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## **Pak-Iran Trade Ties in the 21st Century and Future Prospects for Strong Relationships**

### **Abstract**

*In the current Age the regional mutual cooperation in different fields, such as, economy, business, trade and civic sectors is a worldwide trend. Regional trade is at its peak as compared to the past. Proximity to one another has made it possible for neighboring states to connect themselves through road and railways besides airways. In this connection, Pakistan and Iran are neighboring states and both countries have entered in different business, economic and trade bilateral agreements. The Peace Pipeline project is one of the big trade deals among many others. The current volume of trade between Iran and Pakistan is much lower than the optimum level. And this is due to international sanctions on Iran, law and order situation in Afghanistan as well as in bordering areas. Moreover, low level of trade volume is also due to religious factors and difference of sect of Iranian people and Pakistan People. The Saudi Arabian factor is also shadowing Pakistan Iran strong ties. For the promotion of trade and business between Iran and Pakistan the world powers must remove the trade barriers and other sanctions which they have imposed on Iran*

**Key Words: Pakistan, Iran, Trade, International Sanctions**

### **1.1 Introduction**

Iran and Pakistan has reassuring and protective ties since the independence of Pakistan. In the global community, Pakistan as a separate and sovereign nation was firstly recognized by Iran (Zeb, 2003). Religious affinity is main antecedent of these strong ties (Ahmad et al., 2017). Other contributory factors are geographic proximity and cultural harmony (Khan, 2014). Iran supported Pakistan against India in the wars of 1965 and 1971 (Zeb, 2003). It showed the depth of brotherhood and friendly relations between Pakistan and Iran.

Islamic revolution happened in Iran during 1978-1979 (Leezenberg, 2017). Pak-Iran relations were peaceful and progressive during pre-revolution era (Khan, 2014). Post- revolution Pak-Iran relations remained complicated and stressful due

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to Iran-USA bitter enmity (Khan, 2014). Perceptions and willing about emergence of new government in Afghanistan after withdrawal of Soviet forces accordance of Geneva Accord was also caused confusions, misunderstandings and tensions between Pakistan and Afghanistan (Khan & Ahmad, 2009).

Banuazizi (1986) depicts that Pakistan has always supported peace in the neighboring states, including Iran and Afghanistan. Because Pakistan knows that any disturbance or disorder in Afghanistan or Iran means disorder and unrest in Pakistan. Therefore, in such situation Pakistan always supported peaceful measures which are in the best interest of both of the states. Pakistan always prefer the policy of dialogue to melt the ice of coldness in relationships. In this regard Pakistan has always played a vital role in maintain peace and harmony at regional as well as international level.

## **1.2 Purpose of Study**

This study aimed to review the Pak-Iran trade ties through the history. Researchers investigated the encouraging and discouraging factors behind the trade ties. Moreover, on the basis of factual realities of Pak-Iran trade ties, researchers predicted future prospectus for strong relations.

## **1.3 Research Methodology**

To meet the purpose of this research, trade agreements, reputed research articles, books, and other published works was reviewed.

## **1.4 Pak-Iran Trade Relations**

Pakistan and Iran are two neighboring states which share almost equal religious, social, economic and cultural values. After the independence of Pakistan both states have strong

ties and cooperation in all fields of life (Khan, 2012). The geography and location of Iran as well as Pakistan support the development of good economic, commercial, trade and social relationships. These neighboring states share almost 909 kilometer common border. And both of the states are interconnected through railway track, roads and airways.

Moreover, they helped each other at the time of peace and war (Alam, 2004). Ramana (2004) argues that Iran and Pakistan also have very good relationships in the field of trade and economics. For the improvement of the cooperation and economic relationships the both states started Iran Pakistan and India gas pipeline, and later on Indian withdrawal from the deal on the will of America. The Iran Pakistan gas pipeline project is a flagship project between the two neighboring states. In the case of the fulfilment of this project, there is win-win condition for the both states. From the side of Pakistan, she can solve the problem of energy shortage and on the other side, from the Iranian side, she can earn a billions dollars revenue from Pakistan by selling the gas to Pakistan. And lastly, Pakistan can prove a regional energy transit corridor for the high needed energy states which neighboring Pakistan. So, this project is a symbol of prosperity and development for the region as well as for Pakistan and Iran.

Malik (2002) narrates that the people of Pakistan as well as the government of Pakistan consider Iran as their close friend which helps at the time of need. The people of the both states have close ties with one another. In the past, the Iranian carpet had very much importance and demand in Pakistan. The people of Pakistan loved to use the Iranian made carpet and other such goods. Similarly, on the other side, the Iranian people loved to wear the Pakistani clothes. In this way the mutual cooperation between the both states has increased historically. But the current level of the trade between the two neighboring Islamic states is much lower as compared to the past. In the past the mutual trade level was high.

Iran and the region which is currently best known as Pakistan used to have commercial and trade relations since the centuries. Before the independent of Pakistan there was cordial relationships between Iran and the Muslims of United India. They exchanged their goods through barter system (Kozhanov, 2011). After the independence of Pakistan, Iran and Pakistan entered into strong trade ties through different commercial and industrial bilateral agreements as well as through versatile regional economic and political organizations, such as RCD (Regional Cooperation for Development) which later named as ECO (Economic Cooperation Organization). Under the flag of ECO the economic and trade ties between Iran and Pakistan have entered into a new era of development, mutual cooperation, bilateral trade agreements and other cooperation in different social, educational and business fields. These agreement have removed the rift between Iran and Pakistan (Hussain, 1993).

In the 21st century the relationships between Iran and Pakistan are once again at their good position. But still there is need to improve the ties in different spheres. The current trade, economic, industrial and social relationships are not at their optimum level. There is much need of improvement in mutual cooperation and enhancement of trust (Tahir, 1977). Iran is a country which is rich in natural resources and on the other side, Pakistan needs natural resources in large quantity. In this situation, any bilateral trade agreement between Iran and Pakistan results in win-win situation for both neighboring Muslim states. But the international sanctions and pressure on Iran due to its nuclear and missile program, regional law and order situation and mutual mistrust have resulted in low level of cross border trade between Iran and Pakistan (Kumar, 2008).

Currently, the mutual trade between Iran and Pakistan is less than the worth of 1 billion dollars. This amount can be raised up to 5 billion dollar per year. But most of the time the international sanctions from United Nations as well as United States of America hinder the smooth economic and trade ties between the two neighboring states (Kaplan, 2009). Similarly, the Saudi Arabian factor is also responsible for low level of social, economic and trade relationships between Iran and Pakistan. Iran is a Shia majority country and Saudi Arabia is a Wahabi (Anti Shia) state. And Pakistan is also a Sunni majority state. In this situation, this religious sectarianism is also halting the strong cooperation between Iran and Pakistan (Cohen, 2008).

Kronstadt (2009) argues that economic relations between Pakistan and Iran developed in the late 1980' when Iran Pakistan and Turkey established Regional Cooperation Organization for mutual trade and cooperation at regional level. Later

the organization turned into Economic Cooperation organization. But the main motto of the organization is still same to develop business and trade among these regional, Muslims and neighboring states. Iran is rich in the manufacturing of carpets, whereas, on the other side Pakistan is rich in the quality production of world's best cloth. In this way, both regional states can trade with each other of mutual good. There is win-win situation in the case of trade between the two proximate Muslim states.

Pandian (2005) says that Pakistan-Iran ties are managed by joint economic commission which is established in the year 1986. It provides a useful institutional framework in the identification of sectors and areas to promote economic and commercial cooperation between the two neighboring Islamic states. This commission also arranged a periodic review to monitor the implementation of different decisions taken in this regard by the representatives of the two states. Iran-Pakistan joint economic commission met after a specific time to review the implementation on the decisions taken during the previous period.

### **1.5 Pakistan Iran Joint Economic Commission**

The economic relations between Iran and Pakistan is supervised by a joint commission known as Pakistan Iran Joint Economic Commission which was established in the year 1986. The basic purpose of this commission is to frame, to identify the areas of mutual interest and then develop a scheme for mutual trade for the welfare of both states and people living in these states. The members of the commission periodically review the decisions which have been taken for the promotion of trade and business. This commission also facilitate the investors and motivate them for cross border investment through different sources.

### **1.6 Gas Pipeline Project**

One of the lifeline project of strong relationships between Iran and Pakistan is the gas pipeline project which is commonly known as Peace Project. The peace gas pipeline project which was started initially in the year 1994 is the most important mutual agreement between Iran and Pakistan. This project on its completion will enhance the mutual trust and cooperation in different fields between the government of Pakistan and Iran.

As currently this project is under its completion phase. International economic and political sanctions on Iran have disturbed this project to a large extent. Likewise the international factor the law and order situation in Afghanistan has also affected the speed of this gas pipeline project (Pant, 2009). The peace gas pipe line has been completed from Iranian side. But on the other side, from Pakistan side it is still under construction due to lack of financial resources, weak law and order situation at western border among other reasons.

The regional security situation is largely affecting the promotion of strong economic ties between Iran and Pakistan and this is an alarming situation for both neighboring states which also shares same religious, economic and social norms. The Afghanistan factor is the prominent ones which is hindering the smooth and strong economic and business ties between Iran and Pakistan. Because business

proposers in peaceful environment. For this purpose both Iran and Pakistan have to work collectively to put an end the terrorists from bordering areas (Vakil, 2006)

Iran has second largest natural gas reserve after Russia but due to international sanctions Iran is not fully utilizing these natural resources and most of the natural resources are left untapped. Pakistan being the close neighboring states of Iran can get maximum benefit from timely completion of this peace gas pipeline. Pakistan has dire need of energy resources to fulfil domestic and industrial needs. After the completion of Iran-Pakistan gas pipeline the energy issues in Pakistan can be minimized to a large extent. Because Pakistan will get natural gas from Iran in huge quantity. The timely finish of this project will lead the both states towards win-win situation (Sahay, 2010).

### **1.7 Religion as Antecedent in Pak-Iran Relations**

Malik (2012) argues that the Pakistan and Iran's ties were at the optimum level during the year 1980's. As this was the Islamization period in Pakistan as well as Islamic revolution in Iran (1979). The Islamic revolutionary leaders and their members put an end the decades old monarchy in the Iranian state and put in power the Islamic ideological government. Similarly, in the state of Pakistan the era between the year 1977 and 1988 considers as the Islamic revolution era which converted a liberal country into the conservative country. So, having the same political system attracts the leaders of two states closer than the other states.

Qureshi (1968) explained that both the Islamic and neighboring states historically helped each other regardless of many strain events at the time of unrest and war. During the 1971 war and dismantling of Pakistan and establishment of another state separate from Pakistan, Iran supported Pakistan financially, economically and militarily. The reasons of this support although various which also help the Iran in its stability, such as, Iran felt the fear that the unrest in Eastern Pakistan and in the result the separation of East Pakistan from the mainstream land may result in the unrest in the southern part of Pakistan which may end at the rise of voice for the liberation of Baluchistan, which is also comes under the territory of Iran.

Alam (2004) explains that the bilateral relationships between the two neighboring states are anchored with the strong foundations. Also both the states have deep religious proximities. Similarly, having the same cultural and religious values on both side, the people of the both states are also very close to one another. There are number of shrines of the mystics and high personalities of the medieval Ages and people of Pakistan annually visit the shrines of such pious people. In this way, there is a bond of brotherhood and cooperation among the nationals of the two Islamic neighboring states. In the past years the ties of the both states witnessed the breakthrough improvement when the prime minister of Pakistan Nawaz Sharif visited Iran and followed by the Iranian president Hassan Rouhani. Historically the only big hurdles in the way of smooth relationships between Pakistan and India are the international sanctions as well as American pressure.

## **1.8 Benefits of Pak-Iran Friendly Relations**

Bowen (2004) explains that Iran has very much importance in the determining the foreign policy of Pakistan. As Iran has very important geo-strategic location and people of Pakistan share the common history and faith with the people of Iran, therefore, Iran is a key element in the demarcation of the lines of the foreign policy of Pakistan. The leaders of Pakistan believes that maintaining the cordial relationships with the Iranian states is good for the progress and prosperity of Pakistan as well as for the whole region. Moreover, developing good relations in the field of the economic, finance and information technology is a source of strength not only for the both states but for the rest of the region.

Quittmeyer (1979) describes that Iran is a state which is rich in natural resources, such as, petrol, gas etc. and on the contrary, Pakistan is a state which needs natural resources. And both of the state share the common border. In this situation transporting the natural resources is very easy. Pakistan can easily buy the fossil fuels from Pakistan and can save the millions of dollars transportation cost. On the other side, the neighboring states of Pakistan, such as, India and china have also dire need of energy resources. All this situation lead to the transferring Pakistan towards a regional energy transit hub.

## **1.9 Obstacles in Pak-Iran Relations**

Ali (2001) explains that Pakistan and Iran relations have been improved since the 9/11 as compared to the previous coldness in relations during the 1990's. This coldness in ties was due to the Taliban factor in Afghanistan. As everyone knows that Taliban are anti-Shia sect and Iran is purely Shia state. In this situation support to Taliban from Pakistan and recognition of Taliban government in Afghanistan from Pakistan side resulted in strain ties between Iran and Pakistan. But later on the incident of 9/11 topsy turvy the situation from altogether. America attacked Afghanistan and Taliban government came to an end. In the following years the ties between Iran and Pakistan started entering in a new phase.

Samad (1992) explains that historically, one of the prominent reason of strain ties between Iran and Pakistan is the nuclear program of Iran. Iran is facing international sanctions due to her nuclear program. In this situation, as Pakistan is the neighboring state of Iran, therefore, Pakistan is affecting due to these international sanctions on Iran. On the one side, Iran has failed to maintain good diplomatic ties with neighboring states, on the other side it has also failed in developing good economic and trade ties with international states as well as proximate states. In fact, Pakistan has played a very minor role in maintaining good ties between Iran and Afghanistan. Good ties between Iran and America are in the good interest of Pakistan. Because waving off international as well as US sanctions from Iran result in strong economic ties between Iran and Pakistan.

Verma (2007) argues that any confrontation between Iran and America or Iran and Israel will result in creation of multiple problems for Pakistan. Because Pakistan and Iran are neighboring states and a situation of confrontation between Iran and any other state will bring hundreds of thousands refugees in Pakistan like in 2001 when US attacked Afghanistan. Furthermore, unrest in Iran is not in the interests

of Pakistan because a condition of war in the neighbor disturbs the peaceful situation in Pakistan. Pakistan and Iran have multiple opportunities to come close in different sectors, such as, both are Islamic states, neighbor states and can develop good economic and social ties due to same religious and social values.

### **1.10 Conclusion**

In the 21st century the developed states of the world have adopted the policy of conservatism through which they have restricted their trade ties with the developing and third world states. As a result the regional trade agreements have been evolved. As Pakistan and Iran are neighboring states which share common border. Historically both states had strong economic, social, commercial, industrial and political relationships. These two neighboring states have made different bilateral trade agreements, like gas pipeline, petro products etc. after the year 2001 the trade ties between two states again entered into a new phase after a long time. Currently, both states are mutually cooperating with one another in the fields of industry, education, large scale industry, trade, commerce, cross border investment and civic development. After the Iranian Revolution of 1979 the international forces shadowed the development of strong trade ties between Iran and Pakistan. Because due to sanctions from UN and America Pakistan could not maintain strong commercial and trade ties with Iran. Moreover, weak law and order situation in Afghanistan has also made it difficult for Pakistan and Iran to complete the projects like Peace Pipeline. At the end there is need of mutual agreements to control the situation of chaos at bordering areas.

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