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Iran's Peace Pipeline

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The United States has intensified its stance against Iran with the introduction of new sanctions, labelling Iran as an endorser of terrorist organisations and developing nuclear weapons. The prospective Iran-Pakistan-India natural gas pipeline that is now under talks between Iran and Pakistan, however, may undermine to American moves to isolate Iran.

IN RECENT weeks representatives of the Iranian and Pakistani energy industries have resumed talks to negotiate the construction of the \$7.4 billion Iran-Pakistan-India gas pipeline project. Although India is intended to be included in the tripartite deal, the country says rows with Pakistan over transit fees have stalled tri-party negotiations.

The United States is attempting to challenge the pipeline deal at a time when it is trying to impede Iran's nuclear programme, and simultaneously aid Pakistan, its ally in the war on terror. This risks estranging Pakistan. In the meantime, there is significant opposition in the Indian government to the proposal for bilateral US/India civilian nuclear cooperation, which may potentially set back the US' ability to inhibit India from signing the pipeline contract with Iran.

Pipeline for Peace or Nuclear Ambitions?

As the world's second-largest reservoir of natural gas reserves, Iran is looking to expand its economic opportunities by exporting much-needed natural gas to two of the world's largest growing energy-markets: Pakistan and India. The proposed route for the pipeline will run from southern Iran to different cities in southern Pakistan and along its border with India, with New Delhi as the final destination. In addition to the pursuit of economic profits and vital energy resources, all three countries cite the pipeline development as a channel to build up regionalism through friendly relations and economic interdependence. They also perceive it as a step in lessening hostilities between the two nuclear powers in South Asia.

The US, however, considers Iran's pipeline venture to be more than a conduit to generate economic interdependence and friendly relations in the region. As Iran has consistently defied international calls to suspend its nuclear enrichment programme, the US is disturbed that Iran may use revenue from the pipeline to finance its nuclear project, which can ultimately produce nuclear weapons. The US opposes Iranian economic expansionism out of the concern that such activities would contribute to Iran's military pursuits. The US-enforced Iran Libya Sanctions Act (ILSA), which was extended to December 2011, imposes sanctions on non-American companies that annually invest more than USD \$20 million in Iran's oil and natural gas industries. A number of European and Asian energy companies, however, have circumvented or disregarded the Act to engage in developments in Iran's

energy sector.

The US is concerned that the pipeline deal is also a means to extend Iranian influence beyond the Middle East to include South Asia. That Pakistan and India, both nuclear powers, are in a locality of high significance to the war on terror has further warranted the US to oppose Iran's pipeline deal. The US-implemented international sanctions on Iran, which Iran and many other countries view as conflicting with international law, are a controversial issue. The sanctions are part of US efforts to isolate Iran and are viewed as a tool to punish potential allies. European and other world powers are working to mobilise international efforts to collectively persuade Iran to suspend its nuclear ambitions. The US must tread lightly in its efforts to prevent the implementation of the pipeline project.

Iran or the United States?

Pakistan will serve as both a consumer of Iranian natural gas and a transit point in the pipeline's route to India. Pakistani officials concur that if India is to formally join the deal it would stand as a remarkable feat in the effort to build friendly relations between the two historic adversaries. Mukhtar Ahmad, energy advisor to Pakistan's prime minister, underscores that the pipeline development is crucial to sustain Pakistan's economic development and population's needs. With energy pressures mounting due to a soaring population and an inadequate supply of natural gas, Pakistan stands to gain much needed energy resources, in addition to an appealing USD \$500 million from India in transit fees and transportation tariffs. However, as the US' strategic ally in the war on terror, such cooperation with Iran does not sit well with Washington.

US officials vehemently oppose the deal, suggesting that Pakistan consider alternative energy supplies, such as wind or solar power. The opposition extends to Congress, where representatives of the US House Foreign Affairs Committee proposed enforcing sanctions on governments that are investing in Iran's energy industry under the ILSA. Despite the rhetoric, it is highly unlikely that the US would impose sanctions on the Pakistani government whilst it is in the thick of the battle and facing ongoing onslaughts from the Taliban and al Qaeda. In the light of growing domestic unrest and anti-US sentiments in Pakistan, Washington cannot afford to rebuke the country's government.

The India Factor

Indian officials have stated that India is committed to the pipeline project but have refrained from trilateral negotiations thus far. Iran is keen on Indian participation not only due to its massive market, but also potential political support in the face of international calls for Iran to suspend its nuclear programme. Iran also seeks to minimise dependency on US currency by exchanging supplies of gas for high-tech goods and services with India.

In spite of limited international support for the effort, the US is attempting to prevent the deal, and its geo-strategic implications, by preventing India from signing on. In 2006, in order to meet India's escalating energy demands, Congress approved the Bush administration's proposal to develop peaceful nuclear cooperation between the two countries by allowing India access to civilian nuclear fuel and technology. A wide spectrum of Indian political parties, including many leftist members of Prime Minister Manmohan Singh's multi-party coalition, view the deal as an erosion of India's sovereignty. Due to political sensitivities the Indian government has postponed signing the nuclear deal with the US.

Competing Interests

All four nations have a complex set of competing vital national interests at stake with this issue, and at the moment there does not appear to be an obvious compromise. The US is likely to continue its fierce resistance to the establishment of the pipeline as part of its ongoing efforts to isolate Iran. Although

the US has already publicly and privately advised Pakistan and India not to proceed with the deal, its counsel is likely to go unheeded.

India and Pakistan have clear economic and political interests in the pipeline project. While they may or may not share American concerns about Iranian intentions, they cannot abandon the project for economic reasons and their respective national interests. Neither state wants to alienate a critical partner. However, both countries require reliable sources of energy and Iran can meet some of these needs.

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