

# **Rising Iran: Implications for the Middle East and Pakistan**

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## **Abstract**

*The Nuclear Deal of 2015 has proved to be a catalyst for Iran to regain its lost preeminence in the Middle East. It has helped end its international isolation, revive its economy and allowed it to play a more dominating role in the region. Its political, economic and military rise has led to an assertive role impacting the unfolding events in the region. Presently, the entire Middle East is in turmoil and Iran, being in the centre having strong potential and backed by favourable regional and global security environment, is undoubtedly the rising power of the region. How this rise would impact the region in general and Pakistan in particular, would depend on how these entities perceive and react to this rise.*

**Keywords:** Rising Iran, Iran's Assertive Role, Regional Dynamics, Regional Implications.

## **Introduction**

Iran's sense of pride and nationalism is manifested by its powerful history, geopolitical strength and strong leadership. Iran became an anti-Western state after the Islamic Revolution of 1979, which led to an unrelenting anti-US and anti-Israel stance. Iranian relations remained severely restrained with the West, especially the US and its regional allies during 1990s and further deteriorated when its disputed nuclear programme made headlines across the world in 2002. Iran was declared as an 'axis of evil' along with Iraq and North Korea by the Bush Administration. Moreover, Iran's relations with the West hit the lowest ebb when Mahmoud Ahmadinejad became the President of Iran in 2005.

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Consequently, Iran was thrown into international isolation and faced crippling economic sanctions.

After a reformist, Hassan Rouhani became the President in 2013, many a positive changes began to occur which led to a thaw in the frozen relations with the West. Eventually, the crisis in Iraq, civil war in Syria, the rise of Islamic State (IS) after the Arab Spring (2010-11), bloodletting in Yemen and doldrums in Iranian economy coupled with several other strategic maneuverings in the region resulted in the diplomatic resolution of the contested Iranian nuclear programme in July 2015. These developments opened new avenues for Iran to restore its lost image and assert its power in the region by focusing on its economy besides preserving its strategic interests in the Middle East.

This paper endeavours to look into the rise of Iran after the nuclear deal, having far-reaching impacts in political, economic and military sphere, and its impact on the Middle East. The paper also looks into the impact of the rise of Iran on Pakistan since both countries share long border and are important players in the regional affairs.

## **Theoretical Framework**

Amid changing dynamics of the post-Cold War international order, Barry Buzan and Ole Waever presented the Regional Security Complex Theory (RSC). It deals with regional security threats faced by majority of the proximate states, which are apprehensive of each other, causing implacable security dilemma by utilizing their maximum resources. Thus, such group of neighbouring states forms a regional security complex within a specific region whose primary security concerns are linked together so closely that the security and insecurity of each state depends on those of its neighbouring states. According to the RSC, despite the modern sophisticated communications, the security threats proliferate promptly within the specific region. In simple words, it means that neighbours have more problems with each other than with non-neighbors. Yet the processes of securitization and de-securitization of states within a region are intertwined with each other in a way that eventually leads to security interdependency. Buzan and Waever define the security complex as “a set of units [states] whose major processes of securitization, de-securitization, or both, are so interlinked that their

security problems cannot reasonably be analysed or solved apart from one another.”<sup>1</sup>They have expanded the security out of political and military sectors by introducing securitization and de-securitization to determine the regional security complexes.<sup>2</sup>

Therefore, RSC theory is relevant to the rise of Iran in the unpredictable security dynamics of the Middle East where security complex interdependency does not promote cooperation rather provoke confrontation. The patterns of enmity are more prominent than the patterns of amity in the Middle Eastern security complex owing to ethnic, cultural, religious, sectarian, political and even civilisational diversities. The presence of world’s largest proven deposits of oil and gas has further securitized this already diverse region, eventually worsening the paranoid threat perception among the regional stakeholders. The existence of politically diverse and mostly totalitarian regimes further obscures the fragile and deteriorating regional security complex.<sup>3</sup>

### **Contemporary Regional Security Dynamics**

Owing to its geostrategic position and rich-energy resources, the Middle East is considered to be the most important region of the world. Presently, the Middle East is facing an inescapable security quagmire due to instability, chaos and disorder caused by the perennial Palestine dispute, the US intervention in Iraq, the incessant saga of Iranian nuclear programme, foreign intrusion in the indigenous Arab Spring, mushrooming sectarian tension, Kurdish nationalism, the sudden rise of ultra-extremist IS, internally displaced persons, refugees, interfaith disharmony and the unending strategic and ideological rivalry between Iran and Saudi Arabia. The major actors of the contemporary regional security complex in the Middle East are the US, NATO, Russia, Iran,

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<sup>1</sup>Barry Buzan and Ole Waever, *Regions and Powers: The Structure of the International Security* (Cambridge: Cambridge University Press, 2003), 44.

<sup>2</sup>Maris Andzans, “Securitization in Defining Regional Security Complexes: A Case Study of the Baltic States (2004-2013),” Rigas Strandina Universitate, [www.rsu.lv/eng](http://www.rsu.lv/eng)

<sup>3</sup>Ebru Vural, “Middle East as a Regional Security Complex: Constitute and Changes in Turkish Foreign Policy under the JDP Rule,” Ankara: Middle East Technical University, December 2010.

Saudi Arabia, IS, Hezbollah, Hamas, Al-Nusra Front (al-Qaeda), Kurd fighters and the Houthi rebels.

The contemporary security complex in the Middle East can be looked in three ways: domestic, regional and international. At the domestic level, among the major issues grappling the Middle Eastern countries are sectarian civil wars (Iraq, Syria, and Yemen), sub-national conflicts (Iran, Syria, Iraq and Turkey), economic stagnation, armed militias, and ethno-religious quagmire, refugee crisis, political chaos, weak and fragile central government, war-affected traumatized societies, inexhaustible terrorism, religious extremism, problems of good governance, massive corruption and mounting toll of civilian casualties.<sup>4</sup>

At the regional level, the far-reaching Arab Spring has pushed four Arab countries — Syria, Iraq, Libya and Yemen — into the ranks of failed state. Also, the rise of IS has emerged as the worst radical threat to the region's modern history, challenging the regional political order by wiping out the territorial borders and spiralling beyond the regional borders to the western Europe. The Syrian crisis, Iranian nuclear programme and the thirst for rich hydrocarbon resources have dragged former Cold War rivals to directly interfere in the domestic and regional affairs of the Middle East. The US military presence in Iraq and Syria, its repeated air-strikes on IS targets and Russian supports to the Bashar al-Assad regime show an unbreakable nexus with the regional security matrix scrambling beyond the Middle East and intertwining with the international security. The US-led coalition has launched military strikes against IS in Syria and Iraq since 2014. Russia jumped into the Syrian crisis by targeting anti-Assad forces in 2015.<sup>5</sup> IS outreach to the European capitals testifies the extra-regional dimensions of the Middle Eastern regional security complex as IS has claimed responsibilities of the catastrophic terrorist attacks in Paris (November 2015) and Brussels (March, 2016).

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<sup>4</sup>Khalid Rahman, "International Factors Affecting the Middle East: Trends and Implications," *Policy Perspective*, Institute of Policy Studies Islamabad (Jan-June, 2008), 5: I.

<sup>5</sup> Ashley Fantz, "Which nations are attacking ISIS?" *CNN*, December 2, 2015.

The Middle East has been in a relentless conundrum since the US invasion of Iraq in 2003 as the then Secretary General of the Arab League, Amr Moussa presciently warned the US that “You will open the gates of hell.”<sup>6</sup> Superpower interventions in Afghanistan and Iraq, coupled with the so-called Arab Spring and the subsequent rise of IS have been strategic blessings for Iran to assert its military as well as economic muscles in the Middle Eastern Security Complex. While the Arab Spring has caused socio-political hurricane across regional capitals, the subsequent rise of IS coupled with diplomatic resolution of the decade-old Iranian nuclear programme has provided breathing space to Iran’s strangulated economy and has enabled Iran to take a commanding position in the region. Ironically, emergence of IS has dragged Iran and the US on the same strategic page. Not surprisingly, different international and regional organizations in the Middle East such as the Organization of Islamic Cooperation (OIC), Arab League (AL), Gulf Cooperation Council (GCC) and Council of Arab Economic Unity have not been successful in addressing the highly complicated security dynamics of the Middle East. Furthermore, the surprise announcement by Saudi Arabia to form a 34-state military alliance including Pakistan to battle terrorism and extremism has profoundly raised the hackles in Tehran.<sup>7</sup>

The military alliance of 34 Sunni-majority states further obscures the incomprehensible security situation of the Middle East since Saudi Arabia along with its regional allies (UAE, Kuwait, Qatar, Bahrain, Egypt, Jordan, Morocco, Sudan and Turkey) is already fighting against Iran-allied Houthi rebels in neighbouring Yemen. Unresolved bilateral and multilateral conflicts, cultural-political gaps and lack of trust led the regional actors to the traditional zero-sum politics.<sup>8</sup>

In the existing RSC of the Middle East, Iran and Saudi Arabia have clashing objectives impacting the greater Middle East including Pakistan, Afghanistan and Central Asian Republics. The Arab Spring

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<sup>6</sup> Munir Akram, “The gates of hell” *Dawn*, (Islamabad), January 22, 2014.

<sup>7</sup> Ahmed Foud, “What’s Saudi’s new Islamic coalition relay up to?” *Al-Monitor*, December 22, 2015.

<sup>8</sup> Zeev Maoz, Emily B. Landau and Tamar Malz, ed., *Building Regional Security in the Middle East: Domestic, Regional and International Influences* (London: Frank Cass Publishers, 2004), 79.

resulting in popular uprisings and bloody civil wars has shaken the political, socio-economic, religious, cultural and ideological landscapes of this region, creating a political space for the obscurants like IS and al-Qaeda to further their political agenda. In this chaotic political and strategic environment, Iran seems to be playing its cards well by controlling the reins of Baghdad, Damascus, Sanaa, and Beirut as well as of Manama to some extent.

## **Rise of Iran**

Since its Islamic Revolution, Iran has faced many regional and extra-regional threats and struggled to generate a comprehensive strategy to revive its historic civilizational prestige in the region. Iran has adopted a coherent defensive posture to absorb domestic, regional and international pressures while keeping an eye on region's shifting geopolitical situations. The strategic changes in the region after the fall of Saddam and Taliban regime heralded a golden opportunity for Iran to assert its regional clout to fill the regional vacuum. No country benefited more than Iran from the US invasion of Iraq, allowing it to eventually emerge as a regional power.<sup>9</sup> The fall of Saddam regime in Iraq, led to the Saudis fear that Iran would use its sectarian influence to consolidate its regional sway in the wake of the US withdrawal. The Saudi ruling dynasty holds President Obama responsible for paving the way for Iran to return as a major regional player in the Middle East by inking a nuclear deal that rehabilitated its heavily-sanctioned economy.<sup>10</sup>

Paradoxically, the current regional strategic landscape compels the US to get closer to Iran than any other regional power, knowing that its regional interests converge with those of Iran more than diverge. The US has realized this strategic reality after the complete failure of its policies of intervention and regime change in the Middle East since its invasion of Iraq in 2003 to its involvement in Libya on humanitarian grounds. The US geopolitical influence in the Middle East is descending with the ascending influence of Iran. Consequently, the recent changing environment in the region has ushered in a new era for Iran's political,

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<sup>9</sup>Pierre Tristam, "Persian Paradox: Iran as a Regional Power," *Top 10 Middle East Stories of the Decade*, [www.middleeast.about.com](http://www.middleeast.about.com)

<sup>10</sup>"US politicians support move to Saudis over 9/11," *Dawn*, (Islamabad) April 19, 2016.

economic and military rise, backed by the Russian political and military support and Chinese economic cooperation.

### *Political Rise*

Iran is ruled through an institutionalized theocracy that includes elected (President, Parliament, and Assembly of Experts) and unelected institutions (Supreme Leader, Head of the Armed Forces, Head of Judiciary, Expediency Council and Guardian Council) where the Supreme Leader occupies the most dominating position<sup>11</sup> Comparatively, Iran has multiple edges over its regional rivals: the only non-Arab country in the region with different cultures and languages; a well-resourced regional power; a state with a population of 80.8 million, larger than the combined population of all the Gulf states.

However, the 2003 US invasion of Iraq and the resulting collapse of the Ba'athist regime have allowed Iran to play a more influential role in the region while the Arab Spring has proved to be a game changer for Iran with the overthrow of potentate Arab rulers. These developments have paved the way for Iran to pursue a more assertive foreign policy in the Middle East.<sup>12</sup> Before the Arab Spring, Iran had also attempted to make inroads in the Shiite populations of Qatar, Kuwait, the UAE and Saudi Arabia, one way or the other. The Shia-majority but Sunni-ruled, Bahrain was the first target in continuation of the Arab Spring in late 2010. Bahrain Shia majority opposition protests against the Sunni ruling dynasty started in early 2011. The GCC led by Saudi Arabia openly accused Iran of stirring up the uprising in Bahrain and intervening by sending troops to assist the ruling Sunni dynasty from the Shiite *intifada*.<sup>13</sup>

However, the Iranian regime denied the Saudi allegation as Iranian Supreme Leader Ayatollah Ali Khamenei stated: “We continue to support any nation or group, anywhere in the world that opposes the Zionist regime [Israel] The ruler of the island of Bahrain says that Iran

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<sup>11</sup> “Guide: How Iran is ruled” *BBCNews*, June 9, 2009.

<sup>12</sup> “The rise of Iran as a regional power: Shia empowerment and its limits,” *NATO Review* 2016.

<sup>13</sup> Brandon Friedman, “Battle for Bahrain: What one Uprising Meant for the Gulf States and Iran,” *Word Affairs*, March/April 2012.

interferes in their internal affairs... had we interfered, the conditions would have been different.”<sup>14</sup> Saudi Arabia firmly believes that Iran is backing Shia militants in its eastern oil-rich Qatif province. Saudi Arabia also accuses Iran of supporting the Shia Houthi militants in Yemen where it is getting frustrated over its seemingly failed military operation, which has cost billions of dollars to its budget deficit economy.<sup>15</sup> Simultaneously, Iran has severely censured Saudi high-handedness towards its Shia minority, resulting into a major diplomatic crisis after Saudi Arabia executed its vocal Shia cleric Sheikh Nimr al-Nimr in July 2015. Iran openly supports the beleaguered Assad regime in Syria and Palestinian resistance groups against Israel.<sup>16</sup> The influential commander of Revolutionary Guards Al-Quds Force, General Qasseem Soleimani openly supports governments in Syria and Iraq by patronizing and controlling almost all the Shiite militant proxies in the Middle East.<sup>17</sup>

The Iranian foreign policy has made inroads into North Africa and Central Asia, too. The Iranian leaders are closely monitoring the situation in the northern Nigeria where local Shia population has been confronting the Boko Haram militants.<sup>18</sup> Under Ahmadinejad, Iran successfully forged bilateral relations with other African countries like Djibouti, Comoros, Senegal and Sudan but Saudi petrodollar diplomacy and sectarian bonds dragged them into its sphere of influence as they severed diplomatic ties with Iran after the Saudi embassy in Tehran was attacked due to the execution of Sheik al-Nimr by the Saudi authorities.<sup>19</sup>

Saudis are overwhelmingly suspicious that Iran’s post-nuclear deal economy will provide sufficient resources to the ‘Revolutionary Guards’ to train and fund its proxies in the volatile region as hinted by

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<sup>14</sup>Abbas Qaidaari, “Does Iran have a card to play in Bahrain?,” *Al-Monitor*, March 17, 2015.

<sup>15</sup>Aml Nasser “How long Saudi Arabia afford Yemen war?,” *Al-Monitor*, January 21, 2016.

<sup>16</sup>Adnan Abu Amer, “ Hamas drags feet on choosing between Iran, Saudi Arabia,” *Al-Monitor*, March 10, 2016.

<sup>17</sup>Ian Black and Saeed Kamali Dehghan, “Qasseem Suleimani: commander of Quds force, puppeteer of the Middle East,” *Guardian* (London), June 16, 2014.

<sup>18</sup>“The rise of Iran as a regional power: Shia empowerment and its limits,” *NATO Review* 2016.

<sup>19</sup>Michael W. Baca, “Saudi Competition Gets in the Way of Iran’s Outreach in Africa,” *World Politics Review*, April 14, 2016.

the former Saudi spy chief Prince Turki al-Faisal “the US pivot to Iran.”<sup>20</sup> Saudi ruling dynasty is extremely worried that the changing regional strategic environment is ultimately laying the foundations for shifting the US major strategic partnership in the Persian Gulf from Saudi Arabia to Iran.<sup>21</sup> Iran has also supported the Muslim Brotherhood in Egypt after the tectonic shift in the political landscape of the Middle East. Tehran had severed its diplomatic ties with Cairo after the Egyptian peace treaty with Israel in 1979 but moved closer after the Muslim Brotherhood’s Mohammad Morsi was elected President in 2012 following the Arab Spring revolution in Egypt. Iran’s rulers were delighted when the Arab Spring opened the doors for the Muslim Brotherhood in Egypt and Morsi’s election was hailed as one of the final stages of the ‘Islamic Awakening.’<sup>22</sup> Iran also enjoys historically cordial relations with Oman, a Saudi neighbour and member of the GCC with which Iran polices the strategic Strait of Hormuz where some two-fifths of globally traded oil passes. Interestingly, Oman had brokered clandestine talks between the US and Iran that gave impetus to the international agreement on Iran’s nuclear quest.<sup>23</sup> Moreover, the UAE is the second largest trading partner of Iran after China that shares an estimated US\$25 billion bilateral trade with Iran. Therefore, after consolidating its political gains in the region, Iranian outreach is going beyond South and/or Central Asia, and even in Africa in asserting its ideological and/or political clout.

### *Economic Rise*

Iran’s economy is heavily dependent on oil and gas since it is a well-resourced country with huge hydrocarbon and mineral resources with 157,530 million barrels oil deposits (world’s fourth largest oil reserves) and 34,020 billion cubic metres of gas reserves (world’s second reserves).<sup>24</sup> It is ranked as the second largest economy in the Middle East after Saudi Arabia with an estimated GDP of US\$393.7 billion in 2015.

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<sup>20</sup> Frank Gardner, “How strained are US-Saudi relations,” *BBC News*, April 20, 2016.

<sup>21</sup> *Ibid.*

<sup>22</sup> Dina Esfandiary, “Iran and Egypt: a complicated tango,” *European Union Institute for Security Studies*, October 18, 2012.

<sup>23</sup> Raghida Dergham, “How Arab will face a rising Iran?” *Al-Arabiya English*, July 13, 2015.

<sup>24</sup> “Iran facts and figures,” OPEC, [www.opec.org](http://www.opec.org)

By early 2000s, Iran was the world's second largest exporter of petroleum and fourth largest producer of crude oil. Iran holds around ten per cent of world's crude oil deposits and 13 per cent of OPEC reserves. It carries around 17 per cent of global proven natural gas reserves and it is the third largest producer of gas after the US and Russia. Until 2013, Iran was producing around 3.4 million barrels of oil per day, and an estimated 5.7 trillion cubic feet of natural gas. It also has the largest electricity exporter in the region; in 2012, it exported 11 billion kWh of electricity to Armenia, Turkey, Afghanistan, Pakistan and Azerbaijan.<sup>25</sup>

Despite the heavily sanctioned-economy of Iran which shrunk to 8.6% during 2013-14, Iran announced a budget of US\$312 billion for 2015-2016, six per cent larger than the previous year. The nuclear-related sanctions, especially on Iran's oil industry cost Iranian economy roughly US\$8 billion a month.<sup>26</sup> Crippling economic sanctions did not spare Iran's gas industry, decreasing Iran's gas revenues from US\$118 billion in 2011-12 to US\$56 billion in 2013-14.<sup>27</sup> Wide-ranging international sanctions imposed on Iran during 2010-13, Iran's crude oil exports dropped from 2.5 million barrels a day in 2011 to 1.1 million barrels a day in mid-2013, shrinking Iran's economy by nine per cent in March 2014.<sup>28</sup> However, Iran has been somehow successful to deter the international sanctions by building a 'resistant economy'. Withstanding rigorous sanctions, poverty in Iran is estimated to have fallen to nine per cent from fifteen per cent between 2009 and 2013.<sup>29</sup>

Squeezed by nuclear-related sanctions for years, Iran's economy is breathing after the nuclear deal and the succeeding sanction-lifting. According to the World Bank, Iran's GDP is projected to grow by 4.2 per cent in 2016 and 4.6per cent in 2017 since Iran is eying for an average eight per cent annual growth over the next five years. Soon after the nuclear agreement, Iran gained around US\$7 billion in sanction relief.<sup>30</sup> After the lifting of its diplomatic and economic isolation, Iran is

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<sup>25</sup>“Iran: Country Analysis,” US Energy Information Administration, June 19, 2015, [www.eia.gov](http://www.eia.gov)

<sup>26</sup> “Iran's rising influence,” *Aljazeera*, March 28, 2015.

<sup>27</sup> “Islamic Republic of Iran,” IMF Country Report No.14/93 (April 14, 2014), 36.

<sup>28</sup> Kenneth Katzman, “Iran Sanctions,” *Congressional Research Service*, March 23, 2016.

<sup>29</sup> “Iran in the World Today,” *The World Bank*, April 1, 2014.

<sup>30</sup>“Iran nuclear crisis: What are the sanctions?,” *BBC News*, March 30, 2015.

expected to get around US\$100 billion of its foreign frozen assets besides opening up its frozen oil industry to the rest of the world. Hugely impressed from the economic growth of its largest trading partner, Iran's incumbent administration is contemplating to replicate China-model for the post-nuclear economic development and integration in the global economy since Iran is facing severe problems to access its frozen overseas assets. Iran's economy has to travel a difficult path to join the global economy. Resilient economy will help Iran to assert its ideological clout in the region.

Iran is expanding strategic ties with India and International North-South Trade Corridor (INSTC), a joint mega project of India, Iran and Russia. The INSTC with a length of 6245 km is shortest land-marine route to connect India with Europe through Central Asia and Eurasia.<sup>31</sup> Iran has also signed a trilateral agreement with India and Afghanistan for regional trade connectivity through Chabahar port with an estimated US\$500 million Indian investment.<sup>32</sup> Bilateral trade between China and Iran has been recorded to be US\$53 billion in 2013, which was just US\$4 billion in 2003. During the Chinese President's visit to Iran in 2016, some 17 agreements worth billions of dollars were signed to ratchet up the bilateral trade to US\$600 billion in a decade.<sup>33</sup> Furthermore, Iran was the first destination of the maiden train of the New Silk Route which undertook a 14-day, 10399 km journey from the eastern China to Tehran through Central Asia as compared to 45-day sea route from South China Sea to Iranian Port of Bander Abbas.<sup>34</sup>

There are prospects of heavy investment in depleted aviation, infrastructure and pharmaceutical industries. Iranian pharmaceutical market is quite elaborate: the overall volume was US\$3.5 billion in 2012 and likely to increase to over US\$4.14 billion by 2019. Although Iran produces medicine domestically but it needs specialized medicine, which accounts for billions of dollars. Iranian healthcare is amounted to over

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<sup>31</sup> Christina Fair, "Indo-Iranian Ties: Thicker than Oil," *Nonproliferation Policy Education Center*, March 16, 2007.

<sup>32</sup> "India to invest \$500m in Iranian port of Chabahar," *Guardian* (London), May 23, 2016.

<sup>33</sup> "Iran, China agree \$600-billion trade deal after sanctions," *Dawn* (Islamabad) January 23, 2015.

<sup>34</sup> Sudha Ramachandran, "Iran, China and the Silk Train," *The Diplomat* (Online, Tokyo), March 30, 2016.

US\$28 billion which is likely to increase in the coming years.<sup>35</sup> Therefore, European, Russian, Chinese, Indian and other foreign companies have scrambled to cash in the flourishing healthcare sector of Iran.

President Rouhani embarked on a visit of Europe in early 2016 to forge new economic ties with the leading European nations following the lifting of international sanctions. President Rouhani's five-day visit to Italy and France was the first by an Iranian head of state in nearly two decades. In Italy, the Iranian President signed trade and investment agreements of around US\$18.4 billion in energy, infrastructure, steel and shipbuilding sectors.<sup>36</sup> In France, Iranian officials signed two agreements with world's leading aircraft manufacturer, Airbus to acquire 118 new aircraft, valued at US\$25 billion, and a comprehensive civil aviation cooperation package.<sup>37</sup> Iranian and French companies also inked multiple agreements in the sectors of oil, gas, marine transport, airports, agriculture and health, including Airbus that could reach upto US\$32.8 billion.<sup>38</sup> Iranian obsolete aviation industry needs immediate refurbishment as out of 250 passenger planes, over 100 planes are grounded due to lack of spare parts. Iran intends to buy 500 passenger planes in the next three years.<sup>39</sup> The signing of several multi-billion dollar deals with the European companies manifest Iran's keen desire to boost up its economic ties with Europe. Moreover, the US is contemplating to buy 32 metric tons of Iran's heavy water under the international nuclear agreement. Under this accord, the US Energy Department's Isotope Programme is likely to purchase the heavy water from Iran's Atomic Energy Organization for about US\$8.6 million.<sup>40</sup>

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<sup>35</sup>Stephen Kinzer, "US-Iran détente will be biggest geopolitical story of 2014," *Aljazeera*, January 6, 2014, and Lynne Taylor, "Iran pharma market soaring," *Pharma Times Digital*, July 25, 2013.

<sup>36</sup>"Deals and warm words flow as Iran president visits Europe," *Reuters*, January 26, 2016.

<sup>37</sup>"Iran selects Airbus for its civil aviation renewal" *Airbus*, January 28, 2015.

<sup>38</sup>"Iran signs deals worth up to \$33 billion during president's French tour," *Fox News*, January 28, 2016.

<sup>39</sup>Nasser Karimi and Jon Gambrell, "Iran Says With Sanctions Gone, It is Buying Planes," *Associated Press*, April 11, 2016, and "Iran plans to buy 114 Airbus planes, interested in Boeing and other deals," *Gulf News*, (Dubai) January 24, 2016.

<sup>40</sup>"US to buy 32 metric tons of Iranian heavy water to fulfill nuclear deal terms," *Guardian* (London) April 22, 2016.

Iran is also contemplating to export the same to Russia. Thus opening new avenues of cooperation in the multi-billion global nuclear market.

Therefore, many European and American companies are ready to invest in the Iranian industry, which is likely to see an investment of around US\$1.5-2 trillion in the next five years. These parameters of economic cooperation manifest growing Iranian outreach and foreign investment making it the fastest growing economy in the region.

### *Military Rise*

Among Iran's military apparatus, the Army of the Guardians of the Islamic Revolution is the most powerful organ that has considerable say over Iran's foreign policy. The Al Quds Force consists of 10,000-15,000 personnel is the external operations wing of the Revolutionary Guards to conduct foreign policy missions in the region.<sup>41</sup> According to a report in published in the *Guardian*, "Iran openly shores up Hamas, Palestinian resistance movement, providing it weapons and around US\$23 million a month".<sup>42</sup> Apprehensive of Iran's ideologically committed Revolutionary Guards' regional influence, the West and its regional allies have been enormously worried about Iran's nuclear programme. A nuclear Iran could be the most severe threat to the US, Israel and Saudi Arabia that is why President Obama intensely concentrated on stopping Iran from nuclearization at least for the next 15 years. Despite the internationally binding nuclear agreement, regional states remain deeply worried about Iran's nuclear capabilities. Nuclear-armed Iran would be the primary military threat to pro-Western Arab states and Israel.<sup>43</sup>

In addition to its nuclear programme, Iran carries a sophisticated missile technology that adds wide-reaching muscles to Iran's military capabilities. Iran is believed to have largest and most diverse ballistic missile arsenals in the region, including new precision-guided long-range

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<sup>41</sup>Greg Bruno, "Iran's Revolutionary Guards," *Council on Foreign Relations*, June 14, 2013.

<sup>42</sup>"Hamas and Iran rebuild ties three years after falling out over Syria," *Guardian* (London) January 9, 2014.

<sup>43</sup> Dore Gold, *The Rise of Nuclear Iran: How Tehran Defies the West* (Washington: Regnery Publishing Inc. 2009), 259.

*Emad* missile that can carry a 750 kg payload to 1700km.<sup>44</sup> Besides political and religious ties, Aymen writes that Iran has historic military ties with the Shiite organizations of Iraq as most of Iraqi leaders were living in exile in Iran during the Saddam regime in Iraq. The Badr Brigades, Mahdi Army and People's Mobilization allied with the Iraqi Security Forces have been trained and funded by Iran's Revolutionary Guard.<sup>45</sup> Currently, the Al Quds Force is exceedingly active in Iraq along with other Iraqi Shia militias and the Iraqi Army.<sup>46</sup> It was reported by *Aljazeera* that Iran has expanded its strategic alliance with Iraqi Kurds when Saddam Hussein callously persecuted the Kurds as they supported Iran during the Iran-Iraq War and a considerable population of Kurds is also present in Iran. *Aljazeera* also reported that during the 1991 to 2003, Iran offered financial and logistic supports to the Patriotic Union of Kurdistan and Kurdistan Democratic Party.<sup>47</sup>

The Syrian Alawite dominated regime of Bashar al-Assad is the most reliable ally of Iran in the Middle East. Alawite, a sub-sect of Shia Islam, represent around 15 per cent of the Syrian population. According to a report of *Aljazeera*, "since the onset of the Syrian crisis, Iran has provided around US\$15 billion aid to the Assad regime besides the 10,000 Iranian combatants along with 2000 Hezbollah militants who are fighting against anti-Assad forces.<sup>48</sup> Iran's Revolutionary Guard has been working on a strategy to set up a 50,000 National Defence Force (Foreign Legion) based on hard-core Shia proxy fighters to fight alongside the Syrian Army. According to a *BBC* report, Sahraei is of the opinion that Iran has been allegedly sending Afghans (Hazaras) to fight for Assad in Syria since 2012, and these Afghans are now protecting the sacred Shia shrines from IS. Around 10,000 Afghani Hazaras are part of the Fatemioun Brigade of the Revolutionary Guards.<sup>49</sup>

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<sup>44</sup>Abbas Qaidaari, "What's so special about Iran's latest missile," *Al-Monitor*, October 20, 2015.

<sup>45</sup>S. Gulden Ayman, "Regional Aspirations and Limits of Power-Turkish-Iranian Relations in the New Middle East," *Hellenic Studies*, 20:1, Spring 2012.

<sup>46</sup>"Iran's rising influence" *Aljazeera*, March 28, 2015.

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

<sup>49</sup> Fariba Sahraei, "Syria war: The Afghans sent by Iran to fight for Assad," *BBC News*, April 15, 2016.

## Implications for the Middle East

The rise of Iran in the Middle Eastern security dynamics is a shocking development for traditional regional powers such as Egypt, Israel and especially Saudi Arabia. Tehran is now dominating the regional security matrix from Baghdad to Damascus to Beirut and Sanaa, forming a formidable alliance to prove its preeminence. Iranian military support to governments in Iraq, Syria and Yemen, with an ideologically motivated military having sophisticated missile and drone technology has disturbed the traditional balance of power in the region, at the cost of Saudi failures despite raising of 34-state alliance. Moreover, due to the lifting of sanctions, Iranian economy is growing for a spectacular boost as many foreign companies are ready to invest in the booming Iranian economy. Iran now can have direct agreements with the outside world and is likely to get investment in hundreds of billions of dollars in the coming years. This development has led to panic in the Arab states: the UAE, originally a tax-free country, has now imposed taxes as the Iranian transactions of billions of dollars were routed through the UAE during the sanctions. Saudi Arabia has faced a budget deficit of over US\$100 billion and is likely to face about US\$80 billion in the coming year.<sup>50</sup>

The regional scenario is studded with external support to Iran in many ways. Turkey is embroiled in its own domestic issues and not ready to take on Iran directly. Russia is backing the Assad regime, a strategic partner of Iran, with active military support. China is supporting Iran in trade, economy and investment. The European states are eager to cash in the flourishing economy and the US is compelled to back Iran due to its geopolitical outreach, political clout and military strength in defeating IS. Along with the international backing, Hassan Rouhani has won overwhelming domestic support in the 2016 parliamentary elections, giving him the much needed backing to go all out for diplomatic, political and economic revival of Iran.

In this catalyst regional security environment, there are two possibilities: Iranian rise is taken positively and the region sees a gradual normalcy to the benefit of all; the rise is taken negatively and it results in increased conflictual environment. Unfortunately, the later scenario is

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<sup>50</sup>Laury Al-Khatteeb, "Saudi Arabia's economic time bomb," *Brookings Doha Centre*, December 30, 2015.

being followed. However, war in Yemen has not been able to weaken the Houti rebels rather it has emboldened the al-Qaeda, and Iraq is still swayed by the Iran-backed entities. The 34-State Alliance has been unable to make any substantive impact on the regional dynamics despite the much-hyped military exercise ‘North Thunder’ because the key states — Turkey, Egypt and Pakistan — are unwilling to provide their forces. Presently, the domestic, regional and international political environments are favouring Iran; therefore, it would be better to look into the rising Iran as a positive development and work accordingly for peace, development and stability in the region.

### **Implications for Pakistan**

Iran, situated in the west, shares a 909 km long border with Pakistan. However, their official bilateral trade could not reach even to US\$1 billion mark, despite flourishing unofficial trade in the adjoining areas.<sup>51</sup> Iran and Pakistan had cordial relations under the Shah. However, after the Iranian Revolution, warmth in their relations decreased because there emerged multiple social, political, economic and security issues. Pakistan-Iran relations are marred by the Saudi factor, however, Pakistan is making strenuous efforts to remain neutral in its relations with both the countries. Besides other issues, competition between Chabahar and Gwadar, and the slow-moving progress on joint economic projects are issues that hamper their bilateral relations.<sup>52</sup>

Iran’s annual trade with Pakistan straddles between US\$300 and US\$400 million out of its US\$100 billion international trade while Pakistan’s exports to Iran remain to mere 0.2 per cent (\$69 million in 2013) of Iran’s total imports from the rest of the world.<sup>53</sup> However, Pakistan has expressed its commitment to increase the existing bilateral trade volume of US\$1 billion to US\$5 billion over the next five year that

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<sup>51</sup>Editorial, “Realising Iran-Pakistan trade potential,” *Express Tribune* (Islamabad), January 31, 2016.

<sup>52</sup>For comprehensive account of Iran-Pakistan relations see Nazir Hussain, “Iran-Pakistan Relations; Perceptions and Strategies,” in Michel Makinsky ed., *L’Iran et les grands acteurs régionaux et globaux. Perceptions et postures stratégiques réciproques*, (Iran and the Major Regional and Global Actors: Perceptions and Strategic Postures), (Paris: L’Harmattan, 2012), 295-306.

<sup>53</sup>Alex Vatanka, “Iranian-Pakistani border incident reveals deeper problems,” *Al-Monitor*, October 24, 2014.

was recorded to be US\$1.2 billion in 2010. Pakistan can export rice, meat, meat products and many other goods worth millions of dollars to Iran. Pakistan has a fair chance to replace other countries in trade of autoparts and halal meat :Iran imports auto parts worth US\$3 billion and halal meat worth US\$400 million every year.<sup>54</sup> Iran is interested in the early completion of US\$7.5 billion Iran-Pakistan gas pipeline project. It has also shown its willingness to establish an oil refinery in Balochistan with a capacity of 400,000 barrel of oil.<sup>55</sup> Moreover, Iran has offered to enhance its electricity import to Pakistan from 100MW to 1000MW and ultimately to 3000 MW.<sup>56</sup> Therefore, the visit of Iranian President Hassan Rouhani to Pakistan in 2015, first after the nuclear deal and first in 14 years, should have been used as an historic opportunity to expand the bilateral relations and benefit from the rising Iran in the Middle East.

The lifting of economic sanctions has paved new ways for Iran to assert its economic and political clout. It is about time that Pakistan strengthens its ties with this oil and gas rich immediate neighbour, before it is too late. Pakistan has to mend the broken fences with Iran, keeping in view the emerging strategic triangle between India, Iran and Russia. With its 158 billion barrels of oil reserves and 34 trillion cubic metres of natural gas, Iran is the cheapest and closest energy treasure for Pakistan since the former is already providing 74 megawatts of electricity to the Makran division of Pakistan while a transmission line for another 100 megawatt is under construction for Gwadar, Pakistan's emerging economic hub.<sup>57</sup> Iran has invested over US\$2 billion in the agreed gas pipeline project while Pakistan is yet to construct the related infrastructure.

Understandably, Pakistan is caught between Iran (a geopolitical reality) and Saudi Arabia (a geo-economic necessity) to straddle balanced relations. Pakistan's active involvement in the Middle East security matrix is a manifestation of an important role for Pakistan. It is in a position to play a constructive role between Iran and Saudi Arabia,

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<sup>54</sup>“ Fair chance to outwit competitors in Iran market,” *Express Tribune* (Islamabad) March 25, 2016.

Mohsen Dehqani,“ What Iran expects from Pakistan,” *Iran Review*, May 14, 2014.

<sup>56</sup>“Energy trade: Plan to import 3,000 MW of Iranian power hits snag,” *Express Tribune* (Islamabad), February 22, 2015.

<sup>57</sup>“Iran to expand economic cooperation with Pakistan: Javad Zarif,” *Dawn* (Islamabad) August 13, 2015.

and in ending many unwanted antagonistic regional policies of the two. Therefore, it is the time for Pakistan to formulate a pragmatic policy vis-à-vis the changing strategic dynamics of the region and expand its ties with Iran to safeguard its national security interests. The changing regional dynamics are knocking on the doors of Pakistan to benefit from the rising Iran, lest its too late.

## **Conclusion**

The Middle East is fraught with religious, sectarian, economic, political and strategic difficulties, which are quite prone to further deterioration since there is an active involvement of regional and extra-regional powers. The apparent US tilt towards Iran has widened the gulf between the US and Gulf countries which was apparent during the visit of President Obama to the KSA in 2016 to pacify its strained relations. The 70-years US-Saudi strategic partnership is also under stress as the US lawmakers are contemplating to pass a law that could incriminate the Saudi state in the legal proceedings of 9/11 victims besides a frozen relation over Iran's nuclear programme and US unwillingness to annihilate the Assad regime in Syria. Many experts believe that presently, most of the US and Iranian interests converge in the tumultuous Middle East region. The Saudis have logical apprehensions in the changing regional dynamics but the imminent strategic closeness between the US and Iran should be hailed seeing that it could herald some positive developments in the complex regional security environment.

Iran is more pragmatic in fostering its regional interests than any other regional state since it surreptitiously cooperated with the US to overthrow the Taliban regime in Afghanistan despite having troubled relations. Although Iran is believed to be supporting the Syrian Assad regime and Lebanon-based Hezbollah but Iran's strategy is less religious than it reflects from the geopolitical perspective in view of the fact that Iran is surrounded by hostile nations. Similarly, Iran supports Hamas, which is a purely Sunni militant organization fighting against Israeli occupation. It is becoming clearer to the political elite that using the Shia card to pursue its interests in other Islamic countries with Shia population may not serve the wider interest of Iran. Likewise, it is too dangerous for the inflammable fabrics of Sunni-majority Islamic world

to undertake an offensive policy against Shia minority in existing complex and violent polarization among themselves in the form of al-Qaeda, IS, Boko Haram and Taliban.

Despite the lack of ideological confluence, there are more reasons and opportunities in the Middle East for convergence than divergence, which need to be identified like abundant natural resources, regional trade and socio-economic development. Pakistan needs to warm up its cold ties with its immediate neighbour besides maintaining its amiable relations with Saudi Arabia. After the end of the Iranian nuclear saga, Pakistan could easily and cheaply avail the rich energy resources of its southwestern neighbour to maximize its economic growth. Moreover, Pakistan has the capability and stamina to bridge the yawning sectarian trust deficit in the Muslim world, especially in the Middle East. Pakistan ought to use its good offices for removing the barriers that have impeded the politico-economic development in the region.