

# **Revisiting the Pak-Iran Relations and Necessity of Recreating New Behavior: Challenges, Prospects, Future**

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## **Abstract**

Iran, our brother Islamic neighbor state, has always supported Pakistan through thick and thin. Pakistan and Iran are making efforts to improve their bilateral relations on all fronts, particularly by increasing economic cooperation as well as strengthening defense partnership. The bilateral trade between the both countries has received a setback in recent years owing to various factors, including the sanctions being imposed on Iran by the USA. There is a dire need to set aside all the differences and work closely to uplift each other's economy as there is globally a policy shift towards geo-economic more instead of geo-strategic. Pakistan and Iran strongly require to develop unwavering cordial relations in the contemporary era. This thing will also play a crucial role in transforming the fate of the South Asian region. This paper deconstructs the broad-spectrum of Pakistan-Iran relations and elucidates the current challenges and future possibilities for the two nations.

**Keywords:** Pak-Iran Relations, Current Challenges, Future Possibilities, Religious Bond.

## **Introduction**

Iran, a Muslim country, shares a common boundary with Pakistan. Iran has stood by the side of Pakistan in all odds, being the most reliable ally. The bonds of Islamic brotherhood with affinity of culture and civilization have linked the both countries together. Pakistan and Iran have maintained friendly and close relations historically and discuss views on major regional and international issues.

After the inception of Pakistan, Iran was the foremost country to extend its acceptance and recognition. Liaquat Ali Khan, the first Prime Minister of Pakistan, went on an official visit to Iran, which responded in kind by the King of Iran named Shah Raza Shah Pahlavi. It was the first

official visit by any foreign dignitary to Pakistan. An MOU was registered between Iran and Pakistan in 1950, in which Iran agreed to provide oil to Pakistan to fulfill its necessities.<sup>8</sup>

Pakistan welcomed the idea of a strong Iran. In line of its constrained relations with India, Pakistan had the opinion that a dominant Iran would prove to be a source of power. Hence, military enlargement of Iran was seen with a positive outlook by Pakistan as it also required in the region Iran's reinforcement in dealing with a number of dire problems.

Having a cordial and stable Pakistan was also the exigency of Iran because it makes certain the security condition on its Eastern borders. Iran also appreciated the importance of Pakistan's coast as its occupation by a hostile power could cause problems for Iran, especially when it wanted to play a regional role.

The modern-day Pakistan-Iran relations are drawn not only by the historical legacy but also by the shared geographical contiguity. Pakistan and Iran share a 900km long border in Balochistan-Sistan area and have a common Arabian Sea frontage. Both countries lie astride the transit route of East-West which are also the two great energy routes of the world, starting from the Caspian Sea, the Persian Gulf, Makran Coast, and finally ending at the Arabian Sea connected to the Indian Ocean.

In current scenario, serious efforts are undertaken by both countries to overthrow constant irritants for impregnable bilateral affairs. The two sides have shown commitment to explore fields of economic interests which are of mutual benefit including gas pipeline projects and also wide scale trade. Iran, is crucial for an energy shortage state like Pakistan, owing to its natural richness in oil and gas resources.

### **Research Methodology**

This paper uses secondary sources as a primary means for research. Journal articles along with a number of e-news articles have been used to form a constructive argument. The data used was majorly qualitative, but certain quantitative and factual data (e.g., Business Recorder statistics, Pakistan Institute for Peace Studies annual report, Statista comparative analysis, Center for Strategic and International Studies reports, MOFA briefings etc.) about the countries' bilateral relationship are used to form a solid basis for this paper.

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<sup>8</sup> Pakistan Affairs by M.Ikram Rabbani

An array of theories can be used to analyze the ties and policies of both respective states in terms of political, strategic and specifically economic aspects. This paper uses economic liberalism and dependency theory to scrutinize the issues embedding in the extending the cordial partnership between Pakistan and Iran while looking at the challenges faced by them along with future prospects. The basic aim is to review the two countries historical relations and why there is dire necessity to recreate new behaviors for extracting maximum benefit and exercising potential in regional as well as international structure.

### **Economic Cooperation Organization (ECO)**

Successor to the Regional Cooperation for Development established by Iran, Pakistan and Turkey in 1964, ECO was formed in 1985 and expanded to include Afghanistan and six Central Asian Republics (Azerbaijan, Kazakhstan, Kyrgyzstan, Tajikistan, Turkmenistan, and Uzbekistan). Both countries get a significant opportunity through the RCD agreement to work closely and co-operate in many fields. The basis of this agreement were mutual abetment in social, economic, cultural, educational and other areas pinpointed at the advancement of human well-being in the particular states. The three Heads of the respective States affirmed that regional coordination was prerequisite for escalating the national development pace.

ECO has the capacity to develop into a strong political and economic alliance. Members of the ECO, which span South, Central, and West Asia, enjoy the benefits of territorial continuity, cultural homogeneity, abundant resources, common religious beliefs, and the absence of any notable border disputes.

ECO aimed at progressive removal of trade barriers and development of communications and transport links but progress has been slow. The amount of intra-regional trade is \$11 billion comprising mainly of petroleum products, which is also equal to 5.6% members' trade globally. The ECO Trade Agreement in 2003 provides for reduction of the highest tariff rates to ten per cent in five years.

The Central Asian republics now have access to international trade through Bandar Abbas on the Persian Gulf thanks to Iran's completion of the Mashhad-Sarakhs-Tajan train link with the central Asian railway network via Turkmenistan to Uzbekistan and Kyrgyzstan. The idea to link the railroads in Pakistan and Iran is still only on paper. Pakistan has not upgraded the track from Quetta, while Iran has not constructed the Kerman-Zahedan section.

The leaders of ECO countries met in Islamabad for summit meeting on 28 February 2017. The successful holding of the summit express the desire and commitment of the ten member states to transform the ECO into a vibrant regional bloc.

The meeting gave Pakistan the chance to improve relations with Iran as well. The latest visit of Iranian president was tarnished by the announcement of Kulbhushan Jadhav's detention. The idea that Pakistan is biased in favor of Iran's rival in the region, Saudi Arabia, has an impact on the diplomatic relations between the two nations. There was widespread speculation that the Iranian president wouldn't go to the summit. President Rouhani not only attended the conference but also succeeded in rallying the ECO members against US trade embargoes and travel restrictions.

According to the declaration, the leaders have realized the flaws and envision a more efficient and effective ECO, equipped with required capabilities and resources, to better serve the noble objectives of the organization.

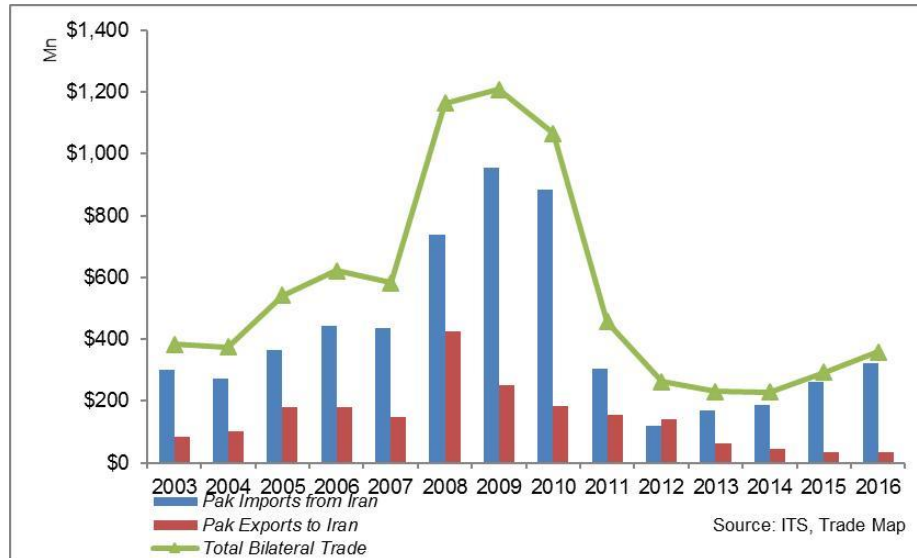
### **Bilateral Trade between Pakistan and Iran**

The top eight exports from Pakistan to Iran include grains, beef, fruit, textiles, and paper. Pakistan is Iran's eighth-largest economic partner. Oil, minerals, steel, organic chemicals, and plastic are among Iran's top exports to Pakistan. The sanctions imposed on Iran due to its alleged nuclear program by the United Nations, the US, and the EU caused a decline in bilateral commerce between Iran and Pakistan from 1.32 billion USD in 2008–2009 to 432 million USD in 2010–2011.

In order to identify and promote economic and trade relations, the two nations established the Pakistan-Iran Joint Economic Commission (JEC) in 1986. The establishment of a Joint Investment Committee, collaboration between Pakistan's Small and Medium Enterprises Development Authority and Iran's Small Industries, the creation of a sister-port relationship between the ports of Karachi and Chabahar, as well as cooperation in the areas of investment, economic and technical assistance, were among the five agreements that the two nations signed during their 19th meeting, which took place in Islamabad in December 2014.

An array of inventiveness has been directed between Iran and Pakistan at reaping the complete possibilities of trade. A Preferential Trade Agreement (PTA) was signed by both countries in 2004, which approved in 2005 and since then has been functioning. According to this contract, both

states consolidated to reduce custom duties on at least 647 marketable items to aggravate the trade flow. Pakistan accepted to proffer exception over 338 tradable products and Iran permitted 309 commodities for tariff concessions.<sup>9</sup>

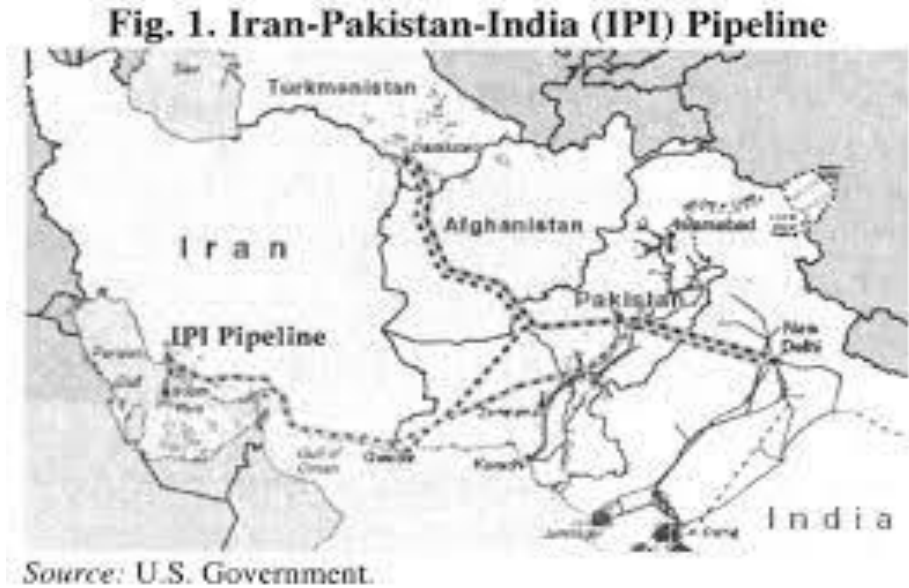


**Fig: Iran-Pakistan \$5b Trade Target Optimistic | Financial Tribune**

### Iran Pakistan India Gas Pipeline (IPI Pipeline)

The increase demand for energy and constrained the available resources in Pakistan has caused of growing population. To find solution of energy problem, Pakistan’s Prime Minister Benazir Bhutto and President of Iran Hashmi Rafsanjani signed an agreement in 1994 to construct a gas pipeline from Iran to Pakistan, afterwards Iran offered to stretch this pipeline to India in the year 1999 as an Indian bring about the concept of this project. The pipeline constituted of 2775 kilometers in length. Iran showed consent to give a loan worth \$500 million for building this pipeline which Pakistan was to be returned in a period of twenty years. Pakistan faced pressure from the US and Saudi Arabia to abandon this project. After the incident of Mumbai terrorist attacks, India discontinued the project in 2008 and signed a nuclear deal with America. In 2009, despite immense pressure by US and KSA, Pakistan endorsed to resume this project. India has re-joined the project and Bangladesh and China also manifested their interest in joining this energy export deal. The portion of pipeline located in Iran is completed while progression over the area of project in Pakistan can be hardly seen.

<sup>9</sup> F. Tribune, 2017



### **Iran's Participation in CPEC: China Factor**

This proposal is still on paper and its practical manifestations are various. The China has been subdued effect in Pak-Iran relations although its relations are quite friendly with both Pakistan and Iran. One of the largest importers of Iranian crude oil is China in the world. Moreover, it is also being granted exemptions from the sanctions of US. Michael Tanchum, a famous energy scholar, did a study according to which for the execution of energy corridors completely consisting One Belt One Road (OBOR) dream of China, it will turn out to be the vital receiver of Turkmen and Iranian oil.<sup>10</sup> So it basically means because of the energy equation between the two of them, Iran incline towards a natural partner of China. Hence, this is a crucial deciding factor in relationship of Pakistan and Iran.

Earlier, Iran had desires to become a part of CPEC which is also in interest of China and helpful in its initiative of regional connectivity. China and Iran also share same stance on the Afghan conflict. Pakistan needs to make sure that its cooperation with China employs to institute regional peace in Afghanistan in which Iran could also play an important role. Afghanistan's participation in CPEC has also been signaled by China, making the connectivity project more effectual and in due course will lead to further strengthen Pak-Iran relationship. Moreover, it will ease the trade of Pakistan with Central Asia and make Pakistan able to convert into a trade hub between the Middle

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East, South Asia, and the Central Asia by means of Iran. The suggestion to include IPI initiative in CPEC had also been put forwarded by giving the Chinese companies construction work. But this proposition has not realized due to China's trade war with the USA and Chinese attempts to avoid antagonize the USA more. However, there can be still other avenues of cooperation available among three of these countries.



**Fig: CPEC: CHINA & IRAN STRATEGIC PARTNERSHIP**

### **Pakistan Iran Relations amidst US Sanctions**

Since 2000, Pak-Iran relations on strategic front improved as compared to the 1990s when Afghanistan factor brought in many glitches to the bilateral relations. Pakistan has all along supported Iran's right to peaceful nuclear technology and during US-Iran nuclear standoff, it categorically told that it will not support any military measures nor going to give permission to the US to use its territory against Iran.<sup>11</sup> At the same time Pakistan urged Iran to pursue its nuclear program within the ambit of its international obligations. In 2009, While India voted in favor of the IAEA resolution against Iran's alleged nuclear program, to secure Indo-US nuclear deal, Pakistan abstained and acquired an explicit policy of providing absolute support to Iran over adoption of a peaceful nuclear program<sup>12</sup>; and at the international level emphasized for the

<sup>11</sup> Khan, "Towards Harmonization of Iran Pakistan Relations,"

<sup>12</sup> Tariq Osman Hyder, "Iran Nuclear Deal: Prospects and Challenges" (speech, Institute of Policy Studies, Islamabad, Pakistan, August 07, 2015); also see PTI, "India votes against Iran in IAEA Resolution," The Hindu, November, 27, 2009, <http://www.thehindu.com/news/national/India-votes-against-Iran-in-IAEA-resolution/article16894640.ece>.

amicable settlement of Iran's nuclear deadlock, according to the provisions of the Non-proliferation Treaty (NPT).

After the covert uranium enrichment program developing by Iran came to fore, it became a considerable security concern of the US and Israel. This contention between erstwhile allies made the US a deviating factor in Pak-Iran ties. The plan of Iran-Pakistan-India gas pipeline (IPI) had also perceived since a long time. However, as passing by of years, other than internal political instability of Pakistan, the USA factor was also the main reason in hindrance of project. Furthermore, the US sanctions imposed on Iran, although briefly lifted after the JCPOA, has delayed the construction of IP project evermore. There are numerous reasons to block this pipeline initiative by the US as its functionality would result in a major win for Iran in the energy exports field.

A prompt response from both sides was quite visible when Western powers lifted the sanctions in 2016. The exchange visits were commenced by Iran and Pakistan to uplift mutual attempts at all possible levels that paralyzed due to the imposed sanctions. They urged to increase cooperation in all categories including the defense. A noteworthy delegation from Iran visited the Karachi Port Trust aimed at enhancing investment in economic and marine areas, on April 2018. The head of this delegation was Minister of Roads and Urbanization of Iran which illustrated an interest in the handling of cargo transshipment alliance and through the route between the Karachi Port and the Bandar Abbas Port facilitate religious tourism.

### **Issues and Concerns**

The foremost concern in the bilateral relations are some of the divergent priorities and objectives in foreign policy of both states, especially with regard to India, the US, Afghanistan and Central Asia. Even though Iran continues its quest for regional influence, it is primarily preoccupied in safeguarding its interests in the West and in the Arab world and is considerably less focused eastwards. The second concern in the bilateral relations is the sectarian violence in Pakistan which continues to strain bilateral relations. Since 1980s, the seeds of sectarianism can be traced back in Pakistan and it has been gradually growing in the meantime.

Chabahar port, a symbol of economic and geopolitical co-operation between India and Iran .It will give India access to Afghanistan and Central Asian Republics through a sea/land route and thus decreases India's reliance on Pakistan for an overland transit route. For many in Pakistani strategic



thinkers, this would not bode well for Pakistan's strategic interests in the region.<sup>13</sup> Saudi Arabia and Iran have long been rivals. This has unleashed proxy wars and a series of conflicts between these two states for supremacy in the region.<sup>14</sup> This sort of hostility prone competitive situation is putting Pakistan in a tight corner: it is Sunni majority country having a potent Shiite minority; while Pakistan shares deep historical and diplomatic ties with Saudi Arabia, it shares a border with Iran.

The matter of stability in Afghanistan has brought together Pakistan and Iran. The emerging threat from the Daesh is a serious challenge for Pakistan and Iran both. Theoretically, if Iran and Pakistan begin a cooperative relationship in Afghanistan, this may hugely contribute to bringing an end to the 37-year long instability and hostility in that country. During the visit of Pakistan's Prime Minister to Iran back in May 2014 nine agreements of bilateral cooperation were inscribed, including those for countering terrorism and enhancing border security, these included: establishment of a High Border Commission; prevention of money laundering and financial support for terrorist groups; exchange of financial information on money laundering; exchange of prisoners. From Pakistan side, a major concern has been that Indian spy agency RAW's operatives may be using Iranian soil to their activities against Pakistani interests, and high profile arrest of Indian spy Kulbhoshan Yadav added fire to such concerns.

### **Recommendations for Prospering Ties**

The good option for Pakistan is to revamp and augment the bilateral ties with Iran while considering the regional as well as international conditions related to politics, economy and all the aforementioned factors. There are some following suggestions through adopting which can help Pakistan to make relations with Iran healthy.

The first step in improving Pakistan-Iran relations is restoring trust and confidence in the relations. For this it is important that both states reconfigure their approach towards each other. Pakistan should not see these relations exclusively through its India centric foreign policy. Iran, on the other

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<sup>13</sup> Saman Zulfqar, "India-Afghanistan Strategic Relations: Implications for Pakistan," IPRI Insight, Vol. 1, no.1 (2013): 14-22, <http://www.ipripak.org/wp-content/uploads/2014/01/insight-v1n1.pdf>.

<sup>14</sup> Ibrahim Fraihat, "Keeping Iran and Saudi Arabia From War," Foreign Affairs, May 30, 2016, <https://www.foreignaffairs.com/articles/iran/2016-05-30/keeping-iran-and-saudi-arabia-war>.

hand, must change its perception about Pakistan as strictly an ally of Saudi Arabia or Persian Gulf countries.

Iran and Pakistan must identify the low hanging fruits in their relations to improve and deepen the bilateral relations. In this, developing strong and sustained trade ties can be the stepping stone. Pakistan should take advantage to develop a compelling legal case in order to secure exemption on the IP gas pipeline issue by the US and this could be the start of a balanced way forward to adopt in Pakistan's all foreign policy choices. The Afghanistan factor has already damage enough the mutuality of interest between Pakistan and Iran and as now the both countries supports a peaceful regional settlement of the dispute, they have to work closely for bringing accord in Afghan state.

Pakistan must take command and execute its writ promptly in borders areas with the cooperation of Iran. Pakistan needs to build mutual border force for security which would aid in preventing every kind of illegal activity ranging from smuggling to trans-border terrorist activities. The suppression of sectarian ferocity strictly is another important task to work on. Sectarian violence have adversely affected almost every sphere of life in Pakistan and the trading was evidently a major sufferer due to blackmailing, ransom crimes, kidnapping, and insecurity. Pakistan has been working to eradicate sectarianism so far.

Both countries can strengthen bilateral relations by developing common and shared stances on various global issues in both political and social arenas. Along with the Muslim countries and by activating OIC, they can create a better environment in a globalized world.

## **Conclusion**

Relations between Pakistan and Iran have a tragic in past, changing dramatically over the years. At the moment, maintaining healthy relations between Pakistan and Iran has significant difficulties. Furthermore, despite being close neighbors, Pakistan and Iran have not yet reached their full economic potential. However, both nations are working to mend tense relations as they fully understand each other's significance in the region. Whether they are active or ongoing, negotiations and agreements show a willingness on both sides to advance.

The first necessary condition to strengthen Pakistan-Iran relationship is to resolve the bilateral issues domestically. To create better business community relations, to build economic adequacy at home, to develop channels of central banking and most of all guarantee the thing that external involvement will not influence the bilateral partnership. Any two-way interrelation can be impacted because of regional or international interference and politics but it is essential to manage the association in a way that it endures difficulty.

Iran and Pakistan continue to have cordial relations despite certain potentially controversial issues. The fact that Pakistan and Iran have nuclear cooperation demonstrates some geopolitical and strategic alignment between the two nations. While Pakistan's nuclear tests in May 1998 were applauded, India's nuclear tests raised concerns for Iran. Iran believed that India's nuclear tests would boost its reputation and expand its "orbit of influence." It is obvious that Pakistan wants to retain Iran on its side in order to avoid being trapped between Iran and India, two challenging neighbors.

The changing socioeconomic and political landscapes in Iran and Pakistan in the upcoming years will have a significant impact on their foreign policies.

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