct investments) (Hang, 2018). The US aims to have 60 per cent of its naval capabilities in the region in the coming years because

the Asia-Pacific region accounted for 22% of global military expenditure (Stambuam, 2015, p.130-133). That region has become a major destiny of the American war industry.

Similarly, MERCOSUR, a free-trade area, in the preliminary stage from 1991 to December 1994 focused on trade liberalization and tariff reductions between its members. After this, a customs union in January 1995 was constituted to facilitate the adoption of common external tariffs for trade (Campos, 2016). The United States is the largest investor in Brazil, accounting for \$118 billion in equity-funded FDI (Neto & Braga, 2020).

Examining of the Role of Iran in ECO

Iran can be classified as a core member of the ECO on its capability based on the concept of power mechanism (in short 'armed strength') compared to that of other countries in this region; centrality in terms of location and its natural and military resources. It enjoys access to a land border with Afghanistan, Pakistan, Turkey, Azerbaijan, and Turkmenistan. No other member of the ECO has such land accessibility with ECO states. In terms of material capabilities, Iran became the 13th most powerful country globally as per a report of the US News and World Report of 2018. In this regard, it may be mentioned that Turkey and Pakistan were rated the 14th and 22nd most powerful, respectively. The indicators taken to declare a state as powerful include economy, military strength, political influence, and leadership. In terms of GDP, Iran was ranked 28th in the economic power of the countries of the world with net produce of US\$ 445,345 million. Pakistan was 43rd and Turkey 19th as per a report of the World Bank, 2020. Two definite advantages of Iran are its central position in the ECO and its hydrocarbon wealth. Iran has a second and fourth position globally in terms of possessing natural gas and oil reserves, respectively.

Besides these material standings, the core position of Iran in the ECO has been acknowledged by scholars and officials of the ECO states. For example, Edmund Herzig further throws light upon potential indicators of Iran. He affirms 'Iran's geographical position, size, economic stature and military muscle give it the potential to play a leading or pivotal role in several regional configurations: The Persian Gulf, Central Asia and the Caspian Basin, among others' (Herzig, 2004). Abbas Maleki, former deputy foreign minister of Iran, upholds the central role of Iran in the ECO, and he emphasizes, 'Whereas five Central Asian states, Afghanistan and Azerbaijan are new members of ECO, Iran is the key member of ECO. Turkey is striving to join European Union structures, and Pakistan has been a member of Commonwealth countries for a long time. Therefore, the burden of the ECO's activities lies on Iran's shoulders' (Maleki, 2001). Mr. Kairat Sarybay, Deputy Foreign Minister of the Republic of Kazakhstan, affirmed on the occasion of the 21st Meeting of the Council of Ministers held in Tehran on November 26, 2013, 'As we all know, Iran is located at the center of our region, that unites our states and the economic activity of Iran is vital for the increase of trade between our countries. Having determined the clout of Iran in the context of ECO, now it is imperative to assess its contribution under the context of the framework elaborated in the previous section.

Cooperative Leadership and Financial Contribution

The Islamic Republic of Iran is the core or leading member of the ECO. In this regard, it has implemented some of the policy measures elaborated in the conceptual framework section. However, most of the policy measures could not be adopted by Iran because of the ideological and revolutionary structure of its political and economic system. As identified in this study, the negative and positive policy discourses began to manifest at the inception.

Previously, a similar body called the Regional Cooperation for Development (RCD) fell dormant in 1979. Then in 1985, this scheme was revitalized and named the ECO. This was done on a suggestion presented by Iran (Moinaddini, 1995). At that time, the founding members of the ECO were passing through a period of regime changes. The Revolution of Iran in 1979 and military takeovers in Turkey and Pakistan were such incidents that produced different results for these countries. Convergence in terms of the revival of the RCD appeared as a natural policy response (Calabrese, 1994). They realized the worth of regional cooperation. Turkey became pragmatic towards Iran. It needed Iran to counter Kurdish separatist elements. It also wanted to become a hub for trade links with the West Asian and European countries. In

rivalry with the USSR and Greece, Turkey required a peaceful border with Iran (Precht, 1988). With the overthrow of the Shah (1941 to 1979), Islamic radicalism reinforced this traditional suspicion of Iran. 'With virtually no friends in the Middle East, Iran has turned towards Central Asia.

Consequently, Tehran has been the leading force in the ECO for rejuvenation of regional cooperation and later for the admission of the Central Asian republics and others as members' (Robins, 1994). So it was Iran that felt the need for reviving the RCD. On December 23 1983, the then Iranian Charge d' Affaires in Pakistan, Ibrahim Rahimpour, spoke about the revival of the RCD, which had become moribund (Moinaddini, 1995). On the other hand, the former Secretary-General of ECO, Mr. Shamshad Ahmad Khan, clarifies the factors in the background on Iran, Pakistan, and Turkey to revive the RCD. He points out, 'It was undoubtedly not Iran alone that sought its revival; Pakistan and Turkey were keeners to restart their regional cooperation journey because by the mid-1980s, it had become the favourite trend of times' (Shamshad Ahmad Khan, personal communication, December 17, 2019).

Convergence of interests became a favourite policy discourse among Iran, Pakistan, and Turkey at the times of revival of RCD into the ECO and subsequent expansion of ECO when newly Independent members of the former Soviet Union were included in 1992 and on the formulation of the institutionalized structure of the ECO. In the policy decisions of the ECO, the Council of Ministers (COM), comprising the foreign ministers of the member states, plays a vital role. The council organizes regular, informal and extraordinary sessions to converse about and decide ECO policies and strategies for promoting economic cooperation among the members. Furthermore, it monitors matters related to the budget, audit, fiscal and administrative rules and appointment of the senior management of ECO such as the secretary-general and deputy secretaries. On behalf of the COM, the Council of Permanent Representatives, comprising the permanent representatives or ambassadors accredited to ECO, pushes forward the policies of the ECO to make necessary preparations for decisions to be taken by the COM. The Regional Planning Council facilitates the councils mentioned above to develop One-Year Work Programs and the ECO calendar of meetings. The secretary-general is the administrative head of the organization who initiates, coordinates, and monitors the implementation of ECO activities. The secretary-general supervises the directorates of Industry and Agriculture, Trade and Investment, Energy, Mineral and Communications, Transport and Communications, Economic Research and Statistics, and Project Research.

In the ECO, Pakistan, Iran, and Turkey are recognized as the founding or original members. At the same time, the Central Asian Republics, Afghanistan, and Azerbaijan are counted as non-founding members who joined in 1992. The ECO states prioritized trade, transport and energy as their core areas of activity. In 2003, the member states formulated 'ECO Vision 2015'. It envisioned growth of intraregional trade from 6 % to 20%. Equally, it was planned to have a free trade area by 2015 (Hussain, 2016). In the domain of transport and connectivity, ECO signed multiple agreements, including the Almaty Outline Plan (1993), ECO decade of Transport and Communication (1998-2007), and the Transit Transport Framework Agreement (1998).

In the domain of financial cooperation, the Iranian role seems quite positive in many cases. The ECO's headquarter is located in Tehran. Iran meets 22% of the financial budget of the organization. Ambassador Mr. Riza Hakin Tekin, Permanent Representative of Turkey in ECO, stated, 'Turkey is financing 22 % of the ECO budget'. He mentioned that Iran and Pakistan were also financing 22 % of the ECO budget (Economic Cooperation Organization, 2017c). Only 34% budget is provided by the rest non-founding members. The completion of the Tejen-Seraks railway became possible because of the support of Iran. That railway corridor paved the way for the uninterrupted flow of goods from the central Asian republics to the Persian Gulf. Similarly, the accomplishment of the Korpeje-Kordkuy Pipeline became possible because of the finance and support of Iran. It is a 200-kilometre pipeline that originates in Korpeje (Turkmenistan) and ends at KordKuy (Iran). It was measured as the success of the ECO. It started to transport the Turkmen gas into the Iranian gas network. It cost US\$ 190 million. Iran financed US\$160 million (90%) for this project. It became a major successful initiative towards transporting Turkmen gas to Turkey and Europe via Iran (Herzig, 2004). Iran granted US\$ 1 million for the feasibility study of the

railway project for connecting China to Europe through Kyrgyzstan- Turkmenistan-Afghanistan-Iran. Besides it, Iran played a significant role in completing the Khaf-Herat Railway track inaugurated on December 10, 2020. The 90 miles of railway track has been laid at the cost of \$75 million. Work on the project started in 2007. Iran financed the total amount of the project. The railway track will not only connect Iran with Afghanistan but Afghanistan with the Central Asian States also (Dawn December 11, 2020).

In the domain of cooperative leadership of the forum, Iran took many initiatives to make it a viable regional cooperative arrangement. Besides oil and gas pipelines, establishing a regional electricity market and 'ECO Refinery Association' is significant. Both of these projects have been suggested by Iran. Behind these suggestions, Iran has a rationale because of sanctions against it. 'Iran proposed ECO Integrated Energy Market' on the eve of the 22nd meeting of the RPC in 2012. Similarly, Iran suggested the establishment of the 'ECO Refinery Association' on the eve of the 24th RPC meeting in 2014. In the 29th meeting, the suggestion to set up the 'ECO Regional Electricity Market' was proposed because the US has not sanctioned the domain of electricity. Thus the ECO states can collaborate in this regard. Iran suggested setting up 'ECO Refinery Association' because Iran owns maximum refineries in the ECO region.

Implementation of Liberal Capitalism and Relations with the US

So far as the policy discourses on cordiality with the USA and implementing of capitalism or market economy are concerned, Iran demonstrated an attitude contrary to the roles of Germany, Indonesia and Brazil. George H.W. Bush's statement of March 1991 clarified the conception of the US about a new world order: 'The New Order means that what America says goes' (Hunter, 2010). Former President of Iran Mr Ahmadinejad criticized the world's contemporary international political and economic system and stated on the eve of the summit meeting of the ECO in Turkey on December 23, 2011, 'Relations among human beings are laid on the bases of material interests and personal pleasures'. The other face of materialism is manifested in humanism and secularism.' On the ECO platform, he further stressed the need to establish a new world order by replacing liberal capitalism. A glimpse of this new world order is visible from his statement that what has been introduced to the world as liberal capitalism has turned out to be a nightmare for the entire human race: 'Today, our world needs to build a new order on international relations based on love, justice and monotheism that clear the path for human perfection and salvation. He further criticized provoking hostilities, conspiracies and interference in the internal affairs of the states and censured the international institutions in these words, 'Unfortunately the existing international institutions which represent the same thinking are not only incapable of finding solutions to the global challenges but also they add problems'.

Table 1: FDI Flows to EU, ASEAN and ECO from 2012 to 2017 (Millions of dollars)

	2012	2013	2014	2015	2016	2017
World	1574712	1425377	1338532	1921306	1867533	1429807
European Union	492 007	344 675	259 933	515 866	524 010	303 580
% in world	31.24	24.19	19.42	26.45	28.06	21.23
ASEAN	111 862	118 963	129 594	117 322	120 613	133 771
% in World	7.10	8.35	9.68	6.11	6.46	9.35
ECO	38875	35103	34716	34108	34687	28889
% in World	2.47	2.46	2.59	1.77	1.86	2.02

Source: World Investment Report, 2018 UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).

The above-given table indicates that the EU has been receiving approximately 30% of world FDI flow. The ASEAN region has been receiving around 7%. On the other hand, ECO has been receiving roughly only 2% world's FDI. The low level of FDI to the ECO region is because of the antagonistic narrative of Iran about the US and the Western-backed international financial institutions. Lack of finance and non-transfer of technology to the plans and projects of the ECO is due to reluctance on the part of the International Financial Institutions (IFIs). The underlying reason for this reluctance can be traced to the

antagonistic ideological and political narrative between Iran and the US. The fact is that the US has a paramount influence on the International Financial Institutions (IFIs).

Mr Majid Bizmark, head of the Iranian delegation to the 29th meeting of ECO Regional Planning Council held in Tehran on December 17, 2018, asserted, 'Unilateralism and unilateral economic actions and imposing sanctions against independent states are the most important challenge of our era, which led to a global recession and low growth rate'. As Iran pointed out, based on this conception about regional cooperation, unilateralism is the major impediment. Therefore, it can be presumed that Iran wants to reset the framework of regional cooperation. Pakistan's Permanent Representative to ECO, Asif Ali Khan Durrani, stated, 'The US-Iran rivalry is influencing the performance of the ECO in a geopolitical context. The US is a power militarily. The US influence comes in a way because the Iranians politicize everything, including the economy. They are suffering from 'us' and 'they' syndrome. Those who support Iran come under the banner of 'us' and those who are not supporting come under the banner of 'they'. That is one of the reasons which is causing problems for the Iranian economy as well as Iran's reluctance to be part of the economic setting or economic alliance among the ECO countries' (Asif Ali Khan Durrani, personal communication, September 30, 2020)

Commenting on the nature of Iran-US rivalry and Iran-Israel antagonism, Pakistanis' Permanent Representative to ECO Ambassador Javid Hussain asserts that rivalry of Iran with the USA and Israel has had a negative effect on the performance of ECO. He further dilated on the nature of this rivalry. He argues, 'In the broader framework, the Iranian approach to the region is based on resistance towards the American hegemonic designs for the Middle East. The US has a strategic interest in the region, and it views Iran as a major obstacle in the realization of those major strategic interests. Those strategic interests include the oil and gas of the region, its location and forming of pro-western regimes in the region' (Javid Hussain, personal communication, May 29, 2019). The USA also intended to prevent the formation of a Central Asian Confederation. In 1992, Secretary of State James Baker remarked, 'The Iranians are active, we think, in some of the former Central Asian republics. It is one of the reasons we think it's important that we have contact and dialogue with these former republics' (Calabrese, 1994). Secretary Baker visited the Central Asian states in February 1992. It was a time when the heads of the CARs were attending the Economic Cooperation Organization (ECO) summit conference in Tehran.

Iran also opposes the market economy and forces of liberal capitalism. 'In 2017, the World Bank ranked Iran 124th out of 189 countries in ease of doing business. It takes 97 days to start a business and 25 days to process construction permits in Iran' (Saikal, 2019). Iran's economy is characterized by the close link between political actors and economic interests that amounts to political rentiers, resulting in economic policy subordination to the reality of political influence. Despite the Supreme Leader's commanding position, the Iranian political system has 'multiple centres of power'. Through Bonyads and the Islamic Revolutionary Guards Corps (IRGC), the ruling political elite of Iran use their political influence to attain advantageous contracts and cheap loans (Saikal, 2019). The IRGC controls around one hundred commercial enterprises. The Khatamul-Anbiya — a construction company, has approximately 55,000 members of the IRGC as its employee (Saikal, 2019). The Bonyads are charitable Islamic foundations. They are governed and supervised by the Supreme Leader. They are like major corporations. They also benefit from tax exemption, credit facilities and foreign exchange (Cook & Roshandel, 2009). Khatam al-Anbiya Construction Headquarters (Gharargah Sazandegie Khātām al-Anbiyā) was successful in getting two projects, namely the development of the giant Pars oil field (\$1.2 billion contracts) and building of the Tehran metro (\$2 billion contracts). It was appraised that the credit of the Guards missions went from approximately \$50 billion to \$90 billion (Saikal, 2019).

Strategic-Divergence between Iran ECO States

Liberal capitalism or market economy has been in practice since World War II because of the international financial institutions (IFIs) that were created afterwards. These IFIs have the political support of the US. These institutions invest in Europe and East Asia because of the friendship between the EU,

ASEAN, and the USA. Unlike the EU and ASEAN, the US sanctions on Iran have been impeding the flow of finance and technology to the plans and projects of the ECO. Furthermore, the US-Iran rivalry has even been creating a strategic divergence between Iran and the other ECO states on the basic concept of the nature of regional cooperation. The US has been trying to sideline Iran in regional politics. The US is convinced that a powerful Iran would destabilize the regional fabric of power distribution envisaged by the US (Rehman & Mushtaq, 2020).

Pakistan's Permanent Representative to ECO, Ambassador Javid Hussain, considers this fundamental strategic divergence as one of the major causes of the slow progress of ECO. He argues, 'A severe animosity exists between Iran and the US. Turkey is part of the US-led military alliance (NATO). Despite disagreements with the US, including the issue of nuclear proliferation, Pakistan has not left the US camp. It is a reality that if the states want a successful regional economic project, they will have to develop fundamental strategic harmony or convergence. If there is fundamental strategic divergence, it negatively influences the regional economic projects' (Javid Hussain, personal communication, May 29, 2019).

Iran is a revolutionary state, and it stands against imperialism. Fundamental strategic divergence became a common feature of Iran's relations with its ECO partners. It has a distinct outlook towards regional and international issues. Most of its ECO partners like Turkey, Azerbaijan, Uzbekistan, Kazakhstan and Pakistan do not share the worldviews of Iran. The ECO states with secularism as part of their political system look at Iran's theological ideology dubiously. The Western States are very suspicious of Iran's religiosity. The Inclination of the ECO states towards the US and liberal capitalism increases the gulf with Iran. In terms of liberal capitalism, most of the ECO states have an inclination towards free-market economy while Iran stands against the existing global political-economic order. The incumbent President of Iran Mr. Hassan Rouhani elaborates Iran's concept of regionalism. According to him, 'Promoting regionalism will open new markets to Iran and help its drive to push foreign forces out to secure Iran's primary national interest, which is stable relations with its neighbours' (Maleki, 2013).

Contrary to this concept, the ECO states have a divergent outlook towards the US. Most of these states concluded the Trade and Investment Framework Agreement (TIFA) with the US in 2013. The Central Asian States and Azerbaijan became part of NATO's PfP. As per a report of the US State Government, approximately US\$ 91 billion has been provided by the US and international financial institutions to the Central Asian States. Around seventy projects are under process under the TIFA framework in central Asia. These actions of Iran's ECO partners strengthened the presence of the US in the region. The ideological and political divergence between Iran and the ECO states influenced this regional cooperative arrangement negatively. Pomfret further comments, 'Relations within ECO have always been characterized by the geopolitical rivalry between some of its member states (especially between Turkey and Iran) and the member states' differing attitudes towards external actors'. Richard Pomfret further asserts that the projects and plans projected by the ECO have been successful when Iran and Turkey supported those projects. Currently, Turkey's affinity towards the US and Israel exacerbates cordial relations between these founding members of the ECO (Pomfret, 2010).

Conclusion

Regional cooperation became a viable strategy after the Cold War. Since the fall of communism in Russia liberal economy has gained pace in the world. Many states started to devise mechanisms of regional institutions to accumulate human and financial resources, gain markets, and promote mutual trade. The underlying rationale of this accumulation had been to address regional challenges collectively on the forum of regional institutions. Organizations like EU, ASEAN, MERCOSUR, SAARC, ECOWAS, and so on started functioning more effectively after the Cold War. The literature on regional organizations stipulates that one of the significant variables that need to be assessed is the role of core states. These are the policy discourses of core members which provide either an environment of cooperation or conflict in the regional forums. To promote a conducive environment, policy discourses like financial contribution, cooperative leadership, settlement of differences, convergence of interests and implementation of liberal capitalism, and

cordiality of relations with the USA have been considered integrational factors. The EU became a model to be followed. Behind the success of the EU, the contribution of Germany and France according to their policy discourses has been a key variable. Similarly, Indonesia and Malaysia also follow regulated policy discourses in ASEAN. Subsequently, Brazil and Argentina also adopted the policy behaviour of the core members of the EU and ASEAN.

In ECO, Iran, a core or leading member, could not regulate these integrational factors. In terms of financial contribution, Iran has been contributing 22 % of the financial budget of ECO. Similarly, Iran has financed projects of Khaf-Herat Railway, Tejen- Sarak railway and Korpej-Kurdki pipeline. However, Iran could not settle its divergences with ECO members on the nature of relations with the USA. It also could not assimilate liberal capitalism into its political and economic system because of its revolutionary identity. Iran certainly believes that the expulsion of foreign forces (USA) from the region will settle its differences with ECO states on the nature of regional cooperation. Till now, Iran, Azerbaijan, Turkmenistan, and Kazakhstan have not settled the issue of demarcation of the Caspian Sea. Iran has an aversion towards forces of capitalism. It stresses on self-sufficiency and believes that the forces of capitalism can become a security threat for it. As a result, Iran's conflicts with the USA and other ECO members, its engagement on different fronts like Lebanon, Syria, Yemen and Iraq, its geopolitical competition with Turkey, its revolutionary identity and ideological and political animosity with the US and its, antagonistic narrative on regional cooperation have been major disintegrational factors for the ECO.

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