

# Global Power Transition, Sanctions and Iran's Export Orientation

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## Abstract

While during the last few decades developed countries were the main buyers of Iranian export items, in the last couple of years, the developing countries have become the primary destination of Iranian exports. It can be argued that a strategic shift has occurred in the Iranian export orientation. Exploration of the reasons for such a reorientation is of importance.

The aim of this research is study of the impacts of international trends on the Iranian export orientation with the emphasis placed on non-oil exports. The primary question of this study is: what factors have contributed to the change in Iran's export orientation? The hypothesis posed in response to the question is that: the trend of power transition in the international political economy and intensification of the West's sanctions against Iran constitute key factors in the change. Analyzing Iran's export data, the authors have reasoned that a turn has occurred in the orientation of Iranian export. They have discussed the rise of emerging powers in the international political economy as well as the escalating tension between Iran and the West (manifested in international sanctions) as the two main factors that have contributed to this reorientation. In their point of view, the change in Iran's export orientation is probably permanent which will leave an important imprint on the geopolitical and geo-economic status of Iran.

**Keywords:** Iran, Power Transition, Sanctions, Export, Reorientation

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## **Introduction**

The politics surrounding the global economy have gone through important developments during the recent years. One of these major changes is the rise of a great number of developing countries and their increasing role in international commerce, economy and politics. A considerable number of developing countries have moved from the periphery to the core of the global trade during the years after the Cold War and have caused major transformations. In political texts this phenomenon is referred to as “power transition trend”. In addition to this, during recent years, Iran’s relations with the developed world have soured more than any other time in contemporary history. These two trends have had a multifaceted effect on Iran’s political and economic life. One impact has been the major changes in Iran’s export markets. The export markets of a given country signify major portions of that country’s international interactions and shifts in them can lead to enormous changes in other spheres of their political economic thinking. Therefore the key question of this study is: what factors have led to changes in Iran’s export orientations? The hypothesis posed in response to this question is: the trend of power transition in international political economy and intensification of the West’s sanctions against Iran are the key factors for the change in Iran’s export orientation.

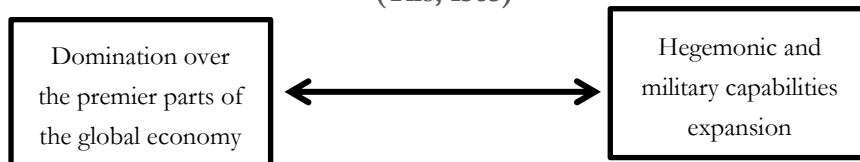
In order to explain the subject, the article is divided into two parts. In the first part, the logic of transformation in international economy and trade is discussed. This part first discusses the decrease in economic and trade capabilities of the developed world and then

turns to the empowerment of the developing countries in the global economy. The second part is dedicated to the study of the impact of power and wealth transition in the world on Iran's exports. In line with examination of the hypothesis, in the second part, at first the trend of shift in wealth geography is addressed; then the trend of change in the developed and developing worlds, Iran's non-oil exports during the last two decades and finally the impact of sanctions and the confrontational relations with the West on the economic interactions of Iran are studied.

### I. Conceptual Framework

Benefiting from an advanced economy on a global scale can be seen as the necessary condition for one or a collection of countries in order to become effective actors in the international economy and politics. This indicator is regarded as an important characteristic in the majority of power-related theories. Having a huge and advanced economy is considered a critical characteristic because it enables production and accumulation of wealth on a large scales; this wealth can be translated to power and consequently promotion of international status in due times. The history of the international political economy clearly reveals the fact that there has always been a strong correlation between being a great or hegemonic power and domination over the major quarters of the global economy. Graph 1 depicts this correlation:

**The Mutual Relation between Hegemony and Economic Capabilities**  
(Tlis, 1383)



Study of the transformations in international political economics during the last centuries suggests that the superior powers have been



dominant economic powers in their time. Notwithstanding, only Britain and the United States have managed to reach the hegemonic status in the world economy and politics. In fact, the global economy's centers of gravity in different historical eras have been dominant over the most advanced sectors of the world economy. The United States is the most significant and recent of these instances; its enormous power is in principal based on an advanced economy. In other words, from the time the center of wealth moved to the coastlines of the Atlantic, the center of power also followed suit and some western countries found hegemonic potentials. However, with the developments taking place during the recent years, the shift in the economic and political centers of gravity from the Atlantic to the developing world has become one of the key trends in the international arena. Two major trends have been significant to this change: one is the trend of decrease in the power of developed countries and second is the rise of the developing countries. In the remainder these two trends are discussed.

In recent years, one of the most serious discussions in the literature and academic circles has been the shift in the concentration points of power and wealth. Many Thinkers and authors on the subject of the world economy and politics believe that the decrease in the economic abilities of the developed countries has begun. The evidences and statistics also show the decline in the United States and more generally the status of the developed world in the world trade and economy. Table 1 demonstrates the fall in the western power's share in the global production. In the industrial sector, one of the most important factors for a states' power, the United States has to some degrees, lost its previously uncontested status. Since in the information age technology and science disseminates and expands rapidly, the superiority of the United States has been challenged.



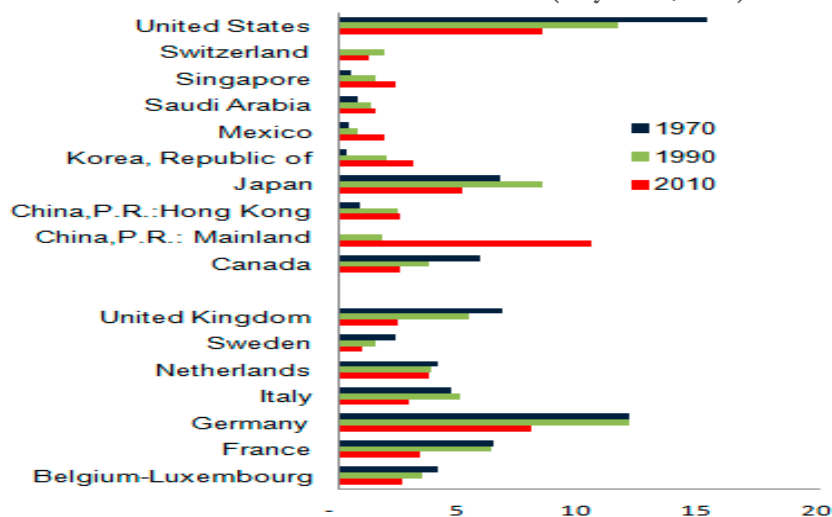
**Table 1. The Percentage of the Powers Share from the Global Production 1990-2013**

Country/Year	1990	2000	2006	2008	2013	Changes
The United States	26	31	28	23	21	-32%
China	2	4	6	7	9	+144%
Japan	14	15	9	8	7	-55%
Germany	7	6	6	6	5	-11%
England	5	5	5	5	4	-9%
France	6	4	5	5	4	+6%
Russia	2	1	2	3	5	+455%

Many have described this trend as a transition of the concentration points of power and wealth away from the West and towards the East, and have attributed it to the low-cost labor force of Asia and rational policy-makings. Affected by this trend, the share of the developed countries in world trade has been in constant decline in recent years. The American share of global trade in the time-span between 1996 and 2006 has fallen from 13.9 to 9.5. The decrease in Japan's share has been even more serious and has dropped from 8.6 percent in 1996 (more than share of the five developing countries of the time) to 5.4 percent in 2006 (less than China's share). The exports developing countries has grown twice as fast in 2007 and 2008 than the mean growth of exports in industrialized countries in the same time period despite a slight decrease in 2009 (Dadush & Shimelse, 2009).

The decline in the role and status of the developed countries as well as increase in the role of some of the key developing countries in global trade from 1970 to 2010 is more clearly depicted in chart 1.

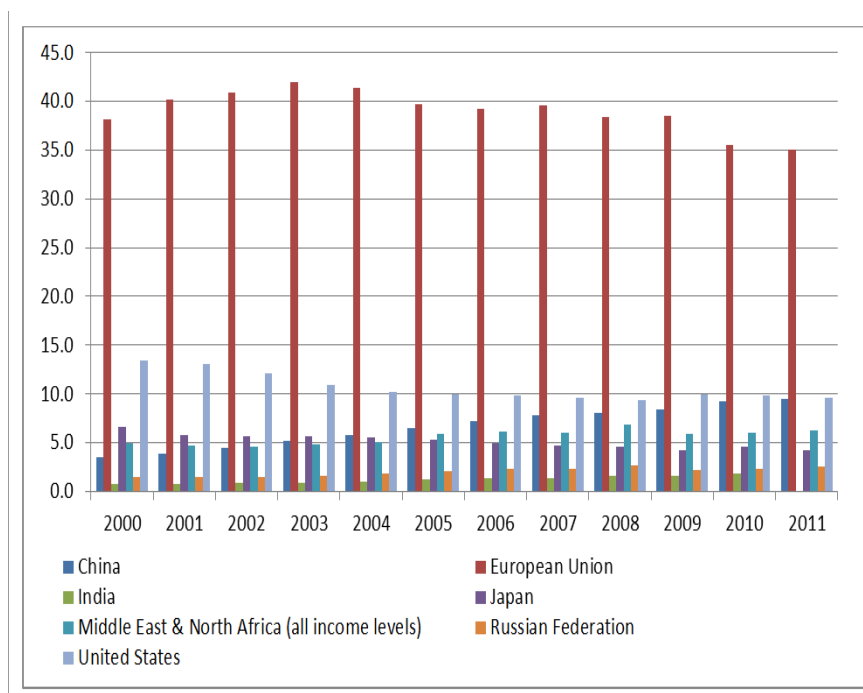
Chart 1. The Percentage of the Key Countries Share of Export from the Total Global Trade 1970-2010 (Bayoumi, 2011)



This, however, does not mean that the developed countries are gradually moving from the core to the periphery of the global economy and trade. A close examination of the history of international political economics makes it clear that today's developed countries have been hit by crises several times; but have managed to rebuild their economies and resume their role in the global economy and trade. In fact, the rise of some of the developing countries implies a probable change in international trade from its past unbalanced situation into a sort of balance in roles and statuses between the developed and undeveloped countries (Carnegie Endowment, 2010).

In recent years, this move towards balance has been a key feature of global commerce as demonstrated in Chart 1. A close examination of this chart demonstrates the decrease in the weight of the developed countries on the one hand, and the pace of growth and increase in weight for some of the developing countries on the other hand. In the remainder of our discussions this rise of the developing countries in global trade is explored further.

Chart 2. The Geographical Distribution of the Global Trade between 2000 and 2011



Another trend which is formed in parallel to the relative decrease in the economic and trade capabilities of the developed countries is the empowerment of other actors. These actors are among the developing countries and therefore it would not be wrong if we name this trend rise of a number of developing countries. The developing countries weight in the global trade has mounted during the last decades particularly after the cold war and this phenomenon has been most obvious in regards to China and Asia in general. The rise in oil prices as well as increase in exports from the Middle East and North Africa, Eastern Europe and Central Asia have contributed to this trend. The share of the developing countries of global trade has increased from 19.5 percent in 1996 to 30 percent in 2006. These figures indicate a 50 percent increase in the share of developing



countries in the international market. The share of the five great developing economies namely China, India, Russia, Brazil and Indonesia has nearly doubled and has reached from 7.6 percent to 13.4 percent. As mentioned, the share of China in this increase is salient in a way that its share of the global exports has tripled and increased from 2.7 percent to 7.6 percent. With the rapid increase in oil prices in the present decade, the share of the oil exporting countries has dramatically increased in global exports. In the meantime, share of the Middle East and North Africa countries has risen from 1.4 percent to 4.5 percent. Furthermore, in line with the process of deepening of the free market mechanisms in the Eastern Europe and Central Asian countries, their share of global trade has increased too (Patterson, 2009).

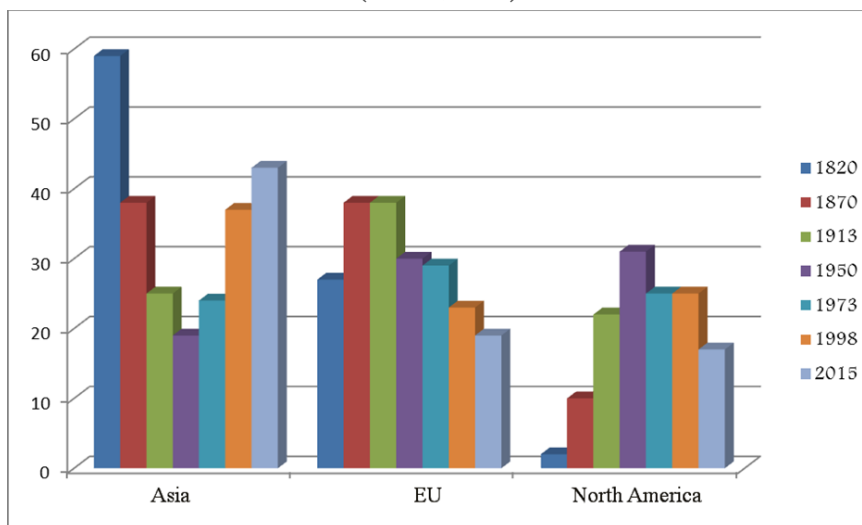
Along with the promotion of the status of developing countries in global trade, these countries have turned into expanding markets for developed states. In fact, their increasing growth has led to their easier access to currency and consequently formation of a huge middle class which seeks improvement of its life quality using high quality goods. Such developments have activated and expanded markets of these countries. This situation is well understood by a quick observation of growth in the EU exports to China as the largest developing country (four times) and three regions of Subsahara, East Europe and Central Asia (three times) from 1996 to 2006. In a similar way, the export of the United States to the developing countries has increased from 31 percent of its total export in 1996 to 39 percent in 2006. This is while the amount of trade interactions of the industrialized countries with one another has either stabilized or decreased. In the recent years (2007 to 2009) the growth in the import of goods of the developing countries has been four times more than the developed countries and has been largely unaffected by the global financial crisis (European Commission, 2010).

The impoverishment of the developing countries has been best manifested in Asia; most particularly in Chinese and Indian



development trends and therefore much of the related discussions appear under the title of “Asia rise”. Although there have been other rapid developing players outside of Asia who have taken important steps for impowerment; since the majority of the developing actors have been in Asia, the developments of this region have played a defining role in the future of global trade and the leap of the developing countries (National Intelligence Council, 2008). The following chart demonstrates the share of Asia in the global gross production in comparison with other centers of power and wealth in different eras.

**Chart 3. Percentage of the Share of World Continents from the Global Gross Production within the Two Recent Centuries (1820-2015) (Green, 2001).**



As the above chart demonstrates, Asia will own almost half of the global gross production within the coming years. The rapid growth of Asia in different trade and economic components has made its transformation into the world’s wealth’s center of gravity probable. Among the countries of this region China and India have the most potential. They possess the traditional “developing state’s” capabilities



including territory, population, geopolitical situation and resources which have led to their rapid development. If the pace of these two countries development sustains in the upcoming years, they will be able to make fundamental changes to the wealth and power standards and direct the international order towards novel paths.

With the recent economic crisis, the growth of the developing countries in the global economy has accelerated and many credible institutions believe that this growth has been more than they expected. For instance, Goldman Sachs has underlined in its most recent report that its predictions have been better fulfilled because the so-called BRICS countries have better managed the crisis and avoided its adverse consequences than the developed countries.

Historically the countries which gained considerable developmental successes and ascended gradually to the leadership of the world trade, were firstly able to change their economy from a single-product economy and dependent on the export of raw materials to a diverse economy based on export of industrial commodities. This change has primarily occurred by adopting a strategy of export-oriented economic growth. In continuation of this historical model, the economy of the developing countries is changing from simple to diverse and export-oriented and consequently these countries are gradually acquiring increasing potentials to lead the world trade.

Therefore it is clearly understandable that the politics of the international economy has entered a special era which is referred to in the academic texts as "power transition era". A close attention to the current thought atmosphere in the politics of the international economy reveals a relative consensus among the analysts over the occurrence of a fundamental change. According to one narrative, during the last five hundred years, three tectonic changes have taken place in international politics which has brought about fundamental transformations in the pattern of power distribution and has reconstructed the international arena in all three political, economic

and cultural areas. The first change was the emergence of the western world which started in the eleventh century and hit the peak in the eighteenth century. The western world created modernity with all its characteristics. The second change happened in the nineteenth century with the rise of the United States. Shortly after its industrialization, this country turned into the most powerful state the world has seen from the time of the Roman Empire. The U.S maintained this status for almost all of the last century. Now the third tectonic shift is taking place with the emergence of other powers (Zakaria, 2008).

There are disagreements about how to describe the future of the international order. Some believe that we have entered the “post-America” age which is mostly known not for the decline of the U.S. but rather for the rise of other actors. From their point of view, affected by the globalization process, Many countries have experienced a very rapid growth during the last decades and this has led to some decentralization of power. They insist that the rise of others does not mean decline of the U.S.

In economy, the transition of power is certainly taking place. Moreover and more importantly, the dependence of other economies to the United States is diminishing (Fukuyama, 2008). Apart from the debates about description of this change and its consequences, there is one point over which there is consensus: the distribution of power in the world economy is in rapid change in a way that will leave a strategic impact on all actors including Iran. One of the most important manifestations of the power transition process has been in foreign trade interactions.

## **II. Global Transition and Iranian Export Orientation**

History demonstrates that Iran has always possessed a special geo-economic and geo-political position. This special position has simultaneously brought about threats and opportunities for the country. In some historical eras when the rulers showed considerable

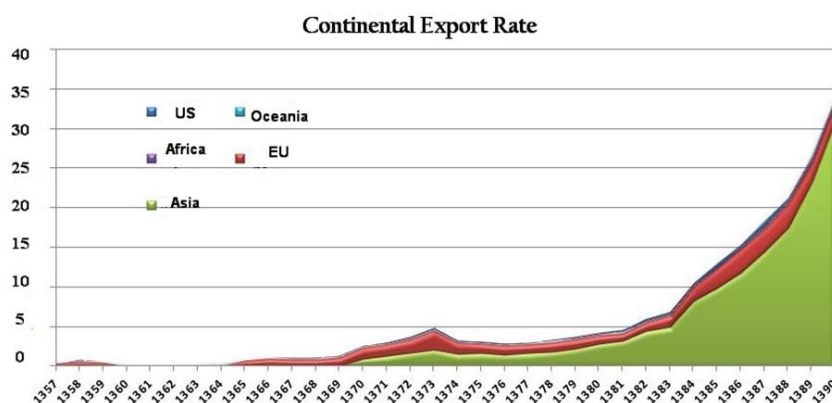


prudence Iran turned into a global power and wealth hub. In the times of chaos and inefficiency of leadership this geopolitical situation acted as Iran's Achilles heel due to which Iran suffered important setbacks. That explains why Iran has been called "the crossroad of incidents" in the historical and analytical texts written about Iran's status in the world. This expression well illustrates the effectiveness of the trends, incidents and external environment effecting Iran in the course of history. This sensitive situation has been continued during the recent decades.

In other words, during the recent decades Iran has also been highly affected of external developments in political and economic forms. A good example is the Iranian constitutional revolution which is one of the first progressive and modernity-seeking revolutions in the developing countries and took place simultaneously with the Meiji revolution in Japan. Furthermore, Iran began its industrialization process before many other developing countries. Therefore it can be claimed that Iran is a country which absorbs the impact of the external developments. The current trend of power transition and rise of developing countries has affected Iran as its trade partners and relationships have evolved in response to the mentioned greater global processes.

In the broader level, as the chart 5 demonstrates, Iranian trade partners have evolved according to the accelerations in the power transition in the international system. In other words, the statuses of continents in terms of Iran's export and imports have undergone immense changes and Asia as continent of the most important developing countries with booming economies has rapidly taken the place of Europe as Iran's traditional trade partner. The Asian markets have turned into the most important destinations for Iranian export products which are mainly oil and petrochemicals. This is reflected in the 2011 trade statistics.

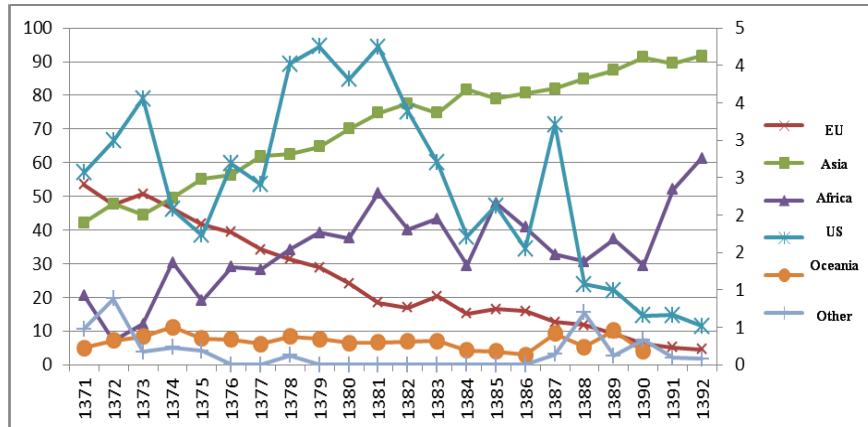
Chart 4. Different Continents Share in Absorbing Iranian Exports from 1979 to 2011 (Ministry of Industry, Mine and Commerce, 2012)



According to the above chart indicates that Iran's foreign trade has undergone a strategic shift particularly during the recent decade.

Precise study of the statistics of the non-petroleum exports of Iran from 1992 onwards reveals that the value of Iran's non-petroleum exports has gone through an escalating trend from 1992 to 2011. In the meantime, the places of the five continents in absorbing Iranian exports have varied during this time-span. In 1992, more than half of the 2.7 billion dollars in export were to European countries. The second continent most receptive to Iranian export products was Asia with 40 percent of the total exports. America, Africa and Oceania were the destination of 2.55 percent, 0.93 percent and 0.22 percent of Iranian exports respectively. 0.48 percent of the exports were sent to destinations declared non-specific by Iranian customs. Totally, 95.79 percent of the exports were made to Europe and Asia (chart 4).

Chart 5. The Process of Change in the World Continents Shares in Absorbing Iranian Non-Petroleum Exports (Ministry of Industry, Mine and Trade, 2011)



Comment on chart: Europe and Asia should be read by the left column figures and Africa, America and the Oceania should be read by the right column figures.

In the two years of 1992 and 1995 Europe was the first continent to absorb Iranian export goods. In 1993 and also from 1996 to 2011 it was ranked second and the share of European countries has diminished ever since; being replaced by Asia. Over the course of time, Asia's share of all Iran's exports (31.3 billion dollars in 2013) has increased to 91.8 percent of the total and Europe's share decreased to only 5 percent. The remaining 3.4 percent has been to the rest of the world (chart 5).

Iran exported 2.7 billion dollars of its non-petroleum products to 115 countries in 1992; two third of that (63.6 percent) found their ways to five European and Asian countries. Germany, Turkey, United Arab Emirates, Italy and Switzerland were ranked first to fifth respectively by receiving 26.1, 12.4, 11.7, 7.7 and 5.6 percent of the total non-petroleum products of Iran in this year.

In 2001, United Arab Emirates, Germany, Japan and Italy received 40.4 percent of Iranian exports altogether. These countries

were the main target market of Iran absorbing 15.3, 7.4, 7.4, 5.7 and 4.6 percent of Iranian non-petroleum exports respectively (Table 2).

In 2011, China, Iraq, United Arab Emirates, India and Afghanistan, which are all located in Asia, were the most important countries that received Iranian exports with 16.4, 15.3, 13.3, 8.1 and 6.7 percent respectively. Although in this year Iranian products were sent to 157 destinations, however, the five mentioned countries absorbed 59.9 percent of the 33.8 billion dollars in Iranian exports. In 2013, the most important destinations for Iranian exports were not changed as compared with 2011. China, Iraq, United Arab Emirates, India and Afghanistan absorbed 23.7, 19.0, 11.4, 7.7 and 7.7 percent of Iranian exports respectively. Although in this year Iranian export goods were sent to 156 destinations, however, the mentioned five countries absorbed 69.5 percent of the total 31.3 billion dollars export of Iran.

**Table 2. The Concise Statistics of the most Important World Countries in Absorbing Iran's Non-Petroleum Exports**

Rank	Density Share (percent)	Share (percent)	Export (million dollars)	Continent	Country	Year
1	26.1	26.1	701.5	Europe	Germany	1371
2	38.5	12.4	333.3	Asia	Turkey	1371
3	50.2	11.7	313.5	Asia	United Arab Emirate	1371
4	57.9	7.7	208	Europe	Italy	1371
5	63.6	5.6	151	Europe	Swiss	1371
-	-	63.6	2686	-	Total	1371
1	15.3	15.3	641.2	Asia	United Arab Emirates	1380
2	22.7	7.4	312.5	Europe	Germany	1380
3	30.1	7.4	311.7	Asia	Azerbaijan	1380
4	35.8	5.7	238.6	Asia	Japan	1380
5	40.4	4.6	191.5	Europe	Italy	1380
-	-	40.4	4199.1	-	Total	1380
1	16.4	16.4	5557.4	Asia	China	1390
2	31.8	15.3	5179.2	Asia	Iraq	1390
3	45.1	13.3	4509	Asia	United Arab Emirates	1390
4	53.2	8.1	2753.9	Asia	India	1390
5	59.9	6.7	2252.8	Asia	Afghanistan	1390
-	-	59.9	33805.2	-	Total	1390
1	23.7	23.7	7432.5	Asia	China	1392
2	42.7	19.0	5949.0	Asia	Iraq	1392
3	54.1	11.4	3559.3	Asia	United Arab Emirates	1392
4	61.8	7.7	2417.9	Asia	India	1392
5	69.5	7.7	2416.9	Asia	Afghanistan	1392
-	-	69.5	31332.5	-	Total	1392

Calculations are based on the Islamic Republic of Iran Customs Data



The trend of Iran's non-petroleum exports to the world in the period between 1992 and 2013 has had two major characteristics. Firstly, although in the first year of study (1992) the European countries like Germany, Italy and Switzerland were among the first five destinations for Iran's non-petroleum products but in the last year of the study (2013), the Asian countries of China, Iraq, United Arab Emirates, India and Afghanistan have been the top Iranian export destinations. Secondly, Iran has focused on a smaller number of export markets; this will further expose the problems of Iran export in the future (Table 2).

In this section, the most important countries of each continent in terms of receiving Iranian non-petroleum exports and their share of Iran's total export are studied. In Europe, the five countries of Germany, Italy, Swiss, France and the Russian Federation constituted the most important target markets for Iranian exports. Altogether, 84.5 percent of Iran's exports to Europe were sent to these countries. Turkey, United Arab Emirates, China, Japan and Kuwait are five countries that have absorbed 29.4, 27.6, 12.1, 6.8 and 4.2 percent of Iranian exports to Asia respectively; overall comprising 80.2 percent. The countries of South Africa, Libya, Tunisia, Egypt and Senegal received 30.2, 21.1, 14.6, 11.4 and 8.9 percent (overall 86.2 percent) of Iranian exports to the Africa continent in 1992 respectively. 85.4 percent of Iran's export to Oceania went to Australia and the remainder (14.6 percent) to New Zealand. More than one third (68.7 percent) of Iran's export to the America found its way to Canada followed by the U.S. at 19.5%, Venezuela at 4.7%, Mexico at 3.6% and Chile at 1.5% altogether constituting 98% of Iran's export to this continent (Table 3).



**Table 3. Summary of the Each Continent's most Important Countries in Terms of Receiving Iranian Exports.**

Year	Continent	Country	Share of Country in Continent	Dense Share in Continent	Rank in Continent
1992	Europe	Germany	48.7	48.7	1
1992	Europe	Italy	14.5	63.2	2
1992	Europe	Swiss	10.5	73.7	3
1992	Europe	France	5.6	79.3	4
1992	Europe	Russian Federation	5.2	84.5	5
1992	Asia	Turkey	29.4	29.4	1
1992	Asia	United Arab Emirates	27.6	57	2
1992	Asia	China	12.1	69.2	3
1992	Asia	Japan	6.8	76	4
1992	Asia	Kuwait	4.2	80.2	5
1992	Africa	South Africa	30.2	30.2	1
1992	Africa	Libya	21.1	51.3	2
1992	Africa	Tunisia	14.6	65.9	3
1992	Africa	Egypt	11.4	77.3	4
1992	Africa	Senegal	8.9	86.2	5
1992	Oceania	Australia	85.4	85.4	1
1992	Oceania	New Zealand	14.6	100	2
1992	America	Canada	68.7	68.7	1
1992	America	United States of America	19.5	88.2	2
1992	America	Venezuela	4.7	92.9	3
1992	America	Mexico	3.6	96.5	4
1992	America	Chile	1.5	98	5
2011	Europe	Germany	19.9	19.9	1
2011	Europe	Russian Federation	17.8	37.7	2
2011	Europe	Belgium	13.6	51.3	3
2011	Europe	Italy	12	63.3	4
2011	Europe	Netherlands	10.2	73.5	5
2011	Asia	China	18	18	1
2011	Asia	Iraq	16.8	34.8	2
2011	Asia	United Arab Emirates	14.6	49.4	3
2011	Asia	India	8.9	58.3	4
2011	Asia	Afghanistan	7.3	65.6	5
2011	Africa	Sudan	21.7	21.7	1
2011	Africa	Djibouti	10.5	32.2	2
2011	Africa	Kenya	10.4	42.7	3
2011	Africa	South Africa	9.2	51.9	4
2011	Africa	United Republic of Tanzania	6.8	58.6	5
2011	Oceania	Australia	94.7	94.7	1
2011	Oceania	New Zealand	5.2	99.9	2
2011	Oceania	Fiji	0.1	100	3
2011	America	Venezuela	37.4	37.4	1
2011	America	Mexico	23.3	60.7	2
2011	America	Canada	21.9	82.5	3



2011	America	Brazil	8	90.5	4
2011	America	Argentina	5.4	96	5
2013	Europe	Germany	23.6	23.6	1
2013	Europe	Russian Federation	22.3	45.9	2
2013	Europe	Italia	14.1	60.0	3
2013	Europe	Spain	8.1	68.1	4
2013	Europe	England	7.8	75.9	5
2013	Asia	China	25.9	25.9	1
2013	Asia	Iraq	20.7	46.5	2
2013	Asia	United Arab Emirates	12.4	58.9	3
2013	Asia	India	8.4	67.3	4
2013	Asia	Afghanistan	8.4	75.7	5
2013	Africa	Egypt	68.6	68.6	1
2013	Africa	United Republic of Tanzania	7.5	76.1	2
2013	Africa	Sudan	6.3	82.5	3
2013	Africa	South Africa	4.5	87.0	4
2013	Africa	Kenya	3.0	90.0	5
2013	Oceania	Australia	94.4	94.4	1
2013	Oceania	New Zealand	5.6	100.0	2
2013	America	Venezuela	74.2	74.2	1
2013	America	Mexico	12.6	86.8	2
2013	America	Canada	6.7	93.4	3
2013	America	Brazil	4.8	98.2	4
2013	America	Surinam	0.5	98.7	5
Calculations are based on the Islamic Republic of Iran Customs Data					

In 2011, Germany was the most important export destination for Iran in Europe. This country received 19.9 percent, the Russian Federation 17.8 percent, Belgium 13.6 percent, Italy 12.0 percent and the Netherlands 10.2 percent of Iranian exports. In other words, these five countries altogether were the destination of 73.5 percent of Iran's exports in 2011. Among the Asian countries, the five countries of China, Iraq, United Arab Emirates, India and Afghanistan absorbed 18.0, 16.8, 14.6, 8.9 and 7.3 percent of Iranian exports respectively. Combined, these countries received nearly two third (65.6 percent) of the all Iranian exports to Asia. In this year, Sudan (21.7 percent) was the primary recipient of Iranian exports to Africa. Djibouti (10.5 percent) Kenya (10.4 percent) South Africa (9.2 percent) and United Republic of Tanzania (6.8 percent) followed Sudan and overall received 58.6 percent of Iran's export to Africa. The share of Australia from Iran's export to the Oceania in 2011 reached to 94.7

percent. This increase in Australian share came as a result of decrease in the share of the two other countries of the Oceania i.e. New Zealand and Fiji. In the American continent, Venezuela absorbed more than one third (37.4 percent) of Iran's exports. This along with exports to Mexico (23.3 percent) Canada (21.9 percent) Brazil (8.0 percent) and Argentina (5.4 percent) constitutes 96.0 percent of Iranian exports to the Americas (Table 3).

In 2013, as like the majority of cases, Germany with 23.6 percent of exports to Europe was the primary recipient of Iranian exports. The Russian Federation with 22.3, Italy 14.1, Spain 8.1 and England 7.8 percent of all exports to Europe were other destination of Iran's exports to this continent and had in total 75.9 percent of the Iranian exports to Europe. In Asia, the five countries of China, Iraq, United Arab Emirates, India and Afghanistan absorbed 25.9, 20.7, 12.4, 8.4, and 8.4 percent of the Iranian exports to this continent respectively; in total three fourth (75.7 percent) of the exports. In this year, Egypt with received 68.6 percent of Iranian exports to Africa and was the first target market in this continent of low significance for Iranian non-petroleum exports. Tanzania, Sudan, South Africa and Kenya with 7.5, 6.3, 4.5 and 3.0 percent and all together 90.0 percent were the primary absorbers of the whole of Iranian exports to Africa. Australia's share of Iranian exports to Oceania in this year was more than 94.4 percent and the rest of Iran exports to this continent were sold to New Zealand (5.6 percent). According to the data released by the Iranian Customs, 74.2 percent of exports to the Americas were sent to Venezuela. Mexico (12.6 percent) Canada (6.7 percent) Brazil (4.8 percent) and Surinam (0.8 percent) followed Venezuela constituting 98.7 percent of Iranian exports to this continent (Table 3).

Another factor that has increased the impact of the trends of power transition in Iran's economic and trade interactions are the sanctions and the hostile relations with the western countries. From the beginning of the Islamic revolution in 1979, the West gradually



lost its centrality in Iranian trade and economy. In the first phase of this trend, the United States which had built the foundations of Iran's industry and used to be the most important trade partner of Iran during the Pahlavi era cut diplomatic and political ties with Iran. This led to its absence from Iranian economic and trade scene. With a milder slope, after the Islamic revolution, Iran's economic and trade interactions with Western Europe and Japan has been in decline as well. During the post-revolution era in Iran, many of the country's major industrial projects which were run by Western companies and were in initial phases were closed and the western countries interactions with Iran were reduced to trade and their role in investing in industrial and economic infrastructures, particularly in the oil industry, were decreased. This trend was even exacerbated by the recent Western sanctions and European countries including Germany lost their position as important trade partners of Iran.

Therefore it can be concluded that the developed world is absent from Iran's economic and trade interactions and their trade with Iran has been further limited in line with the intensification of the hostility in political relations and economic sanctions. As a result of this trend the only link between Iran and Western countries is oil. Iran is among the very few countries that the West has imposed such intensive and widespread sanctions against in the aftermath of the Second World War. As in the West's broader strategic policymaking, politics and economy are not separated. These sanctions, which are laid to paralyze Iran's economy, have been successful in bringing about a strategic change in Iran's trade and economic relations.

From the Safavid era onwards which coincides with the rise of the West as the premier civilization and the center of world wealth and power, the developing countries including Iran have had Europe as their only choice. This has been due to the absence of other actors other than the West to satisfy Iran's development needs. However, today Iran's trade relations is introduced to a new environment where trade relations with developing countries can replace ties with

developed nations. As previously mentioned, Western policy towards post-revolution Iran has always been based on containment and the sanctions have appeared as the most important tool and representation of this policy. Iran has also been insisting on self-sufficiency and has tried to relieve itself of dependent relations with the West and has therefore sought to replace the West in economic and trade interactions.

In the first and second decades after the revolution these efforts almost failed due to the West's dominant position in the world economy. However, inclination towards the third world has been consistently present in Iran's foreign policy agenda and from the mid-1990s and with the hastening of the rise of the new powers in the world economy, the paths before Iran have opened and the shift in Iranian trade and economic partnerships started to occur. Therefore, the West's tendency to contain Iran and Iran's tendency towards marginalizing previous interactions with the West have had limited effect and have led to an increasing distance between Iran and the West in the spheres of economics and trade.

### **Conclusion**

A strategic change in Iran's export orientations is underway which is affected by two durable trends. The first being the intensification of power transition from developed to developing countries and second, hostility between Iran and the West. Although these two trends have been in place for more than two decades, the pace has accelerated during the recent years. On the one hand, after the 2008 financial crisis, the status of the developing world in the world economy has improved and on the other hand the sanctions against Iran have been intensified unprecedentedly. The result of these two trends is Iran's excessive move towards the developing countries, particularly China, which has resulted in Iran's foreign trades to undergo a strategic shift. However it cannot be said with certainty whether the current shift will be durable and continuous. The authors believe that if the Western



countries' sanctions sustain or intensify, Iran's strategic orientation towards the developing world will also be intensified. If Iran manages to reach a final status nuclear agreement with the West over the nuclear program it is probable to see a decrease in the speed of this re-orientation. However, the revitalization of the previous western position as the first trade partner of Iran is almost impossible. In other words, a new era in Iran's foreign trade has started in which Iran's trade orientation is shifting towards the developing world.

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