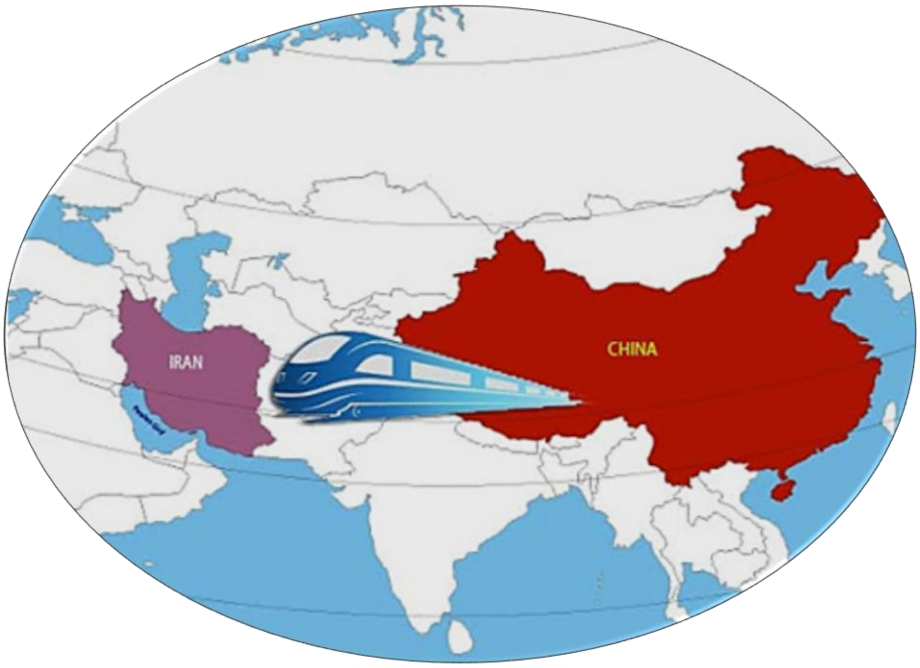
The Geopolitical Economy of Chinese Influence in Iran:

Empire of Capital and Uneven Development



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Abstract

Expansion of China's sphere of influence in Iran reflects a small episode of a larger picture on the global scale, a process by which China is rapidly devouring the world’s natural resources to feed its growing domestic economy and, conversely, is pumping huge amounts of goods and capital out into the world economy. By focusing on the historical evolution process of Chinese investments in plenty of projects and its interests in expanding infrastructure networks in Iran, this thesis inquiry into the economic and political implications of Chinese investments in Iran. The objective is to explore and analyze how this process will be accompanied by two distinct but intertwined geoeconomic and geopolitical consequences: (a) intensify the integration of Iran's economy in China’s global and regional economic projects in accordance with maximizing the process of its domestic capital accumulation and, simultaneously, (b) preserving the configuration of uneven development of Iran’s capitalism through becoming a subordinated economy to meet the requirements of China’s economic development, which leads to the strengthening and consolidation of China’s hegemony and influence as a superior power, however. Criticizing the mainstream state-centric approach and applying the dialectical method, the thesis deal with the process of internal contradictions, expansion-oriented, and the accumulation-driven tendency of capital as the innermost driving force of the capitalist production and the associated power relations and ongoing competitions between the states and enterprises in the capitalist world-system.

***Keywords**: China, Iran, Geopolitical Economy, Empire of Capital, Economic Integration, and Uneven Development.*

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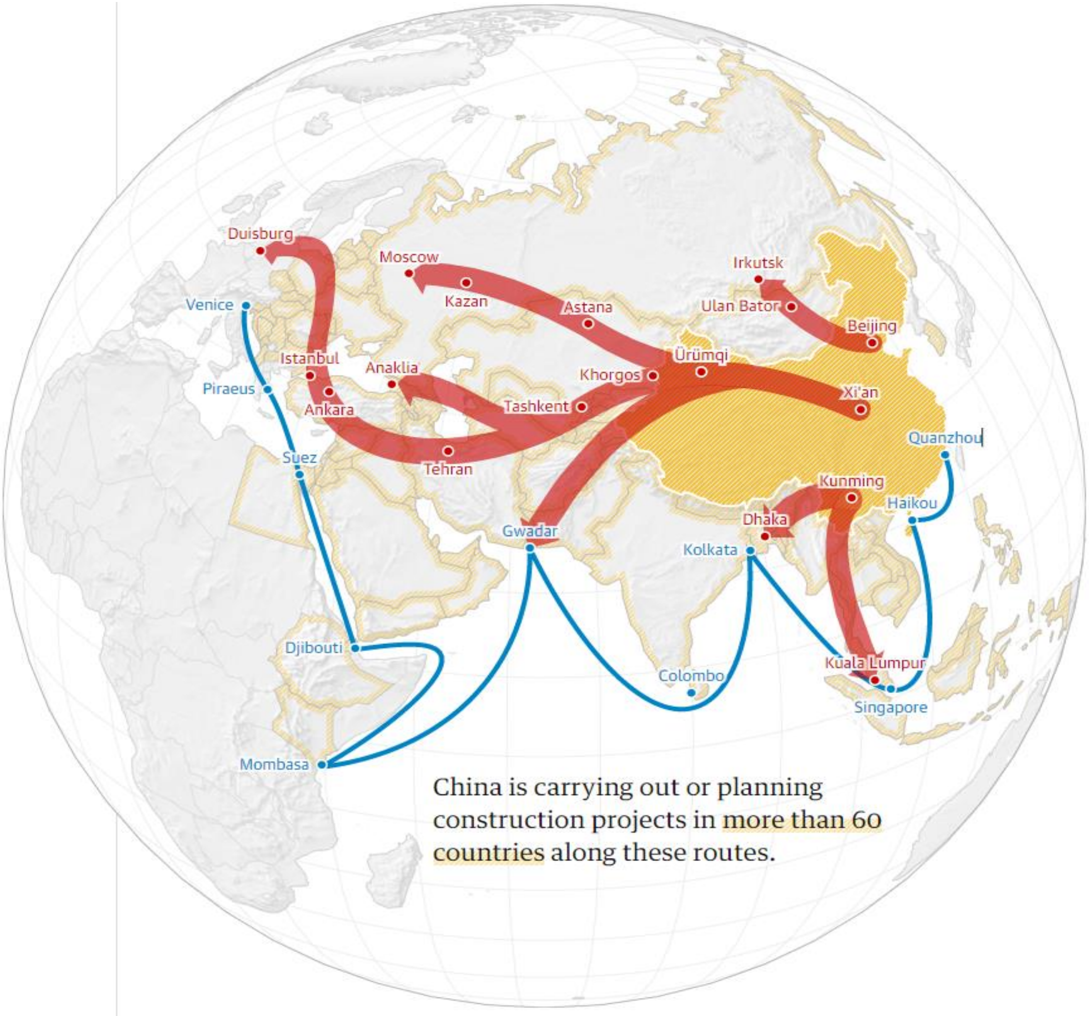
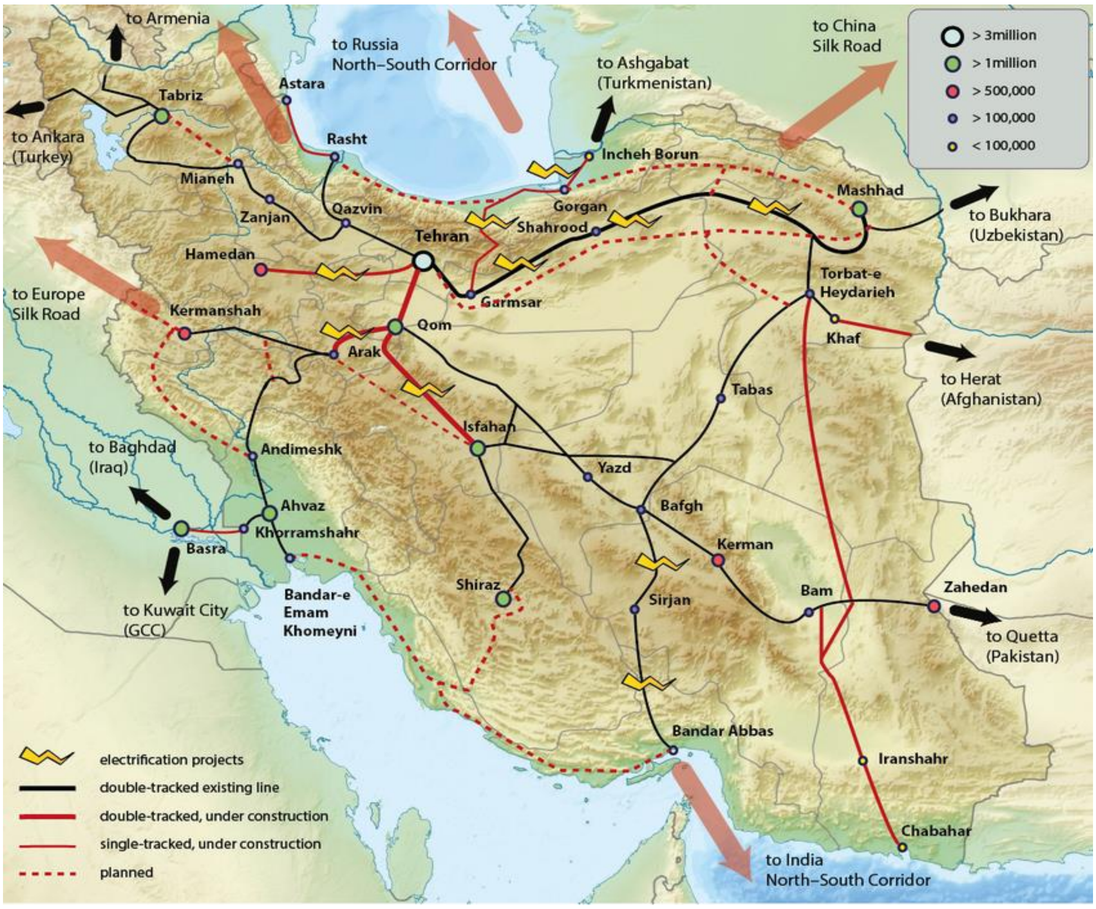


***Source**: The Guardian*

II. Railway Map of IRAN



Source: *Hanza*

III. Iran key Petroleum Sector facilities

Source: *Wikimedia Commons*

CHAPTER I. RESEARCH DESIGN

1.1. Introduction

Metaphorically speaking, the emergence of China in the 21st century appears as a giant octopus dragon that is gradually but powerfully expanding its sphere of influence upon many parts of the world. A process by which the dragon is rapidly devouring the world's natural resources to feed its growing domestic economy and, conversely, is pumping huge amounts of goods and capital out into the world economy. What is currently going on between China and Iran reflects this phenomenon, displaying a small episode of a larger picture. The leak of a document indicating the new '25-Year Strategic Agreement' among Beijing and Tehran (Saleh, & Yazdanshenas, 2020) in the past year has triggered a controversial atmosphere in domestic and foreign politics. The question has arisen whether this level of partnership generates a strategic foothold and regional clout for China. Concerns about the increasing involvement of Beijing intensified further when the Petroleum Economist reported that under this agreement, China will benefit from a unique monopoly rent in Iran under the banner of $280bn developing Iran's oil, gas, and petrochemicals sectors as well as another $120bn investment in upgrading Iran's transport and manufacturing infrastructure, Chinese companies gain the opportunity to be "the first refusal to bid on any new, stalled or uncompleted oil and gas field developments", and buying "oil, gas, and petrochemical products at a minimum guaranteed discount of 12pc ... plus another 6pc to 8pc of that metric for risk-adjusted compensation" (Watkins, 2019).

The history of the Sino-Iranian 25-Year Agreement dates to the visit of Xi Jinping, Chinese President, to Tehran in January 2016. When the two countries signed a 'Joint Statement on Comprehensive Strategic Partnership' (JSCSP) in which one article spoke of the strong will of the two sides to expand 25-years of 'Comprehensive Strategic Partnership' (President, 2016). After a long period of political controversy, on 27 March 2021, Foreign Ministers of both countries signed the "Comprehensive Cooperation Program" in Tehran. One of the most points is the expansion of their economic cooperation in the area of trade, economy, and commerce (Tabnak, 2021a). Considering that the full dimensions and details of the agreement document are not yet published, speculation under public opinion continues so much so that the question of Chinese "colonization" has arisen (Tabnak, 2009). Notwithstanding, the agreement express the expansion of China's sphere of influence in Iran, mainly through billions of dollars of investments in Iran's major industries and expanding transportation networks.

1.2. Problem

In the context of conflict and rivalry between the great capitalist powers, while the Western powers were continued to dominate their political and economic influence in the region (Hanieh, 2013), China has been the prominent emerging power entering into the Middle East (ME) to challenge the western powers and has become Iran's biggest trading partner and the largest purchaser of Iranian oil (Aizhu, 2012). Following the launching of the One Belt and One Road (OBOR) in 2013, China's major interest in Iran has intensified by growing investing in the petroleum sector and constructing infrastructure networks (Kamel, 2018). In this context, only a few scantly and scattered studies have been conducted on the flow of Chinese capital to Iran (Garver, 2011; Maloney, 2015; Khan & GUO, 2017; Shariatinia & Azizi, 2017). Importantly, the problem is not solely restricted to a gap in systematic empirical research but it is also a matter of analytical and theoretical approach how to explore and explain the rise of China and the expansion of its influence in Iran, as well as what actual and potential economic and political influences are.

Mainstream scholars dealt with the Beijing-Tehran relationship from the perspective of the conventional view of international relations (IR), taking the state and its foreign policies as the main analytical unit, the role of political relations in organizing their economic cooperation (Adami & Moghadam, 2013; Sadeghi, 2015; Pirsalami, 2015) and the impact of geopolitical tensions between the great powers and their regional allies in the region (KHAN & Changgang, 2017; Ehteshami, et al., 2018; Hafeznia, et al., 2019). Even when the issue of China's economic policies in the region becomes the subject of probing, the analytical basis of some scholars revolves around the question of securing China's energy supply in Iran, which remains only in the context of foreign commercial relations (Adami and Moghadam, 2013; Sadeghi and Lotfi, 2015). Moreover, the other problematic analysis is that, within the historical context of long military interventions of Western imperialism in the ME, the Chinese approach toward the region and, particularly, the Sino-Iranian relationship has been described as a "peaceful," "non-imperialistic," "friendly relationship," and "win-win cooperation" (Harold & Nader, 2012). These approaches overlook, though, the interconnection between IR and the internal dynamics of capitalism and compelling driving forces behind the emergence of China and its economic and political implications on Iran.

Grasping political and economic implications and interactions among China and Iran is not understandable by separating it from the broader context of the global capitalist system. The mainstream approach views all the elements of the society as separate and independent agents and static, neither interested in the internal relations between units of analysis at different levels nor links it with the totality of capitalism. Such as Antonio Gramsci (1999) argued, IR "follow[s] (logically) fundamental social relations" (p.395). Unlike conventional understanding that considers the object of inquiry as "discrete building blocks that can be compared or contrasted," (Ruper, 2013, 151) economic relations between capitalist state-nations are not reducible to a general commercial relationship, exchange of goods and services, merely inter-state relations or "win-win" cooperation. Rather, it is the economic and political imperatives of capitalism that forces each national economy to expand globally, in a competitive sphere between corporations and capitalist states reciprocally, which is, eventually, "the development of historically specific class-based relations and powers" (ibid). Given that the global political economy of capitalism consists of complex relations and internal contradictions between different (but intertwined) elements, it is necessary to deconstruct the logic and structure of the mainstream approach. Instead, inquiry into China's interest and influence in Iran requires a critical methodology and dialectical thinking, "the way to study a world composed of mutual dependent process in constant evolution" (Ollman, 1998, 342).

Considering England as a historical example, the global expansion of its economy derived from "its *inward* development, the growth of a unique *domestic* economy" (Wood, 2002,174). As Gramsci underlines, it is "necessary to take into account the fact that international relations intertwine with these internal relations of nation-states, creating new, unique and historically concrete combinations" (Gramsci, 1971, 182). Therefore, it is of crucial importance to situate Chinese economic and political interests in Iran in the context of its domestic capitalist transformations as imperatives of the global expansion of capital.

1.3. Objective

The main objective is to inquire and analyze the deepening and expansion of China's involvement in the Iranian economy in the twenty-first century and the associated economic and political implications on power relations between the two countries. By focusing on the historical evolution process of Chinese investments in economic projects and its interests in expanding transportations networks in Iran, this research attempts to explore the dynamic forces behind the prominence of China's influence in Iran.

To explore this issue, it will be explained how power relations between the two countries relate to the requirements of capitalist development in China and power relations in the global capitalist economy. Hence, first, the thesis aims to link the growing involvement of Beijing in Tehran to capitalist transformations in China that have underpinned since the opening-up policy in 1978 and the deriving forces behind China's global approach, especially in the light of launching the Going Global Strategy in 2000 and OBOR in 2013 as China's interregional and intercontinental project. Second, considering that the ongoing tendency of self-expansion and global-orientation of capitalism is caused by imperatives of expansion for endless accumulation of capital (Marx, 1993; Lenin, 1940; Wood, 2003), starting from this viewpoint, it will be looked at the economic and political implications of China's investments in Iran on their power positions within the capitalist global economy. To achieve this end, it will not only pay attention to the historical process of China's deepening influence in the Iranian economy. This process will be also analyzed in the context of China's geoeconomic and geopolitical strategy in Iran; the economic imperatives as driving forces behind China's export of capital into Iran as well as the associated 'national' interests of Chinese capitalism.

1.4. Significance and Justification

Contrary to the theoretical and analytical logic of the mainstream viewpoints, this thesis intends to build new foundations on which to explore China's widespread influence in Iran. It provides a critical theoretical approach to explain and comprehend the emergence of China in the time of globalization and its geopolitical economic strategy in Iran in conjunction with the contradictions of the capitalist mode of production, in particular the dynamic forces behind and immanent contradiction of globalization as capitalism's most recent era. As Marx explained, "in capitalism everything seems and in fact is contradictory", and it is the "contradictory socially determined features of its elements" that is "the predominant characteristic of the capitalist mode of production" (Marx, 1973, 491). When we speak of contradiction, it means "the incompatible development of different elements within the same relation, which is to say between elements that are also dependent on one another" (Ollman, 2003, 17). Regarding the contradiction of globalization, given that the internal tendency of capitalism resulted in a condition under which the capitalist global economy has been more interconnected and integrated than ever before, it has been accompanied by the specialization of the global economy in the form of different national economies and the territorial fragmentation of space and political authority (Wood, 2016, 31).

Considering that, historically seen, the export of capital from industrial and advanced economies has an important impact on the capitalist development of less developed countries to which capital is exported (Lenin, 1940), it is necessary to examine how China's export of capital affect the position of Iran in the international division of labor among the capitalist world economies, which "is subject to the absolute law of uneven development" (Mészáros, 1995, 993). Accordingly, in parallel with the intensifying of integration of the global economy, national economies are developing unevenly. It is impossible to understand the political and economic interests of the capital-exporting country “without taking account of both uneven development and competition among national economies and without acknowledging the constant tension ... between international cooperation and struggles for dominance among national capitalisms” (Wood, 2016, 26). Following this approach, as Gramsci (1999) pointed out, “[e]ven the geographical position of a national state . . . follows (logically) structural changes in the organic forces of a given society and it also reacts back upon them” (p.395). It needs also to be grasped that “the practice of territorialization is today everywhere bound up with the project of producing and reproducing capitalist (i.e., class) social relations, including the capitalist form of the state as a social relation” (Lee et. al., 2018, 416). The interconnection between the economic and political sphere stems from the dialectical and dynamic interaction whereby the transformation in the sphere of production affects the form of state and dynamic of world order. This vantage point “provides tools that help us work through the spatial dimensions of capitalist development in ways that go beyond merely associating geography with the international dimensions of political economy, while at the same time preserving a space for the notion that states play crucial roles in capitalist development, including through geopolitics” (Glassman, 2018, 410). The dialectical and intertwined relation between geopolitical and geo-economic dimensions of China’s interests in Iran will be the central concept of this analysis which I call *the logic of the geopolitical economy of empire of capital*.

1.5. Definition of Concepts

The (capitalist) mode of production refers to societal and technical form of production of necessities of human life, which consist of the "productive forces" (labor-power, means of production, and raw material and technology) and the "relations of production" (organization of work and class relationship, which is the social structures that regulate the relationship between humans in the production process. Briefly, it is about *what* they produce and *how* they produce. In capitalism, “the production of surplus-value” [and] accumulation of capital ... is the immediate purpose and compelling motive of capitalist production” (Marx, 1993, 293).

Globalization refers to the main features of the contemporary era of global capitalist order within which the global economy has been integrated substantially in the form of the internationalization of production, “the internationalization of capital, its free and rapid movements and the most predatory financial speculation around the globe” (Wood, 2003, 133).

Uneven development in the age of globalization refers to the contradiction of the global-oriented tendency of capitalism whereby it intensifies the interconnecting of the global economy and, simultaneously, preserves and proliferates the national states by specializing and differentiating national economies. As a result, peripheral countries become producers and exporters of raw material to core countries where it will be reprocessed and then exported to peripheral countries in the form of higher value products. Hence, the concentration and accumulation of power and capital in one pole (core) lead to backwardness and weakening of the opposite pole (periphery).

The geoeconomic logic of power includes the spatial dimension of global capitalist development, meaning that the dynamic force of self-expanding of capital overflow all the geographical scope of national borders and expands regionally and globally seeking maximizing profit (by extraction of surplus-value from labor force) and capital accumulations, which caused the more interconnectedness and interdependency of the global economy.

The geopolitical logic of power contains that the associated territorial division of the global capitalist economy "tends towards the territorial fragmentation of space and political authority" on different scales (Wood, 2016, 32). Accordingly, the contemporary global order is formed by multiple "national states carrying out policies to promote the international competitiveness of their own national economies, to maintain or restore profitability to domestic capital, to promote the free movement of capital" (idem, 26).

1.6. Research Questions

The central research question is the following:

RQ: What are the economic and political implications of Chinese investments in Iran?

The central question is composed of multiple sub-questions:

- **SQ1.** How has China-Iran trade relations evolved in the twenty-first century?
- **SQ2.** What has been the purpose of China's overseas investments in Iran?
- **SQ3**. What has been China's role in expanding Iran's transportation networks and what are its interests?

1.7. Literature Review

The literature on the consequences of China’s involvement in the Iranian economy in the last two decades has mainly linked it to the question of China’s energy security in the region, which has led to deepening economic ties between China and Iran. Accordingly, Khan and Guo (2017) argue that given that Iran is the top sixth world’s oil supplier, China has invested hugely in Iranian upstream projects to secure its oil supply. Despite mentioning an important aspect of Beijing’s interests in Tehran correctly, by connecting this point to China’s geopolitical approach, they argue that “China’s opening-up policy is complemented by non-politicized relationships, which have led Beijing and Middle Eastern countries to make investments worth billions of dollars” (idem, 19). The issue is that they depoliticized the Sino-Iranian relationship and conclude that their alliance is relying on an economic and trading partnership rather than a political alliance (idem, 30).

Contrary to this approach, any economic relationship between national states will inevitably have political goals and interests. For instance, other scholars consider the political and economic implications of the increasing investment of China in Iran in the context of geopolitical tension between the United States (US) and Iran. Considering competition between Great Powers globally, Maloney (2015) beliefs that for China, longstanding US sanctions and withdrawal of all major Western oil companies were the economic and political opportunity to strengthen its ties with Iran by massive investing in Iran’s oil sectors (p. 409). Also, Amiri and Khanar (2018) see the unprecedented expansion of the ties between Tehran and China as a requirement and mechanism for overcoming isolation and various international constraints of the former. Nonetheless, they conclude that China's view of establishing relations or even an alliance with Iran is "purely materialistic and interest-oriented, and its level of cooperation with Iran will continue until its interests in relations with the great powers are not in serious conflict" (p.96). Although they point to an important issue, their analytical logic remains within the framework of the "rules of the game" of established IR, in the sense that they ignore the fundamental factors related to the logic and mechanisms of the global capitalist system. This connection is of crucial importance to understand the inter-capitalist and inter-state competition to have access to natural resources which is crucial for the process of economic development and accumulation of capital in any particular national economy.

From a roughly different perspective, Garver (2011) points out that marketizing of China’s economy in the 1990s and the expansion of bilateral relations between Chinese and Iranian companies was accompanied by the increasing Beijing-Tehran economic cooperation, including providing loans to Iran and investing in Iran’s economy. He argues that China’s objective was “securing Iranian investment in constructing refineries capable of handling high-sulfur Iranian oil” (p.245). The author demonstrates the increase in the bilateral trade relations which resulted in “China’s export of large quantities of capital goods to Iran in exchange for Iranian oil, minerals, and base metals” (ibid). In other words, Iran became an important market for China’s export of capital and manufacturing commodities and, simultaneously, an important supplier of natural sources for China. Regarding the implication of the trade relations on their power positions, Garver claimed that this exchange was “highly beneficial to both parties” (ibid, 246). This perception is rooted in the mainstream approach, seeing that the economic relationship between countries is general commercial relations and “win-win cooperation,” without taking account of the implications of this relation on maintaining and consolidating of the process of uneven development of capitalism in each country, whereby national economies have been fragmenting into separate (developed and less developed) economies, with its own political and economic regimes.

Some scholars study China’s interest in investing in Iran’s infrastructure networks by focusing on Iran’s geostrategic location as a key transit and trade hub for the Chinese regional and global macro-strategy. Actual and potential consequences are, they contend, that Iran has a geostrategic position to become China's geopolitical center of gravity between its strategic maritime position in the Persian Gulf and Central Asia and to strengthen China's energy security (Fallahi & Ali Omidi, 2019). Also, Iranian geostrategic location (from the “ancient Silk Road” to the New “Energy Silk Road”) has become the vital factor for China, in the sense of transporting Chinese energy supply between Europe, Central Asia, the ME, and China (Adami and Moghadam, 2013; Mackenzie, 2010; Sazmand and Fariborz, 2013).

Even though these scholars illustrate the geopolitical and geoeconomic position of Iran for China, the question remains unanswered how China has been integrating Iran’s economy into China’s emerging economy by huge investing and infrastructure expansion in Iran. Regarding this viewpoint, Kamel (2018) considers the BRI as China’s geostrategic and geoeconomic ambition in the ME, including Iran, at which “Beijing is stepping up its involvements” in the region “to address its domestic challenges, redefine and reshape the existing global order to ensure its continued ascendance and rise” (p.76-95). To achieve this goal, the author argued that Iran can play an important role in the initiative so that it “spur intraregional trade and investment between Iran and some of its neighboring countries” (idem, 90-91).

In contrast to those perceptions, applying Harvey's concepts of "the territorial logic of power'' (geopolitical) and "the capitalist logic of power" (geoeconomics), Amineh and Guang (2018) provide a better perspective to understand China's investment flow to oil- and gas-rich regions. They analyze the influx of Chinese outward investments in energy-rich countries in conjunction with its domestic transition into an urban-industrial society, which requires improving energy supply security from those countries. From this perspective, China's investment flows derived from "the tendency of capital to expand geographically, whereby domestic capital must search across borders for access to markets and resources" (p.10). Although this view brings us closer to an appropriate theoretical and analytical method, it lacks explaining the associated political and economic impacts. The global and regional strategy of China has not solely reduced to general trade and commercial relations, nor limited to a geoeconomic project to facilitate cross-national mobility of capital, commodities, natural resources by trans-regional infrastructure construction under the notion of 'spatial fix' to tackle overaccumulation (Harvey, 2016). As Lee et. al. (2018), argue, "it is critical to explore how the flows of capital, commodities, labor power, and resources impact class relations and hegemonic politics in China and other concerned countries" (p.427-28). Hence, to answer the research question, it will be a dialectical method and the Marxist approach applied to provide a better foundation for understanding the Beijing-Tehran relationship.

1.8. Research Method

The dialectical method of analysis

To avoid the static understanding of the mainstream approach that at which "things" and "relations" are treated as logically distinct from one another" (Ollman, 2019, 98), it needs to use the dialectical method. Referring to Marx, as Ollman (2003) defines, the dialectical method "restructures our thinking about reality by replacing the common-sense notion of "thing" (as something that has a history and has external connections with other things) with notions of "process" (which contains its history and possible futures) and "relation" (which contains as part of what it is its ties with other relations)" (p.3).

Given that the internal relations and process are often invisible in the real world and it is not possible to examine and measure a certain element of the whole, the dialectical epistemology tackle this problem with the *process of abstraction,* which is "way of singling out, or focusing on, and setting up a provisional boundary around some part(s) of the processes and relations that have come to his attention" (Ollman, 2019, 3). In other words, this method allows us to "expose features of an object that were hitherto unobservable" (Paolucci, 2007, 127). The function of these abstractions is to isolate variables and set up their interrelationship in order to be experimentally examined and measured. There are three types of abstractions: (a) abstraction of level of generality, (b) abstraction of extension and (c) abstraction of vantage point.

First, the *abstraction of level of generality* allows us to distinguish what is unique to each period and level of the totality because each period and level "has its own law of motion" (Ollman, 2019, 3). The inquiry into the political economy of capitalism is broken up into three levels of generality, from relatively more generality to more concretely, from the highest level of abstraction to the lowest concrete level: capitalist mode of production (Level Three), capitalism's most recent era (Level Two), and specific individuals and events (Level One) (see Figure 1.1).

Second, *abstraction of extension* denotes "how much space and how long a period in time is brought into focus in dealing with the processes and relations involved in any given problem" (ibid). Third, *abstraction of vantage point* "sets up a perspective that colors everything that falls into it, establishing order, hierarchy, and priorities, distributing values, meanings, and degrees of relevance, and asserting a distinctive coherence between the parts" (Ollman, 2003, 100). This method of abstraction - shifting the analysis from one relationship to another – helps us to put interconnection among elements and wholes together, and allow us to take the incorporation of variables – causal and caused - with multiple relations. So, such variables will be situated within the analytical framework of *structural analysis*. By applying this method, the variables are advanced based on the operationalization of the hypotheses (see *The Experimental Model from the Vantage Point of Structural Analysis*, Figure 2.1). In this analytical framework, "variables are isolated and their action upon one another is examined through an approximation of the experimental modeland" and "clusters of variables function as explanatory models, continuously amended as data is collected and as the vantage point is changed" (Paolucci, 2007, 127). This method will be applied step by step and intertwined in the following.

Level of Generality	Ranges of Possibility	Conceptual Strategy
3. Capitalist Mode of Production		***Abstract***
Essential structural parts & central tendencies		Political Economy of Capitalism
2. Capitalism's Most Recent Era		***Concrete***
Strikes, wars, policies, rising & falling powers		The rise of China and in the age of globalization and its relationship with Iran
1. Specific Individuals and Events		***Action Informed by PE***
Names, persons, dates, etc. in the present		China's investment and expanding infrastructure network in Iran in the 21st century

Abstraction of Extension	• Preconditions of the rise of China: since 1978. • Examining Sino-Iranian relations: since 2000.	
Abstraction of Vantage Point	**SQ1.** How has China-Iran trade relations evolved in the twenty-first century? **SQ2.** What has been the purpose of China's overseas investments in Iran? **SQ3**. What has been China's role in expanding Iran's transportation networks and what are its interests?	a. Level of the Sino-Iranian trade relations. b. China's investment flow into Iran and the destinations sectors. c. China's investment in expanding Iran's infrastructure networks and the associated interests.

Figure 1.1. Dialectical model of abstraction and structural analysis.

Source: This model is a derived and modified version of Figure 4.1 of 'Paolucci, *Marx's Scientific*, 117'.

Data collection

To answer the research question, there is sought and collected various evidence to expose the political and economic implications of China's investment flow into Iran. So, I used a wide variety of primary and some secondary sources. In terms of primary sources, I took advantage of classified data sources, including Statistical Bulletin of China's Outward Foreign Direct Investment (Ministry of Commerce)[1] China Global Investment Tracker of American Enterprise Institute (AEI),[2] UNCTADstat,[3] Central Bank of Iran,[4] the Direction of Trade Statistics of International Monetary Fund (IMF),[5] the Observatory of Economic Complexity (OEC),[6] International Trade Statistics Database of United Nations (UN Comtrade),[7] and the World Bank dataset.[8] In addition, appropriated sources regarding China's investment in Iran's projects were collected from a wide variety of official publications in Persian and (to some extent) English newspapers and news agencies. Given that there is no classified and aggregated data on the value and number of projects in which China has invested, I have used some secondary sources in English and Persian.

1.9. Thesis Outline

Following this chapter (Research Design), the thesis contains four more chapters. CHAPTER II is devoted to formulating the theoretical foundations and explaining aspects of related concepts. CHAPTER III investigates the first sub-question to focusing on the historical evolution of China-Iran trade relations in the twenty-first century, situating it within the broader context of the rise of China. Subsequently, CHAPTER IV will respond to the second sub-question which deals with the purpose of China's overseas investments in Iran. In light of formulating and implementing the BRI, CHAPTER V inquiries into China's interests and role in expanding Iran's transportation networks. Finally, CHAPTER VI brings the thesis to the end by drawing a comprehensive conclusion. It aims to recapitulate the findings of the investigation, evaluate the advanced hypotheses, and, consequently, refine the applied theoretical and analytical perspective. These together will answer the central research question.

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[1] "Statistics & Yearbooks," Purple Culture, https://www.purpleculture.net/statistical-bulletin-of-chinas-outward-foreign-direct-investment-2019-p-31287/
[2] https://www.aei.org/china-global-investment-tracker/
[3] https://unctadstat.unctad.org/wds/ReportFolders/reportFolders.aspx
[4] https://tsd.cbi.ir/DisplayEn/Content.aspx
[5] https://data.imf.org/regular.aspx?key=61013712
[6] https://oec.world/en/profile/country/irn/
[7] https://comtrade.un.org/data/
[8] https://data.worldbank.org/indicator/BX.KLT.DINV.CD.WD?locations=IR

CHAPTER II. THEORETICAL FOUNDATION AND CONCEPTS

2.1. Introduction

Starting from the dialectical method of analysis, by applying abstraction of level of generality (at Level Three), capitalism needs to be grasped as a *totality*, internally related elements of an organic whole, within which the dynamic and logic of the capitalist mode of production play the key role. As Marx (1993) clarified, "[t]he totality of these relations of production constitutes the economic structure of society, the real foundation, on which arises a legal and political superstructure and to which correspond definite forms of social consciousness" (p.4). All different units of capitalist society and its related social relations of production "form the members of a totality, distinctions within a unity" (idem, 40). It does not mean that a one-way relationship is between structure and superstructure, that is, the latter completely determined by the former, nor the capitalist social relations as a whole would be reduced to the natural properties of interplaying separate agents. Rather, a dialectical and reciprocal relationship among agents shape, enhance, and consolidate capitalism as a whole. The dialectical relations between those components are subordinated to and influenced by the logic of capital. Hence, the notion of 'the logic of the geopolitical economy of empire of capital' will be theoretically underpinned and will be decomposed into three specific concepts to identify and clarify the geoeconomic and geopolitical dimensions of capitalism: (a) the logic of geopolitical economy, (b) the logic of empire of capital and (c) spatial logic of capital and the state-nation territoriality.

2.2. The Logic of Geopolitical Economy

The term 'geopolitical economy' (GPE) is a shortened expression of the notion of 'geographical political economy,' which draws attention to the spatial dimensions of political economy (Cowen & Elden, 2013). This is important to understand the *geographical* and *spatial* aspects of capitalist formation and development. Generally, the critical approach brings the geographical aspect in connection with geopolitics and geoeconomics (Cowen & Smith, 2009; Sparke, 1998; Sparke, 2007; Agnew & Corbridge, 1989; Essex, 2013; Desai, 2014). For instance, Sparke situates the geoeconomics in a broader context of "the reinvention of geopolitics in the context of economic interdependency" (Sparke, 1998, 66), which has an important impact on territorial politics and at the same time affect de-territorializes and re-territorializes global economic space.

Inspiring by Wallerstein's world-system theory, Taylor criticized the state-centric approach and outlines that the materialist approach toward the global political economy is the ‘reality,’ the ‘global scale,’ and the ‘basic driving force of capitalism’ (Taylor, 1982, 26). This framework, he argued, “directs us away from the state as our starting point and towards the fundamental political economy dynamic of capital accumulation” (idem, 20). In a similar vein, Arrighi (2010) shed light on ‘the capitalist logic of power’ to inquiry the development of the world economy in terms of “the contradiction between an ‘endless’ accumulation of capital and a comparatively stable organization of political space” (p.33). For Arrighi, *territorial logic of power* contains pursuing territorial expansion as an end in itself, and *capitalist logic of power* includes the economic command over scarce resources and territorial acquisition as a means of capital accumulation. He argued that this contradiction will be solved successively through a world hegemonic power (ibid). Following the same logic and perception, Harvey argues that territorial logic is “the political, diplomatic, economic and military strategies deployed by the state apparatus in its own interest”, and the capitalist logic “focuses on the way in which money power flows across and through space and over borders in the search for endless accumulation” (Harvey, 2011, 204–205). For Harvey, the relation between those logics of power is distinctive as well as intertwined, which is problematic and often contradictory. He contends that “any hegemon, if it is to maintain its position concerning endless capital accumulation, must endlessly seek to extend, expand, and intensify its power” (Harvey, 2003, 30-33).

Accordingly, Jessop (2008) criticizes this as a false opposition “between the state as a ‘power container’ that operates exclusively within defined territorial frontiers and the economy as a borderless exchange mechanism with no important territorial anchoring” (p.189). The assumption is that uninterrupted mobility of capital across the world is the primary logic and dynamic of capital to seek surplus value and maximizing capital accumulations. It does, though, not mean that those logics of power are non-territorial. By contrast, despite the deepening of the globalization process, “[g]lobal capital is served not by a global state but by a global system of multiple territorial states” (Wood, 2006, 12). Simultaneously, the basic argument is that “territorial logics, either territorial fixity or fluidity, are products of geopolitical and geoeconomic processes which derive from class relevant social struggles” (Lee et. al., 2018, 421).

2.3. The Logic of Empire of Capital

From the Marxist perspective, by applying abstraction of level of generality (at Level Three), the dynamic force of self-expanding overflows all the geographical scope of national borders and expands regionally and globally. As a starting point for this process, the innermost driving force of the capitalist system is expansion-oriented and accumulation-driven (Mészáros, 1995, 44), and drives from global horizons for "spreading and intensifying the capitalist organization of production and greatly expanding socially productive powers" (Rupert, 2013, 160). This trend is the imperative forces, dynamic, internal contradiction, and necessities of the capitalist mode of production that, together, drive capital beyond national boundaries to 'capture value' and conquer the world market. As Marx (1993) delineated, capitalist production

> is furthermore restricted by the tendency to accumulate, the drive to expand capital and produce surplus-value on an extended scale. ... The market must, therefore, be continually extended, so that its interrelations and the conditions regulating them assume more and more the form of a natural law working independently of the producer, and become ever more uncontrollable. This internal contradiction seeks to resolve itself through expansion of the outlying field of production (p.294).

Ontologically, it is because capital is not a material entity but an ultimately uncontrollable mode of social relations. The contradictions and structural defects of the capitalist system require self-constitution as a global system (Mészáros, 1995, 44). The structural contradiction of capital at the national level should be replaced over places to overcome the deep-seated structural defects and contradictions. It means that the capital should be able to generate "circulation as a global enterprise out of its own internally fractured units" (idem, 48).

The historical trends of *export of capital* are the result of this capitalist tendency. In addition to the beforementioned features and tendencies, when a huge amount of capital accumulates in a capitalist country, it shows that the country has a monopolist position compared to less developed countries. In such a situation, as Lenin (1940) described, when an enormous "surplus of capital" has arisen and capitalism has become "overripe", the export of capital becomes an inevitable imperative to go globally to find more "profitable" markets. This development "influences and greatly accelerates the development of capitalism in those countries to which it is exported," which led also to "expanding and deepening the further development of capitalism throughout the world" (p.71-72). The power that this financial capital provides to advanced countries creates conditions under which "the capital-exporting countries have divided the world among themselves in the figurative sense of the term. But finance capital has led to the actual division of the world" (idem, 74).

At the second level, this tendency has accelerated the interconnectedness of the global capitalist economy, which is called the process of ‘globalization, which is gone hand-in-hand with integrating and opening up subordinate economies to the economic imperatives of empire of capital. The point, however, is that globalization is not equated with free trade and bilateral commercial relations. By contrast, it is about “the careful arrangement of trading conditions to serve the interest and hegemonic position of imperial capital” (Wood, 2003, 134). The domination of a capital-exporting country employs its leverage financial power to compel the subordinate country to serve the hegemony and interests of its domestic capital by, among others, the reproduction and consolidation of competition and uneven development of capitalism. The state takes the initiative to facilitate and secure the mobility of its domestic excess capital around the world to seek profit and supply the requirement of its domestic capitalist development.

2.4. Spatial Logic of Capital and the State-nation Territoriality

The globalization of capital which constitutes capitalism as a universal phenomenon does not mean that capital is ‘nonterritorial’. Instead, globalization “transcends the prevailing capitalist order and its spatial expression, the territorialization of the nation-state” (Lee et.al., 2018, 430). By applying Gramsci's perspective, the spatial dimension of capitalist development and national “territoriality is shaped by class and class-relevant struggles that manifest in dialectically interconnected geopolitical and geo-economic processes” (idem, 426). The spatial dimension of global capitalism includes two facets of space and scale. First, *space* is (i) the spatial division of labor between different scales of economies (e.g., regional, national, continental, and global); (ii) “the territorialization of political and economic power, processes of state formation and the dialectic of domestic and external influences”; and (c) “different spatial and scalar imaginaries and different representations of space” (Jessop, 2005, 424-425). Second, *scale* is the product of the struggle for power and control in conjunction with its hierarchical scalar of, among others, economic and political power and their territorial expression. Concerning the analysis of scale, the point is the interconnecting and relative hegemony and dominance of different scales of economic and political power at the local, national, regional, and global levels (idem, 426). Scale dominance is “the power which organizations at certain spatial scales are able to exercise over organizations at other, higher or lower scales” (Collinge, 1999, 568).

The constant tendency of the territorial fragmentation of space demonstrate themself as following: the acceleration of interlinking the global economy has been accompanied by intensifying and reproducing "national economies, national states, nationally based capital, even nationally based transnationals" (Wood, 2016, 18)

The managing of global capitalism will be implemented by the modern capitalist state emerges as "*the totalizing political command structure of capital*" (Mészáros, 1995, 51). The necessity of the modern state is twofold: "securing and for safeguarding a permanent basis the productive accomplishments of the system" (idem, 49). In other words, even though the rapid movement of capital across national boundaries generates conditions under which all national markets are constantly integrated than ever before, at the same time, globalization is accompanied by the fragmentation of the intertwined global economy in different national economies. "That tendency is reinforced by the uneven development of capitalism, which has preserved and proliferated the nation-state by differentiating national economies" (Wood, 2006, 29).

2.5. Hypothesis

H1: The main economic implications of China's investments and building infrastructure networks in Iran are to intensify the integration process of the Iranian economy in China's global and regional economic projects, securing the main requirements of Chinese economic development and, in the final analysis, strengthening its domestic process of capital accumulation.

H2: The primary political implications are preserving and intensifying the configuration of uneven development of Iran's capitalism, becoming a subordinated economy to meet the requirements of China's domestic economy. This transformation leads, conversely, to strengthening and consolidating China's hegemony and influence as a superior power over Iran.

2.6. Operationalization

The operationalization of the advanced hypotheses follows the dialectical method of analysis. By applying the "experimental model from the vantage point of structural analysis," (Figure 2.1), our analysis is shifting to more concrete and measurable variables. Accordingly, from the vantage point of the GPE, the interconnectedness and dependency process of Sino-Iranian economies (H1) will be abstracted as (or will be measured by the indicators) (a) level of the Sino-Iranian trade relations, (b) China's investment flows into Iran, and (c) China's investing in expanding Iran's infrastructure networks. These indicators are *causal* variables that *cause* the integration process of the Iranian economy in China's economy. By temporarily isolating the interconnection of these variables, we can investigate and measure the impact of the independent variables on the dependent variables. Finally, when these indicators are measure, they will be related to the final objective of this process, which is securing the fundamental requirement of China's economic development and, in the final analysis, strengthen the process of its domestic capital accumulation.

Furthermore, the quantitative changes of these variables are not neutral but will be transformed to qualitative economic and political implications for power relations between China and Iran. Hence, from the vantage point of GPE, the interlinking and dependency process causes the uneven development of the national economies, in the sense that the actual and potential consequence is that Iran will become the producer and exporter of raw materials for the necessities of China's economic growth and development. On contrary, China will become the exporter of capital and high-value level of manufacturing products to Iran. So, the indicators for measuring the second hypothesis are (a) the composition of China's trade with Iran, (b) the amount and destination of China's investments in Iran by industry and sector.

Examing the hypotheses (and associated indicators) needs to apply *abstraction of extension* by focusing on a particular time frame. Firstly, to understand the emergence of China as a regional and global power, it is necessary to look at the historical process of China's economic transformation. Becoming such power requires preconditions that have matured in a historical process. "Preconditions are those things *that* occurred and thus made other things possible" (Paolucci, 2007, 116). This process will be divided into three historical stages.

Stage 1:
- Opening up and reforms since 1978: preconditions of China's capitalist transformations and its integration into the world economy.

Stage 2:
- Going Global Strategy since 2000: increasing China's export and investment flow into Iran.

Stage 3:
- The BRI initiative since 2013: China's strategy to invest in expanding Iran's infrastructure networks.

The Experimental Model from the Vantage Point of Structural Analysis

Abstraction of Vantage Point.

		Indicators
H1: Intensify the integration process of the Iranian economy in China's global and regional economic projects TO>>	Securing the requirements of Chinese economic development and strengthening its domestic capital accumulation	a. Level of the Sino-Iranian trade relations, b. China's investment flow into Iran, c. China's investment in expanding Iran's infrastructure networks.
H2: preserving and intensifying the configuration of uneven development of Iran's capitalism TO>>	Strengthening and consolidating China's hegemony and influence as a superior power over Iran.	a. The composition of China's trade with Iran, b. The amount and destination of China's investment flow into Iran's economic sectors.

Figure 2.1. The Experimental Model from the Dialectical Structural Analysis

2.7. Argumentations

Based on the discussed theory in the previous section and the advanced analytical method and indicators, I shall put forward how the emergence of China as a preponderant capitalist power required acceleration of China's interests in the Iranian economy in the broader context of China's Going Global Strategy and the BRI.

Regarding the historical evolution of Sino-Iranian trade relations, the arguments lay on the fundamental transformations of China's economy in the late twenty century. As Li (2008) investigates and illustrates, since the opening up policies in 1978, the first stage of China's capitalist development has been accompanied by two important transformations: (a) the process of urbanization and proletarianization as well as (b) rapid industrialization of China's economy. Both dynamics are strengthening the capitalist mechanisms and the capitalist social relationship among labor and capital (p.69). This development requires, of course, more energy supply security as well as new markets for its manufacturing goods.

Following, as Smith (2008) points out, the acceleration of foreign trade is an important feature of globalization, but "foreign trade necessarily tends to lead to specialization in national economies" (p.179-198). Furthermore, Lessenich (2016) argues that the fragmentation of national economies led to qualitative differences between developed and less developed - or developing - economies. This trend was clearly experienced in the economic relations between Iran and China in the last decades of the 20th century (Aizhu, 2012)

Going Global Strategy

The economic transformation in China caused a huge amount of accumulation of capital and generated a range of multinational corporations (MNC) in China, which become the main driving force behind the introduction of China's "Going Global Strategy" in 2000 (Li, 2009, 32). In other words, developing and expanding the capitalist economy drives Chinese capital to go global.

Moreover, the Going Global Strategy is not just abstract talk or hopeful dreams. Serious pressure is being put on Chinese companies (SOEs or otherwise), and all the regions of China, to actively participate in this strategy. The aim of the strategy was the extension of China's form of capitalism and functions as "a high-level endorsement for the expansion of Chinese enterprises abroad" (Holslag, 2006, 142). Hence, most bilateral assistance and cooperation projects are tied to Chinese state-owned enterprises and China's 'go-out' strategy (Steinberg & Fan, 2012).

Consequently, China's ruling class and the new generation of MNC understood the necessity for going global, facilitating and accelerating practical arrangements for the process, pursuing strengthen their international competitions, and seeking profit-making. Besides these factors, Li (2009) identifies the three major objectives of the Chinse MNCs' strategy to go global: (a) securing natural resources (including energy and raw materials), (b) contributing to China's economic adjustment (the state's encouraging of overseas investment would be contributed to enterprise growth, profitability, capital accumulation, and accelerate technological innovations), and (c) improving the international competitiveness of Chinese enterprises (China's advantage in manufacturing, the ever-expanding liberalization of the Chinese market, benefiting from the abundance of China's cheap labor gave the Chinese MNC's to globalized and participate in overseas investments) (p.31).

The Belt and Road Initiative

The further integration of the Iranian economy in China's emerging economic power will be investigated and analyzed in conjunction with the Belt and Road Initiative (BRI). By introducing in 2013, the project aims to connect China with Central Asia, the ME, Europe, and Latin America to integrate the world through expanding investment, deepening connectivity, and trade on a global scale (FMPRC, 2013). The slowdown of Chinese economic growth and, as a result, declining interest rates were the main driving forces behind launching and implementing the BRI. By promoting this mega initiative, China aimed to realize several objectives in the ME, among others Iran, "including energy security, transport connectivity, redefined global supply chains, deepened trade and investment relations with ME countries and promotion of the use of the RMB by the world's largest oil producers" (Kamel, 2018, 78).

Moreover, Yu considers this project as an "upgraded" version of China's "Going Global Strategy" for increasing "overseas investments, building infrastructure," and intensification of monopolies and concentration of power through "conducting mergers and acquisitions," mostly by China's SOEs (Jie, 2017). Moreover, Li sees the BRI as "an inherent part of the continuous expansion of the capitalist world-system driven by the endless capital accumulation," which will inevitably shift the balance of power within the global order in China's favor (Li, 2019, 11). Glassman considered China's overseas investment in a "China-centric" manner, reflecting its national policy objective, and promoting and facilitating the activity of its national enterprises abroad to realize, eventually, its national interest and the requirement of the domestic accumulation process (Glassman, 2010, 133).

Following, Lee et. al., argue that the BRI is not reducible to just Beijing's power, rather it "is a class-based, inter-scalar, trans-continental development project to enlist Chinese central and local elites, capitalists, intellectuals, and ruling classes in other countries across the OBOR" (Lee, et.al., 2018, 427-428). The associated economic activities in countries across the BRI, including the export of capital, goods, labor power, and natural resources affect class relations and hegemonic politics between and within China and the involved countries. Second, the BRI has an important implication on the territorial expression of China's hegemonic power dynamic, which is related to the power relations between China and the countries across the BRI that can support the Chinese nationalist project (ibid).

Finally, this project contributes to the process of uneven development within the core and peripherical countries. For instance, one of the main important outward FDI from the former to the latter is to expand the infrastructure of neighboring countries to promote and ensure the unhindered exploitation of natural resources and facilitating the flow of the export of their manufacturing products. Second, in exchange for attracting FDI from core countries, most peripheral countries are depended on the export of raw materials and their revenues to finance their local policies and infrastructure (Lessenich, 2016).

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CHAPTER III. RISE OF CHINA AND EVOLUTION OF SINO-IRANIAN ECONOMIC RELATIONS

3.1. Introduction

The purpose of this chapter is to provide key preconditions of China's emergence and an outline of the historical evolution of China's presence in Iran. The significance of addressing this issue is because the marked change in the Beijing-Tehran economic relationship and the increasing overseas investment of China in Iran stems mainly from China's economic transition from the 1980s up to now. Therefore, first, we will discuss the socio-economic factors as the main driving forces behind the gradual and dramatic increase in Sino-Iranian economic relations. Second, it will be examined how their bilateral economic relations have evolved in the last two decades. The following question is central to this chapter: How has China-Iran trade relations evolved in the twenty-first century?

Investigating and presenting these factors is of crucial importance for (a) understanding the objective and material contexts of increasing China's influence in Iran through the intensification of Iran's economic integration into China, and (b) how this change reinforces and maintains the uneven development of Iran's capitalism. This chapter is divided into two sections, with each section allocated to a particular subject: The first section (3.1) explores the most important internal and associated global transformations that made China a powerful emerging economy. The second section (3.2) propound the historical progress of Sino-Iranian economic relations in the twenty-first century by focussing on (i) trade relations, (ii) the composition of the exchanged goods, (iii) and the place of Iran's crude oil in China's energy supply security. Lastly, the chapter will end with a brief conclusion.

3.2. Background and Consequences of the Emergence of China

The rise of China was the result of the intertwined of several domestic as well as global transformations. Internally, China's socio-economic reforms and the strategy of opening-up, economic liberalization (free-market mechanisms) during the 1980s and, especially in the 1990s and 2000s has triggered economic growth increasingly. These developments were accompanied by (a) the process of urbanization and proletarianization as well as (b) rapid industrialization and accumulation of capital. Globally, the rapid socio-economic transformation took place within the context of the globalization of the capitalist world-economy since the 1980s and 1990s. The economic crises in the late 1960s and mid-1970 in advanced capitalist economies resulted in the relocation of global capital to countries where large reserves of cheap labor are available (Li, 2008), whereby China has become the core of that shift.

Economic Growth: as a result of rapid industrialization, not only China has become the world's second-largest economy but also it is foreseen that China will overtake the US as the world's largest economy within the next two decades (Colvin, 2017). According to IMF, from 1979 to 2010, China's real GDP growth averaged 9.7%, while it decreased to 6.8% in 2016 (IMF, 2016, 5), 5.8% in 2019, and 2.3% in 2020 (IMF, 2021). Since the 1990s, the share of China in real-world economic growth has been around 30% (Li, 2008, 77). Moreover, by 2016, China became the center of approximately 20% of world industrial production and, consequently, China surpassed the US in this field (Brink & Welch, 2019, 162). As the profit rate across the advanced capitalist economy was low, due to the availability of huge cheap labor, the average annual profit rate for China's industrial firms surged to almost 15% between 1980 and 2014, which reveals the unprecedented historical process of industrialization of China's economy (Li, 2008, 75).

Urbanization and Proletarianization has triggered a marked change in the structure of social classes and groups in China. Consequently, capitalist development is experiencing the proletarianization of China's society (idem, 91). As Table 3.1, the share of the proletarianized working class and the urban wage workers has substantially increased, while the share of peasants decreased from 68% in 1978 to 44% in 1999. The dedication is that this trend has been accelerating during the 2000s and 2010s. For instance, following this trend, China's working population rose about 2% from 2009 to 2014, while the working population in agriculture decreased about 30%, from 297 million to 228 million in the same period (NBSC, 2015, 1-4).

Classes	1978	1988	1999
Bourgeoisie/elite	1	1.7	3
Middle class	4	6.3	9
Petty bourgeoisie	0.0	3	4
Proletariat	10	11	12
Semi-proletariat	17	22	28
Peasants	68	56	44

Table 3.1. Change of class structures in China, 1978, 1988, 1999 (% of the total population).
Source: Author's calculation from an estimation based on a modified and derived version of data taken from Table 4.3 and 4.4 of Minqi Li, *The rise*.

Furthermore, both growths in labor productivity (Brink & Welch, 2019, 63) and abundance of cheap labor in China have contributed to growth in profit rate and, consequently, accumulation of capital. Parallel to this transformation, "the defeat of the urban working class and the creation of a massive surplus labor force laid down the foundation of China's capitalist boom" (idem, 70).

China's FDI Inflow: Since 1979, the inward FDI has increased steadily, which has been a mechanism for the integration of its domestic economy into the global economy. During the last four decades, a wave of foreign investors moved to China to take advantage of its huge reserve army of cheap labor. By 2001, China became the world's top sixth recipient of FDI inflow and the largest in the developing countries (UNCTAD, 2002,6). This trend achieved its peak of around $280 billion in 2011 and decreased to $155 billion in 2019 (UNCTAD, 2020,7).

The Accumulation of Capital in China was one of the main indicators and processes of capitalist transformation in China. The growth of capitalism (and its material foundations, such as the creation of modern infrastructure, accommodating rural-urban migration, developing industrial sector, innovating technology, and increase global competitive advantage) requires the process of extensive reproduction. While the rate of saving was almost 35% in the 1980s, it increased to 41% in the 1990s. The entry of China into the World Trade Organization (WTO) accelerated the growth in aggregate saving unprecedently from 38% in the 2000s to 53% in 2007. This high level of saving is not only related to investment and economic growth but also to China's international trade and capital flows (Fan & Randall, 2013, 249-250). Since the reform era in 1978, the investment to GDP ratio was relatively high and gradually climbed from 30% in the 1990s to 40% in the 2000s. This trend has reached a historical high of up to 45.5% in the early 2010s. Parallel to this trend, the household, and public consumption to GDP ratio dropped from 62% in 2000 to 50% in 2006 (Li, 2008, 88). So, the trend of saving rate and investment rate resulted in the development of overcapacity in China's economy (i.e., overaccumulation of capital) (World Bank, 2020).

Foreign Trade: Becoming the world's "workshop" of export manufacturing products resulted in the increase of trade volume from about $20.6 billion in 1978 to $509.8 billion in 2001. China's annual foreign trade growth rate increased since the1980s by 14.5%. During this period, it has climbed from the world-top 32nd to the world's third-largest trading country in 2004 (Li, 2008, 49-52). Since China was admitted to the WTO in 2001, its trade share has climbed up consistently (idem, 87). In the meantime, Chinas' trade relations with the Southern countries rose from 13% of China's total trade in 1995 to 28% in 2007. While China's total trade increased significantly, China has experienced a remarkable trade deficit with the southern countries because of growth in its imports of natural resources (idem, 73-74). As China's export of capital goods and manufacturing products have been increasing more intensively than any other economies across the world, the finding and maintaining of new markets were significantly important to require China's emerging economy. Hence, this is an important factor for explaining the increase in China's exports to Iran.

Going Global: the formation of a huge amount of accumulation of capital and generated a range of multinational corporations (MNC) required a new global strategy to go global, which resulted in launching the Going Global Strategy in 2000, securing natural resources, finding new markets, making overseas investments across the world, and improving the international competitions of Chinese enterprises. The implementation of this policy became more urgent on the government's agenda, emphasizing that the government should coordinate and guide Chinese investment abroad more effectively (see Chapter IV) (idem, 31-32). Furthermore, China's exceptionally economic growth has reached a turning point at the beginning of the 2010s (IMF, 2016), which means that China's capitalist economy has become relatively "overripe". The declining growth rate - which expressed simultaneously the tendency of declining the rate of profit - was accompanied by a surplus of steel and other minerals in China that were not used by domestic infrastructure projects. The super-project BRI should mitigate this problem and secure and stabilize China's economic growth and development process by investing $1 billion (Xing, 2019, 38). Accordingly, the massive level of investment, economic growth, and ongoing infrastructure expansions has been requiring an increase in energy recourses and raw materials. According to IEA, in the mid-2000s, China became the world's second-largest energy consumer (IEA, 2007, 3) and surpassed the US to become the world's biggest energy consumer in 2009 (Swartz & Oster, 2010). Since 2000, China's petroleum consumption has increased remarkably (see Appendix I), which resulted in the rise of crude oil imports. Thus, trade relation with resource-rich countries, including Iran, has enlarged significantly. Moreover, the dramatic economic growth and industrialization resulted in a rapid net export of manufacturing goods. In 2006, China was the host country with the largest number of employees in foreign affiliates, compared to around 24 million workers (3% of total employment in China) in 2004 and less than 5 million in 1991 (UNCTAD, 2002, 11).

Historical Evolution of Sino-Iranian Economic Relationship

Even though the trade relationship between Iran and China in the first half of twenty century was not significant, after China's Revolution in 1949, it improved from the 1950s to the 1970s.

During the former period, the total value of the trade relations was around \$2.5 million. With the fluctuations it had because of Cold War implications and geopolitical tensions in the ME, this amount improved from \$111 million in 1974 to \$174 million in 1978, a year before the Iranian Revolution in 1979 (Bin Huwaidin, 2002, 153- 154). The fall of the Pahlavi regime and the establishment of the Islamic Republic since February 1979 did not significantly change the trade relations between the two countries. During the 1980s, which coincided with the Iran-Iraq War, Beijing became the main supplier of military equipment to Iran (Byman & Cliff, 2000, 8). Parallel to its rapid industrialization and economic growth, China's ties with Iran expanded and shifted to the import of petroleum products in exchange for consumer goods. Their bilateral trade volume increased from \$179 million in 1989 to \$1.3 billion in 1999 (Garver, 2011, 237).

As is shown in Figure 3.1, the Sino-Iranian trade relations remained under \$500 million until the late 1990s and early 2000s. The rapid growth of trade between them is in line with the weeping change of China's total exports and imports since the 2000s. This period coincided

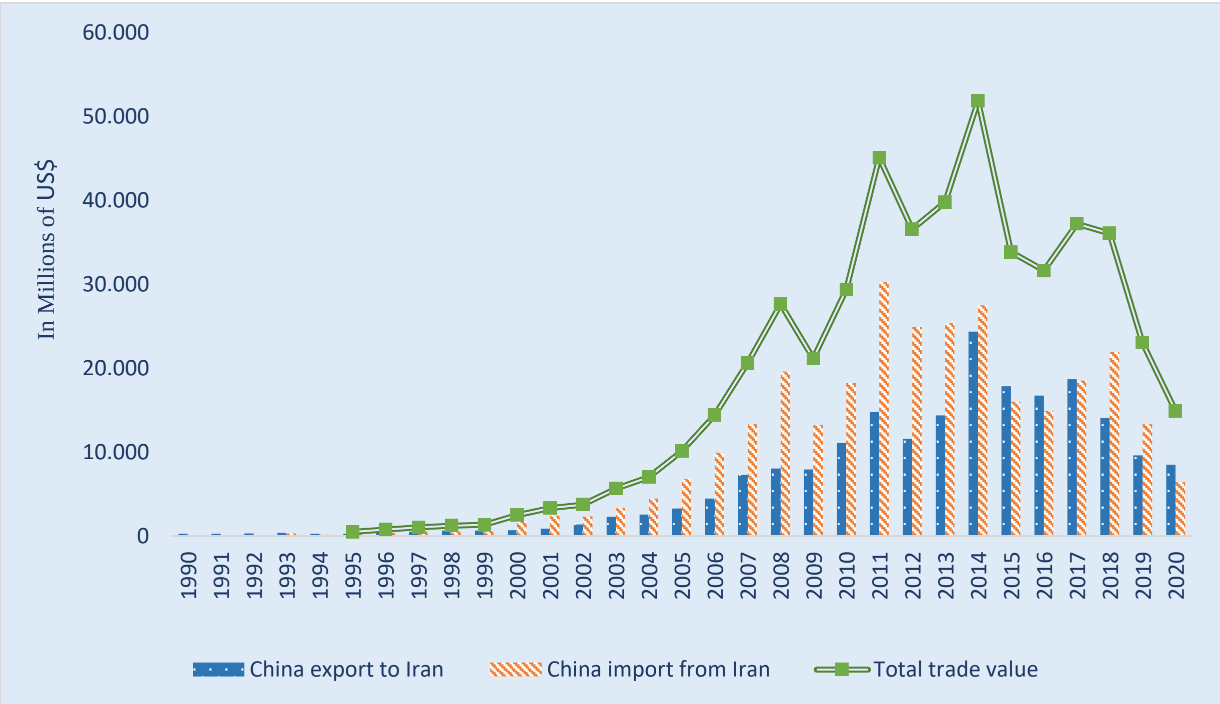

Figure 3.1. The volume of foreign trade between China and Iran, 1978-2020.
Source: Author's calculation based on Direction of Trade Statistics (IMF data), 2021.

with Ahmadinejad's presidency of Iran, who promoted the "the look to East policy" as Iran's new foreign policy to expand its relations with China (Pirsalami, 2015). In the mid-2000s, amid a major US sanction against Iran, Beijing-Tehran economic ties have enlarged significantly by a chain of blockbuster energy agreements. Not only Iran's oil shipment to China rose scientifically but also China's giant oil companies replaced the Western IOCs, signing a series of investment contracts in Iran's upstream and downstream projects in the energy sector (see Chapter IV). China's imports from Iran increased from $1.8 billion by 2000 to more than $27 billion by 2014, which consists of importing petroleum from Iran due to China's increasing energy consumptions.

The historical evolution of Sino-Iranian economic ties illuminates integrating Iran into China's massive economy. Although Iran's share of China's total imports and exports is up to this time negligible (around 0.30% in 2000), it increased to virtually 1.5% in 2014 and again dropped to around 0.2% in 2020. In turn, China has become the largest trade partner of Iran in the 2000s and 2010s, which illustrates Iran's reliant on China (see Table 3.2).

Iran's top five export destinations (Share of the total, in percentage)

2000		2009		2014		2019	
1. Japan	15,5	**1. China**	21,1	**1. China**	28,7	**1. China**	48,3
2. Taiwan	10,6	2. India	16,9	2. Taiwan	26,4	2. India	12,1
3. South Korea	8,2	3. Japan	14,6	3. India	11,2	3. South Korea	7,6
4. Italy	8	4. South Korea	9,9	4. Iraq	6,55	4. Turkey	6
5. China	5,9	5. Italy	4,4	5. Japan	5,6	5. UAE	4,6

Top five import countries of Iran (Share of the total, in percentage)

2000		2009		2014		2019	
1. Germny	11	**1. China**	17,5	**1. China**	31,5	**1. China**	27,5
2. South Korea	9	2. Germny	11	2. UAE	17,3	2. UAE	20,3
3. UAE	6	3. South Korea	8,8	3. Turkey	6,3	3. India	11
4. Italy	6,4	4. Italy	6,2	4. India	6	4. Turkey	7,5
5. China	6,3	5. Rusland	6,1	5. South Korea	5,8	5. Germny	4,7

Table 3.2. Iran's five largest trading partners, 2000, 2009, 2014 and 2019.
Source: Author's calculation based on OEC-dataset.

3.2.1. Composition of Sino-Iranian Trade

The crux of Sino-Iranian economic relations has been that China's exports consist of capital goods in exchange for Iran's natural resources. In total, the manufacturing goods (machinery and electrical appliances and equipment, capital goods for the transport sector, and petrochemical products, metal articles, instruments, textiles, and plastic and rubber goods) formed 83% of China's total export to Iran in 2000. While this composition has fluctuated slightly from 2005 through 2019, nevertheless, the total capital goods increased to 85% in 2005 and 2010 and climbed up further to 96% in 2019.

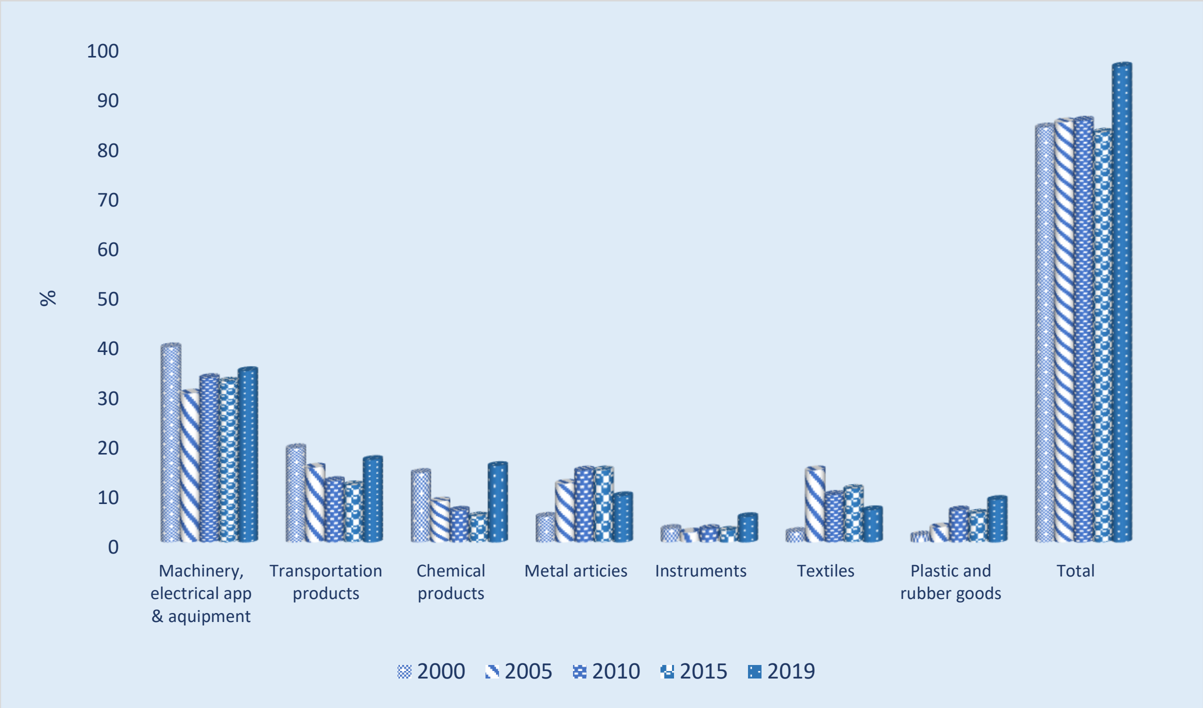

Figure 3.2. Composition of China's export goods to Iran, 2000 – 2019.

Source: Author's calculation based on OEC-dataset.

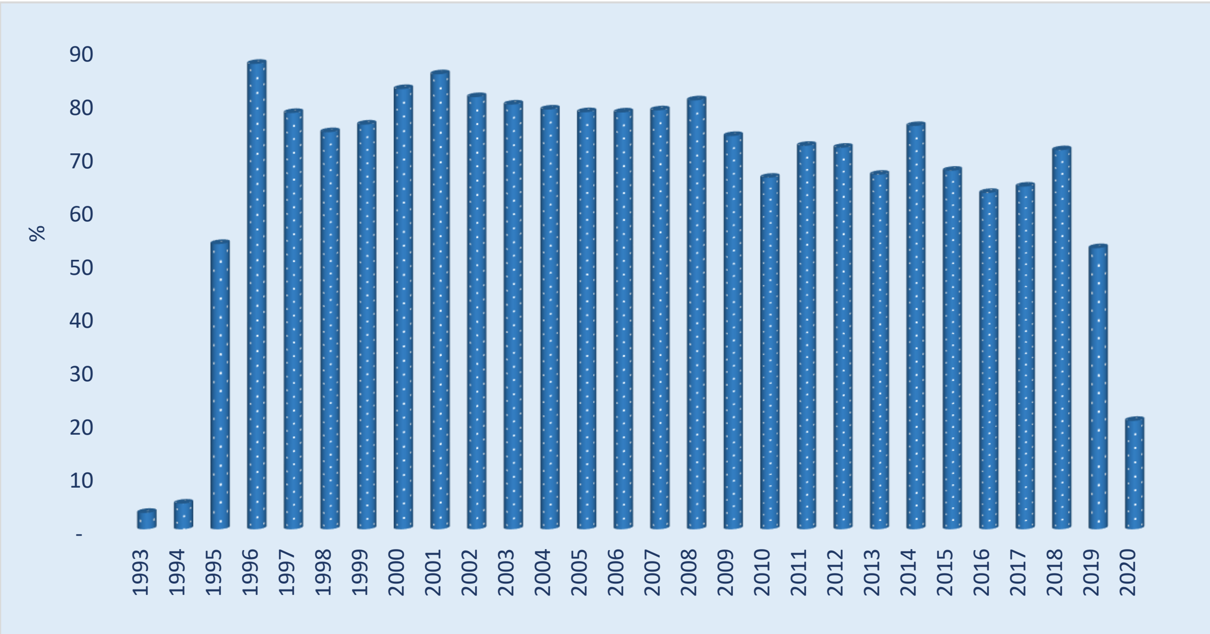

Figure 3.3. The share of crude oil in China's total imports from Iran, 1993-2020.
Source: Author's calculation based on U.N. Comtrade.

Conversely, energy resources and mineral products accounted for the vast majority of China's imports from Iran. A large part of the imports is petroleum, and a small proportion is mineral and chemical products. As Figure 3.3 indicates, the share of crude oil in China's total imports from Iran jumped significantly from 3% in 1993 to 55% in 1995 and 76% in 1999. From 2000 through 2018, the share of petroleum has hovered between 43% and 85% of the total imports. Moreover, in 2000, almost 90% of Iran's shipments to China were crude oil, petroleum gas, and mineral oils and products of their distillations (OEC-World, 2021).

3.2.2. China's Crude Oil Import from Iran

Given that energy reserves are unevenly located in some regions, energy resources have become a geopolitical issue. Around 65% of the global proved oil reserves are concentrated in the Middle East (OPEC, 2008). Iran's share of this natural resource is 'the world's fourth-largest proven crude oil reserve (with 157.2 billion barrels) (EIA, 2019), and the world's second-largest place in proven natural gas reserves (which was estimated at 490 trillion cubic feet) (Saidi, 2020).

The dramatic energy demand paired China with Iran as a large energy-rich country. China's import of crude petroleum from Iran increased from $121 million in 1995 to $1.5 billion by 2000 and $15.8 billion by 2008. After a decrease in 2009 and 2010, it reached its peak in 2011 by $21.8 billion (see Figure 3.4). After the Joint Comprehensive Plan of Action (JCPOA) agreement between Iran and the world's six major powers in January 2016, Iran's oil export to China was restored slightly and rose to $11.9 billion and $15 billion by 2017 and 2018, respectively. However, the US, under Donald Trump, reimposed sanctions on Iran's petroleum sector and condensate exports and threatened to sanction any country or company that has trade ties with Iran. Moreover, by 2019, the US Treasury imposed sanctions on five of China's giant companies and six Chinese nationals (Reuters, 2019). These hard sanctions affected China's imports of Iran's oil significantly.

As Figure 3.5 illustrates, while Iran was China's top crude supplier in 2001 (17%), but its share was declining during the last two decades, compared to China's largest source of crude oil imports. Since 2002, Iran was China's third largest source of petroleum imports until 2012, when Iran was surpassed by Russia. Since 2010, this amount plummeted by 20%, reduced to 7.8% in 2012, and rose again to 8% during 2014-2016. As crude oil imports from Iran diminished considerably, acquiring new supplies has become vital for China. Therefore, China increased its imports from Saudi Arabia, Sudan, South Sudan, Libya, UAE, Oman, Iraq, Angola, Venezuela, and Russia. However, the volume of crude oil that China purchased from Iran decreased dramatically to 2% in 2017 and 2018, and 3% in 2019, compared to 8% in 2016. According to GAC data, China purchased a total of 3.9 million mt of Iran's crude oil in 2020, which shows a sharp decline compared with 14.77 million mt in 2019 (Spglobal, 2021).

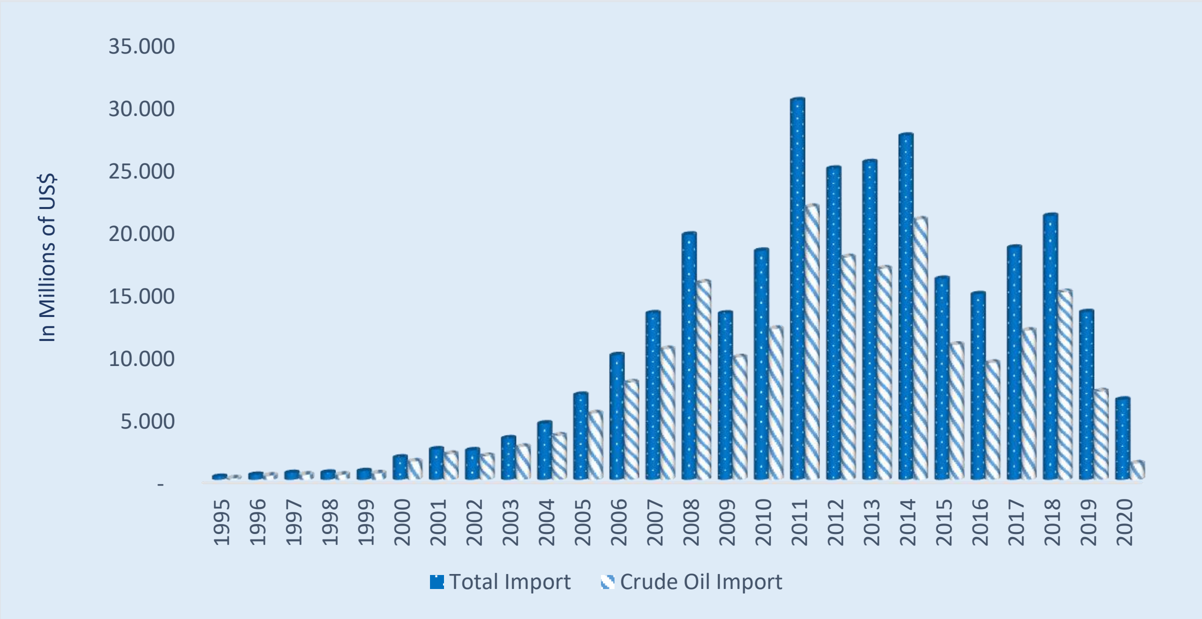

Figure 3.4. Share of China's crude petroleum* import from Iran, 1995-2020.
Source: Author's calculation based on U.N. Comtrade.
***Note**: Crude Petroleum includes "petroleum oils and oils obtained from bituminous minerals, crude."

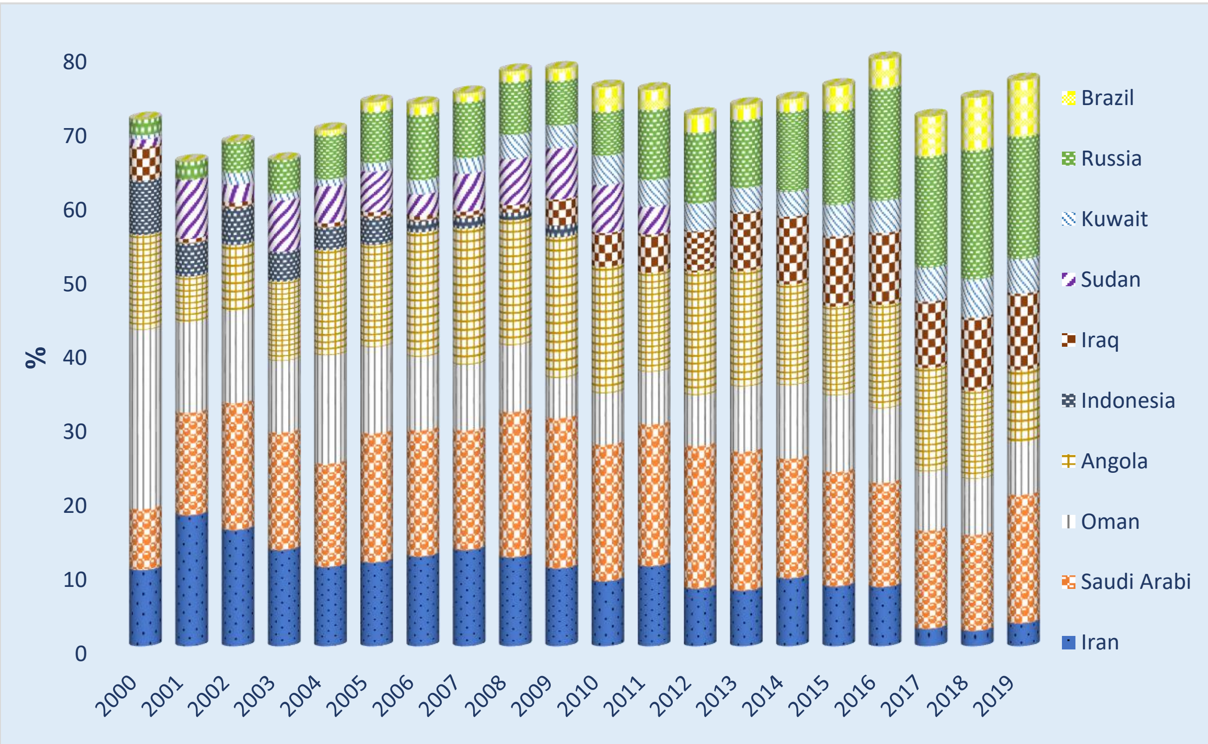

Figure 3.5. China's ten largest oil suppliers by countries, 2000-2019.
Source: Author's calculation based on OEC-dataset.

3.3. Conclusion

This chapter explored the historical evolution of China-Iran economic bilateral relations in the twenty-first century. The inquiry result shows that the rise of China (in the light of launching the “Going Global Strategy” and the BRI formulation), has resulted in the intensification of its presence in Iran. This shift was an immediate result of its domestic economic developments and requirements, which was the necessity of the endless accumulation of capital.

The rapid economic growth has been a determinant factor for China’s economic ties with Iran. As shown above, the beginning of the contemporary century was a turning point in the modality of Iran-China relations, both quantitatively and qualitatively. From fifth place in 2000, China has become Iran's largest trade partner in the late 2000s and has maintained the same place up to now. The crux of their economic relations has transferred to China’s imports of natural resources from Iran in exchange for exporting manufacturing goods. Accordingly, we can conclude that the substantial increase in trade relations between Beijing and Tehran reflected the dependency on and the deeper integration of Iran’s economy into the Chinese emerging power. At a specific level, the integration process permits China to fulfill a large and expanding portion of its energy needs via strengthening its relations with energy-rich countries. Nevertheless, the integration of economic relations is not limited to bilateral trade, and these developments have been the basic preconditions for greater Chinese influence in Iran through capital exports, which will be addressed in the next chapter.

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CHAPTER IV. GOING GLOBAL STRATEGY AND CHINA'S INVESTMENTS IN IRAN

4.1. Introduction

Considering the transformation which has brought China beyond exporting manufacturing goods and made China one of the world's leading capital exporters, it is of critical importance to examine the role of China's investment flow into Iran, in conjunction with the launching of China's Going Global Strategy in 2000. Hence, this chapter examines the evolution of China's export of capital to Iran's different industries during the first two decades of the contemporary century. To understand and analyze this process, first, we will briefly present the main parameters (economic and political driving forces) behind the introduction of the strategy. The second objective has two aspects; examining (a) the extent to which Iran has become the destination of Chinese investment in the ME and (b) which economic sectors these investments have attracted. To reach these objectives, the following question state in this chapter central: What has been the purpose of China's overseas investments in Iran?

To answer this question, this chapter is organized as follows. Section 4.2 focuses concisely on (a) the main factors behind the necessity of introducing the "Going Global Strategy" and the associated objectives expressed by China's government, and (2) the development of China's outward FDI during the past two decades. Subsequently, section 4.3 presents the influx of China's outward investments into Iran. The next section (4.4) discussed specifically various projects China has invested in Iran's industries. The last section will bring the chapter to the end by a short sub-conclusion.

4.2. Launching the Going Global Strategy

China's capitalist transformation has been evolved by two intertwined trends: "welcoming in" and "going out". The former facilitates attracting FDI through domestic capital formation, implementation of neoliberal policies but in a state-controlled manner, and technological advancement, which led to strengthening capitalist social relations and deepen integrating the domestic economy into the capitalist world-economy. As the domestic economy became more or less saturated and the domestic economy was not able to absorb accumulated capital, seeking profit-maximizing and capital accumulation, the Chinese bourgeoisie realized the need for expanding China's internationalization strategy under the direct command of the state.

In his report to the National People's Congress in 2001, Premier Zhu Rongji announced that China's government needs "to implement a 'going outside' strategy, encouraging enterprises with comparative advantages to make investments abroad (Rongji, 2010), set up factories abroad, engage in processing trade and exploit natural resources through cooperative agreements" (Embassy, 2000). Hence, encouraging overseas investment by China's companies became the key strategic element of China's Tenth Five-Year Plan (2001-05).

At the beginning of the 2010s, China's Premier Wen elaborated further: "We will accelerate the implementation of the 'go global' strategy, improve relevant support policies, simplify examination and approval procedures, and provide assistance for qualified enterprises and individuals to invest overseas. We will encourage enterprises to operate internationally in an active yet orderly manner. We will strengthen macro guidance over overseas investments, improve the mechanisms for stimulating and protecting them, and guard against investment risks" (Jiabao, 2012). Consequently, during the last two decades, China's foreign investment has surged substantially and become the world's third-largest foreign investor. This is a historical turning point at which China's enterprises have transferred from a global manufacturer to paramount global investors.

China's Outward Direct Investment

While FDI inflows into China rose significantly during the 1990s, the beginning of the twenty-first century was the historical moment in Chinese capital exports. As shown in Figure 4.1, China's total Outwards Direct Investment (ODI) - flows and stock – has amounted 70 times, from $32.6 billion in 2002 to $2.335 billion in 2019. While China occupied almost 0.5% of the total world's ODI and about 5% of that of the developing countries in 2002, its rate increased to 3.8% and almost 17% in 2011, respectively (UNCTD, 2021). Also, China's global ranking increased from 5.2% in 2010 to 13.5% in 2016 and reached its peak in 2018 with 14.1%. This share accounted for 10.4% in 2019 (MCC, 2020, 90-94).

In 2005, Chinese enterprises invested overseas in more than 160 countries in different regions. Regionally, Asia was the leading destination, followed by Latin America (20%), Africa (3%), Europa (3%), North America (2%), and Oceania (1%). Regarding overseas investment by industry, the main destinations were energy resources (oil), international trade, shipping, international contracting, mining, and manufacturing (Li, 2009, 59). Within this framework, Iran has become an important destination of China's overseas investment in the ME.

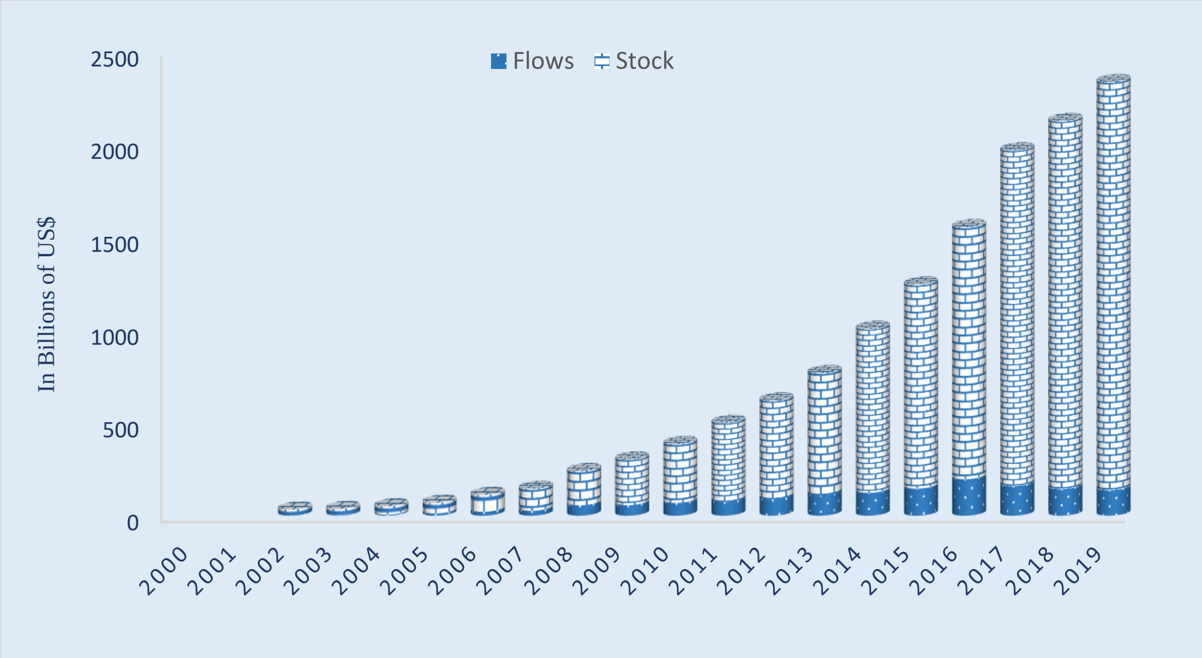

Figure 4.1. China's total Outward Direct Investment (flows and stock), 2002-2019.
Source: Author's calculations based on '2019 Statistical Bulletin of China's Outward Foreign Direct Investment (Ministry of Commerce).

4.3. The Influx of Chinese Outwards Investments into Iran

4.3.1. Attracting foreign direct investment in Iran

The political-economic transformation since the 1990s – the implementation of neoliberal economic policies in line with the prescription of international financial institutions (the World Bank and IMF) - has provided relatively better conditions for attracting foreign investment in the Iranian economy (Saidi, 2020, 61). By the acceptance of attracting foreign investment and the approval of "the law on how to manage Free Trade-Industrial Zones" in August 1993 (IPRC, 1993), foreign investment in the country gain attention but it remained significantly low. In 2002, a new "Law on Encouragement and Protection of Foreign Investment" was passed, which finally, after two decades, made the issue of foreign investment legally and officially at the top of the government's agenda and led to a marked change in FDI in Iran (IPRC, 2002). As Figure 4.2 illustrates, the flow of FDI into Iran has fluctuated sharply. Total foreign investments increased significantly from $17 million in 1995 to more than $3.5 billion in 2002, decreased to $1.9 billion in 2008, this trend recovered again to $4.7 billion in 2012and dropped once more to $1.5 billion in 2019, compared to $2.4 billion the previous year. In terms of sectoral distribution, the inflow of foreign capital to Iran went to natural resources (including oil, gas, and petrochemical sectors), and in terms of investment methods, it is often in the form of contractual arrangements (including Buy-Back contracts, BOT, etc.).

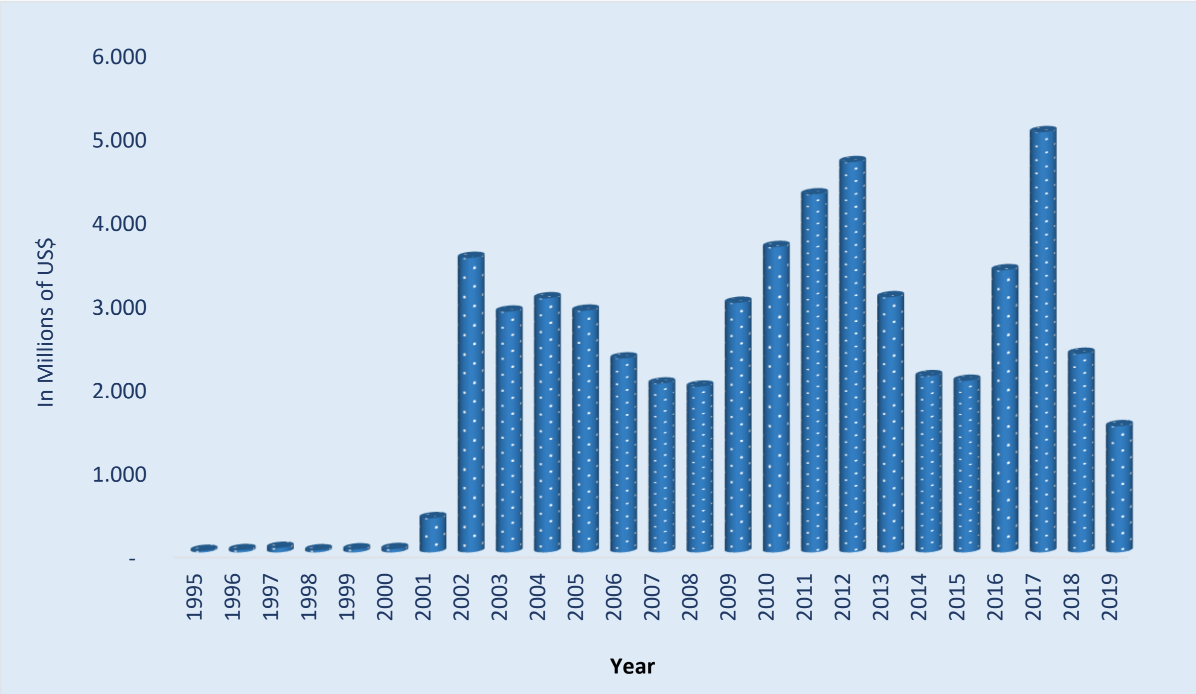

Figure 4.2. Foreign direct investment in Iran, net inflows (BoP, current US$), 1995-2019.
Source: Author's calculation based on 'Data World Bank'.

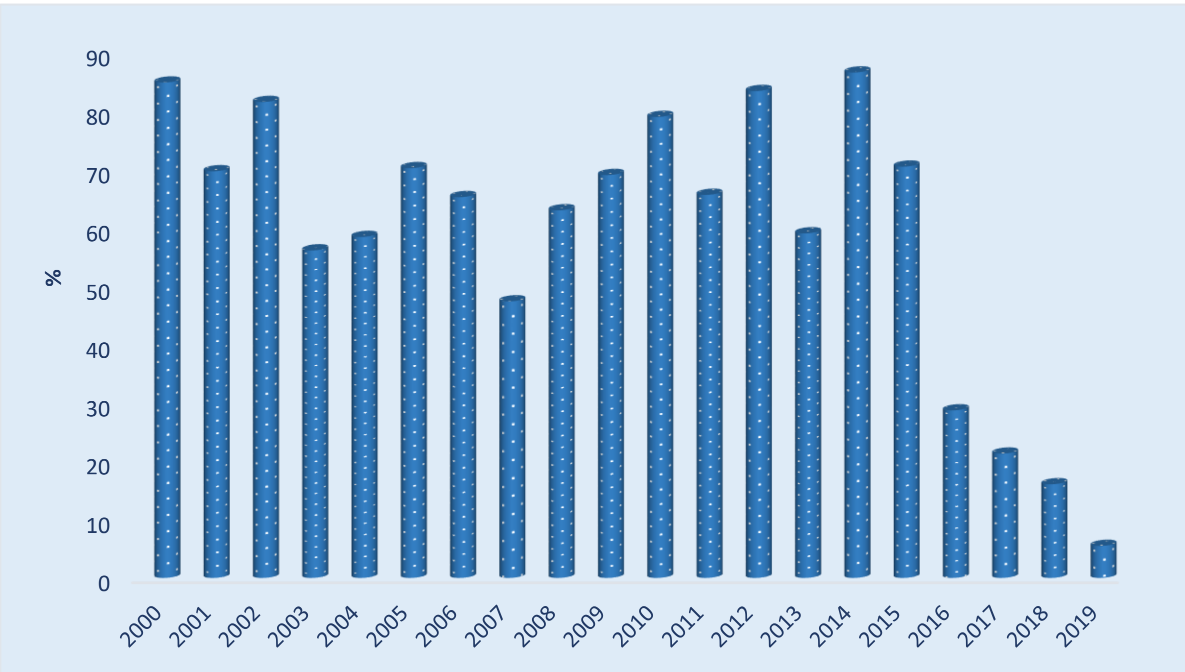

Figure 4.3. The ratio of Buy-Back contracts in oil and gas sectors in total FDI in Iran, 2002-2019.
Source: Author's calculation based on Central Bank of Iran's data.

4.3.2. China's FDI outflows into Iran

The influx of China's overseas investment into Iran has deepened further the influence of China on Iran. As China's outward FDI rose globally since the early 2000s, Iran, after Saudi Arabia and the UAE, has become the third destination of China's ODI in the ME region (seen Appendix III). As Figure 4.4 demonstrates, during 2004-2019, the total Chinese ODI (flows and stock) into Iran was approximately $30 billion. While the inflows of China's FDI in Iran were under $350 million between 2004 and 2009, it reached its peak in 2014 with more than $4 billion. This trend dropped gradually to less than $3 billion in 2019. By 2011, Iran was ranked 12th in China's ODI destination (MoC, 2014, 131) while it dropped to 22nd place in 2014 (MoC, 2012, 74). In terms of stock, despite China's total investment volume have grown constantly, Iran ranked 22nd in 2011 (MoC, 2011, 79-83) and 23rd in 2014 (MoC, 2014, 136-140).

Referring to the great economic and industrial agreement between Iran and China, Iran's Deputy Minister of Energy expressed in 2013 that the volume of Chinese financing has increased from $23 billion to more than $50 billion so far to finance the country's entire industrial, development, and economic projects (Jahan News, 2014). Also, statistics released by Iran's Ministry of Industry, Mines and Trade (MIMT) show that in the last Iranian calendar year 1399 (from March 2020 to March 2021), more than $2.469 billion in foreign investment applications have been approved in the country. According to the data, the top five investors in Iran were China ($543 million), Germany ($486.9 million), the UAE ($363.7 million), Canada ($271.6 million), and Austria ($116 million), respectively (Eghtesad News, 2021). In total, from 2004 to 2019, China's total outward FDI into Iran accounted for about 62% of the total FDI in Iran (see Figure 4.5).

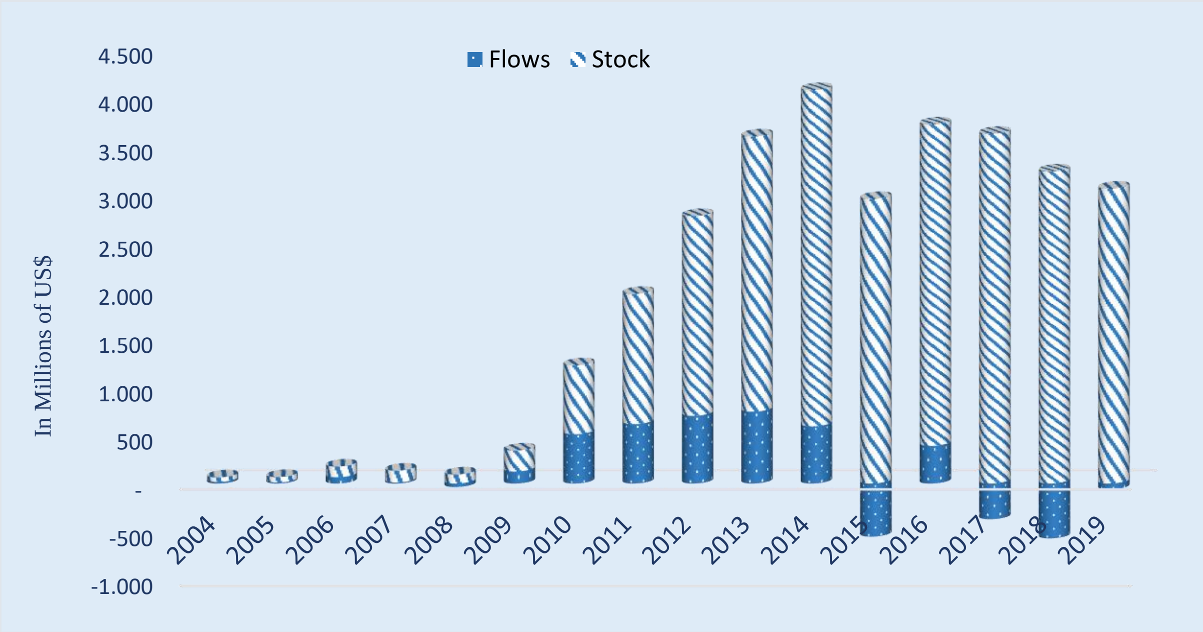

Figure 4.4. China's Outward FDI (flow and stock) into Iran, 2004-2019.
Source: Author's calculation based on Statistical Bulletin of China's Outward Foreign Direct Investment, different years (MOC).

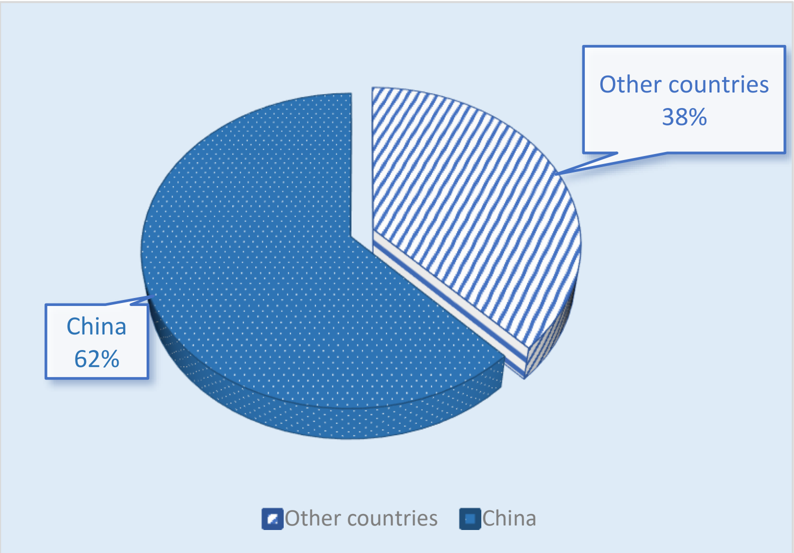

Figure 4.5. The ratio of China's share of total foreign investment in Iran, from 2004 to 2019.

Source: Author's calculation based on the statistics of Figures 4.2 and 4.4.

Note: It should be noted that the statistics of the World Bank and China's Ministery of Commerce are not completely consistent.

Furthermore, the distribution of China's ODI in Iran by sectors reflects its interest in securing its domestic economic requirement. According to American Enterprise Institute (AEI), China's investment in Iran is allocated to various sectors, including energy (40%), transport (26%), metal (19%), utilities (8%), chemicals (6%), and real estate (1%).

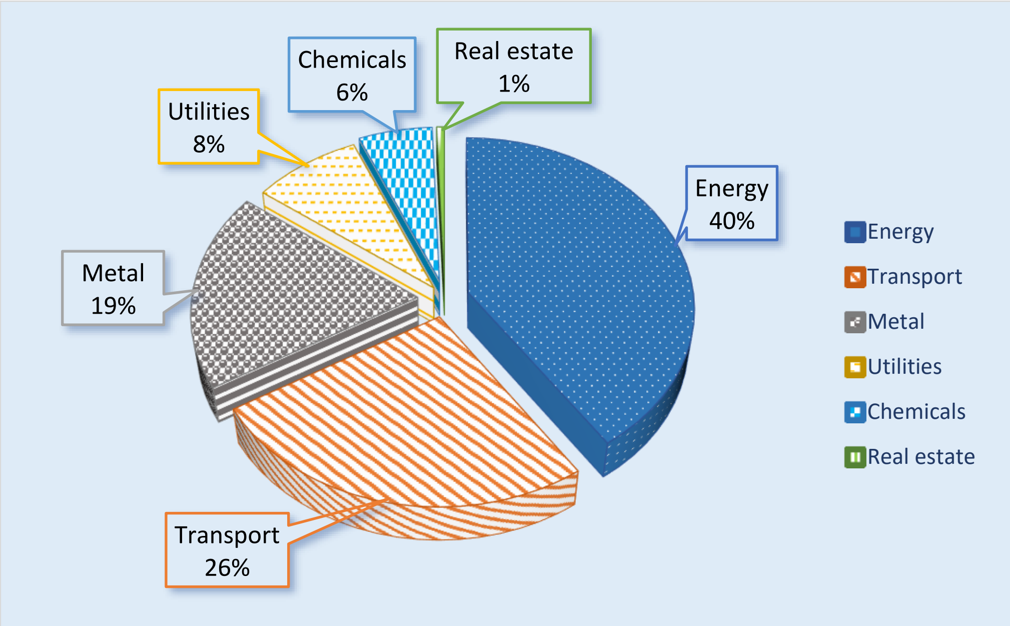

Figure 4.6. Distribution of China's FDI in Iran by sectors, 2005-2019.
Source: Author's calculation based on AEI (China Global Investment Tracker).

4.3.3. China invests in oil, gas, and petrochemical projects

China's investments in the energy industry are allocated to oil, gas, and petrochemical projects (see Table 4.1). The total volume of the transactions in the oil projects accounted for about $15.5 billion, followed by gas ($20 billion) and petrochemical ($8.9 billion), which includes troubled contracts. As will be detailed below, the implementation of several projects has faced different problems due to the international atmosphere. In fact, international sanctions against Iran have become both an opportunity and a limiting factor for China. On the one hand, the withdrawal of IOCs from Iran's energy sector created an opportunity for China's companies to become a powerful alternative for investing in Iran's oil, gas, and petrochemical sectors. So, amid widespread US sanctions against Iran, the Sino-Iranian economic relationship began to expand significantly by a set of energy deals. On the other, US threats against countries and foreign companies that continued cooperation with Iran have placed severe restrictions on Chinese investments in Iran.

Table 4.1. China’s contracts for oil, gas, and petrochemical projects of Iran

Oil							
N	**Date**	**Projects**	**Contractor(s)**	**Iran's Partner**	**Value (in Million US$)**	**Type of Contract**	**The fate of the contract**
1	2000-Aug	Drilling 19 wells in southern Iran	Sinopec, CNPC	NIOC	85	x	
2	2001-Jan	Zavareh Kashan block	Sinopec Shengli		101	x	
3	2002-May	Masjid-e-Soleymen	CNPC & Sheer energy		80	buy-back	
4	2004-Jan	North Azadegan Oilfield (phase 1)	CNPCIL	NIOC	1,76	buy-back	Signed finally in 2010 and, restarted in 2015
5	2005-May	Koohdasht block	CNPC		87,50	x	
6	2004-Oct	Yadavaran oilfield (Phase 1)	Sinopec	NIOC	2.000	Buy-Back	Finalized in dec. 2007, started in 2015
7	2006-Jun	Garmsar block	Sinopec	NIOC	70	Buy-Back	Terminated in 2016
8	2009-Sep	South Azadegan oilfield (Phase 1)	CNPC	NIOC	2.700	Buy-Back	Cancelled by Iran in 2014
9	2010	Abadan Refinery	SINOPEC & ODCC		2.550	EPC	
10	2017-May	North Azadegan Oilfield (Phase 1)	CNPCI	NIOC	2.500	Buy-Back	
11	2016	Esfahan Oil Refinery	SEI	NIORD	2.500	Funding	Left out in 2016 and it awarded to Korea's Daelim
12	2019-Jan	Yadavaran Oilfield (Phase 2)	Sinopec	NIOC	3.000	Buy-Back	Halted in May 2019
				Total	**15.675**		

N	Date	Projects	Contractor(s)	Iran's Partner	Value (in Million US$)	Type of Contract	The fate of the contract
Gas							
1	2008-Feb	North Pars Gasfield & LNG	CNOOC Ltd	POGC	16000	Buy-Back	suspended in 2011
2	2009-Mar	Iran LNG Plant (Phase 2)	CNOOC	ILNGC	2,625		nullified in Sep-2012
3	2009-Jun	South Pars (Phase 11)	CNPC	NIOC	4700,000	20	signed in Jul-2017
					20.703		
Petrochemical							
1	2013-Dec	Gachsaran Petrochemical		NIPC	375		
2	2014-Sep	Sadaf Petrochemical			102	EPC+F	
3	2014-Jun	Bushehr Gas Petrochemical (16th Elfin)	CATIC	Iran's SATA	2.500		
4	2015-Feb	Sabalan Petrochemical Plant	CPECC		406		
5	2016-Apr	Mehran Petrochemical	CNTIC	Petro Saman Faragstar	1.403	EPCF	
6	2017-Feb	Masjed Soleyman Petrochemical	Wuhan Company		3.600		
8	2017-Jul	Lordegan Petrochemical			502		
					8.888		

Oil Sector

China's first investment in Iran's energy industry started with a deal for oil and gas exploration in Iran in 1997 (Sotoudehfar, 2015). Following this, in August 2000, the National Iranian Oil Company (NIOC) signed an $85 million contract with the China National Petroleum Corporation (CNPC) to drill nineteen wells at existing natural gas fields in southern Iran. These deals were followed by a $13 million oil contract between the NIOC and CNPC in 2001(Garver, 2011, 266-69).

This trend was accompanied by a chain of agreements between the two countries in upstream and downstream oil projects during the last two decades. The contracts are for (i) the Zavareh Kashan block (Sinopec has pledged to invest $36 million (IRNA, 2021), while Iran's media reported the company invested $65 million), (ii) the North Azadegan oilfield (worth $1.76 billion) (NIOC, 2021), (iii) the Second Phase of the North Azadegan (about $2.5 billion) (Mohammedi, 2017; ISNA, 2017), and (iv) the Yadavaran oilfield ($2 billion) (New York Times, 2006; SHANA, 2007; Aizhu, Chris Buckley, 2011; Mehr, 2011; Wall Street Journal, 2019; Mehr, 2020), (v) an $87.5 million contract with CNPC for operating 300 km of 2D seismography, 207 km2 of 3D seismography, one ring of exploration well, and dug 2 more wells in the Koohdasht block ($18 million in exploration and $69.5 million in field description) (ICOFC, 2009).

The other contracts were for (vi) the implementation of oil and gas exploration in the Garmsar block ($19.61 million over 4 years) (ISNA, 2016a), which was terminated in August 2016 due to a lack of environmental permits (Mehr, 2016a), (vii) renovation, and optimization of the South Azadegan oilfield ($2.7 billion) (ISNA, 2017), this contractor was fired due to "killing time" (BBC, 2014; Energy Today, 2016), and (viii) developing and stabilizing the Abadan refinery ($3 billion investment will be signed soon and financed from 85% share of Sinopec and 15% share of Iranian employer) (Jahan-e Eghtesad, 2016; NIORDC, 2017; SHANA, 2017).

Gas sector

Given that China's gas demand increased, its investment in Iran is not limited to the oil sector but has also expanded to the gas sector. On 27 February 2008, Iran's Pars Oil and Gas Company (POGC) and China's biggest offshore oil producer, CNOOC Ltd., signed a contract for (i) the development of the North Pars gas field, Iran's second-biggest gas project, and the construction of LNG facilities (worth approximately $16 billion and aimed to secure gas supply to China)

(SHANA, 2018). Thought, in October 2011, the CEO of POGC announced that this contract will be suspended "until further notice" (Mardomak, 2011). The further gas contracts are (ii) a €2.625 million contract for developing the Second Phase of the Iran LNG plant (Danesh-e Naft, 2017), and (iii) a $4.7 billion contract for developing Phase 11 of the South Pars (SP11) gas field (Pannier, 2009;), however, in October 2019, the withdrawal of CNPC from SP11 was officially announced (SHANA, 2019). Overall, CNPC has spent about $20 million on planning to develop this field (Aizhu, 2018b).

Petrochemical sector

Following the signing of several agreements between Iran and China in the oil and gas sectors, Chinese companies have become further determined to bolster investing in Iran's petrochemical industry. In 2013, the National Iranian Petrochemical Company's (NIPC) managing director, Abbas Sheri Moqaddam, announced that Iran needs $31 billion to inaugurate 60 semi-finished petrochemical projects. He said once the projects are started, they will increase the country's annual petrochemical output by 55 million tons, adding that $74 billion is needed to expand the national petrochemical industry in the next 8-10 years (Azernews, 2014). Also, a year later, on the sidelines of the 19th International Oil, Gas, Refining and Petrochemical Exhibition, the Deputy MoP said the construction of Bushehr, Lordegan, Hengam, and Gachsaran petrochemical complexes has been financed by Chinese investors (Payam Petrochemical, 2014).

The contracts for Petrochemical projects are (i) Gachsaran project in 2013 (valued at $375 million) (Jahan News, 2014), (ii) the Sadaf Petrochemical Project Subsequently in 2014 (worth €102 million) (SHANA, 2014a; Monaghesat Iran, 2019), (iii) the implementation process of the Bushehr Gas Petrochemical Project (16th Elfin), €2 billion funding by CATIC, (Mehr, 2014), and (iv) the Sabalan Petrochemical Plant ($406 million) (ISNA, 2021a; Petrochemical Industry, 2017; SHANA, 2021, ISNA, 2021a), (v) a contract for the construction of the Mehran Petrochemical project, worth €1.65 billion (85% will be financed by China's CNTIC and the remaining 15% by the Iranian executing company) (ISNA, 2016b; IPNA, 2021).

Moreover, (vi) in February 2017, China's Wuhan Company and Masjed Soleyman Petrochemical Industries Company inked a contract worth $3.6 billion for investment in Masjed Soleyman Petrochemical complex (Mehr, 2017a). Five months later, it was announced that Chinese investors would provide €502 million in financing for the construction of Lordegan Petrochemical Complex, located in the southwest of Iran (SHANA, 2017b).

According to Rouhani: "this petrochemical can return the investment of €875 million if it is produced with 100% capacity within about four years" (LUFC, 2020).

Solar energy

Investing in solar energy is another area for China. In July 2018, Tehran signed an MoU with China's Sinosteel Company and Italy's Denikon Company for building solar power plants, aiming to generate 500 to 1000 MW of electricity in the central province of Yazd. The CEO of Sinosteel expressed that "the company has been active in the fields of mining, metals, construction of solar power plants, transportation in Iran for many years and has invested over $2.5 billion in Iran so far" (Yazdfarda, 2018).

4.3.4. None-energy sectors

Financial credit line

Providing financial credit is an attractive area for China's involvement with Iran's economy. In September 2017, during a visit of Tehran's delegation, headed by Minister of Economy and Financial Affairs, Ali Tayyebnia, to Bejing, Iran signed two MoUs with two major Chinese banks to allocate $35 billion in financing and loans for Iran's economy. The first deal was a €15 billion agreement between the Central Bank of Iran (CBI) and China Development Bank (CDB) to provide financing facilities for Iran's infrastructure and production projects (Mehr, 2017b). Additionally, Chinese state-owned investment, the Export-Import Bank, committed to providing a $10 billion credit line for CBI (The New Arab, 2017).

Mining

The mining sector is another important field for China's investment in Iran's economy. For instance, Mehdi Karbasian, Iran's Deputy Minister of IMT declared in June 2018: "$5 billion of the $20 billion in financing between Iran and China has been spent on Iran's mining and mineral industries, ... with $4 billion of this amount invested in projects undertaken by Imadro with the participation of the private sector" (ILNA, 2018a).

According to Imadro CEO, the construction of the Salco complex, located in the Lamerd Special Economic Zone in southern Iran, worth $1.2 billion, will be provided by China Nonferrous Metal Industry's Foreign Engineering & Construction Co. (NFC) (Anna Press, 2017). The deal was signed with NFC in the form of EPCF in 2011 and its documentary credit was activated in January 2015 (Lamerdsez, 2021). Additionally, in May 2016, a $2 billion agreement between Iran Aluminium Company (IRALCO) and China Railway Group Limited

(CRIC) was signed for joint venture investment, which is directed to activate the Number two site of IRALCO in Kheirabad Industrial Township, Markazi Province" (IRNA, 2016).

4.4. Conclusion

The focus of the chapter was probing the purpose of China's investments in Iran's economy, by linking it to a border context of China's Going Global Strategy. Formulating this strategy aimed to meet Chinese domestic requirements. As a huge amount of accumulation of capital, generated a range of MNC, acquiring new fields for investment and economic activities as well as the supply of raw materials to feed the growth of the domestic economy has become the main driving forces to launching the strategy.

Consequently, as we have illustrated, while Iran's FDI inflows increased suddenly from 2002, however, the flow of Chinese foreign capital to Iran has experienced a rapid augmentation since 2010. Nonetheless, Iran has become the third-biggest destination of China's ODI in the ME. This investment flow intensified further the Chinese involvement in Iran's economy. Like the trade relationship, China has become the largest foreign investor in Iran during the 2010s. Moreover, it is of paramount importance to underline that the main destination of China's investments was the energy sector, followed by the sector transportation and metal at second and third place, respectively. We can conclude that the main purpose of China's investments was the exploitation of natural resources and facilitating the transport networks to supply raw materials for its domestic economy, particularly, crude oil, natural gas, chemicals, and metals.

In addition, like crude oil imports from Iran, China's investments in projects of the petroleum sector have been affected by the imposed sanctions of the US on Iran's economy. Due to the intense interconnectedness of its domestic economy to the global economy, the scope of China's activities and investment in Iran has been restricted. The flow of Chinese investments into Iran went to the transport sector, which plays an important role in the scope of China's influence in Iran. So, the next chapter will address this issue.

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CHAPTER V. BRI AND CHINA'S INVESTMENT IN EXPANDING IRAN'S INFRASTRUCTURE NETWORKS

5.1. Introduction

The deepening and stabilization of China's economic and political position on both regional and global scales require building extensive infrastructure and facilities. In line with intensifying Iran's integration in China's emerging economy, launching the Belt and Road Initiative (BRI), connecting China to the four continents of the world, has played a key role in China's economic and political strategy in Iran. While the BRI includes a wide range of transportation network projects, petroleum and gas pipelines, airports, railways, ports, and facilities, this chapter investigates mainly China's role in expanding Iran's infrastructure networks.

If we continue to explain and analyze China's influence in Iran with the same Dragon Octopus metaphor, the role of Chinese investments in Iran's infrastructure projects is of critical importance to examine the BRI geoeconomic and geopolitical implications on Iran. On the former aspect, it means that the transportation infrastructure must create and guarantee the arrangements and arteries for securing the flow of natural resources to China and, in turn, facilitating the export of goods and capital to countries along with the BRI. Regarding the second dimension, this process needs to go hand-in-hand with serving to strengthen and perpetuate China's hegemony regionally and globally. Hence, to examine how China's active involvement in expanding Iran's transportation networks contributes to its economic and political interests, this chapter will answer the following question: What has been China's role in expanding Iran's transportation networks, and what are its interests?

The structure of this chapter is as follows. Section 5.2 examines the geoeconomic and geopolitical goals of the BRI to illustrate the interconnection between the requirements of the Chinese domestic economy and the objectives behind the formulation of the inter-regional and intercontinental projects. Subsequently, in section 5.3, we explore the importance of Iran to implement the BRI, and the role of China in the extension of the Iranian transportation web, presenting the volume of Chinese investments in various transportation projects. Finally, we bring the chapter to the end with a brief conclusion.

5.2. Geopolitical and geoeconomic objectives of the BRI

The Belt and Road Initiative (BRI) comprises geoeconomic as well as geopolitical objectives, which basically meet China's domestic needs. First, introducing by President Xi Jinping, during his visits to Kazakhstan and Indonesia in September and October of 2013, respectively, the Silk Road Economic Belt and the 21st Century Maritime Silk Road, became China's great ambitious project and the key transregional and transcontinental strategy to integrate its domestic economy with Asia, Europe, and Africa. Xi Jinping expressed that the BRI aim is "to forge closer economic ties, deepen cooperation and expand development space in the Eurasian region, ... to improve cross-border transportation infrastructure and work toward a transportation network connecting East Asia, West Asia, and South Asia to facilitate economic development and travel in the region, ... [and to encourage] a proper arrangement for trade and investment facilitation, remove trade barriers, reduce trade and investment cost, increase the speed and quality of regional economic flows" (Embassy, 2013). Later, in a speech to the Indonesian parliament, he proposed the initiative to build the 21st Century Maritime Silk Road, connecting China to Europe via sea (Asean China-Centre, 2013). Both projects became shortly under the title of One Belt, One Road (OBOR). Subsequently, in March 2015, China's government issued guidelines on the "Vision and Actions on Jointly Building Silk Road Economic Belt and 21st Century Maritime Silk Road" (NDRC, 2015) and the OBOR became the Belt and Road Initiative (BRI) (Xinhua, 2017). Formally, China has outlined five priorities and general principles in the framework of this initiative to promote connectivity across BRI countries: policy coordination, infrastructure connectivity, trade facilitation, financial cooperation, and people-to-people contacts (NSRC, 2015). Accordingly, Chinese companies are making endless efforts to invest in infrastructure projects.

Second, in terms of geopolitical ambitions, the BRI is not reducible to geoeconomic strategy but promotes simultaneously a territorial expression of China's power dynamics, emerging as a counter-hegemonic power to challenge the established western powers, especially the US. As promoted by China's elites, this super-project heralds the dawn of creating a "new type of international relations" within which the US hegemony gives the way to a "multi-polar world" and China would be a key player (Yi, 2016). The ambition and vision of the Chinese bourgeoisie are not limited to merely facilitating the flow of capital and goods at both domestic and global levels. In the competitive world between capitalist nation-states and MNCs, the BRI is also manifested and promoted as territorialization and the national imagination of the "Chinese Dream". This imagination was expressed by Xi Jinping when he visited the "The Road Toward Renewal" exhibition in Beijing, by emphasizing that the “Chinese Dream” encompasses the “strong nation dream” and the road toward “the great rejuvenation of the Chinese nation,” which "is the greatest dream in the country's modern history" (China Daily, 2013). Accordingly, as noted by a China’s *People’s Daily* commentary, the BRI is not only an attempt to “tell the China story well and spread China’s message properly” but an effort to build a “community of destiny”. According to the commentator, “the OBOR was intimately connected with President Xi’s Chinese Dream, one of whose key goals is that the country would emerge as a superpower by 2049” (Lam, 2017). This association links the Chinese Dream behind the BRI with its national visualized geopolitical strategies on both regional and global scales.

China’s outward FDI cross BRI countries

Promoted by the BRI as an ambitious initiative, in the continuation of the ‘Go Global’ strategy, China’s outward investment has increased rapidly. As Figure 5.1 presents, since the formulation in 2013, China’s overseas investments in 66 countries along the BRI increased remarkably from $12.6 billion in 2013 to $20.2 billion in 2017 and, with a slight decrease, to $18.7 billion in 2019. The total overseas investments in participating countries amounted to $117.31 billion (MoC, 2019). However, the Chinese investment flow into Iran decreased slightly from $3.6 billion to about $3 billion in 2019. This decline can be explained by imposed sanctions by the US against Iran, which make significant restrictions on China’s activities in Iran.

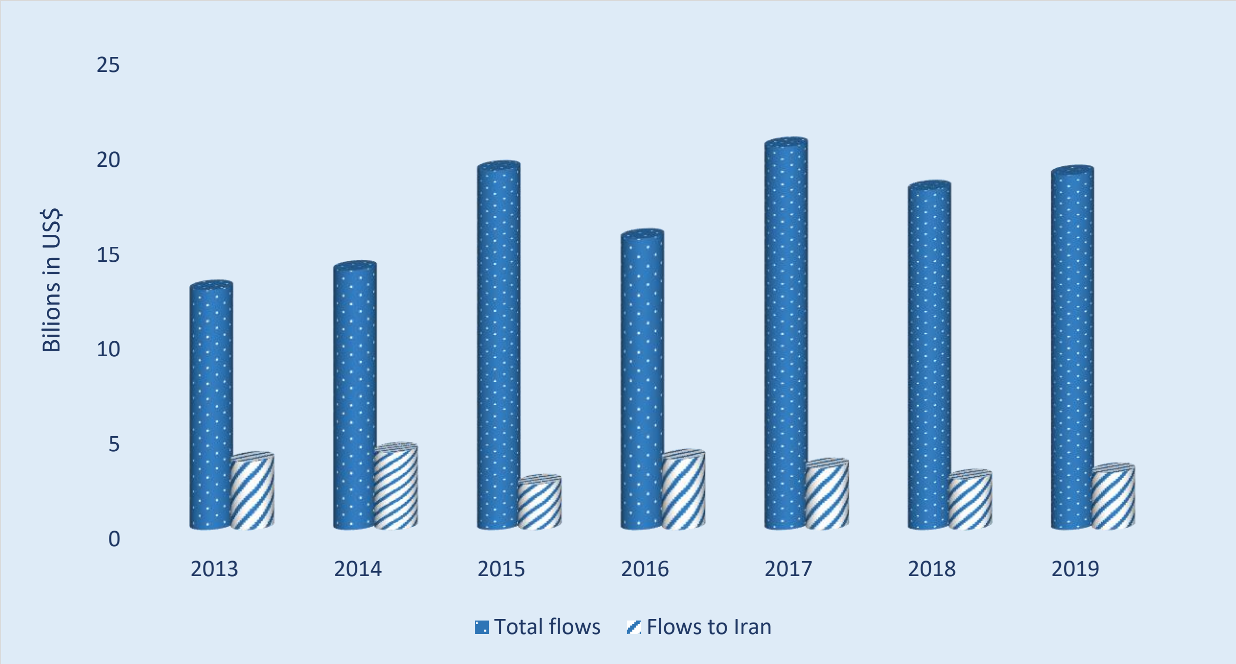

Figure 5.1. China's investments in countries along the BRI, 2013-2019.
Source. Author's calculation based on 2019 Statistical Bulletin of China's Outward Foreign Direct Investment (MOC).

5.3. China's role in expanding Iran's infrastructure projects

5.3.1. Iran in the framework of China-Central Asia-Western Asia Corridor

China's government articulated six economic and transport corridors in the initial vision for the BRI in 2015. One of these corridors is the China-Central Asia-Western Asia Economic Corridor (CCAWEC). Accordingly, in late 2015, China Railway Corporation proposed "a Silk Road high-speed railway connecting China's Urumqi and Yining to Almaty in Kazakhstan, to Bishkek in Kyrgyzstan, Tashkent and Samarkand in Uzbekistan, Ashgabat in Turkmenistan, and finally blending into West Asia's network through Mashhad and Teheran in Iran" (Yanpeng, 2015).

Along with the 2.000-mile Urumqi-Tehran high-speed, the initiative transforms Iran as a major interregional and intercontinental crossroads transit from China to the Middle East and Europe. It is important to note that investment in Iran's transportation sector, however, dates back to the pre-BRI period, which will be also covered below. For instance, in 2011, news broke that China and Iran had signed a $13 billion deal to develop Iran's railways, being part of China's investment in the region to develop railways aimed at importing energy resources and raw materials (DW, 2011). Moreover, as one Iranian official stated in 2015, "Iran and China have so far had trade ties but from now on our expectation is to see Chinese investments in our infrastructure projects. We need between $30 and $50 billion foreign investments annually, a big chunk of which can be secured by China for such sectors like road, rail and air transportation, agriculture and industries such as household, and textile and ceramics" (Dorraj, 2020, 132).

Charge de Affairs of the Iranian Embassy in China indicated in 2019 that there is already a direct freight train between China and Iran. The rail route from Urumqi to Tehran cut transportation to 14 to 15 days, compared with 45 to 50 days by sea, adding that since the beginning of 2016, five cargo trains have traveled between the two countries, "loaded with myriad Chinese goods, from automobile accessories and spare parts to household appliances and ceramic tableware" (China Daily, 2019). As we will examine and illustrate below, China's activity and investment are not limited to Iran's railway construction but have expanded to developing other areas of transportation, including roads, ports, highways, and other infrastructure projects.

5.3.2. China's investments in Iran's transportation projects

As Figure 5.2 and Table 5.1. present, a total of approximately $20 billion of transactions have been conducted between Iran and China in the field of investment in the transportation sector. The largest proportion (about $9 billion) is dedicated to the railway sector, followed by the metro lines section ($8.978 million) and road construction ($2.6 billion). A part of these transactions includes troubled contracts, which are mainly related to the railway sector, mainly due to imposed sanctions of the US on Iran.

Figure 5.2. Distribution of Chinese investments in Iran's transportation networks by sectors.

Source: Author's calculation based on collected data are presented in the section 5.3.

Table 5.1. *Contracts signed between Iran and China in the field of transportation.*

N	Date	Projects	Contractor(s)	Iran's Partner	Value (in Million US$)	The fate of the contract
Railway						
1	2013-Jan	Rasht-Astara railway			639	Halted and awarded to Azerbaijan in 2017
2	2015-feb	Tehran-Qom-Isfahan express railway	CREC. and Khatam Al-Anbia		1.800	Agreed on the loan in July 2017
3	2016-Jan	Golbahar-Mashhad railway	NORINCO	Sepasad	186	
4	2016-Sep	Zahedan-Birjand railway	Sinomach		-	
5	2017-Jul	Tehran-Mashhad railway	Exim Bank	IBIM	1.500	China left the project in June 2021
6	2018-Jan	Kermanshah and Khosravi railway	CCECC		540	
7	2018-Mar	Tehran-Hamedan-Sanandaj railway	Sinomach		837	
8	2018-Mar	Shiraz-Bushehr railway	Synacast		700	
9	2019-May	Gorgan-Bojnourd-Mashhad railway	Sinohydro		2.023	Sinohydro left the project
10	2019-May	Chabahar-Mashhad railway	Saina Hydro	CDTIC	920	
Road						
1	2009	Tehran-Shomal Freeway (1st and 2nd Section)	China STA Consortium		400	
2	2018-Feb	Designing the 3rd section of Tehran-Shumal Freeway	China's Qingda		2.200	

Metro						
N	**Date**	**Projects**	**Contractor(s)**	**Iran's Partner**	**Value (in Million US$)**	**The fate of the contract**
1	1995-Mar	Tehran's metro and electric train	NORINCO, CNTIC, CICC		573	
2	2002-Nov	Tehran Metro Line 1	CITIC		1.800	
3	2004-May	Tehran Metro Line 4	NORINCO	TUSRC	680	
4	2008-Dec	315 subway wagons for Tabriz, Isfahan and Shiraz	CRRC Nanjing Puzhen	IDRO	300	
5	2016	1,008 subway cars to Teheran	CRRC Changchun		1.390	
6	2017-Mar	70 subway cars for the Tehran Metro	Norinco	Tehran Wagon	100	
7	2017	Tehran Metro Line Six	NORINCO		1.200	
8	2017-May	100 subway wagons Metro Line 2 in Mashhad	CRRC Changchun	CRRC	98	
9	2018-Mar	450 subway wagons for Ahvaz, Shiraz and Tabriz.	CRRC Nanjing Puzhen	IDRO	500	
10	2018-Sep	630 railroad wagons for Tehran’s Subway	Chinese CIR	Tehran Wagon	700	singed the contract in Jan-2019
11	2018-May	50 electro-diesels	CRRC Dalian	Wagon Pars and Alborz	70	
12	2019-Jan	367 subway cars for Tehran	RTTE	Pars Wagon	367	
13	2019-Jul	80 subway escalators			-	

Railway

Since launching the BRI, Iran's government prioritized expanding the country's railway networks by increasing "the share of rail in cargo and passenger transportation to at least 30% and 20%, respectively, by the end of the period" in its sixth Five-Year Development Plan (2017-22) (Tianyang, 2019). As such, China has pumped billions of dollars into Iran's construction projects, especially in infrastructure networks.

The most important project invested by China in the framework of the BRI is the building of the Tehran–Qom–Isfahan high-speed railway. In 2015, Iran signed a €1.8 billion financing contract with China Railways Engineering Corporation (CREC), being loaned by the Export-Import Bank of China, for constructing Iran's first high-speed line of the Tehran-Qom-Isfahan railroad project (Financial Tribune, 2017). In late 2019, Beijing reopened a credit line of $1.94 billion to finance this high-speed railroad project (Financial Tribune, 2019). Nonetheless, with the withdrawal of the US from the JCPA, this project and several other projects on the Iranian railway have faced problems (Tabnak, 2021b).

The second important BRI-related project is the financing of the Tehran-Mashhad express railway. This railway line follows the CCAWEC. In May 2017, a $1.5-billion contract was signed in Tehran between China's Exim Bank and Iran's Bank of Industry and Mine to electrify the 926-km Tehran-Mashhad high-speed trunk line. $500 billion in financing and $8.5 billion in trade loans have been granted by Exim Bank to fund Iranian projects (Tasnim, 2017). However, Iran's deputy minister of RUD informed in June 2021 that China left the electrification project of the Tehran-Mashhad railway (Mehr, 2021).

In addition to those megaprojects, China's involvement in Iran's railway projects are (i) a €639 million contract for constructing the Rasht-Astara railway (ISNA, 2013), which was halted later (AZERTAC, 2017), (ii) the suburban Golbahar-Mashhad electrified railway contract (€300 million, of which €186 million are financed through China's investors) (Sobh-e Toosh, 2016), (iii) the 600-kilometer Zahedan-Birjand rail line, part of the country's North-South corridor, which will facilitate Iran's connection to Central Asia and Afghanistan. However, later in 2019, Iran announced that the credits of this railway line will be pursued through Chinese financing and facilities from Russia (ISNA, 2019a).

Continuing with the expansion of Iran's transportation networks, China's company CCECC won a contract ($540 million) in January 2018 to build a 263 km railway line between Kermanshah and Khosravi in western Iran (CRCC, 2018). The other project was financing the Gorgan-Bojnourd-Mashhad railway project. Under the agreement, China's share was 85% and the Iranian side, Astan Quds Razavi, was 15%. Notwithstanding, Iran announced in January 2020 that "due to the US imposed sanctions, the Chinese parties to the project have completely left the country and practically no executive action has been taken on this railway" (Khorasan Newspaper, 2020).

The other most important railway project is the financing the Tehran-Hamedan-Sanandaj project, worth $836.87 million (Sinomach, 2018). This railway project follows the CCAWEC and illustrates furthermore a heavy wave of China's investment in Iran (Reuters, 2018). In March 2018, China's Synacast investor company inked a deal, worth $700 million, with Iran's Ministry of RUD to construct the 450-km Shiraz-Bushehr railway. This project is following Iran's purpose of becoming a transit hub for trade between the Gulf, the Indian subcontinent, Russia and Central Asia (Straitstimes, 2018). Finally, another project signed by China is the Chabahar-Mashhad railway, worth €920 million (ISNA, 2019b). This line is an integral part of the International North-South Transport Corridor, linking Central Asia to the Persian Gulf through Iran's Chabahar Port.

Metro

Chinese involvement with investing in Iranian infrastructure projects has a long history and is not limited to railway projects. Emphasizing that China's shadow weighs heavily on both the metro network and Tehran's BRT system, an urban transport expert told IMNA: "A significant part of Tehran's rail and bus fleet is made or assembled in China (Iran's Metropolises, 2021). Also, according to China's *People's Daily*, the great majority of Iran's subway carriages are made in China's city Changchun (People's Daily, 2014).

China's activities in constructing the Tehran metro dates back to the 1990s. A $573 million contract to construct Tehran's metro and electric train (IRNA, 1995). Additionally, in November 2002, the contract for developing the Tehran Metro Line 1 was signed in Beijing, worth $1.8 billion (IRNA, 2002; Sarmayeh, 2006). In May 2004, China's Norinco reached a $680 million contract with TUSRC for constructing Line 4 of Tehran's expanding metro system (MEED, 2004). Also, Norinco company held a $1.2 billion contract for building the Tehran Metro Line 6, expecting to be completed in the same year (Tehran Times, 2017).

In addition, the construction of subway cars is a significant part of China's economic activity in Iran's transportation sector: (i) A contract was signed in December 2008 to supply 315 wagons for the metro fleet of Tabriz, Shiraz and Isfahan. In the framework of this contract, a contract was signed in March 2017 to build 215 subway wagons, with an estimating cost of $300 million (based on €1,078,000 for each wagon) (IMO, 2017). The other contracts were (ii) a $1.39 billion deal with China's CRRC Changchun to supply 1.008 subway cars to Tehran Metro in 2016 (Nan, 2017), (iii) a $100 million contract to manufacture 70 subway cars for the Tehran Metro in March 2017 (TehranTimes, 2017), (iv) a €98 million contract to build and supply 100 subway wagons for 14-km Metro Line 2 in Mashhad (CRRC, 2017), and (v) a €500 million contract for the production and supply of 450 subway wagons for the cities of Ahvaz, Shiraz and Tabriz in March 2018 (Donyay-e Eqtesad, 2018).

Moreover, in 2018, (vi) the Chinese CIR won the tender for building 630 railroad wagons for Tehran's subway, is estimated at $700 million, which is based on the €1,078,000 average cost of FOB (delivery in Shanghai port) for each wagon (ISNA, 2018b). Iranian media reported in early 2021 that the purchase of 630 subway cars had been halted after four years due to Trump's harassment and sanctions (Gaame No, 2021). Following, (vii) announcing that Tehran needs a total of 1050 subway wagons, officials announced that with the realization of the contract of 630 wagons, we are trying to implement the contract to produce 420 wagons, financing by China (IRNA, 2020). The other contract is (viii) building and supplying 367 subway cars for Tehran, with an estimated cost of $366.9 million (Financial Tribune, 2019a).

Finally, (ix) in May 2018, a deal for the construction of 50 electro-diesel freight locomotives worth $70 million (ILNA, 2018b), and (x) a contract for constructing 80 subway escalators of Tehran Metro lines in July 2019 (Salam-e No, 2019).

Road and Highway

The active involvement of China in Iran's transportation networks started in constructing roads and highways and dates back to the 2000s. A $254 million contract was signed in 2003 between Iran and China's company SINOSURE for building the first section of Tehran-Shomal Freeway (Hamshahri, 2020). After France withdrew from building the freeway in 2009, China replaced France and a $400 million contract was inked between Iran and China (Mehr, 2009). Also, in February 2018, China's Qingda Company reached an agreement with the Mostazafan Foundation for designing and constructing the third section of Tehran-Shomal Freeway, with an estimated cost of $2.2 billion (IRNA, 2018).

5.4. Conclusion

The objective of this chapter was to identify the role of China's investment in expanding Iran's transportation networks and its associated interests. This subject was explored in light of the geoeconomic and geopolitical objectives of the BRI. Launching and implementing this transregional and transcontinental project extends China's scope of influence and takes China a few steps forward into the global sphere. Thus, as part of the CCAWE corridor, Iran has become an important destination of China's investment in expanding infrastructure projects, which contributes to China's sphere of influence and economic activity, both regionally and globally.

In this chapter, we have shown that a significant portion of Iran's transportation infrastructure is built by Chinese companies. Indeed, near to one-third of the investments are dedicated to the construction of railway lines, metropolitan subway lines, and roads and highways. Additionally, what is remarkable is that China has always struggled with international obstacles. US sanctions on Iran have been an issue that China has faced continuously during the execution of some transportation projects and has not been able to ignore the US pressures so that the implementation of several projects have either not started at all or have been abandoned and led to the termination of contracts.

Moreover, regarding China's interests, due to its geostrategic location, Iran has been viewed as a vital transport and logistics hub for connecting China to the Middle East and Europe. Geoeconomically, to enhance the connectivity among the countries along with the BRI, Beijing is pursuing to build Iran's railway, providing China greater access to the energy-rich Middle East and Caspian Region and improving energy supply security as well as turning Iran into a major Eurasian trade hup for facilitating the flow of Chinese goods and services to the markets of countries along with the BRI. Geopolitically, building Iran's transportation networks contributed to China's power dynamics within the global power. Strengthening the connectivity between China and the world economy provides China and its enterprises a monopoly position on access to natural resources and markets and puts them in a superior position within the capitalist global order and competition among the great capitalist powers and MNCs.

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CHAPTER VI. CONCLUSION

The thesis investigated the economic and political implications of Chinese investment flow into Iran's economy. Criticizing the mainstream state-centric approach, we explored and analyzed this issue in conjunction with the mechanisms and internal contradictions, expansion-oriented, and the accumulation-driven tendency of capital as the innermost driving force of the capitalist system. Accordingly, the inquiry into the growing involvement of this emerging power in Iran has been situated within the broader context of profound capitalist transformations in China, the integration of its domestic economy into the global economy, and the necessities of its domestic economic development. This is primarily in light of the fact that China's investments in Iran cannot be assessed as mere commercial relations between the two nation-states, without considering the fundamental deriving forces behind the mobility of capital across the national borders and its actual and potential implications.

Applying the central notion of 'the logic of geopolitical economy of empire of capital', the initial hypotheses for answering the research question were reliant upon two important pivots. First, it was assumed that increasing China's investing in Iran's economy and building infrastructure webs will be accompanied by integrating Iran's economy in China's global and regional economic projects, securing the main requirement of Chinese economic development and, in the final analysis, strengthening the process of its domestic capital accumulation. The presupposition was that the quantitative changes in economic interconnections – trade relations, foreign investment, and improving connectivity by building infrastructure networks - will lead to qualitative changes. This process causes political consequences for power relations between the two countries. Accordingly, the second hypothesis raised the issue that the primary political implications are preserving and intensifying the configuration of uneven development of Iran's capitalism, by becoming a subordinated economy to meet the requirements of China's domestic economy. This transformation leads, conversely, to strengthening and consolidating China's hegemony and influence as a superior power over Iran.

The findings of this research confirm our presuppositions in two ways, which we enumerate below in order to achieve a better theoretical refinement. On the one hand, regarding economic integration, the evidence and facts we presented illustrate that over the past two decades, Iran has relied on the Chinese economy more than ever. To beginning with, China has become Iran's largest trading partner, both as the top export destination country as well as the largest origin country of its imports. In addition, during this time frame, Iran became the third largest destination of China's outward FDI in the Middle East. Although the ratio of Iran's share to China's total outward FDI is negligible, though, during the period 2004 to 2019, in total, Chinese investments accounted for roughly two-thirds of total FDI in Iran. Furthermore, Chinese investments in building Iran's transportation networks have intensified the country's economic integration process through the BRI. Hereof, since the flow of goods and capital are the important features of the globalization process and interconnectedness of national economies, building infrastructure webs is of vital importance to facilitating and ensuring the supply of raw materials, and circulation and flow of Chinese capital and goods to the markets across the BRI. Improving connectivity among the participating countries, Iran has been viewed as a vital transport and logistics hub for getting and ensuring greater access to the energy-rich Middle East and Caspian Region. These facts, together, corroborate the first hypothesis and reflect explicitly the historical process within which the twenty-first century has been a critical moment for the interconnectedness of the Iranian and Chinese economies.

On the other, the nature of this transformation is not only the strengthening of economic relations in terms of quantity but also the qualitative consequences of power relations between the two sides. First, the crux of China-Iran bilateral trade relations has been Iran's shipping of crude oil, minerals, chemical products, and base metals in exchange for (mainly) capital goods and (to some extent) consumer goods. Although in recent years, as a result of the US sanctions, Iran's share of China's total oil imports has plummeted sharply, total exports of Chinese capital goods to Iran have been on the rise from about 80% in 2000 to about 95% in 2019. Contrary to the erroneous assessment that this form of exchange is "highly beneficial to both parties,"[9] its direct consequences are the strengthening and maintaining of the uneven development of capitalism. This form of economic relations and exchanges will not be mutually beneficial, nor it will be based on "win-win cooperation", and even we cannot speak of equal power relations between the two countries. Concretely, concerning this relationship, not only will Iran not experience the path of industrialization and economic development, but it has practically become a supplier of raw materials to the Chinese domestic economy, and, mutually, has become a major market for Chinese capital and manufacturing goods.

[9] Garver, *China and Iran*, 246.

Moreover, as we have presented, the main destination of the Chinese capital in Iran was not intended for industrial, manufacturing projects, or technology and innovation (which is seen in advanced economies). Instead, it has mainly flowed to the energy, transport, metal, and chemical sectors. More precisely, the purpose of the investments was primarily to exploit natural resources to feed the growth and development of China's industrialization process. The economic and political consequences are that Iran's mono-product economy remains strong and continues to be reliant on the provision of capitalist growth requirements in developed capitalist countries. Considering the immanent contradiction of globalization, all the aforesaid issues bring us to the conclusion that the process of globalization will in no way lead to the uniformity and homogeneity of national economies or mutual benefit. On contrary, the intensification of integrating the global economy will be accompanied by the territorial fragmentation of the global capitalist economy in the form of specializing and differentiating national economies and state-nations, promoting "the international competitiveness of their own national economies, to maintain or restore profitability to domestic capital, to promote the free movement of capital."[10]

The controversial point raised in this research was the challenges China faced in the process of its relations with the Islamic Republic, which are limitations and obstacles posed by Western sanctions on Iran. Despite expanding its sphere of influence in Iran, China has always been at the knifepoint of the US, resulting severely in the reduction of oil imports from Iran and abandoning a series of projects. The explanation and inference are that China's caution in relation with Iran and in complying with US pressure is largely due to China's macro-interests in the global economy. The extent and nature of China's competition with other major capitalist powers depend on the macroeconomic structure of the world economy. Due to the highly internationalized and interconnected structure of the global market, China is deeply enmeshed in mutual trade and capital flows with the western metropolitan countries. That is why Beijing does not sacrifice its global interests to its relations with Tehran, especially since Iran is increasingly dependent on China, but China is compensating for the decline in its activities in Iran in alternative countries.

In the final analysis, the Sino-Iranian economic and political relations serve to reproduce the social relations of capitalist production, i.e., class relations, in both countries. China's export of capital and its global expansion-oriented tendency are not reducible to just

[10] Wood, "Global," 26.

getting rid of surplus capital or having economic relationships. Both the Going Global Strategy and the BRI have to be viewed as “a class-based, inter-scalar, trans-continental development project to enlist Chinese central and local elites, capitalists, intellectuals, and ruling classes in other countries across the OBOR.”[11] Worth mentioning that the problem Iran also is facing is not just the oil economy, or we can not even explain it by the question of “rentier-state”. However, it is the dominant structures of political economy in Iran that, in line with the global capitalist economy, provide necessities for the reproduction of the capitalist economy and uneven development in Iran.[12]

Methodologically, the strong aspect of this research is its internal as well as external validity. On the one hand, the “process of abstraction”, as an important dimension of the dialectical method, provides us to better investigate and measure the process and relations involved in the Sino-Iranian relationship. Following, by using “abstraction of extension”, we were able to trace China’s involvement in the Iranian economy during a historical process of almost twenty years. This helped us to come relatively closer to deal with and observing the processes and relations among the involved variables, by looking at the time sequence and cohesion within different components of China’s activity and investments in Iran’s economy. Moreover, by applying general abstraction, this method is able to identify the main tendencies and driving forces of the mode of production and power relations in the capitalist world system to generalize for a large number of cases. Therefore, despite each country's own uniqueness and its complexities, the results we obtained from the relations between Iran and China can be generalized, in the most universal trends, for power relations between the core and peripheral countries.

In conclusion, there is still controversial debate among Marxist scholars about China's position in the capitalist world-system; debate on to which categories of “core, semi-periphery, and periphery” should we place China, and how should we describe it. This thesis explicitly describes China as an emerging capitalist core country, while other Marxist intellectuals, instead, describe China as a “semi-peripheral country”, arguing that “China continues to transfer a greater amount of surplus-value to the core countries in the capitalist world-system than it receives from the periphery.”[13] The debate over this issue is still open and ongoing.

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[11] Lee, Wainwright, and Glassman, "Geopolitical," 427-428.

[12] Saidi, “the Political Economy,”

[13] Minqi Li, “China: Imperialism or Semi-Periphery?” Monthly Review, Jul 01, 2021, https://monthlyreview.org/2021/07/01/china-imperialism-or-semi-periphery/

Hence, it is of crucial importance to further inquire into the amount of surplus value China has transferred from Iran to its domestic economy, focusing on how profitable Chinese investments in Iran have been and how much surplus-value of Iranian labor has been pocketed by Chinese companies?

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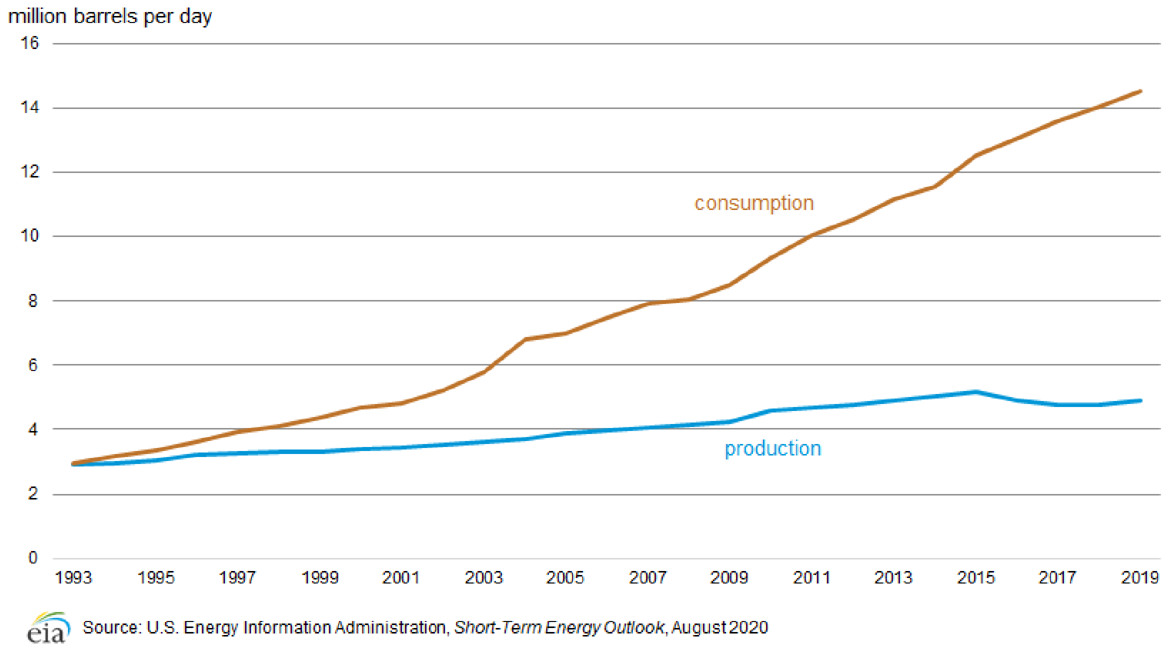
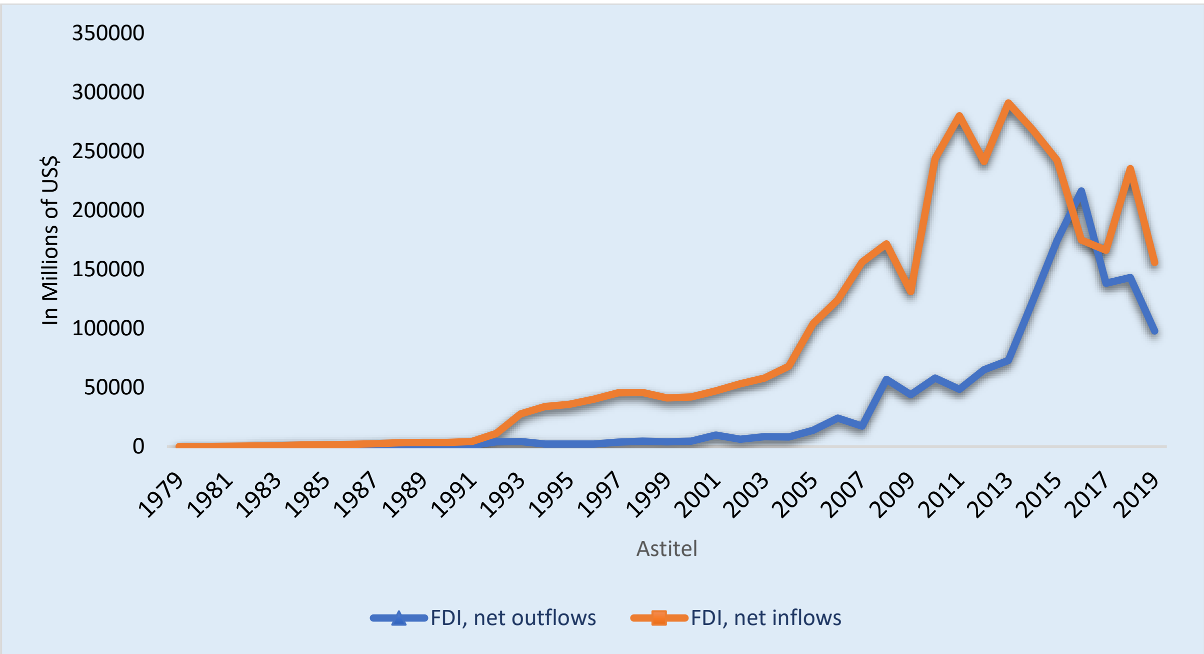
Appendix

I. China's petroleum and other liquids production and consumption, 1993-2019



II. China net In, and outflow FDI, 1979-2019

***Source**: UNDATA*



III. China's FDI outflows to selected countries in the Middle East, from 2005 to 2020

Source: Author's calculation based on AEI (China Global Investment Tracker).