

**SECTION:** *ECONOMIC SCIENCES.*

**SEKCJA:** *NAUKI EKONOMICZNE.*

**How to cite:** Azhar, A. I. M. (2024). The strength of the economy lies in enhancing cooperation between countries (Iran as a an experience). *International Conference on Science, Innovations and Global Solutions.* (pp. 530-537). Futurity Research Publishing. <https://futurity-publishing.com/international-conference-on-science-innovations-and-global-solutions-archive/>

## **The strength of the economy lies in enhancing cooperation between countries (Iran as a an experience)**

***Ali Imad Mohamed Azhar***

*Dr., Recharger , ministry education of Jordan, draliimad66@gmail.com*

**Accepted:** July 24, 2024 | **Published:** July 31, 2024 | **Language:** English

**Abstract:** In 2024, there are strong indications that Iran will face major challenges in sustaining a reasonable economic development path this year. The economy desperately needs power economic and cooperation international , but there are only limited prospects of the latter given the continuation of harsh US sanctions and low odds of a diplomatic breakthrough with the west. Moreover, the Ebrahim Raisi administration's new budget does unable that the state will be able to provide sufficient resources for the economy to thrive. In fact, many of the projections for revenue based on the draft budget for the coming Iranian year (Mar. 2024-Mar. 2025) do not appear realistic.

**Keywords:** Iran , policy, foreign economy, trade , cooperation.

## Introduction

In recent years, we have observed Iran has been well aware of the importance and role of soft power in its political relations and affairs in the global developments and the Islamic world. Whenever it has felt its soft power can't cope with problems, Iran has combined its soft and hard power based on theory by Joseph Nye, has achieved an intelligent power, has managed to apply it for most cases. The strategic and geographic situation of Iran as a linking bridge of the West with the Orient has enhanced the position of this country, so that it has introduced itself as a Muslim model country in the region. Iran adopting an ancient history compared to other countries has found a superior place for itself in the region. However, this is not the end of the story, because Iran is a neighbor of countries from which its goods are exported, including Iraq, Turkey, and Pakistan. Iran, due to their geographic and geopolitical locations and their long ancient civilizations have created an attractive market in the region. Furthermore, the countries, because of linguistic, religious, cultural and historical rarity are already regarded as regional competitors. However, a range of domestic developments in Iran as well as international and regional developments have resulted in the promotion of relations is no easy task. Neighbors have a special position, because the qualities of establishing relations with them are found to be deeply effective in fulfilling national security, political and economic developments. Iran are in special positions regionally and.

### **Economic cooperation is analysis of economic cooperation**

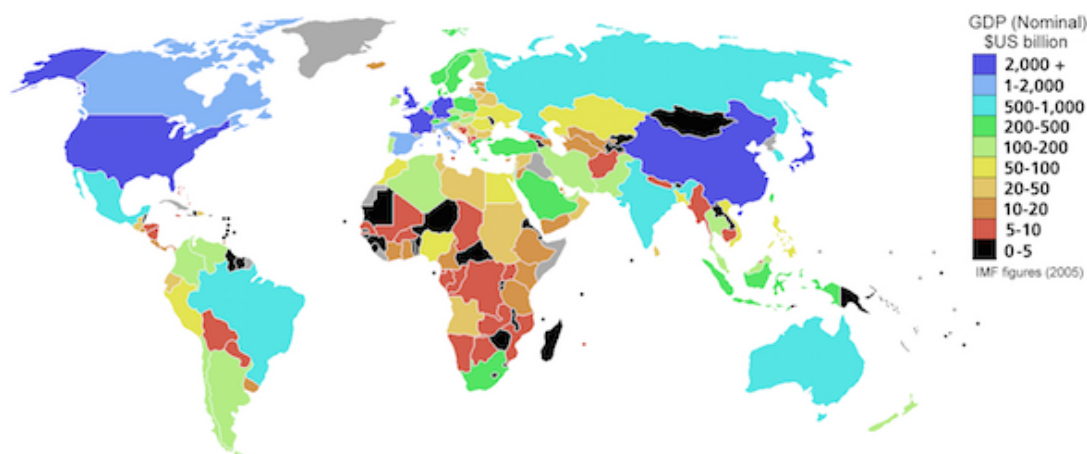
#### ***Definition of economic power***

Any state's economic strength is reflected in its economic diversity, entrepreneurial ecosystem and growth. These indicators play an important role in helping states withstand economic downturns, and can often be a predictor of future success. Economic power can be defined as an individual, a firm, or a country having access to wealth, valuable natural resources, monopoly power, or superior technology. Economic power can also be described as a country's ability to improve the living standard of its citizens.

Purchasing power can be seen as a significant element of economic power as it influences a country's ability to buy or change anything that requires money. An example is the U.S., which has the highest global economic power. The U.S. has vast natural resources, a highly skilled population, and technological advancement, which increases the overall income of its population. With high income, most of the country's population has high purchasing power, as they can afford goods and services that improve their livelihoods. A country with high economic power can enjoy full sovereignty as it is free from external forces. The world superpowers are generally attributed to their economic power with enough wealth, technological advancements, and natural resources, they are in a position to make policies that benefit themselves and their citizens. Economic power is vital to a country as the more purchasing power it has, the more likely it is to purchase better goods and afford other resources needed for economic development. A good example is when a country has no economic power, even with valuable natural resources, it is hindered from exploiting such resources effectively. Such countries usually need assistance from more economically powerful nations to exploit their resources.

**Figure 1**

*Countries by GDP. The more money a nation makes in a year, the more economically powerful it is.*



Source: Eliza Smith. 2023

### **Definition of economic cooperation**

Economic component of international cooperation that seeks to generate the conditions needed to facilitate the processes of trade and financial integration in the international arena by implementing actions with the purpose of obtaining indirect economic benefits in the medium and long term. Also defined as Economic cooperation refers to collaborative efforts among countries to work together on various aspects of international economic activities such as investment, multinational company conduct, electronic commerce, privacy, and encryption. (Telecommunications Law in the Internet Age, 2002)

In order to come closer to defining the concept of economic cooperation, some of the main features involved will be described below:

1. Economic benefits: Although the traditional definition of cooperation continues to be valid, the emphasis on the prospective goals changes since these are straightforwardly economic and are linked to exchange processes connected to trade or capital flows.
2. Emphasis on the relationship between partners or associates who cooperate to obtain a mutual benefit: This is a relationship between two or more actors that inevitably involves a concept of mutual benefit and shared costs in the medium and long term.
3. Inclusion of the private sector: The reason for this is that cooperation is directly linked to trade integration processes.
4. The changing role of the state: The state adopts a leading role insofar as economic cooperation is essential to ensure top quality achievements in the international arena by fostering the technological and productive development of a given country. Similarly, and insofar as the involvement of the private sector becomes a determining element in the process, the government should concentrate on becoming the facilitator and articulator of initiatives rather than directly implementing policy.
5. Actions or activities intended to secure indirect short and medium term economic goals: Actions or activities conducted in the framework of economic cooperation center on generating conditions to facilitate trade and enhance competitive skills in world markets. Therefore, maximization of direct economic benefits in the short term are foreign to the activities or actions of economic cooperation as such.

### **Iran's economic**

Economic growth has proven resilient over the past four years, despite ongoing economic sanctions and heightened geopolitical uncertainty. While the economy has benefitted from improved oil sector growth, the non-oil sector, notably services and manufacturing, has been the main driver of growth. Tradable sector production has shifted towards meeting domestic consumption, which has partly mitigated the impact of the financial and trade embargos and the limited access to foreign exchange reserves. Employment has also recently returned to pre-pandemic levels. Fiscal policy, notably the social protection system with its quasi-universal cash transfer, has partly buffered the impact of external shocks on the most vulnerable households and helped sustain consumption-led growth. The economy continues to face structural challenges that impact sustainable developmental outcomes. Ongoing sanctions limit technology transfer and investments to boost productivity. Energy subsidies and other administered prices are contributing to supply-demand mismatches, wasteful consumption, and allocative inefficiencies; this comes at a significant fiscal burden and at a detriment to the environment. Climate change exacerbates the energy and water shortages, negatively impacting food security and jobs in the stagnating agriculture sector. Limited job.

**Figure 2**

<b>Table 1</b>	<b>2023</b>
Population, million	89.2
GDP, current US\$ billion	401.9
GDP per capita, current US\$	4506.4
Upper middle-income poverty rate (\$6.85) <sup>a</sup>	21.9
Gini index <sup>a</sup>	34.8
School enrollment, primary (% gross) <sup>b</sup>	104.5
Life expectancy at birth, years <sup>b</sup>	73.9
Total GHG emissions (mtCO <sub>2</sub> e)	921.8

Source: WDI, Macro Poverty Outlook, and official data.

a/ Most recent value (2022), 2017 PPPs.

b/ WDI for School enrollment (2020); Life expectancy (2021).

Sources: Central Bank of Iran (CBI) and World Bank staff calculations.

## GDP growth Iran

In its latest report, the SCI said the growth of the gross domestic product (GDP) for the year ending in March 2024 at the constant prices of 2017 is equivalent to 5.7 percent of the total GDP and 3.4 percent of the GDP minus oil. The field of activities of industries and mines group grew by 6.9 percent, the services group by 5.7 percent, and the agriculture group by 2.2 percent compared to the previous year.

Earlier this month, the World Bank (WB), in its latest report, predicted that Iran's economy will grow 3.2 percent in 2024 and the inflation rate will decrease to 35 percent. According to the estimate of the international body, Iran's economy experienced a five percent growth and a 40.8 percent inflation in 2023. The bank has forecast that the industrial sector in Iran will take the lead in 2024, experiencing a 4.9 percent growth, followed by the services and agricultural sectors with a 2.7 and 0.9 percent growth. In addition, the World Bank has predicted that Iran's export of goods and services will exceed 7.1 percent in 2024 compared to the preceding year. Also, the bank expects that import of products into the country will experience a 1.8 percent growth in 2024 compared to a year earlier. The balance of Iran's current

accounts will also experience positive growth and reach 2.7 percent of the gross domestic product (GDP) in 2024. In late February, the International Monetary Fund (IMF) reported the Iranian economic growth in 2023 to be 5.4 percent. The head of Iran's Plan and Budget Organization (PBO) said the country's 5.4 percent economic growth in 2023 was the second-highest rate in the world. IMF also increased its estimate of Iran's economic growth in 2024, citing a higher-than-expected surge in the country's oil production. The IMF, in its report published on February 22, forecast a 3.7 percent economic growth for Iran in 2024 while the figure in its October prediction was 2.5 percent. The IMF data showed that Iran's economic growth reached 5.4% in 2023 while the international agency had predicted a three percent growth for the country in the previous year.

### Figure 3

*Figures for Iranian Year 1402 are projections*

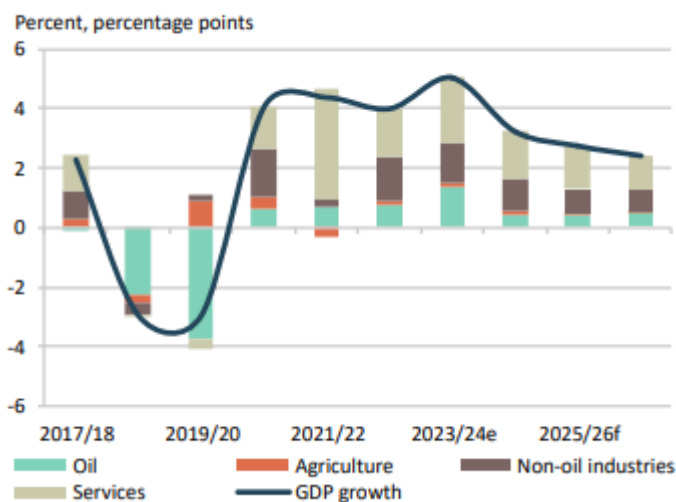
Indicator	Year 1401 (Mar. 2022-Mar. 2023)	Year 1402 (Mar. 2023-Mar. 2024)*
Nominal GDP (at median exchange rate)	554.8B USD	403B USD
GDP per capita	6,528 USD	\$4,741 USD
Real GDP growth	3%	4%
Consumer price inflation	45%	40%
Budget deficit (as % of GDP)	-7.2%	7%
Government debt (as % of GDP)	34.6%	35%
Youth unemployment	17.4%	15.4%

*Source:* Central Bank of Iran, Statistical Center of Iran, Bijan Khajehpour's calculations

Iran's oil and gas industry's development has a direct impact on the country's economic growth, as the effect was felt during the previous administration's term, when the U.S. withdrawal from the Iran nuclear deal, formally known as the Joint Comprehensive Plan of Action (JCPOA), and reimposition of sanctions reduced Iran's oil production and exports and even led to negative gross domestic product (GDP) for a couple of years.

### Figure 4

## Islamic Republic of Iran / Real GDP growth and supply-side contributions to real GDP growth



Sources: Central Bank of Iran (CBI) and World Bank staff calculations.

Economic Power Definition, Sources & Ranking Learn about economic power.

These sanctions have had a major impact on the Iranian economy, which has caused it to suffer a geopolitical challenge. This has resulted in a crippling economic crisis characterized by a general budget deficit, rising inflation, low economic growth and the accumulation of foreign debt, mostly due to Europe. The dollar and the euro, the lack of foreign investment inside Iran and the decline of exports of the two most important sectors, oil and gas as the basic structure of the Iranian economy. (Qasim Hussein Alsadie,2022)

### Cooperation with Iran

Cross Border Cooperation (CBC) is a key element of the Iran policy towards its neighbours. It supports sustainable development along the Iran external borders, helps reducing differences in living standards and addressing common challenges across these borders. The Islamabad-Tehran-Istanbul and Iraq Road Transport Corridor, which commenced operations in 2021, serves as another example of efforts to boost cross-border trade. Under the auspices of the Economic Cooperation Organization, Turkey's Commerce Ministry and its equivalents in Iran and Pakistan established this trilateral initiative with the goal of strengthening ties and facilitating commerce and transportation. A transportation agreement was also struck by Qatar, Iran, and Turkey, with Iran acting as the nation of transit between Qatar and Turkey. These partnerships are a part of larger initiatives to increase commerce and streamline the supply of commodities between the nations. The gas pipeline between Turkey and Iran and joint road transportation initiatives are important factors in bolstering Iran-Turkey energy and economic relations. (Dr. Umud Shokri,2024).

Moreover, the alignment of Iraq's political orientation with that of Iran has the effect of augmenting the latter country's overall regional standing. This alignment not only reinforces Iran's position. This strategic significance underscores the importance of Iraq in Iran's broader regional aspirations.( Muhanad Seloom,2024)

## Figure 5

### *Bilateral Trade between Türkiye and Iran*

	2020	2021	2022	2023
<b>Export</b>	2,25	2,77	3,07	3,31
<b>Import</b>	1,19	2,82	3,35	2,18
<b>Volume</b>	3,44	5,59	6,42	5,49
<b>Balance</b>	1,06	- 0,05	- 0,28	1,13

*Resource:* Turkish Statistical Institute (Billion US Dollars)

Türkiye's main exports to Iran: Machinery and parts, plastics and various chemical products, agricultural products, metal ores Türkiye's main imports from Iran: Petroleum and petroleum products (before May 2019), natural gas, metal products, agricultural products Number of Iranian visitors to Türkiye: 2,1 million (2019), 385 thousand (2020), 1,15 million (2021), 2.33 million (2022), 2,5 million (2023)

#### Bilateral Cooperation Mechanisms:

- Joint Economic Commission (JEC): The 28th Session of JEC between Türkiye and Iran was held in the format of a video-conference on 27-28 September 2021.
- Business Council: Türkiye-Iran Business Council was established in 2001.

#### Cancelation

Iran has an opportunity to emerge less isolated and more influential in the Middle East, especially given the growing regional leadership vacuum. As a regime insider, and as a more subtle and sophisticated operator than his predecessor, Iran has the potential to shift Iranian policy in a direction that is more likely to realise this opportunity. At the same time, there remain significant constraints on his ability to do so — both domestically as a result of limits placed upon him by conservative opponents and the Supreme Leader, as well as regionally from those countries who will continue to view Iran through a sectarian prism. Iran has been able to achieve a good deal by softening the tone of Iranian foreign policy after the coarseness of the last years. But to make a significant shift in Iran's regional position he will need to tackle certain central issues and improve several key relationships. In particular, the successful conclusion of a nuclear deal is central to strengthening Iran's economy and reaching some form of modus vivendi with the United States. But any deal is unlikely to assuage the concerns of many of Iran's neighbours about its regional ambitions and policies.

## Reference

Central Bank of Iran (CBI), & World Bank staff calculations. (n.d.).

O'Farrill, E. (1999). *Economic cooperation*.

Shanahan, R. (2015). What economic power is, identify the sources of economic power, and learn its impact on international relations. *Updated: 11/21/2023*.

Telecommunications law in the Internet age. (2002).

Turkish Ministry of Foreign Affairs. (n.d.). Economic and commercial relations with Iran. Retrieved from <https://www.mfa.gov.tr/economic-and-commercial-relations-with-iran.en.mfa>

Iraqi News Agency (INA). (n.d.). Iraq and Iran talk about bilateral cooperation and shared border security. Retrieved from <https://ina.iq/eng/32959-iraq-and-iran-talk-about-bilateral-cooperation-and-shared-border-security.html>

Bertelsmann Stiftung's Transformation Index (BTI). (n.d.). Country report: Iran. Retrieved from <https://bti-project.org/en/reports/country-report/IRN>

Iran International. (n.d.). Retrieved from <https://www.iranintl.com/en/202403240459>