

# Associate Paper

23 March 2017

## **Pakistan-Iran Bilateral Relations: More Growth, But Not Close Part One: Afghanistan, India and China**

**Dr Claude Rakisits**  
*FDI Senior Visiting Fellow*

### **Key Points**

- Pakistan and Iran have worked together on bringing stability to Afghanistan, although they do not see eye-to-eye on a future role for the Taliban.
- India's financial involvement in the development of the Iranian port of Chabahar and the roads that link it to Afghanistan could potentially deepen Tehran's relationship with Islamabad and Beijing.
- The 2015 "Iran Deal" has opened the door to some promising economic projects between Iran and Pakistan which will be of benefit to the two countries and the region.

### **Summary**

Pakistan-Iran relations have been complicated since Partition, and even more so since the 1979 Iranian Revolution. The two countries have worked together on trying to bring stability to Afghanistan, although they do not see eye-to-eye on a future role for the Taliban. There is much potential in their relationship, especially with regard to the export of energy. Cross-border security issues in Balochistan and the frequent massacre of Shiites in Pakistan continue to be irritants in the relationship. China's relationship with both will have a critical role in bringing the two closer together but, while bilateral relations will continue to expand, they will never be as close as Pakistan's relations with Saudi Arabia.

## Analysis

It has been well over a year since the “Iran Deal” – officially known as the Joint Comprehensive Plan of Action (JCPOA) – between Iran and the P5 + 1 (US, China, Russia, France, UK and Germany, was signed in July 2015 and just over a year since the breaking of bilateral relations between Iran and Saudi Arabia following the execution of a prominent Saudi Shiite cleric on terrorism charges. Given the significance of these two events and their potential impact on Pakistan, it is an opportune time to examine the bilateral relationship between Islamabad and Tehran and to discuss where it may be heading.

Pakistan will progressively deepen its relationship with Iran while at the same time maintaining a very close relationship with Saudi Arabia, with which it has had long and deep ties, but which is also Iran’s principal strategic rival in the region. Moreover, Pakistan’s approach to Iran will also be informed by its relationship with China, its interests in Afghanistan and Central Asia, and its ongoing enmity with India. The leaders of Pakistan will also be mindful of the country’s domestic factors, notably sectarian differences and the continuing unrest in Balochistan, when proceeding with the deepening of their relationship with Tehran. All in all, the handling of the bilateral relationship will require agility, careful diplomacy and patience. If properly handled, however, a deepening of Pakistan-Iran relations would be in both countries’ (and the region’s), long-term interests, without necessarily threatening Pakistan-Saudi ties.

This paper will be divided into two parts, each examining key drivers of the bilateral relationship. Part One will cover Afghanistan, India and China. [Part Two](#) will examine Saudi Arabia and Balochistan. Each of these drivers will have a different impact on how the bilateral relationship will ultimately develop.

### ***The Afghanistan Angle***

Although there was no co-ordination on how they should respond to the Soviet invasion of Afghanistan in December 1979, Iran and Pakistan nevertheless saw eye-to-eye on this issue – at least in the early days. A few weeks after the invasion, the Iranian foreign minister stated in unequivocal terms that ‘we are the most concerned nation about the situation in Afghanistan. We cannot tolerate this Soviet invasion.’<sup>1</sup> Both countries now had Soviet troops on their respective borders. By the mid-1980s, however, Iran had become less engaged in the Afghan conflict and this bred Iranian suspicion about Pakistan’s end game in Afghanistan.

There were two reasons for that. First, Iran was focussed on the costly war with Iraq and therefore had less time and resources to spend on the Afghan conflict. Second, the bulk of the *mujahideen* (freedom fighters), were Sunni, with their tribal bases in the south, east and north of Afghanistan. There were seven groupings of moderate Islamists and Muslim fundamentalists based in Peshawar, Pakistan. The Pakistani army intelligence kept a tight

---

<sup>1</sup> Vatanka, A., *Iran and Pakistan – Security, Diplomacy and American Influence*, New York: I. B. Tauris & Co. (2007), p. 168.

control over the distribution of the funding that was coming principally from Saudi Arabia.<sup>2</sup> Four smaller Shi'a groups were based in Iran, but they did not have access to as substantial amount of funds and weapons. Moreover, these latter groups were less united and the divisions among them were often deep.<sup>3</sup>

Pakistan's role as a "frontline state", host to three million Afghan refugees and provider of safe havens for the *mujahideen*, was crucial to Washington's plan to have Pakistan and Saudi Arabia together become the south-west pillar of its strategic scheme to block any Soviet move towards the Indian Ocean.<sup>4</sup> It was this American policy, the "Carter Doctrine", which kick-started the deep relationship between Pakistan and Saudi Arabia, one which later would have far-reaching negative consequences for Pakistan's polity. But it was a relationship which dovetailed nicely with General Zia's Islamisation programme at home. The ever tightening Pakistani-Saudi relationship would have an impact on Pakistan-Iran relations further down the road.<sup>5</sup>

Although the Americans distrusted the Iranians and their motives in the region, they welcomed Pakistan's relationship with Teheran because it helped to keep the Iranians engaged on the Afghan issue. Moreover, and despite the animosity between Iran and the US, Washington did not want to see a weakening or even the break-up of Iran because this would facilitate Moscow's perceived drive to reach the shores of the Indian Ocean and establish a warm-water port, a key concern of Washington in those days<sup>6</sup> and a narrative in which Pakistan had a crucial role to play.

In the early days of Iran's involvement in Afghanistan, two issues were of greatest interest to Tehran then and, importantly, remain so today. First, Iran wanted to maintain, if not increase, its influence in western Afghanistan. This it did by supporting the *mujahideen* based in Iran and the local warlords over the Afghan border, such as Mohammad Ismail Khan in Herat. The second issue was promoting the interests of the Shiite community, particularly the Hazaras. Unfortunately, these two Iranian interests clashed with those of Pakistan. Following the departure of the Soviets from Afghanistan in 1989 and the end of the subsequent, bloody civil war which lasted until 1996, the Taliban – a Pakistani and Saudi-backed Pashtun militant group – eventually took over the country, having effectively defeated the other *mujahideen* groups. The defeated groups, which were in an ever-changing loose coalition of Tajiks, Uzbeks and Hazaras called the "Northern Alliance", were supported by India and Iran.<sup>7</sup> Those constituent elements of the former alliance are, on the whole, still supported by India and Iran today.

---

<sup>2</sup> Along with China, Saudi Arabia contributed some US\$250 million in military aid to the Afghan fighters. *The Economist*, 11 May 1985.

<sup>3</sup> Vatanka, pp. 185-90.

<sup>4</sup> *Far Eastern Economic Review*, 11 December 1984, p. 18.

<sup>5</sup> By the mid-1980s, the number of Pakistani military personnel reportedly stationed in Saudi Arabia was around 40,000 (Vatanka, p. 179).

<sup>6</sup> 'US Policy toward Iran', *White House Memorandum*, MSC/ICS 402010, 11 February 1980, cited in Vatanka, p. 169.

<sup>7</sup> Alam, S., *Iran-Pakistan Relations*, Strategic Analysis, Institute for Defence Studies and Analyses, Vol. 28, No 4, (2004), p. 537.

During their rule, the Taliban imposed their harsh and retrograde Salafist version of Islam, which included repressing the Shiite community. Even today, after having been ousted from power in October 2001 by a coalition of Western forces, the Taliban continue to adhere to those same archaic religious values. The Taliban has been conducting an [increasingly successful insurgency](#) against the Western forces, significantly reduced since 2015, and the Afghan security forces. Were they to return to power – alone or as part of a coalition, they would most likely try to again impose their version of Islam. That would be an outcome that Iran would not welcome.

In addition to the points discussed above, Iran has a deep interest in the economic potential of Afghanistan, both as a market for its energy and as a transit route for the sale of energy to Central Asia and China.<sup>8</sup> Iran signed an agreement with Afghanistan in 2011 for the export of energy to that country. In 2012, Afghanistan was Iran's fourth-largest trading partner, having exported some US\$2 billion worth of energy to Kabul.<sup>9</sup> Given Iran's political and economic investment in Afghanistan and its legitimate strategic and defence interests about the future of Afghanistan, Iran must eventually be brought into the Quadrilateral Coordination Group (the US, China, Pakistan and Afghanistan), which is the framework set up to move forward the stalled Afghan peace and reconciliation process. This is critical because, unless it is part of the peace process, Iran will have no stake in the outcome, and, therefore, no interest in ensuring that it is successfully implemented.

### ***The Indian Reach***

Iran's desire to deepen its economic involvement in Afghanistan will have been given a major impetus with its signing in May 2016 of twelve agreements with India, including one which involves the development of the port of Chabahar, on the Gulf of Oman. The Chabahar deal commits [India to invest](#) immediately US\$500 million in the Iranian free trade zone. Prime Minister Modi also vowed to spend an additional US\$2 billion to equip Chabahar with [roads and railways](#) that would head north to the Afghan border. While this Indian financial commitment is commendable given that the building of the infrastructure would benefit both countries, if not the whole region, it is also a known fact that India is not awash with funds. In recent years, it has had to seek major funding from [China](#) and [Japan](#) to develop its own decrepit infrastructure. So, whether this becomes a reality is a moot point. Still, the Indians have an additional impetus to proceed with this large project given that Afghanistan and India signed a Strategic Agreement in 2011 which [brings the two countries closer](#) together and provides some sense of long-term certainty with the provision of training, equipping, and capacity-building programmes.

But Iran is not putting all its eggs in the Indian basket. On the contrary, it is keen to get more players involved financially in the development of the Chabahar port, notably Pakistan and China.<sup>10</sup> Wider external involvement in this project is [now easier](#) with the lifting of the

---

<sup>8</sup> Barzegar, K., 'Iran's Foreign Policy in Post-Taliban Afghanistan', *Washington Quarterly*, Vol. 37, No 2, (2014), pp. 120-22.

<sup>9</sup> Barzegar, p. 121.

<sup>10</sup> As a matter of fact, according to Iranian officials, [Pakistan was first approached](#) for the development of Chabahar.

sanctions against Iran following the signing of the JCPOA in 2015. Also, Iran would not want to jeopardise its long-term relationship with Pakistan and China over a project that India may not be able to deliver on. It is important to remember that India has been sitting on the project since 2003 and nothing has happened in 13 years. But, regardless of which countries ultimately get involved, the aim of the Iranian leaders' is to turn Chabahar into an economic hub which could benefit the Middle East, South Asia and Central Asia.

### ***The China Connection***

Although China is presently involved in developing the port of Gwadar in Pakistan, some 70 kilometres along the Indian Ocean coast from Chabahar, as part of its massive US\$46 billion investment in the China-Pakistan Economic Corridor (CPEC) project, Beijing may also be interested in participating in the Chabahar project.<sup>11</sup> For geostrategic reasons, China's involvement in that project would prevent India from having a monopoly in the development of Chabahar and getting a toehold in south-west Asia. Moreover, given how China's economy compares so much more favourably than India's in size, Beijing could easily outspend New Delhi on this project and actually deliver on its contractual commitments, something that India cannot guarantee. For practical reasons and, given the proximity of the two ports, Chabahar and Gwadar could complement each other and eventually be a critical hub of economic activity for the region.

If nothing else, Chinese and Pakistani involvement would outflank India and prevent it from breaking out of the South Asia strategic space. So, all in all, one should not be surprised if, indeed, China did get involved in the Chabahar project, as it would be another building block in Beijing's "One Belt, One Road" project that links China with South and Central Asia and beyond. Participating in the project would also fit China's overall policy of developing its bilateral relationship with Iran. It is generally not known, but China was a key player in the JCPOA negotiations, convincing the Iranians to make concessions on their nuclear programme. There is a bilateral relationship which has a lot of potential for growth in many fields, especially in defence and trade and such developments would be good news for Pakistan.

Another important reason why China could get involved in the Chabahar project is its [financial involvement](#) in the construction of the 1,800 kilometre-long Pakistani gas pipeline to join up with Iran's already-completed end of the pipeline. The US\$7 billion project, which was first conceived in the 1990s, was meant to connect Iran's giant South Pars gas field to India via Pakistan, but India pulled out of the project in 2009, citing security and cost reasons.<sup>12</sup> The project has been dormant for years for a number of reasons, including due to the financial sanctions imposed on Iran because of its nuclear programme.

---

<sup>11</sup> For a good discussion comparing Gwadar to Chabahar, see: M. Daim Fazil, '5 Reasons Gwadar Port Trumps Chabahar', *The Diplomat*, 9 June 2016. <http://thediplomat.com/2016/06/5-reasons-gwadar-port-trumps-chabahar/>.

<sup>12</sup> Munir, M., Ahsan, A. and Zulfqar, S., 'Iran-Pakistan Gas Pipeline: Cost-Benefit Analysis', *Journal of Political Studies*, Vol. 20, No 2, (2013), pp. 161-78.

### ***Economic Links***

According to the Pakistani Minister for Petroleum and Natural Resources, the Iran-Pakistan gas pipeline project will be [completed by 2018](#). Upon completion, it will bring much-needed relief to [energy-starved Pakistan](#). Moreover, it has been suggested that once this pipeline – coined the “peace pipeline” – is fully operational, it could bring up to US\$500 million to Islamabad’s coffers.<sup>13</sup> Needless to say, that would be a [major boost](#) to the present low level of bilateral trade which is estimated to be only about US\$1 billion a year, down from US\$1.32 in 2008-09. It is worth contrasting these low figures with the US\$4 billion in bilateral trade [between Pakistan and Saudi Arabia](#), and the US\$4 billion in remittances that Pakistani workers send back to Pakistan annually. On an official visit to Pakistan in March 2016, Iranian President Rouhani and Prime Minister Nawaz Sharif signed an agreement [to increase](#) annual bilateral trade volumes to US\$5 billion by 2021. Even with the US, UN and EU sanctions against Iran lifted, it is difficult to imagine that the two countries will achieve this highly ambitious target within five years given the low level of bilateral trade today. The agreement complements the previous 2004 [Preferential Trade Agreement](#) with the aim of signing a free trade agreement between the two countries in the near future. Deepening defence relations would be another objective that both countries would like to achieve in the post-JCPOA period.

### ***Conclusion***

As Afghanistan became the battle ground for regional and external players, including China and Saudi Arabia, Pakistan’s relations with Saudi Arabia significantly deepened. That, of course, would have an impact on Pakistan-Iran relations. Afghanistan provides an additional source of friction in that Iran is keen to maintain its influence in the west of the country and would not welcome the return to power in Kabul of the Pakistan-friendly, anti-Shiite Taliban.

Given China’s increasing importance in the region, including in the implementation of the One Belt, One Road programme, the relative importance of the US will diminish accordingly. That, too, will help bring the two countries closer together. Even so, the target of boosting the value of bilateral trade to US\$5 billion within five years appears overly ambitious.

Even though Iran may be geographically close to Pakistan, Islamabad’s relations with Saudi Arabia are much tighter and will remain so for the foreseeable future. The Saudi-Pakistan relationship, together with the implications of the situation in Balochistan province, will be examined in [Part Two](#) of this paper.

\*\*\*\*\*

---

<sup>13</sup> Pant, H.V., ‘Pakistan and Iran’s Dysfunctional Relationship’, *Middle East Quarterly*, Vol. 16, No 2, (2009), p. 49.

\*\*\*\*\*

**About the Author:** Dr Rakisits is Honorary Associate Professor in Strategic Studies at Deakin University. He is also Senior Fellow at Georgetown University's Centre for Australian, New Zealand and Pacific Studies and Director at [Politact](#), an advisory consultancy firm, both in Washington DC. His principal research interests are Pakistan and Afghanistan. He has almost 30 years of professional experience and knowledge in defence and strategic issues, intelligence and international affairs. A/Prof Rakisits has taught at universities in Australia, Canada, the United States and Switzerland. He writes and comments regularly for Australian and international media. He visits Pakistan on a regular basis.

\*\*\*\*\*

*Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.*

Published by Future Directions International Pty Ltd.  
80 Birdwood Parade, Dalkeith WA 6009, Australia.  
Tel: +61 8 9389 9831 Fax: +61 8 9389 8803  
Web: [www.futuredirections.org.au](http://www.futuredirections.org.au)