



Center for Iranian Studies in Ankara

THE INCREASING ROLE OF GEOECONOMICS: COMPETITION BETWEEN THE CHABAHAR AND THE GWADAR PORTS

Kürşad ASLAN
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•CHABAHAR
PORT

•GWADAR PORT



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The Increasing Role of Geoeconomics: Competition between the Chabahar and the Gwadar Ports

Jeoeconominin Artan Rolü: Çabahar ve Gwadar Limanları Arasındaki Rekabet

افزایش نقش ژئواکونومیک: رقابت بین بندرهای چابهار و گوادر

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ABBREVIATIONS

SCO	Shanghai Cooperation Organization
BRICS	Brazil, Russia, India, China and South Africa
MSRI	Maritime Silk Road Initiative
SREB	Silk Road Economic Belt
COPHC	China Overseas Port Holding Company
GPA	Gwadar Port Authority
IPGL	India Ports Global Limited
GDP	Gross Domestic Product
MENA	Middle East and North Africa
IRGC	Islamic Revolutionary Guard Corps
WTO	World Trade Organization
JCPOA	Joint Comprehensive Plan of Action
PMRI	People's Resistance Movement of Iran
BPRM	Baloch Peoples Resistance Movement
SCS	South China Sea
ASEAN	Association of Southeast Asian Nations
AIIB	Asian Infrastructure Investment Bank
FDI	Foreign Direct Investment
ERGI	Energy Resource Governance Initiative
GCC	Gulf Cooperation Council
INSTC	International North-South Transport Corridor
ECO	Economic Cooperation Organization

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SUMMARY

- In the global contest for obtaining political and economic power, there are newly emerging trends; geoeconomics and regionalization processes are among those new trends.
- As the transport of commodities largely depends on maritime shipping (due to the cost advantages), a secure and reliable maritime organization is crucial for global trade. Accordingly, the Chabahar and the Gwadar Ports present both economic and strategic importance.
- In relation to the aftermath of the recent episode of economic sanctions by the USA and the Western countries, Iran is trying to implement counter steps to revitalize its economy through the development of trade and transit relations and is trying to exert more influence in its economic and commercial ties in line with Tehran's "Go East Policy." Chabahar, with its Persian meaning (four springs), refers to perpetual mildness and experiencing springtime throughout the year. In line with its meaning, the Chabahar Port offers many economic opportunities for the Iranian national economy ranging from trade to tourism.
- The Iranian leadership has major awareness of the good examples administered by the UAE, Singapore, and Hong Kong on their successful ports and trade centers, which have also transformed these peripheries into major trade-based development locations. Thus, by modeling the best practices, Iran seeks to make effective utilization of its Chabahar Port for its economic growth and development. The Chabahar Port is projected to connect with various maritime and landlines (railways and highways) and is aimed at providing substantial increase in the field of international trade for Iran. The modernization and expansion of the Chabahar Port is expected to carry out many projects, such as: the Chabahar-Muscat shipping line (Oman-Iran) and other maritime contracts between Iran and India.
- The Chabahar Port provides strategic access to the International North-South Transport Corridor (INSTC) project, which combines 7,200 km of length railways and highways through the 5-way crossroads project. This multipoint access might provide Iran with substantial export opportunities, particularly for non-oil materials to the outside world.
- India, Iran, and Afghanistan have finalized a trilateral agreement, which will allow India to strategically access Afghanistan through the Iranian Chabahar Port. Iran aims to attract the FDI through which Tehran would improve the Chabahar Port and its associated ecosystem. Thus, Iran would take advantage of the port's economic and tourism potential.

Keywords: Chabahar Port, Gwadar Port, Geoeconomics, Iran's Non-oil Economic Policy, Competing Infrastructure Projects

ÖZET

- Siyasi ve ekonomik güç rekabetinde öne çıkan iki yeni eğilim bulunmaktadır: Jeoekonomi ve bölgeselleşme.
- Ticari malların taşınması büyük ölçüde deniz taşımacılığına bağlı olduğundan (maliyet avantajları nedeniyle) küresel ticarete sağlam ve güvenilir bir deniz taşımacılığı organizasyonu çok önemlidir. Buna göre Çabahar ve Gwadar limanları hem ekonomik hem de stratejik öneme sahiptir.



- ABD ve Batı ülkeleri tarafından uygulanan ekonomik yaptırımların ardından İran, ticaret ve transit ilişkilerin geliştirilmesi yoluyla ekonomisini yeniden canlandırmak ve Tahran'ın "Doğu Politikası" doğrultusunda ekonomik ve ticari bağların kurulmasında daha etkili olmak için karşı adımlar atmaya çalışmaktadır. Farsçada dört bahar (four springs) anlamına gelen Çabahar, yıl boyu süren ılımanlığı ve ilkbaharı ifade eder. Anlamına paralel olarak Çabahar Limanı, İran ulusal ekonomisi için ticaretten turizme birçok ekonomik fırsat sunmaktadır.
- BAE, Singapur ve Hong Kong'un liman ve ticaret merkezleri oldukça başarılı olmuştur. Bunun farkında olan İran, ticarete dayalı kalkınma başarılarından örnek almaktadır. Bu nedenle İran, en iyi uygulamaları modelleyerek ekonomik büyüme ve gelişme için Çabahar Limanı'ndan etkin bir şekilde yararlanmaya çalışmaktadır. Çabahar Limanı'nın, İran'ın uluslararası ticaret potansiyelinde önemli bir artış ile çeşitli denizcilik ve kara (sabit) hatlarıyla (demir yolları ve otoyollar) bağlantı kurması öngörülmektedir. Çabahar Limanı'nın modernizasyonunun ve genişletilmesinin Çabahar-Muscat nakliye hattı (Umman-İran) ve İran ile Hindistan arasındaki diğer denizcilik sözleşmeleri gibi birçok projeyi içermesi bekleniyor.
- 7.200 km uzunluğundaki demir yollarını ve otoyolları 5 yönlü kavşak projesi ile birleştiren Çabahar Limanı, Uluslararası Kuzey-Güney Ulaşım Koridoru (INSTC) projesine stratejik erişim sağlar. Bu çok yönlü erişim, İran'a özellikle dış dünyaya petrol dışı malzemelerin ihracatında önemli fırsatlar sağlayabilir.
- Hindistan, İran ve Afganistan; Hindistan'ın İran Çabahar Limanı üzerinden stratejik olarak Afganistan'a erişimine izin verecek üç taraflı bir anlaşma imzaladı. İran, Tahran'ın Çabahar Limanı'nı ve ilgili ekosistemini geliştireceği doğrudan yabancı yatırımı (FDI) çekmeyi hedefliyor. Böylece İran, limanın ekonomik ve turizm potansiyelinden faydalanabilecek.

Anahtar Kelimeler: Çabahar Limanı, Gwadar Limanı, Jeoekonomi, İran'ın Petrol Dışı Ekonomi Politikası, Rakip Altyapı Projeleri

چکیده

- در رقابت‌های جهانی برای افزایش قدرت سیاسی و اقتصادی، فرایندهای جدیدی در حال ظهورند؛ از جمله فرایندهای ژئواکونومیک و منطقه گرایی.
- از آنجا که حمل و نقل کالا تا حد زیادی به حمل و نقل دریایی (به دلیل کاهش هزینه) بستگی دارد، وجود یک سازمان دریایی ایمن و مطمئن در تجارت جهانی از اهمیت قابل توجهی برخوردار است. بر این اساس، بندرهای چابهار و گوادر دارای اهمیت اقتصادی و استراتژیک می باشند.
- در پی تحریمهای اخیر ایالات متحده و دیگر کشورهای غربی، ایران سعی دارد تا با توسعه روابط تجاری و ترانزیتی، اقدامات متقابلی برای احیای اقتصاد خود انجام دهد و مطابق با «سیاست نگاه به شرق»، روابط اقتصادی و تجاری تأثیرگذارتر با منطقه و جهان داشته باشد. چابهار همانطور که از معنی آن (چهار بهار) بر می آید و با داشتن هوای ملایم و بهاری در طول سال، می تواند فرصتهای اقتصادی قابل توجهی از تجارت تا گردشگری را برای اقتصاد ایران فراهم کند.
- مقامات ایران با آگاهی از نمونه های خوب مانند امارات متحده عربی، سنگاپور و هنگ کنگ به عنوان مراکز تجاری و بندری موفق که این کشورها را به مناطق مهم توسعه تجاری مبدل کرده است، در صدد الگوبرداری از بهترین شیوه



ها برای رشد و توسعه اقتصادی بندر چابهار می باشند. با این حساب، پیش بینی می شود تا بندر چابهار همراه با خطوط دریایی و زمینی (راه آهن و بزرگراه) و نقش فزاینده و قابل توجهی در پتانسیل تجارت بین المللی ایران، نقطه وصل این کشور باشد. همچنین پیش بینی می شود که نوسازی و گسترش این بندر، پروژه های زیادی از جمله خط حمل و نقل چابهار-مسقط (ایران-عمان) و سایر قراردادهای دریایی بین ایران و هند را در بر بگیرد.

- بندر چابهار امکان دسترسی استراتژیک به پروژه بین المللی کریدور حمل و نقل شمال-جنوب (INSTC) را که متشکل از مسیرهای ریلی، جاده ای و آبی ۷۲۰۰ کیلومتری است، فراهم می کند. این دسترسی چند وجهی می تواند فرصتهای قابل توجهی برای صادرات به ویژه برای کالاهای غیر نفتی به خارج از ایران به ارمنستان بیاورد.
- هند، ایران و افغانستان توافقنامه سه جانبه را به اجرا گذاشته اند که امکان دسترسی هند به افغانستان از طریق بندر چابهار را فراهم می کند. ایران نیز قصد دارد تا از طریق جلب سرمایه گذاری مستقیم خارجی (FDI)، بندر چابهار و اکوسیستم آن را بهبود بخشد. در نتیجه، ایران از پتانسیل اقتصادی و گردشگری بندر چابهار بهره مند خواهد شد.

کلیدواژه ها: بندر چابهار، بندر گوادر، ژئواکونومیک، سیاست اقتصادی غیر نفتی ایران، رقابت در زمینه پروژه های زیرساختی.



1. Introduction

As an American scholar, Joseph Nye argues that we witness a global transition and power diffusion in many dimensions of the global political economy (Nye, 2016). This transition, which is currently underway, is being driven by many factors such as: technological developments, demographic shifts, migration waves, new alignments among Asian countries, changing market structures, demands of key economic and financial actors, and others. All these transitions and transformations are accompanied by the gradually changing world order and power configurations. This analysis focuses on two of the most important new trends: geo-economics and regionalization processes. While the concept of geopolitics has a connotation with historical imperialistic policies, geo-economics denotes integration with networks, connections, and transborder ties. It focuses on economic space, transportation connectivity, networks, and economic strengths (Yu, 2017). Moreover, with the traditional geopolitical models of Mackinder, Spykman, and Mahan point out to hegemonic politics around a Eurasian land-mass and big oceans. The Indian Ocean is one of Nicholas Spykman's "maritime highways of the world," mainly an area for strategic competition, because of its geographic importance as being a pathway for the global movement of resources (cited in Daniels, 2013). On the other hand, Sir Halford Mackinder's seminal contribution to classic geopolitics was based upon the transformative effects of railway routes (Blanchard & Flint, 2017).

There are many cases to support the increasing role of geo-economics and regionalization. One might easily get a basic insight from the of-

ficial Russian documents that Moscow portrays as a series of interlinked narratives which combines the Russian state identity with its energy interests and its geoeconomic replications. Initiatives such as: the Eurasian Economic Union and Shanghai Cooperation Organization (SCO) are strong reflections of the global power transition towards the Asia-Pacific region and/or Eurasia. As of 2020, SCO covers three giants of BRICS, three-fifths of the Eurasian landscape, and almost 50% of the World population. China's "Belt and Road" project is based on geoeconomic pillars. The Maritime Silk Road Initiative (MSRI) and the Silk Road Economic Belt (SREB) are twin projections of geo-economics with a web of seaports, highways, railways, and energy pipelines. China models its grand strategy (i.e., economic plan) with a variety of high-speed railway connectivity and maritime trade via deep-water ports and harbors with the core goal of increasing regional trade. In addition, China's ports lead the world in global shipping and cargo transportation. In 2014, Shanghai ranked as the largest exporter of containerized goods worldwide, while ten of China's ports were included among the world's top 20 container ports (Yu, 2017).

Connectivity projects have long been taken as an integral element of global, political, and economic change, along with restructuring dynamics (Blanchard & Flint, 2017). Economic geography theorists have long argued the importance of infrastructure development in overcoming backward geographical conditions and reducing the high costs of production in land-locked countries (Yu, 2017). For example, the Berlin to Baghdad railway was seen as altering the balance of power in the late 19th century



(Blanchard & Flint, 2017). Today's geoeconomic competition has manifested itself in the construction of two ports: Pakistan's Gwadar, a project driven by China, and Iran's Chabahar, a project driven by India.

The most recent regional groupings in Asia indicate that the Eurasian region's global domination struggle would increase its pace. From this perspective, the theory of strategic encirclement is a handy tool, and it successfully explains strange and incompatible relations observed between India and China as well as the bilateral ties between Russia-China and Pakistan-India pairs (Daniels, 2013). Along these lines, the India-Iran cooperation in Chabahar and the China-Pakistan cooperation in the Gwadar Port bring about perceptions of strategic encirclement from each side. The Chinese perception is related to the American actions in the Asia Pacific area; India feels this same strategic encirclement by the Chinese investment and cooperation with Islamabad (Daniels, 2013). Meanwhile, China fears encirclement by the United States—fears based on the close relationship the United States has with Japan, Tai-

wan, and South Korea, as well as the presence of U.S. military facilities in the region. These fears have shown themselves in the alternative infrastructure projects as well. In other words, infrastructure is the tool of regional geopolitics—by building roads, railways, pipelines, and ports, states seek to break out of their prescribed geography to protect and advance their national interests (Daniels, 2013).

USA's December 2017 National Security Strategy described China as a "revisionist" power that "seeks to displace the United States in the Indo-Pacific region (Tellis, 2020). Other regional actors, such as: Japan, South Korea, and India, have also shown disturbances against China's most recent aggressive behaviors. For Japan, during the Cold War, the regional security environment was quite mild; however, in the new millennium this situation has changed and it became more intense. The rise of aggressive and threatening North Korea and the gradual evolution of its giant neighbor from a developing country into a global power have caused Tokyo to reconsider its security policy (Sakaki et al., 2020). Therefore, Japan has redefined its





foreign policy posture significantly. While China has gradually increased its assertiveness and dominance of the strategically important South China Sea (SCS) Tokyo has been particularly emphasizing “free and open Indo-Pacific” region to show its discontent over Beijing’s perspective on the SCS and some other regional issues.

India has also displayed discontent with China’s behavior, given its outstanding disputes with China over the years for issues such as: territory, BRI, the Chinese support for Pakistan, and China’s increasing penetration into the Indian Ocean. Accordingly, the New Delhi administration welcomed the Trump administration’s policy to confront China’s rise, because balancing China has long been part of India’s own foreign policy (Tellis, 2020; Yu, 2017). In this paper, there are three important objectives. Firstly, the study addresses the overall importance of geo-economics and particularly the rising importance of seaports, while Iran’s Chabahar project remains at the center of analysis. The second objective is to review opinions and assessments about the Gwadar and the Chabahar Ports by examining both regional and global powers’ statements and other indirect behaviors. Finally, the study is aimed at analyzing the drivers of the Chabahar Port from the perspective of Iranian domestic dynamics. In order to fulfill these objectives, the study is divided into five sections. In the following section, the study will review Iran’s foreign policy, domestic political economy, and national macroeconomic dynamics, in order to have a better understanding of the value and place of the port from the eyes of the Iranian elites. In the third section, the study will analyze the security dimension of the Chabahar and the Gwadar Ports

for both Iran and Pakistan, along with regional and global reflections. The fourth section will focus on the position of major countries in both global and regional politics. Although the project has quite robust strategic benefits for Iran (and also for India and Afghanistan), there has been widespread discontent with the port, particularly among some countries in the Middle East (especially in the Gulf region) and also the US, due to political, economic, and security reasons. Therefore, the fourth section is devoted to analyzing the stances of the critical countries towards the Chabahar Port. In the conclusion section, the authors portray the main points highlighted throughout this analysis.

2. Basic Tenets of Iran’s Foreign Policy and its Political Economy

The intellectual background of Iran’s foreign policy and its political economy is explained through three major pillars: an ideational set of parameters, geo-strategic position, and pragmatism. Many experts talk about the different drivers of Iran’s foreign policy behavior, such as: Persian heritage, Iranism, Shiism, modernism, Islamism, anti-imperialism, among others (Akbarzadeh & Barry, 2016). Khomeini never separated religion from the nation, and shortly before his death, he issued a fatwa stating that the protection of the state was a religious duty that ‘takes precedence over all other Islamic obligations’ (Akbarzadeh & Barry, 2016). Iran’s foreign policy has often experienced significant shifts and sometimes deemed contradictory in the past decades. While revolutionary Islam is declared as the chief feature of Iran’s post-1979 regime, identity, nationalism, etatism, and pragmatism have also blended with Islamism throughout this period (Rocca, 2017). Traces of pragmatism



could easily be seen in Iran's external relations, particularly after Khomeini's death. Akbarzadeh notes that during Russia's war in Chechnya, the Tajikistan civil war, and the Nagorno-Karabach conflict Tehran prioritized pragmatic objectives over the ideational parameters (Akbarzadeh & Barry, 2016; Rocca, 2017). Iran has always been quiet about Beijing's oppressive policies towards its Muslim Uighur citizens. This is no surprise, when one considers the similar muted positions on the situation of Kashmir, Chechnya, and Iran's close relations with Armenia vis-à-vis Shia Azerbaijan (Wastnidge, 2017). The practical realities of Iran's foreign policy includes: Iran's pressing need to diversify its oil-based economy, to acquire advanced technological capabilities, to get rid of the negative impacts of economic isolation, and to be able to acquire regional influence (Sadri, 2012).

Iran strives to become a regional actor in its own basin and increase its sphere of influence. On the other hand, political isolation and economic sanctions has caused Iran to be cautious in its foreign policy discourses, especially towards its secular and Christian neighbors (Aslan, 2016). Tehran has wanted to build economic and commercial relations within its geography, particularly in the Caucasus and Central Asian states, to which it could offer its vast resources as well as its strategic location (Katzman, 2020). Secondly, Iran has always aimed to maintain a stable and reliable relationship with Russia. Tehran has expected Moscow to counterbalance American dominance in the region; and knowing that Russia is a permanent member of the UN Security Council with veto power, could support Iran (Herzig, 2004; Rocca, 2017).

On the central axis of Iran's foreign policy, the "Great East" understanding is dominant. In

Iran's Asia-based foreign policy, it is essential to develop warm relations with Asian giants such as: the People's Republic of China, India, and Japan. During the first decade of the 1979 Revolution, the Islamic Republic frequently emphasized the "neither East nor West" discourse as the defining feature of its external relations. This motto has encompassed the new regime's Islamic identity, anti-imperial stance, and idiosyncratic position. In the aftermath of the Cold War, which could also be labeled as the post-Khomeini period, the principle of the "neither East nor West" discourse in Iran's foreign policy was gradually replaced with a new perspective that R. K. Ramazani has referred to as "both North and South" (Dorraj & Entessar, 2013). Other scholars in Iran argue that the big opportunities for Iranian goods and energy resources are for the East and North parts (Flanagan, 2013). Iran's constitution outlines its geographic interests in categories that rank other countries according to groups of importance: (1) Iran's immediate neighbors, (2) Muslim countries, (3) underdeveloped countries, and (4) countries that serve the economic, political, social, and military needs of Iran (Sadri, 2012). Despite the geographic and cultural closeness that constitutes as an advantage, the Islamic Republic of Iran has never reached its ultimate goal of to be the most influential regional power in Eurasia (Wastnidge, 2017). There consist many reasons for this particular failure which can be described with some of the following main factors: isolation from the world, domestic political problems, technological backwardness, macroeconomic mismanagement, corruption, and limited financial and technological resources towards outward investments. To break off the effects of the economic sanctions



and political isolation, particularly after the Cold War, Tehran has consistently searched for cooperation opportunities with its neighbors, “with other nearby states and Muslim states, and with possible alternative major centers of power (Russia, China, Europe, India), and sought to use those regional and international organizations that were not susceptible to the western domination” (Herzig, 2004). In order to break off America’s weight in regional politics on different occasions, the Iranian officials have proposed for the establishment of a strong Asian Union. The establishment and development of the Shanghai Cooperation Organization (SCO), with Iran’s geo-strategic point of view showed great similarities. Today, Iran, which has an observer status in the SCO, is putting forth intense effort for full membership. Iran is waiting to become a full member ever since it first made its formal application in 2008. During the 10th SCO summit in Tashkent in 2010, members had reached a decision which stated that new applicants could not be recognized under international sanctions. At the SCO’s 2017 annual summit in Astana, Iran was again denied full membership. Some authors argue that the Central Asian Republics are against Iran to obtain full SCO membership, because of its theocratic form of government and expansionist ideological stance (Akbarzadeh, 2015 cited in Rocca, 2017).

2.1. Analyzing the Chabahar Port within Iran’s Domestic Dynamics

The history of the Chabahar Port goes back to the year 1973. The development of the port was first proposed in 1973 by Shah Pahlavi. Due to financial barriers, the impact of the 1979

Revolution, and many other reasons, the project had been delayed. During the eight-year-long Iran-Iraq War, Tehran realized the strategic importance of the Chabahar Port, due to the overdependence and the potential insecurity of the Hormuz Strait. Consequently, the significance of the Chabahar project has increased following the war. However, due to the lack of financial resources and the disruptive political events, the project could only be partially carried out. The strategic location of the Chabahar Port, being right outside the Hormuz Strait provides both efficient means and faster transportation, because of its location which is free from the narrow strait. This seaport also occupies a crucial place for Iran, since it is the only oceanic gate for the Iranian export to reach international markets.

The Chabahar Port Project encompasses two ports called: the Shahid Kalantari and the Shahid Beheshti. In the early 1980s, Iran had constructed four mid-size berths for each of the Shahid Kalantari and the Shahid Beheshti. Later two additional and longer berths were constructed. It should be noted that as of 2016, the annual capacity of the Chabahar Port was approximately 5 million tons, and the tonnage capacity per vessel was 25,000 tons. The annual capacity of the Chabahar Port has increased from 2.5 million tons to 8 million tons within a couple of years and is expected to reach 86 million tons per year by the end of 2030 (“Fars News Agency”, September 2016). However, following the re-imposition of the sanctions against Iran, foreign companies are being cautious about further investments. The port handled almost 3 million tons of cargo in 2019, and it has been planned to be upgraded in the future.



When it comes to Pakistan and its Gwadar Port, it should be mentioned that Islamabad has two operational international deep-sea ports: the Karachi Port and the Port Qasim. Due to the expected growth in demand, the Pakistani authorities have searched for a third port. The Karachi Port has substantial limitations, due to its location being within the populous Karachi city, which is the 12th most populous city in the world, with 18 million inhabitants. According to data provided by the World Economic Forum, Karachi is expecting a gradual population rise by 2030 with a projected 24.8 million residents. Moreover, the Port Qasim has other limitations, mainly in terms of development. Due to these considerations, the Pakistani authorities have aimed to construct a third deep-sea port. In 2007, the Gwadar Port was inaugurated and started its functioning. The Gwadar Port Authority is administratively responsible for the management; however, operationally, it has been handed over to a Chinese company, called: the China Overseas Port Holding Company (COPHC). The Gwadar Port currently has three 200-meter long conventional berths. Under the China Pakistan Economic Corridor plan, COPHC will expand the Gwadar Port with the construction of nine new multipurpose berths; COPHC will also build cargo terminals.

The Gwadar Port, which is the world's largest deep seaport, is now underutilized; however, COPHC plans to eventually expand the port's capacity up to 400 million tons of cargo per year, which is more than the annual volume of all India's ports. Gwadar is the sole port in the region. It has the potential to accept the docking of larger ships with a deadweight tonnage of up to 70,000; however, Chabahar can only accept 25,000 tons capacity for tankers. Despite

all these comparisons and competitive discourses, these two ports may continue their lives and create synergetic economic climate for each other. It seems that both the Gwadar and the Chabahar ports are not only expected to reduce the dependence towards the Suez Canal and some other conventional sea routes, but is also expected to be a part of the climate key transit corridors. Additionally, they are expected to reduce the cost and time required to transport cargo. For example, the Chabahar Port offers a shorter distance from India to Europe; it would save approximately 50% of transportation costs.

We observe that that these rival ports follow other's steps so as not to lose any benefit. When the Chinese Overseas Ports Holding Company (COPHC) has agreed to help Pakistan establish a free economic zone India and Iran reached to a deal to establish their free trade zones; the cost of the Chinese project was about \$2billion. According to the concession agreement signed between COPHC, the Gwadar Port Authority (GPA), and the Singapore Port Authority in 2013, the development and operation of the Gwadar free zone was handed over to COPHC. The Gwadar free trade zone is located about 7 km away from the seaport and the planned development period is from 2015 to 2030 and is divided into four phases. This free trade and industry project aims to integrate the free trade zone and the seaport to strengthen the linkage of the manufacturing industries between China and Pakistan. The Gwadar Port authority stated that foreign investors from the Middle East, Europe, and China have planned to establish 300 factories in Gwadar, which is clear evidence of foreign interest in Gwadar.

Meanwhile, Iran, Afghanistan, and India have already signed an agreement that grants



preferential treatment and tariff reductions to Indian goods headed towards Central Asia, resulting in a short-term payoff that will help sustain the long-term goal of reaching Europe (Daniels, 2013). India, Iran, and Afghanistan reached an agreement on preferential treatment and on low tariffs for goods transferring through the Chabahar Port.

For Iran, Chabahar is a lifeline that helps it break through the U.S.-sponsored isolation; for India, Chabahar provides access to a landlocked region encompassing Central Asia along with Afghanistan, South Asia, and the Middle East. Additionally, the Chabahar Port offers India with strategic entry into Afghanistan. Another step taken by Iran is visible through the expansion of free trade zones into the Chabahar Port, in which facilities towards better integration into the global economic system.

There are many other integration projects initiated by Tehran, along with the free trade-industry zone around the Chabahar Port. Efforts are also implemented to revive the free zones around the Qeshm and Kish Islands. Similar to the development plans for Chabahar, Tehran also intends to bolster these islands' potentials with free trade zones and tourism attraction centers. Both islands are located in the Persian Gulf and were developed as a destination for leisure and retail travelers, aiming to compete with other Gulf Ports such as: Dubai. In the 1970s the Kish Island was a famous resort area, initiated by the last Shah, as a playground for the vibrant international market and his privileged guests. Tourism in Kish went into decline after the revolution (O'Gorman et al., 2007).

In early 2010, the Foreign Minister Mottaki announced that Iran had invested in a total

of \$200 million in Armenian businesses during 2009, a relatively small amount that he hoped to increase with the establishment of a free-trade zone near Armenia (Sadri, 2012). The Armenian nation opened a free-trade zone in its city of Meghri on the Iranian border. Yerevan aimed to enter into the Iranian market and get rid of the adverse effects created by Turkey and Azerbaijan's border closures after the Nagorno-Karabakh dispute in the 1990s. On the Iranian side, Tehran aimed to penetrate the Caucasus region. The Iranian MP Sayed Kazem Delakhosh Abatari has stated that by using free zones, Tehran could bypass sanctions and can help the country economically through stimulating its economic growth (Eghtesad News, 23 December 2019).

It is evident that the Chabahar project will bring economic benefits for Iran and there is no serious opposition towards the project itself. However, there is opposition towards the Shahid Beheshti and Shahid Kalantari piers' accession bill for the Chabahar Free Trade Zone. These objections are mostly of economic and tax nature, rather than security concerns. For example, Hassan Noroozi, a spokesman for the Majlis Judicial Commission, opposed the accession of the Shahid Beheshti and Shahid Kalantari piers to the Chabahar Free Trade Zone. As commented by Iranian MP Hassan Noroozi: "There are many free and special economic zones in our country. However, they have not done a detailed expert examination. The Chabahar Free Zone and dozens of other free trade zones have failed, paying only ordinary taxes, and not helping the Ministry of Economy" ("Eghtesad News", 23 December 2019). In addition, Alireza Salimi, another Iranian MP, said that "The purpose of establishing free ports is to attract investors. But we did not achieve this in the development of free zones.



Free zones have so far generated \$ 5 billion in imports and only \$ 2 billion in exports. Adding these piers (the Shahid Beheshti and Shahid Kalantari piers) to free zones is the issue of dual management and regional conflicts. We have not found a solution for them so far” (“Eghtesad News”, December 2019). Finally, it is essential to highlight that Iran does not have enough financial capital to pour into these mega projects; the operation of the port will be conducted with the help of foreign capital investment and it would not put financial pressure on the Iranian budget.

With Hassan Rouhani’s electoral victory in Iran during 2013, which resulted in a substantial reduction in the tensions with the US side which was under the leadership of President Barack Obama, India had engaged in an investment negotiation that was worth \$500 billion to carry out the Chabahar Port in 2012 (Harsh & Mehra, 2018). In October 2014, India approved the framework of an intergovernmental Memorandum of Understanding (MoU) to set up a joint venture firm for equipping two fully-constructed berths at the Chabahar port. As per the framework, an Indian joint venture company would lease two fully constructed berths for a period of ten years, which could be renewed by the “mutual agreement.” Under this agreement and through the Chabahar Port, India and Afghanistan have access to each other’s markets. In particular, the landlocked Afghanistan will be connected to transboundary waters and international markets. The most significant beneficiary of the project is India, in which the port will allow India to access areas from Afghanistan to Uzbekistan, as well as areas from West Asia and the Middle East. The Chabahar route to Afghanistan will provide direct access to goods from India to Kabul without going through the regions of Pakistan.

In Iran’s domestic context, there are debates about the operation of the port and dispute on the transfer of the Shahid Beheshti Port. Some believe that Iran has handed over the port to the Indians. Nevertheless, according to an agreement between Iran and India, the Indians will only take charge of the Chabahar Port operator (General Authority of Sistan & Balochistan, September 2018). Moreover, it is planned for the implementation of one phase of the four phases of the Shahid Beheshti Port by the Indian operator, India Ports Global Limited (IPGL). The Indian Government has also confirmed that the state-owned IPGL has taken over the operations of the Chabahar Port (Government of India Press Information Bureau, January 2019).

Also, the geopolitics of the Chabahar Port possesses the great opportunity to strengthen the region’s integration into the world economy. Internationally, the port is on the route of the world’s three largest transit corridors:

1. The eastern - western corridor starts from the Silk Gate in China and passes through the Caucasus, Western Asia, and the Mediterranean, the southern branch of the corridor through the port Chabahar reaches into South Asia and the Persian Gulf.
2. The north-south corridor, which runs from northern Europe and passes through Iran, extends to the Indian Ocean (Mumbai Port) and the countries of South and Southeast Asia.
3. The South Asian corridor starts from Southeast Asia and India. It extends through Iran, Turkey, and Iraq to the European and Mediterranean areas, where the Chabahar Port is one of the most important axes.



Due to its strategic location and its access to international waters, this port holds a special place in the transactions between Iran and other parts of the region (Asadi, Amini & Tajeri, 2018). Moreover, Chabahar also known as the gateway to nations' cooperation, is located on the major shipping routes of Africa, Asia, and Europe, with the geographical advantages in the east of the Strait of Hormuz and the Oman Sea and it is also the shortest way to connect the Central Asian countries and Afghanistan to markets in the Gulf, East Africa, and elsewhere in the world.

Chabahar also has high potential to become one of the most substantial transmission hubs in the region. In this regard, the relatively low political tension between the three countries involved in the project Iran, Afghanistan and India, and its economic impact, have made the project more feasible than ever and could undoubtedly lead to dramatic changes in the region's political relations. The full project envisions linking Mumbai (via Chabahar) to Moscow through Afghanistan and Central Asia. This linkage would "shorten the cargo transit distance from the Indian Ocean and the Persian Gulf regions to Northern and Eastern Europe by two thirds, as compared to the Suez Canal," increasing trade along the route and facilitating greater Asia–Europe economic integration (Daniels, 2013).

In May 2016, India and Iran signed 12 pacts, including the Chabahar Port agreement. During the signing ceremony of the aforementioned agreements, the Indian Prime Minister Narendra Modi, the Iranian President Hassan Rouhani, and the Afghan President Ashraf Ghani also signed a trilateral agreement for the transit trade through the Afghan territory and for facilitating India to acquire access to Afghanistan and on-

ward, through the Chabahar Port. This project would establish India's access to the four major cities of Afghanistan: Herat, Kandahar, Kabul, and Mazar-e-Sharif.

During this summit, many bilateral and trilateral agreements have been signed. The economic magnitude of all these agreements are totaled up to \$20 billion. The Chabahar Port is planned to be connected to the Afghan city of Hajigak via railway. Along with the Chabahar–Hajigak corridor, a bilateral agreement stipulated the Indian investment in the Chabahar Special Economic Zone; another \$11 billion iron and steel mining projects in the city of Hajigak have been granted to the Indian mining companies. The Chabahar–Zahedan–Hajigak railway is planned to be part of a more significant field of the International North–South Transit Corridor. Also, these transportation projects would link ports on the west coast of India to the Chabahar Port and cover various road and rail links between Chabahar and Afghanistan. In July 2016, India began to build the \$1.6 billion worth Chabahar–Zahedan Railway; and in late 2017, the first cargo shipments to Afghanistan were uploaded from the Chabahar Port. In December 2018, India took over the port's operations. During May 2016, Summit, India, and Iran signed a bilateral contract, in which India pledged to provide \$8 billion investment in the Chabahar Port's Special Economic Zone. According to another bilateral contract between India and Iran, New Delhi pledged to renovate one of the berths at *Shahid Beheshti* port. The port is partly intended to provide an alternative route for the trade between India and Afghanistan, as it is 800 kilometers closer to Afghanistan's border than Pakistan's Karachi Port. This deal forced India to invest \$500 million for the renovation of the Chabahar



Port and to make it more functional with creating a larger capacity.

The International North-South Transport Corridor is envisioned to pass through the Caspian Sea; it would link the Indian ports with Russia and then to Europe. With the active participation of Russia, Azerbaijan, and Iran, a trilateral summit took place in Baku in August 2016. Azerbaijan's President Ilham Aliyev hosted Rouhani and Russia's President Vladimir Putin at the Baku Summit, where a "North-South Transport Corridor" involving rail, road, and shipping infrastructure from Russia to Iran, through Azerbaijan was discussed (Katzman, 2020). Parties came to an agreement in reducing existing tariff barriers along with performing

improvements in their rail and port infrastructures throughout the INSTC corridor (Wastnidge, 2017). The USA recognized Azerbaijan's approach to deal with Iran on some of the major regional energy projects; therefore, revisions were made in the U.S. sanctions laws to exclude the Caspian natural gas projects, in which the Iranian firms would join.

2.2. The Place of the Chabahar Port within the Iranian Macroeconomic Perspective

According to the World Bank (2020), Iran had an estimated Gross Domestic Product (GDP) of 463 billion in 2019, with its 82.8 million population. Iran has the second-largest

Map-1: Strategic Importance of the Chabahar Port



Source: <https://sniwire.com/2019/03/11/how-chabahar-can-be-pivotal-to-the-north-south-transport-corridor/>



economy in the Middle East and North Africa (MENA) region and the second-largest (highly educated) population with a low dependency ratio (Mohaddes & Pesaran, 2014). Iran's economy is characterized by the hydrocarbon, agriculture, and services sectors. Iran ranks second in the world in natural gas reserves and fourth in proven crude oil reserves. Iran's economy is predominantly characterized by etatism, rentierism, the reliance on hydrocarbon wealth, and inefficiencies; however, the national economy has strong industrial, agricultural, and service sectors. In Iran, there is a noticeable state presence in the manufacturing and financial sectors. The Iranian government directly controls a significant proportion of the national economy. World Bank (2020) data suggests that the services sector dominates Iran's economy with a share of approximately 55% of GDP, followed by industry (35%) and agriculture (10%).

As an example of etatism the most important and strategic industries (oil and gas) are mostly state monopolies. Similarly, in Iran, banking and financial institutions are publicly owned and operated. Additionally, public and quasi-public firms do not operate in line with the free-market mentality like profitability or professional management. In the national economy, there is extensive participation of the private sector, too, predominantly consisting of small and micro-businesses across the manufacturing and service economy mostly owned by middle-income Iranians (O'Gorman et al., 2007).

Based on an analysis by Indian experts (Export-Import Bank of India, 2015) mineral fuels and oil are Iran's most important export materials, accounting for 80.2 percent of Iran's total exports in 2014. Other key exports of Iran include plastics, organic chemicals, ores, and

fruits. In 2014, Iran's exports were directed primarily to China (42.8 percent of total exports), India (17.5 percent), Turkey (15.3 percent), Japan (9.6 percent), and South Korea (7.1 percent). The major sectors of FDI inflows into Iran include: petrochemicals, copper mining, and pharmaceuticals. Asian countries such as: the UAE, Singapore, Indonesia, and Oman are among the major investors in Iran. Recently, as the international pressure has increased on the Iranian economy, investment inflows from many countries have virtually halted, but Chinese, Indian, and Turkish companies remain willing to invest in the potentially-lucrative Iranian market (Export-Import Bank of India, 2015).

According to international reports (World Bank, 2020; IMF, 2020), the Islamic Republic of Iran shipped approximately \$100 billion worth of commodities in 2018. This indicates in a 7% increase since 2014 and in a 5.3% gain from the previous year, 2017. The latest data shows that Iran exported mostly to China, Iraq, United Arab Emirates, Afghanistan, South Korea, Turkey, India, Pakistan, and Indonesia. In the Iranian portfolio of global shipments in 2018, the top ten products in terms of the overall export value; mineral fuels including oil (68.7% of total exports), plastics (5.7%), organic chemicals (4.2%), iron and steel (4%), fruits, nuts and vegetables (2.9%) ores, slag, ash (1.2%), fertilizers (0.9%), salt, sulfur, stone, cement (0.8%), and copper (0.7%). In 2018, copper was the fastest-growing among the top 10 export categories, up by 215.8% since 2017; the second rank is occupied by vegetables with a 69.5% increase, and the third-fastest product was iron and steel up by 13.6% (World Bank, 2020; IMF, 2020; Mohaddes et al., 2019).

There are many structural shortcomings in



the Iranian macroeconomic system. Inflation, unemployment, rising currency prices, and housing prices, as well as budget deficits, all of which are partly the results of the international sanctions on Iran. As stated by the Iranian Statistical Center, with the negative economic growth, the inflation rate in December 2019 was approximately 40 percent (BBC Persian, December 2019). On the other hand, as one scholar argues, the poor performance of the Iranian national economy is not entirely related to sanctions or partial disintegration from the world, but rather due to, the Iran-Iraq war, and, most importantly, years of economic mismanagement (Mohaddes et al., 2019). To put emphasis on the macroeconomic mismanagement arena, two things may provide a better idea about the larger picture. One is related to arbitrary legislation and corruption, and the other is related to the rentier characteristics of the national economy.

As is the case for all rentier economies in Iran, 80% of the country's exports are generated through oil and gas revenues, and this has caused distorting impacts on the incentive structure to develop other sectors in the economy, including tourism. In the first decade of the new millennium, particularly 2004-2009, a one-dollar rise in the price of crude oil was worth more to the national accounting of Iran than the sum total of the international tourism receipts. As a result, non-oil sectors such as agriculture, tourism, and manufacturing that operate out with the oil economy are neglected (O'Gorman et al., 2007). There are two major points regarding the rentier characteristics of the Iranian national economy; one is about the volatile world energy prices, and secondly, the governmental control of oil and gas revenues. Oil revenues accrue to the government and the government displays

weak transparency about their allocation. The lack of transparency and the existing incentive structure for rent-seeking activities have created a substantial inefficient machine. This machine has been maintained by the existing vested interests (Mohaddes et al., 2019).

It is estimated that the IRGC controls between 10-30% of the Iranian economy. There are only a few public details available about the Revolutionary Guards' business interests. Companies known to be affiliated to the IRGC include: the Sadra Iran Maritime Industrial Company (oil and gas projects), the Shahid Rajaei Professional Group (construction), the Etemad Mobin Development Company (bought Telecom Company of Iran for \$7.8bn in 2009), the Ansar Bank, and the Sepanir Oil and Gas Engineering. Due to the semi-state nature of the companies affiliated to the IRGC, they have distortionary effects on the private sector, are not adequately accountable, and tend to encourage cronyism (Mohaddes et al., 2019).

The high inflation and the oil price volatility have both affected the Iranian macroeconomic system negatively, which also hurts the competitiveness of the Iranian businesses. Consequently, we could summarize three primary sources of setbacks in Iran's macroeconomic structure as: volatility in oil revenues, negative impacts of international sanctions, and the mismanagement of the national economy. The Iranian macroeconomic governance certainly needs to establish more diversified and efficiency-based production. As envisioned by an Iranian scholar, Tehran needs to adopt a comprehensive package of fiscal, monetary, financial, and structural reforms aimed at addressing its inter-related challenges (Mohaddes & Pesaran, 2014).



The World Bank's Ease of Doing Business 2020 report ranks Iran at 127 out of 190 countries; according to World Economic Forum's Global Competitiveness Index (2019), Iran was ranked 99th out of 141 countries. Many reports and academic articles have narrated the difficulty in business making. For example, Flanagan (2013) informs that Turks have been repeatedly disappointed in a number of trade and investment deals with Iran; Tehran has failed to fulfill deals with Turkey on supplying and on exploitation of gas and oil resources and has also canceled major contracts with Turkish firms for high-/profile projects such as: the modernization of the Tehran airport and the development of the Iranian mobile telephone network. Additionally, despite the 25-/year agreement whereby Iran pledged to supply Turkey with 10 billion cubic meters (bcm) of gas annually citing domestic requirements, Iran has never met this commitment. The Turkish energy executives have given up on securing more Iranian gas, due to its high price, quality concerns, uncertain supplies, and the frustrations of doing business in Iran. In addition, Turkey has taken Iran to arbitration over gas prices (Flanagan, 2013).

Due to the heavy international pressure on the Iranian economy, Tehran is now looking for alternative ways to improve its economic growth and development. In the past years, there have been many reforms and restructuring proposals made by Iranian elites. We could classify them into three major topics of: geo-economic considerations, empowerment of non-oil economic framework, and investments in trade-transit-tourism. The Iranian authorities have adopted a comprehensive strategy by encompassing many reforms, which are also reflected in the government's 20-year

vision document and the sixth five-year development plan for the 2016-2021 periods. The sixth five-year development plan is comprised of three pillars, namely, the development of a resilient economy, progress in science and technology, and the promotion of cultural excellence (World Bank, 2020).

As mentioned by Mohaddes et al. (2019), Iran's potential for tourism is considerable. Per UNESCO data (2020), Iran is home to 24 World Heritage Sites (compared to 18 in Turkey, 6 in Iraq, 18 in Greece, and 7 in Egypt). The Chabahar region and its environment have a mild tropical climate with warm winters. Tehran has the vision to turn the Chabahar region into a recreational-tourism center by creating synergy between the Chabahar Port's trade and industrial base along with its tourism potential; therefore, Tehran is attempting to boost both its non-oil economy along with the tourism industry. The natural beauty of Chabahar is expected to appeal to birdwatchers and scuba divers, along with many other attraction opportunities. The Iranian government has taken decisive steps to reap the benefits of tourism; however, there are some controversies related to merging the international markets with religious teachings along with cultural and societal values.

Overall, Iran's international tourism revenues come primarily from regional fields, mainly by land from its neighboring countries, accounting for around 80% of arrivals. Much of this traffic generates relatively low gross yields in per capita expenditure terms. The pilgrimage market based on its Shiite's holy shrines and sites in many cities, such as: Qom and Mashad, as well as pilgrims transiting through the Iranian overland to and from Mecca. Iran receives a relatively small sightseeing segment accounting



for about 10% of the total market; however, this segment is the best in terms of per capita expenditure (O’Gorman et al., 2007).

In sum, despite the enhancing of the non-oil economy, particularly in the tourism sector, there are structural challenges evident with respect to the national image, domestic political concerns, social and cultural matters such as the ban on the consumption of alcohol and on the dress code notably through the hijab requirement for women. On economic terms, there are also major issues with respect to accommodation and, in particular, concerning transportation. The Iranian transportation sector is severely affected by the US sanctions; there are limitations regarding credit card facilities which are necessary for international tourism. The Iran Air could not enter into any of the major airline alliances and lost its cost advantage to its passengers; the lack of foreign investment in tourism is also a major challenge, especially in the hotel sector, in that both product and service are woefully inadequate for the contemporary international leisure and the business market. The service standards in the major state and quasi-state hospitality businesses are among the poorest in the world (O’Gorman et al., 2007).

In addition, Iran has proposed to establish a free trade and industrial zone in Chabahar, as part of its proposal to divide the free zone into many functional areas, where 26% of which will be dedicated in trade and services, 49% in industry, and 25% to tourism and residential activities (CFZO, 2020). Other measures taken by the Iranian government to encourage foreign capital inflows include safeguarding foreign investment under the Foreign Investment Promotion and Protection Act, and adhering to WTO key rules and regulations (“Mashrehg

News”, July 2018). By encouraging domestic and foreign investment in Chabahar, Iran seeks to make the best utilization of this tool as to alleviate the impact of the sanctions by exporting non-oil consignments through the Chabahar.

After the US withdrawal from the JCPOA agreement, Iran is also trying to maintain its economy through the development of trade and transit relations and become more influential in both the economic and commercial relations and interactions among the region. Another policy priority is the diversification of the export markets. Tehran has constantly aimed to diversify the destination of its oil exports by developing new markets, like those of the Caucasus states (Sadri, 2012). The Iranian leaders aim to diversify Tehran’s export destinations to the Eastern European markets as well. For example, over a decade, Tehran has been very enthusiastic about extending the existing Iranian–Armenian gas pipeline. There have been discussions to extend this pipeline to Georgia, which is another energy market that Iran aims to penetrate. Iran will have access to the Georgian ports in the Black Sea. This, in turn, would allow Tehran to conduct commerce with the Eastern European markets via the Black Sea route (Sadri, 2012). Tehran has consistently aimed to develop new markets, like the Caucasus, and not become so dependent on the Western oil markets and seeks to obtain policy independence (Sadri, 2012). However, due to both Russian and American pressures, these plans have not been administered yet.

Another goal of Tehran regarding the diversification process is concerning domestic restructuring. An overwhelming majority of Iran’s population is concentrated in the western parts of the country, and the eastern cities are sparsely



populated and relatively less developed. Tehran aims to make a geographic reshuffle around the Chabahar Port. Its plan is also to use the Chabahar Port as the gateway to Central Asia and maintain the Bandar Abbas Port, which handles more than 80% of Iran's maritime trade, as a hub for trade with Russia and Europe.

According to the Iranian economic experts, Iran should expand its economy towards the south of the country and turn its port cities into leading cities and centers for international trade. With that in mind, Iran is seeking to emulate port cities in the southern Persian Gulf, such as Dubai and Abu Dhabi, as well as Jeddah, which achieved economic gains by using the experiences of these cities (General Authority of Sistan & Balochistan, September 2018).

Moreover, according to many economic experts, Iran has great potential to grow its non-oil economy. There are about 50 million hectares of suitable land in the country, of which 20 million hectares are cultivated. More than 100 million tons of food is produced annually in the country, and Iran is currently on the path to self-sufficiency in producing the most strategic products ("Asia News", September 2019). In addition, except oil and natural gas, Iran ranks among the top-10 lists for many non-oil products; for example, it is the second producer of walnuts, cucumber, apricot and perlite, the third producer of watermelons, the fourth producer of almond and cement, the seventh producer of citrus, wool, and tomato, the eighth producer of lemons, the ninth producer of iron, and the tenth producer of grape in the world ("Asia News", September 2019).

Tehran has been aware for a long time of the importance of the need for diversification in the national economy and the necessity of diminishing reliance on the hydrocarbon production. It is certain that one of the best ways to improve the production structure of the economy is concentrating on non-oil exports. Iran's Minister of Industry, Mining, and Trade, Reza Rahmani, also emphasized the development of non-oil exports and said that the way to save the Islamic Republic's economy had been targeted by increasing non-oil exports to 15 neighboring countries (Fasl Eqtesad, October 2019), Iraq and Afghanistan on top of the list (Fasl Eqtesad, October 2019). Iran's non-oil exports have risen in recent years from 6 percent of GDP in 2012/13 to 10 percent of GDP in 2017/18 (World Bank, 2020). In 2017, the overwhelming majority of growth came from the non-oil sectors, out of which more than half can be attributed to services growing by 4.4 percent. From the Chabahar Port, Iran has grown by 100% in the first quarter of the current Iranian year compared to the same period last year in 2018. Also, according to the Deputy Minister of Industry, Mine and Trade, Hamid Zadboom, over the past 15 years, Iran's non-oil exports have increased from \$5 billion to \$50 billion, with natural resources accounting for about 53 percent of Iran's total exports ("Asia News", September 2019). These official statements might be a little bit exaggerated; nonetheless, it is convenient to say that the non-oil production within the national economy has tended to increase. According to Bloomberg's report (October 25, 2019), due to the exchange rate advantages, Iran's non-oil exports are projected to reach a record level of over \$40 billion in 2019.



3. Security Dimension of the Chabahar Port

Security related issues could be analyzed through three major domains. The first problem area is related to the big power rivalries in the global political context and their reflections in these infrastructure projects. The second problem area is about the state-to-state interactions; more specifically concerning India-Pakistan, China-Pakistan, Afghanistan-Pakistan, and other bilateral security relations and concerns may be reflected into the Chabahar-Gwadar port operations as well. Third, both of these ports and their close environments are prone to terrorism related threats, since Iran's Chabahar and Pakistan's Gwadar Ports are predominantly inhabited by the ethnic Beloch communities who have separatist tendencies in each country for different reasons.

Both the Chabahar and the Gwadar Ports are located near the Strait of Hormuz, which remains at the nexus of global strategic concerns. Also, they provide quick access to the Persian Gulf, Oman Sea, and the Indian Ocean. Each day, about 20 million barrels of oil – about 20% of all worldwide traded oil - flow through the Strait of Hormuz (Katzman, 2020). In other words, the Strait of Hormuz witnesses 70% of world oil transportation and annual trade of approximately 100,000 shipments as of 2019 (EIA, 2020). Therefore, both of these ports have economic and strategic importance at the global scale.

India-Afghanistan relations have also critical importance, since the security of Indian trade convoys will heavily depend on the discretionary goodwill of Pakistan not to use its influence on the tribal chiefs in Afghanistan not to attack them. During the 2017 BRICS Summit, the Indian diplomats achieved to convince all



sides (particularly Pakistan's ally China) about New Delhi's security concerns, and in the Final Declaration Document it is explicitly stated that the Pakistan-based Lashkar-e-Taiba and Jaish-e-Mohammed are terrorist groups.

It should be kept in mind that China and India have had serious border disputes for decades. After the 1962 War, Beijing saw India's rising capability to challenge itself, and it shifted to distinctly support Pakistan. The 2017 Doklam crisis is – probably the closest that China and India have come to a military confrontation since the 1962 war. During the 2017 Doklam crisis, hundreds of Chinese and Indian troops faced off on a small Himalayan ridge claimed by both Beijing and Bhutan. The latter is a tiny kingdom with less than 1 million population and it was taken under by New Delhi's wings and has long been treated like a protectorate. During the Doklam standoff, Beijing and New Delhi exchanged serious threats of using military force and this was the most serious border crisis since the 1962 border war.

Port infrastructures can be used by regional militaries to slow or stop trade in the Indian Ocean—with ripple effects on global trade and development (Daniels, 2013). While some believe that Gwadar may be used by China for military purposes (Abi-Habib, 2018), for now, there is no indication that one day India will have military presence in the port. However, it is important to mention that India's access to the Chabahar Port not only enables Delhi to thwart Pakistan's military presence in the Arabian and North Indian seas, but also breaks the “strategic siege” of its two rival allies, China and Pakistan (Behroosh, 2017). In this regard, it can be predicted that Delhi would one day request military presence in the port. But it must be added that,

the Chabahar Port could increase Tehran's influence and bargaining power in Afghanistan by strengthening the military cooperation between Iran and India (Behroosh, 2017). This could be a strategic loss for India, which opposes China's expansion in the Indian Ocean and is already worried that Gwadar could one day be used as a military base along with other China-backed ports from Myanmar to Bangladesh to Sri Lanka (Marlow, Dilawar, 2018).

From a security perspective it should be kept in mind that the Chabahar Port not only opens a gateway for India to Afghanistan, Central Asia, Russia, and beyond, but also allows it to monitor Pakistani and Chinese naval activities in the Indian Ocean and the Gulf region. However, India is in a disadvantageous position as Chabahar does not lie in the Indian Ocean where India could have naval reinforcements. In 2005, the United States and India signed the New Framework for Defense Cooperation which involved a number of areas for security cooperation. India has conducted many military exercises with the United States; in September 2007 joint exercises included the United States, India, Singapore, Australia, and Japan. This cooperation increased tensions in Beijing; there were news about the formation of an anti-China coalition in the Chinese media and China issued a formal protest after this exercise.

From the regional security concerns both the Gwadar and the Chabahar Ports are located in the ethnic Balochi territories of Pakistan and Iran. The Balochis in both countries have involved in secessionist movements. In Iran, the Baloch have taken up arms in a sectarian conflict that pits their Sunni worship against Iran's Shiite majority and government (Daniels, 2013). In Iran, Jundallah has been fighting with



the central government forces on the basis of sectarianism. Jundallah claims that its fight is for oppressed Sunni minority rights as well as for ethnic concerns in Iran.

According to the State Department of the USA, there are different names for the Baloch separatist movements such as: the People's Resistance Movement of Iran (PMRI), the Jonbesh-i Moqavemat-i-Mardom-i Iran, the Popular Resistance Movement of Iran, the Soldiers of God, the Fedayeen-e-Islam, the Jundallah of Iran, the Jondallah, Army of God, and the Baloch Peoples Resistance Movement (BPRM). Since its inception in 2003, Jundallah, which operates primarily in the province of Sistan-Balochistan of Iran, and the Baloch areas of Pakistan and Afghanistan, has engaged in numerous attacks and is responsible for the killing of civilians and government officials in Iran. Jundallah's stated goals are to secure the recognition of the Balochi cultural, economic, and political rights from the Government of Iran, and to spread awareness of the plight of the Baloch people. Jundallah claimed the responsibility for an October 2009 suicide bomb attack in the Sistan-Balochistan province that killed more than 40 people and it was the deadliest terrorist attack in Iran since the 1980s. In a statement on its website, Jundallah also claimed the December 15, 2010 suicide bomb attack inside the Iman Hussein Mosque in Chabahar, which killed an estimated of 35 to 40 civilians and wounded approximately 60 to 100. In July 2010, Jundallah attacked the Grand Mosque in Zahedan, killing approximately 30 people and injuring an estimated 300 people (Rocca, 2017; State Department, 2017).

Baluchistan, Pakistan's largest province in terms of land mass constituting of 43% of

Pakistan's territory, but it is the smallest in population. Baluchistan is one of the least developed provinces of Pakistan (Tanoli, 2016). This territory of Balochistan is one of the most insecure and volatile regions in Pakistan. China should, therefore, not underestimate the potential security challenges it can face in Pakistan and other terrorism-ridden countries in the implementation of the Belt and Road strategy (Yu, 2017). Despite the common security threats, Iran and Pakistan have always been suspicious about each other. Although, a Pakistani security personnel helped Iran to catch the Jundallah leader, Abdolmalek Regi, there is still bilateral distrust evident alongside many other issues as well. The deaths of 27 IRGC troops in an attack on their bus near the border town of Zahedan in early 2019 prompted a severe response from the Iranian authorities. The IRGC officials blamed the Pakistani government over its support for terror groups.

In sum, the complexity of economic stakes and security concerns in these mega projects signals the probability of a never ending proxy war among global and regional powers; and it is clear that the regional states will always be suspicious about each other's relative gains.

4. The Stance of Key Countries on the Chabahar and the Gwadar Ports

4.1. The U.S. Position on the Chabahar and the Gwadar Ports

The USA position could be summarized within a couple of premises: to weaken the Chinese involvement and to enhance its allies in the region. First of all, the USA wants to contain



China's penetration from getting deep into Asia. The United States and China's relationship has increasingly locked into a comprehensive competitive state. For Washington, the most important tool is to get India into the Western alliance lines. Besides, the USA wants to pull other mid-size Asian countries on towards the Western side. The kingmaker in this region is Afghanistan, mainly due to its strategic location and underground wealth. That is why the USA wants Kabul to align with India. The United States' 'pivot to Asia' strategy has been viewed as a counterbalance plan of action against the rise of China. The Donald Trump administration's 2017 National Security Strategy has labeled China (and Russia) as the "strategic competitors" and the "revisionist powers." The U.S. National Security Strategy asserted that "China seeks to displace the United States into the Indo-Pacific region (David Shambaugh, 2018). The strategic competition between China and the United States has significantly intensified after President Obama launched his "pivot" policy towards Asia in 2012. The pivot (or "rebalance") included many functional components (David Shambaugh, 2018). During his State of the Union Address to Congress in January 2015, US President Obama emphasized that "China wants to write the rules for the world's fastest-growing region. That would put our workers and our businesses at a disadvantage. Why would we let that happen?" (Yu, 2017).

The mid-powers in this region might prefer the alignment or the balancing of behaviors in the power game between the USA and China. For instance, there has been a dispute between the Philippines and China on the subject matter of the overland reclamation on the SCS coasts.

Another tension occurred between Vietnam and China over an oil drilling instance conducted by a Chinese company in the disputed waters of the SCS. It is clear that skepticism among the Asian neighbors towards China could deter these countries from cooperating with Beijing's mega projects, including the Belt and Road initiative (Yu, 2017).

According to a Korean scholar (Yu, 2017), China has not been able to provide the necessary trust towards its Asian neighbors over the Silk Road project; and most of these nations "due to their suspicion over China's real intention" their reactions to the Belt and Road Project has been mixed. It is obvious that the perceptions and eagerness of the ASEAN countries, particularly Japan and India, are essential for the implementation of the Belt and Road Project.

The Sino-Japan relations are becoming increasingly competitive and confrontational. Japan has not signed up for the AIIB or endorsed China's Belt and Road initiative. Tokyo perceives that the AIIB has been established as a rival to the USA and Japan-led Asian Development Bank. To compete with China on steering infrastructure projects in the region, the Japanese government proposed the "Partnership for quality infrastructure investment for Asia's future", pledging for the funding of US\$110 billion in May 2015 (Reuters, May 21, 2015). The typically intense competition between Tokyo and Beijing over the field of infrastructure construction is demonstrated by the bidding battle for the construction of the Jakarta-Bandung high-speed railway in Indonesia, which was eventually won by China. In addition, for the ASEAN countries, Japan is the most important source of foreign investment, and China's out-



ward investment to the ASEAN is way lower in value than that of Japan. China accounted for 7.2% of the global outward FDI (foreign direct investment), while the US and Japan accounted for 24% and 9.6% of the global outward FDI (Yu, 2017).

The American point of view regarding infrastructure projects in Asia is related to its alliance structure. The cost of nearly 18 years of war in Afghanistan amounted to more than \$2 trillion for the USA, and more than 2400 American troops have died (NY Times, Dec 09, 2019). Washington has shifted towards a new strategy. For Washington, Afghanistan and Central Asian states should economically and commercially connected to the South, and “expanding greater regional connectivity and linking economies and markets” together. During her October 22-23, 2011 visit to Tajikistan and Uzbekistan, then-Secretary Clinton discussed turning Afghanistan into regional transportation, trade, and energy hubs linked to Central Asia (Nichol, 2014).

Another major point is the Chinese dominance over rare earth metals—the U.S.A. President Donald Trump amended section 303 of the Defense Production Act in July 2019; thus, Washington authorizes the domestic production capability for the separation and the processing of light rare earth metals, which have critical value for national defense. Additionally, the American government has commenced the Energy Resource Governance Initiative (ERGI) to promote the mining of minerals that are in high demand from the Trump administration. It has been proven that Afghanistan possesses rich iron, copper, gold, silver, aluminum, zinc, lithium mercury, and, most importantly, rare

earth metal reserves, such as cerium, neodymium, and lanthanum. The estimated value of Afghanistan’s mineral resources was given between one to three trillion dollars; the carbonite reserves in the Helmand province are thought to be at around \$90 billion (Foreign Policy Journal, May 29, 2018). Additionally, Central Asia is rich in terms of having a variety of minerals, including rare earth metals. In Central Asia, Kazakhstan is reported to possess one-fourth of the world’s uranium reserves, and Kazakhstan and Uzbekistan have been among the world’s top producers of low-enriched uranium (Nichol, 2014; Katzman, 2020).

The USA wants India to become active in those mineral-rich regions. According to the 2016 bilateral agreement between India and Afghanistan, seven Indian companies acquired rights to mine Afghanistan’s Hajigak region, which is believed to be Asia’s largest deposit of iron ore. New Delhi pledged to invest \$2bn into developing these resources. To display the increasing connectivity and trade volume among India, Iran, and Afghanistan, some of these statistics may give an idea: India’s exports to Iran have doubled in the last couple of years, amounting to almost \$4 billion (Export-Import Bank of India, 2015). India promised to build a railway track between Chabahar and Zahedan at the cost of \$400 million, which would nourish not only the Indian Steel industry, but also generate employment opportunities in both nations. (Tanoli, 2016).

Central Asia is no longer stuck between the two enormous powers of the region China and Russia; instead, they have found outlets to their south counterparts, particularly to India. The hope is to boost the trade between Afghanistan



and its neighbors. The USA also sees the Indian presence in the greater Central Asia region beneficial, in order to have friendly regimes present there. The American strategy focuses on bolstering north-south trade and linking India and Pakistan via Afghanistan to the former Soviet republics of Central Asia. In doing so, stabilization in Afghanistan is a necessary precondition for the ongoing security of Central Asia (Younkyoo & Indeo, 2013). On the Indian side, New Delhi hopes to see the Western countries use the Chabahar system and minimize their relations with Pakistan.

With the return of the US sanctions against Iran, India has always tried to gain concessions from the US: India has thus consistently reiterated its position toward the U.S. on strategic relations with Iran. The Indian Finance Minister Nirmala Sitharaman said that “From our side, we explained the Indian position, particularly the need to maintain land-based access to Afghanistan. We explained the need for us to have the Chabahar Port link and from there the rail corridor to Afghanistan. This is especially in the context of Pakistan, denying us access through the land” (Roychoudhury, 2019).

The U.S. administration decided to exempt the Chabahar projects after a series of negotiations with New Delhi, due to their economic importance for Afghanistan. After the announcement of the waiver, John Bass, the U.S. envoy to Afghanistan, warned Afghan officials that sanctions exemptions for trade through the Chabahar Port would only continue if the traders remain careful not to violate the rules against businesses, involving those on the list of the sanctioned regime officials (Salehai, 2018). The Trump administration points out that

the latest series of the Iranian sanctions would not impede the economic reconstruction in Afghanistan (Kheel, 2018). Following a trilateral meeting between Iran, India, and Afghanistan in the summer of 2012, a U.S. State Department spokeswoman reiterated the Obama administration’s hope that a North-South Transportation Corridor would “further embed Afghanistan in a positive, growing region along the lines of the Silk Road initiative that we’ve been supporting” (Daniels, 2013).

The Chabahar Port offers economic benefits to Iran, a contradictory truth for the Trump administration, as Washington is aiming at pressuring the Islamic Republic. The administration follows each expression of support with a reminder that Washington can revoke its support any time. To say that the U.S.A. is not happy with the China-Pakistan alliance and particularly unhappy with the China-Pakistan Corridor, the Gwadar Port being at its center would be an understatement. That is why America and India collude to disrupt the China-Pakistan economic corridor (Ishfaq, 2019) and both countries seek to hinder the development of the Port of Gwadar, in cooperation with each other. That’s why the U.S.A views Chabahar as less evil than the Pakistani Port of Gwadar.

4.2. Saudi Arabia’s and Other Gulf Countries’ Position on the Chabahar and the Gwadar Ports

In predicting the Gulf countries’ position towards the Chabahar-Gwadar Port projects should not be very challenging. As they evaluate these projects within three premises: the overall impact of the projects on Gulf economies, the never-ending suspicion towards Tehran, and fi-



nally, the great powers' positions. All the Gulf countries have trade partnerships with China and India. However, overall, the GCC states are expected to rely heavily on the Gwadar Port. On the other hand, it is safe to say that the development and full operation of the Chabahar Port would not have an adverse effect on the Gulf countries and their commercial infrastructure, including their own ports. This is because the ports of these Gulf countries have been active for many years. Additionally, there is no official statement present that signifies the negative impact of the Chabahar Port on the Gulf countries' ports. Consequently, each Gulf country would probably develop trade relations with India and/or China, depending on their bilateral relations and overall interests.

Another point to take into consideration is that Iran's Bandar Abbas port is not a deep water port and it cannot handle large tankers. Currently, large ships transfer their cargo on the United Arab Emirates' ports. This situation makes Iran dependent on the UAE and also represents a loss of revenue for Tehran. However, the Chabahar Port is expected to compensate for this and save the Iranian losses.

Since the 1979 Revolution, Iran has supported the Shia movements in the Middle Eastern region. This reality has given rise to deep suspicion towards Iran. Iran's leaders assert that the Middle East's political structure is manipulated by the United States and its regional allies. This specific overseas involvement in the Middle Eastern affairs is creating a distorted balance against those whom Iranian leaders describe as "oppressed people," such as the Palestinians and the Shia minorities; and Iran frequently reiterates its position to protect these oppressed

people without ideological or sectarian discrimination citing its support for Sunni groups such as Hamas (Katzman, 2020).

Iran's foreign policy discourse during the Arab revolts did not change much. Tehran continued to reveal its statements in line with its opposition towards the US-based regional order and its regional allies, especially towards Israel and also Saudi Arabia. Iran frequently reiterated its position while struggling with USA's allies, in order to undermine the oppressive and exploitative regional order. Tehran has successfully played on and exploited the regional grievances, notably with the Palestinian and the poor Shia minorities. From the 2011 "Arab Spring" events, Iran's foreign operations have increased in Yemen, Syria, and Lebanon, among other places. The GCC states, particularly Saudi Arabia, the UAE, and Bahrain, have consistently been critical of Iran mainly for attempting to destabilize the region and fomenting unrest among the Shia communities in the GCC states. Bahrain, ruled by a Sunni monarchy with its majority of population from Shia background, consistently alleges that Iran wants to overturn Bahrain's power structure. Yet, all the GCC states have generally maintained relatively smooth trade relations with Tehran. Moreover, in a possible effort to ease the heightened U.S.-Iran and Gulf-Iran tensions in mid-2019, the UAE and Saudi Arabia have conducted direct or sought indirect contact with Iran aimed at de-escalation. (Katzman, 2020).

In the Gulf, the most significant case is Oman. Oman's leadership has frequently engaged with Iran's leadership and this communication is more consistent than any of the



other the Gulf States. After the JCPOA was finalized, Iran and Oman accelerated their joint development of the Omani port of Al Duqm. Oman was the only GCC country to not downgrade its relations with Iran in connection with the January 2016 Nimr dispute. (Katzman, 2020). The expansion of the Chabahar Port is expected to be much more effective, after the actual operation of the Chabahar-Muscat shipping line (Mehr News, December 2019). The Iranian officials announced that the Chabahar-Muscat passenger line will soon start operating to commute passengers. India and Oman signed a maritime transport agreement, which had implications for the development of the Chabahar Port. The importance of Muscat and Oman is that it holds the connection between the Indo-Pacific regions with the Middle East. India and Oman's friendship derives from historical memories and India aims to expand its footprints towards the Persian Gulf and East Africa. With India's active diplomacy, the Chabahar Port is earning a variety of connection channels. The Prime Minister Modi visited Oman in February 2018, and he secured the Indian Navy's access to the Omani Port, Duqm.

4.3. Russia's Position on the Chabahar and the Gwadar Ports

In the global power competition, especially in Asia, the Russian interests do not always converge with China's priorities, despite their common stance against the USA. Russia shows discontent towards many of the Chinese initiatives including the "Belt and Road" project and particularly on Beijing's increasing penetration into Central Asia. While Moscow is prioritizing

the North-South trade corridors, China's development of the Gwadar Port Project and alliance with Pakistan have not been welcomed in Moscow; Russia does not want to be bypassed in the energy transportation activities (Younkyoo & Indeo, 2013). The INSTC route is expected to facilitate the transportation of goods from Mumbai in India to Western Europe, using the Iranian ports and railroads. The project was initiated in 2000 in St. Petersburg by Russia, Iran, and India. In recent years, 13 nations have signed the agreement and ratified it. These nations are Azerbaijan, Belarus, Bulgaria, Armenia, India, Iran, Kazakhstan, Kyrgyzstan, Oman, Russia, Tajikistan, Turkey, and Ukraine. Also, the corridor will connect Iran with both Azerbaijan and Russia's Baltic ports. Alongside with becoming the power provider for the connectivity of both the Persian Gulf and the Indian rail network, Russia also expects to gain from transit fees.

The purpose of the International North-South Transport Corridor (INSTC) is to unite South Asia with the Middle East, the Caucasus, Central Asia, Russia, and Europe. The Tejen (Turkmenistan) to Mashhad (Iran) rail link was constructed in 1996. This linked Central Asia to the Iranian rail network and provided Central Asia access to the Persian Gulf. This was significant for Iran in terms of gaining access to Central Asia. During the ECO Council of Ministers Meeting in Dushanbe in 2001, the former Iranian foreign minister Kamal Kharrazi said: "We shall pay special attention to the field of transportation and communications (Wastnidge, 2017). These earlier connections have later been incorporated into the larger INTSC system. The INSTC promises to reduce the transportation time from India to Russia, as well as to Europe.



Currently, the transportation fields of the countries of South Asia, especially of India with Europe and the Middle East, are operated only via the Suez Canal. The delivery time of the current route is in 45-60 days and is expected to be in only 14-20 days through the INSTC.

4.4. China's Position on the Chabahar and the Gwadar Ports

According to the International Comparison Program of the World Bank, the two largest economies in the world in 2017 were China and the United States, each of whom recorded a PPP-based GDP of just under \$20 trillion. Together they accounted for a third of the global economy. In order to maintain its sustainable economic growth and be able to reach its goal of becoming the regional hegemony in Asia, Beijing needs to secure its energy needs and export its commodities smoothly. China is heavily dependent on the Gulf's oil that provides approximately 60% of her energy needs.

The phrase "String of Pearls" was first used in 2005 to describe China's emerging maritime strategy in a report titled "Energy Futures in Asia" which was commissioned by the U.S. Department of Defense. The "String of Pearls" strategy, which describes Beijing's political economy approach, aims to secure Beijing's vulnerabilities in obtaining its energy needs. Thus, some critical geographical places, military facilities, and infrastructure build-ups are important for the Chinese national security. These places include the South China Sea, the Indian Ocean, the Straits of Mandeb, Malacca, Lombok and

Hormuz among others. Gwadar is also a major component of China's "String of Pearls" strategy that envisions strategic airports and seaports along the Arabian Sea and Indian Ocean (Daniels, 2013). The construction of the large-scale port projects in the region is expected to provide China with the diversification of its energy and raw materials supply.

Moreover, the implementation of the Belt and Road strategy will revive China's slowing manufacturing capacity by providing China with overseas trade opportunities and the means to investment abroad. This strategy will also allow China more time and room for pursuing industrial restructuring and upgrading (Yu, 2017). Within this context, China's "Go West" strategy seeks to develop its western regions and it focuses on active economic cooperation with neighboring countries (Daniels, 2013). While Beijing is in need of commercial relations with its neighbors, most Asian countries are enthusiastic about attracting direct foreign investment. Therefore, the AIIB brings about great hope in the Asian context. One of China's motivations for the establishment of the AIIB is the urgent need of investment for the Asian countries infrastructure development. The majority of the Asian countries transpire very poorly in transportation and in other critical infrastructure fields. For instance, Cambodia badly needs more foreign investment to construct deep-water ports and other infrastructure facilities to accommodate large-scale cargo ships. (Yu, 2017).

China's Silk Road initiative involves the building of a variety of infrastructure projects, including high-speed railways, highways, air and seaports, and pipelines. It also encom-



passes the construction of industrial parks and special economic zones (Blanchard & Flint, 2017). Overall, Beijing wants to achieve multiple goals, one core objective is to promote the development of the backward western Chinese provinces. Another major goal is to build transportation networks that will help China to improve its manufacturing sectors and achieve its excess capacities. An additional goal of China is to alleviate its dependence from sea-based energy transportation routes that lead through vulnerable choke points such as the Strait of Malacca (Blanchard & Flint, 2017). In the surroundings of the Strait of Malacca, India, the US, and Japan are causing strategic tension for China's economic and strategic interests.

In the Chinese developmental plans, Asia receives high priority. Over the last decade, Asia has accounted for more than 50% of the total stock of China's outward foreign investment (Yu, 2017). Southeast Asia constitutes vital strategic importance, particularly the South China Sea and the Strait of Malacca. The Strait is one of the busiest shipping lanes and trade routes in the world, with 40 percent of the world's merchandise trade and 25 percent of all oil shipments carried by the sea annually (IMF, 2020). China is particularly vulnerable, as 80 percent of its crude oil imports pass through the Strait (David Shambaugh, 2018).

For Chinese officials, the China-Pakistan cooperation is essential; therefore, Beijing is more than happy to become the biggest investor in the Pakistani economy. The Sino-Pak trade and economic affiliations have become stronger and developed further after the exe-

cution of the China Pakistan Economic Corridor and the implementation of the world's largest deep seaport, Gwadar. Under the present conditions, China's cargo travels take up to 45 days to reach the destined markets of Europe via the Middle East. The Gwadar Port is expected to provide China with cost-effective transportation of its goods to markets and a safer and shorter route as well. China is also competing with India in building Afghanistan's infrastructure. China recently became Afghanistan's largest investor with the September 2010 \$3.5 billion deal signed between the Afghan government and China's state-owned China Metallurgical Corporation to develop a copper field (Daniels, 2013).

India questions China's Belt and Road Initiative and counters it with its own ambitious strategic plans. In May 2017, India boycotted the first Belt and Road Project's international forum, held in Beijing, due to its strong reservations about the China-Pakistan Economic Corridor and financial and environmental concerns. To counter China's connectivity ambitions, India also adopted its own projects (the Mausam project, the Sagarmala Project, the Bharatmala project and the Spice route Project). The Indian Navy holds a strong position in the Indian domestic politics, and the Navy commanders have frequently made comments about New Delhi's need for establishing a "naval counterweight" to the overall Chinese military, and particularly China's private and military activities in Gwadar. Indian commentators maintain that the China-Pakistan alliance and their cooperation in the Indian Ocean create tension in the eyes of the Indian elites.



4.5. India, Pakistan, and Afghanistan in the Equation

China and India, despite their alliance in the BRICS grouping (Brazil, Russia, India, China & South Africa) and having a bilateral trade amounting to USD 70,8 billion, are also strategic rivals. China and India engaged in a thirty day border conflict in 1962. This war resulted in the protracted rivalry between China and India and engendered their never-ending mistrust, mutual suspicion, concerns, conflicts, and competition.

New Delhi has always shown its discontent towards the deepening of the relations between Islamabad and Beijing. As a result, New Delhi has recently expanded its efforts on the Act East policy and the development of the quadrilateral strategic alliance between India, Japan, Australia, and the USA (Kavalski, 2019). A critical example of balancing against Beijing is visible with India and Singapore signing a naval agreement in November 2017, with the aim to enhance the India-Singapore maritime strategic cooperative relations. Another balancing behavior came with the New Delhi-Dushanbe axis. Tajikistan is strategically seen as India's gateway to Central Asia (Kavalski, 2019). On the other hand, India's development of an airbase in Tajikistan, as well as its diplomatic and military installations in Afghanistan, has deepened Pakistan's fears of strategic encirclement. Pakistan shares a large ethnic Pashtun population with its neighbor Afghanistan and sees an advantage in maintaining its own "strategic depth" with an Afghan government sympathetic to Pakistan's interests (Daniels, 2013).

Certain ongoing large infrastructure construction projects in the Indian Ocean under the Belt and Road initiative has only served to further reinforce India's suspicions. These projects include the Gwadar Port in Pakistan, Colombo Port City in Sri Lanka, and Kyaukpyu Port in Myanmar. India is especially concerned about the increasing Chinese presence in South Asia and the Indian Ocean, which India regards as its own sphere of influence. Indian politicians and strategists fear that China's Belt and Road Project will enable India's giant neighbor to gain regional dominance over India in the Indian Ocean and in the South Asian continent. India is concerned that China might use these infrastructure facilities for military purposes, to build a naval fleet. In 2014, India was shocked by the docking of a nuclear-powered Chinese submarine in Colombo International Container Terminal, Sri Lanka (Yu, 2017).

In the Asian equation another important actor is Afghanistan. Additionally, the bilateral relationship between Afghanistan and Pakistan is a good framework, in order to comprehend the balance of power dynamics between them. In 1947, Afghanistan was the only state which did not recognize the newly independent Pakistan at the United Nations. Since this inception, Afghanistan positioned its stance against Pakistan as a hostile nation, instead of a good neighbor or friend. In 1893, the Durand Border Line was established by the British to distinguish their colonial possessions in South Asia. Because of the disputes over the border demarcation and some other existential issues, Pakistan has never been recognized by Kabul and to till this day serves as an obstacle to establish closer relations between Afghani-



stan and Pakistan (Kavalski, 2019). Kabul has always complained about Pakistan's exploitation of the dependence of Afghanistan on Pakistan in trade and transportation matters. In the early 1960s, Pakistan closed the trade route between Afghanistan and India; and then the USSR airlifted the Afghanistan's fruits to Indian markets. This event created traumatic implications, and the idea of dependence has always remained in the minds of Afghan elites. That is why on February 24, 2019, the Afghan President Ashraf Ghani commented that Afghanistan is no longer dependent on the Pakistani ports for trade purposes with India. With the introduction of the India-Iran-Afghanistan transit projects Afghanistan felt great relief from its landlocked character. There was a ceremony due to the first consignment of Afghan exports to India through Chabahar port in February 2019, and President Ashraf Ghani said that his country would get great benefit from the new trade route through Iran, and this channel would double his country's exports to \$2 billion (Hindustan Times, February 25, 2019). To bypass Pakistan, the port of Chabahar increasingly became a pivot for the New Delhi's connectivity projects across Central Eurasia too.

In sum, for India Afghanistan's negative attitude towards Pakistan is a valuable characteristic to be exploited. Therefore, New Delhi has prudently focused its programs in Afghanistan on four key areas: (a) humanitarian assistance; (b) major infrastructure projects; (c) small and community-based development; and (d) education and capacity-building. New Delhi has so far contributed in the excess of \$2 billion to projects across these four program areas (Kavalski, 2019).

5. Conclusion

With the slogan of maximum pressure on Iran, the latest round of economic sanctions has significantly struck Tehran's entire banking and trade system with serious domestic ramifications on its financial indicators, employment, inflation, and most importantly in terms of trust towards the government. Iran's economy, which heavily relies on oil revenues, has almost collapsed. Iran has initiated counter measures to rescue its fragile economy: diversification of the economic base from hydrocarbon dependence towards non-oil production, new openings towards the Caucasus and Central Asia, new commercial relations through the Chabahar port, and other infrastructure projects among others.

The role that the ports play in expanding the arena of trade with the outside world and the attention that Iran has paid to developing new transit systems including ports and free trade zones, has made the Chabahar Port a symbol of hope in the eyes of the Iranian authorities. The Chabahar Port, with its strategic location on international transit routes, has the potential to become an economic and trade hub between India, Afghanistan, Iran and Central Asian countries. Given the ongoing and effective collaboration between Tehran, New Delhi, and Kabul on the development of the Chabahar Port and the exemption from the US sanctions, the Iranian government has been given the opportunity to turn this strategic port into an attraction center by drawing both domestic and foreign investment.

Furthermore, the Chabahar Port also has geopolitical interests for India and Afghani-



stan. Since, the port offers a variety of advantages for India and Afghanistan. For Tehran, it would play a significant and decisive role in the development of Iran's non-oil economy. Iran expects that this mega investment would become a new platform for international connections, export spaces, and trade opportunities with other countries. In this regard, Iran can transform Chabahar into a free trade zone by imitating other Gulf ports in the Middle East.

The Chabahar Port can also become a favorable destination for tourists. Also, by reforming the rigid domestic laws, this part of Iran can host thousands of tourists. By performing such reforms, Iran will become a destination for foreign tourists and additionally will be a great contributor to the growth and development of the tourism sector as part of non-oil economic policies. Despite these optimistic accounts, however merely focusing on the positive potentials may be misleading. In Iran, some officials have highlighted the tourism sector (or other non-oil sector) as a great hope for development, in relation to its labor intense characteristics and huge opportunity in terms of natural and cultural assets; nevertheless, when one digs deep into the issue under analysis the hard realities and painful truths begin to appear on the surface. As tourism experts have noted "Encouraging

tourism in Iran is a highly contested issue between two main factions in the government, one that views tourism as means to achieve economic benefits and modernize, the other that sees tourism as leading to globalization and thus threatening Islamic values and norms" (O'Gorman et al., 2007).

Despite of all the above-mentioned openings and new initiatives, Tehran has some structural setbacks. First of all, the Iranian regime is based on the Islamic Revolutionary ideology and its political economy is based on the regime's survival. The IRGC and all of the other political institutions are behaving as vested interests and economic restructuring initiatives cannot run smoothly without disturbing the very well-entrenched vested interests. Secondly, the Iranian economy is based on a 100-year long hydrocarbon extraction and it functions as a rentier economy. It would be very hard to reform the rentier characteristics of the economy. Ironically, the Chabahar Project also possesses rentier characteristics and it is prone to corruption as well as some other maladies of the statist economic system. If Tehran could initiate a very radical nationwide reform through implementing the Chabahar Port and its hinterlands, then Tehran's situation might drastically change in many spheres, including its social and economic domains.



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“Tanıtım nüshasıdır, para ile satılamaz.”
“Bandrol Uygulamasına İlişkin Usul ve Esaslar Hakkında Yönetmeliğin 5’inci maddesinin
2’nci fıkrası çerçevesinde bandrol taşıması zorunlu değildir.”

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