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Issue Brief

Current Status of Iran's Nuclear Deal: Implications for Pakistan

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Today (August 13), the Iranian Foreign Minister, Javad Zarif, met with Prime Minister Nawaz Shraif and discussed matters of mutual cooperation including implementation of Iran nuclear deal and Iran-Pakistan (IP) Gas Pipeline project. Later on, during a joint press conference with his Pakistani counterpart, Sartaj Aziz, Prime Minister's Advisor on National Security, Zarif said that Iran is fully prepared to support Pakistan in oil and gas, energy, and transportation sectors. He also assured Pakistan that Iran will cooperate with Pakistan on the issues of extremism, terrorism, and peace process in Afghanistan.

After visiting Pakistan, next destinations of Zarif's regional tour would be India and Russia. Iran is optimistic about the deal and waiting for the final approval from the US Congress. Once the deal is finalised by the Congress, the Iranian parliament will also seek vote for this deal. Currently, Iran is preparing a 15-year nuclear development plan to submit to the IAEA under the agreed deal.

Pakistan is anticipating that once the sanctions on Iran are lifted, it will open numerous avenues of economic cooperation between both brotherly Muslim neighbours. It is expected that these opportunities could include revival of linkages between financial institutions; opening up of inter-bank channels to facilitate foreign and bilateral trade and investment; deepening of 2006 Preferential Trade Agreement; up-gradation and opening of new border trade posts; joint investment in agro-food processing and infrastructure development; enhance private sector partnership; and a greater cooperation in the energy sector.

Pakistan is already in the final stages of negotiating a deal to increase its electricity imports from Iran around 1000 MWe, which is currently around 100 MWe to the areas of Pakistan that borders Iran.¹ Pakistan's trade with Iran, worth \$1.3 billion in the financial year 2008-9, plummeted to \$217 million dollars in the 2013-4 financial year.² In order to increase Pak-Iran bilateral trade, Pakistan is also prepared to set up industrial sites in border areas, especially petrochemical storage sites, to link them up with the \$46 billion China-Pakistan Economic Corridor (CPEC). The deal has not only brightened the prospects of IP Gas Pipeline project, but it has also increased the prospects of raising the bilateral trade to \$5 billion, under a five year trade facilitation plan, which was agreed during the seventh Pakistan-Iran Joint Trade Committee meeting, held in Tehran, in April 2015.³

The July 2015 Iran nuclear deal has been widely welcomed by the international community on the grounds that finally a peaceful settlement has been reached between Iran and the P5+1 over Iranian nuclear programme. After a unanimous approval of the United Nations Security Council (UNSC)

Resolution 2231 on July 20, 2015, which endorses Joint Comprehensive Plan of Action (JCPOA), Tehran has become a hub of diplomatic activities. Many states are expecting that this deal will not only prevent Iran from developing nuclear weapons, but they also believe that this deal will open new avenues of economic cooperation with Iran. The EU, Russia, China, Australia, Germany, and many other regional states including Pakistan believes that this deal would present good opportunity to do business with Iran. Several international commercial enterprises are already rushing towards Iran to materialise their earlier agreements and secure new contracts. However, the only hurdle in the way of this deal is a final approval from the US Congress, as key democrats including Senator Chuck Schumer have threatened to give their vote against the deal. Furthermore, critics of this deal term it a counterproductive measure and are skeptical of Iran's commitment under the agreed JCPOA. Israel also expects that the US Congress will block this deal by voting against it.

Although, President Obama has been trying his best to establish his legacy through this deal, severe criticism from the key ally Israel, Republicans in the US Congress, and a mixed response from the American public will give the Obama Administration a tough time. According to a recent poll conducted in New York City by Quinnipiac University reveals that 43 percent respondents opposed and 36 percent favoured the nuclear deal. Former Senator Joe Lieberman, the new president of a bipartisan advocacy group - United Against Nuclear Iran - also launched an advertising campaign against nuclear deal. Earlier, the group's president and former nuclear advisor to Obama, Gary Samore, in a bid to support Iran deal and Obama's strategy as a success, resigned from the group. Another newly created veterans group - Vets Against the Deal - showed strong opposition to this deal on the grounds that "Iran was linked to hundreds of deaths of US troops in Iraq and the new agreement could empower the anti-American regime."

To support this deal, Obama in an interview to the *NPR*, published on August 11, 2015, said that critics need to "pull out of the immediate politics" and consider "the right thing to do for the country." To pacify critics, he also assured that once the agreement is implemented, the IAEA inspectors would be on ground to verify Iranian compliance to the JCPOA. He termed the deal as game changer as it would cut-off all the pathways for Iran to develop nuclear weapons. Senator John Kerry has signalled that success of this deal will enhance long-term engagement with Iran which will increase Iranian cooperation to fight against Islamic State group (ISIS) and will help to bring peace in Syria. He even linked the global status of US dollar with the success of this deal. Kerry has warned of severe consequences for the US credibility especially after the agreement has been accepted by Iran and fellow negotiating countries

Britain, China, France, Germany and Russia, and endorsed by all 15 members of the UNSC. Dozens of retired American generals and admirals, in an open letter, have also supported the deal and urged the Congress to do so. A coalition of 98 prominent members of Los Angeles Jewish community has signed an open letter supporting the deal.

The US congress has until mid-September to decide the fate of Iran nuclear deal. Despite concerns that Congress might block this deal, the supporters of this deal are optimistic that this deal would be finalised. The most important aspect of this deal is that it is not only between Iran and US, it involves other four permanent members of the UNSC and Germany, and any blow to this deal by the Congress will jeopardise US credibility among key international players. One can expect that once the deal is put before the US lawmakers to debate, the Obama Administration will easily sail through. Once the deal is finalised and fully implemented and the international community finds that Iran is fully complying with the agreed JCPOA, it will automatically calm down the critics of the deal. As a result, the deal would emerge as window of economic opportunity, which would be equally beneficial for Iran and for regional as well as international community.

Pakistan is taking the right step to prepare for reviving the IP Gas Pipeline project and broadening of trade and economic linkages between Iran and Pakistan. There is no doubt, a degree of uncertainty hanging over the fate of the deal. But once it goes through, and there are many sanguine about its passage by the Congress, Pakistan would have very short reaction time to lock in and launch joint economic trade projects with Iran. Pakistan Ministry of Petroleum and Natural Resources has shown confidence that it will be able to shorten the 30-month period for the completion of IP Gas Pipeline project. Similarly, Ministry of Commerce and Economic Affairs are taking proactive steps to open new avenues for cooperation with Iran. In addition to oil and gas, Pakistan would need Iran's electricity, iron, and steel. Our traditional export items would also find a bigger market in Iran. For all these steps, we need advance preparations, which the government is doing. But we also need emphasis on greater coordination and synergy among different departments and agencies, to enhance our linkages with Iran within agreed framework.

Notes and References

¹. "After Nuclear Deal, Pakistan and Iran Seek to Increase Trade," *The New York Times*, August 11, 2015, http://www.nytimes.com/reuters/2015/08/11/world/middleeast/11reuters-pakistan-iran.html?_r=1

². Ibid.

³. "Pakistan, Iran eye trade at \$5billion," *Dawn*, April 23, 2015, <http://www.dawn.com/news/1177635>