

Post-Nuclear Deal, Iran Tries to Jump Start Ties With Southeast Asia

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Iranian President Hassan Rouhani was in Vietnam this week, the first stop of a three-nation tour of Southeast Asia. During his visit, Rouhani and Vietnamese President Tran Dai Quang agreed to work toward the goal of boosting trade to \$2 billion

(<http://www.channelnewsasia.com/news/business/iran-vietnam-pledge-us-2-billion-trade-boost/3184632.html>). In an email interview, John Calabrese (<http://www.american.edu/profiles/faculty/cal.cfm>), an assistant professor at American University, discusses Iran's diplomatic outreach in Southeast Asia.



Iranian President Hassan Rouhani and Vietnamese President Tran Dai Quang, Hanoi, Vietnam, Oct. 6, 2016 (AP photo by Tran Van Minh).

WPR: What is the state of diplomatic and economic ties between Iran and Southeast Asia, particularly Vietnam, and what areas and sectors present the best opportunities to deepen relations?

John Calabrese: Iran's interactions with Southeast Asia are not new. Iranian traders have been present in the region for many centuries. Today, tens of thousands of Iranians live and work in Southeast Asia—more than 100,000 of them residing in Malaysia alone.

During the 2000s, Iran's economic ties with Southeast Asian countries began to expand, a function of Iran's "look east" policy and the rapid growth of the region's economies. However, the tightening of financial sanctions over Iran's nuclear program impeded the further development of these ties.

The lifting of sanctions on Iran in January as part of its nuclear deal with world powers unleashed a wave of interest from Southeast Asia, and elsewhere, in re-establishing ties with Iran. It also renewed the campaign by Iranian leaders to restore and expand bilateral economic relations, including with Southeast Asian countries. On Oct. 5, Rouhani, leading a senior delegation of Iranian officials, landed in the Vietnamese capital of Hanoi for the first leg of a Southeast Asian tour that includes stops in Malaysia and Thailand.

Rouhani's visit follows that of then-Vietnamese President Truong Tan Sang to Iran last March, which

culminated in a pledge to boost annual bilateral trade to \$2 billion in five years. This announcement is telling. To be sure, the fact that both countries have a track record of fiercely resisting external pressure by major powers is a leitmotif of Iran-Vietnam relations. However, it is the mutual desire to expand trade and investment that is the principal driver of the relationship.

Yet bilateral trade is far from that target; it reached \$107 million in 2015, with Vietnamese exports accounting for nearly three-quarters of that amount. Vietnamese officials reportedly regard the Iranian port cities of Khorramshahr and Abadan as potentially fruitful venues to generate quick-return investment, by using them as locations from which to export textiles and seafood to neighboring countries—a vision that is compatible with Iran’s desire to position itself as the “the gateway to West Asia.”

WPR: What other countries in Southeast Asia is Iran developing or pursuing deeper ties with, and what are the areas with greatest potential for further cooperation?

Calabrese: Iran has cast a wide net. However, Indonesia, Malaysia and, to a lesser extent, Singapore have figured prominently in Tehran’s efforts, which pre-date the Rouhani administration and center on the energy sector. Iran’s energy cooperation in Southeast Asia has aimed at diversifying its oil export customer base globally and within Asia, and at forging partnerships in the upstream production and downstream processing sectors.

Prior to the tightening of sanctions against Iran, these efforts bore fruit. In December 2007, for example, Iran and Malaysia signed a \$6 billion deal to jointly explore offshore Iranian gas fields. Two years later, the National Iranian Oil Engineering and Construction Company and Malaysian SKSD cooperated to build two refineries in Malaysia. That same year, Iran and Indonesia launched several joint infrastructure projects, including the construction of a refinery in Indonesia; part of the deal called for Iran to provide for up to 14 percent of Indonesia’s total oil consumption requirements. In June 2010, ASEAN endorsed the opening of Iran’s joint trade center in Malaysia, a move designed to expand commercial ties with the region.

With the lifting of sanctions, Iran has sought to revive and widen the scope of economic cooperation. Rouhani has declared his staunch support for strengthening economic ties with ASEAN countries. That interest has been reciprocated. In July 2015, ASEAN investors and entrepreneurs and Iranian entities, including the Organization for Investment, Economic and Technical Assistance and the Chamber of Commerce, participated in a conference held in Kuala Lumpur aimed at exploring new pathways for economic cooperation. Exactly a year later, at their meeting in Vientiane, Laos, ASEAN foreign ministers approved Iran’s request to accede to the ASEAN Treaty of Amity and Cooperation.

Still, for the time being, the energy sector remains the bedrock of economic interaction between Iran and

the region—and Tehran's top priority. For example, Iran recently sold its first shipment of liquefied petroleum gas to Indonesia and has begun discussions with Malaysia's state-owned energy company, Pertamina, in an effort to attract investment for oil and gas infrastructure and field development.

WPR: How big of a priority are ties with Southeast Asia for Iran's leadership?

Calabrese: The scale and scope of Iran's trade and investment ties with Southeast Asian countries are vastly overshadowed by major players in East and South Asia, namely China, Japan, South Korea and India. And for the foreseeable future, that is likely to remain the case. Nevertheless, the future growth trajectory of the ASEAN countries offers opportunities for Iran to diversify its political and economic relations—opportunities that Tehran is determined to pursue and for which it appears to have found a receptive audience.