

Iran–China Cooperation in the Silk Road Economic Belt: From Strategic Understanding to Operational Understanding

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Abstract

Iran served as a bridge in the ancient Silk Road, connecting the East and the West. It also has great potential to play an important role in the new Silk Road. The present study analyzes the factors affecting Iran–China cooperation in the context of the Belt and Road Initiative at the strategic and operational levels. This article shows that, at the strategic level, Iran defines this project as an opportunity to improve its status in the world economy, expanding its room to manoeuvre in the international arena and developing its ties with China, a rising great power. At the operational level, the opportunities and challenges for Iran–China cooperation could be summarized as pertaining to five realms within the Silk Road Economic Belt Initiative: policy coordination, facilitation of connectivity, unimpeded trade, financial integration and people-to-people bonds. The present study asserts that the main opportunity for cooperation between the two countries lies in facilitating connectivity and that the key challenge is financial integration.

Key words: China, infrastructural ties, Iran, regional integration, Silk Road Economic Belt

JEL codes: F15, F36, O53

I. Introduction

The international system has once again entered an era of transition of power, in which the rising powers will have an increasing role in influencing and shaping international agendas. There is no doubt that, among the rising powers, China is the most important and also the most innovative. China's actions and initiatives increasingly affect the international political economy. The Silk Road Economic Belt is one of China's most

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important initiatives, and has led to debate by think-tanks and among decision-making circles of various countries. Many experts have discussed the necessity of the Belt and Road Initiative (BRI) for China's transition to a "new normal" status (Wang, 2016), while others have analyzed the issue from a geopolitical viewpoint and in relation to China's power projection (Yu, 2016).

However, an issue that has somehow gained less attention in the debate on this subject is the role of other countries in this initiative and how they could cooperate with China. In other words, most of the published literature addresses the reasons why such an initiative has been presented by China and the obvious and less obvious motivations behind it. The issue of the role of Iran, one of the countries involved in this initiative, and its opportunities and challenges regarding cooperation with China have remained undiscussed. This is despite the fact that, according to Chinese President Xi Jinping (2016), Iran could play an important role in this project. Therefore, this article attempts to answer a key question: Which factors affect Iran–China cooperation in this initiative at the strategic and operational levels?

To answer this question, this article first takes a look at the BRI within the context of the historical and contemporary interactions between Iran and China, and then analyzes this issue from the perspective of strategic and operational aspects. At the operational level, the five main priorities raised by the BRI are regarded as the main indicators according to which it will be possible to strengthen the development of ties between the two countries. This article shows that, at the strategic level, Iran defines this project as an opportunity to improve its status in the world economy, expanding its room to maneuver in the international arena and developing its ties with China, a rising great power, and there is a similar willingness on the Chinese side to develop ties with Iran. However, at the operational level, the dynamic is different and the two countries urgently need to reach an understanding on their common interests relating to the BRI.

II. The Silk Road within the Context of Iran–China Interactions

To explain the factors affecting Iran–China cooperation in the BRI, it is necessary to look to the past and discuss the status of this initiative within the context of the relationship between the two countries. The relationship between Iran and China is both old and new. It is old because both countries are two inheritors of the world's oldest civilizations and have interacted with each other since ancient times. The main symbol of these historical ties is the ancient Silk Road.

However, this relationship is also new, because official relations between the two

countries in modern times were established in 1971. In modern times, the relations between the two countries have evolved under the influence of several key factors, among which the international sanctions against Iran, the crisis over its nuclear program and the strategic pressure applied by the USA to limit Iran–China interactions have acted as negative factors within the past decade (Shariatinia, 2012). Nonetheless, since Iran and the great powers reached an agreement on the nuclear issue (Joint Comprehensive Plan of Action [JCPOA]), the role of Iran’s nuclear program and US pressure on Tehran–Beijing relations has diminished, and now the shared needs and priorities of the two countries are playing an increasing role in enhancing bilateral relations.

It is obvious for the foreseeable future, the Silk Road Economic Belt Initiative will be the key priority for China’s foreign policy and economic diplomacy (Fallon, 2015). At the same time, Iran’s foreign policy in the post-JCPOA era has made strides and Iran considers the creation of favorable international conditions for economic growth and development to be a key priority. In other words, the development of foreign policy that has shaped China’s international behavior since the initiation of its reform and opening, and which currently plays an increasing role in shaping Iran’s international behavior, could provide the necessary basis for the cooperation between the two countries.

In this framework, the Silk Road Economic Belt Initiative will gradually become the key factor shaping Iran–China relations. Chinese President Xi Jinping’s trip to Iran in January 2016 could be regarded as the starting point of this process. The most important point of negotiation of the leaders of the two countries was the issue of bilateral cooperation on the basis of the Silk Road Economic Belt Initiative. Furthermore, among the 17 cooperation documents signed between the two countries, a large number were related to interactions within the framework of this initiative. Therefore, if we want to know which factors will have a determining effect on Iran–China cooperation within the initiative, we should discuss the issue at the strategic and operational levels.

III. Strategic Factors

Although, as a highly ambitious international initiative, the BRI is designed primarily to shape a new form of economic integration among a wide range of countries, this initiative also has geopolitical and strategic value. In other words, each country views this initiative and reacts to it according to their own view of China’s rise and its consequences for their national interests and international status. Therefore, there exist very different attitudes among the countries that are part of the BRI (Ye, 2015).

Iran regards this initiative as a strategic opportunity for its region and its

neighboring territories; it also views it as important at the “macro” level, in terms of its potential role in creating a balance of power in the international political economy. This is because historically Iran has been an important country on the Silk Road and the revitalization of this route in the context of the Silk Road Economic Belt could help Iran to revive its geoeconomic status. Moreover, Iran–China relations over the past three decades have been friendly and the “China threat” theory is not so popular in this country.

According to China’s official document *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, advancing multipolarism, respecting the models of development chosen by different countries, promoting cultural diversity, peaceful coexistence and respecting the sovereignty of states are the basic principles in the development of this initiative. The very same principles are of great importance in Iran’s foreign policy and its approach towards cooperation with other economies.

Therefore, at the strategic level, Iran considers this initiative as an opportunity to promote its development and also the development of the region. A case in point is the attitude of Iran’s supreme leader towards this initiative. In his visit with the Chinese President, Iranian Supreme Leader Ayatollah Ali Khamenei referred to the BRI as a wise idea and welcomed the cooperation of the two countries in this framework (Khamenei, 2016). Iranian President Hassan Rouhani has also repeatedly spoken about the necessity of Iran–China cooperation in this project (IRNA, 2016a). Iran’s positive view towards the initiative at the strategic level could be regarded as a precondition for operational and technical cooperation between the two countries. In other words, the similarity between the strategic views of the two countries on the international arena, and also the prioritizing of development agendas in their foreign policies, provide a precondition for their cooperation at the strategic level, a favorable basis that China lacks in its cooperation with some countries located on the planned route of this initiative.

IV. Operational and Technical Factors

In the operational plan published by the Chinese Government *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, five areas were introduced as priorities for cooperation between the countries involved. These areas are: policy coordination, facilitation of connectivity, unimpeded trade, financial integration and people-to-people bonds (State Council, 2015). Therefore, if we want to discuss the challenges and opportunities of Iran–China cooperation in the

context of this project, we should consider the issue within the framework of these five subjects.

1. Policy Coordination

According to China's operational plan, promoting cooperation between countries, creating mechanisms for dialogue and consensus-building in the area of macro policies, developing shared interests, deepening political trust and reaching a new consensus on cooperation are of special importance. Furthermore, at the time of his January 2016 trip to Tehran, President Xi Jinping pointed out similar issues. From his viewpoint, the two countries should increase policy coordination and continue to support each other's basic national interests to reach greater consensus and establish a stronger basis for bilateral cooperation (Xi, 2016).

However, there is a long way to go in regards to cooperation between Iran and China in this area. We mentioned earlier that politico-strategic trust has been established between the two countries, but they still lack coordination in the area of macro policies. Currently, the only semi-regular mechanism for dialogue between the two countries is the Iran–China Joint Commission, headed jointly by Iran's Minister of Economic Affairs and Finance and China's Minister of Commerce. The 15th session of this commission, held in March 2014, was followed, after a long delay, by the 16th session in August 2016 in Beijing (IRNA, 2016b). Although the holding of the latest session of this commission could be regarded as a step forward in the two countries' cooperation and collaboration in the policy area, we should note that the commission primarily has an executive function, not a policy-making role, and coordination in this area in the context of the BRI requires interaction between the key policy-making institutions of the two countries.

The most important Iranian decision-making body on development issues is the Vice-Presidency of Planning and Strategic Monitoring, which formulates development plans and macro policies in the country. The regular and close cooperation between this institution and China's Reform and Development Commission is very important to finding ways to create policy coordination between the two countries. Moreover, because in both countries the role of the leaders is very significant in shaping macroeconomic policies, the continuation of regular meetings between the two presidents could help them in the area of policy coordination. Since the beginning of Hassan Rouhani's presidency in August 2013, the two presidents have met each other five times (Rahimpour, 2016): the highest number of such meetings since the establishment of relations between the two countries in 1971. Therefore, summit diplomacy could be regarded as important for policy coordination between the two countries in the context of the BRI.

2. Facilitation of Connectivity

According to the operational plan, facilitation of connectivity is one of the priorities of the BRI. In this vein, while considering their own interests and security, the countries involved should attempt to optimize their infrastructural connections and also to adapt their technical systems to those of the other countries. This would lead them to jointly contribute to the development of international transport routes and the creation of an infrastructural network that could gradually connect all the regions in Asia and also specific points in Asia, Africa and Europe. In addition, there should be serious attempts to create low-carbon and green infrastructure. In relation to transportation, the document *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* insists that there is a need to create a mechanism based on coordinated macro-management in this area. This document also suggests that the process of custom clearance should be based on compatible and standard transport rules to gradually realize the idea of easy and smooth international transport.

There are also some other provisions in this area pointed out by the roadmap in *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road*, such as developing transborder optical fibre cable infrastructure and other communication networks, improving international communications and creating an “Information Silk Road.” To achieve this goal, it is necessary to establish a transborder optical fiber network, to devise submarine and transcontinental optical fiber projects and to improve spatial information passageways to develop data-sharing activities.

Currently, the most important project agreed on by the two countries is the Tehran–Qom–Isfahan high-speed railway. The Qom–Isfahan two-lane high-speed railway, with a length of 410 km, connects Tehran to Qom and then to Isfahan in just 1.5 hours, with trains traveling at 300 km/h. Over the next 20 years, approximately 12.5 million passengers will be carried by this railway each year (Tasnim, 2016a). According to Iran’s Minister of Roads and Urban Construction Abbas Akhondi, the first phase of this project would be carried out at a cost of US\$22bn (Akhondi, 2016a). The Chinese contracting company would provide the finance and carry out 40 percent of construction (Azadani, 2016).

The second important project in the area of rail communications between the two countries is the electrification of the Tehran–Mashhad railway. The agreement on this project was signed in 2014 between the Iranian Railway Company and an Iranian–Chinese consortium, including the Iranian companies MAPNA, MAPNA Ehdas and MAPNA International and the Chinese CMC and SU Power firms. In the signing of this agreement, the task of reforming and constructing the current Tehran–Mashhad

railway for trains to travel at speeds of 200 km/h, building electric railway for trains to travel at speeds of 250 km/h and procuring 70 electric locomotives was assigned to the consortium. This contract is in Engineering Procurement Construction format, and it is financed by the Chinese credit line (MAPNA Group, 2014). The value of this project amounts to US\$2bn (Rashidian, 2015). The development and speeding-up of this railway could be regarded as an important step in the implementation of a key part of the Silk Road's rail route, because, according to the existing plans, the track would enter Iran from the north-eastern part of the country and then continue to the north-west through Tehran and finally reach Turkey.

However, the key point is that to develop its rail transportation, Iran needs US\$25bn investment over the next decade (Akhondi, 2016b). Moreover, 55 airports in Iran require reconstruction and improvement. According to the official statistics published by the Iranian Government, Iran needs US\$14.5bn investment per year over the next decade to improve its current transport infrastructure and to build new facilities. In this vein, in 2015 the Iranian Ministry of Roads and Urban Development announced 121 small and large transportation projects that needed foreign investment (Donya-e-Eghtesad, 2015). Meanwhile, during 2012–2016, Chinese companies became the largest investors in and constructors of transport infrastructure in Iranian neighbor states, particularly those in Central Asia. Therefore, Iran's increasing need in the area of transport infrastructure and the growing capabilities of Chinese companies have created more opportunities for sharing interests for the two countries.

Furthermore, Iran has a special geographical and communication status in West Asia, in that it is connected to South and Central Asia, the Middle East and Europe through land and sea routes. Therefore, the development of Iran's transport infrastructure is necessary for the realization of infrastructural connections in an important part of the Silk Road geography: the connections that, according to the Silk Road operational plan, should gradually form a network to connect Asia, Europe and Africa.

Another priority in facilitating communication and transportation between the countries involved in the BRI is expanding coordination in the area of clearance and gradual realization of easy and smooth international transport. In this area, during President Xi Jinping's visit to Tehran, the customs administrations of the two countries reached an agreement on customs information sharing, as part of a joint plan of action in customs cooperation (Karbasiyan, 2016). Moreover, according to the joint plan of action, China would transport a proportion of its exported commodities to Iranian ports and then transport them further to Europe (Mehr News, 2016).

However, in the sphere of new infrastructure, such as the "Communication Silk Road," there is still no formal agreement between the two countries. In recent years,

Chinese information technology (IT) companies, especially Huawei, have become key players in the Iranian market, but the IT interactions between the two countries have yet to be defined within the framework of the Silk Road Economic Belt priorities. It is also worth mentioning that in this area, Iran's geographical status, connecting Europe, Asia and Africa, could play an important role in the realization of the "Communication Silk Road." Moreover, over the next 5 years Iran needs to attract US\$17bn investment in this sphere, of which 65 percent should be supplied by the private sector. The large amount of investment required could create important opportunities for cooperation between the two countries (Vaezi, 2016).

3. Facilitating Free Trade, Investment and Industrial Cooperation

One of the other priorities of the BRI is that of attempting to mitigate as much as possible the barriers to free trade, investment, industrial cooperation, and technical and engineering services. In this vein, the action plan proposes a series of measures, such as expanding free-trade zones, improving trade structures, seeking new potential areas for trade and improving the trade balance, devising new initiatives for the promotion of conventional forms of trade, developing transborder electronic trade and other advanced models of business, creating a system for supporting trade in services to strengthen and expand conventional trade, increasing customs cooperation, and regularly sharing information in these areas.

Other measures emphasized by the *Vision and Actions on Jointly Building Silk Road Economic Belt and 21st-Century Maritime Silk Road* include: expanding cooperation to connect energy infrastructure; cooperation and coordination in safeguarding oil and gas pipelines and other energy transition routes; accelerating the process of investment facilitation; removing barriers to investment and expanding joint investment zones; developing cooperation in the sphere of emerging industries, especially the new generation of IT, biotechnology, new energy technologies, new materials and other forms of emerging industries; improving the division of labor and distribution of industrial chains by encouraging the entire industrial chain and related industries to develop in concert; increasing the openness of service industries to each other to accelerate the development of regional service industries; and encouraging Chinese companies to invest in partner countries and vice versa.

It should be noted that Iran is China's second largest trade partner in the Middle East and China is Iran's main trade partner. In 2015, the volume of trade between the two countries amounted to approximately US\$434bn. China is the largest market for Iran's oil and non-oil trade commodities and, according to the statistics published by Iran's Customs Administration, approximately 24 percent of Iran's overall trade

is connected with China (Tasnim, 2016b). Moreover, Iran is an important emerging economy with rich energy resources and a market of 80 million people that is larger than the whole Central Asian market with its 66 million people. Over the next decade, Iran needs to attract US\$500bn in investment for various sectors of its economy (Foroohar, 2015). These facts have led some analysts to argue that in the post-Cold War era, Iran is the largest economy opening its doors to the global economy. In the post-JCPOA era, the prospect of Iran's potential economic growth is very encouraging, which, in turn, could lead to a considerable increase in its economic interactions with China. This is why, the Chinese President's 2016 visit to Iran, the two sides raised the ambitious idea of reaching a trade volume of US\$600bn over the next two decades (Shana, 2015).

Therefore, in relation to expanding and facilitating trade, there is considerable potential for cooperation between the two countries. However, the realization of such potential has its own challenges. The trade structures of the two countries have important differences. The Iranian Government's protectionist trade policies on the one hand, and on the other hand the multilayered sanctions imposed by the West, and especially the USA, over the past three decades, parts of which still persist even after the JCPOA, have deeply affected Iran's international trade structure. This creates some structural problems for Iran in developing its trade with China and also with the other countries involved in the Silk Road Economic Belt.

For example, although Iran is China's second-largest trade partner in West Asia, the trade between the two countries is not based on global free-trade regulations. Currently, 97 percent of global trade is governed by the regulations of the World Trade Organization (WTO), within which 162 countries, including China, are members, but Iran is the only significant economy that is not a member of the WTO. Thus, improving Iran's trade structure and synchronizing it with the accepted global trade regulations is a key precondition for cooperation between the two countries in this area. Since 2016, Iran has advanced its application for membership to the WTO and, in this endeavor, it will enjoy the support of the European Union. Because China is a key player within the WTO, its support for Iran's membership could help facilitate and institutionalize trade interactions between the two countries. Moreover, conducting feasibility studies on signing a bilateral free-trade agreement (FTA) between two countries is a necessity. China is carrying out negotiations with a wide range of countries, including the Persian Gulf states, to sign such agreements. Thus, the same negotiations could be started with Iran, which, in turn, would help to facilitate cooperation in the other areas related to the Silk Road Economic Belt.

Another challenge facing the two countries in expanding and institutionalizing their economic and trade interactions within the framework of the Silk Road Economic

Belt is the weakness of their bilateral economic diplomacy. The interactions between governments of the two countries are limited to the traditional mechanism of joint commissions, which is a legacy of the Cold War era, and their effectiveness for managing the increasingly sophisticated economic interactions of the 21st century is seriously in question. Furthermore, Chinese companies' knowledge of the Iranian market is very limited and is typically derived from English-language media. Similarly, the Iranian Government and business sector have little knowledge of the economic, financial and technological capabilities of Chinese companies. Thus, it could be said that in the area of trade, there is considerable potential for developing ties between the two countries but the realization of such potential depends heavily on solving challenges at both international and national levels.

Energy infrastructure and energy security are areas in which the two countries have great potential to cooperate within the context of the BRI. Iran is one of the world's most important oil producers and China is the largest energy consumer in the world. According to the statistics, Iran's oil exports to China amounted to 744 000 b/d in 2015, which means that approximately one-third of Iran's total oil exports flowed into China (Egan, 2015).

In the post-JCPOA era, and, as a result of the lifting of most of the international sanctions against Iran, the situation is gradually improving for cooperation between the two countries. In just over a year since the finalization of the nuclear deal, there has been an increase in the activities of Chinese oil and gas companies in Iran, the most important example of which was an agreement between Iran's Ministry of Petroleum and China's Sinopec to develop the Abadan oil refinery, the largest refinery in Iran. The initial US\$1200m in finance for the first phase of the project was provided by the Chinese company in February 2017 and the executive operation is due to start in the coming months.

Furthermore, the China National Petroleum Corporation (CNPC) and Sinopec, which in recent years have contributed to the development of the Azadegan and Yadavaran oil fields, formed new agreements with Iran's Ministry of Petroleum, one of the most important of which was the initial US\$4.8bn agreement to develop the South Pars gas field. Energy giants CNPC and Total have expressed willingness to participate in this project (Khani, 2016), which is regarded as the greatest opportunity for foreign investment in Iran's energy industry in the post-JCPOA era.

Beside existing energy cooperation between the two countries, there is also huge potential to further develop the ties in this area. According to Iran's Petroleum Minister Bijan Zanganeh, Iran needs to attract US\$134bn investment in the upstream oil sector and an additional US\$52bn in its petrochemical industry (Zamaninia, 2016). The

National Iranian Oil Company currently has 515 projects as well as 88 mega-projects and 2000 sub-projects on its agenda (Zamaninia, 2016).

In considering the abovementioned statistics, it could be said that Iran is one of the key countries involved in the BRI, with considerable potential to attract Chinese investment and technology for the development of its energy infrastructure.

Moreover, Iran's geographical status enables it to connect the energy infrastructure of the countries involved in the BRI. Iran is the only country in West Asia with the ability to meet part of China's oil and gas needs through both land and sea. Currently, all Iranian oil exports to China are conducted by sea; Central Asia and Pakistan are two potential land routes that could connect Iran's energy resources to the Chinese market. Moreover, Iran has already connected parts of its energy infrastructure to some of the other important Silk Road countries; namely, Turkmenistan, Turkey and Pakistan. Development of the ties between Iran and these countries in the form of separate trilateral cooperation initiatives with the participation and investment of Chinese companies could be regarded as another source of potential in this area.

4. Financial Integration

The formation and promotion of financial integration between the countries is another key aspect for the BRI. The action plan proposes a number of measures for the realization of financial integration between the Silk Road countries, including deepening financial cooperation and building a currency stability system, establishing an investment and financing system and a credit information system in Asia, expanding the scope and scale of bilateral currency swaps between the Silk Road countries, developing the bond market in Asia, making joint efforts to establish the AIIB and BRICS New Development Bank, conducting negotiations among related parties on establishing a Shanghai Cooperation Organization (SCO) financing institution, supporting the efforts of the governments of countries along the Belt and Road and companies in these countries, and financial institutions with good credit ratings to issue RMB-denominated bonds in China, and encouraging qualified Chinese financial institutions and companies to issue bonds in both RMB and foreign currencies outside China and use the funds thus collected in countries along the Belt and Road.

The cooperation between the two countries in this field is still at the initial stage. As emphasized by the action plan, the AIIB would play a key role in financing the projects related to the BRI. In June 2015, Iran signed the documents with China to join the AIIB, which were ratified on 7 January 2017 after a long delay (AIIB, 2017). Moreover, Iran is still an observer state in the SCO and, thus, is not able to contribute to the creation of its financial institution.

From a wider perspective, it should be noted that international sanctions have had a considerable impact on Iran–China cooperation in this area. Parts of the remaining sanctions still have great influence on financial cooperation between the two countries. Despite the suspension of UN and EU sanctions, the US dominance of the global financial system and the continuation of Washington’s sanctions against Iran have created challenges for Iran’s financial interactions with the international community. One can reasonably anticipate that such influence will be intensified even further by Donald Trump’s administration. Banking interactions between Iran and China are still problematic. Therefore, wider cooperation within the framework of the BRI is even more challenging.

5. People-to-people Interactions

Enabling the people of the countries to bond along the Silk Road is also important for implementing the initiative. The provisions proposed in the action plan include: promoting extensive cultural and academic exchanges; organizing youth and women’s exchanges and volunteer services to win public support for deepening bilateral and multilateral cooperation; providing 10 000 scholarships by the Chinese Government to the countries along the Silk Road every year; holding cultural years; increasing cooperation in science and technology; and establishing joint laboratory or research centers and international technology transfer centers.

Although the two countries have many common cultural and historical features, the number of people-to-people interactions between them are still very limited. If we regard the Confucius Institute as the symbol of China’s cultural interactions with other countries, the issue becomes more understandable. Currently, there are 480 Confucius Institutes around the world, but although one of these branches has been established in the University of Tehran, it still does not offer any cultural or educational activities (UCLA Confucius Institute, 2017). There are no reliable statistics on the number of fellowships granted by the Chinese Government to Iranian students or the exact number of Chinese students in Iran. Furthermore, the two countries still do not have any plans to hold regular celebrations for each other’s cultural years. In the field of science and technology, during President Xi Jinping’s visit to Iran in early 2016 the two sides reached a memorandum of understanding on establishing technology parks, but the plan is yet to be realized (ISNA, 2016).

In addition, in relation to the tourism sector, the relationship between the two countries is still in its infancy. There are only seven flights per week between Iran and China. In 2015, of the 120 million Chinese tourists who traveled around the world, only 150 000 chose Iran as their destination. Iran is aiming to increase the number to at least

2.5 million (Tasnim, 2016c). Thus, in this sphere also, there is considerable potential for cooperation and interaction between the two countries, but in reality there is still a long way to go.

V. Conclusions

“The devil is in the detail.” This proverb could well be applied to Iran–China cooperation in the context of the BRI. As mentioned earlier, at the strategic level, Iran considers this initiative as an important opportunity to rebuild its domestic economy and enhance its role and status in the global economy. In contrast, China also emphasizes cooperation with Iran. However, at the operational level, the two countries are in urgent need of reaching an understanding on their common interests relating to the BRI and the ways to fulfil their goals within the context of the five mentioned priorities, known as “the five links.” Thus, reaching a common operational understanding is a necessary precondition for effective cooperation between the two countries.

To date, the two countries have made the first steps in the development of road infrastructure and energy investment. However, in the other areas, namely policy coordination, promotion of free trade and people-to-people interactions, there is a lack of common operational understanding between the two sides. Moreover, in relation to financial integration, another key priority of the BRI, the remaining sanctions against Iran and the negative psychological atmosphere surrounding international banking cooperation with Iran have created some challenges for developing ties with other countries. The point is that financial interactions play a key role in advancing cooperation in other areas, and, as a result, challenges could also spill over into other areas, including policy coordination, facilitation of connectivity, trade and people-to-people bonds.

Therefore, we can assert here that the difficulties relating to financial cooperation between Iran and China present the most important challenge to the two countries and the companies within these countries in relation to cooperating within the framework of the BRI. It is obvious that resolving such a challenge is beyond the capabilities of the two countries themselves and depends directly on the implementation of the JCPOA and the US’s commitments within it. However, the potential and capabilities of the financial institutions of the two countries to find special ways to cooperate should not be ignored. Even in the current situation, some solutions could be found to develop and facilitate financial interactions between the two countries, because there is the political will to do so on both sides.

Overall, to advance cooperation within the framework of the BRI, the two

countries should focus on forming a common understanding on the requirements of policy coordination and facilitation of free trade and, at the same time, find solutions to overcome the challenges of financial interactions between the two countries.

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