



RESEARCH PAPER

Sino-Iran Deal: Prospects and Challenges for Pakistan

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ABSTRACT

This study examines the repercussions of Sino-Iran comprehensive strategic partnership for Pakistan, focusing on both economic opportunities and strategic challenges. Essentially, China's quest of energy security and Iran's insolence of the US sanctions have fostered a closer bilateral relationship, impacting regional geopolitical landscape. Given Pakistan's strategic location and infrastructural developments driven by the China-Pakistan Economic Corridor, this agreement offers significant economic opportunities with the potential to cause momentous geopolitical transitions. The study employs qualitative content analysis to analyze the opportunities and challenges associated with the Sino-Iran partnership, particularly its impact on Pakistan's strategic and economic landscape. The partnership has not only capacity to enhance Pakistan's trade and connectivity role but also complicates its foreign relations, particularly with the US, while raising concerns over security issues. The study suggests that Pakistan need to adopt a balanced diplomatic approach, ensuring economic gains from CPEC while mitigating strategic challenges caused by subsequent geopolitical tensions.

KEYWORDS

Sino-Iran Deal, CPEC, Economic Prospects, Strategic Challenges, Regional Connectivity

Introduction

With the rise of globalization at turn of the 21st century, economic cooperation at international canvas witnessed a significant momentum, which steered the states to readjust their geostrategic goals in line with their economic synergies. Robert Keohane holds that "intergovernmental cooperation takes place when the policies actually followed by one government are regarded by its partners as facilitating realization of their own objectives, as the result of a process of policy coordination" (Keohane, 1984). Likewise, Charles Lindblom argues that such cooperation is often an outcome of adaptive adjustments, rather than manipulative, and is often induced by confrontation of another actor, to which he designated the *fait accompli* (Lindblom, 1965). Further, Robert Axelrod argues that mutual cooperation can even yield positive outcomes in the situation of Prisoner's Dilemma (Axelrod 1980). Given that, shared interests and growing interdependence have given significant rise to the tendencies of cooperation at international level, notably after the turn of 21st century. Hence, cooperation among states to pursue their political, economic and strategic objectives has become a hallmark of contemporary international system. These tendencies have been more dominant among Asian economies, primarily due to their perpetual rise in economic front (Nations, 2017).

In this context, the twenty-five yearlong comprehensive strategic partnership agreement between China and Iran, envisaged in 2016 and finalized in March 2021, worth over \$400 billion wherein Beijing will invest in Tehran's sanctioned economy and will get access to the latter's lucrative oil and gas market marks the beginning of a new

chapter of cooperation between the two countries. This agreement reflects their shared strategic interests and mutual resistance to the United States (US) policies, to which Lindblom termed as the *fait accompli*. While the deal brings economic relief to Iran against the US sponsored sanctions (Smeets, 2018), it offers China an alternative access to energy resources, besides conferring it strategic preeminence in the Indian Ocean Region (IOR). As the deal has been signed at a very crucial juncture marked by major power competition (House, 2017), marked by a perpetual conflict between China and the US often termed as the new Cold War (Gaddis, 2021), it has been described as 'comprehensive strategic partnership' (Iran, 2016) because of its wide-ranging economic and geopolitical implications over strategic equation in the IOR.

Given that, owing to geographic position of Pakistan, connecting China and Iran through its northwestern and southeastern borders respectively, the China-Pakistan Economic Corridor (CPEC), a flagship project of the China's ambitious multi-dollar Belt and Road Initiative (BRI), being the most cost and time effective and safe route for China to access energy resources of Persian Gulf and Middle East as well as the European and African markets, offers a very conducive and viable route to materialize contours of strategic partnership (Imtiaz, et. al., 2023; Rahim, et. al., 2018). In this context, the recent Sino-Iran deal is not only likely to stimulate economic and strategic cooperation between China and Iran, but also has the capacity to inspire a variety of economic and strategic incentives for Pakistan. Further, owing to strategic repercussions of the bilateral deal and its relevance with Pakistan due to the CPEC, this deal would bring a variety of strategic implications for Pakistan as well. In this context, this study examines the deal's potential to internationalize CPEC and its strategic implications, particularly in the context of growing tensions between China and the US (Shah, et., al., 2020).

Literature Review

The Sino-Iran Comprehensive Strategic Partnership agreement, signed in March 2021, reflects China's commitment to expanding its economic influence in the Middle East and Eurasia as part of its broader "China Dream" vision – unlike the American Dream, which refers to an ideal where every individual has equal opportunity to pursue a better life (Hochschild, 1992), the Chinese Dream envisions national modernization through regional connectivity and strategic ventures. (Tianyong, 2014). Likewise, the agreement also indicates that China would be acting as an engine of growth in Iran as it incorporates the national development plans essentially propounded by the Iranian government (Gharayagh-Zandi, 2022). However, the historical account indicates that Sino-Iran ties during the past few decades has been marked by various ups and downs primarily due to large impressions of the US foreign policy, which also led certain scholars to term it "triangular bilateralism" (Reid, 2021). Despite cordial bilateral relations during the 1980s and 1990s, even after the post-Tiananmen sanctions (Nader, 2012), Beijing cancelled shipment of anti-ship missiles to Iran and terminated sale of research reactor in wake of the US Congressional voting for China's status of the most favored nation (Medeiros, 2009) and also to avoid further splits with the US (Razani, 2014). Although Jiang Zemin, former President of China, was among the few leaders who visited Tehran after Bush Administration declared Iran as a part of "Axis of Evil", China approved sanctions against Iran to restrict export of conventional weapons in 2000s, reduced oil imports from Iran in 2012 and blocked Tehran's accession in Shanghai Cooperation Organization (SCO) in 2016 – Tehran has formally joined the SCO in September 2022, which is also referred to as an outcome of the recent deal (Reuters, 2016).

On the other hand, China's economic rise and its endeavors to expand strategic reach under the umbrella of BRI, marked the outset of a new era in their bilateral ties diminishing the flavor of triangular bilateralism; China became Tehran's leading trade partner in 2009 with \$17 billion investment agreements and becoming the dominant destination of Iranian oil exports (Hameed, 2010). By 2020, 54.4% of Iran's exports were directed to China, increasing Tehran's dependence on Chinese imports and allowing Chinese firms to negotiate deals below global benchmarks (Complexity, 2022). And in the early 2021, the repayments of Iran oil exports augmented to all-time high, paving the way for this watershed agreement. China, on one hand, supports Iran's right to carry forward its nuclear initiatives and, on the other hand, it has voted for the United Nations sanctions and was one of the major interlocutors in Joint Comprehensive Plan of Action (JCPOA), the nuclear deal finalized between Iran and the P5+1 in July 2015 (Khan, Muzaffar, & Khan, I. (2019; Garver, 2016). Besides, China has been pursuing "zero enemies" policy in the Middle East (Phillips 2020), balancing its engagements with historically rival states such as Iran and Saudi Arabia. Notably China-Saudi Arabia ties culminated into the establishment of Yanbu Aramco Sinopec Refining Company (YASREF), in 2016 (Xinhuanet, 2018). Likewise, in December 2022, China and Saudi Arabia signed multi-billion-dollar agreements covering cooperation in eighteen different sectors (Tuvia Gering, 2023). Moreover, Xi Jinping also proposed some joint actions to strengthen Sino-Arab cooperation during the Gulf Cooperation Council summit (Tuvia Gering, 2023). In this context, it can be argued that Beijing not only continued its support for Tehran amid the US-led sanctions against the later, but also acted as a responsible player in international community. China's careful arrangement with regional countries, in line with its long-standing policy of non-interference is often termed as "positive balance", which refers to "not choosing sides, nor making enemies" (Muzaffar, et. al., 2017). Conduit, 2022).

Regional cooperation is essentially precipitated by social, political, organizational, and economic cohesiveness within a region (Muzaffar, et. al, 2017). Likewise, the level of regional interdependence is also considered a crucial element for regional integration in a particular geographic section (Nye, 1968). Although China's energy needs and Iran's abundant natural resources are considered to be central element of their bilateral engagements, their cooperation in the non-energy sectors (Israsena-Pichitkanjanakul, 2022), including defense, infrastructure development and geostrategic balancing, as well as their collaboration at international forums, has persistently augmented during the past couple of decades, which paved the groundwork for the recent bilateral arrangement. In this context, Harold and Nader noted that "no country in the world is as important in ensuring its survival and helping to insulate it from international pressure as the People's Republic of China" (Nader, 2012)

Given that, the Comprehensive Strategic Partnership agreement between China and Iran provides an all-encompassing roadmap to boost wide-ranging bilateral collaboration in political, cultural, security and strategic spheres. Although both countries didn't disclose details of cooperation accord officially, according to unofficial sources, the former, in line with the commitments made by Xi Jinping during his Tehran visit in 2016, agreed to invest some \$400 billion over a period of 25 years in different development projects predominantly proposed by the Iranian government, in return for a steady supply of Iranian energy resources. For China, the strategic partnership agreement would help to meet its energy needs, support Chinese companies to penetrate in Middle Eastern markets and enable it to augment strategic influence. Likewise, for Iran, it would steer much-needed foreign capital and technological investments thereby enabling it to expand its energy business, strengthen development infrastructure, and

lock into a partnership with a permanent member of the United Nations Security Council. Thus, while the deal would deepen China's influence in energy-rich Middle East, essentially at strategic expense of the US, it would also soften Iran's international isolation undermining the US-led sanctions which had been choking its economy since revolution in the late 1970s. After years of the US-led sanctions, the recent deal not only indicates Iran's extended partnership with China, but also underlines its aspirations to pursue Look East policy against its historical foreign policy slogan of "Neither East, nor West" (Ramazani, 1992). Following the rise of Asian economies at turn of the 21st century, Iran has been cultivating its strategic and economic ties with Eastern powers, notably Russia, India and China, with an objective to counterbalance western sanctions. Batool, & Muzaffar, 2024). Tehran's strive to bolster ties with the Eastern countries, often termed as Look East policy, has been visible since Ahmadinejad entered the Presidential office in June 2005 with the goal to make Iran a regional economic and technological hub (Vakil, 2006). Although Iran's ideological underpinnings have always hindered eastern countries' capacity to balance Iran-US discords, the assertive policies of Trump administration, coupled with China's ambitions to expand its influence through economic ventures in Eurasian belt, provided a favorable political landscape to reach the strategic partnership agreement.

China, as the world's largest consumer of fossil fuels, imports 70% of its crude oil and 40% of its natural gas, with a significant portion sourced from the energy-rich Middle East (Zhou, 2022). Even before the Sino-Iran Strategic Partnership, China had been the largest trading partner of the Arab world since 2020, with trade reaching \$330 billion in 2021 (Ministry of Foreign Affairs, 2022). Meanwhile, Iran, with an area twice that of Pakistan, holds the world's second-largest gas reserves, fourth-largest crude oil reserves, and substantial non-fuel mineral resources. In this context, the Sino-Iran deal is poised to deepen China's economic engagements in the region, accelerating bilateral cooperation across multiple domains, including artificial intelligence, telecommunications, submarine fiber-optics, healthcare, and space technology, in alignment with China's broader strategic objectives in the Middle East. However, despite initial expectations of substantial Chinese investment, the Sino-Iran Comprehensive Strategic Cooperation Agreement has yielded limited tangible outcomes. Apart from a modest increase in Chinese oil imports from Iran and Iran's inclusion in the SCO, bilateral cooperation has been confined to a few agreements in academic and entertainment sectors over the past three years (Figueroa, 2022). This diminutive progress is largely attributed to unstable trade communication channels between the two countries. Given China's reliance on energy imports from the Middle East and its broader economic interests linked to the BRI, the Indian Ocean's strategic significance remains paramount. However, the region's abundant energy resources, critical sea lines of communication, and the geopolitical interests of major powers, including the US, EU, and Japan, have turned it into a contested space marked by intense strategic competition.

The rising trends of terrorism in the Indian Ocean basin, along with other various non-traditional security challenges (Chellaney, 2010) have further exacerbated threats to maritime navigation. The competition among great powers for dominance, regional states' pursuit of strategic interests, and escalating security risks have collectively fueled the militarization of the Indian Ocean, heightening regional vulnerabilities (Christian Bueger, 2022). Consequently, maritime navigation, central to China's Maritime Silk Road initiative, which seeks to connect Eurasian hinterlands via oceanic trade routes (Brewster, 2017), faces persistent threats from both non-state actors and rival regional and extra-regional naval forces. Among China's key maritime arteries, the Strait of Malacca, a narrow passage between the Malay Peninsula and Sumatra, is particularly critical, as it

accommodates nearly three-quarters of China's energy imports and trade shipments. However, as a strategic chokepoint in the Indian Ocean, it remains a focal point of geopolitical contestation among major global and regional powers.

China has long prioritized the security of the Strait of Malacca to ensure uninterrupted trade and energy supplies, a concern articulated by former President Hu Jintao in 2003 as the "Malacca Dilemma" (Shaofeng, 2010). Despite expanding its naval presence and modernizing its fleet, China continues to face strategic challenges in securing its maritime interests. The escalating tensions between China and the US, often termed the "New Cold War" (Zhao, 2019) have further intensified vulnerabilities in trade and supply chains (The White House, 2017). Consequently, China has long been looking for alternative routes to reduce its dependence on the strait and safeguard its trade operations (Lanteigne, 2008). In this context, under the BRI Initiative, China has pursued economic and infrastructure projects, including pipeline networks, overland transportation corridors, and port developments in the Indian Ocean, as strategic measures to bypass critical chokepoints.

In this context, CPEC, as the flagship project of the BRI, provides China with a secure and efficient alternative route connecting Xinjiang to the Indian Ocean through an extensive infrastructure network of roads, railways, and pipelines. This project not only facilitates trade and energy transport but also strengthens strategic ties among participating countries. By offering China a shorter and more secure supply route, the CPEC reduces dependence on volatile maritime channels while fostering regional economic integration (Khalid Mehmood Alam, 2019). Given Pakistan's longstanding ties with both Iran and China, the CPEC has the potential to enhance trilateral cooperation. Additionally, China's establishment of a consulate in Iran's Bandar Abbas signals its strategic intent to expand its presence in the Strait of Hormuz and integrate Iranian ports into the BRI network (Boltuc, 2022).

The geophysical location of a country is a critical determinant of its strategic significance and role in international affairs (Riegl, 2013). Highlighting Pakistan's geographic importance, Stephen Cohen remarked that while history has been unkind to Pakistan, its geography has been its greatest asset (Aamir Saeed, 2015). Positioned at the intersection of energy-deficient and energy-rich regions, and bordered by two rising economic powers, China and India, Pakistan holds considerable global strategic value (Kleiber, 2007). Additionally, its proximity to major international maritime routes originating from the Strait of Hormuz, a critical chokepoint controlling one-sixth of global oil and one-third of global LNG trade, further underscores its geopolitical relevance (Aljazeera, 2019).

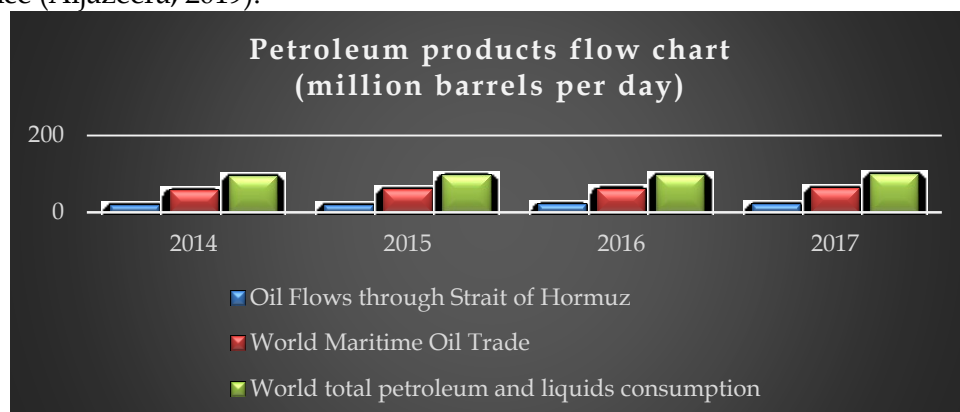


Figure 1: Petroleum products flow chart from Strait of Hormuz Source: (US Energy Information Administration, 2019)

Essentially, Pakistan's strategic location, coupled with its longstanding ties with China, provides the fundamental rationale for advancing CPEC projects. Given the critical role of the Strait of Hormuz in global petroleum flows, Gwadar Port and CPEC emerge as pivotal connectivity routes for regional trade and energy transit. As a cornerstone of CPEC, Gwadar's linkage with western China offers a viable transit corridor for energy supplies and trade across the Strait. While the China-Iran deal is poised to enhance bilateral cooperation, Pakistan's geostrategic position and CPEC's connectivity framework render it indispensable for translating the agreement into a functional reality.

Material and Methods

The monograph employs qualitative content analysis method to objectively and systematically examine implications of Sino-Iran deal on Pakistan. The qualitative content analysis, defined as an empirical textual analysis (Krippendorff, 1969), is not limited to manifest content but it also incorporates different levels of content with diverse themes, ideas and primary subject matter (Mayring, 2014). In short, the qualitative content analysis method brings in theoretical paradigms, rather than focusing on informational content, to analyze a phenomenon. In this context, this research study uses qualitative research method to explore contours of Sino-Iran Strategic Partnership agreement and examine its prospective impacts on Pakistan. Though Pakistan is not a party to the agreement; however, as the deal retains a large potential to affect regional strategic and power equations, it is likely to cast far-reaching implications over Pakistan. In this context, this research study exposes potential opportunities and distinct challenges caused by the deal against Pakistan.

Results and Discussion

Since the end of the Cold War, China has strategically pursued the establishment of multi-dimensional partnership networks, transitioning from bilateral engagements to multilateral cooperation and from state-centric partnerships to regional institutional frameworks (Sun, 2022). In alignment with these policy objectives, Chinese authorities revitalized the concept of China Dream, emphasizing connectivity as a catalyst for economic development. Connectivity, encompassing both hard infrastructure, such as physical transportation networks, and soft infrastructure, including legal frameworks, policy coordination, and institutional mechanisms, serves as a cost-effective and time-efficient tool to facilitate trade, promote shared prosperity, and mitigate economic asymmetries. This, in turn, positions connectivity as an instrument of conflict resolution and regional integration (Biswa Nath Bhattacharyay, 2015). In this evolving paradigm of international cooperation, economic corridors have emerged as pivotal mechanisms driving multilateral economic engagements. Given that, the CPEC, a conglomerate of multidimensional development projects largely aimed at connecting China with the Indian Ocean at the Gwadar Port through the networks of highways, railways and pipelines across Pakistan, not only enhances connectivity between Pakistan and China but also opens new horizons of integration among regional countries. Notably, it provides China with a significantly reduced and cost-efficient trade route to the Middle East and Gulf states, shortening the transportation distance by approximately 12,000 kilometers and reducing transit time from 30 days to just 2 days (Mateen, 2017).

The Planning Commission of Pakistan pronounced CPEC as “a growth axis and a development belt featuring complementary advantages, collaboration, mutual benefits and common prosperity” (Ministry of Planning, 2017). The CPEC not only engrosses substantial importance for both China and Pakistan, but also clinches enormous debates at international level. For instance, Daniel Markey and James West held that, “The CPEC represents an international extension of China’s effort to deliver security through economic development” (Daniel S. Markey, 2016). Notably, the CPEC establishes a “vital link between the Eurasian land routes and the maritime silk routes envisaged under the BRI”, which further magnifies its significance in the economic and strategic spheres (Daniel S. Markey, 2016). Thus, if effectively leveraged, it has the potential to transform Pakistan into a key hub for international trade and a linchpin in Eurasian economic integration. In this context, CPEC’s strategic significance in regional connectivity positions it as a catalyst for realizing the China-Iran Comprehensive Strategic Partnership and expanding it into a broader regional integration project. Additionally, by linking the BRI with Iran’s strategic location and resources, CPEC has the potential to evolve from a bilateral initiative into a transformative multilateral platform, fostering regional growth and stability.

The Indian Ocean Region (IOR) holds paramount geostrategic significance due to its status as a vital maritime conduit, facilitating approximately 75% of global maritime trade and 50% of global oil shipments (Joshi, 2020). While the region remains susceptible to instability, major global powers, particularly the US and its regional allies, notably India, have asserted substantial maritime influence to safeguard their strategic interests (Paul, 2011). Concurrently, China’s ascent as the world’s second-largest economy has necessitated an expansion of its regional engagements, initially driven by energy security concerns but progressively extending into broader economic and strategic domains. Over the past decade, Beijing has bolstered its regional footprint through extensive economic partnerships and strategic agreements, exemplified by its comprehensive engagements with twelve Middle Eastern and North African states, including Iran (Tuvia Gering, 2023). Furthermore, China’s diplomatic intervention in facilitating rapprochement between Iran and Saudi Arabia underscores its proactive efforts to redefine regional power dynamics and vindicate its “alternative vision to the US-led global order” (Adam Gallagher, 2023).

Amid these evolving geopolitical realignments, the deepening Indo-US partnership has necessitated a recalibration of Pakistan’s strategic orientation. In response, Pakistan has sought to consolidate its long-term economic and strategic imperatives through enhanced cooperation with China, leveraging its geostrategic position as a crucial nexus for regional connectivity. The CPEC emerges as a cornerstone of this strategic realignment, reinforcing China’s regional presence while concurrently augmenting Pakistan’s role in facilitating Eurasian trade and energy linkages. By providing China with direct access to the Arabian Sea, CPEC mitigates Beijing’s dependence on vulnerable maritime chokepoints, thereby amplifying its strategic reach across South Asia, Middle East, and beyond. For Pakistan, this collaboration enhances its geopolitical stature, positioning it as a central actor in regional economic integration. Consequently, CPEC is widely regarded as a transformative initiative that aligns China’s global economic ambitions with Pakistan’s regional strategic aspirations (Zahid Khan, 2018).

Within this strategic paradigm, CPEC serves as a critical infrastructural linchpin, facilitating operationalization of Sino-Iran Comprehensive Strategic Partnership while concurrently reshaping regional economic architecture. This evolving alignment carries

profound geopolitical and geo-economic ramifications, positioning China to extend its economic influence deeper into the Middle East, reinforcing the BRI, and securing vital energy resources and trade corridors. For Iran, this collaboration offers a strategic economic conduit to mitigate adverse impacts of the US-led sanctions, fostering economic diversification beyond its traditional partners. Simultaneously, Pakistan emerges as a pivotal economic transit hub, enhancing its geo-economic significance and solidifying its role in China's broader economic outreach. By fostering mutually reinforcing economic interdependencies, this strategic realignment cultivates a mutually beneficial framework, advancing the interests of all participating states while reshaping regional power dynamics. Moreover: this strategic realignment would facilitate the internationalization of CPEC by integrating Iran, thereby expanding its scope beyond the bilateral China-Pakistan framework. This evolution would create new pathways for regional economic cooperation, inviting broader participation from states and economic stakeholders, and transforming CPEC into a comprehensive platform for multilateral economic integration.

Likewise, at strategic front, the prospective arrangement is fraught with a multitude of challenges emanating from internal dynamics, regional intricacies, and strategic maneuvering of extra-regional actors. Beyond security threats posed by terrorism, sectarianism and extremist tendencies, political instability and socio-economic factors have also capacity to undermine economic cooperation initiatives. Additionally, the Sino-Iran agreement has heightened regional tensions, as it signifies the entry of a major global power into the Middle Eastern geopolitical landscape, potentially reshaping regional alignments and drawing attention of external stakeholders with entrenched strategic and economic interests in the energy-rich region. The Middle East and Gulf regions have long been remained significant to the US interests, as well as to other industrial countries on account of its energy resources. Since the 1980s, the establishment of US military bases across all Gulf states, excluding Iran, underscores Washington's commitment to preserving regional stability while maintaining its strategic dominance (Wallin, 2018). Although the Trump administration vilified the prolonged US engagement in the Middle East, troop deployments paradoxically increased during his tenure (Zenko, 2018). In this context, the presence of two of 'axis of evil' countries', one of which has signed this deal with China, have amplified the US apprehensions about transforming regional strategic equation.

China's growing strategic engagement in the Middle East, exemplified by its diplomatic success in facilitating détente between Iran and Saudi Arabia, is widely perceived as a calculated move to challenge the US-led global order, particularly in light of Washington's perceived strategic retrenchment from the region (Bonham, 2007). As the largest importer of hydrocarbons from both Iran and Saudi Arabia, securing over 40 percent of its oil supplies from the Gulf (Adam Gallagher, 2023), China has a vested interest in regional stability to ensure uninterrupted energy flows. Furthermore, Beijing's diplomatic initiatives align with Xi Jinping's Global Security Initiative (GSI), unveiled in April 2022 at the Boao Forum following his third-term confirmation. The GSI, positioned as an alternative security framework to the Western-led order, emphasizes to uphold "sovereignty and territorial integrity of all countries," against the bloc politics enshrined in the western-led security order (Freeman, 2022). This new conception makes China an enticing external power in the Middle East region marked by persistent human rights violations and governance challenges.

In parallel, China has encouraged Middle Eastern states to conduct oil transactions in yuan, signaling its intent to undermine the long-standing dominance of

the US dollar in global energy markets (Selden, 2018). Although the US remains the predominant external power in Middle East, China's expanding footprint is reshaping regional geopolitical dynamics by offering states an alternative strategic partner, thus reducing their overreliance on Washington, and prompting the former to reassess its foreign policy engagements. Against this backdrop, Pakistan's deepening strategic and economic ties with China and Iran are likely to further complicate its already precarious relationship with the US, intensifying its strategic dilemmas. While these engagements primarily stem from Pakistan's economic imperatives and regional security considerations, they may be perceived with suspicion in Washington, potentially jeopardizing Islamabad's access to international financial institutions and critical military assistance from the US. Consequently, Pakistan's evolving foreign policy posture necessitates a carefully calibrated approach to mitigate diplomatic frictions while maximizing strategic dividends.

Despite geographical proximity and historical goodwill making Iran a natural energy partner for Pakistan, bilateral cooperation has remained significantly constrained, primarily due to the US-imposed sanctions on Iran (Mushtaq, 2020). The Iran-Pakistan gas pipeline agreement signed in 2012 has faced prolonged stagnation, with Iran repeatedly urging Pakistan to fulfill its commitments or face penalties. However, the US sanctions have effectively deterred Pakistan from proceeding with the project (Colibășanu, 2023). In this context, Pakistan's potential role in facilitating implementation of Sino-Iran Comprehensive Strategic Partnership could further strain its already fragile ties with the US, exacerbating its strategic challenges. Given the deepening Indo-US partnership as part of Washington's broader strategy to counterbalance China, Pakistan's growing alignment with Beijing, particularly as a conduit for China's expanded regional economic ambitions, risks complicating its diplomatic positioning and undermining its strategic maneuverability within regional and global power structures.

Moreover, security threats emanating from sectarian and nationalist terrorist networks operating along the Pakistan-Iran border, notably Jundullah (Jaish al-Adl) and the Balochistan Liberation Army (BLA), present formidable obstacles to infrastructural projects under CPEC and broader Pakistan-Iran cooperation (Muzaffar, et., al., 2021; Muzaffar, et., al., 2018; Mir, 2024). These groups have the capacity to derail efforts aimed at fostering economic integration and strategic collaboration, as evidenced by the cross-border strikes between Pakistan and Iran in January 2024, which underscored the destabilizing impact of militant sanctuaries in the volatile border region (Mir, 2024). Conversely, However, in line with Robert Jervis' argument that cooperative prospects can "ameliorate the security dilemma" (Jervis, 1978) diplomatic negotiations following the border escalation have created an opportunity for both states to not only address non-state threats but also expand bilateral engagement beyond the security domain.

As Pakistan navigates this intricate geopolitical terrain, characterized by multifaceted strategic challenges, it must adopt a prudent and calculated approach to transmute these challenges into opportunities conducive to fostering enhanced multilateral cooperation. To advance constructive collaboration, Pakistan must prioritize conflict mitigation initiatives and sustained diplomatic engagements. Furthermore, fostering a robust trilateral cooperation with China and Iran to address shared security concerns could serve as a catalyst for elevating bilateral accord into a trilateral framework, amplifying strategic dividends for all parties and reinforcing regional stability. Rooted in economic interdependence theory, as advanced by scholars such as Richard Cooper (Cooper, 1968), David Baldwin (Baldwin, 1980) and Dale Copeland (Copeland, 1996), the argument posits that deepened economic collaboration reduces the

likelihood of conflict by aligning state interests. In this context, the convergence of CPEC and Sino-Iran deal holds the potential to not only stimulate economic growth but also promote regional peace through increased connectivity and trade. Despite the associated challenges, this emerging partnership is poised to enhance economic cooperation among China, Iran, and Pakistan, driven by Iran's resource wealth, Pakistan's geostrategic position, and China's energy needs and connectivity ambitions. These overlapping economic imperatives underscore the prospects for a structured and enduring regional economic collaboration.

Conclusion

Despite the anarchical international structure, mounting competitions and market opportunities have burgeoned economic cooperation tendencies at global level at turn of the 21st century. Within this framework, the CPEC emerges as a pivotal conduit between China and West Asia, thereby furnishing Beijing with a viable route to operationalize its cooperation with Iran. The classical synergy between Sino-Iran strategic partnership and the CPEC presents a rare opportunity for Pakistan to leverage its geostrategic position for economic and strategic benefits. Although this arrangement has a capacity to open new vistas of cooperation among the troika of China, Iran and Pakistan, its success depends on mutuality of interests to translate geo-economic gains into geostrategic advantages and addressing challenges posed by local, regional, and global factors affectively. In this context, shifting power dynamics and augmentation of common interests are likely to yield a kind of interdependence among the troika, thereby leading them to dispel security dilemmas and develop a cooperative alliance with a win-win situation for all.

Recommendations

The study advances following policy recommendations to optimize the prospective economic dividends and mitigate the associated strategic challenges:

- **Leveraging Strategic Position for Economic Gains:** Pakistan need to prioritize economic diplomacy against historical security-centric approach. By exploiting its geostrategic location, Pakistan can transform itself into a trade and connectivity hub, expediting economic integration with China, Iran, and other regional actors.
- **Diplomatic Balancing with the US:** Given the mounting Sino-US rivalry, Pakistan must adopt a diplomatic approach to preserve constructive ties with both China and the US. Engaging in high-level dialogues, ushering trade relations, and stimulating regional stability can help to deescalate tensions with Washington while preserving its strategic partnership with Beijing.
- **Internationalizing CPEC:** Pakistan need to develop policy frameworks and investment incentives to encourage China and Iran to exploit CPEC's infrastructure for regional trade. Special economic zones (SEZs), tax incentives, and transit trade bargains can help internationalization of CPEC and attract greater economic activity.
- **Diversification of Economic Partnerships:** While expanding ties with China and Iran, Pakistan need to strengthen economic activities with Gulf states and Central Asian states. A diversified economic strategy will augment Pakistan's resilience against geopolitical uncertainties.

- **Infrastructure and Security Improvements:** To maximize benefits of CPEC, Pakistan must ensure robust infrastructure development and address internal security challenges. Consolidating law enforcement, nurturing energy security, and enhancing transportation networks will create a more investor-friendly environment.
- **Regional Economic Diplomacy:** Pakistan should actively engage in regional economic forums, such as Shanghai Cooperation Organization and Economic Cooperation Organization, to uphold its role as a trade facilitator between China, Iran, and other stakeholders.
- **Policy Reforms for Investment and Trade Facilitation:** Executing business-friendly policies, addressing bureaucratic hurdles, and ensuring regulatory frameworks will encourage foreign investments, further integrating Pakistan into regional economic frameworks.

By embracing these policy measures, Pakistan can not only mitigate strategic risks but also maximize its economic potential, enhancing its regional and global economic standing.

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