<p> <p>PLACE your bets. Will Pakistan risk inviting American and European Union sanctions upon itself, as well as the ire of its key ally Saudi Arabia, in return for Iranian help in overcoming a crippling energy crisis? </p> <p>�</p> <p>The simple answer is no. But the times are far from simple. For one, Pakistan�s own energy crisis is getting worse exponentially. By some estimates, put out by the Petroleum Institute, the country�s oil import bill will cross $50 billion in a little over 10 years� time. That�s about five times what it is today.</p> <p>�</p> <p>Put it another way. Our peak shortages of gas today are just over one billion cubic feet of gas per day. By 2025, just over 10 years from now, these shortages will hit eight billion cubic feet, assuming a growth rate of four per cent per annum.</p> <p>�</p> <p>It�s hard to overemphasise the significance of this. Pakistan is one of the few countries in the world that has been relatively insulated from the full impact of the oil price hikes of the past decade precisely because we�ve had indigenous natural gas to fall back on.</p> <p>{loadposition content_adsense300}</p> <p>As the price of oil went into triple digits, our consumption of indigenous natural gas intensified, until today when it accounts for almost half of our primary energy consumption in the country.</p> <p>�</p> <p>The result is all around us. The growing shortages have aggravated inter-provincial disharmony, and inaugurated an ugly chapter in our economic history: the bitter wrangling between industry and sectors over gas allocations.</p> <p>�</p> <p>Seen through the prism of Pakistan�s growing gas crisis, the Iranian pipeline seems like a solution as natural as the gas it will presumably carry. But as a wise old professor once wrote: geography proposes, history disposes.</p> <p>�</p> <p>The proximity of Iranian gas is geography�s proposition. But the sanctions imposed on that country by the international community hold the destiny of this proposition in their hands.</p> <p>�</p> <p>Let�s not underestimate the forces that stand behind the sanctions. Let�s recall that in addition to America, the EU and the UN all have Iran-specific sanctions in place.</p> <p>�</p> <p>US sanctions on Iran began with an executive order that became effective on Nov 14, 1979. Since then, there have been 24 additional executive orders tightening the noose further, the last of which became effective on Oct 9, 2012.</p> <p>�</p> <p>The earliest sanctions seized Iranian government properties in the US, went on to block all assets that were pledged to American banks, and in 1995 made illegal any investment by American firms in the Iranian oil and gas sector.</p> <p>�</p> <p>The latest executive order, of October 2012, goes so far as to �prohibit any transfers of credit or payments between financial institutions or by, through, or to any financial institution, to the extent that such transfers or payments are subject to the jurisdiction of the United States.�</p> <p>�</p> <p>This clause unplugs Iran from the global clearing house of all inter-bank payments as far as they are processed through New York.</p> <p>�</p> <p>Then on Dec 26, 2012, came an amendment to this order, issued by the treasury department, which expanded �the categories of persons whose property and interest in property are blocked� if they are found �to have provided material support for certain Government of Iran-related entities or certain activities by the Government of Iran�.</p> <p>�</p> <p>A little further down, the note clarifies that amongst the entities to whom it is prohibited to �provide material support� is the Central Bank of Iran and amongst the �activities by the Government of Iran� that are prohibited from being provided support to are the �purchase or acquisition of US bank notes or precious metals by the Government of Iran.�</p> <p>�</p> <p>And there�s the clincher. With these laws in place, you cannot transact with Iranian banks, you cannot make a payment to the Central Bank of Iran in dollars, and you cannot make that payment in gold without running the risk of being unplugged from the US financial system.</p> <p>�</p> <p>But as mentioned earlier, there are complications.

Carefully read the myriad documents where the sanctions laws are clarified and you�ll notice strange loopholes in the text.</p> <p>�</p> <p>For instance, the prohibitions laid out earlier, according to the clarification, will �not apply to any activity relating to a project:</p> <p>�1. For the development of natural gas and the construction and operation of a pipeline to transport natural gas from Azerbaijan to Turkey and Europe;</p> <p>�</p> <p>�2. That provides to Turkey and countries in Europe energy security and energy independence from the Government of the Russian Federation and the Government of Iran; and</p> <p>�</p> <p>�3. That was initiated before August 10, 2012.� Basically the red lines the US is trying to draw around Iran are not so red when they touch the matter of helping break Europe�s energy dependence on Russia. So can Pakistan ask for some of the red to be taken out of the red lines for the sake of its energy security as well?</p> <p>�</p> <p>The history of the sanctions clearly tells us that an executive order issued by the president would be enough for the purpose, without requiring any congressional approval.</p> <p>�</p> <p>So will Pakistan really press ahead with the project? Are the red lines drawn by the Americans really all that red after all?</p> <p>�</p> <p>It�s highly unlikely that Pakistan will risk calling the US warnings about sanctions a bluff. But it�s equally unlikely that the Americans will allow the sanctions to be triggered � that requires a determination from the secretaries of treasury and state � and push Pakistan�s economy into meltdown, because that is what would happen to us in the event. Our economy cannot withstand that sort of a blow, anymore than it can withstand the continuous declines in its gas supplies.</p> <p>�</p> <p>What�s more likely is that Pakistan is using Iran to build a negotiating position on some other table, and when the offer there is up to par, they�ll bargain geography�s proposition away on the tables of history.</p> <p>�</p> <p>The writer is a Karachi-based journalist covering business and economic policy.

Courtesy: �Dawn</p> </p>