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Iran and the Belt and Road Initiative: Amid Hope and Fear

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ABSTRACT

Iran is one of the countries involved in the Belt and Road Initiative (BRI). What effects will the realization of the BRI have on the geo economical and geopolitical status of Iran? On the one hand, this project can boost China's presence and influence in the political economy of Iran and its neighborhood, and create new domains of competition between Iran and China. On the other hand, it could contribute to the revival of Iran's historical role in the ancient Silk Road. Thus, to participate in this project, Iran is stuck between hope and fear. It is fearful for Iran because it has negative effects on Iranian interests, at the same time Iran is hopeful because it can enhance its economic development and raise its historical role as a bridge between the East and the West.

As a result, Iran tries at the same time to develop its relationships with the EU as well as cooperation with China in the framework of the BRI. Iran tries to maximize its interests from the project and reduce its negative effects on its geo economic and geopolitical interests. Maintaining this fragile balance could face Iran's active participation in the project with substantial challenges.

About 97 AD, an emissary of the Chinese Emperor who was sent on a mission to Rome to expand trade relations between China and Europe was received at the Parthian Court. He was told that he would have a long and perilous trip ahead and that it was better to leave the trade of valuable silk to the local tradesmen. The emissary returned to China, and the Parthians went on to play their role as the provider of a gateway for economic interactions between Europe and Asia.¹

Sa'di, the great Iranian poet who is called 'Master of Speech', lived in the Middle Ages. In his book *Golestan*, he narrates a story that fascinatingly relates the role played by Iran and Iranian tradesmen in the old Silk Road:

*'I met a trader who possessed one hundred and fifty camel loads of merchandise with forty slaves and servants. One evening in the oasis of Kish he took me into his apartment... [He said:] O Sa'di, I have one journey more to undertake and after performing it I shall during the rest of my life sit in a corner and enjoy contentment.' I asked: 'What journey is that?' He replied: 'I shall carry Persian brimstone to China because I heard that it fetched a high price. I shall also carry Chinese porcelain to Rum and Rumi brocade to India and Indian steel to Aleppo, convey glass-ware of Aleppo to Yemen, striped cloth of Yemen to Pares. After that I shall abandon trading and shall sit down in a shop.'*²

These two narratives at two very different historical periods accurately show the close interactions between Iran and China in the old Silk Road and the continuation of these interactions ever since.

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¹Jonthan Holslag, 'How China's New Silk Road Threatens European Trade', *The International Spectator* 52(1), (2017), pp. 46–60.

²Edward Rehatsek, *The Rose Garden of Sa'di (or the Gullistan)* (Iowa: Omphaloskepsis, 2000).

The depth and expansion of Iran-China interactions through the Silk Road caused China and trade with China, especially silk trade, to become quite well known in Iranian historical writings and also in Persian Literature.³

Historically, Iran-China interactions began since the late second century BC and continued, with ups and downs, during various historical periods. During the long history of interactions between these two civilizations along the Silk Road, Chinese silk was the most important exchanged commodity. The Iranians mainly played the role of middleman in the trade between the East and the West (or modern China and the European Union). In addition to trade interactions, Anahita, the Manichaean religion, and Persian music found their way to China, and many Chinese arts entered Persian culture and civilization.⁴ Ties between the two nations were especially strong between the fourth and sixth centuries AD as well as in the thirteenth century when the Mongol Empire dominated a significant part of Eurasia. However, since the fifteenth century, the land routes of the Silk Road gradually lost their privilege and were replaced by the maritime trade routes. The development caused Iran to be pushed to the sidelines of global trade.⁵ However, with the emergence of the modern West and the transfer of power and wealth centers to the two sides of the Atlantic Ocean, Eastern Powers, including Iran and China began to decline, fell prey to colonial powers, and the interactions between these Eastern Powers decreased substantially.

However, Iran-China relations have been increasingly growing over the past several decades. For the first time in the past 500 years, China—an Eastern power—has taken the place of the European nations in trading with Iran and has become Iran's first trade partner. Since the time the Chinese authorities introduced the Belt and Road Initiative (BRI), discussions in this regard among the two countries' politicians, as well as the media, have always contained references to the history of Iran-China interactions via the ancient Silk Road and the possibility for the revival of those old ties. In an article published in Iran Daily before his 2016 visit to Iran, Chinese President Xi Jinping emphasized the key role of the historical ties between the two nations, referring to the role of the Silk Road in facilitating bilateral interactions. In this vein, when discussing Iran's cooperation with China within the Silk Road, history plays an essential role in providing background and motivation for further cooperation.

The new Silk Road

In recent years, the global political economy has once again entered the period of systemic change. The key driver of this systemic change is the rise of new powers in Asia, especially China. In other words, China is in the center of the systemic power transition process.⁶ The continuous and accelerated economic growth of China during the recent decades has turned it into the second largest economy in the world and the first trading partner of a large number of countries around the world, including Iran.⁷

In the new stage of Chinese economic development that began with the coming to power of President Xi Jinping in 2012, China's economy is increasingly intertwined with the global economy, and China is trying to manage its increasing interests in the changing world by introducing various initiatives. Put differently, in this new period, China is changing its role in

³Ferdowsi's *Shahnameh*, Sa'di's *Golestan and Bustan*, *Divan-e Hafiz*, and *Masnavi Manavi Maulana* (Rumi) are among the most important classical works in Iranian literature. In these writings, frequent mention are made of Iranian-Chinese interactions.

⁴Edwin G. Pulleyblank, 'Chinese-Iranian Relations in P-Islamic Times', *Encyclopedia Iranica*, (19 October 2011), available at: <http://www.iranicaonline.org/articles/chinese-iranian-i> (accessed 19 January 2018).

⁵*Reconnecting Asia*, 'Historical Atlas: 12 Maps Covering 12,000 Years of History', available at: <https://reconnectingasia.csis.org/analysis/historical-atlas/#maritime-dominance> (accessed 7 October 2018).

⁶Brantly Womack, 'China and the Future Status Quo', *The Chinese Journal of International Politics* 8(2), (2015), pp. 115–137.

⁷'Is China the world's top trader?', *China Power*, (25 January 2016), available at: <https://chinapower.csis.org/trade-partner/> (accessed 21 January 2018).

the international political economy from a rule taker to a rule maker.⁸ Participation in shaping new structures such as BRICS and the Asian Infrastructure Investment Bank (AIIB) can be considered as symbols of the increasingly innovative Chinese foreign policy, and especially Chinese economic diplomacy in recent years. The BRI is undoubtedly the most important and most ambitious initiative introduced by this country.

In the framework of this Initiative, China is attempting to create a form of China-centered convergence based on five pillars: policy coordination, facilities connectivity, unimpeded trade, financial integration, and people-to-people bonds among a wide spectrum of countries.⁹ Some estimates indicate that in the context of this initiative, about one trillion dollars will be invested in different projects in a broad range of countries.¹⁰ Eurasia is in the center of the Initiative. In BRI's operational plan, restoration of historical ties between Eurasian countries has been announced as one of the key objectives. Moreover, the four corridors that form the Belt part of the initiative, as well as an important part of the sea route in this project, are located in Eurasia.¹¹

Therefore, this initiative can also be considered as the vision that emerging China has for the new Eurasia. Indeed, Chinese influence in various parts of Eurasia has been on the rise in recent years, and it has already turned into a key player in the geopolitics and geoeconomics of this region. However, the operational plan of the new Silk Road has opened up new horizons for its increased systematic role-playing in the region. The plan has also accelerated the process of change in Eurasia.

In other words, by gradual introduction and implementation of this initiative, the position of many Asian countries, including Iran, is changing. These countries are trying to conceptualize their positions and interests in relation to this new Chinese plan. On a broader level, they're trying to conceptualize the increasing influence of this country in Eurasia; thereby, reaching a decision on how they should respond to this initiative.

Among major Asian countries, Pakistan and India have already clarified their positions vis-à-vis BRI. As a traditional ally of China, Pakistan has defined this Project as a significant opportunity to revive its economy and to deepen its ties with China as an 'all-weather friend' and is trying, in the framework of the China-Pakistan Economic Corridor (CPEC), to maximize its utilization of the opportunities arising from this initiative.¹² India, on the contrary, as a traditional rival of China, is becoming increasingly apprehensive of China's power. It has a negative attitude to some Chinese initiatives, especially BRI; hence, has exhibited a negative reaction to the initiative since the very beginning, and has not yet participated in it.¹³

However, the increased presence and influence of China in Eurasia and the implications of BRI have multiple effects on Iran. Therefore, unlike Pakistan and India, Iran has not been able to react rapidly to this initiative. The rest of this article deals with the dual effects of BRI on Iran's geopolitical and geoeconomic positions and addresses the reasons for Iran's mixed reaction of hope and fear of the Chinese initiative.

⁸Yan Xuetong, 'From Keeping a Low Profile to Striving for Achievement', *The Chinese Journal of International Politics* 7(2), (2014), pp. 153–184.

⁹'Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road', *National Development and Reform Commission (NDRC) of China*, (March 2015), available at: http://en.ndrc.gov.cn/newsrelease/201503/t20150330_669367.html (accessed 21 January 2018).

¹⁰Jane Perlez and Huang Yufan, 'Behind China's \$1 Trillion Plan to Shake Up the Economic Order', *The New York Times*, (13 May 2017), available at: <https://www.nytimes.com/2017/05/13/business/china-railway-one-belt-one-road-1-trillion-plan.html> (accessed 17 January 2018).

¹¹Theresa Fallon, 'The New Silk Road: Xi Jinping's Grand Strategy for Eurasia', *American Foreign Policy Interests* 37(3), (2015), pp. 140–147.

¹²'Pakistan extends support to China's One Belt One Road: Ishaq Dar', *DAWN*, (6 May 2017), available at: <https://www.dawn.com/news/1331466> (accessed 12 January 2018); Zahid Shahab Ahmed, 'Impact of the China-Pakistan Economic Corridor on Nation-Building in Pakistan', *Journal of Contemporary China* 28(117), (2019).

¹³Priyanka Singh, 'India's Participation in CPEC: The Ifs and Buts', *Institute for Defense Studies and Analyses (IDSA)*, (17 February 2017), available at: https://idsa.in/issuebrief/india-participation-in-cpec_psingh_170217 (accessed 9 January 2018).

Iran and the dual effects of BRI

At first glance, we can consider BRI as a facilitating force to upgrade Iran's geopolitical and geoeconomic positions.¹⁴ In the big picture, China's rise in general and this initiative, in particular, are in line with the power transition process and multipolarization of the global system. Iran is a country that, together with actors such as North Korea and Cuba, has suffered the most damage and pressure from the liberal international order under the leadership of the United States. It has been under the severest international sanctions for years, its freedom of action in the world has been dramatically curtailed, the United States has securitized it for decades, and it has been involved in a cold war with the only superpower of the international system.

For such a country, any force aimed at redistribution of power on the global scene is considered an opportunity and could help the country gain more freedom of action, be de-securitized and normalized, and gradually attain more freedom of action in the international arena. In the big picture, China's rise as a 'game changer' and the initiatives put forward by Beijing, especially BRI, provide Iran with significant economic, as well as geopolitical opportunities.¹⁵

Furthermore, in the regional context, Iran is located in one of the poorest and most unstable regions of the world. Iran's geopolitics is multilateral. It has ties to Central and South Asia, part of the Middle East and part of the Caucasus, and is considered a part of all these regions at the same time.

The mentioned regions, especially South Asia and the Middle East, are among the poorest and most volatile regions of the world. For example, Afghanistan and Pakistan with the total population of about 220 million are considered as two of the poorest and most unstable countries.¹⁶ No substantial investments have been made in these two countries for decades, and this is one of the reasons why they experience underdevelopment. The increasing lack of development and the rising instability in Afghanistan has led to a flood of refugees entering Iran from this country, and this has turned Iran into one of the countries with the largest number of refugees in the world.¹⁷ Moreover, as a result of its underdevelopment and instability, Afghanistan has turned into the global center for the production of and trade in narcotics; a center with the Helmand Province (close to the Iranian border) as its core.¹⁸

BRI can help reduce poverty and instability in Iran's periphery. In recent years, China has become the most important investor and the major trading partner of most countries neighboring Iran. It is the leading buyer of Persian Gulf oil and one of the major trading partners and investors in this region. It is also the principal investor in and trading partner of Russia and Central Asian countries. At the same time, it has the most important role in Pakistan's economy. Iran has always been concerned about the consequences of extreme poverty in its most populous neighbor Pakistan. Instability and increasing poverty have somehow exacerbated the extremist tendencies in Pakistan in recent years. CPEC project, which is a part of BRI, can transform Pakistan's economy and, through reducing its poverty, help increase the stability of this country and the region in general.¹⁹

¹⁴Dara Conduit and Shahram Akbarzadeh, 'Great Power-Middle Power Dynamics: The Case of China and Iran', *Journal of Contemporary China* 28(117) (2019), DOI: <https://doi.org/10.1080/10670564.2018.1542225>.

¹⁵Weixing Hu, 'Xi Jinping's "Major Country Diplomacy": The Role of Leadership in Foreign Policy Transformation', *Journal of Contemporary China* 28(115), (2019), pp. 1–14.

¹⁶'Poverty & Equity Data Portal (Pakistan)', *The World Bank*, (2017), available at: <http://povertydata.worldbank.org/poverty/country/PAK> (accessed 14 January 2018); 'Poverty & Equity Data Portal (South Asia)', *The World Bank*, (2017), available at: <http://povertydata.worldbank.org/poverty/region/SAS> (accessed 14 January 2018).

¹⁷'Which countries host the most refugees?', *UNHCR The UN Refugee Agency*, (27 February 2017), available at: <http://www.unhcr.org/news/videos/2017/2/58b3f4714/which-countries-host-the-most-refugeesquest.html> (accessed 16 January 2018).

¹⁸'Afghanistan Opium Survey 2017 (Cultivation and Production)', *United Nations Office on Drugs and Crime (UNODC)*, (November 2017), available at: https://www.unodc.org/documents/crop-monitoring/Afghanistan/Afghan_opium_survey_2017_cult_prod_web.pdf (accessed 2 January 2018).

¹⁹Ayub Mehar, 'Infrastructure development, CPEC and FDI in Pakistan: is there any connection?', *Transnational Corporations Review* 9(3), (2017), pp. 232–241.

Furthermore, there has been an increasing hope in recent years for a more extensive role played by China in Afghanistan's crisis-hit economy.²⁰

More importantly, BRI can restore Iran's historic status in the old Silk Road as a bridge between the East and the West. As pointed out above, in the old Silk Road, Iran somehow played the role of the connecting link between China and Europe, as the centers of wealth in the Old World. However, with the shift in global trade toward using sea routes, and with the decline of the Persian and the Chinese Empires, this status was lost, and Iran was pushed into the margins of global trade. One of the BRI's six proposed corridors passes through Iran and can somewhat help Iran to restore its historical position in global trade.²¹ In addition, when the whole plan becomes operational, it can, to some extent, increase Iran's economic and political freedom of action which is now under severe American pressures.

Furthermore, this initiative is considered a strategic opportunity for rebuilding the Iranian economy and its development. This is because, on the one hand, the persistent tensions with the United States has limited Iran's options for attracting international financial resources to advance its economic growth, and on the other hand, the country is in an increasing need for such resources in order to promote economic development and increase the legitimacy of the political system. It was mentioned that over the past four decades, Iran has been under the most stringent international sanctions. In this vein, since the Islamic Revolution in 1979, no substantial foreign investment has taken place in Iran. Iranian industries have not been updated, and their contacts with global industrial innovations have been largely lost. Hence, Iran's share of global trade has been severely reduced.²²

Under the current conditions, and up to the foreseeable future, China is one of the most important options to attract international resources required for promoting Iran's economic development. China is the most important buyer of Iranian oil and receives about one-third of Iranian oil exports. 'Beijing's enormous demand for energy resources has led to its long-standing commercial ties with Iran.'²³ It is also a major market for Iranian nonoil exports so that around 21 percent of total Iranian exports in 2016 were sent to the Chinese market. During the past 8 years, China has always been the most important economic partner of Iran, and approximately 30 percent of the total Iranian foreign trade has been done with Beijing.²⁴

Moreover, China has been one of the major foreign investors in Iran over the past decade.²⁵ Its investments have taken place in various sectors from energy to transportation. China has invested in various energy projects in Iran including the South Pars Gas Field and the Abadan Refinery.²⁶ More importantly, Iran will need massive investments in its energy sector in the future and considers China an important source of investment. In the next 5 years, Iran needs to invest 134 billion dollars in the upstream oil sector and 52 billion dollars in the downstream oil sector.²⁷ In the framework of the BRI, investment in energy infrastructure is considered one of

²⁰ 'Afghanistan and China; Real Strategic Alliance', *Afghan Voice Agency (AVA)*, (1 November 2014), available at: <http://avapress.com/vdcb98b8grhbgfp.uuur.html> (accessed 7 January 2018).

²¹ The six corridors of the Silk Road Economic Belt include: the China-Mongolia-Russia Corridor, the Corridor called the New Eurasia Bridge, the China-Central Asia-West Asia Corridor, the China-Pakistan Economic Corridor, the China-Bangladesh-India Corridor, and the China-Indochina Corridor.

²² 'Gholamhossein Shafei, 'Iran's 0.35 percent Share of Global Trade is Regrettable', *Tasnim News Agency*, (23 July 2017), Available online at: <https://www.tasnimnews.com/fa/news/1396/05/01/1471758> (accessed 7 January 2018).

²³ Zhao Hong, 'China's Dilemma on Iran: Between Energy Security and a Responsible Rising Power', *Journal of Contemporary China* 23(87), (2014), p. 419.

²⁴ 'Iran's Trade Partners in Three Seasons of the Year', *Donya-e Eghtesad*, (17 April 2017), available at: <http://www.donya-e-eghtesad.com/fa/tiny/news-3342172> (accessed 7 January 2018).

²⁵ Ahmad Jamali, '8 Trillion Dollars of Foreign Investment were Attracted in 2017', *Tasnim News Agency*, (14 December 2017), available at: <https://www.tasnimnews.com/fa/news/1396/09/23/1601258> (accessed 7 January 2018).

²⁶ 'Biggest post-JCPOA Investors in Abadan Refinery', *Iranian Petro-Energy Information Network (SHANA)*, (21 January 2017), available at: <http://www.shana.ir/fa/newsagency/275727> (accessed 8 January 2018).

²⁷ 'Iran's Oil Industry Needs 445 Trillion Dollars of Investment', *Iranian Petro-Energy Information Network (SHANA)*, (2 February 2017), available at: <http://www.shana.ir/fa/newsagency/125796> (accessed 8 January 2018).

the important cooperation areas between the countries involved. Therefore, this Initiative can provide a new framework for more extensive Chinese investments in the Iranian energy industry.

The most important case of Chinese investment in Iran after the implementation of the Joint Comprehensive Plan of Action (JCPOA) came in July 2017. At the time, a \$4.879 billion contract was signed between the National Iranian Oil Company, and a consortium consisted of Total, China's energy giant CNPC, and Iran's Petropars, for the development of phase 11 of South Pars Gas Field. The contract provisioned a 50.1 percent and a 30 percent share for Total and CNPC, respectively, with Petropars enjoying the remaining 19 percent. Shortly after the US withdrawal from the JCPOA on 8 May 2018, Total announced its stay in the project would depend on whether it could secure a sanctions waiver from Washington. As a result, the Iranian oil ministry announced that Total's share in the contract would be handed over to CNPC. As a result, Total's decision to leave Iran has benefited CNPC the most.²⁸

Furthermore, China is the leading investor in Iranian transportation projects, especially railway development. The Tehran-Qom-Isfahan High-Speed Rail Project and the electrification of Tehran-Mashhad Railway, with the estimated cost of about 4.2 billion dollars, are the most important railway development projects in Iran, in both of which Chinese companies and the Chinese government play important roles. A Chinese company finances and builds 40 percent of the first project.²⁹ As for the second project, in addition to financing, Chinese companies have formed a consortium with Iranian companies to carry it out jointly.³⁰

Both these railway lines form a part of one of the four corridors in the Silk Road Economic Belt. Based on the operational plan of the Initiative, four corridors have been defined along the route of the Silk Road Economic Belt. One of them is the China-Central Asia-West Asia-Persian Gulf-the Mediterranean Sea Corridor, a part of which passes through Iran, using the two mentioned railway lines. This Corridor enters Iran from Turkmenistan and follows two routes: an east-west one to Turkey and a north-south one to the Persian Gulf.

Meanwhile, based on the official statistics published by the Iranian government, Iran will need about 500 billion dollars of investment for the next decade, a large part of which must be provided from abroad.³¹ China is one of the most important countries Iran hopes to make these investments, and the BRI can provide a framework for the increased Chinese investments in Iran. Following the 2015 nuclear deal between Iran and the six world powers, officially called the JCPOA, Iran has received most of its foreign finance from China. Based on an agreement between Iran's Central Bank and the CITIC Trust Group, the Group has provided Iran with a 10 billion dollar credit line to finance medium and long-term Iranian imports. This is the largest credit line extended to Iran during the recent decades.³² On the other hand, following the US withdrawal from the JCPOA, many major European companies have ceased their activities in Iran and ended their cooperation with the country.³³ This makes China the only major investor in Iran and Tehran is expected to focus more on Beijing to attract foreign investment. However, given the potential risk of being targeted by the American sanctions, only those small and medium-sized Chinese companies with no presence in the Western markets and less ties with the global financial system are expected to become active in this sphere.

²⁸Mohsen Shariatinia, 'The JCPOA in Crisis: Implications for Sino-Iranian Relations', *Alsharq Forum* (29 May 2018), available at: <http://www.sharqforum.org/2018/05/29/the-jcpoa-in-crisis-implications-for-sino-iranian-relations/> (accessed 8 October 2018).

²⁹'1.7 Trillion Dollar Deal Signed with China for Electrification of Tehran-Mashhad Railway', *Tasnim News Agency*, (25 July 2017), Available online at: <https://www.tasnimnews.com/fa/news/1396/05/03/1474373> (accessed 8 January 2018).

³⁰Hojjat Gholami, 'China's Participation in Isfahan-Qom-Tehran High-Speed Train Project', *Ministry of Roads and Urban Development*, (2 February 2017), available at: <http://news.mrud.ir/news/34000> (accessed 8 January 2018).

³¹'Iran economy's recovery needs at least \$500B in mid-term', *Azer News*, (28 January 2016), available at: <https://www.azernews.az/region/92174.html> (accessed 9 January 2018).

³²'Iran, China Sign \$10 Billion Finance Deal', *Financial Tribune*, (14 September 2017), available at: <https://financialtribune.com/articles/economy-business-and-markets/72363/iran-china-sign-10-billion-finance-deal> (accessed 9 January 2018).

³³Ellen R. Wald, '10 Companies Leaving Iran As Trump's Sanctions Close In', *Forbes* (6 June 2019), available at: <https://www.forbes.com/sites/ellenwald/2018/06/06/10-companies-leaving-iran-as-trumps-sanctions-close-in/#542a960ac90f> (accessed 8 October 2018).

However, there is also a dark side for the expansion of trade and economic relations between Iran and China in general and within the framework of BRI in particular. The volume of trade between Iran and China increased from 440 million dollars in 1996 to 50 billion dollars in 2013.³⁴ In other words, Iranian trade interactions with China increased more than a hundredfold during this period. The lightning-speed expansion of economic and trade interactions between China and Iran in recent years, especially between 2005 and 2013 that was the height of international sanctions which cut financial and trade interactions between Iran and most countries of the world, prepared the ground for the unrivaled Chinese presence in the Iranian market. Based on statistics published by the Iranian Customs Department, roughly 25 of every 100 dollars of Iranian imports in 2016 were from China.³⁵ The United Arab Emirates (UAE) was the second exporter of goods to Iran. Since many Chinese exports to the Middle East takes place through Dubai,³⁶ some Iranian economists believe that part of the UAE exports to Iran is essentially Chinese exports.³⁷

Furthermore, a major part of Iranian imports is conducted through smuggling. Based on the latest statistics, about 12.5 billion dollars' worth of Iranian imports has taken place through smuggling.³⁸ In this area too, a major part of the goods smuggled into Iran is Chinese made. Taking these statistics into consideration, we can argue that China's share of Iranian imports is far more than the 25 percent announced by the Iranian Customs Department. The lightning-speed expansion of China's share of Iranian imports has increased concerns over the economic domination of China on the one hand and has reduced the competitiveness of Iranian industries and has been responsible for part of the lost employment in Iran on the other.³⁹

Furthermore, the Chinese presence and influence are expanding in Iran's geoeconomic environment, especially in the economies of Iran's neighboring countries, which have traditionally been considered essential markets for Iran. At the same time, some projects carried out within the BRI framework somehow compete with Iran's interests and economic priorities. In recent years, China has become the most critical player in the political economy of Central Asia and has pushed into the margins the other players, including Iran. One symbol of this situation is seen in the increasing Chinese presence in the energy market of Central Asia. After the Cold War, one of the critical Iranian geoeconomic objectives was to swap the Central Asian oil and buy Turkmen gas to satisfy the needs of Iran's northern regions. However, China's relative dominance over the energy market of the region has weakened Iran's competitive advantage. On the one hand, the bargaining power of these countries has been increased to the disadvantage of Iran, and on the other hand, they do not need the Iran route anymore to transfer their energy to the global markets. Moreover, Chinese plan to establish rail and road links between Central Asian Countries, Russia and Europe on the one hand and to connect those countries to the South Caucasus through the Caspian Sea, followed by their connection to Turkey and Europe on the other, will have negative impacts on the Iranian transit position in the region.⁴⁰

The most important competitive aspect between the Iranian transit projects in the region and those of BRI is the rivalry between the projects for the development of Chabahar and Gwadar ports. Development of the Gwadar Port is underway as a part of the CPEC. On the other hand, with the 2016 tripartite agreement between Iran, Afghanistan, and India for the development of Chabahar,

³⁴The Volume of Trade between Iran and China has Reached More than 50 Trillion \$', *Tasnim News Agency*, (3 September 2016), available at: <https://www.tasnimnews.com/fa/news/1395/06/13/1177022> (accessed 10 January 2018).

³⁵'China's 25 Percent Share in Iran's Imports', *Hamshahri Online*, (5 August 2015), Available online at: <http://www.hamshahrionline.ir/details/303110> (accessed 10 January 2018).

³⁶'China remains top trade partner of Dubai-based economic zone', *China Daily*, (14 August 2017), available at: http://www.chinadaily.com.cn/business/2017-08/14/content_30575614.htm (accessed 12 January 2018).

³⁷Hassan Sagheb, 'An Analysis of the Real Statistics of Iran's Imports from China', *Institute for Trade Studies and Research (ITSR)*, (2014), available at: <http://trindoc.itsr.ir/ViewImageFile.aspx?PID=5985&P=1&S=16&ID=5877> (accessed 12 January 2018).

³⁸Ebrahim Afshari, '12.5 Trillion of Smuggled Goods Enter the Country', *Tasnim News Agency*, (23 August 2017) available at: <https://www.tasnimnews.com/fa/news/1396/06/01/1498962> (accessed 12 January 2018).

³⁹Seyed Ahsan Alavi, 'Excessive import of Chinese tractors has shut down tractor factories', *Iranian Students News Agency (ISNA)*, (24 December 2017), available at: <https://www.isna.ir/news/96100301279> (accessed 12 January 2018).

⁴⁰Hamidreza Azizi, *China and Central Asia: Regional Influence and International Hegemony*, (Tehran: Mokhtab, 2016).

the development of this Port has accelerated. Some of the objectives of both projects are to create corridors to provide Central Asian countries with access to the high seas so that they could more easily transit goods and energy. Since the time the Chabahar agreement was signed, some Pakistani authorities have called it a rival for the Gwadar project.⁴¹ In addition, a part of the East-West Corridors that China is trying to build is somehow in competition with the proposed North-South Corridor with Iran as its center. That is why some Iranian officials have argued that if the transportation projects in the areas neighboring Iran (including the BRI) are carried out, Iran will lose its transit position in West Asia within the next decade.⁴²

Iranian reactions to BRI: amid hope and fear

Influenced by the above-mentioned dual implications of the BRI, two different and contradictory views have taken shape in Iran's public opinion and among the country's elites regarding the expansion of relations with China and cooperation with Beijing in the framework of initiatives like the BRI. These two attitudes can be labeled as 'threat-centered' and 'opportunity-centered'. Traditionally, the *reformist* camp in the Iranian political sphere, which is in favor of the expansion of ties with the West, has been suspicious to the Eastern powers, especially Russia and China. The suspicion is mostly based on a viewpoint that the development of relations with those 'undemocratic powers' would, in the long run, undermine the shaky bases of democracy in Iran, while letting those powers to 'exploit' Iran's economic resources in the absence of any powerful Western rivals. Meanwhile, the *conservatives*, with a deep anti-Western intellectual background, see in Russia and China potential allies for the Islamic Republic to resist the persistent American pressures and to advance its 'antihegemonic' foreign policy agenda. These two approaches have indeed something to do with how China's BRI initiative is seen in Iran. However, in the exact case of China, there are variables other than just the ideological and intellectual orientations that lead to diverging viewpoints among the Iranian elites.

In this vein, the 'opportunity-centered' view regards China's rise in the current global system as a strategic opportunity for Iran—in terms of its potential for helping the political system survive despite the US pressures and open some windows of opportunities for international maneuvering for the Islamic Republic—and underline the ever increasing expansion of relations with this country. Historically, the 'opportunity-based' view of China has always existed in Iran following the 1979 Islamic Revolution. However, as a strategy, it was first put on the foreign policy agenda of the Mahmoud Ahmadinejad administration (2005–2013), within the framework of the 'Look East' policy. Although looking to the East has almost always been the case in the Islamic Republic's foreign policy, it was just under Ahmadinejad that this viewpoint turned into a concrete foreign policy approach. In fact, in the administrations of Akbar Hashemi Rafsanjani and Seyyed Mohammad Khatami (1989–2005), Iran's foreign policy was primarily oriented toward Europe, while having an eye on developing ties with the non-European powers as well. However, in Ahmadinejad's period, not only Iran's relations with the West were heading toward increased tensions, but also the 'Look East' approach was introduced as an alternative for the previous Western-oriented viewpoint. During this period, expansion of relations with Asian countries was always the top priority, with China having the central position in this strategy. To the designers of this policy, the key objective was to create a kind of balance in Iran's relations with the West.⁴³ Although the strategy lost its significance after the new administration came to power in 2013, some of the effective and influential political elites still believe in and follow this approach. In their

⁴¹Ahmad Jamali, '8 Trillion Dollars of Foreign Investment were Attracted in 2017', *Tasnim News Agency*, (14 December 2017), available at: <https://www.tasnimnews.com/fa/news/1396/09/23/1601258> (accessed 7 January 2018).

⁴²Ebrahim Afshari, '12.5 Trillion of Smuggled Goods Enter the Country', *Tasnim News Agency*, (23 August 2017) available at: <https://www.tasnimnews.com/fa/news/1396/06/01/1498962> (accessed 12 January 2018).

⁴³Manoochehr Mottaki, 'The Meaning of "Look East" in Iran's Diplomacy', *Asr Iran*, (6 November 2010), available at: <http://www.asriran.com/fa/news/143812> (accessed 13 January 2018).

view, China is in the center of Iran's 'Look East' policy and, together with Russia, is one of the most important strategic partner for Iran in the East.⁴⁴

From this viewpoint, the increasing Chinese power in the global system opens up expanding areas of opportunities for Iran. The opportunities include the rivalry between China and the United States, the Westphalian attitude of China toward the concept of sovereignty, its support for the Iranian policies in the Middle East, arms trade between the two countries, and economic interactions. Those who believe in this viewpoint also refer to the fact that Iran had full access to the Chinese market during the period of the paralyzing sanctions. From this viewpoint, the BRI is full of new opportunities for Iran and should be considered a strategic priority in the Iranian economic diplomacy.

The other viewpoint in Iran toward China and its rising power can be called the 'threat-centered' view. Of course, this viewpoint is not found only in Iran but is common among a spectrum of elites and people of developed and developing countries. Proponents of this view—both the elites and the public opinion—focus on the threats resulting from the expansion of relations with China and emphasize the necessity of balancing Chinese presence and influence through expanding relations with the European Union. From this point of view, the lightning-speed expansion of relations with China has led to the closure of a considerable number of key Iranian factories and the unemployment of their workforce.⁴⁵ For example, Iranian First Vice President Eshagh Jahangiri has criticized the former administration led by Mahmoud Ahmadinejad, accusing it of the uncontrolled import of 700 billion dollars of goods from various countries, especially China, and claimed that these imports led to the unemployment of Iranian youth and instead, created employment opportunities for Chinese youth.⁴⁶ In addition, proponents of this view believe that Iran's national interests have not been considered in the contracts signed between the two countries. They consider the BRI as a new method to facilitate Chinese commercial influence in a range of countries including Iran and emphasize the competitive aspects of this initiative and the priorities of Iranian economic diplomacy in the regions neighboring Iran.

A former Iranian Ambassador to China is of the opinion that three groups in Iran play the key role in forming the attitude toward China and the type of relations with Beijing. The first group consists of the significant Iranian businessmen who only care about their profits. He argues that this group signed some of the worst contracts between Iran and China during the intensification of the Iranian sanctions. The second group, in his opinion, consists of a number of Iranian strategists and influential people in forming Iranian foreign policy who have ambitious objectives such as conversion of Iran into a global power and view China as a tool for achieving these objectives. The third group is formed of the elites who always emphasize the Chinese threat and the necessity of balancing Chinese influence through expansion of relations with the European Union and the United States. The former Ambassador argues that this group attempts to create operational barriers in the relations of the first and second groups with China. He concludes that the rivalries between these groups have resulted in a kind of uncertainty and indecision in the management of Iran's relations with China.⁴⁷

In other words, the dual effects of the Chinese rise and initiatives on the geopolitical and geoeconomic position of Iran have led to the formation of contradictory approaches to the expansion of relations with China, as well as Iran's participation in the BRI, China's most important

⁴⁴Ali Akbar Velayati, 'The Islamic Republic of Iran Attaches Importance to Enhance Strategic Relationship with China', *Tasnim News Agency*, (16 November 2016), available at: <https://www.tasnimnews.com/fa/news/1395/08/26/1242893> (accessed 13 January 2018).

⁴⁵Hassan Rouhani, 'The Former Administration Created Many Jobs, but for the Chinese and Koreans', *Khabar Online*, (26 November 2013), available at: <https://www.khabaronline.ir/detail/324729/Politics/government> (accessed 14 January 2018).

⁴⁶Eshagh Jahangiri, 'Under Two Former Administrations 700 Trillion Dollars were Allocated to Creating Jobs for the Chinese Youth', *Iranian Students News Agency (ISNA)*, (25 April 2015), available at: <https://www.isna.ir/news/94020502354> (accessed 14 January 2018).

⁴⁷Hossein Malaek, 'Iran's Opportunities in China's New Era', *The International*, Available online at: <http://theinternational.ir/national-interest-discourse/item/1075> (accessed 14 January 2018).

international initiative. The continuation of these two contradictory views has made it difficult for Iran to decide on a reaction to this initiative. Representations of this difficulty can be observed in the inconspicuous Iranian participation in the initiative compared to some of its neighbors. If we compare the projects carried out in the framework of BRI in countries such as Kazakhstan, Pakistan, and the UAE, we will see the insignificant presence of Iran in this initiative. Kazakhstan, where the Chinese President first announced the initiative, has gradually turned into a logistics hub and a key country in the transit route of the Silk Road Economic Belt.

Meanwhile, the 60-billion-dollar Chinese investment in CPEC has caused this corridor to enjoy a better position compared to the other land corridors in the new Silk Road. At the same time, the UAE has become the Chinese logistics hub in the Middle East such that a considerable amount of the total Chinese exports to the region pass through Dubai. In addition, the UAE has achieved great successes in forming financial cooperation with China. However, most of the projects discussed between Iran and China in the framework of BRI are still on paper. During Xi Jinping's trip to Iran in 2016, 17 cooperation documents centered on the new Silk Road were signed in the areas of science, technology, communications, transportation, energy, and many other fields. Furthermore, it was agreed to develop a roadmap for the strategic partnership of the two countries during the next 25 years. In the joint declaration by the two countries issued at the end of this trip, expansion of cooperation and mutual investment in various areas such as transportation, railway, ports, energy industries and trade, and services in the framework of BRI was emphasized.⁴⁸ However, the programs discussed in these documents are yet to be fully operational.

Another point of importance here is that with the US withdrawal from the JCPOA on 8 May 2018, the prospects for Iran's contribution to the BRI has become further complicated. At first glance, the position of that part of the Iranian elite who sees the expansion of ties with China as an opportunity has been strengthened. They believe that Rouhani's Europe-oriented foreign policy approach has failed and it is time to revive the 'Look East' policy. Meanwhile, those who believe in the threat-centered view are still in favor of keeping the focus on the interactions with Europe, arguing that the EU has a key role in preserving the JCPOA and its subsequent economic benefits. In other words, the US withdrawal has not had any significant impact on the duality among the Iranian elite or the two main viewpoints toward cooperating with China.

However, the US withdrawal and its decision to reimpose the economic sanctions against the Islamic Republic have negatively impacted Iran's ties with the global economy. The move has not only increased the risks of economic interactions with Iran, especially in the fields of investment and infrastructural projects but also posed serious challenges to the country's economic stability. Indeed, the Chinese government is still committed to the JCPOA and the continuation of normal trade ties with Iran. Nonetheless, the Chinese firms active in the global economic system, a considerable number of which have huge benefits in the US and are afraid of being punished by Washington, are having increasing difficulties in cooperating with Iran to promote the BRI-related projects. For example, two major Chinese telecommunication companies ZTE and Huawei have faced severe penalties from the US over their trade ties with Iran.⁴⁹ Furthermore, Chinese energy companies are having serious problems dealing with Iran. Washington's return its traditional policy of containment against Tehran, has created new complexities in Iran-China interactions in general and their cooperation within the context of the BRI in particular.

Conclusion

This article shows that although Iran played the role of a gateway for trade between the East and the West in the old Silk Road, the restoration of this role in the BRI faces serious challenges.

⁴⁸Hassan Rouhani, 'The Former Administration Created Many Jobs, but for the Chinese and Koreans', *Khabar Online*, (26 November 2013), available at: <https://www.khabaronline.ir/detail/324729/Politics/government> (accessed 14 January 2018).

⁴⁹Raymond Zhong, 'Chinese Tech Giant on Brink of Collapse in New U.S. Cold War', *The New York Times*, (9 May 2018), available at: <https://www.nytimes.com/2018/05/09/technology/zte-china-us-trade-war.html> (accessed 12 January 2019).

The Chinese rise in general and the BRI, in particular, have dual impacts on Iran's current geopolitical and geoeconomic positions. On the one hand, expansion of interactions and relations with China in the framework of this initiative increases the Iranian freedom of action and upgrades its international position in the economic and political spheres. On the other hand, the systematic enhancement of China's power and influence in Iran's neighboring regions, especially in the framework of the BRI, has created serious and growing challenges for Iran's regional standing. These dual impacts have formed two contradictory 'opportunity-centered' and 'threat-centered' attitudes toward the expansion of cooperation with China in the context of BRI. Competition and contradiction between these two attitudes have made it difficult for Iran to decide on how to play a role in this initiative. In other words, a combination of hope and fear in Iran's attitude to the BRI has made it hard for the country to determine the effects this initiative could have on its national interests and to decide on how to participate in it. The US withdrawal from the JCPOA seems to have had no major impact on the Iranian elite's two main viewpoints toward the BRI. However, the reimposition of the US sanctions has increased the difficulties for Iran to participate in the initiative and has caused new, important challenges on the way of Tehran-Beijing cooperation in this field.

The dual effects of the BRI will probably continue in the foreseeable future. The continued dual impacts will lead to the continuation of the dual Iranian attitude about participation in the initiative and, along with factors such as the remaining of some American sanctions against Iran, will probably cause Iranian participation in the initiative to be slow, difficult and minimal.

Disclosure statement

No potential conflict of interest was reported by the authors.

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