Report

NIPS - GPTT Dialogue

The Geopolitical and Geoeconomic Landscape of the Middle East

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Introduction

The NUST Institute of Policy Studies (NIPS), Islamabad, and the Governance and Policy Think Tank (GPTT), Tehran, jointly convened this collaborative dialogue on August 19, 2026, to examine how the current crisis is reshaping the geopolitics and geo-economics of West Asia. The discussion moved beyond the immediate military confrontation to questions of regional order, maritime security, energy markets, Pakistan-Iran relations, connectivity and the place of outside powers.

Key Takeaways

- The crisis has unsettled older assumptions about how security is organized in West Asia. Regional states are seeking more room for independent action, even though external military, economic and technological dependence remains substantial.
- The Iran-US confrontation remains politically and militarily unfinished. Negotiation and deterrence are proceeding together, while the Strait of Hormuz continues to connect the security dispute directly to global energy and shipping costs.
- The discussion placed the Palestinian crisis, Israeli military actions, Yemen and insecurity around the Red Sea alongside the Iran-US confrontation. They were treated as parts of a wider regional security problem rather than as separate crises.
- There was strong interest in security arrangements (exempting Israel) generated from within the region: restraint, non-interference, peaceful dispute settlement and practical cooperation before more ambitious institutional designs are attempted.
- Pakistan-Iran relations emerged as a practical test case. Border management, trade, energy, payment mechanisms and crisis communication matter more to the durability of the relationship than declaratory goodwill alone. Unilateral sanctions were identified as the primary external obstacle to realizing the bilateral trade potential.
- China was discussed principally as an economic and connectivity partner. Its usefulness would lie in supporting regional integration without replacing one externally dominated security order with another.

West Asia After the Conflict

The exchange was less interested in tallying strikes than in what the conflict has done to political assumptions across West Asia. The region no longer looks easily reducible to an order in which one outside power sets the terms and local states adjust around it. Regional powers have shown a greater willingness to preserve independent choices, build overlapping partnerships and resist being placed permanently inside a single camp. That does not mean a stable multipolar order already exists. It means the competition over what comes next has become more visible. The US/Israel attacks in 2025 and 2026, and Iranian retaliation, were cited as key turning points that underscored limiting U.S' influence in the region.

The same caution applies to claims about the decline of external power. Military bases, defence relationships, financial links and access to advanced technology still matter. What changed in the discussion was the confidence attached to them. External protection may deter some threats, but it can also expose host states when military facilities, logistics or airspace become part of a wider confrontation. The question, therefore, was not whether outside powers will disappear from West Asia. It seems less probable in near future. It was whether regional states can reduce the degree to which their security depends on decisions made elsewhere.

That question cannot be separated from the Palestinian issue or from insecurity in the Levant and Red Sea. The dialogue repeatedly returned to the absence of a political settlement for Palestine, and the regional consequences of Israeli military action. These pressures widen the geography of any crisis. A confrontation centred on Iran can affect Persian Gulf shipping; conflict in Yemen can threaten an alternative maritime route; violence in the Levant can reopen another front. Seen together, they leave little room for treating one theatre as self-contained.

Diplomacy, Deterrence, and the Economic Cost of Hormuz

The Iran-US confrontation was treated as unfinished. The Islamabad Memorandum of Understanding signed in June 2026 created a diplomatic framework and was followed by implementation talks involving Iran, the United States, Pakistan and Qatar.[1]

One useful insight from the discussion was that negotiation and military preparedness are not opposites. Both can proceed at the same time. A lull in fighting does not by itself produce a post-war order if the parties continue to prepare for renewed coercion and if the disputes that triggered the confrontation remain open. This is especially important for neighbouring states, because another round of hostilities would immediately raise questions over bases, airspace, logistics, sanctions and political support. Hormuz is where those strategic questions become economic ones. Before the conflict, roughly one-fifth of global petroleum liquids consumption moved through the strait. U.S. Energy Information Administration estimates show flows falling from 21.6 million barrels per day in the fourth quarter of 2025 to 4.9 million barrels per day in the second quarter of 2026.[2] Oil prices rose, but not in proportion to the collapse in traffic.

The discussion pointed to several buffers: releases from emergency petroleum stocks, weaker Chinese crude demand and some diversification of supply outside the Persian Gulf. Chinese imports, for example, fell from a five-year average of about 11.5 million barrels per day to around 8 million during the war, easing competition for available cargoes. Iranian experts argued that the closure of the Strait remains a legitimate defensive measure in response to repeated U.S.-Israeli aggression, and that any solution must address Iran's existential security concerns, not merely commercial navigation. [3] None of these measures removes the underlying problem. Emergency stocks are temporary, alternative routes have limited capacity, and prolonged disruption feeds into freight, insurance, refining and import bills.

For Pakistan, that chain is immediate. Higher energy and shipping costs feed into inflation, the current account and fiscal pressure. De-escalation in West Asia is therefore not only a diplomatic preference; it is tied directly to Pakistan's economic stability. As per Iranian experts, for Iran, the calculus is more security-oriented: preventing military build-up in the Strait while striving to minimize regional spillover.

Security From Within

Much of the forward-looking discussion concerned what regional states could build themselves. Four ideas appeared repeatedly: non-interference in domestic affairs, peaceful settlement of disputes, practical cooperation in economic and security fields, and some capacity to respond collectively when an external threat affects regional security. The emphasis was less on creating another large institution than on reducing the insecurity produced by mistrust among neighbours.

The Makkah Joint Defence Agreement signed by Pakistan, Saudi Arabia and Türkiye on 7 August 2026 gave that debate a concrete reference point. The agreement is defensive in character and provides that an armed attack against one of the three states will be regarded as an attack against all.[4]

Iranian experts expressed concerns about the 'inclusivity aspect' of the Agreement, noting that any collective security mechanism must be fully inclusive and should not be employed against Iran, Ansarullah, and other anti-Israel resistance movements. In their view, the agreement's tendency to promote division or unity defines its value.

A more novel idea raised during the dialogue was the "Medina Doctrine": a consultative arrangement among major West and South Asian powers, potentially including Iran, Türkiye, Saudi Arabia and Pakistan. The concept was presented not as a military bloc but as something closer to a concert - a forum based on mutual respect, inclusivity, and in which regional powers could consult regularly, manage competition, and discourage both external interference and intra-regional aggression.

Its value lies precisely in its limited ambition. States with different alliances and threat perceptions are more likely to begin with consultation and confidence-building than with a comprehensive treaty.

This is also where the limits are clearest. Regional autonomy cannot simply mean replacing one bloc with another. If new defence arrangements are read by neighbours as instruments of containment, they reproduce the insecurity they are meant to reduce. Any regional mechanism would therefore have to grow around reassurance, transparency and restraint before collective security becomes a realistic proposition.

Pakistan-Iran Relations and Pakistan's Regional Position

Pakistan has important security and economic relationships with Saudi Arabia and other Persian Gulf states; Iran, meanwhile, is a neighbour whose stability directly affects Balochistan, border management, energy options and westward connectivity. The challenge is not to prioritize but to prevent either country from reading the other's external partnerships as a threat, which requires more than political assurances.

The discussion focused on security, the border economy, intelligence exchange, crisis hotlines, and mechanisms to stop a border incident from triggering another cycle of unilateral action. Participants highlighted the importance of legal markets, electricity trade, transport links, and joint verification mechanisms: practical tools that curb smuggling and militant networks and increase employment.

A secure border that remains economically dysfunctional will generate its own pressures. Trade shows the same gap between intention and implementation. Pakistan and Iran have set a target of US$10 billion in annual trade, while recent bilateral trade has remained around US$3 billion.

The Iranian side proposed reframing Balochistan beyond a counter-terrorism theatre, envisioning it instead as a "joint development and connectivity project" encompassing pilot initiatives in energy, logistics, and border industries, with potential Chinese involvement.

The obstacles are familiar and practical: payment channels, customs, transport, banking risk, border infrastructure and the limited formalization of existing commerce. The Iranian side reiterated that unilateral U.S. sanctions remain the primary obstacle, the resolution of which constitutes a prerequisite for substantive progress. The August 2026 Joint Trade Committee placed barter, border markets, and customs coordination at the center of the agenda.[5]

The dialogue raised the possibility of sharper US-China competition and what that would mean for Islamabad. Pakistan's strategic relationship with China is not in question, but neither is there much benefit in turning every regional issue into a binary great-power choice. The same principle that applies to Iran and the Persian Gulf applies more broadly: Pakistan gains diplomatic space when its partnerships do not become automatic commitments against third states.

China, Connectivity, and the Wider Economic Order

China entered the discussion in a different category from traditional external security providers. The emphasis was on investment, trade and connectivity rather than on replacing the United States as the region's military manager. That distinction matters. A regional order that seeks greater autonomy would lose much of its meaning if it merely transferred dependence from one outside power to another. The Iranian side further views China as a strategic counterweight, constraining Western intervention and reinforcing regional autonomy, as exemplified by Beijing's facilitation of the 2023 Iran–Saudi rapprochement.

The most practical possibilities lie in infrastructure and cross-regional commerce. Gwadar and Chabahar were not treated as ports condemned to permanent strategic rivalry. They compete on some routes, but selective cooperation remains possible where commercial logic supports it. Links among CPEC, Iran, Central Asia and West Asia, along with cooperation in electricity, logistics, border industry and infrastructure protection, could give regional connectivity a material base.

A trilateral pilot project involving Iran, Pakistan, and China in electricity transmission, logistics, and border industries was proposed as a tangible step towards translating declaratory MoUs into substantive cooperation.

Economic interdependence will not remove geopolitical rivalry. It can, however, change the cost of disruption. States that trade, share infrastructure and depend on predictable borders acquire constituencies with an interest in keeping political disputes below the threshold of prolonged confrontation. In that sense, economic cooperation is not a substitute for security diplomacy; it can make security understandings easier to sustain.

Policy Considerations Emerging from the Dialogue

The discussion pointed toward a limited set of practical priorities rather than a new grand design. Pakistan and Iran could benefit from a regular strategic and security dialogue backed by crisis communication and clearer procedures for border incidents, including crisis management mechanisms to ensure a stoppage of cross-border incursions.

Trade targets need implementation mechanisms tied to payments, customs, transport and border-market expansion. Energy cooperation can also proceed in smaller, workable forms where larger projects remain constrained by finance or sanctions.

At the regional level, consultation should come before architecture. Dialogue on non-interference, maritime security, the use of military facilities, dispute settlement and the limits of regional competition would provide a more realistic starting point than a comprehensive security treaty. Existing arrangements can serve as building blocks, provided they remain defensive in orientation and are accompanied by credible reassurance toward states outside these frameworks, particularly Iran, so as to dispel perceptions of their serving as instruments of containment.

The same caution applies to external partners. Chinese investment and connectivity can strengthen regional resilience, but regional states will still need to define the political rules themselves. No outside actor can substitute for that work.

Conclusion

The dialogue did not produce a blueprint for West Asia, nor did it need to. It showed instead where the pressure points are becoming clearer. Regional states want greater control over their security choices, but outside military presence, sanctions, maritime coercion and great-power competition continue to shape those choices. At the same time, unresolved conflicts inside the region make autonomy difficult to sustain.

What follows from this is less dramatic than another alliance or regional declaration. Stability will depend on whether neighbouring states can place practical limits on how they compete: not using territory against one another, keeping crisis channels open, making maritime arrangements predictable, and building enough economic interdependence that escalation carries a visible domestic cost. Those measures will not settle every dispute. They would, however, give regional ownership of security something it still lacks - operating rules.

A shared recognition of the Israeli regime as a principal source of regional instability, coupled with a common commitment to the Palestinian cause, was identified as a potential point of convergence capable of fostering trust and facilitating broader regional cooperation.

Endnotes

[1] Ministry of Foreign Affairs, Government of Pakistan, "Curtain Raiser: High-Level Talks on the Implementation of Islamabad Memorandum of Understanding," June 21, 2026, https://mofa.gov.pk/press-releases/curtain-raiserhigh-level-talks-on-the-implementation-of-islamabad-memorandum-of-understanding-burgenstock-switzerland-21-june-2026.

[2] U.S. Energy Information Administration, "Global Oil Markets / Energy Security Analysis," *Short-Term Energy Outlook*, August 2026, https://www.eia.gov/outlooks/steo/report/global_oil.php.

[3] Reuters, "China's Oil Imports Have Plunged during the Iran War. How Much Will They Recover?," July 17, 2026, https://www.reuters.com/business/energy/chinas-oil-imports-have-plunged-during-iran-war-how-much-will-they-recover-2026-07-17/.

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[5] Press Information Department, Government of Pakistan, "Pakistan, Iran Agree on Measures to Expand Bilateral Trade," August 5, 2026, https://pid.gov.pk/site/press_detail/33470.

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