

TRADE, ENERGY, AND SECURITY – POTENTIAL VENUES FOR PAK-IRAN COOPERATION

Ali Abbas*¹, Naz Dana²

¹Research Officer, Balochistan Think Tank Network, Quetta

²Graduate, Department of International Relations, BUIITEMS, Quetta

Corresponding Author: *

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ABSTRACT

Iran and Pakistan share deep rooted ties of cultural and religious fraternity. Both have maintained close ties and mutual convergence of interests, albeit not to its full potential. Iran and Pakistan were close allies of the US during most of the Cold War. Yet the dynamics altered slightly after 1979 as Iran emerged as an American rival. This at times put the two neighbors at odds especially on the issues of Afghanistan, cross border militancy, and smuggling. Notwithstanding this, the overall posture between the two neighbors has been characterized with that of increasing cooperation in trade and energy. However, the research on on-ground realities of Pak-Iran trade is limited. This study explores the extents of Pak-Iran trade potential and cooperation in the energy sector. The study's findings are based on qualitative analysis of interviews and secondary data. The analysis reveals that the informal trade volume exceeds \$5 bn which can be extended if legal channels are established. Second, there is a need for infrastructural development throughout the trade corridor in Pakistan to facilitate timely, efficient trade. Third, border markets have great potential for enhancing trade efficiency which show promise for expansion. The paper suggests a way forward for the Iran-Pakistan gas pipeline. In its conclusion the paper analyzes the bilateral security dynamics and provides a way forward for strengthening military ties especially with regards to militancy and terrorism.

Keywords: Iran, Pakistan, Trade, Energy, Cooperation, Border Security

INTRODUCTION

Iran possesses significant potential in playing a part in Pakistan's commercial, industrial, and economic development. Iran was the first country to recognize Pakistan's statehood. The two countries enjoy a long-standing proximity embedded in deep religious and cultural ties. Iran was one of the first countries to extend its diplomatic and military assistance to Pakistan in the Indo-Pak War of 1965 (Choudhary, 1974). This friendship has seen ups and down, and developing strong socio-economic ties and common interests have been hindered by cold war geopolitical dynamics, specifically after the dawn of American global hegemony (Fatima Raza, 2020):

The two countries have also taken part in joint military exercises and counterterrorism initiatives. Additionally, the establishment of textile industries in Balochistan with Iranian support in the past shows a dedication towards enhanced bilateral economic growth. The two countries possess the ability to cater to their economic needs with Iran being abundant in natural resources specially petroleum products which Pakistan has a substantial need for.

On the other hand, Pakistan's quality textile industry, surgical equipment productions and sports products and apparel can find lucrative markets in Iran. Yet, the lack of a streamlined legal trade policy between the two countries has severely limited their potential

in commercial trade and cooperation. Also, the lack of Industries that could supplement rising exports to Iran have either all suffered dire internal economic situations or have never been established in the first place, this has resulted in Pakistan running a trade deficit against Iran. Forums such as the Joint Border Trade Committee need to be strengthened and awarded greater autonomy to enable it to fulfill the growing trade needs of both the countries. On the other hand, the border markets bring promise of prosperity and financial upward mobility for the often poverty-stricken borderlands on both sides of the border. These border markets also need expanding with increasing diversity of products available for sale and purchase.

Much to the detriment of both countries, the Iran-Pakistan (IP) Gas Pipeline has faced delays in completion for a decade now. The global financial order and Pakistan's heavy reliance on multilateral donor institutions has prevented it from implementing the project which holds the potential to address a major segment of Pakistan's growing fossil fuel needs (Saira & Javed, 2022). Iran's opposition to the west makes it an unnatural but nonetheless indispensable ally in the dollar-based global monetary order. The predominance of the US dollar in the global financial and trade markets renders American banks as integral parts of the trade process which in turn will cause sanctions if business with Iran is conducted.

Although Pakistan and Iran enjoy good neighborly relations, cross-border Violent Non-State Actors (VNSAs) have negatively impacted relations on state-level. Both Pakistan and Iran need to address terrorism and insurgency within their own borders in order to prevent relations from deteriorating, as well as reduce its negative effects on trade and commerce. In the aftermath of the tit-for-tat strikes, Iran's President Ibrahim Raisi, visited Pakistan in late April. During his visit he oversaw the signing of 8 MoUs and agreements aimed at solidifying economic, social, legal, and cultural ties between the two countries (Salami, 2024). Experts also believe that Raisi's visit had geopolitical reasons as well since just a week prior to the visits, Iran had launched an unprecedented direct attack on Israel in response to Israeli attack on the Iranian embassy in Damascus. Former advisor to the Foreign Minister, Mr. Musharraf Zaidi said that the trip was an effort to

secure Pakistani support for Iran's ongoing conflict with Israel (AlJazeera, 2024). In addition to that, the Iranian President also pledged to increase bilateral trade volume from \$2 Billion to \$10 Billion within the coming few years.

Of importance is the recent Iran-Saudi rapprochement facilitated by China. Pakistan has close religious, political, and economic ties with Saudi Arabia but at the same time it is also compelled to maintain positive relations with Iran regardless of the differences. Prior to the rapprochement choosing Iran would have signaled a departure from the historical closeness to the Gulf countries enjoyed by Pakistan making it increasingly difficult to appease Iran without diplomatic and economic downsides. However, as Iran and Saudi Arabia move towards normalization of ties the balancing dynamics for Pakistan have eased. A strengthening of ties between Iran and Pakistan will unlikely incur the displeasure of the Gulf states.

1. Literature Review

The Literature on Iran and Pakistan relations are dominated by the discourse on Iran's erstwhile diplomatic support to Pakistan immediately after the latter's independence from the British Empire, the India factor, the Gulf States' factor, Pak-US ties throughout the 20th century and after 9/11, and sparse clashes on the borders between the armed militant groups, and Pakistani and Iranian security forces.

Iran was the first country to extend diplomatic support to Pakistan by acknowledging its statehood in 1947 (Alam, 2004). This fact highlights the close proximity that exists between the two nations on the state level. Iran also actively supported Pakistan both diplomatically, and to lesser extent militarily during the latter's war with India in 1965 and 1971 (Yousafzai & Shah, 2022). Yousafzai and Shah in their study on Pak Iran Contemporary Relations – Challenges and Way Forward highlight the somewhat turbulent nature of Pak-Iran relations due to geopolitical complexities and incompatible alliance systems especially after the Iranian Revolution in 1979 and the Soviet Invasion in Afghanistan. This was specifically due to Iran becoming an American foe whereas Pakistan had become a frontline state in the war against communism. Both Iran and Pakistan supported opposing factions of the Mujahideen in Afghanistan

that occasionally caused rifts between the two (Yousafzai & Shah, 2022).

This fact is also recognized by (Fatima Raza, 2020), who in her paper “Pak-Iran Relations in the Evolving International Environment” argues that Iran and Pakistan found themselves asserting on diverging positions as a result of their support to opposing factions in the Mujahideen. She is also of the belief that the Pak-US ties ultimately assert a negative impact on Pak-Iran relations as Iran has an adversarial relation with the US, while Pakistan enjoys warmer relations with it. This causes incompatibility between the two neighbors especially on the Foreign Policy front. The emerging Indo-Iranian cooperation in several fields, especially the development of Chabahar port as a competitor to Gwadar port has been an irritant in Pak-Iran bilateral ties. However, the author is optimistic about the possibility of cooperation between the two due to long standing religious and cultural affinity

In an older study, (Alam, 2004) focuses on the long-standing strategic convergences between Iran and Pakistan due to their alignment with the US and the West. Pakistan and Iran have maintained cordial relations even though they received numerous setbacks in their relations owing to the Soviet-Afghan War. Pakistan also allegedly supported Iran’s clandestine nuclear program in the late 90s and early 2000s which highlights the deep level of trust and cooperation between the two. In his paper, Alam discusses the strong bonds between Pakistan and Iran both at the lower and higher levels, recalling how General Zia declined American offer in 1984 to set up Jihadi camps in Balochistan aimed at destabilizing Iran. This reiterates Pakistan’s willingness to maintain stability in its neighboring countries as a prerequisite to security within its own borders.

Alam, however, also agrees that Iran’s increasing proximity with India has been an irritant in Pak-Iran ties – Iran normally attempts to warm relations up with India at instances where it finds Pakistan more inclined towards the Gulf States, especially Saudi Arabia, with which Iran has historically had a turbulent relation.

(Choudhary, 1974) discusses the Pakistan-Iran-India trilateral relationship. He argues that Iran has historically offered generous support to Pakistan on all fronts, many times at the cost of its relationship

with India. He stresses how in the 1965 war, Iran solidified its partnership with Pakistan by providing it with diplomatic support at the international forums, and also supplying Pakistan with arms, ammunitions, and fossil fuels to meet its energy needs in the wake of the conflict with India.

(Sial, 2015) notes the difficulties in formalizing the bilateral trade channel between India and Pakistan, which often takes place through informal channels mainly in the UAE. He also notes that Pakistan and Iran have signed multiple agreements to address cross border militancy through joint operations. Such as the establishing of a higher border commission.

The existence of Baloch ethnic groups on both sides of the border will allow a smoother implementation of development policies (Mehmood, 2023). The Pak-Iran border is indeed the least turbulent border that Pakistan has with its neighbors. In addition, the Baloch people on both sides harbor reservations against the state, most of them economic, which can be a point of convergence for initiating mutual socio-economic development projects aimed at stimulating upward social mobility.

2. Methodology

This study relies on a qualitative data collection approach harnessing both primary and secondary sources. During the study, the authors consulted previous literature on the subject to gain a holistic background of the issue. In addition, government statements, and reports by the government and news outlets were referred to. Moreover, the authors collected valuable first hand data from the Vice President and the General Secretary of Balochistan Chamber of Commerce and Industries, through semi-structured interviews which provided the authors with valuable information on Pakistan-Iran trade status and opportunities.

3. Discussion and Analysis

3.1. Geo-Historical Convergences

The two countries share an illustrious history, especially when looked at in a regional perspective. For purposes of simplicity, the two counties of Iran and Pakistan will be addressed in terms of the Persian and the Indus Valley Civilizations in this particular section only.

Pakistan’s history is an extension of the Indus Valley Civilization and subsequent Empires and States.

Unlike Pakistan, however, Iran throughout history has seen waves of non-systematic foreign rule and the Persian Civilization itself, in majority of instances throughout history, has perpetuated its rule of contemporary Iran. The rulers of the Persian Empires throughout history have been involved with South Asia through infrequent invasions, most prominently that of Nadir Shah Qajar (Kulsoom Belal, 2017).

One of the historical convergences of the two countries comes with the advent of Islam in 7th Century C.E where after the demise of Prophet Muhammad (PBUH) the Islamic Expansion under subsequent Caliphs brought both the regions under the ambit of Islam and then considered as some of the culturally rich regions of the Islamic Empire. The regions that are now Iran and Pakistan were diverse with a multitude of cultures coexisting peacefully. The cultural relics of both the regions date back thousands of years and are deemed to be some of the oldest proofs of civilization to ever exist. The regions comprising Iran and Pakistan today, have historically acted as the crossroads of Empires and Civilizations where both the countries acted as a gateway from Europe to the Far East and Vice Versa (Ayoob, 1979).

3.2. Trade Potential between Iran and Pakistan

Pakistan possesses a considerable trade potential with Iran, fueled by a number of reasons. It has access to a wide range of regional markets and commercial channels thanks to its advantageous location at the intersection of South Asia, Central Asia, and the Middle East. It's population of 240 million makes it an alluring market for imported products and services, offering several chances for commerce and business on a global scale (Masood et al., 2016). The groundwork for prospective diversification into high-value-added businesses is laid out by the country's diversified production portfolio. This includes textiles, agricultural products, leather goods, and sports equipment.

In particular, Pakistan's well-established textile sector, which is a key component of its exports, can be further modernized and to this end trade with Iran can be expanded. Other top Iranian imports such as wheat and rice can also be catered by Pakistani exports especially rice. Pakistan is projected to

harvest a projected 9 million tons of rice in the current year a percentage of which can also find their way to Iranian markets especially in the wake of rice export ban by India (Hossain, 2021). The rising information technology industry provides fertile ground for long-term growth and export potential since it is driven by a burgeoning pool of young, educated workers (R. Latif & Javid, 2016).

Pakistan offers potential opportunities for foreign direct investment, notably in fields like manufacturing, infrastructure, energy, and services. However, flow of FDI to and from Iran is not an option currently as it faces international sanctions and will ultimately suffer the fate of the Pak-Iran gas pipeline which Pakistan has failed to complete due to sanctions (Desk, 2024). It is predicted that ongoing infrastructure projects, particularly the China-Pakistan Economic Corridor CPEC, will improve connectivity and trade facilitation. Iran's potential inclusion in the CPEC or another parallel program may prove instrumental in regional trade expansion and sow the seeds of bilateral economic development and cooperation.

Yet despite these possibilities, it is important to understand that trade potential can be affected by geopolitical conflicts, security concerns, and worldwide economic condition. Pakistan has to deal with issues such a lack of infrastructure, complicated regulations, and the need for greater economic diversification (Khan & Khan, 2019). Iran on the other hand is a modestly Industrialized country with manufacturing making up 18.6% of the GDP as of 2021 (Serkland, 2021). The major Iranian agricultural products include wheat, sugar cane, milk, sugar beet, tomatoes, barley, potatoes, oranges, poultry, apples, and dry fruits. Moreover, Iran's industrial production includes petroleum, petrochemicals, gas, steel, cement, and fertilizers among many others. Much of Pakistan's energy usage is substantiated by hydrocarbon imports from the Gulf States; to that end, Iran can become a viable and a much cheaper alternative.

Pakistan's informal trade volume with Iran exceeded \$5 billion which if channeled through formal means can benefit both Iran and Pakistan's bilateral trade prospects (Fatima Raza, 2020). Yet the major hurdle in materializing this prospect is Pakistan's fear of US sanctions which it has time and again threatened to impose on any of Iran's trading partners. According

to Majyd Aziz, former president of Karachi Chamber of Commerce and Industries, some pressure groups also do not want formal trade with Iran to proceed, especially the Saudi factor (Shakil, 2023):

3.3. Pak-Iran Trade – Dynamics, Prospects and Challenges

In order to grasp a better understanding Pak-Iran trade dynamics, two interviews were conducted with officials at Quetta Chamber of Commerce and Industries (QCCI). The respondents stressed upon the importance of trade as a means of livelihood for two segments in particular namely the people of the border areas and the traders from Balochistan. Iranian products have found a lucrative market in cities across Balochistan. These goods range from edible items, plastic equipment, carpets, and hygienic products.

The respondents claimed that the bilateral trade transactions are purely informal and this is so due to international and American sanctions on Iran where formal banking channels cannot operate. Currently there are around 90 products comprising the net trade volume between the two countries. The correspondent regretted the precarious security situation of the region that has been hindering the prospects of growth, as well as the lack of storage facilities throughout the route for trade facilitation. Most of Pakistan's exports are comprised of edible items such as rice, fresh fruits, and vegetables.

Unfortunately for Pakistan, its textiles, sports gears, and surgical instruments have not as of yet found markets within Iran. If they are also exported, Pakistan's current trade deficit with Iran may be addressed. Another point raised by the correspondent was the need for establishing *free trade* between the two countries or something similar to the GST+ status between Pakistan and the EU. The respondents noted that there exists an element of distrust between the traders and customs officials. The former face constant hindrance at interprovincial checkpoints where the latter re-inspects the contents of their containers in the meanwhile rechecking the items being brought from across the Pak-Iran border. Additionally, items that are checked at the border labs are tested once again by authorities inside the country at several locations such as Multan which has been a cause of delays and inefficiency in the logistics chain.

On the brighter side, Pakistan and Iran have recently launched Border Markets where, according to QCCI officials, traders from Pakistan will find products to buy which are manufactured across Iran i.e. previously a product produced at a specific location could be acquired from that location only but after the Border Markets initiative, most of the products irrespective of their production or manufacturing location would be available at the border thus reducing the time and cost of trade.

Pak-Iran trade lacks formal financial infrastructures and none of the existing trade volume is carried through formal banking channels since Iran is under sanctions and the flow of money is strictly monitored to and from and by the FATF. In order to resolve credit borne issues, the payments are made through third parties in UAE.

3.4. The Joint Border Trade Committee

The Joint Border Trade Committee (JBTC) is a high-level meeting that takes place annually between stakeholders from both Pakistan and Iran. The Provincial Industry, Mines & Trade Organization of Iran heads the Iranian delegation whereas the Collectorate of Customs Appraisal, Quetta heads the Pakistani side. In a recent meeting on 13th and 14th January, 2023 a 39-points agreement was signed between both the parties in Quetta.

Numerous agreements and initiatives were discussed during the Quetta meeting of the Pakistan-Iranian Joint Border Trade Committee. The establishment of cooperative border markets, negotiations on lowering tariffs, combined investments for infrastructure development, and initiatives to increase and diversify bilateral commerce are important considerations. Dispute settlement, border crossing hours, and cooperation in several industries, including aviation, railroads, and fishing, were among the topics discussed during the conference. Each country reaffirmed its commitment to boosting trade and collaboration, and it laid forth detailed strategies for developing economic relations, boosting trade, and addressing trade-related obstacles. Aiming to achieve \$5 billion in annual trade, increasing the number of items in the Preferential Trade Agreement and lowering tariffs, establishing new joint border markets, and proposing joint investments by Chambers of Commerce are among the recommendations from the Joint Border

Trade Committee meeting, in addition to the major agreements. Additional suggestions include designating Transports Internationaux Routiers (TIR) borders at Gabd-Rimdan area, promoting commerce through regional exhibits, dealing with import quotas, and pursuing a free trade agreement. Along with these issues, the summit underscored the significance of joint committees for dispute resolution, longer working hours at border crossings, and cooperative endeavors in sectors including aviation, railroads, and fisheries.

3.5. The Iran-Pakistan Gas Pipeline

Initially planned to be completed by the end of 2014, the Iran-Pakistan (IP) gas pipeline has faced several disruptions in the last decade owing to increasing US pressures. The IP gas pipeline can prove to be a lifeline for Pakistan's increasing energy requirements (A. Latif, 2023). Under the deal, Iran is supposed to provide 750 million cubic feet per day of gas to Pakistan. Tehran has already completed its portion of the pipeline but work on the Pakistani side is yet to commence even after 14 years of inking of the deal.

According to sources, there were pressures on the erstwhile PPP government under President Asif Ali Zardari aimed at dissuading Pakistan from signing the deal especially from Saudi Arabia and the US. However, Pakistan went on with signing the agreement however the government changed in 2013 which brought PLMN's Nawaz Sharif, who is considered a close ally of Saudi Arabia, to power. It is suspected that PM Sharif's government was reluctant to proceed with the implementation of IP gas pipeline and subsequently shelved it (Bhutta, 2023).

Iran and Pakistan had come uncomfortably close to the prospects of legal actions by Iran at the International Court in 2022 yet Iran abstained from taking that course and has alternatively and surprisingly claimed that it is ready for yet another extension of the project; the first extension is due to expire in 2024. Pakistan's former interim energy minister Mr. Muhammad Ali claimed that Iran has urged Pakistan to complete its part of the project and operationalize it as soon as possible regardless of US sanctions as Iran is already exporting gas to Azerbaijan and Turkmenistan without any US sanctions being applied (Profit, 2023).

In 2023, Pakistan's PM Shehbaz Sharif tabled the issue at a meeting with US officials but it was rejected. In March 2024, the United States Department of State once again reiterated that it does not support the IP gas pipeline's operationalization. State Department spokesperson Mathew Miller in a press conference stated, "We always advise everyone that doing business with Iran runs the risk of touching upon and coming in contact with our sanctions, and would advise everyone to consider that very carefully" (Zaman, 2024). The US opposition is in line with its long term enmity with Iran and is also compatible with its hegemonic designs whereby it will deny other major power centers of the globe any and all opportunities that could potentially increase their national power.

3.6. Cross Border Security Concerns

On January 16, 2024 an unusual episode occurred when reports emerged of Iranian ballistic missiles and rockets landing inside Pakistan's Balochistan province which led to the death of 3 children. Iran alleged it targeted hideouts of IS-affiliated Jaish-Ul-Adl which has in the past claimed responsibilities for multiple attacks within Iran (MFAIr, 2024). Pakistan responded with its own airstrikes 48 hours later targeting what it claimed was Balochistan Liberation Front bases inside Iran. The motive behind the Iranian strikes have remained unclear. Some analysts suggest Iran aimed to project its power to transnational militants that have claimed terror attacks inside Iran, most recently at Kerman where almost a 100 people were killed during the slain Iranian General Qassem Solemani's death anniversary (Adler & Osgood, 2024) as well as a deadly attack on a police station last December in Rask (Asharq Al Awsat, 2023). The missile strikes within Pakistan could have been an extension of the rising tensions between Iran and what it calls US-backed Kurdish and Islamist groups in the neighborhood, which Iran also targeted in Iraq and Syria prior to launching attacks on Pakistani soil, thus signaling to the United States and Israel that it has the capacity to respond to non-conventional security threats.

3.7. Ambiguous Motives – Confusing Outcomes

Experts such as Asfandyar Mir, a senior expert on South Asia at the United States Institute of Peace argue that Iran's missile strikes could have stemmed from a desire to convey its displeasure at US allies in its neighborhood. Choosing Pakistan as a target could have been motivated by the fact that Pakistan grapples with serious economic challenges as well as the absence of an elected government (Mir, 2024). This could have been a motivating factor for Iran, as it may have deemed an interim government unable to retaliate effectively. However, these assessments were nullified after Pakistan launched a surgical counter-strike on separatist hideouts within Iran after 48 hours. Pakistan did not suspend diplomatic relations with Iran but downgraded them after Islamabad recalled its ambassador from Tehran while also barring the Iranian counterpart from returning. Western experts expect revisions in defense postures of both countries, yet this will feed into the increasing volatility in the region (Faisal, 2024). Pakistan and Iran would benefit if both decide not to move up the escalation ladder, resume and subsequently deepen existing ties while establishing new ones. This is especially crucial for Pakistan as it is pre-occupied with threats from across its borders with India and specifically Afghanistan.

Militarily, the strikes brought an inadvertent benefit to both sides. For Iran, the strikes projected an ability to hit targets irrespective of their location within a short response time. As highlighted by Professor Mohammad Marandi in an interview with Al-Jazeera, Iran received intelligence of the terrorist's mobilization near its border with Pakistan half an hour before the strikes took place (Al Jazeera English, 2024). For Pakistan, its proportionate response added credibility to its defensive capabilities projecting its strong commitment to retaliating against all violations of its borders. This had a desirable signaling affect towards both India and Violent Non-State Actors (VNSAs) inside Afghanistan.

3.8. Moving On

It seemed unlikely that Pakistan and Iran would commit a rapprochement any time soon, but to the surprise of many both the countries resumed diplomatic ties within a week of the strikes (Zaman,

2024). Following the resumption of ties, the Iranian Foreign Minister visited Pakistan and met high ranking officials both civilians and military pledging to restore and bolster bilateral ties. Bilateral trade continued without interruption (Times of India, 2024) throughout the tense episode which underscores the deep economic ties between the two countries.

A report by Chatham House also indicated that further escalation would be unlikely as both countries now focus on improving diplomatic ties, cross border communications, and address insurgency and terrorism within their own territories (Bajpae, 2024). With the arrival of the newly elected government in Pakistan, there were speculations that the new government will take a more rigid stance but relations may take a positive turn especially after Iranian President Ebrahim Raisi's visit to Pakistan after PM Shahbaz Sharif took oath. The Iran-Pakistan relation's trajectory is on the upward and entails an atmosphere of optimism for traders and business owners alike. The agreements signed during the late Iranian President's visit showcase a desire on part of both administrations to put the past behind, move on with a positive outlook and highlights the good intentions both countries have for each other.

The rather swift mending of relations following the strikes signals the extraordinarily strong bond between Pakistan and Iran which underlines their mutual indispensability. As mentioned in the earlier parts of this paper, both Iran and Pakistan possess the potential to meet each other's needs economically, commercially, and in the military, counter-insurgency and counter-terrorism. Therefore, the resumption of cordial ties rationally serves the national interests of both Pakistan and Iran.

4. Recommendations

The maintenance of cordial relations between Pakistan and Iran is instrumental for growth, prosperity, progress, and the ultimate national interest of both the countries. There are multiple points of convergence on which Pakistan and Iran can work alongside. The most important factor out of these is the untapped trade potential which has been subject to neglect as well as undue international pressures. Pakistan has been a culprit of the former and a victim of the latter.

In the former case, Pakistani policy makers especially those in the Commerce and Industrial policy corridors remain indifferent to the vast potential for trade expansion with Iran. This has not been possible since Pakistan's industries face an existential threat as business confidence in the country has witnessed chronic ebbs and flows. It is incumbent, especially on the Industries and Commerce Ministry to formulate economic expansion plans that are conducive to increasing business confidence in the country and to also streamline the day to day trade transactions and movement of goods in a systematic way so as to reduce unwarranted bureaucratic hurdles at least.

A starting point could be the formulation of a uniform mechanism of lab-testing imported chemical substances, such as white spirit which is imported from Iran. Once the substances are verified at the border labs, the transporters should not be required to unload the product for further testing; this will reduce both the time and cost of transportation.

Secondly, the points raised at the JBTC meetings need speedy implementation as there are several irregularities in trade, especially the lack of storage infrastructure within Pakistan. Of significant importance are article 2 which stresses on expanding Preferential Trade Agreement, article 6 which directs at establishment of new Joint-Border Markets at three locations, article 7 under which both sides pledged to make efforts towards concluding a Free Trade Agreement, article 15 which urges the expansion of Mirjava-Taftan border, article 20 which hints at the establishment of maritime clearing stations, and article 21 which relates to creating International Transit Trade stations at Mand-Pishin and Gabd-Rimdan border crossings.

In regards to Iran-Pakistan gas pipeline, Pakistan must continue to effectively lobby the United States to obtain tacit approval of the project. The difficulties Pakistan faces in acquiring American approval for the project is also a reflection of Pakistan's declining significance and bargain potential ever since the 'War on Terror' concluded in the surrounding region.

Relying on short term geopolitical benefits bearing temporary leverage instead of long term, sustainable, and self-reliant policies is a classical mistake all states should avoid.

Nevertheless, as claimed by Iranian officials, they are exporting gas to Azerbaijan and Turkmenistan without any sanctions imposed. As such, Pakistan must deliberate on a similar option and not delay the project further as it is already threatened with a fine of \$20 Billion if it fails to complete the project by 2024.

Pakistan is faced with an acute shortage of gas both at the domestic and industrial level with major industrial cities including Karachi affected by gas shortages that had been incurring daily losses up to \$125 million to business owners in 2022 (Ahmed, 2022).

Recent border tensions, although aptly neutralized, need not become a commonality. Instances such as the one on January 16 must be avoided under all circumstances. Pakistan's security apparatus is already stretched thin with a major portion focusing on Indian and Afghan borders. Clear communication, intelligence sharing, and joint-operations could prove to be keystones of regional stability which will result in a more robust and dynamic commercial environment whose benefits both Pakistan and Iran can reap.

5. Conclusion

Iran and Pakistan have historically enjoyed excellent bilateral relations. There is a need for expansion in bilateral cooperation especially in economy and energy which can help Pakistan recover from burgeoning trade deficits as well as replenish its energy starved industrial sector. To this end the trade potential between Iran and Pakistan must be leveraged and forums such as JBTC must prove not just as discussion platforms but as effective planning organs with a degree of autonomy to implement actions that converge with Pakistan's overall economic interests, of which extensive trade with Iran is a certain component. Secondly, the IP gas pipeline contains a promise of alleviating Pakistan's increasing energy burden and cases such as Azerbaijan and Turkmenistan prove that American sanctions could be avoided. The aerial strikes on targets within each other's territories underscores the potential of VNSAs in deteriorating state-level relations. It is only in congruence with Pak-Iran national interests that these elements be suppressed and dealt a death blow. The active presence of VNSAs across border regions will severely impact

mutual economic and commercial growth causing deepening distress among the already impoverished people of Balochistan and Sistan Baluchestan.

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