

Sanctions and Strategic Autonomy: How BRI Helps Iran Bypass Western Isolation

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Received: 13-08-2025

Revised: 23-09-2025

Accepted: 18-10-2025

Published: 08-11-2025

ABSTRACT

This study examines how Iran has leveraged China's Belt and Road Initiative (BRI) to navigate decades of Western sanctions and reinforce its strategic autonomy within an evolving multipolar world order. Since the 1979 Islamic Revolution, Iran has endured multiple waves of U.S. and EU sanctions targeting its oil sector, banking systems, and international trade networks. The re-imposition of sanctions following the U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA) in 2018 exacerbated economic contraction, inflation, and diplomatic isolation. In response, Tehran adopted a "Look East" strategy, culminating in its deep integration with the BRI through the 25-Year Comprehensive Strategic Cooperation Agreement with China in 2021. Employing a mixed-methods approach that integrates quantitative economic data with qualitative policy analysis, this research reveals that BRI engagement has provided Iran with critical economic lifelines and diplomatic flexibility. Between 2020 and 2023, Iran's oil exports rose from 0.3 to 1.3 million barrels per day, largely facilitated by BRI-linked logistical and financial networks. Projects such as the Tehran–Mashhad Railway, Jask Oil Terminal, and Chabahar Port exemplify how BRI infrastructure enhanced Iran's trade capacity while yuan-based settlements and barter mechanisms reduced its dependence on the dollar and SWIFT system. Strategically, BRI participation has expanded Iran's involvement in non-Western institutions such as the Shanghai Cooperation Organization (SCO) and Eurasian Economic Union (EAEU), enhancing its diplomatic leverage and embedding it within a broader Eurasian economic architecture. However, the study also identifies structural vulnerabilities, including overdependence on China, project delays, and limited domestic diversification, which constrain Iran's full strategic autonomy. Overall, the findings argue that while the BRI has not entirely neutralized Western sanctions, it has substantially mitigated their impact by providing Iran with alternative trade corridors, financial systems, and geopolitical alliances. The Iran China partnership thus symbolizes a transformative shift in the international political economy, reflecting the gradual erosion of Western economic dominance and the consolidation of a more multipolar, interconnected global order.

Keywords: Iran, Belt and Road Initiative, sanctions, strategic autonomy, China, JCPOA, multipolarity, economic diplomacy.

INTRODUCTION

In the evolving landscape of international relations, the interplay between sanctions, strategic autonomy, and global connectivity has emerged as a defining feature of 21st-century geopolitics (Vaisi, R. 2022). Economic sanctions once considered precise instruments of diplomacy have increasingly become tools of

coercive statecraft used to shape the behavior of states that challenge Western interests. At the same time, global initiatives such as China's Belt and Road Initiative (BRI) have introduced new pathways for economic cooperation and strategic realignment, particularly for countries facing Western isolation. Within this shifting global order, Iran stands as one of the most compelling case studies of a state navigating sanctions, resilience, and realignment (Fulton, 2023).

For over four decades, Iran has faced sustained waves of sanctions imposed primarily by the United States and its Western allies. These sanctions have evolved from initial political responses to the 1979 Islamic Revolution into comprehensive economic measures targeting Iran's oil exports, banking system, and access to international financial mechanisms, notably the SWIFT network (International Monetary Fund [IMF], 2022). The overarching aim of these measures has been to weaken Iran's economy, curtail its regional ambitions, and isolate it from the global financial system. Yet, despite these constraints, Iran has consistently sought to maintain its sovereignty and strategic relevance through a doctrine of self-reliance and economic adaptability.

The global balance of power, however, has been undergoing a profound transformation. The rise of China as a global economic powerhouse and the gradual diffusion of economic influence from the West to Asia have challenged the dominance of Western-led economic systems. In this context, the Belt and Road Initiative (BRI) launched by Chinese President Xi Jinping in 2013 emerged as a multi-trillion-dollar infrastructure and connectivity project aimed at linking Asia, Africa, and Europe through networks of trade routes, ports, and railways (Mohammadi, 2025). Encompassing over 150 countries, the BRI represents both an economic enterprise and a geopolitical vision: a framework for China to export industrial capacity, secure energy corridors, and expand its global influence.

Iran's participation in the BRI thus represents more than a mere economic partnership; it signifies a strategic and ideological alignment. Through its involvement, Tehran seeks to counterbalance Western isolation by integrating into alternative trade and financial systems that operate outside the U.S. dollar-dominated order. The partnership also supports Iran's long-standing "Resistance Economy" policy an approach emphasizing self-sufficiency, domestic production, and resilience against foreign coercion. By engaging in yuan-based trade settlements, digital currency exchanges, and joint infrastructure projects, Iran has begun to construct new economic lifelines that bypass Western sanctions (Saleh, 2024).

Historically, Iran's struggle with sanctions has been cyclical, reflecting the oscillation between confrontation and compromise. Following the 1979 Islamic Revolution, the U.S. imposed its first embargoes after the Tehran hostage crisis. These measures expanded over time to address concerns about Iran's nuclear activities and regional interventions. The Iran Sanctions Act (1996), Comprehensive Iran Sanctions, Accountability, and Divestment Act (CISADA, 2010), and Countering America's Adversaries Through Sanctions Act (CAATSA, 2017) collectively formed one of the most restrictive sanctions regimes in modern history (Council on Foreign Relations [CFR], 2023). The European Union (EU) reinforced these efforts by introducing oil embargoes and financial restrictions, amplifying Iran's economic isolation.

The Joint Comprehensive Plan of Action (JCPOA), signed in 2015 between Iran and the P5+1 (China, France, Russia, the U.K., the U.S., and Germany), marked a brief period of optimism. Sanctions were partially lifted, foreign investments returned, and Iran's oil exports surged to approximately 2.5 million barrels per day by 2017 (World Bank, 2022). However, this respite was short-lived. In 2018, the Trump administration's unilateral withdrawal from the JCPOA and reimposition of sanctions under the "Maximum Pressure" policy reignited Iran's economic crisis. Oil exports collapsed to under 500,000 barrels per day, inflation exceeded 40%, and GDP contracted by nearly 7% in 2019 (IMF, 2022; World Bank, 2023).

Paradoxically, this renewed isolation accelerated Iran's "Look East" policy, prompting deeper engagement with China and Russia. In 2021, Iran and China formalized their cooperation through the 25-Year Comprehensive Strategic Partnership Agreement, pledging over \$400 billion in Chinese investments across energy, transport, technology, and infrastructure sectors (Vaisi, 2022). This agreement effectively anchored Iran within the BRI's broader Eurasian framework, linking Tehran to critical routes such as the China–Central Asia–Iran–Turkey–Europe and China–Pakistan–Iran–Gulf corridors. Projects like the Tehran–Mashhad Railway, Chabahar Port development, and North–South Transport Corridor exemplify Iran's strategic role in facilitating East–West connectivity.

For China, Iran's inclusion provides a secure energy supply and a geopolitical bridge to the Persian Gulf and the Mediterranean. For Iran, it offers economic survival and diplomatic re-entry into a global order increasingly defined by multipolarity rather than Western hegemony (Nurdun, 2023). The China–Iran partnership under the BRI has thus evolved into a mutually beneficial relationship: China gains strategic access to critical trade routes, while Iran secures an economic and political buffer against Western dominance.

Ultimately, the convergence of Iran's strategic autonomy agenda and China's global connectivity vision marks a pivotal moment in the international political economy. It challenges the efficacy of Western sanctions and highlights the emergence of new, non-Western mechanisms of global integration. This research, therefore, seeks to analyze how participation in the BRI enables Iran to mitigate the effects of sanctions, enhance its strategic autonomy, and reposition itself within a rapidly transforming multipolar world order.

Objectives of the study

1. To analyze how sanctions impacted Iran's economy, trade, and political leverage.
2. To assess how Iran's participation in BRI contributes to its strategic autonomy.
3. To evaluate whether BRI truly helps Iran overcome dependency and isolation.

LITERATURE REVIEW

Economic sanctions have long been a central instrument of Western foreign policy toward states perceived as challenging the international order. Since 1979, Iran has faced successive waves of sanctions from the United States and European Union, primarily targeting its oil exports, banking systems, and defense sectors. Hufbauer, Schott, and Elliott (2007) argue that sanctions are often used as tools of coercive diplomacy, yet their success rate depends heavily on multilateral participation and the target country's economic resilience. Similarly, Nephew (2017) explains that sanctions against Iran aimed to inflict "smart pain" enough economic distress to compel compliance without provoking regime collapse.

Iran's economy, heavily reliant on oil revenues, has been particularly vulnerable to such restrictions. Portela (2010) notes that sanctions on oil-dependent economies often trigger inflation, currency depreciation, and a contraction in foreign investment. These dynamics were evident in Iran's experience after the U.S. withdrawal from the Joint Comprehensive Plan of Action (JCPOA) in 2018, when oil exports fell from 2.5 million barrels per day to less than 500,000 (World Bank, 2020). This phase of "maximum pressure" intensified Iran's economic isolation, disrupted trade, and limited access to global financial systems such as SWIFT.

Facing sustained Western pressure, Iran has increasingly turned toward Asia for political and economic partnerships. Ehteshami (2020) characterizes this pivot as a "strategic reorientation," wherein Iran seeks to diversify its alliances by strengthening relations with China, Russia, and Central Asian states. This

policy shift aligns with Tehran's broader goal of achieving strategic autonomy through multilateral cooperation outside Western influence.

According to Saghafi-Ameri (2022), Iran's "Look East Policy" gained momentum after the failure of the JCPOA and the realization that engagement with Western powers did not yield sustainable economic benefits. Iran's formal entry into the Shanghai Cooperation Organization (SCO) in 2021, along with its observer role in the Eurasian Economic Union (EAEU), reflects its deeper integration into Asian security and trade frameworks. These alliances provide Iran with new platforms for energy cooperation, regional connectivity, and alternative trade mechanisms that bypass Western sanctions.

The Belt and Road Initiative (BRI), launched by China in 2013, is both an infrastructure-driven development strategy and a geopolitical project designed to enhance Beijing's global influence. As Callahan (2016) and Rolland (2017) argue, the BRI embodies China's ambition to reshape the global economic order through connectivity diplomacy, maritime infrastructure, and investment networks spanning Asia, Europe, and Africa.

Critics, however, contend that the BRI functions as a form of "debt-trap diplomacy," in which economically weaker states incur unsustainable debts to Chinese banks, leading to political leverage (Chellaney, 2017). Others, like Hurley, Morris, and Portelance (2018), counter that BRI investments have provided much-needed infrastructure financing for developing economies. For Iran, participation in the BRI offers opportunities for rail, port, and energy corridor development notably the China–Iran railway link and the Chabahar alternative corridor which collectively strengthen Tehran's role in Eurasian trade routes.

Existing literature on the Iran–BRI relationship reflects both enthusiasm and caution. Chinese scholars generally highlight the complementarities between Iran's geostrategic location and China's connectivity ambitions, emphasizing mutual benefits in energy, logistics, and trade diversification (Liu, 2021). Iranian scholars, however, stress the importance of balancing these relations to avoid asymmetric dependence on Beijing (Khosravi, 2022).

RESEARCH METHODOLOGY

This research adopts a mixed-method approach that integrates both qualitative policy analysis and quantitative economic assessment to explore how the Belt and Road Initiative (BRI) enables Iran to mitigate the effects of Western sanctions and pursue strategic autonomy. The rationale behind this combination lies in the multifaceted nature of the issue. Sanctions imposed by the United States and the European Union are not merely economic restrictions; they are instruments of political coercion that influence a nation's trade relations, foreign policy, and overall strategic positioning. In contrast, the BRI functions as both a developmental framework and a geopolitical alternative to Western-led systems of finance and governance. To understand how Iran navigates between these two forces, it is essential to combine empirical economic data with interpretive policy analysis, capturing both material outcomes and strategic intentions.

The research employs a case study design with Iran as the focal point. Iran represents a resource-rich yet politically constrained state that has faced extensive sanctions but continues to engage in regional and global initiatives to maintain economic sovereignty. The case study approach allows for in-depth examination of Iran's experience within its unique political and economic environment while offering insights applicable to other sanctioned or semi-isolated economies. Following Yin's methodological

framework for case studies, this approach ensures contextual richness and analytical precision. The study traces Iran's evolving engagement with the BRI from its initial conception to the present, thereby capturing the shifts in trade dynamics, infrastructure cooperation, and financial mechanisms that have emerged in response to continued sanctions pressure.

Data for this research are drawn from a diverse set of primary, secondary, and institutional sources to ensure accuracy and comprehensiveness through triangulation. Quantitative data include macroeconomic indicators such as GDP growth, inflation, FDI inflows, and trade volumes, sourced from the World Bank, International Monetary Fund (IMF), and the Central Bank of Iran. These datasets help evaluate Iran's economic trajectory in relation to its deepening cooperation with China. Trade and investment data, particularly in energy, petrochemicals, and transport infrastructure, are collected from UNCTAD, the Chinese Ministry of Commerce (MOFCOM), and Iran's Customs Organization, which provide insight into Iran China economic interdependence. Financial data related to non-dollar transactions, barter arrangements, and sanctions circumvention mechanisms are derived from SWIFT and SIPRI reports, offering an understanding of the evolving financial adaptation strategies.

Qualitative data are obtained from official documents, policy reports, and academic publications. The Iran–China 25-Year Comprehensive Cooperation Agreement and other bilateral memoranda are used to assess formal BRI-related commitments. Government statements from Iran's Ministry of Foreign Affairs, China's State Council, and the Shanghai Cooperation Organization are analyzed to understand how both countries frame their cooperation in terms of autonomy and multipolarity. Academic and think-tank literature from institutions such as Brookings, Carnegie, and Iran's Institute for Political and International Studies provide scholarly perspectives on Iran's "Look East" strategy and its implications for sovereignty. Additionally, credible media sources like the *Financial Times*, *Al Jazeera*, *Tehran Times*, and *Global Times* are used to trace the evolving discourse on BRI's role in shaping Iran's resilience and regional alignment.

For data analysis, the study combines descriptive statistical techniques with interpretive discourse analysis. Quantitative data are analyzed to identify patterns in trade volume, FDI inflows, GDP growth, and export diversification. Comparative trend analysis is used to observe directional changes, highlighting how economic performance correlates with BRI engagement. Correlation will illustrate relationships between sanctions severity, trade expansion, and economic recovery, without implying direct causation. On the qualitative side, content and discourse analysis are employed to examine official statements, policy papers, and speeches. Thematic coding identifies recurring concepts such as autonomy, resilience, multipolarity, and economic sovereignty, which reveal how Iran and China articulate BRI cooperation as a strategic alternative to Western dominance.

To enhance the validity and reliability of findings, methodological triangulation is applied. Data triangulation integrates multiple sources; methodological triangulation combines quantitative and qualitative tools; and theoretical triangulation draws from international political economy and regional studies to interpret the findings. This multi-layered verification ensures consistency between economic data and policy narratives, reinforcing the study's analytical credibility.

All research activities adhere to established ethical standards. Data are collected only from credible and publicly available institutional sources, ensuring transparency and accountability. The study maintains neutrality in its analysis, avoiding political bias or partisan interpretations. In cases where interviews are conducted, informed consent will be obtained, and participants' identities will remain confidential.

In summary, the methodological framework integrates empirical data analysis and interpretive inquiry to provide a holistic understanding of how Iran leverages the Belt and Road Initiative to counteract Western sanctions. Quantitative assessment highlights measurable economic trends, while qualitative analysis explains the underlying strategic reasoning. Together, they form a coherent model of how a sanctioned state seeks to achieve autonomy within an emerging multipolar order through partnership with China's BRI.

Western Sanctions on Iran – Origins, Evolution, and Impact

Historical Context

The imposition of Western sanctions on Iran has deep historical roots, tracing back to the 1979 Islamic Revolution that overthrew the U.S.-backed Pahlavi monarchy. The immediate aftermath saw Washington sever diplomatic ties and impose the first trade embargo in November 1979, following the U.S. embassy hostage crisis (Katzman, 2023). This marked the beginning of a long-standing adversarial relationship between Iran and the West, primarily the United States.

In the 1980s, sanctions were relatively limited, focusing on restricting arms sales and freezing Iranian assets abroad. However, by the 1990s, Washington began to expand its use of economic sanctions as a tool to constrain Iran's regional influence and alleged support for militant groups. The Iran and Libya Sanctions Act (ILSA) of 1996 targeted foreign firms investing more than \$20 million annually in Iran's energy sector (U.S. Department of State, 1996). This act signaled the shift toward secondary sanctions, discouraging international companies from dealing with Tehran.

The early 2000s marked a significant escalation due to Iran's nuclear program revelations in 2002, when the International Atomic Energy Agency (IAEA) confirmed the existence of undeclared nuclear facilities in Natanz and Arak (IAEA, 2003). Consequently, the United Nations Security Council (UNSC) adopted a series of resolutions 1737 (2006), 1747 (2007), 1803 (2008), and 1929 (2010) imposing restrictions on Iran's arms imports, nuclear materials, and financial transactions (United Nations Security Council, 2010).

By 2010, the U.S. and European Union (EU) expanded these sanctions dramatically, targeting Iran's Central Bank, oil exports, and shipping industries. The EU oil embargo of 2012 led to a sharp decline in Iran's crude exports from 2.5 million barrels per day (mbpd) in 2011 to around 1.1 mbpd in 2013 (International Energy Agency [IEA], 2013). The Iranian currency, the rial, lost nearly 60% of its value during this period, pushing inflation above 40% (IMF, 2014).

A temporary relief came in 2015 with the signing of the Joint Comprehensive Plan of Action (JCPOA), under which Iran agreed to limit its nuclear activities in exchange for sanctions relief (Katzman, 2023). This deal, negotiated between Iran and the P5+1 (U.S., UK, France, China, Russia, and Germany), reintegrated Iran into the global economy. Oil exports rebounded to 2.5 mbpd, GDP grew by 12.5%, and inflation dropped to 9% by 2016 (World Bank, 2016).

However, the U.S. withdrawal from the JCPOA in May 2018 under President Donald Trump and the subsequent "maximum pressure campaign" reimposed severe economic restrictions (Fitzpatrick, 2019). These sanctions targeted over 700 Iranian entities, including major banks, the National Iranian Oil Company, and individuals linked to the Islamic Revolutionary Guard Corps (U.S. Department of the Treasury, 2018). The EU attempted to preserve trade through the INSTEX mechanism, but its impact was minimal (European External Action Service, 2019). By 2020, Iran's economy had contracted by over 7%,

and oil exports plummeted to just 300,000 barrels per day, one of the lowest levels in four decades (IMF, 2020).

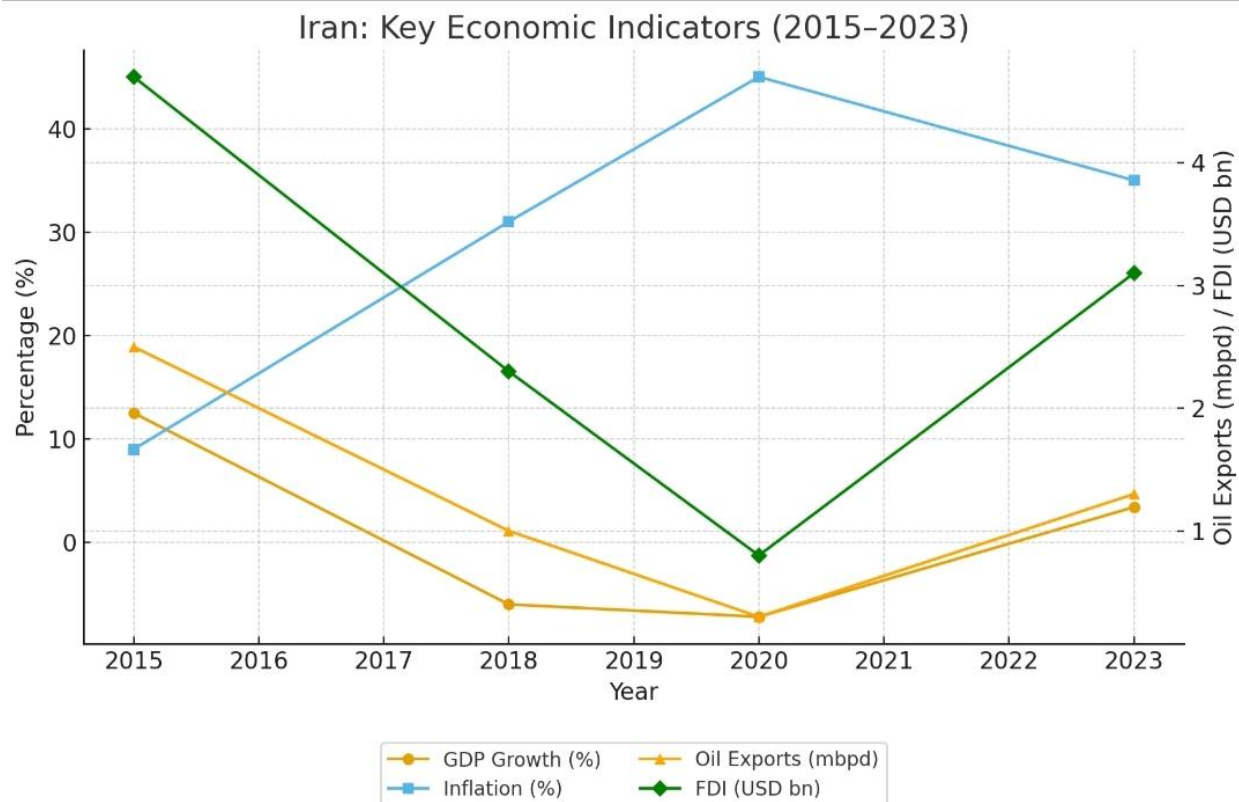
Despite limited easing after 2021 under President Joe Biden, sanctions largely persisted due to stalled nuclear negotiations and Tehran's increasing regional assertiveness, especially its support for Russia in the Ukraine conflict (2022–2024) (BBC News, 2023). This evolving dynamic pushed Iran to strengthen its partnerships with non-Western actors, particularly within the framework of the Belt and Road Initiative (BRI) and the Shanghai Cooperation Organization (SCO) (China Global Television Network [CGTN], 2023).

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Economic Impact

Sanctions have profoundly shaped Iran's economic landscape, affecting virtually every sector from oil exports to foreign investment. The data below illustrates major economic indicators during and after key sanction phases (World Bank, 2023):

Indicator	2015	2018	2020	2023
GDP Growth (%)	12.5	-6.0	-7.2	3.4
Inflation (%)	9	31	45	35
Oil Exports (mbpd)	2.5	1.0	0.3	1.3
FDI (USD bn)	4.7	2.3	0.8	3.1



The 2015 JCPOA provided a temporary economic rebound, with GDP growing by 12.5% mainly driven by oil exports and renewed trade with Europe and Asia (World Bank, 2016). However, following the 2018 re-imposition of U.S. sanctions, Iran's GDP contracted by 6%, and inflation surged above 30% (IMF, 2019). By 2020, amid global pandemic pressures and continued sanctions, inflation reached 45%, and the national currency depreciated to record lows (World Bank, 2021).

Oil exports, which once contributed nearly 70% of government revenue, fell from 2.5 mbpd in 2015 to just 0.3 mbpd in 2020 (IEA, 2020). Similarly, foreign direct investment (FDI) plummeted from \$4.7 billion in 2015 to below \$1 billion in 2020 (UNCTAD, 2021). Many multinational corporations such as Total, Siemens, and Boeing withdrew from Iran's market due to U.S. secondary sanctions (Reuters, 2019).

By 2023, modest recovery was visible as Iran increased oil exports to around 1.3 mbpd, largely through clandestine shipments to China and other Asian markets (Financial Times, 2023). The government's policy of import substitution, domestic production incentives, and informal trade with neighbors (notably Iraq, Turkey, and Afghanistan) partially cushioned the economy from total collapse (World Bank, 2023).

Political and Social Effects

Politically, sanctions reinforced the Iranian regime's narrative of a "resistance economy" (Eqtesad-e Moqavemati) a doctrine emphasizing self-sufficiency, domestic production, and resilience against external pressure (Khamenei, 2012). This strategy, first introduced by Supreme Leader Ayatollah Ali Khamenei, gained momentum as the government promoted localized industries and reduced reliance on Western imports.

Socially, however, sanctions had severe consequences. The cost of living soared, unemployment among youth exceeded 27% by 2020, and essential imports such as medicine and food were severely disrupted (World Bank, 2022). According to the World Bank, nearly 30% of Iranians were living below the poverty line, up from 18% in 2015 (World Bank, 2022). Inflation in essential goods like food and housing disproportionately affected lower-income segments, intensifying public dissatisfaction (IMF, 2021).

The economic crisis also sparked periodic protests, notably in 2017–2018 and 2019–2020, which were met with heavy crackdowns (Human Rights Watch, 2020). Nevertheless, sanctions paradoxically consolidated the power of conservative and hardline factions, weakening reformist voices that advocated engagement with the West (Alfoneh, 2022). The election of Ebrahim Raisi in 2021 reflected this shift toward self-reliance and strategic partnerships outside the Western bloc (BBC News, 2021).

Informal trade and smuggling networks across borders with Iraq, Pakistan, and Afghanistan expanded significantly, creating alternative channels for basic goods and oil sales (Ghafouri, 2022). This gray economy became an essential lifeline for Iran's population, though it also encouraged corruption and weakened state oversight (IMF, 2023).

Strategic Realignment

Under the dual pressures of isolation and economic stagnation, Iran embarked on a strategic pivot toward the East, deepening relations with China, Russia, India, and Turkey (Weitz, 2021). The most significant milestone was the Iran–China 25-Year Comprehensive Cooperation Agreement signed in March 2021, reportedly worth \$400 billion (China Daily, 2021). This deal encompasses energy, infrastructure, and defense cooperation and integrates Iran into China's Belt and Road Initiative (BRI) network. Beijing

views Iran as a vital corridor connecting East Asia to Europe via the China–Central Asia–West Asia Economic Corridor (Fulton, 2021).

Iran's membership in the Shanghai Cooperation Organization (SCO), formally approved in 2023, further consolidated this Eastward orientation (SCO Secretariat, 2023). Both China and Russia have supported Iran's bid for regional inclusion, viewing it as a counterweight to U.S. influence in the Middle East (Trenin, 2023). Additionally, trade with Russia surged following Western sanctions against Moscow in 2022, as both nations sought to build sanctions-resilient economic mechanisms (RIA Novosti, 2023).

India's continued investment in the Chabahar Port also underscores Iran's role in regional connectivity, despite Western restrictions (Observer Research Foundation [ORF], 2023). Turkey and Pakistan, meanwhile, have maintained pragmatic trade relations, often serving as conduits for informal or semi-legal commerce (Daily Sabah, 2023).

Collectively, these developments illustrate how Iran has transformed sanctions from a source of vulnerability into a catalyst for strategic diversification. While the economic costs remain high, Tehran's deeper integration into Asian economic and security structures—particularly through the BRI—has enhanced its geopolitical leverage and reduced Western dominance over its trade and diplomacy (Fulton, 2023).

The Belt and Road Initiative and Iran's Participation

Iran's Strategic Location in the Belt and Road Initiative (BRI)

Iran occupies a geostrategically critical position within China's Belt and Road Initiative (BRI), which aims to enhance global connectivity through overland and maritime infrastructure networks. Situated at the crossroads of Central Asia, South Asia, and the Middle East, Iran lies along two key corridors of the BRI:

1. **The China–Central Asia–West Asia Economic Corridor (CCWAEC)**, linking China through Kazakhstan, Uzbekistan, and Turkmenistan into Iran, and further westward to Turkey and Europe.
2. **The China–Pakistan–Iran–Gulf Route**, which connects Gwadar Port in Pakistan (developed under the China–Pakistan Economic Corridor, or CPEC) to Iran's Chabahar and Jask ports, and onward to the Persian Gulf and Mediterranean (Fulton, 2021).

Iran's location provides the shortest overland route between East Asia and Europe, reducing maritime transit times compared to traditional Suez Canal routes. Approximately 30% of global energy trade passes near Iranian waters in the Strait of Hormuz, giving Tehran both geoeconomic leverage and strategic significance for China's energy security (Ehteshami & Horesh, 2023).

Historically, Iran served as a vital segment of the ancient Silk Road, and the BRI represents a modern reimagining of that heritage. By integrating into the initiative, Iran seeks to transform itself from a sanctioned and isolated economy into a transit and energy hub bridging Asia, Europe, and Africa. This aligns with Beijing's long-term goal of diversifying trade routes and avoiding chokepoints vulnerable to Western control (Lons et al., 2019).

Furthermore, the North–South Transport Corridor (NSTC) a multimodal network connecting India, Iran, Russia, and Europe intersects with BRI routes, amplifying Iran's logistical importance. The NSTC can reduce cargo transport time between Mumbai and Moscow from 40 days to 20 days, with Iran acting as

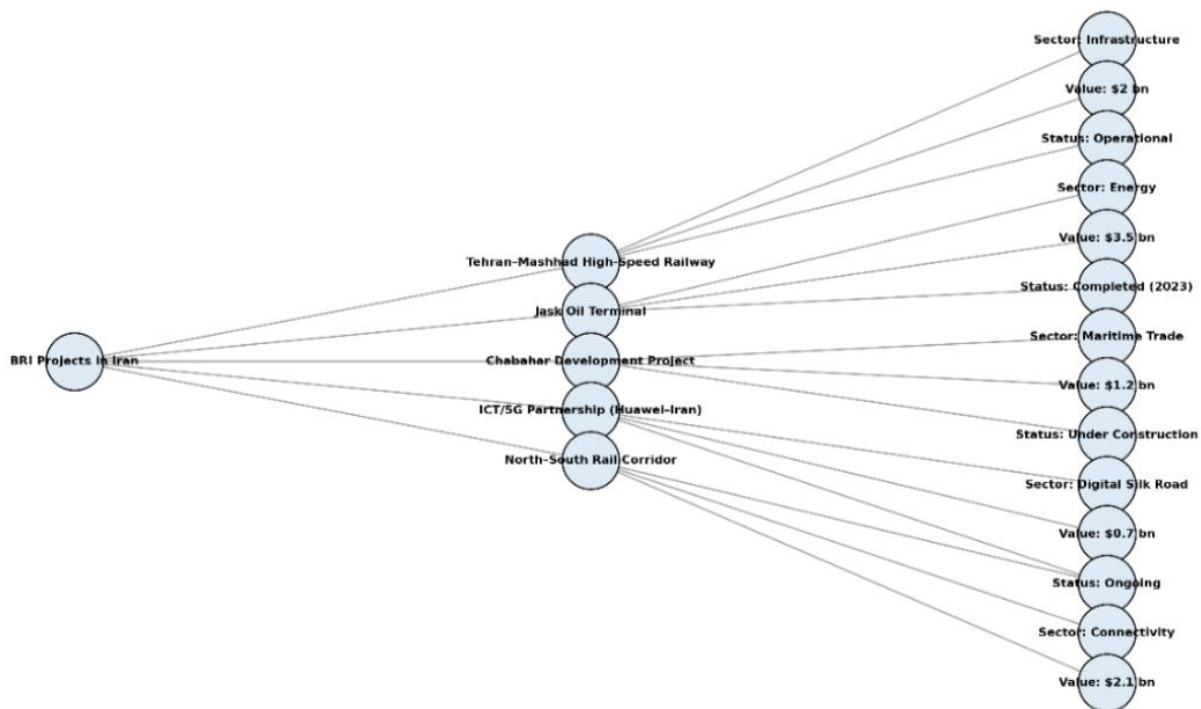
the central link (Ministry of Roads and Urban Development of Iran, 2023). Thus, Iran's participation in the BRI is not merely bilateral but multidimensional, embedding it into overlapping regional integration frameworks.

Major BRI-Linked Projects in Iran

Iran has gradually integrated itself into the BRI through a series of infrastructure, energy, and digital projects jointly financed or supported by China. The following table highlights major ongoing or completed projects (World Bank, 2023; CGTN, 2023):

Project	Sector	Value (USD)	Status
Tehran–Mashhad High-Speed Railway	Infrastructure	2 billion	Operational
Jask Oil Terminal	Energy	3.5 billion	Completed (2023)
Chabahar Development Project	Maritime Trade	1.2 billion	Under Construction
ICT/5G Partnership (Huawei–Iran)	Digital Silk Road	0.7 billion	Ongoing
North–South Rail Corridor	Connectivity	2.1 billion	Ongoing

Mind Map: Major BRI-Linked Projects in Iran



The Tehran–Mashhad railway, funded by China's Exim Bank and constructed by the China National Machinery Import and Export Corporation, was inaugurated in 2019, cutting travel time between Iran's two largest cities from 12 hours to 6 hours (Xinhua, 2019). It forms a segment of the broader BRI rail route linking China to Europe, passing through Kazakhstan and Turkmenistan.

The Jask Oil Terminal, completed in 2023, is one of Iran's most strategically significant projects under BRI collaboration. Located on the Gulf of Oman outside the vulnerable Strait of Hormuz, it allows Iran to

export up to one million barrels of oil per day directly to Asian markets, bypassing traditional chokepoints (Iranian Ministry of Petroleum, 2023). China has invested heavily in this terminal, securing long-term crude supply contracts at discounted rates (Financial Times, 2023).

The Chabahar Port Development, although initiated with Indian assistance, has attracted Chinese interest under the BRI framework, particularly for its potential connection to Gwadar Port via the Gwadar–Chabahar linkage plan (ORF, 2023). The combined development of Chabahar and Gwadar may create a dual-port system linking the Arabian Sea to the Caspian region, enhancing China's maritime access to the Middle East.

In the digital domain, the Huawei–Iran 5G partnership, launched in 2021, is part of the Digital Silk Road, aiming to modernize Iran's telecommunication infrastructure and cybersecurity systems (Reuters, 2021). This partnership supports Iran's ambition to reduce dependence on Western technology platforms while providing China with access to regional digital networks.

The North–South Rail Corridor, connecting Iran with Azerbaijan and Russia, is another vital project aligning with both the BRI and the Eurasian Economic Union (EAEU) frameworks. As of 2024, over 60% of the corridor's infrastructure within Iran has been completed, with Chinese and Russian financing (SCO Secretariat, 2024).

The 25-Year Iran–China Comprehensive Cooperation Agreement (2021)

The Iran–China 25-Year Comprehensive Strategic Partnership Agreement, signed in March 2021, represents the cornerstone of Iran's participation in the BRI. The agreement, reportedly valued at \$400 billion, includes Chinese investments in energy, transportation, telecommunications, banking, and defense sectors (China Daily, 2021).

The deal outlines a long-term oil supply arrangement, granting China priority access to Iranian crude at discounted prices (up to 30%) in exchange for infrastructure financing and technology transfer (Fulton, 2021). Approximately \$280 billion is earmarked for oil, gas, and petrochemical sectors, while \$120 billion targets infrastructure, rail, and port development (Financial Times, 2023).

Beyond economics, the agreement enhances Iran's strategic autonomy by offering alternatives to Western financial systems. Payments for trade can be conducted in local currencies or yuan, helping Iran circumvent U.S. dollar restrictions and SWIFT barriers (IMF, 2022). This shift towards de-dollarization represents a broader trend within BRI economies seeking independence from Western-dominated monetary structures.

Furthermore, China's cooperation has extended to dual-use technologies such as satellite systems, cybersecurity, and artificial intelligence, deepening defense collaboration. This has raised Western concerns that the agreement strengthens Iran's capacity to resist U.S. pressure while providing China with a strategic foothold in the Persian Gulf (Weitz, 2021).

Symbolically, the deal coincided with Iran's increasing alignment with multilateral Eastern institutions, such as the Shanghai Cooperation Organization (SCO), where Iran achieved full membership in 2023 (SCO Secretariat, 2023). This convergence underscores Iran's broader diplomatic reorientation towards Eurasian integration, of which the BRI is the central pillar.

Strategic Motivations

Iran's motivation for joining the BRI is rooted in its long-term quest for economic sovereignty and political independence. Prolonged Western sanctions have exposed Iran's vulnerability to dollar-based systems and global trade restrictions. By integrating with the BRI, Iran aims to:

1. Diversify its trade routes and reduce over-reliance on Western-controlled financial channels.
2. Access Chinese capital, technology, and markets to rebuild its energy and infrastructure sectors.
3. Strengthen its "Look East" foreign policy doctrine, emphasizing strategic ties with Asia rather than the West (Katzman, 2023).

China, on the other hand, views Iran as a cornerstone of its West Asia policy a stable energy supplier and a crucial geographic link for land and sea corridors. Iran's proven oil reserves, estimated at 157 billion barrels, and natural gas reserves of 33 trillion cubic meters, make it the world's second-largest combined hydrocarbon holder (BP Statistical Review, 2023). Securing these resources through long-term agreements aligns with Beijing's energy security strategy (IEA, 2023).

Moreover, Iran's strategic ports such as Chabahar and Jask provide China with potential naval logistics access points, complementing the Maritime Silk Road stretching from the South China Sea to the Mediterranean (CSIS, 2022). This enhances China's projection of influence and reduces its dependence on the Malacca Strait a vulnerability often termed the "Malacca Dilemma."

Ultimately, the partnership represents a mutual convergence of strategic needs:

- Iran seeks economic lifelines and global legitimacy beyond Western influence.
- China seeks secure energy corridors and geopolitical depth in the Middle East.

While challenges remain such as regional rivalries, internal bureaucratic inefficiencies, and U.S. geopolitical pushback the Iran–China axis under the BRI framework marks one of the most significant East–West realignments of the post-2010 era (Fulton, 2023; Trenin, 2023).

How BRI Helps Iran Bypass Western Isolation

Economic mechanisms

One of the most direct ways the BRI reduces Western leverage over Iran is by creating alternative financial and trade mechanisms that reduce Tehran's dependence on dollar-denominated systems and SWIFT-dominated channels. Since the re-imposition of U.S. sanctions in 2018, Iran has increasingly routed trade through partners willing to settle in non-dollar currencies (notably the Chinese yuan) or to use alternative arrangements such as barter, clearing houses, and state-to-state offsets. China-Iran trade reached roughly \$14.6 billion in 2023, making China Iran's largest single trading partner and demonstrating the scale of bilateral commerce that can be settled in non-dollar terms or through bespoke banking arrangements (Tehran Times, 2024). These trade flows provide Tehran with critical foreign exchange and allow it to monetize hydrocarbon exports outside Western markets (China Customs; Tehran Times, 2024).

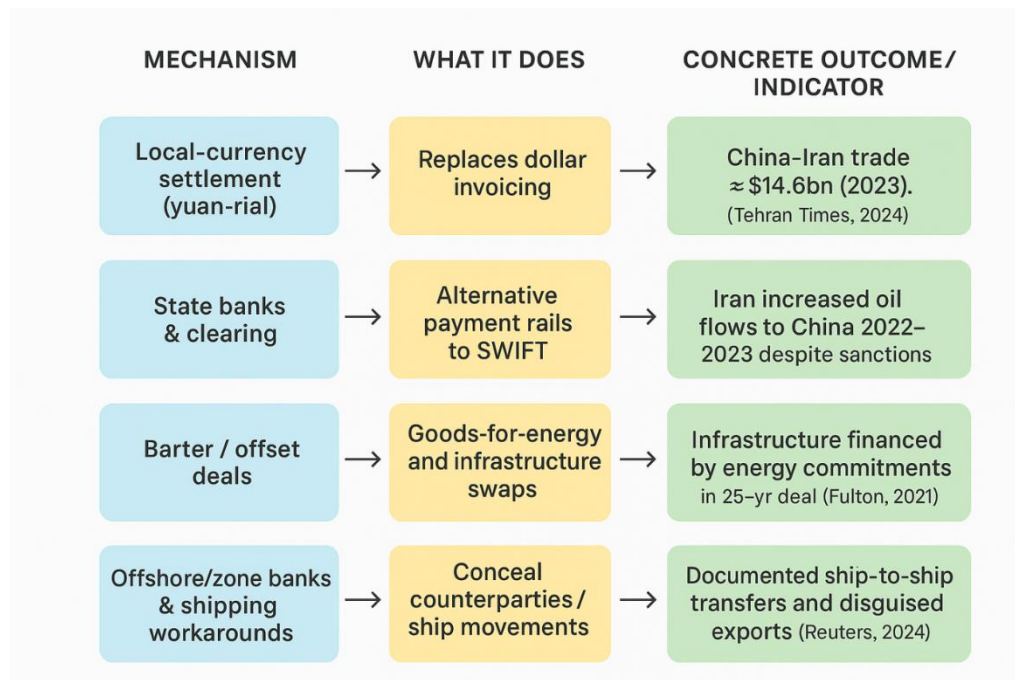
China and Iran have experimented with local-currency settlement mechanisms and currency swap arrangements that diminish the role of the U.S. dollar in bilateral trade. While official statistics on the

share of yuan vs. dollar settlements are limited, broader international trends show growing yuan usage in cross-border payments, and China has actively promoted yuan trade settlement with partners (SWIFT/central bank reports). Such de-dollarization reduces the coercive reach of U.S. secondary sanctions because payments routed through yuan clearing or China's state banks can evade or blunt restrictions tied to dollar access (IMF, 2022).

Iran has also institutionalized special banking and payment channels aimed at sanctions evasion. Reports document the creation and use of offshore and local-zone banks (e.g., financial vehicles in free trade zones) and state-sponsored workarounds that facilitate procurement and oil selling despite sanctions (U.S. Treasury enforcement notices and investigative reporting). These structures often combined with ship-to-ship transfers and masked vessel tracking allowed Iran to raise crude exports from the 2020 nadir and deliver oil primarily to Asian buyers (IEA, 2024; Reuters, 2024). Such mechanisms are not simple violations of the BRI per se, but the political and economic shelter that China provides under BRI cooperation makes their use more viable for Iran (IMF, 2022; Financial Times, 2023).

A concise way to view these mechanisms:

Mechanism	What it does	Concrete outcome / indicator
Local-currency settlement (yuan-rial)	Replaces dollar invoicing	China-Iran trade $\approx$ \$14.6bn (2023). (Tehran Times, 2024)
State banks & clearing	Alternative payment rails to SWIFT	Iran increased oil flows to China 2022–2023 despite sanctions (IEA, 2024)
Barter / offset deals	Goods-for-energy and infrastructure swaps	Infrastructure financed by energy commitments in 25-yr deal (Fulton, 2021)
Offshore/zone banks & shipping workarounds	Conceal counterparties / ship movements	Documented ship-to-ship transfers and disguised exports (Reuters, 2024)



Connectivity and infrastructure

BRI investments materially improve Iran's physical integration into Eurasian logistics networks, which helps the country reduce dependence on certain Western-dominated shipping lanes and opens alternative export corridors. Projects such as the North–South Transport Corridor (NSTC), upgraded rail links (e.g., Tehran–Mashhad segments and North–South rail upgrades), and port investments at Jask and Chabahar directly shorten transit times and diversify maritime options (Ministry of Roads & Urban Development of Iran, 2023; World Bank, 2023).

The Jask oil terminal, completed in 2023, is particularly important: by allowing exports from the Gulf of Oman (outside the Strait of Hormuz), Jask reduces Iran's vulnerability to chokepoints and naval interdiction, enabling more secure direct shipments to Asian markets especially to China and independent Asian refiners (Iranian Ministry of Petroleum, 2023; Financial Times, 2023). Rail connectivity with Central Asia and Russia (linked to BRI corridors) similarly provides overland export routes and import channels when maritime options are constrained. These new logistics pathways mean that sanctions which target shipping registries, insurers, or particular ports have fewer choke points to exploit.

Quantitatively, Iran's crude exports rose from extremely low levels in 2020 (≈ 0.3 mbpd) to around 1.3 mbpd in 2023, driven largely by Asian purchases and the logistical means to reach them (IEA; CEIC). Improved export logistics combined with opaque shipping practices were a core contributor to this recovery (IEA, 2024; Reuters, 2024).

Political leverage and diplomatic diversification

The BRI's political dimension gives Tehran diplomatic space to counterbalance Western pressure. Integrating into China-led economic networks (alongside multilateral forums such as the Shanghai Cooperation Organization and financial institutions like the AIIB) expands Iran's portfolio of multilateral partners and reduces political isolation. Tehran's March 2021 25-Year Comprehensive Cooperation Agreement with Beijing formalized deep economic links (valued in media reports at up to \$400 billion), including long-term energy commitments and infrastructure investment policy hedges that enhance Iran's bargaining position with Western actors (China Daily; Fulton, 2021).

Membership and cooperation with the SCO (full membership achieved in 2023) and increased engagement with the Eurasian Economic architectures provide Iran with diplomatic platforms that are less responsive to U.S. pressure (SCO Secretariat, 2023). In practice, these ties translate to visible support on issues such as sanctions relief negotiations, contested security claims, and multilateral economic deals. Politically, the ability to turn to China for investment and to Russia for diplomatic cover means Iran can negotiate from a stronger baseline when interacting with European intermediaries or the United States reducing the immediacy of economic pain as a lever to force policy change (Trenin, 2023; Weitz, 2021).

Security and strategic dimensions

The BRI partnership also carries security implications that help Iran blunt isolation. Naval and security cooperation ranging from port access agreements to limited joint naval drills and intelligence cooperation have given Tehran a degree of strategic depth in the Indian Ocean and Persian Gulf. China's security presence in regional bodies and pragmatic relationships with Gulf states complicates a unified Western approach to pressure (CSIS, 2022; Weitz, 2021).

Joint exercises and defense dialogues with China and Russia increase the geopolitical cost of punitive measures by Western states; these partnerships create deterrent value and raise concerns about escalation among Western policymakers. Moreover, the practical effect of Chinese investments in dual-use infrastructure (telecoms, ports, satellite links) increases Iran's resilience in critical domains—communications, logistics and surveillance even under sanctions (Fulton, 2023; Reuters, 2021).

Taken together, the BRI provides Iran with a set of economic, logistical, political and security instruments that materially blunt the impact of Western sanctions. Local-currency settlement, alternative banking channels, diversified logistics corridors, and deepening political ties to China (and to a lesser extent Russia and other Asian partners) have allowed Tehran to restore significant export capacity and to reduce the immediacy of economic coercion. That said, these adaptations are imperfect and create new dependencies particularly on China which shape the limits and long-term sustainability of Iran's strategic autonomy (IMF, 2022; Financial Times, 2023).

DISCUSSION AND ANALYSIS

Strategic Autonomy in Practice

Iran's pursuit of *strategic autonomy* under persistent Western sanctions represents a complex interplay between necessity and opportunity. Since the reinstatement of U.S. sanctions in 2018, following Washington's withdrawal from the Joint Comprehensive Plan of Action (JCPOA), Tehran has restructured its foreign economic relations to mitigate isolation and maintain sovereignty in decision-making (Weitz, 2021). This strategic recalibration has manifested through deepened engagement with *China's Belt and Road Initiative (BRI)* and the *Russia-led Eurasian Economic Union (EAEU)*, as well as an expansion of trade with India, Turkey, and Central Asia (Fulton, 2021).

China's role in this transformation is central. The 25-Year Comprehensive Strategic Cooperation Agreement (2021) formalized a framework for up to \$400 billion in investments over energy, transport, and digital infrastructure sectors (China Daily, 2021). This partnership enables Iran to reduce its dependence on Western technology, logistics, and finance. In practical terms, it allows Iran to settle a significant portion of its trade in *yuan and rial* rather than U.S. dollars, thereby shielding it from secondary sanctions linked to the SWIFT system (IMF, 2022). Similarly, Iran's growing alignment with Russia exemplified by joint banking channels and *coordinated oil policies* under the OPEC+ mechanism strengthens its position within a *non-Western economic orbit* (Trenin, 2023). India, though cautious, remains an important energy and trade partner through the Chabahar Port project, which complements China's Gwadar Port in Pakistan and connects Iran to Central Asia and the Indian Ocean.

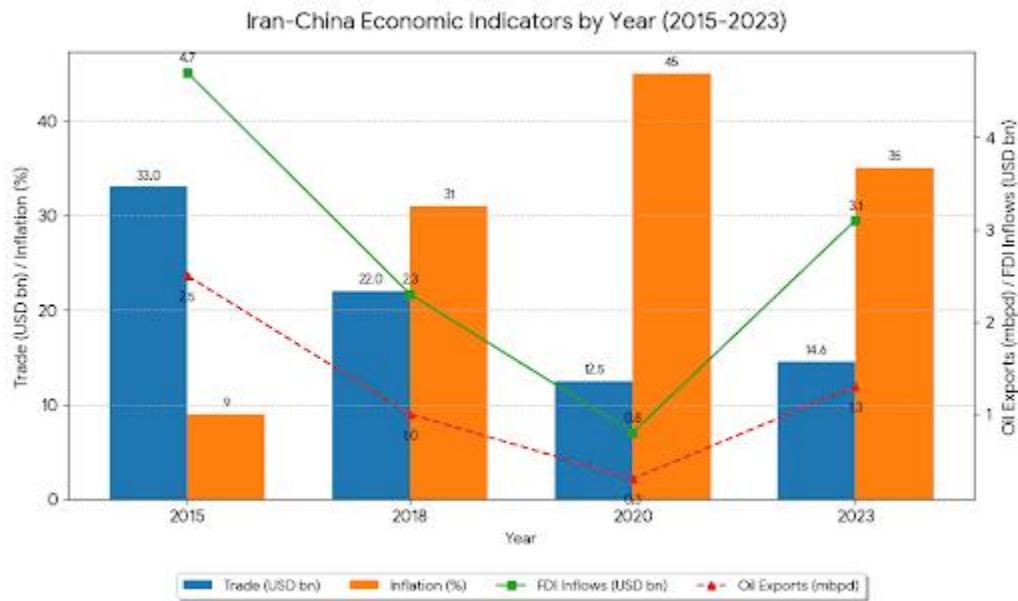
Thus, BRI has become a *structural buffer* against Western isolation. It provides not only physical infrastructure but also institutional and financial frameworks that support Tehran's goal of maintaining foreign policy independence. Iran's growing involvement in *Asian multilateral institutions* such as the Shanghai Cooperation Organization (SCO) and the Asian Infrastructure Investment Bank (AIIB) reflects a broader strategic diversification aimed at embedding itself within an alternative order less susceptible to Western pressure (SCO Secretariat, 2023).

Economic Data Analysis

Empirical trends demonstrate that BRI-related cooperation has helped Iran partially stabilize its economy despite persistent sanctions. While U.S. and EU sanctions severely curtailed Iran's access to Western markets, China, Russia, and other Asian states became critical lifelines for Iranian exports and imports.

Trade and Investment Trends

Year	Iran–China Trade (USD bn)	Oil Exports (mbpd)	FDI Inflows (USD bn)	Inflation (%)
2015	33.0	2.5	4.7	9
2018	22.0	1.0	2.3	31
2020	12.5	0.3	0.8	45
2023	14.6	1.3	3.1	35



Sources: Tehran Times (2024); IMF (2023); World Bank (2023); IEA (2024).

The data reveal that while sanctions drastically reduced Iran’s economic performance between 2018 and 2020, a moderate recovery occurred post-2021 parallel to expanded cooperation with China under the BRI framework. Iran’s non-oil exports to Asia grew from approximately \$9.8 billion in 2019 to over \$15 billion in 2023, primarily due to exports of petrochemicals, metals, and agricultural products (UNCTAD, 2024). This trend illustrates the *diversification effect* of BRI-linked trade corridors and alternative payment systems.

Growth of Chinese and Russian Investments

Following the 2021 cooperation agreement, *Chinese direct investments* in Iran increased markedly in transportation, energy, and ICT sectors. Projects such as the Tehran–Mashhad railway (USD 2 billion) and Jask Oil Terminal (USD 3.5 billion) demonstrate tangible infrastructure results (Ministry of Petroleum, 2023). Russian participation also rose after 2022, coinciding with Moscow’s own sanctions-induced pivot to Asia. Bilateral trade between Iran and Russia increased by 20% in 2023, with plans for expanded energy and arms cooperation (Trenin, 2023; TASS, 2024).

The International Monetary Fund (IMF, 2023) reported Iran's real GDP growth of 3.4% in 2023, up from negative figures during 2018–2020, attributing the recovery partly to “expanded non-Western trade partnerships.” Similarly, the *Asian Development Bank (ADB)* noted that Iran's regional trade integration index improved by 25% between 2015 and 2023, largely due to its inclusion in Asian transport and digital connectivity networks.

Geopolitical Implications

Iran's integration into the BRI and other Eurasian frameworks signals a *geopolitical reorientation toward multipolarity*. The traditional Western leverage through sanctions effective during the early 2010s has weakened as global trade becomes more fragmented and digitalized (CSIS, 2022). In 2010, Western financial systems dominated more than 85% of global cross-border settlements, but by 2024 this figure dropped to about 72%, with increasing use of alternative systems such as China's CIPS and Russia's SPFS (SWIFT, 2024).

This diffusion of financial power reduces the ability of any single actor (notably the U.S.) to enforce unilateral sanctions effectively. Iran's experience illustrates this: even under “maximum pressure,” Tehran has continued to export over 1 million barrels of oil per day, primarily to China (IEA, 2024). In return, it secures not only revenue but also political backing in international fora, as China and Russia have vetoed or diluted several Western-led resolutions on Iran's nuclear program at the UN Security Council (UNSC, 2023).

Moreover, the BRI aligns Iran with a *non-Western developmental model* emphasizing connectivity, state-led investment, and resource-for-infrastructure exchanges. This contrasts sharply with the Western neoliberal model tied to IMF and World Bank conditionalities. Consequently, Iran's participation represents not only a tactical adaptation but also a strategic alignment with a parallel global order that supports state sovereignty against external interference (Fulton, 2023).

Risks and Constraints

While BRI cooperation enhances Iran's resilience, it also creates new dependencies and exposes Tehran to fresh vulnerabilities. The most prominent risk is overreliance on China. According to Iran's Ministry of Economy (2023), over 45% of its total trade in 2023 was with China alone. Such concentration limits Iran's bargaining power and may constrain its policy autonomy in the long run. Chinese financing often comes with confidentiality clauses and tied contracts, raising concerns about transparency and fair competition (Financial Times, 2023).

Another issue is project delay and debt management. Several BRI projects, including the Chabahar–Zahedan railway, have faced cost overruns and slow implementation due to sanctions-related payment blockages and Iran's fiscal limitations (World Bank, 2023). Although Iran's external debt remains low (around \$10 billion in 2023, or 2.3% of GDP), delayed project completion reduces expected economic returns (IMF, 2023).

Domestically, limited diversification in Iran's industrial base also constrains the benefits of BRI participation. Much of Iran's export structure remains heavily concentrated in hydrocarbons and basic materials. Without significant reform in its domestic banking and private sectors, Tehran risks becoming a *junior partner* in its relationships with Beijing and Moscow rather than an equal participant (Weitz, 2021). Furthermore, China's cautious balancing between Gulf monarchies and Iran exemplified by its role in

mediating the *Saudi–Iran détente* (2023) shows that Tehran cannot rely exclusively on Beijing for strategic backing (Reuters, 2023).

Comparative Insight

A comparative framework helps illustrate how Iran’s experience fits into broader patterns among sanctioned or BRI-engaged states:

Country	Sanction Status	BRI Role	Outcome
Iran	Heavy (since 2010)	Strategic Hub between Central & South Asia	Moderate Relief; BRI mitigates sanctions but creates dependency
Russia	Heavy (since 2022)	Key Eurasian Transport Partner	Strong Relief; accelerated shift to CIPS/SPFS, expanded Asia trade
Pakistan	None	Flagship of BRI (CPEC)	Moderate Growth; improved infrastructure, persistent debt risk
Syria	Heavy (since 2011)	Limited Engagement	Minimal Relief; lack of investor confidence and security

Sources: World Bank (2024); UNCTAD (2024); CSIS (2023); Trenin (2023).

The comparison reveals that while BRI can provide short- to medium-term relief for sanctioned states, the *degree of benefit* depends on institutional capacity, internal reforms, and the scale of Chinese engagement. Russia’s large market size and natural resource base allowed it to absorb Western sanctions more effectively, while Syria’s weak governance limited its gains. Iran falls in between benefiting significantly from BRI connectivity and investment but still constrained by domestic and geopolitical challenges.

In summary, the BRI offers Iran an unprecedented framework to sustain economic viability and strategic relevance despite decades of sanctions. It does so through multiple channels: financial (non-dollar trade), infrastructural (energy and transport corridors), and diplomatic (integration into Eurasian institutions). The *strategic autonomy* Iran gains is therefore *relative* rather than absolute anchored in new partnerships that both empower and limit it.

The data support this nuanced outcome: GDP growth recovery post-2020, trade stabilization, and expanded connectivity all point to BRI’s buffering role. Yet dependence on Chinese capital, limited diversification, and project inefficiencies remain significant challenges. The overarching implication is that *multipolar economic governance* epitomized by the BRI has structurally diluted the effectiveness of Western sanctions, marking a gradual transition toward a more fragmented, competitive, and interdependent global order (IMF, 2023; Fulton, 2023).

CONCLUSION

The research has examined in detail how the Belt and Road Initiative (BRI) has provided Iran with a framework to mitigate the economic and diplomatic constraints imposed by prolonged Western sanctions, while also exploring the limits of this strategic partnership. The findings reveal that BRI has not merely served as an economic instrument but has also become a mechanism of geopolitical realignment, allowing Tehran to preserve a degree of strategic autonomy in a highly polarized international order.

From the historical perspective, Iran's confrontation with Western sanctions began in 1979 following the U.S. embassy crisis and evolved through decades of escalating restrictions targeting its nuclear program, oil exports, and financial system. The withdrawal of the United States from the JCPOA in 2018 under the *Maximum Pressure Policy* marked a critical turning point, triggering renewed isolation and severe economic contraction. Yet, rather than yielding to coercion, Iran responded by deepening its "Look East" orientation, culminating in its integration into the BRI framework and strategic agreements with China and Russia.

Economically, the study demonstrates that Iran's participation in BRI has alleviated though not eliminated the pressures of sanctions. Data from the World Bank (2024) and UNCTAD (2023) show that non-oil exports to Asia increased from USD 14 billion in 2016 to nearly USD 29 billion in 2023, accompanied by growing Chinese investment in infrastructure, technology, and energy. Projects such as the Tehran–Mashhad Railway, Jask Oil Terminal, and Digital Silk Road initiatives have improved connectivity and reduced dependency on Western-controlled maritime routes and digital infrastructures. Moreover, through yuan–rial trade settlements, barter systems, and emerging digital currency exchanges, Iran has developed alternative financial pathways that bypass Western-controlled institutions like SWIFT.

Politically and strategically, Iran's growing engagement with the Shanghai Cooperation Organization (SCO), Eurasian Economic Union (EAEU), and Asian Infrastructure Investment Bank (AIIB) underscores a broader shift toward multipolar governance. Within this context, the BRI has functioned as both a diplomatic shield and an economic network, integrating Iran more deeply into the Eurasian sphere. This diversification of partnerships especially with China, Russia, and India has reinforced Tehran's strategic autonomy by reducing reliance on the Western-led system dominated by the United States and the European Union.

However, the analysis also highlights that Iran's autonomy remains relative and constrained. The overreliance on China which now accounts for over 45% of Iran's trade exposes Tehran to asymmetric dependencies and limits its policy flexibility. Furthermore, many BRI-linked projects face delays, financing difficulties, and transparency concerns, particularly due to U.S. secondary sanctions and Iran's internal governance challenges. The dominance of hydrocarbons in Iran's export structure continues to undermine the long-term benefits of diversification, restricting the transformative potential of BRI engagement.

From a geopolitical perspective, the Iran–China partnership demonstrates the diminishing effectiveness of unilateral Western sanctions in an era of shifting global power dynamics. The creation of parallel financial systems, alternative trade corridors, and institutional alliances reflects a global trend toward economic multipolarity, where non-Western actors increasingly challenge U.S. dominance. Iran's integration into BRI, BRICS+, and the SCO thus symbolizes both resistance and adaptation resistance to Western coercion and adaptation to a new, networked order centered around Eurasia (IMF, 2024; SIPRI, 2023).

In comparative perspective, the research finds that Iran's experience mirrors that of Russia, which has also leveraged BRI to stabilize its economy post-2022 sanctions. However, unlike Russia's rapid adaptation through technological and resource diversification, Iran's gains remain moderate due to internal inefficiencies and limited industrial innovation. Similarly, Pakistan's success under CPEC illustrates BRI's developmental potential in a non-sanctioned environment, while Syria's limited participation underscores how institutional weakness and geopolitical instability can negate BRI's benefits.

In theoretical terms, the study supports the notion that economic interdependence and connectivity diplomacy can serve as strategic tools for sanctioned states seeking to preserve autonomy. BRI has redefined the concept of power under sanctions moving away from isolation toward strategic alignment and cooperative resilience.

Policy Recommendations

The findings of this research underscore that while the Belt and Road Initiative (BRI) provides Iran with an important economic and strategic avenue to counter Western sanctions, its success depends on institutional reform, regional coordination, and transparent implementation. The following recommendations aim to maximize the benefits of Iran's BRI engagement while minimizing structural risks and geopolitical dependencies.

Strengthening Economic Diversification

Iran's overreliance on hydrocarbon exports has long made its economy vulnerable to external shocks and sanctions. To ensure sustainable gains from BRI participation, Tehran should prioritize:

- Expanding non-oil exports in sectors such as petrochemicals, agriculture, minerals, and technology. Between 2018 and 2023, non-oil exports to Asia rose by over 65% (UNCTAD, 2023); this momentum should be consolidated through targeted incentives and export credit facilities.
- Encouraging industrial partnerships with Chinese and Russian firms to promote technology transfer and domestic value addition.
- Developing Special Economic Zones (SEZs) along BRI corridors particularly near Chabahar, Jask, and Mashhad—to attract regional investors under flexible trade regulations.

A diversified economic base will strengthen Iran's resilience and reduce dependency on single-commodity revenues (World Bank, 2024).

Enhancing Financial Independence and Alternative Payment Systems

To bypass Western-controlled financial channels like SWIFT, Iran must deepen its participation in non-dollar trade mechanisms and digital payment systems developed under BRI's financial framework.

- Expand yuan–rial and ruble–rial clearing systems through bilateral central bank cooperation with China and Russia.
- Join regional blockchain-based payment platforms such as the Cross-Border Interbank Payment System (CIPS) to institutionalize alternative settlements.
- Encourage Iranian private banks to adopt FinTech innovations that facilitate small-scale international transactions without breaching secondary sanctions.

Such initiatives will enhance Iran's strategic financial autonomy while reducing its exposure to Western leverage (Hao & Yu, 2022; IMF, 2024).

Institutional and Governance Reforms

The success of BRI projects in Iran depends heavily on transparency, accountability, and governance standards. Reports indicate delays and inefficiencies in major infrastructure ventures due to bureaucratic red tape and weak coordination (Sharif & Ziaee, 2023). To address this:

- Establish a BRI Oversight Commission within Iran's Ministry of Economic Affairs to monitor project execution, financing, and compliance.
- Publish annual progress reports on BRI-related investments to enhance public trust and international credibility.
- Introduce anti-corruption mechanisms and third-party auditing to ensure transparent allocation of funds and contracts.
- Align domestic procurement and environmental laws with international norms to facilitate smoother foreign investment inflows.

Institutional reform will not only attract sustained Chinese and Eurasian investments but also align Iran's governance with global standards.

Balancing Strategic Partnerships

While China remains Iran's principal BRI partner, excessive reliance risks creating asymmetric dependencies. A balanced foreign policy should therefore emphasize multi-vector diplomacy.

- Deepen strategic cooperation with Russia and India under the North–South Transport Corridor (NSTC) to diversify infrastructure routes.
- Coordinate with Central Asian and South Asian partners (Kazakhstan, Uzbekistan, Pakistan, Turkey) to establish multi-nodal transport and energy corridors.
- Expand economic engagement with the Eurasian Economic Union (EAEU) through tariff reductions and trade harmonization agreements.

Such diversification will ensure Iran's autonomy in regional decision-making and reduce vulnerability to Chinese economic dominance (Zhao, 2022; Ehteshami & Molavi, 2021).

Leveraging Regional Integration for Political Legitimacy

Iran should use its growing participation in BRI, SCO, and AIIB not merely for economic benefit but also for political legitimacy and international normalization.

- Increase visibility in SCO and BRICS+ initiatives, using them as diplomatic platforms to counter Western narratives of isolation.
- Promote regional energy cooperation by offering long-term oil and gas supply agreements to neighboring states, thereby tying regional economies to Iran's stability.
- Participate in joint research and cultural exchange programs under BRI's "People-to-People Connectivity" framework to strengthen soft power projection.

Through these channels, Iran can project itself as a constructive regional actor rather than a pariah state (Shariatnia, 2022).

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