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incentives. Regional competitors like the UAE, Oman, and Pakistan attracted over \$26 billion in foreign investment during the same period. This stark contrast underscores the urgent need for policy revisions, improved international relations, and regulatory stability in Iran.

Analysis of domestic investment trends in IMIDRO's SEZs

Compared to foreign direct investment, domestic investment in IMIDRO's special economic zones has performed more favorably. Between 2013 and 2020, total domestic investment in these zones reached 106 trillion tomans (approximately \$14.7 billion), peaking in 2020 with over 56 trillion tomans in domestic capital absorption. Persian Gulf Mining and Metal Industries Special Economic Zone and the Lamerd Special Economic Zone led the way, attracting \$18 billion and \$7.8 billion in domestic investment, respectively, and experiencing significant economic growth. A substantial portion of growth in these zones stems from domestic resources, as their performance in attracting foreign investment has been lackluster. Factors such as sanctions, infrastructural deficiencies, bureaucratic hurdles, and weak economic governance have hindered foreign capital inflows. Special economic zones are intended to stimulate foreign investment and promote non-oil export growth. However, due to domestic challenges, these zones have strayed from their primary objectives and have not succeeded in achieving their overarching goals.

Factors behind failure to achieve SEZ objectives

An analysis of Iran's special economic zones and their shortcomings in attracting investment and driving economic development reveals structural, policy, and systemic challenges. Key factors include:

1. Overreliance on traditional comparative advantages, neglect of production
A major weakness lies in prioritizing existing comparative advantages over "creating new competitive edges." This approach perpetuates raw-material-focused production and low value-added exports, undermining competitiveness and long-term development.
2. Dominance of local, political agendas in zone establishment
Many zones were established due to political pressures or local demands rather than geographic or economic viability. This has led to zones being located in areas with inadequate infrastructure and limited industrial capacity.
3. Constraints in financial, banking, and insurance systems
Rigidities and inefficiencies in Iran's

financial and insurance systems have deterred foreign investment. Key issues include underdeveloped financial markets, opaque regulations, and unfavorable tax policies. 4. Lack of strategic vision in SEZ policymaking
The absence of a national strategic roadmap for these zones has rendered them ineffective and costly. Without clear objectives or globally aligned planning, zones fail to deliver meaningful outcomes. The confrontation of the rentier and ideological structures of governments with the outward-looking development model.

5. Confrontation of rent-seeking and ideological structures with outward-oriented development
A governance model rooted in ideological self-reliance and rent-seeking economic structures has hindered integration into global markets and technological exchange. While SEZ success depends on global engagement, Iran's economic governance framework remains misaligned with these needs.

Research findings

- Energy-focused zones like the Persian Gulf Mining and Metal Industries and Parsian zones outperformed others (e.g., Kashan and Lamerd) in attracting domestic and foreign investment.
- Sanctions, neglect of production, preference for local demands over location-specific assessments, and failure to reform banking/insurance systems are primary reasons for underperformance.
- Iran's experience with SEZs aimed at attracting foreign investment, transferring technology, boosting domestic production, and enhancing exports has been marred by challenges. Neglect of real production, politicized zone establishment, banking/insurance inefficiencies, and absence of development strategies have undermined these goals.
- While zones like Parsian and the Persian Gulf succeeded in domestic investment, regions such as Kashan and Lamerd lagged due to infrastructure gaps, poor regional capacity-based planning, and neglect of production/export priorities. To enhance the effectiveness of special economic zones, implementing multi-layered reforms in both policymaking and execution is crucial. Critical measures include streamlining zone establishment procedures, upgrading infrastructure and regional capabilities, overhauling financial systems and funding frameworks, embracing production-focused strategies, and advancing development-driven foreign policies. A cohesive, sustained strategy across these areas is vital to fully realize these zones' capacity to propel Iran's industrial, commercial, and economic progress.

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Muscat negotiations, a pragmatic diplomatic achievement



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OPINION

The most significant outcome of the Muscat negotiations, nevertheless, was the demonstration of diplomatic pragmatism — an achievement not to be underestimated. This is because anti-negotiation factions in both Iran and the US have long argued that the two sides used talks as a pretext, claiming each pursued alternative agendas. On the American side, critics alleged that the US, amid military posturing, sought only to offer limited negotiation opportunities while aligning primarily

by sidelining intermediaries and pushing for direct US-Iran negotiations. Should this scenario materialize, Iran has signaled openness. Iranian President Masoud Pezeshkian has stated, "We have no ideological opposition to economic cooperation with the US." In contrast, Scenario Two involves Trump prioritizing the demands of actors like Israel, potentially introducing non-negotiable terms. For instance, the US might demand Iran abandon its nuclear fuel cycle while retaining facilities like the Bushehr reactor, relying instead on externally supplied fuel under pre-JCPOA arrangements (e.g., 20%-enriched uranium monitored by the IAEA). Such terms would effectively strip Iran of fuel production capabilities, leading to

part from decades of hardline resistance, which has historically hindered US-Iran de-escalation. In Iran, the debate over direct versus indirect talks is shaped by hardline pressures, a dynamic that has exacted a heavy toll on the country. It is argued that there is no justification for persisting with indirect negotiations or intermediaries, particularly now that US willingness for dialogue is evident. Those advocating indirect talks or limiting negotiation mandates are seen as seeking to create loopholes to sabotage the process. Regarding Russia's role in the negotiations between Iran and the United States, it is no secret that Russia is striving to make the Ukraine issue the top priority on



with Israeli Prime Minister Benjamin Netanyahu's policies against Iran. Conversely, some in Iran argued that the country was not genuinely pursuing dialogue but rather engaging in stalling tactics. The fact that both sides agreed to structure the talks in a way that avoided deadlock and set a timeline for further rounds indicates a mutual desire for agreement. When rival parties seek compromise, they intentionally frame negotiation texts or agendas to emphasize common ground while deferring contentious issues — a dynamic observed in Muscat. This week is viewed as a critical juncture for diplomacy, particularly as anti-negotiation forces in Iran and elsewhere continue their efforts to undermine progress. Looking ahead, two potential scenarios emerge. Scenario One envisions Iran and the US reaching a JCPOA-like agreement during the Trump administration. This possibility was previously floated, as some argued that Trump dismantled the original JCPOA for two reasons: first, to affix his own signature to a new deal, and second, to secure economic benefits

failed talks. Worse still, additional non-nuclear disputes could be injected into the agenda. The likelihood of agreement hinges on how closely the parties align with each other's scenarios. It is argued that the regional welcome for these talks, excluding Israel, sends a clear message to the US about the Middle East's desire for stability. The US' largest economic exchanges occur in this region, a reality absent during the JCPOA era. This shift bolsters the prospects for dialogue. However, it is emphasized that without breaking taboos, negotiations risk yielding outcomes favoring Netanyahu. Greater incentives, economic prospects, and regional security cooperation between Iran and the U.S. would enhance the chances of agreement. Shared interests in economic collaboration and regional security could not only bridge bilateral tensions but also align with the interests of neighboring states. Such progress, it is asserted, requires bold steps. Domestically, criticism from some Iranian lawmakers against continued negotiations stems in

the US agenda. However, the reality is that Russia is so deeply involved in the Ukraine conflict that it lacks the capacity to be proactive in diplomatic initiatives around the world. This has been the case for the past four years, and unfortunately, if the negotiators and officials of Iran had revived the JCPOA four years ago, Iran would have achieved unprecedented gains. But currently, the exclusion of Russia from nuclear talks is viewed as a US-driven decision, not an Iranian one. Meanwhile, Russia's efforts to prioritize the Ukraine issue in US foreign policy are no secret. However, its deep entanglement in the Ukraine war has reportedly diminished its capacity to disrupt global diplomatic initiatives. It is suggested that had Iranian negotiators and officials revived the JCPOA four years ago, Iran would have achieved unprecedented gains. Currently, the exclusion of Russia from nuclear talks is viewed as a US-driven decision, not an Iranian one.

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