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SPECIAL SECTION: SINO-IRANIAN RELATIONS FROM TENTATIVE DIPLOMACY TO STRATEGIC PARTNERSHIP

WHY DID CHINA'S RISE SUCCEED AND IRAN'S FAIL? THE POLITICAL ECONOMY OF DEVELOPMENT IN CHINA AND IRAN*

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Introduction

There are many shared historical experiences and similarities between Iran and China. Both are legacies of the long-lasting empires and civilisations in West and East Asia, respectively. Like other great Asian empires, Iran and China were confronted with the expansion of the European imperial powers in the early-nineteenth century which ultimately led to the dislocation of these ancient empires.[1] Both countries had resisted pressures towards peripheralisation in the global economy by the creation of nationalist popular revolutions and by building modern nation states and identities in the first half of the twentieth century. Despite different political systems, cultures, and external relations, both Iran and China have been trying to escape from external pressures and internal socio-economic backwardness by the modernisation of their states, societies, and

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economies via a state-led catch-up development strategy. These efforts led to the rise of China in the late-20th century and the emergence of post-Islamic revolutionary Iran 1978/79 as a "contender state"[2] to the hegemony of the United States (US) in West Asia.

This article studies the impacts in the 19th century of the European-dominated global system on Imperial China and Iran. The expansion of European imperial powers through trade domination and (semi-)colonisation exposed these two empires to the pressures of marginalisation, peripheralisation, internal strife and loss of territory, ultimately leading to the responses of social revolutions, nation-state buildings and state-driven industrialisation. These efforts led to the rise of China in the late-20th century and the emergence of Iran as a "contender state" against the hegemony of the US in the Middle East and/or West-Asia after the Iranian Islamic Revolution of 1978/79. When the Trump Administration[3] pulled out of the Iran nuclear deal, Iran's long-awaited economic rebound stalled through the continuation of sanctions. Trump's Administration also announced many new critical sanctions on Iran's strategic institutions, economic sectors, and the key elements of the ruling elites. After more than 40 years of isolation, embargoes and threats of war, Iran is far from being recognised as a regional power. It has become accustomed to isolation because it aims to challenge US hegemony and efforts to make "a geopolitical order" in the Middle East before a successful catch-up drive. As for China, it generally refrained from offensive external relations, and after a century and a half of struggle against external pressures, in the early-21st century, the People's Republic of China (PRC) became the world's second largest economy and a modern industrialised power, while Iran is still seeking regional power status in West Asia. China, having become the second largest economy, has changed strategies to pursue more assertive external relations.

This development raises two key questions: why did China succeed in rising as an industrialised regional and global power, and has Iran's development strategy failed so far?

I argue that the main reason of post-revolution Iran's failure to become the regional hegemon comes from two interconnected issues: (i) the failure of its economic development strategy, which was mainly caused by (ii) the "offensive" external involvement in its own region before a successful catch-up process. Iran's catch-up development strategy, which is the main material basis for the country's rise, was hampered after the revolution by its "offensive, revolutionary and military oriented foreign policy". This strategy blocked Iran from access to capital, information and

technology concentrated in the core area of the global economy dominated by the US. Unlike Iran, China's successful catch-up industrialisation was driven, in part, through rapprochement and consensus between Chinese leaders and the US and its allies in 1970s. This strategy led China to distance itself from Mao's revolutionary offensive foreign relations and replace it with "defensive" and peaceful foreign relations in the era of its catch-up industrialisation (1980–2000s). The change and reorientation of China's external relations paved the way for China to access capital, information, and technology necessary for its successful economic development and eventually its rise.

Theory and practice of state, market, and development

The forms and relations between state, society and the market in both China and Iran differ from liberal, pluralistic countries. This raises several questions: (1) What is the form of political authority and market regulations in China and Iran? (2) How can we conceptualise the configuration of China's and Iran's state-society and market forms, compared with the liberal state-society and market model? (3) what are the forces behind China's and Iran's socio-economic policies and development?

Unlike the (neo-)realist perspective on the fixed state and state function, there is no fixed form of the state, but, rather, a structure through which social forces and interest groups operate. At the global level, the state-society and market complex constitute the basic entity of international relations.[4] Forms of political authority vary through differences in the degree of autonomy in relation to both internal and external environments, including the inter-state system and the global political economy.[5] In advanced liberal societies, the state builds consensus between capital and labour in the development of socio-economic policy. In authoritarian and/or centralised societies, a framework of collaboration and domination between state and society, and capital and labour, is imposed in an authoritarian manner, reflecting the relative autonomy of the state from society.[6]

Generally, we can make a distinction between two *ideal* types of state-society, and market complexes in international relations: the "liberal state-society, market complex" (LSMC) and an "authoritarian" or "centralised state-society, market complex" (CSMC).[7] The liberal state-society complex which is characterised by a *relative* distinction between a governing or political class and the ruling class – the latter being

mainly the capitalist class whose interests are predominantly represented by the governing class. One of the conditions for the creation of a LSMC is the existence of a strong civil-society and market with relative autonomy of classes and interest groups – such as capitalist, middle, and working classes. The emergence of a class-divided civil-society and civil-society organisations is the product of capitalist industrial development. In the LSMC, civil-society is relatively "self-regulating" because state intervention is less important in ensuring civil-society's proper functioning.[8]

On the other hand, in the CSMC (e.g. China and Iran), a distinction between ruling and governing classes is negligible. The "state class" derives its power from control of the state apparatus and intervenes in society and market.[9] In this configuration, autonomous social forces, mainly a strong capitalist class, are either underdeveloped or dependent on the state. Neither could assert their interests independent of state power. Thus, in the CSMC, a framework of collaboration between capital and labour is imposed in an authoritarian manner, reflecting both the state's autonomy from society and the market, and control over domestic and external relations. Together with the centralisation of state power, the promotion of a state-led development strategy (i.e. long-term socio-economic, political, and cultural modernisation) is one of the driving forces of the state-class.

China's successful capitalist industrial development, accompanied by the ambitions of its leaders, created the propensity to gain a larger share of the world's economy and resources,[10] and are embodied in the Going Out Strategy and the BRI.[11] Despite the geopolitical challenges of realising this, China's industrial development – including military industrialisation and the formation of multilateral institutions like the Asian Infrastructure and Investment Bank, Shanghai Cooperation Organization (SCO), and BRICS (Brazil, Russia, India, China, and South Africa) – has facilitated its rise in the global wealth-power hierarchy. Whilst China left the global economy's periphery, its success and integration into the global political economy's core comes at the cost of domestic control.

The Iranian experience of state-led industrialisation (mainly in 1960s and 1970s) was a success story amongst Asian developmental states. However, Iran's successful development strategy was discontinued by the post-revolutionary "offensive, revolutionary, and military-oriented regional-external relations", which, as stated, blocked access to capital,

information and technology concentrated mainly in the US-dominated global economy. In contrast, China's successful catch-up industrialisation was driven, in part, by rapprochement and consensus between Chinese leaders and the US (and its allies) in the 1970s when China reoriented Chairman Mao's offensive and revolutionary external relations towards defensive and peaceful relations, thereby facilitating access to capital, information and technology for its successful economic development and eventual rise.

The global wave of state-led industrialisation

The post-imperial Chinese and Iranian political economy of state-led industrialisation is neither unique nor exceptional. Considering the rise and expansion of industrial capitalism from Europe over 250 years, the CSMC has emerged in different times and spaces as a response to two external pressures towards colonisation and domestic backwardness in political and socio-economic structures. The dialectic of these two factors led a limited number of the leaders of peripheral states to resist peripheralisation in the emerging global political economy by forming a centralised state and achieving self-reliant catch-up development from above.[12] After WWII, some Asian states such as China, the Asian Tigers (i.e. Hong Kong, Singapore, South Korea, and Taiwan), Turkey, Iran, and India tried to resist economic backwardness and their peripheral position in the Western-dominated global political economy via autonomous, state-led catch-up industrialisation strategies. None industrialised under a liberal regime.[13]

European expansion, peripheralisation and resistance in China and Iran

China's imperial disintegration and peripheralisation in the European-centred world economy began when Europeans appropriated shipping and merchant activities from indigenous traders in the early-19th century.[14] From the late-19th century until 1949, the heavy price that China paid for resisting such an existential threat to its survival included millions of victims, the systematic appropriation of large areas of its territory, the swamp of a brutal civil war between nationalist and communist fronts, and the formal loss of Taiwan. Nevertheless, in 1949, the Chinese Communist Party (CCP) Chairman, Mao Zedong, grandly announced that his people had finally brought a decisive end to the "century of humiliation" at the hands of internal and external enemies. Hence, with the

establishment of the PRC, the CCP proclaimed itself the vanguard and supreme saviour of the Chinese nation. As a result, for more than three decades, nationalist calls were completely eclipsed by the strength of the new official political system and ideology.

Equally, from the mid-19th century onwards, Persia was confronted with the expansion of European imperial powers (in particular Britain and Russia) who began to have a significant military, political and economic impact on the country's political economy.[15] The competition between Russia and Britain invited the Persian court to engage in balancing acts between its two enemies. European expansion eventually led to the Persian Empire's peripheralisation and the incorporation of its economic system into the global capitalist system,[16] which marked the beginning of the local economy's disintegration and subordination to the capitalist world economy, the growth of foreign trade, and specialisation in the production of raw materials.

Revolution and industrialisation from above in China (1950-onward)

In China, successful resistance against peripheralisation enabled an autonomous "catch-up" industrialisation and modernisation strategy from above. This involved state-led socio-economic and political modernisation via authoritarian patterns of political mobilisation and domination. "Only when China is industrialised, can China truly stand up, tall and proud in the world," said Zhou Enlai, PRC Premier (1954–1976).[17]

Prior to this, China's state class had two aims: (1) to consolidate and secure the country by forming a strong centralised nation state and (2) to develop an urban-industrial based society (requiring a radical overhaul of China's agrarian-based society) to resist peripheralisation. This transformative process was initiated by the state on account of society's inability to mobilise productive forces and industrialise. This formed the conditions for the Great Leap Forward (1958–1962) wherein Mao attempted to push the economy further towards rural collectivisation. A recalibration of expectations regarding China's industrialisation time horizon occurred in 1961 amidst the shock of this disastrous experiment, and a period of economic readjustment brought about political debate which led to the struggles of Mao's Cultural Revolution. China, from the early-1970s, also increased interactions with western economies and rehabilitated ideas of 1960s reformist economists, experienced leaders such as Deng

Xiaoping, and officials who had earlier been outsed. Deng Xiaoping argued that "objective economic laws" should lead economic policy. From now on, the CCP's survival depended on its achievement of rapid economic development.[18]

December 1978 saw the launch of reforms, initially connected to rural policies. Because of the starvation experienced during the Great Leap Forward,[19] communes were abolished in 1981 and the household responsibility system was re-introduced. Over-quota surplus produce was sold at prices above those set by government. Enterprises could borrow funds and, in designated areas, seek foreign joint-venture partners. Five Special Economic Zones (Guangdong, Fujian, Beijing, Tianjin, and Shanghai) gained authority to negotiate arrangements with foreign businesses. The goals of the reform policy (accelerated by Deng Xiaoping's 1992 Southern Tour) were to achieve rapid economic development, open China's economy to the outside world, improve economic efficiency, generate diversity in terms of ownership, and raise consumption and living standards. These reforms aimed to break from the planned economy framework and adjust policies to meet demands from below.

The global impact of Chinese industrialisation

China's transition from a mainly agricultural to an industrial society with a so-called "socialist market economy" under CCP leadership created the foundation for the upward mobility of Mainland China as a contender state in post-WWII East Asia. The emergence of a great power external to the Pax Americana is, after the defeat of Japan, a new experience for the US and for East Asia.

Since cutting its ties with the Soviet Union, China's worldwide struggle against "revisionist social imperialism" (Soviet Union) and capitalist America ended in domestic chaos and political isolation until the 1970s when Sino-US relations normalised, also initiating US-European competition over access to China's market. Accordingly, the PRC began to participate in the global political economy and major power diplomacy.

China's share of the world's population, indicative planning system, and its growth rate cemented its power status and ascent. While late-industrialising countries vary in their socio-political capacity to catch-up, those that incorporate available capital and technology into the productive process and have superior growth rates inevitably ascend in the global system. It is sometimes forgotten that the era of self-reliance was the early phase of

an industrial revolution, in particular in terms of education, healthcare and labour mobility between countryside and city. The role of the state in China's industrial development is crucial in the mobilisation of labour and capital. The pivot from agriculture to industry universally coincides with domestic turmoil and protectionist policies.[20] Admittance of foreign investors at an early stage of industrialisation implied a state capable of setting conditions for internal market access. The "big international circle" (started in the 1980s) was initiated by gradualism in Special Economic Zones in the coastal areas.[21]

Crucial to China's safety, and thus industrialisation, was its procurement of nuclear weapons. As US hegemony during the Cold War was confronted by two contender states on the Eurasian landmass, the US maritime geopolitical position became unable to protect its home base. The relative decline of US economic and military power is reflected in the US's need for support from one contender state against another. As the US is a territorial outsider to Eurasia and its history, its pivotal position in the triad allowed it to choose one contender state over the other. The Nixon-Kissinger duo utilised the PRC's locational advantage against the Soviet Union and constituted a case of strategic complementarity. The PRC became a member of triadic diplomacy.

The US had a persistent trade deficit since 1971. This, in part, led to labour-rich China and capital-rich America establishing economic complementarity in the mid-1990s. At that time, China had become the workshop of the world for labour-intensive mass consumer products and capital goods – an era now almost consigned to the past following China's technological catch-up.

One of the causes of the relative decline of the US is the industrial revolution in East Asia epitomised by China's trend towards replacing the US as the largest economy. Already, China is the largest trader in the world with foreign trade growing from nearly US$10bn (1978) to US$2.5tn (2019).[22]

However, size alone is a faulty measure for success in closing the wealth-power gap. One should consider the productivity of capital and labour, reflected in GDP per capita. In this respect, the Western powers and emerging economies remain a world apart.[23]

Nevertheless, aggregate size is important for, among other things, energy use, trade rules, and business practices around the world, as well as the mobilisation of resources to support external action. Military power is

indicated by the PRC's increasing arms trade as well as its military capacity.[24]

Table 1 presents data on average growth rates of (per capita) GDP, FDI and trade based on research by Song Jin[25] and calculated by China's National Bureau of Statistics (CNBS). Song Jin discusses China's industrial development and mentions, amongst others, changes in migration policy and the increasing supply of skilled labour as contributing factors. Moreover, she points out that while labour costs remained low, Chinese workers still benefited from this process through rising incomes. The successful industrial transformation in the 1980s and 1990s is reflected in the formidable growth of China's GDP, trade and FDI flows, with the period 1995–2007 proving exceptional due to China's policies towards Special Economic Zones and integration into the WTO framework.

This structural transformation also created the material conditions that led to the rethinking of Deng Xiaoping's doctrine of "peaceful development". Jiang Zemin, China's leader in the 1990s, had called for mutual trust, mutual benefit, equality, and cooperation in the country's foreign relations. For Hu Jintao, who took the reins of power in 2002, "peaceful development" became the standard phrase. The current president, Xi Jinping, insisted in his speech to the 19th National Congress on October 18, 2017, entitled "To secure a decisive victory in building a moderately prosperous society in all respects and strive for the great success of socialism with Chinese characteristics or 'socialist market economy'[26] for a new era", that the leadership "lacks the gene" that drives great powers to seek hegemony. The leadership of Xi Jinping introduced a new set of ideas for the country's role at home and abroad as well as the creation of what is intended to be an effective and strong nationalist ideology.[27]

The political economy of development and security in Iran under the Shah (1953–1977)

Between the *coup d'état* of 1953 and the Islamic Revolution of 1978–1979, two fundamental periods can be discerned: The first period (1953–1962) was marked by the gradual development of a strongly centralised state and a new configuration of the state class with the financial, economic, and military assistance of the US.[28] The US supplied great quantities of advanced weapons to Iran and encouraged Iran to act as an intermediary in conflicts between the US and the Soviet allies in the Middle East. Between 1950–

Table 1 Growth of China's GDP, per capita income, foreign direct investment (inflow and outflow), and trade (export and import)

Year	GDP	GDP per capita	FDI inflow	FDI outflow	Export	Import
1995–2001	108.74%	107.71%	24.9%	244.3%	78.9%	84.4%
2002–2007	111.25%	110.62%	58.4%	952.5%	274.7%	223.9%
2008–2013	109.17%	108.60%	14.4%	92.9%	54.4%	72.2%
2014–2018	106.86%	106.34%	7.6%	16.2%	6.5%	9.4%
Yearly average of change: 1995–2018	13.07%	13.01%	3.78%	20.11%	10.52%	10.61%

Sources: GDP and per capita GDP from Song Jin (2021); FDI inflow and outflow from United Nations Conference on Trade and Development (2020). World Investment Report 2020. New York: United Nations Publications; Export and import from World Trade Organization (2020). World Integrated Trade Solutions, https://wits.worldbank.org

1976 the US and Iran signed arms trade agreements worth roughly US $12.8bn of which the US delivered weapons worth US$4.5bn to Iran.[29]

The second period (1962–1978) was marked by a socio-economic strategy which stimulated the state-initiated rapid industrialisation. In general, as in the Reza Shah-era (1925–1941), the state played the determining role in the accumulation process, the expansion of the productive forces, and capitalist development in this period. The political economy of the development and security strategy of the Iranian state class during this period were based on the following three factors: rapid state-led industrialisation, expansion of military capabilities, and oil surplus providing key financial resources for the industrialisation and development of military capacities. Between 1954–1979, state oil revenue rose from US$21m to US$19,316m.[30] In this triangular strategy, oil surplus and the security apparatus were in service of the comprehensive state-led development-programme.[31] Enormous oil exports in this period also led Iran to dominate OPEC leadership and Middle Eastern oil exports (as shown in Figure 1).[32]

Iran's *relative* adherence to peaceful external relations in this period was crucial to its socio-economic development. It was a key US ally in the Middle East, and as a result, the US backed Iran's catch-up industrialisation as with other US allies in the West (Turkey) and East (Asian Tigers).

Initially, the capitalist industrial development during this period was a continuation of the inter-war import-substituting industrialisation (ISI), which was replaced in the 1970s by the implementation of the export-

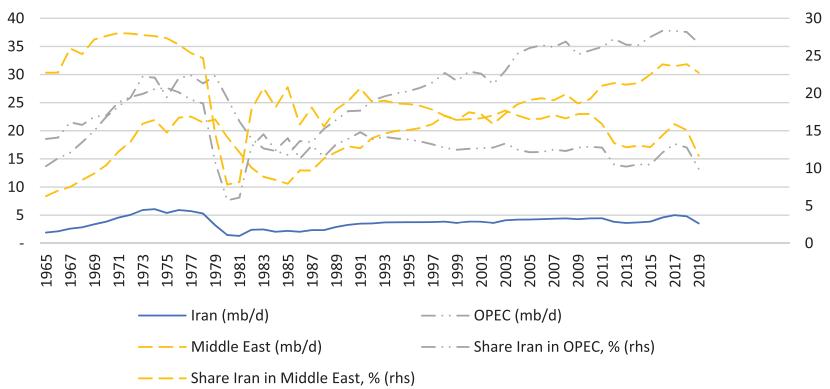

Figure 1 Oil production in Iran and the Middle East (1965–2019)
Source: BP (2020), based on Ghodsi et al. (2018: 5)

oriented industrialisation (EOI). These were part of the gradual, global process of the internationalisation of capital in "Third World" countries during the post-WWII era. The internationalisation of capital was achieved under the CSMC via comprehensive state intervention in economic reproduction during both ISI and EOI. Transnational enterprises and national private capital also played an important role in this process, especially in 1960s and 1970s Iran.

In this period, rapid industrialisation transformed the Iranian economy and society. State intervention in the economy focused on infrastructure – crucial for industrial development. Moreover, the state provided financial capital and created profitable circumstances for the development of private industrial capital. Iranian capitalist development in this period was remarkable amongst "developmental states" in terms of the size of industrialisation, technological change, economic growth, urbanisation, and increases in per capita income. Data published by the World Bank show, compared with other developing countries, Iran's annual real growth rate of nearly 9.6% in the middle-income category – higher than the average for any other group of countries in the developing world. Other economic indicators – such as investment, saving, consumption, employment, and per capita income – also saw impressive growth rates. Gross domestic investment grew at an average annual rate of over 16%, reaching 33% of GDP between 1977–1978. On average, public consumption rose by almost 18% annually. All economic sectors participated in this expansion, albeit at different rates. Figure 2 shows the changing structure of Iran's economy and the sectoral growth rates. The success of this development strategy translated into an increasing per capita income (see Figure 5).

On one hand, socio-economic development and modernisation in the 1960s and 1970s led to a rapid expansion of capitalism in urban and rural areas, but also to the disintegration or subordination of pre-capitalist social relations of production.[33] Socio-economic modernisation had a drastic impact on the structural transformation of the class structure and composition of bureaucracy. This pace of socio-economic development and transition was comparable with Newly Industrialising Asian Countries during this period. Table 2 shows that Iran came close to South Korea's *annual* manufacturing growth rate in this period, and outperformed India, Indonesia, and Turkey – but declined after the revolution. Between 1960–1975, Iran's industrial working class was much larger than the average of other developing countries. In 1960, the share of Iran's industrial labour-force accounted for 23% of the total, compared to India (11%), Iraq (18%), Egypt (12%), Turkey (10.5%), Mexico (19%), and South Korea

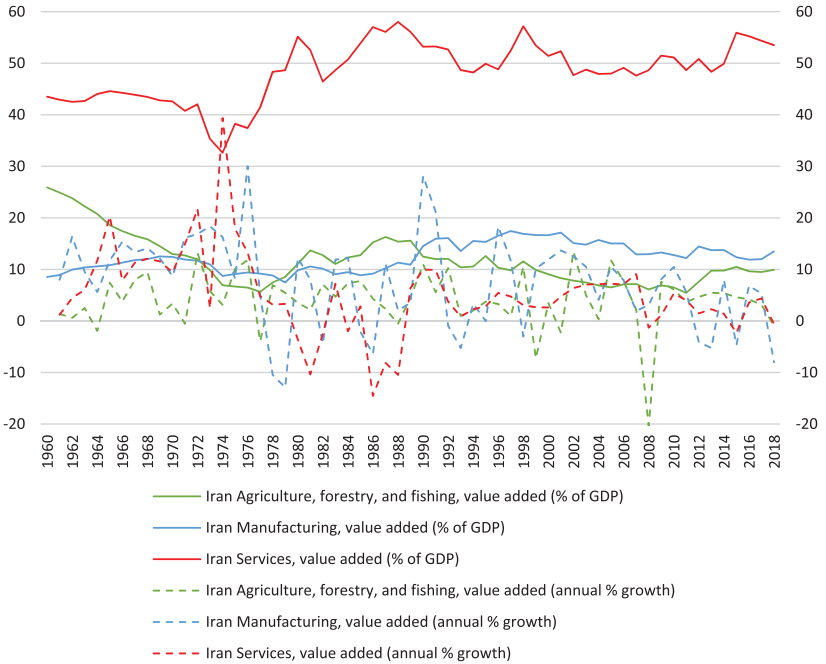

Figure 2 Structure of the Iranian economy and sectoral growth shares (1960–2018)
Source: World Development Indicators, World Bank (2021), data.worldbank.org

(9%). In 1975, this share rose to 30.9% in Iran.[34] The rapid expansion of the labour force in the modern urban economic sector (industry and services) and the pace of urbanisation was an indicator of the rise of modern social class structure in this period (in particular, middle and industrial labour classes).[35] As regards foreign trade, the share of consumer goods in the value of total imports declined from 24% in 1963–18% in 1977, while the share of capital goods rose from 20% to 28%. Although the share of the non-oil exports in the country's foreign sales remained low (between US$120m in 1963 and about US$800m in 1977), the contribution of industrial goods to total non-oil exports rose from 6% in 1963–22% in 1977.[36] In this period, Iran's low inflation rate (see Figure 3) and high manufacturing growth (see Figure 2) fared well compared to those of its peers.

The paradox of state-led development in Iran (1975–1978)

State-led development and socio-economic transformation were followed by economic[37] and political crises which eventually resulted

Table 2 Annual manufacturing growth rates of selected countries, %

Country	1965–1977	1980–1999	2000–2018
India	4.2	6.0	7.5
Indonesia	9.2	4.6	4.6
Iran	14.5	6.0	4.7
Singapore	13.8	6.8	4.7
South Korea	18.8	10.5	4.9
Turkey	8.6	5.7	5.6

Source: World Development Indicators, World Bank (2021), data.worldbank.org. Calculated by the author

in radical power transformation via social revolution. The question is, why the Iranian experience of rapid industrialisation was confronted by structural crisis in 1977? The following may be accounted as causes:

a. The state-led development could not break with traditional Iranian society in its totality. The result was a duality in both the economic and cultural arenas. The secularisation process had little impact on the diminution of the ulama's power and influence.
b. State-led development caused an imbalance between economic and political development: economic structures were largely modernised without being accompanied by changes in the nature of the political system and its culture. In other words, the socio-economic modernisation from above demanded the creation of a political system in which authoritarian rule needed to be replaced by the formal legal procedures in the state and its enterprises – thus permitting the legitimate participation of contending political forces within a legal and constitutional framework with public oversight. The political elite of the state class were unable to incorporate the emerging modern social classes and groups into the political decision-making process. The elimination of old social elites (i.e. the landowning class), the marginalisation of bazaar merchants and the ulama, and the pacification and integration of a segment of the modern middle class into the state class, led to the centralisation of political power during the 1950s and the beginning of 1960s. Throughout the powerful process of revolution from above – such as land reforms and industrialisation – the authoritarian state changed and created new social forces, especially the small but

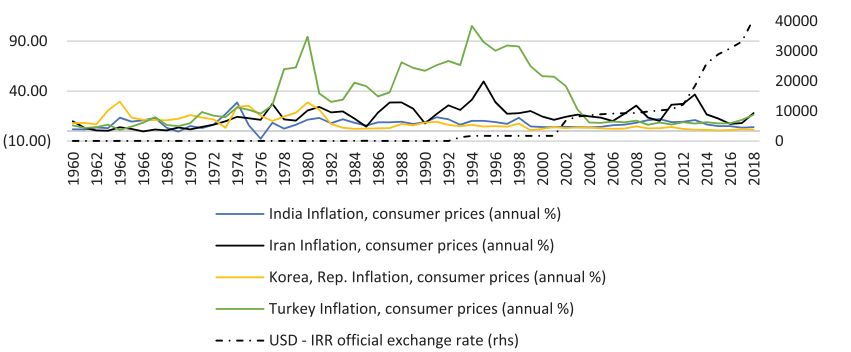

Figure 3 Inflation and exchange rate in Iran (1960–2018)
Sources: based on (1) World Development Indicators, World Bank (2021), data.worldbank.org, (2) Ghodsi et al. (2018: 4)

potent capitalist class, and the industrial working class. At the same time, the modern middle-class expanded enormously. Later, in the middle of the 1970s, the state (under the Shah as the only governing class) was confronted by these emerging modern social forces. The industrial and financial groups were mobilised by the "state corporatist political system", forming the main social basis of the state. Deep economic crisis in the mid-1970s undermined economic stability that had marked the preceding decade and affected the basis of the state class.[38] The response of the state class to the economic crisis and social discontent was confusing and thus aggravated the situation.

c. One of the key weaknesses of the modern state under the Pahlavi dynasty (1925–1979) was the lack of a coherent ideology. The foremost consequence of the economic development of the 1960s and 1970s was a rapid social mobilisation. Existing norms and values changed radically because of new ideas and a mainly western-oriented lifestyle to which a large part of the population was exposed. The Iranian ruling class, however, did not manage to create an alternative durable ideology to replace what the socio-economic transformation had destroyed.[39]
d. Despite remarkable socio-economic development and the strengthening position of Iran both in the Middle East and globally, the Shah struggled with legitimacy domestically. The Shah's opposition to the democratically-elected nationalist premier Mohammad Mosaddeq and his nationalisation of Anglo-Iranian Oil Company eventually led to the Anglo-American backed military coup, one of the black pages in the Shah's history (as well in the history of the US and Britain). The Anglo-American backed coup against Mosaddeq and the reimposition of an authoritarian state under the Shah, as well as his dependence on relations with the US, was a crucial point which delegitimised the Shah's rule, and sparked a mass-movement by oppositional forces later leading to the revolution of 1978–1979, primarily led by Ayatollah Khomeini.

The responses of the state-class against crises were inefficient.[40] The policy of political liberalisation in 1977 paved the way for the expression of economic discontent by politicising economic grievances. In mid-1977, the urban social forces started to mobilise against the authoritarian state. Gradually, all urban social classes and groups, such as the traditional social forces of the bazaar and the ulama, the modern industrial working class, the intelligentsia and the modern middle class, women, and minorities (religious as well as ethnic), participated in the anti-state conflict. These various social forces had diverse interests, conflicts, means, and solidarity structures,

which determined their contribution to a nationwide struggle. During 1978, these social classes and groups were able to form a coalition, gradually leading to the emergence of a broad urban-based class coalition with the Islamic forces under the leadership of Ayatollah Khomeini. In February 1979, this culminated in the overthrow of the state. It is crucial to understand the process whereby these groups were mobilised and the way in which various classes were able to consolidate their strength fully to understand the emergence and causes of the revolution.[41]

The post-revolutionary regime gradually stabilised in the 1980s and – contrary to the political demands of the mostly urban-based social forces – gave rise to another state/society complex with authoritarian characteristics. This process shows the repeating tendency towards a new authoritarian based social order. This continuous process is caused by the weakness of the civil society and its modern social forces: civil society does not stabilise but remains primordial and subject to disintegration.[42]

The political economy and security strategy of post-revolution Iran (1980–2020)

After the emergence of the Islamic Republic of Iran (IRI) during 1979/80, its political economy of development and external relations drastically changed. The core of Iran's post-revolutionary foreign policy centres around the "export of the revolution" and efforts to create a "geopolitical order" in West Asia. These new external relations led to a shift in the hierarchy of the triad between oil surplus, economic development, and security strategy in Iran. While the Shah used oil revenues mainly for economic development, the post-revolutionary ruling class emphasised the military-security apparatus, thereby subordinating the "national development strategy." The core of external relations was gradually redesigned by the leaders of the IRI as an "offensive" military strategy (predominantly in the Middle East). In this context, the IRI's ruling class, among others, attempted to mobilise globally anti-American revolutionary Islamic-oriented peoples and organisations for the realisation of its strategic goals. Despite contradictory interests among factions of the ruling class, external relations remained unchanged. This core of external regional relations was aimed at forging a geopolitical order and gaining hegemonic status in its own region. This policy-strategy leads to the consequence of the US and its regional allies blocking and hindering Iran's ambition and national development strategy.

A key force in this strategy is the Islamic Revolutionary Guard Corps (IRGC). Its main purpose has been to protect the revolution from within

and beyond Iran's borders, while expanding Iran's sphere of influence.[43] This key aim of the IRI gradually became more influental in Iran's economy and politics. The elite Quds Force – responsible for the IRGC's foreign operations – emerged as one of the most significant Iranian armed forces, maintaining a network of para-military and Islamic revolutionary forces in Lebanon, Iraq, Syria, Yemen, and elsewhere. This strategy was confronted by the US who attempted to trigger a regime change using, among others, strategic and structural sanctions on Iran's politics, economy, and military. The key sanctions against Iran's oil and military industry came from the United Nations Security Council, the US and its allies. Although UNSC sanctions were lifted in 2016, sanctions by the US and its allies were re-imposed after the US withdrawal from the Joint Comprehensive Plan of Action (JCPOA) as part of President Donald Trump's "maximum pressure campaign" which has been continued under President Joe Biden. By targeting strategic economic sectors and companies (including oil, military, finance, and automotive), blocking Iran's ability to earn revenues from oil exports and to import and export weaponry and military technology,[44] US sanctions have hit Iran's economy hard. Through the dollar's position as a global reserve currency and the designation of the IRGC, among others, as a terrorist organisation, the US has also restricted companies from other countries from doing business with Iranian companies. In turn, this hostile environment reinforces the IRI's determination to develop its domestic military capabilities and to mobilise social and material forces in the Middle East aimed towards pushing the US out of the region.

Thus, the experiment of Iran's rapid industrialisation after the revolution was hindered. The causes of this problem may be traced back to the external relations mentioned above, which have also influenced the policy of the political economy of development. As the Iranian economy remains heavily based on fossil fuels, GDP growth is largely driven by the export of oil and gas[45] and less based on the productivity of a modern (non-oil) sectoral economy. Although many modern economic sectors exist in Iran's economy, their growth and development occur at a very slow rate as sanctions have prohibited Iran from accessing capital, technology, and information (see also Figure 2).

The external relations, based on conflict, and the political economy of development policies, which mainly emphasise the security-military sectors, are a permanent factor in Iran's development crisis. Below, we present selected economic data which indicate the structural impasse of Iran's economy after the revolution.

Oil production and export remain key to Iran's economy despite production remaining below pre-revolutionary levels (Figure 1). Shown in Table 2 and Figure 2, we also see that Iran's manufacturing growth rates were high compared to other developmental states and even outperformed India, Indonesia, and Turkey, but also that the post-revolutionary change in domestic policy priorities that allocated oil revenues to the development of the security apparatus impeded Iran's success. This left Iran, at US$64bn, behind many of its peers and even the city-state of Singapore (US$65bn). Another major post-revolutionary problem is high inflation and currency depreciation (Figure 3), which, coupled with low oil production, prevented high economic growth and the development of trade relations despite the temporary lifting of sanctions after signing and implementing the JCPOA in the mid-2010s (see Figure 4).

These impediments to Iran's industrialisation are reflected in its GDP which grew by only 52% (1976–2018), since 1991 22% of which has been dependent on oil. For the average Iranian, this means that pre-revolutionary incomes were higher (see Figure 5).

To sum up, the Islamic Revolution severely distorted Iran's industrialisation. The Shah's use of oil revenues and the security apparatus in service of rapid state-led industrialisation with de-escalation of tensions in external relations was crucial to Iran's socio-economic development strategy. The pivot towards offensive external relations where oil revenues are used to develop military-security capacities led to sanctions, the subordination of economic development in the triangular strategy

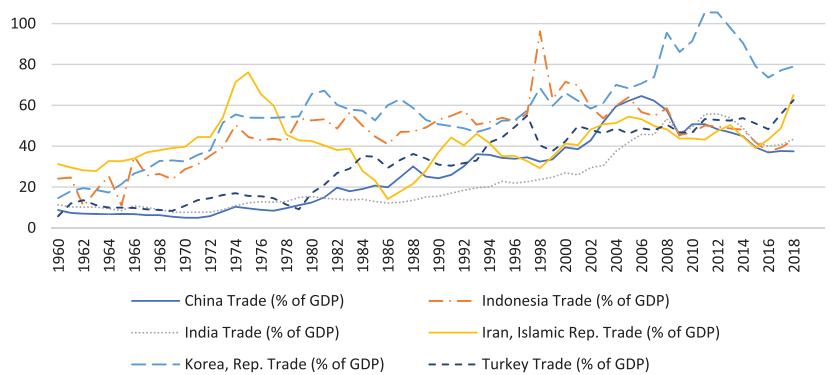

Figure 4 Share of exports plus imports to GDP in selected countries (1960–2018)
Source: World Development Indicators, World Bank (2021), data.worldbank.org, based on Ghodsi et al. (2018: 38, 57–58)

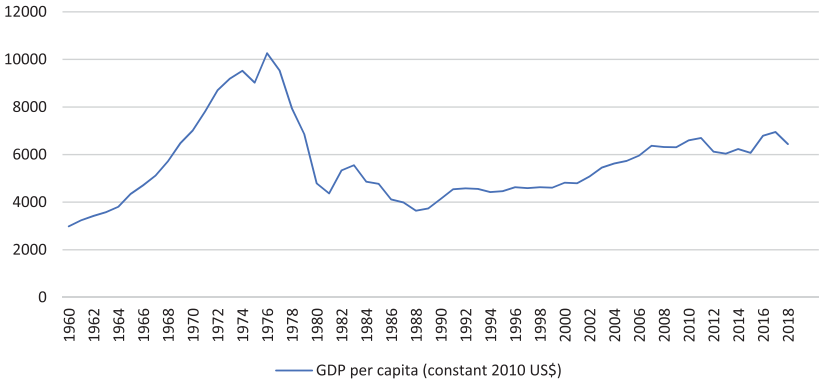

Figure 5 GDP per capita including energy sector (1960–2018)
Source: World Development Indicators, World Bank (2021), data.worldbank.org, based on Ghodsi et al. (2018: 3)

and a lack of capital, information, and technology. To create the conditions for the lifting of sanctions and realise its long-awaited catch-up development strategy, this article contends that Iran needs to change its external relations back to "defensive, peaceful" external relations.

Unlike Iran, China's successful catch-up industrialisation was driven, in part, through rapprochement and consensus between Chinese leaders and the US and its allies in 1970s. This strategy led China to distance itself from Mao's revolutionary offensive foreign relations and replace it with "defensive" and peaceful foreign relations in the era of its catch-up industrialisation (1980–2020). The change and reorientation of China's external relations paved the way for China to access the capital, information, and technology necessary for its successful state-led development, and eventually, its rise.

NOTES

1. A. G. Frank, *ReOrienting the 19th century: Global Economy in the Continuing Asian Age*. New York: Routledge, 2015, pp. 7–8; A. G. Frank, *ReOrient: Global Economy in the Asian Age*. Berkeley, CA: University of California Press, 1998.
2. Contender states are regional great powers that are hostile towards the hegemonic order in their region and have the power-potential to challenge hegemonic dominance in their part of the world. After the Iranian Islamic Revolution, re-emerging of Russia and the successful economic development in China as well as the declining

hegemonic authority over allied policy-orientations, Iran (and Russia), changed into contender states.

3. Despite some differences, the Obama and Biden Administrations share with the Trump Administration the objective of preventing a nuclear-armed Iran.
4. See R.W. Cox, *Production, Power, and World Order: Social Force in the Making of History*. New York: Columbia University Press, 1987; K. van der Pijl, *Transnational Classes and International Relations*. London: Routledge, 1998; M. P. Amineh, *Die Globale Kapitalistische Expansion und Iran (1500–1980): Eine Studie der Iranischen Politischen Ökonomie*. Hamburg-London: Lit-Verlag, 1999; See T. Ter Brink, *Global Political Economy and the Modern State System*. Leiden: Brill, 2014, pp. 57–62.
5. Cox, *Production*, op. cit.; B. Jessop, *The State, Past, Present and Future*. Cambridge: Polity Press, 2016.
6. Cox, *Production*, op. cit., pp. 69–70.
7. Amineh, *Die,* op. cit.; M.P. Amineh and Yang Guang, 'China's Geopolitical Economy of Energy Security: A Theoretical and Conceptual Exploration'. *African and Asian Studies* Vol. 17. Issue 1–2 (2018): 9–39.
8. Van der Pijl, *Transnational,* op. cit.; M.P. Amineh, 'Authoritarian Persistence and Barriers to Democracy in the Muslim Middle East: Beyond Cultural Essentialism', in E. Ben-Rafael and E. Sternberg (Eds.), *World Religions and Multilateralism - A Dialectic Relation*. Leiden-Boston: Brill, 2010, pp. 152–192.
9. The concept "state class" was designed by Elsenhans to explain the nature, origin, and role of the ruling class in modern authoritarian and developmental states in the process of socio-economic development. See H. Elsenhans, *Development and Underdevelopment: The History, Economics, and Politics of North-South relations*. New Delhi/Newbury, Park/London: Sage Publications, 1984.
10. See K. Lieberthal and M. Oksenberg, *Policy Making in China: Leaders, Structures, and Processes*. Princeton: Princeton University Press, 1988; C. A. McNally (Ed.), *China's Emergent Political Economy: Capitalism in the Dragon's Lair*. London: Routledge, 2007.
11. M.P. Amineh, 'China's Rise and the Question of Hegemony and the World Order', in M.P. Amineh (Ed.), *The China-led Belt and Road Initiative and its Reflections*. London: Routledge, forthcoming; M.P. Amineh, 'China's Capitalist Industrial Development and the Emergency of the Belt and Road Initiative', in M.P. Amineh (Ed.), *The China-led Belt and Road Initiative and its Reflections*. London: Routledge, forthcoming.
12. D. Senghaas, *The European Experience: A Historical Critique of Development Theory. Translated from German by K.H. Kimming*. Leamington Spa, Dover, NH: Berg Publishers, 1985.
13. See B. Balassa, *The Newly Industrialising Countries in the World Economy*. New York: Pergamon Press, 1981; D.C. North, *Structure and Change in Economic History*. New York: Norton & Company, 1981; H.-J. Chang, *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press, 2002; A. Walter and Xiaoke Zhang (Eds.), *East Asian Capitalism, Diversity. Continuity, and Change*. Oxford: Oxford University Press, 2012.
14. Z. Wang, *Never Forget National Humiliation, Historical Memory in Chinese Politics and Foreign Relations*. Colombia: Columbia University Press, 2012, p. 49.

15. Amineh, *Die*, op. cit., pp. 103–142.
16. Amineh, Ibid., pp. 136–137.
17. M.P. Amineh and H. Houweling, 'China and the Transformation of the Post-Cold War Geopolitical Order', in M.P. Amineh (Ed.), *State, Society and International Relations in Asia*. Amsterdam: Amsterdam University Press, 2010, p. 266.
18. See C.Y. Hsu, *China Without Mao*. Oxford: Oxford University Press, 1982.
19. See F. Dikötr, *Mao's Great Famine*. New York: Walker & Co, 2010; K.X. Zhou, *How the Farmers Changed China: Power of the People*. Boulder: Westview Press, Inc., 1996.
20. Senghaas, 'European', op. cit.; H.-J. Chang, *Kicking*, op. cit.
21. M.P. Amineh, 'China's Rise', op. cit; M.P. Amineh, 'China's Capitalist', op. cit.
22. World Bank (2021). World Development Indicators. https://data.worldbank.org.
23. Ibid. If every Chinese person would have the same per capita income as a US person in 2019, then world GDP would be insufficient to generate that income for China alone.
24. For an overview of China's military strength see, https://www.globalfirepower.com.
25. Song Jin, 'Supply-side perspectives from China: structural industrial change and the industry incentives for participating in the Belt and Road Initiative', in M.P. Amineh (Ed.), *The China-led Belt and Road Initiative and its Reflections*. London: Routledge, forthcoming.
26. Opposite to the ideas that defines China's system as a variant of state capitalisms, the China's leaders present China' economic model as 'socialist market economy' (SME). The SME is defined as China's economic system of economic development. The system is based on the predominance of public ownerships and SOCs in the context of market economy with also emphasised on non-states forms of ownerships. The concept SME was based on Deng Xiaoping's theory of 'socialism with Chinese characteristics. This model introduced by Jiang Zemin during the 14th National Congress of the CCP in 1992 to define and conceptualise the aims of China's economic reform.
27. Amineh, 'China's Rise', op. cit.; Amineh, 'China's Capitalist', op. cit.
28. Amineh, *Die*, op. cit., pp. 213–248.
29. M.P. Amineh, 'Unfinished Passive Revolution and Capitalist Development in Underdeveloped Areas of the Global Capitalist System: The Case of Iran (1500–1980s)', *AIS Working Papers* no. 52 (1998) p. 35: table 2.
30. S. Razaghi, *State and Society in Iran, (in Persian)*. Tehran: Bina, 1978.
31. Amineh, *Die,* op. cit., pp. 213–248.
32. See, P. Terzian, *OPEC: The Inside Story*. London: Zed Books Ltd, 1985.
33. Amineh, *Die,* op. cit., pp. 415–413.
34. See M. Gasiorowski, *U. S. Foreign Policy and the Shah: A Client State in Iran*. Ithaca: Cornell University Press, 1991.
35. Amineh, *Unfinished*, op. cit., table XI.
36. Central Bank of Iran, *Annual,* op. cit.; Central Bank of Iran, *Annual*, op. cit.
37. Amineh, *Die,* op. cit., CH. XI-XII.
38. For example, the total balance of payment has been changed from a surplus of US $5.1b in 1974 to a deficit of roughly US$1b in 1975.
39. Amineh, *Die*, op. cit., CH. IX-XII.

40. Ibid., CH. XI.
41. Ibid., pp. 519–558.
42. Ibid., pp. 556–572.
43. E.P. Rakel, 'The Political Elite in the Islamic Republic of Iran: From Khomeini to Ahmadinejad'. *Comparative Studies of South Asia, Africa and the Middle East* Vol. 29. Issue 1 (2009): 110.
44. K. Katzman, *Iran Sanctions. Updated April 6, 2021*. Congressional Research Service: RS20871.
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Disclosure statement

No potential conflict of interest was reported by the author.