Investigation on Iran- China Economic Relation after Removing Sanction on Iran

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Abstract: Iran and china are enjoying a historical economic and political relation. Two sides have developed a broad and deep partnership focused on China's energy needs and Iran's abundant resources and geostrategic location as well as significant non-energy economic ties. Iran has been suffered from USA and western countries and UN sanction in last few years but china also plays an important supportive role to help Iran to overcome the difficulties caused by sanction. Then Iran wants to strength his ties and partnership with china more closely after removing sanction. In this paper, we had studied some Influencing factors, challenges, and opportunities in relation between two nations and finally we will deliver Policy recommendations.

Key words: Iran china relation, sanction on Iran, one belt one roads

INTRODUCTION

Iran and china are enjoying a historical economic and social relation, which came back to thousands years ago when the Silk Road connected east to west through Iran.

Despite the weak political and economical relation between two countries before Iran revolution in 1979. Over the past few decades, China and Iran have developed a broad and deep partnership focused on China's energy needs and Iran's abundant resources and geostrategic location as well as significant non-energy economic ties. This partnership presents a unique challenge to U.S. and some western countries interests and objectives.

Trade exchanged volume has increased from 4 billion dollars in 2000 to 52 billion dollar in 2014 and decrease to 36 billion dollars in 2016 but both sides intend to maintain 600-billion-dollar transaction in upcoming 10 years.

Iran has been suffered from USA and western countries and UN sanction in last few years but china also plays an important supportive role to help Iran to overcome the difficulties caused by sanction. Due to this great help, the Iran government has considered china as his strategic partner and alliances and want to strength his ties and partnership with china more closely after removing sanction. but there are some Influencing factors and challenges and opportunities in relation between two nations that we will investigate their Impacts and considering the Prospects of cooperation and finally we will deliver Policy recommendations.

HISTORIC EVOLUTION

Trade along Silk Road:
The Silk Road or Silk Route was an ancient network of trade routes that for centuries were central to cultural interaction through regions of the Asian continent connecting the West and East from China to the Mediterranean Sea.¹

The Silk Road derives its name from the lucrative trade in Chinese silk carried out along its length, beginning during the Han dynasty (207 BCE – 220 CE). The Han dynasty expanded Central Asian sections of the trade routes around
114 BCE, largely through the missions and explorations of the Chinese imperial envoy, Zhang Qian\(^i\). The Chinese took great interest in the safety of their trade products and extended the Great Wall of China to ensure the protection of the trade route.\(^iii\)

Trade on the Silk Road played a significant role in the development of the civilizations of China, the Indian subcontinent, Persia, Europe, the Horn and Arabia, opening long-distance, political and economic relations between the civilizations.\(^iv\)

Though silk was certainly the major trade item exported from China, many other goods were traded, and religions, syncretic philosophies, and various technologies, as well as diseases, also spread along the Silk Routes. In addition to economic trade, the Silk Road served as a means of carrying out cultural trade among the civilizations along its network.\(^v\)

**Economic Relations from the end of the Wwii To 1979:**

The United Kingdom and the United States compelled Iran to pursue Western interests from the early 1940s onward, first by forcing Reza Pahlavi to step down from power in favor of his son Mohammad Reza, and subsequently by carrying out a coup against the populist Iranian Prime Minister Mohammed Mossadegh in 1953. As a consequence, many Iranians came to view Western powers as responsible for all of the flaws and failings of the Pahlavi regime. During the same period, U.S.-led sanctions against the communist regime in Beijing were used by China’s leaders to portray the West as an enemy of the Chinese people. Iran’s relations with China were of little significance during the Pahlavi reign. Prior to the 1979 revolution, relations with Beijing were kept to a minimum, in large part owing to U.S. pressure on Iran to curtail economic and diplomatic ties with communist China. However, before his overthrow, the Shah did seek to improve relations with China in order to create a more independent foreign policy and mutual concern over Soviet actions in Central, South, Southeast, and East Asia drove Tehran and Beijing to take tentative steps toward greater cooperation.\(^vi\)

The total value of China's trade with Iran from 1950-59 amounted to $2.5 million.\(^vii\)

By the 1960s, however, China-Iran relations went through substantial changes. After the Sino-Soviet political rift, China was looking to counter U.S. as well as Soviet hegemony in the Third World. Having lost the support of its former ally, China was now looking for alliances. Hence, with the emergence of peaceful coexistence and, later, détente in U.S and Soviet relations in the 1960s, the centrality of Iran's strategic value as an anti-Soviet outpost diminished in the eyes of U.S. policy makers. By 1964, the U.S. decision to sell arms to Iran, rather than provide it with military grants, convinced the shah that he had to assume a more "independent" foreign-policy posture.

By 1965, Iran began to abstain from voting on China's UN membership rather than oppose it. While Iran continued to support the anti-communist Baghdad pact (CENTO) and remained suspicious of China's support of the Tudeh party, several important political developments encouraged rapprochement. With the escalation of China's anti-Soviet campaign in the late 1960s, the shah, who was chiefly concerned with the threat of Iran's neighbor to the north, found a potential ally in China. Regionally, the defeat of Arab armies by Israel in 1967 enhanced Iran's strategic position in the region and rendered the shah more assertive. He recognized the People's Republic of China for the first time in 1967, and by 1969 declared his support for China's membership in the United Nations. Despite the absence of formal political relations between the two countries, trade relations during the 1960s became 20 times greater than during the previous decade. With the British military withdrawal from the Persian Gulf and the signing of the Soviet-Indian friendship treaty, China became increasingly alarmed about Moscow's penetration into the Persian Gulf and sought new alliances with Iran and Pakistan to counter it.

As the United States and a number of Western and non-Western nations began their rapprochement with China, the shah's regime felt, in 1971, more comfortable doing the same. China also saw in Iran a viable potential trade partner and energy provider. Iran perceived China to be a good counterbalance to both the United States and the Soviet Union, hoping that relations with China would lend Tehran much leverage in international affairs. In particular, friendship with China would obligate it to discontinue its support of revolutionary movements in the Persian Gulf and prevent destabilization of the region. Once China ceased its support in 1971 for the Popular Front for the Liberation of Oman, which the shah opposed militarily, there was nothing standing in the way of full normalization between the two nations. On August 17, 1971, in a joint communiqué, the two
countries established diplomatic relations. The shah's sisters (Princesses Ashraf and Fatimah) visited China on separate occasions in 1971, and the chairman of the Chinese Communist party, Hua Guofeng, visited Iran in 1978. The establishment of diplomatic relations eventually led to a substantial increase in trade relations. The 1972 trade figures were six times higher than those of 1971, the 1973 figures were more than ten times greater than the 1971 figures, and the 1978 figures were about 20 times greater than in 1971. Nevertheless, in the immediate aftermath of the revolution, total trade between the two countries dropped from $118 million in 1978 to $68 million in 1979.

Economic Relations from 1979 To 2000:
The Islamic Republic that replaced the Shah was at first suspicious of Chinese intentions and initially consigned China to the category of great powers that sought to exploit Iran. Mao Zedong’s immediate successor as Chairman of the Chinese Communist Party, Hua Guofeng, was one of the last foreign officials to meet with the Shah before the collapse of his regime, and Iran’s revolutionary leader, Ayatollah Ruhollah Khomeini, was not inclined to forgive such a transgression. PRC officials, however, immediately made substantial efforts to reach out to the new Islamic Republic, extending it recognition only three days after its founding. Gradually, Beijing was able to improve its relations with revolutionary Iran though skillful diplomacy and the sale of arms during the Iran-Iraq War, earning Tehran’s gratitude for years to come.

Other factors contributed to growing Chinese-Iranian cooperation during the 1980s. First, Beijing dropped its support for revolutionary communist during this period, and therefore posed little ideological threat to the Islamic Republic, which was itself battling leftist forces in the early years of the revolution. Second, Iran’s radical revolutionary policies isolated it from the rest of the world, including the United States and the Soviet Union as well as much of the Arab world, a position that the PRC could empathize with to some extent, having itself been at odds with both Washington and Moscow during most of the 1960s. Furthermore, the regimes in both China and Iran took power through violent revolutions against pro-American regimes, and both regimes strongly opposed Western “domination” of the international system.

In 1989, the Iranian president, Ali Khamenei, visited China and assured Deng Xiaoping of Iran's commitment to expanding friendly relations between the two nations. As a result of this closer relationship, Sino Iranian trade increased substantially in the 1980s. Total trade between the two countries increased from $627 million to $1.627 billion. In addition, cultural relations between the two nations also expanded student exchanges, scholarship and research programs, increased artistic interactions, and the waiving of visa requirements for tourists. The end of the Iran-Iraq War in 1988 provided China with a new opportunity to participate in much-needed economic reconstruction and emerge as the provider of arms and technology for Iran. Strained Iranian relations with the United States and Western Europe rendered Iran an alluring market for China. This is also the period when China's economy began to grow rapidly, exponentially increasing China's need for new sources of energy supply and investment markets. Iran needed a reliable buyer for its oil and gas and a supplier of military equipment and weapons systems. This made the rationale behind the mutually beneficial relationship even more patently clear to both sides.

INFLUENTIAL FACTORS ON CHINA-IRAN ECONOMIC RELATIONS IN NEW ERA

Indicators:
Indicator shows that relation between two nations was booming both in economical and political aspects within last three decades. Oil and non-oil economic ties was strengthen and future of relation also promising.

Oil sector cooperation:
Trade in the energy sector is especially robust with Iran’s daily 408,000 barrels exporting of oil in 2008, valued at $15.8 billion annually. Furthermore, it is estimated that Chinese firms signed $120 billion worth of contracts in the Iranian hydrocarbon sector during 2005-2010. As western countries have decreased their trade and investment in Iran, China and other Asian nations have stepped in to fill the void. In 2008, the China National Petroleum Corporation (CNPC) and the National Iranian Oil Company (NIOC) signed a $1.76 billion deal to develop Iran’s North Azadegan oil field, which could produce upwards of 75,000 barrels of oil per day by 2012. this project already run. In March 2009, Iran and China signed a $3.2 billion gas deal, in which Iran is LNG and a Chinese-led consortium agreed to construct a pipeline to extract some 10 million tons of liquefied natural gas from phase 12 of Iran’s
South Pars gas field. Soon after, CNPC inked a $5 billion deal with NIOC to help developing phase 11 of the field. The project designed to produce roughly 2 billion cubic meters of gas and 70,000 barrels of gas condensates daily. CNPC replaced the French energy giant total after withdrawal of it from the project.\textsuperscript{a1}

According to a July 2009 report in the Chinese South Post Morning, Iran has called China to invest in a series of economic projects worth $42.8 billion, including the construction of seven new oil refineries. China has agreed on several Tehran’s investment requests, offering to construct ten offshore jack-up drilling platforms, seven land drilling rigs, and two float cranes with a total cost of $2.2 billion. Energy cooperation increased further in August 2009 when China agreed on a $3 billion deal to expand Iran’s Abadan and Persian Gulf refineries. The projects expected to take three years to complete. In September 2010, the Financial Times reported that Chinese Sinopec and CNPC have also signed $4 billion in contracts with Tehran to increase production in Iranian oil fields. In November 2009, this figure expanded when Sinopec signed a tentative agreement to provide $6.5 billion in financing for oil refinery projects in Iran\textsuperscript{xii}. While China is a major export market for Iranian crude oil, Iran forced to import a large quantity of gasoline from the country due to a lack of refining capacity. In September 2009, China increased its gasoline supply to Iran to one-third of total Iranian gasoline imports. China is also extensively involved in segments of the Iranian economy, which are devoid of oil and gas.

Also Iran’s current Oil Minister Bijan Namdar Zanganeh says Tehran is willing to increase cooperation with China in the oil industry and energy sector once Western sanctions against the Islamic Republic are removed.

“This country [China], as one of the biggest buyers of Iran’s oil, has been greatly cooperating with the Islamic Republic under conditions of sanctions and we are willing for that cooperation to continue when sanctions are removed,” Zanganeh told reporters in Beijing on Thursday, Press TV said. He added that the new phase of energy cooperation between Iran and China will focus on oil production and development projects to be carried out by Chinese firms in Iran, IRNA reported. Zanganeh noted that China’s Sinopec and CNPC (China National Petroleum Corporation) are currently working in Iran’s Khuzestan province, expressing hope that the two countries will redefine their cooperation in the new phase to lay new grounds for further collaboration in energy sector. According to figures quoted by IRNA (Iran national agency), Iran was China’s sixth biggest oil supplier last year, with Saudi Arabia and Angola ranking first and second, respectively.

Iran's oil exports to China increased by 28 percent in 2014 compared to the preceding year, to hit about 550,000 barrels per day\textsuperscript{a11i}.

**Non-oil sector cooperation:**

China and Iran mapped out a wide-ranging 25-year plan to broaden relations and expand trade during the first visit by a Chinese leader to the Islamic republic in 14 years.

President Xi Jinping met with his counterpart Hassan Rouhani on January 23, 2016 in Tehran, a week after the lifting of international sanctions against Iran over its nuclear program.

The Chinese leader is the first head of state of the six-country bloc that negotiated the historic deal to visit Iran.

Mr. Rouhani said the meeting marked “the beginning of an important era” in Iran-China relations, the visit was the first by a Chinese president in 14 years, official Iranian media reported.

“Today we discussed the strategic relationship between both countries, setting up a comprehensive 25-year plan and also promoting bilateral relations of up to $600bn (€555.6bn) over the next 10 years,” Rouhani said.

The two countries signed 17 documents and letters of intent, IRNA reported, including treaties on judicial, commercial and civil matters. Long-term contracts in the energy and mining sectors also discussed, Rouhani said.

Iran is seeking to attract $50bn (€46.3bn) annually in foreign investment for the country’s ailing $400bn economy.\textsuperscript{xiv}

In May 2009, at a joint economic conference in Tehran, the two countries signed a number of agreements totaling $17
billion in economic cooperation. The agreements stipulated that China assist Iran with its construction sector, host joint trade meetings, and develop Iran’s railway system.

According to Amir Talebi, an official with the Trade Promotion Organization of Iran, his country’s principal exports to China consist of "propane, iron ore, polyethylene, aluminum, copper, marble, chrome ore, cast iron, lead, concentrated licorice, and sulfur.” Talebi added that China assists Iran in building dams, shipyards, ports, airports, in mine-development, and oil and gas infrastructure. China has also proposed a series of ambitious railroad projects that would connect the country’s heartland with Middle East, linking China with Iran via Kazakhstan, Uzbekistan, and Turkmenistan.

It believed that currents trade volume is the highest trade level whereby both countries could enjoy it; despite existing good political and economic relation between two countries, some fluctuations of oil price or international price of raw material can affect the trade volume. Thereafter, it is necessary to put into consideration to utilize the opportunities of China's largest state-owned industrial companies in Iranian market due to their involvement in aforementioned projects in Iran and design new strategies and ways to strengthen amicable ties between the two countries.

One of the factors which can have a negative impact on exchange of goods between the two countries is public discontent against China’s third-grade goods which they are mostly smuggled into the country—consequently. The Chinese government also has an obligation to set developing initiatives in combating against export of such goods to Iran. Among other problems manifested more in small and medium industries in the two countries in the past three years, great deal of problems is over banking and financial transactions between these two countries, where on the substantial point, that is, however security council has considered the limitations for Iran, and China as the main member has to implement them, merchants and artisans work on the domain of machinery, mine materials, which this does not include nuclear energy. 

**Usa Sanctions:**
In 1979, at the time of the Islamic revolution and the hostage crisis, the United States imposed broad economic sanctions against Iran. Since then, Washington has imposed various additional sanctions against Tehran, accusing the Iranian government of developing nuclear weapons and sponsoring or funding terrorism abroad. The sanctions block US-based oil companies from operating in Iran, giving the US a strong incentive to generalize the sanctions and block US firms' foreign competitors from operating there as well.

The complex of Chinese activities in Iran since early 2003 when the Iran nuclear issue intensified can be disaggregated into six major policies. These are:

1. Cooperate with the United States on the Iran nuclear issue to the extent necessary to convince the U.S. that China is not a peer competitor or a strategic rival, but is a responsible stake-holder and strategic partner. 
2. Support the Islamic Republic of Iran (IRI) diplomatically and politically against U.S.-led international pressure over the Iran nuclear issue. Help the IRI win time to push forward with its nuclear programs.
3. Expand economic cooperation with the IRI especially cooperation in the energy sector, and guard this cooperation against infringement by sanctions arising over the Iran nuclear issue.
5. Cooperate with Iran to strengthen its military capabilities.
6. Use China’s good offices to mediate U.S.-IRI conflict seeking a compromise over the Iran nuclear issue.

China is attempting to balance important but partially conflicting interests with the United States and the IRI. The activities constituting these six policies are, in fact, 2 Part of a complex negotiation between Beijing, Washington, and Tehran, and disaggregation into six distinct polities is artificial --- but analytically useful.

**Iran-China Common Regional Interests:**
Two major trends in the growing Sino-Iranian relationship could help sustain cooperation between the two countries. 

**Caspian Sea:** The first trend is China is intensifying efforts to gain access to the energy resources of the Caspian Sea region. China’s major energy security initiative is to reduce its heavy reliance on maritime oil imports from Persian Gulf states. Iran is a linchpin in this Chinese regional strategy.
Beijing’s plan to build pipeline access to the Caspian Sea region via Iran reinforces the symbiotic relationship between Tehran and Beijing. In this respect, China has a strong interest in seeing a secure Iranian regime.

**Shanghai Cooperation Organization:** The second trend is Iran’s increasing participation in the Shanghai Cooperation Organization (SCO). It was originally formed in 1996 to demilitarize the border between China and the former Soviet Union. It evolved into a wider regional organization after the Soviet Union’s break-up and the independence of Central Asian countries. Since 2005, Iran has had observer status in the SCO. In 2008, Tehran announced it would seek full SCO membership, but was rejected because Iran was subject to U.N. sanctions. After the nuclear deal was announced in 2015, SCO Secretary General Dmitry Mezentsev said that sanctions relief could pave the way for Iran’s full membership in the SCO.

Despite its limited activities, the SCO could provide Iran an organizational context to forge closer relations with states vital to its interests in Central Asia. Iran reportedly views the SCO as a potential guarantor of its future security.  

**Challenges on Expansion of Bilateral Cooperation:**

Iran and China has established their official relation in 1971 and both sides have been benefited within last 45 years and recently Iran is second trade partner of China in west Asia and on the other hand China is the biggest trade partner of Iran. Iran also has the third rank of oil reserve of the world after Saudi Arabia and Canada and second rank in the gas reserve in the world and also China is going to be the biggest consumer of the energy in whole world then energy security is the main concern for Chinese government and necessity of improvement of oil and gas industry of Iran in the other hand and capability of China in supporting Iran in this scene has linked two nations more and more closely.

The economy of China also need to more and more raw materials and more semi-finished items to be imported and feed the engine of development and improvement of giant economy. Iran with his great resource of minerals and petrochemical and agricultural products has a significant and growing affect in Chinese market too. This big economy always looking for new and emerging markets and Iran definitely is a considerable destination for this purpose.

Some challenges, which may affect in relation of two countries, can be explains as bellow:

**Slowdown of global economy (China):**

The Chinese economy is slowing down as part of the global economic slowdown now engulfing the capitalist world. China is also suffering from internal capitalist contradictions of its own.

Right now the economy of India is slowing down, as is the Brazilian economy. This is the result of the slow growth of the U.S. and Japanese economies and the outright downturn in Europe. Given its partial integration with world capitalism, China cannot but be seriously affected by this development.

Among the chief economic officials in China are Premier Wen Jiabao and Zhou Xiaochuan, head of the People’s Bank of China. Zhou is firmly in the camp of the “reform and open up” grouping. He told U.S. Treasury Secretary Timothy Geithner during recent negotiations in Beijing that China should surrender to long-standing U.S. pressure to raise the value of its currency so that U.S. capitalist exporters could more easily penetrate the Chinese market and Chinese goods would be more expensive to sell abroad. But the International Monetary Fund says that slowing growth in China could cause major problems for the global economy.

Figures for the first quarter of 2015 show Chinese growth is at its slowest in six years. GDP growth was 7 per cent for the three months from January, down from 7.3 per cent in the fourth quarter last year.

The slowdown is nothing new: the 7.3 per cent GDP growth last year was the lowest in two decades. China’s economic output is still enormous at $10.3 trillion last year, making it only the second country to the $10 trillion milestone that the US met in 2000. The IMF has slashed growth forecasts in China - and globally. The recent estimate of 2015 growth is 0.3 per cent lower than it was last year. For 2016 forecasts, growth is 0.5 per cent lower.

The Chinese economy has slowed substantially since the beginning of 2012 and this long-term slowdown, by about 3 percentage points of annual growth, results from the loss of momentum in the dynamics of the recovery process. The effect on imports, and hence on China’s contribution to the slowdown in world trade, has been amplified by the fall in the
country’s degree of openness as a result of the reduction in processing trade activity in the economy. On the other hand, the upward trend in the import content in domestic demand does not seem to have been harmed. In the medium term, two factors could be accentuating the Chinese slowdown: first, the construction sector, which has boosted activity since 2009, clearly seems to be experiencing a reversal. Second, there has been a rapid development in shadow banking and the Chinese banking system shows signs of real fragility. The scale of the accumulated currency reserves means that China could contain any sizeable financial crisis, but if credit dries up this could amplify the slowdown in current activity which, even without financially contaminating the rest of the world, could have a marked effect on world trade. In the years to come, even if market share has risen for 10 years, China’s contribution to world demand for French products, could be substantially less than its average levels between 2000 and 2010. However, the ongoing rebalancing of imports from processing trade to consumer goods and services could lead a stabilization of France’s market share in China. \textsuperscript{xxiii}

**Us sabotage on Iran-China relation:**

The US strategy of “war through peace negotiations” is an ongoing process. So far the US military build-up against China has failed to intimidate China. Beijing has responded by launching its own strategic military response and by financing a huge number of Asian economic projects which, in the long-run, will isolate the US and undermine its offensive capacity.

The US ‘war and negotiations policy’ toward Iran remains inconclusive: Washington has encircled Iran with proxy wars against Yemen and Syria but Iran continues to gain influence in Iraq. The US has spent $40 billion on arms and training on an Iraqi army whose soldiers refuse to fight and die for US interests, allowing the neo-Baathist- ‘ISIS’ coalition of Sunni insurgents to seize one-third of the country. The more serious and motivated militia defending Baghdad is composed of the Shia volunteers, influenced by Teheran. The horrific break-up of what was once sovereign secular republic continues. \textsuperscript{xxiv}

Iran’s main think tanks seem to agree on a single line of analysis concerning Iran-China relations—Iran and China are natural allies and continue to cooperate in many areas, but US pressure on China to cut ties with Iran has limited the relationship between the two countries, and thus China has sold out to the West. The issue of Syria seems to be the one area where Iran has expressed the most hope of strengthening ties with China. \textsuperscript{xxv}

We should consider that Expansion on China relation with west and USA and its commitment to create peaceful world, put the Chinese policy makers to be more in line of adopting himself with western countries and USA about Iran.

**Domestic dissatisfactions on China–Iran relation:**

If we go back to last decades, the main economic and commercial partner of Iran was European and some south East Asian countries, for several years, Germany was the first trade partner and some years Italy and even France was the biggest trade partners of Iran.

Due to this historical relation and common benefit which made between enterprises of two sides then it was totally was against their benefit to see the new big competitors like china to replaced them and gradually relation between Iran and china has improved from some billion dollars in early 2000 to 50 billion dollars in 2014.

Then most of the local business owners who had historical relation with the big names and brands in Europe and Asia was facing very big challenges and could not see such a big change in trade direction. We could see a lot of propaganda and advertisement which emphasis on low quality of Chinese products and entrust to the business relation with Chinese partner which mostly coming from such a campaign.

Still after removing the sanction, we have Limitation of banking, logistics and transportation and other business services, which take times to return to normal situations. In addition, even china was not pioneer to resolve such an obstacles and it help negative feeling among business owners in Iran who was looking to replace their business destinations with china.

**Links between china’s Iran policies and its broader national policy goals:**

Many countries are wary of Iran’s nuclear activities and assertive foreign policy but at the same time attracted to its abundant energy resources and economic potential. Yet few have been as bold as China is seizing these opportunities. As a result, China is in the paradoxical position of having more leverage than almost any other country vis-à-vis Iran, but also
having the most to lose should more broadly punitive sanctions be imposed or war breaks out in the region.263 Still, China’s relations with Iran are primarily shaped by its economic interests and more specifically by its energy needs. Additionally, China’s policy toward Iran is deeply influenced by the PRC’s perceived rivalry with the United States. xxvi

On the other hand, growing up the business ties need to more safe and secure environment and Chinese firms are more concern about this factor and such an unstable political circumstances in Iran affected to have a mid or long term planning for business cooperation. We do hope that removing sanction has given ambitious more to Chinese entities to look Iran.

**Competition from EU:**

Europe has lost Iran market within last decade due to imposed sanction to Iran, which blocked any activity between their enterprise and Iranian side.

Less than a week after the lifting of sanctions, the European Union’s announced it is sending a delegation to Iran to begin rebuilding trade ties. Oil is likely to be high on the agenda for both sides. The EU is looking to diversify its energy sources away from Russia following the Ukraine crisis. In addition, it comes at an opportune time for Iran’s oil industry, which has stagnated in recent years, producing only a third of the volume of competitor Saudi Arabia.xxvii

We should remember historical trade relation between Iran and European countries such as Germany, Italy France, England and etc. and now days they are looking to find their missing market position in Iran.

**Oil prices under pressure:**

Iran produced 2.87 million barrels/day of oil in July 2015 (source: IEA) this is expected to rise to 3.4-3.6 million b/d by Q2-2016 in the most optimistic forecast, an increase of 500K-700K barrels a day. The potential new supply from Iran has seen oil prices sink to below 40 US$ before the recent reaction higher.

What make the oil market defensive are the new added potential Iranian oil, but also a US oil sector, which continues to pump 700K-1 million b/d more than last year, and a floating storage of 222 million barrels of oil. To put this into context the daily global production of oil is 95 million b/d in 2015, but growing by 2 million b/d in the next two years according to the IEA.

The low oil prices will deflate activity in the region and put upward pressure on government to facilitate investment and jobs away from oil sector. A much-needed change being forced on government through the extremely low prices of oil.xxviii

There is also big intention in China to shift the whole economy from energy oriented industries to green field which will lead to low per capita consumption of energy and less reliance to some oils and gas countries like Iran and middle eastern.

**IMPACTS AND PROSPECTS**

**Political Significance:**

Despite the growing political costs of conducting business and forging a closer relationship with Iran, China’s economic and political ties with Iran have grown in recent years (Harold & Nader, 2012, p.26). This is because China’s growing need for foreign energy resources is shaping the relations between the two authoritarian countries where relations are shaped by the overlapping economic interests between them (Mazza, 2001; Dorraj and Currier, 2008). Furthermore, investing in Iran provides China with the prospect of a secure supplier of oil for decades to come (Harold & Nader 2012, p. 17). Despite the political costs associated in tying hands with Iran and in particular, the costs in relation to the U.S., China is deepening and broadening the relationship. Admittedly, China’s investments have “enhanced Chinese energy security by developing a solid relationship with a supplier unlikely to be compelled into cutting oil exports to China in the event of a U.S.-Chinese military conflict” (Harold & Nader, 2012, p.18).xxix

China has assisted in the development of Iran’s nuclear program. Most of this assistance has been, in principle, geared toward the civilian aspect of the program. However, much of what China has actually provided, including support on uranium enrichment, has a military dimension as well. For example, from 1985 to 1996, China provided Iran with various types of critical nuclear technology and machinery and helped to acquire others, assisted Iran in uranium exploration and mining, and helped Iran master the uses of lasers for uranium enrichment.20 In particular, Chinese
technicians and engineers played an important role in training Iranian nuclear engineers and in establishing the Esfahan Nuclear Research Center, which has played a central role in the development of Iran’s nuclear program. \(^{xxx}\)

**Prospects (Opportunities):**
We can introduce the economical and commercial opportunities as a promising prospects which may exist between two countries as bellow:

**Economic and commercial opportunities:**
- Cooperation in energy section’s which I have explained this topic in previous paragraph.
- Accessing to the third markets through each other. After removing sanction, the new business models will hire and both countries will more benefited from this business behavior.
- Considering the wide and effective sanction has been imposed to Iran has leaded to developing a new generation of business managers who can adapted themselves properly in critical situations and now there are a big numbers of CEO of crises. They can manage well, be innovative and efficient to run new business and create many opportunities and remove the obstacles easily.

- Imposed sanctions and creating more limitation especially for activities of SME’s in Iran has led to a flow of capital and investment toward other countries. one of the destination for this capital investment was China within last few years and at least a big no of immigrants has chosen the China for their settlement place and now they are educating, establishing their business and deeply involved in the exploring common
- Benefit and materialize the opportunities.
- The new business models of cooperation are mostly hiring the e-commerce platforms and china is going to become one of the leaders in this market in global economy. Interaction between national platforms needs to provide the cross border e-commerce platforms that enable the easy access of business from different parties together. There is a big potentiality in this respect for cooperation between two sides.
- There are six groups of economic opportunities which could explore and implement between enterprises of two nations after removing sanction. Table 1 has briefly showed the categories of cooperation in the area of investment, finance, trading and technology and high tech, Services and one belt and one road initiative.

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<tr>
<th>Opportunities</th>
<th>Area of cooperation</th>
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<tr>
<td>Investment</td>
<td>Oil and gas and petrochemical, Infrastructure, agriculture, mining</td>
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<td>Construction, Auto industries, transportation, railways</td>
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<td>Finance</td>
<td>projects ,Trade finance</td>
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<td>Trading</td>
<td>Real business, luxury products, e-commerce platform</td>
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<td>Technology and high tech</td>
<td>New energy, Green industry, transfer of technology, Bio technology,</td>
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<td>Nanotechnology,stem cell</td>
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<td>Services</td>
<td>Tourism and hoteling, Incubator ,transportation and logistics, insurance</td>
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<td>One belt ,one road</td>
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**One belt and one road initiative (OBOR):**
Recent years, China has developed more active role in world economic development. In September and October 2013, Chinese chairman Xi Jinping put forward the initiative One Belt and One Road in the 21st Century. As a multilateral financial institution proposed by China, the Asian Infrastructure Investment Bank (AIIB), inaugurated in Beijing on January16 2016, represents an important contribution the country has made to the development of the world. \(^{xxxii}\)

Iran plays an important role in the two-thousand-year history of the Silk Road, and its unique status remains irreplaceable even today, Liu Zhentang, former Chinese Ambassador to Iran said, at a seminar in Beijing in 2014, Liu explained his idea as follows:
Firstly, it is commonly accepted that Xi'an was the starting point of the Silk Road
In addition, the end was Rome.
Persia was located in the middle, which served as a bridge to link the twosides. A large number of Chinese archaeologica l discoveries have confirmed this point.

More than 95 percent of foreign coins unearthed in Chinadat e from Persia's Sassani Dynasty (3rd century to the 7th century AD).

Secondly, Persia was some country rich in religions. Almost all the religions associated withPersia spread to China. The Persians even brought certain religions that did not originate in Persia to China.

For instance, Persian Zoroastrianism and Manichaeism hadc onsiderable influence in China, and Persians were the main Force in spreading Nestorianism and Islam to China.

Thirdly, Quanzhou, a historical city in south China's Fujian Province, was an importantlink in the traditional maritime Si lk Road. Quanzhou was once a key port on the maritimespic e road and the Silk Road. More than half of the sarcophagus, steles, and carved relics stored in Quanzhou Maritime Muse um was written in Persian. In addition, there is a wellpreserv ed Manichaeism statue standing on a cliff in Quanzhou.

Liu pointed out that although Chinaand Iran has different sy stems and beliefs; the twocountries share common universal values: mutual respect, fairness and equality, independence, mutual benefit and win-win, and opposition to any form of power politics and hegemony. He said that such values should be true universal values.

"The relationship between Chinaand Iran is a strategic partn ership with no writtenagreement, and Iran will play a more i mportant role in building the new Silk Road," Liu remarked.\textsuperscript{xxi}

Due to above mentioned reasons and some other relevant factors, both countries have maintained a strategic relation together and despite of big pressure and interference from some western countries for stopping the cooperation, but we ar are watching a great intention of both side to not only keep but also strength the bilateral relation.

**POLICY RECOMMENDATIONS**

**Strategic Planning for Iran and China Economic Relation after Removing Sanction:**

whenever we want to have a long term relation with any partners, it is necessary to make a strategic planning. In such a planning we will consider all of the possibilities, strengthen, weakness and challenges and also according to the common goal and aspiration, we make a road map of cooperation and provide a strategic planning.

Sanctions have created pressure on Iran, but Iran is also a large regional economy with a relatively diversified industry structure. Oil is very important, but it is not entirely dependent on oil. Iran’s economy is facing many challenges, and these challenges have been accentuated by the sanctions. The main challenges are (and have been for a while) unemployment, especially amongst youth, and inflation, which is likely to get worse partially because of the depreciation of Iranian currency and partly because of the abolition of the subsidies scheme, which the government put in place about two years ago.

China also suffered from economic sanction to Iran. Bank and financial institute in china could not reach to Iranian banking system and only Kunlun bank in china was in operation between two countries and very simple and low level banking task and services has been provided and rendered by this bank for customers. China also has lost the chance of access to neighboring countries through Iran which very more than 400 million populations they have. China also lost many opportunities for investments in Iran due to uncertainty caused by sanction for Chinese investors.

Imposed sanction to Iran was the heaviest one, which can be pushed to nations. However, despite of the sanction china keeps his position as first trade partner of Iran. It means that any challenges could be changes to opportunities as well and Iran benefited from deep understanding and friendship of china in this regard. After removing sanction to keep the previous position of china in business with Iran, there are six groups of opportunities, which could explore and implement between enterprises of two nations.

Investment, finance, trading and technology and high tech, Services and one belt and one road initiative are these areas of cooperation.

\textsuperscript{xxi}
The most effective sanctions toward Iran have been started in 2011, when the activity of banking sector was being stopped and later it has extended to oil industry and finally to shipping too. After election of new president of Iran in 2013, the new approach has been declared and reconstruction of foreign policy and new dialogue with western countries has been adopted.

Fortunately, after a several round of discussion and a long time of talk between Iran and 5+1 countries, the agreement has reached and sanction has removed on January 2016.

China also will be more benefited from such a situation. Due to the strategic relation of two countries and strategic alliances, which formed the China as the first trade partner of Iran then

There is no doubt that china as a friend in need has been considered by Iranian leader as a friend indeed and strategically will keep his position in Iran business and trade after removing the sanction and no one from Europe and America can replace his business position in Iran.

Not only the big companies will be happy but the Most of the SME’s which has been suffered due to the lack of direct banking relations and impossibility of utilizing the banking credit and credit lines, and lack of confidence to other party, will be more equipped and benefited and we can predict that a vast expansion in cooperation between two sides will be happen After removing the sanction.

Within xi jin pin visit to Tehran in Jan 2016, he paid the first visit by a Chinese leader to the Islamic Republic in 14 years and both Iran and China have agreed strategically to increase trade to $600 billion in the next 10 years. Two countries signed 17 documents and letters of intent to broaden bilateral cooperation in industry, transportation, railways, ports, new technology, tourism, the environment and energy.

**Financial Cooperation:**

For strengthening the economic cooperation between two sides, which definitely improve the political and social relation, we have to maintain a strong financial ground and have to equip the commercial and industrial players of two nations with financial tool and support. Trade financing and project financing is two main subjects that should be considered by policy makers and any movement regarding theses topics will help both countries to expand bilateral cooperation together.

Kunlun bank is the only banking relation channel between Iran and China, and Iran has enough deposit and reserve in this bank. Such collateral in the hand of Chinese side could convince the financier utilize this chances and apply for providing different kind of trade and project financing in Iran. Some Chinese bank has provided considerable of project financing for different feasible industrial projects in Iran until now but it is clear that there are a lot of room for cooperation between different commercial bank of China and Iran to involve in financing cooperation after removing sanction.

**Strengthen Mutual Confidence:**

The importance of Sino-Iran relations is acknowledged by the leaders of both countries. Chinese President Hu Jintao has stated that “it is the Chinese government’s set policy to develop the China-Iran ties of long-term stability, mutually beneficial cooperation and common development based on the five principles of peaceful coexistence.”

China and Iran views their relations with each other from a strategic height and long-term perspective.

While both China and Iran acknowledge internationally, the two countries complement one another: their strong bilateral relationship is founded firmly in mutual interests and still growing, there are latent issues—chiefly, the still unclear intentions underlying Iran’s nuclear program and China’s own interests in the curbing of the terrorist threat in the region—which could be exploited by international powers to damage the bilateral relationship. As following the July 2009 riots in Xinjiang, China’s Muslim majority province, both countries came on the consensus of condemnation international interference in China’s internal affairs and also affirmed the right of Muslims as well as rights of other ethnic groups. The China-Iran alliance is seen to hinder US plans for the region, and it may be expected that international powers will employ their old but still valid tactics of “divide and rule” and exploitation of issues to remove, or at least diminish, this obstacle. The way around this challenge lies in Iran’s adherence to the dictum “dialogue among civilization,” voiced by former Iranian president Mohammad Khatami. And China’s continued observance of its five principles of
peaceful coexistence. These important and worthy approaches would, on the one hand, pave the way for furthering the mutually beneficial bilateral relationship and, on the other, nullify the threats posed by the hegemonic designs of imperial powers.

CONCLUSION

Iran and China are enjoying a historical economic and social relation, which came back to thousands years ago when the Silk Road connected east to west through Iran.

Despite the weak political and economical relation between two countries before Iran revolution in 1979, Over the past few decades, China and Iran have developed a broad and deep partnership focused on China’s energy needs and Iran’s abundant resources and geostrategic location as well as significant non-energy economic ties. This partnership presents a unique challenge to U.S. and some western countries interests and objectives.

Trade exchanged volume has increased from 4 billion dollars in 2000 to 52 billion dollar in 2014 and decrease to 36 billion dollars in 2016 but both sides intend to maintain 600-billion-dollar transaction in upcoming 10 years.

Iran has been suffered from USA and western countries and UN sanction in last few years but China also plays an important supportive role to help Iran to overcome the difficulties caused by sanction. Due to this great help, the Iran government has considered China as his strategic partner and alliances and has planned to strengthen his ties and partnership with China more closely after removing sanction.there are some Influencing factors in relation between two nations that I have introduced them and also investigated their Impacts and consider the Prospects of cooperation and finally I have proposed some Policy recommendations.

For overcoming barrier and obstacles to increase the relation between two nations and changing the challenges to opportunities, I have provided some policy recommendations among them to have Strategic planning for Iran and China economic relation after removing sanction, to strengthen Financial cooperation and Also, need the Strengthen mutual confidence have more importance.

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