

## China completes New Silk Road via Iran

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Chinese Premier Xi Jinping visited Iran on Friday, becoming the first world leader to do so in Iran's post-economic sanctions journey. Whether this journey is one in which Iran navigates a path back to normalcy and is accepted as a member of the world community again is yet to be seen. China's renewed friendship with Iran comes on the heels of its recent economic alliance with Pakistan. In warming up to Iran, China achieves two things. Primarily, it becomes the first mover in a large oil-rich country desperate for investments in infrastructure. Secondly, it can now access the Caspian Sea and the Persian Gulf via Iran. Someone will have to build the infrastructure to carry goods from Western China to Turkey's door step and that will most likely be China.

Desperate for a revitalization of its economy, China needs new markets to invest in. A major deal with Pakistan signed last year has already put in motion a plan to give China access to the Indian Ocean, and this new deal allows China access to Europe and the Middle East. While technically a non-allied country, China is consistently brought up in the U.S. presidential debates, almost always disparagingly. As such, China is the third contender in a three-way economic cold war that the U.S. and Russia are the primary fighters in. With the collapse of oil prices and other commodities, China is the major victor. The U.S., now a net oil exporter, loses a little. Russia is the clear loser in the collapse of the crude market. Russia's lifeblood, the death of crude, is an existential threat to Russia in this state. A prolonged depression in oil would spell the end of the regime of President Vladimir Putin and perhaps this dip in prices is by design.

So with a weakened Russia, what is China's next move? It is already heavily invested in Africa, and with the advent of collapsing currencies against the dollar, China's yuan becomes that much more important. With a rich reserve of foreign currency, China appears to be able to defend against a devaluation of its currency. China may even prefer a weaker yuan, currently at multi-year lows against the dollar, making its exports cheaper and imports that much more expensive. The true threat to China is a depression in demand for its goods. This makes the U.S. and European consumers the underwriters of China's economic future. With a domestic market currently unable to sustain China's economy by itself, China is still heavily reliant on exports. As India develops more value-added exports, China fears being leapfrogged by its southern neighbor. India is slated to pass China in the coming decades as the most populous nation on earth as it is, however, continued political strife, weak governments and a notoriously bloated bureaucracy make India the tortoise in the race against China.

So, what does this all mean for Turkey? Iran's emergence from crippling sanctions could not come at a worse time for Iran but may give Turkey a much-needed boost. Had economic sanctions against Iran ended only a few years ago, Iran's crude oil assets would be many times more valuable. This leaves Iran desperate for cash and a depleting asset pool that it has no choice but to tap into. Iran has signed several agreements with China which stipulate the Chinese will build a trans-Asian roadway linking Iran and Pakistan. This means Chinese investment in Iran. Turkey, however, continues to be a natural trading partner with Iran and thus, an economically stronger Iran would only benefit Turkey. Iranians would spend disposable income in Turkey and purchase much needed manufactured goods from Turkey. Turkey's construction companies,

already famous globally for speed and quality, would be the least expensive solution for Iran. Turkey's weaker currency makes Turkey an even more cost efficient alternative for the Iranians.

The only caveat between greater economic cooperation between Iran and Turkey lies in Iran's continued support for Syrian President Bashar Assad. Turkey is desperate to put an end to the suffering of Syrians, and the Europeans want to do whatever necessary to stem the tide of Syrian refugees into Europe. Turkey needs to figure out a way to get Iran onboard in getting rid of Assad. This would entail guaranteeing the safety of Syria's minority Shiite population while retiring Assad and his regime.

Russia continues to invest heavily in the Syrian war and thus is the only thing standing between better economic cooperation with Iran. Should the United States and Turkey be successful in investing in Iran and its people, the people of Iran would be more inclined to support Western-friendly governments.

**Source:** <http://www.dailysabah.com/columns/taha-meli-arvas/2016/01/26/china-completes-new-silk-road-via-iran>