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## **Economic and Business Opportunities in Asia and the Gulf after a Pakistan-Mediated U.S.–Iran Ceasefire**

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### **ABSTRACT**

This paper discusses the economic and business impact of the April 2026 U.S.-Iran ceasefire, mediated by the diplomatic intervention of Pakistan. Based on theoretical frameworks of the international political economy and conflict economics, the analysis defines three mutually dependent streams of opportunities: the stabilization of the energy market, reactivation of trade corridors, and mobilization of reconstruction finance. The cease fire is tenuous but it provides a temporary economic breathing space - what market analysts refer to as a TACO trade environment - where there is a temporary repricing of risks but the underlying tensions are not resolved. To Pakistan, the mediation is a strategic repositioning and economic requirement, possibly opening up the Gulf investment and access to energy. In the case of Asia, relief is based on stabilizing oil prices and access to the Strait of Hormuz. In the case of the Gulf, there are prospects in financing post-conflict reconstruction and diversified trade architectures. It maintains in the paper that the economic transformation window is small and contingent on diplomatic follow-through whereby there is a concerted effort between the government and its businesses to transform geopolitical capital into actual business gains.

**Keywords:** Pakistan Mediation, U.S.–Iran Relations, Ceasefire Economics, Gulf Energy Markets, Asian Trade Corridors, Reconstruction Finance

### **Introduction**

The fact that United States and Iran announced a two-week ceasefire at the beginning of April 2026 was a dramatic turnaround to what seemed to be a rapidly escalating trend of a full-scale regional war (Reuters, 2026). Just under an hour before a U.S. presidential ultimatum was about to expire, the one that threatened to destroy the civilian infrastructure of Iran, Washington and Tehran agreed to cease the conflict, temporarily re-opening the Strait of Hormuz and beginning the diplomatic talks in Islamabad. Pakistan, a country that was long used to the rivalry of great powers, but rarely placed in the mediator role as in this unforeseen diplomatic breakthrough, was the architect of this breakthrough (Dawn, 2026). This paper explores the economic and business potential in this ceasefire in three interdependent areas: Asia (and more specifically, East and Southeast Asian economies with high reliance on Gulf energy), the Gulf monarchies (Saudi Arabia, UAE, Qatar, Kuwait, Oman, and Bahrain) and Pakistan itself as both mediator and possible economic beneficiary.

The main research question is: What are the tangible economic opportunities presented by the Pakistan-mediated U.S.-Iran ceasefire to businesses and investors in Asia and the Gulf, and under what circumstances do these opportunities become real? The theoretical framework combines three literatures: (1) the political economy of war and peace, especially the idea of the so-called rents of conflict and how such rents are reallocated during ceasefires; (2) the literature of international relations theories of middle-power



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mediation, which discusses the way in which the states that lack systemic power can still influence the regional economic architecture; (3) the microstructure of markets and geopolitical. The paper is methodologically a qualitative case study analysis of the post-ceasefire situation (April 8-22, 2026), using real-time market data, business community statements, diplomatic analysis, and international media reports. Although the temporary nature of the ceasefire does not allow any assessment of the long-term impact, the initial response will give important insights into the perception and pricing of geopolitical risk by economic actors, and which structural adjustments may help to maintain opportunities beyond the initial fourteen-day period. The paper will take the following route: Section 2 sets the geopolitical background of the ceasefire and the role of Pakistan as a mediator. Section 3 looks at the theoretical perspectives of ceasefire economics. Section 4 examines the opportunity structures in Asian energy and trade markets. Section 5 evaluates Gulf economic repositioning, and reconstruction finance. Section 6 looks at the potential gains and strategic calculus of Pakistan. Section 7 determines the risks, conditionalities and the vulnerability of the existing window. Section 8 will then end with policy suggestions and future research directions.

### **Geopolitics: The Ceasefire and Pakistan Intermediation**

#### **The Road to Crisis.**

The war before the April 2026 ceasefire was a dramatic intensification of historical U.S.-Iran hostilities. Although the direct cause of war was the closure of the Strait of Hormuz by Iran (through which about a fifth of all oil shipments flow) the underlying causes included the nuclear program of Iran, the proxy war in the region, and the overall U.S.-Israel strategic alliance against Iranian influence (South China Morning Post, 2026). The ultimatum of the Trump administration, which was issued at the end of March 2026, required Iran to comply with fifteen conditions to terminate hostilities, such as opening the strait and allowing limitations on its regional operations (CNN, 2026).

The first refusal of these terms in Iran was then countered by a five-condition offer, which stated that they were sovereign to the strait and that sanctions be removed. By the first part of April, when the U.S. military equipment was already deployed in the area and Iranian leaders threatened to retaliate asymmetrically, the war seemed to be on the brink of a major escalation. The human costs were devastating as one analyst pointed out: a whole scale assault on Iranian civilian infrastructure would be industrialized genocide, surpassing the atrocities of Hiroshima and Nagasaki in scale and brutality (The Star, 2026).

#### **Pakistan's Mediating Role**

The next to enter this explosive scene was Pakistan, a country that has possibly had some of the most distinct diplomatic resources to this crisis. In the case of The Diplomat, Islamabad has working relationships with all the major stakeholders: Washington, Tehran, Beijing, and the Gulf capitals. Such a precious asset as a state that was trusted (or at least not denied) by opponents enabled Pakistan to act as a channel of communication in case of the political impossibility of direct U.S. Iran dialogue (Dawn, 2026).

The mediation in Pakistan was not spontaneous and purely altruistic. Analysts underscore the fact that the role of the Islamabad was not a choice to do but a necessity due to the fact that Pakistan is highly vulnerable to any escalation between the U.S and Iran. A broader war would interfere with the economical circulation, increase security threat along the western border of Pakistan and may even destabilize its weak economy.



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Mediating, as one foreign study found, is not a show of geopolitical muscle but a strategic self-preservation act (The Guardian, 2026).

Pakistan diplomacy was a process which encompassed several channels. Requesting U.S. President Trump to give diplomatic engagement a two-week extension, Prime Minister Shahbaz Sharif himself asked him to do so, yet Trump agreed to the extension (albeit under the condition that the deadline must be extended to two weeks). The Pakistani diplomats made back and forth moves between Washington and Tehran capitalizing on decades of interaction between the two capitals back channels. The intervention of the other regional powers- Turkey, Egypt and Saudi Arabia in helping support the initiative of Pakistan gave it further legitimacy and pressure.

Most importantly, the mediation of Pakistan was not an event independent of the great-power dynamics. The increased role of China in Tehran and its close ties with Islamabad provided an indirect, yet significant conduit of leverage, and Pakistan's own connection with Washington and that of China to Iran would provide a loose, multi-layered structure through which de-escalation can be enabled.

### **The Ceasefire Terms**

The resulting ceasefire, announced in the early hours of April 8, 2026, provided for a two-week pause in hostilities and the temporary reopening of the Strait of Hormuz. Iran is said to have offered a ten-point plan that is workable according to U.S. President Trump, but certain conditions are still negotiable. The accord set out a series of follow up discussions in Islamabad starting April 10, with officials to discuss the lines of a more sustainable arrangement (CNN, 2026). The world response was quite reserved. According to CNN, it will be the responsibility of Pakistan which had brokered an agreement between the US and Iran to hold talks starting Friday, to purge this up-unless the deal lasts that long. Bloomberg gave Pakistan an enormous credit of having the spine to put out its neck and deliver its diplomatic services but pointed out that what is commendable is that Pakistan has reshaped itself as a core participant, rather than an outskirt, and able to bring enemies together (Bloomberg, 2026).

### **Theoretical Framework: Learning Ceasefire Economics**

#### **Conflict Economics and the "Ceasefire Dividend"**

Economic analysis of ceasefires is based on the wider literature on conflict economics, which is the analysis of the impact of violence on production, trade, investment and welfare. The conflict and economic development literature by Collier and Hoeffler (2004) has determined that civil wars lower GDP growth in terms of about 2.3 percent per year and that the effects of civil wars continue to impact years after the hostilities cease (Collier & Hoeffler, 2004). In the case of international conflicts, the economic mediums are direct capital destruction, trade route disruption, asset transportation and insurance expense, asset price risk, and military expenditure fiscal strains. A ceasefire dividend is the economic gain which occurs when violence stops, even briefly. These are lower risk premia (lower oil prices, higher equity valuations), a recovery of interrupted trade, lower insurance and shipping costs, and a recovery in investor confidence. The size of the dividend, however, is highly sensitive to the prospects of permanence: temporary truces are less and more unstable than plausible assurances of permanent peace.



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### **Middle-Power Mediation and Economic Statecraft**

Middle-power diplomacy literature, first introduced by Cooper, Higgott and Nossal (1993), explores the role of middle-power states in determining international outcomes despite lacking systemic military or economic strength by exerting niche influence, coalition-building and playing good offices (Cooper et al., 1993). This pattern applies to Pakistan mediation, as it had no strength to impose itself, instead providing credibility and connectivity, relying on relationships with all parties to develop a diplomatic off-ramp.

The economic statecraft theory has furthered this analysis on how diplomatic capital can be transformed into economic returns. To mediating states, effective conflict-resolution may have concrete rewards: it may increase access to markets, provide special trade treatment, or allow investment to flow, or technology to be transferred (Hussain & Khan, 2026). According to Haqqani, the mediation by Pakistan is both symbolic and substantive, as it adds prestige both in the Muslim world and in the world scene in general (South China Morning Post, 2026). Pakistan also hopes that the mediation will also lead to much-needed economic investment and energy assistance.

### **Geopolitical Risk Market Microstructure**

The geopolitical reactions in financial markets can be used to give real-time clues of how investors evaluate the likelihood of conflict and the economic impact of such conflicts. The geopolitical risk premium is the extra payment that investors require when they hold assets in which they are subject to uncertainty arising out of conflicts. In the case of oil markets, this premium can be very large: analysts estimated that the post-ceasefire prices included a "Hormuz premium" based on the probability and the length of the strait closure (The Wall Street Journal, 2026).

The market reaction to ceasefire announcements, therefore, illustrates the way of updating probability assessments by investors. A TACO trade (the acronym of a trader used to mean Tactical Allocation to Ceasefire Opportunities) is the tendency to sell war-hedge investments (oil, gold, defence stocks) and to buy risk-exposed investments (equities, especially technology and consumer sectors) when the risk of conflict falls. Analysts however warn that the TACO trades are usually short-lived since the reality of the long-term geopolitical uncertainty in the Gulf region will limit how far they can take it.

### **A Synthetic Framework**

Combining these views, this paper suggests a synthetic model of the analysis of ceasefire economic opportunities. The model features three interactive domains:

Direct channels: Direct price and flow impacts (oil prices, shipping costs, trade volumes)

Indirect channels: Expectation effects (investment decisions, inventory changes, renegotiations of contracts) and confidence effects.

Structural channels: Institutional and policy reforms (sanctions regimes, trade agreements, infrastructure projects)

Opportunities in these spheres differ with actors, time horizon, and conditionality. The main beneficiaries are the energy importing Asian economies due to the direct channel in the short run. The gulf states can attain structural benefits by reconstruction finance and diversified trade structures. The opportunities faced by Pakistan cut across the three domains but rely on the most on long term diplomatic momentum.



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### **Asian Economic Opportunities: Energy, Trade, and Investment**

#### **Energy Market Stabilization**

The short term and most important opportunity that the ceasefire presents to Asian economies, especially China, India, Japan, South Korea and countries in Southeast Asia is stabilization of energy markets. The Middle East is the source of about two-thirds of Asian oil imports, with a large portion of the imports passing through the Strait of Hormuz. The oil prices had soared due to the pre-ceasefire war, and analysts had predicted that the prices might run to \$200 a barrel in case the strait was completely closed.

The announcement of ceasefire evoked market relief. Oil prices fell by an enormous margin, but they were still high compared to the pre-conflict price. According to the statement of one of the strategists, we are not where we were at the end of February since oil prices are still high. This refusal to abandon the risk premium indicated market doubt as to the staying power of the ceasefire: "It is worth keeping an eye on the ability of Iran to open the strait. As soon as the tankers begin passing, there will be a modicum of clarity (The Diplomat, 2026).

Even the partial relief of oil price has significant implications to Asian businesses. The reduced energy cost makes the input prices in manufacturing, transportation, and generation of power cheaper. They alleviate inflationary strains which were closing monetary policy throughout the region. And they increase current account balances of net energy importers, alleviating currency pressures which had led some central banks to intervene in foreign exchange markets (The Guardian, 2026).

The extent of these benefits, however, will be determined by the speed and fullness of the reopening of the strait. Vantage Global Prime analysts warned that this 11-day window is merely a temporary boost to the shaken conviction, but a temporary one, a tactical breathing in, not structural pivot yet. Asian importers are still vulnerable to new disruption until the tankers do sail across the strait itself, and insurance markets lower the cost of war risk insurance.

#### **Equity Market Recovery**

The Asian equity markets had suffered one of the worst effects of the conflict as the region relied on energy and had trade exposure to the Gulf economies. This ceasefire sparked what analysts had dubbed a relief rally where technology and AI stocks, which had been heavily sold in the conflict, were the top performers. The Nikkei of Japan, the KOSPI of South Korea and the tech-dominated Asian indexes of China all showed high gains during the immediate after ceasefire (South China Morning Post, 2026).

The pattern of recovery by sector is educative. Stocks in technology, dumped in the rout, were bought back, causing a rebound, which was a decent one, to begin. By comparison, energy shares experienced an increase in profit-taking, with investors expecting lower prices to be sustained. This rotation indicates rational updating of probability evaluations: less conflict risk decreases the value of war-hedge assets and elevates the discounted present value of growth-exposed equities.

To investors the ceasefire offers tactical opportunities, but strategic questions. According to one hedge fund manager, markets will be risk-on a short time, but we still have to wait to see the Strait of Hormuz open-two weeks on edge. The equity rally is sustained by diplomatic follow-through: in case the negotiations in Islamabad bear a more lasting structure, the rerating would continue; in case the ceasefire is failed, markets would tend to undo the gains in a quick fashion.



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### **Trade Corridor Reactivation**

In addition to energy and equities, the ceasefire is also likely to reopen wider trade routes between Asia and the Gulf and others. Not only had the conflict interrupted oil shipments, but also containerized cargo, shipping lines had either rerouted ships around Africa or charged war risk surcharges. Gulf bound shipment insurance premiums had soared leading to a rise in logistics expenses of the Asian exporters.

The short-term reopening of the strait would reestablish regular shipping routes and lower costs in case it is long-term. To the Asian producers who export to the Gulf nations such as automotive, electronics, machinery, textile and pharmaceutical; this would enhance their competitiveness compared with their European and American competitors who also experience the same logistics issues. To the Gulf exporters of petrochemicals, aluminium, and fertilizers to Asia, the re-established shipping lanes would guarantee access to the market and stability in prices.

More speculatively, there are some observers who interpret the ceasefire as a possible facilitator to longer-term infrastructure projects. China-Pakistan Economic Corridor (CPEC), an initiative of the Beijing Belt and Road Initiative, had experienced difficulties in implementing it in a region where there was instability. A decrease in the risk of conflict may speed up the development of CPEC, specifically, the part that will connect Gwadar Port to the western regions of China. In the same manner, the Iran-Pakistan gas pipeline has long been stalled under U.S. sanctions, but could be revived with new impetus in the event of sanctions relief as part of a larger diplomatic agreement.

### **Country-Specific Opportunities**

China not only benefits as an energy importing nation, but also as a strategic partner of Pakistan. The control of Beijing in Tehran provides it with an interest in diplomatic success, and its economic interests in the Gulf energy stability and CPEC infrastructure are in line with the stabilization of the region. It is possible that Chinese state-owned construction, energy, and port industry enterprises will be offered new contracts in the event of reconstruction (South China Morning Post, 2026).

The calculus in India is a more complicated one. One analyst said: New Delhi multi-alignment relies on a stable West Asia: Chabahar port smoulders with Iranian oil, IMEC routes head to Europe and the I2U2 agreement is antagonistic to Beijing. Although India is enjoying the advantages of reduced oil prices and the re-established trade routes, the improved diplomatic position of Pakistan, as well as the possibility of Gulf investment inflows, could change the balance in the region.

There is a symmetric benefit of stabilization in Japan and South Korea as the major energy importers and technology exporters. In both nations, their currencies appreciated against the dollar, as risk appetite rebound, keeping imported inflation down. They were at the forefront of the post-ceasefire rally with their technology industries which were largely sold during the war. Nevertheless, both could be exposed to further aggravation, as there is a lack of strategic control over the results.

The same is true of Southeast Asian economies of Vietnam, Thailand, Malaysia, Indonesia and the Philippines. Being net energy importers with increasingly large manufacturing bases, they enjoy lower oil prices and reinstated trade routes. But, as one analysis has pointed out, these economies are particularly vulnerable, due to their reliance on imported energy and vulnerability to high oil prices in the form of inflation and current account mechanisms.



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### **Gulf Economic Opportunities: Reconstruction, Diversification and Regional Integration**

#### **Post-Conflict Reconstruction Finance**

The biggest Gulf economic opportunity is the post-conflict reconstruction in case the ceasefire becomes a sustainable peace. The infrastructure in Iran has also been reported to have been damaged significantly, with no particular estimates being available. It would take a multi-billion-dollar project spread over several years to build energy plants, transportation system, ports, housing and industry capacity to reconstruct.

Gulf countries are inherent funders and rebuilding contractors. Both Saudi Arabia and the UAE have capital and the construction know-how to lead in the rebuilding efforts. More to the point, reconstruction is in the line with Gulf strategic interests: a stable, economically integrated Iran means the threat of conflicts in the future is minimized, and the Gulf security and energy exports are not at risk (Al Jazeera, 2026).

Nonetheless, reconstruction finance is vulnerable to numerous challenges. Large-scale investment would require the removal of sanctions, which is one of the Iranian demands. The regulatory framework of post-sanctions investment would require negotiation, such as dispute resolution, property rights protection, and repatriation. And geopolitical rivalry makes coordination more difficult: China, Russia, and European nations also want to be part of reconstruction, which can divide the efforts.

#### **Energy Sector Reconfiguration**

The ceasefire allows reconfiguration of Gulf energy markets even in the absence of complete reconstruction. A partial or total re-entry into global oil markets would raise supply and stabilize prices to the benefit of importers but straining the fiscal posture of Gulf producers. Saudi Arabia and the UAE would experience trade-offs between market share and price stability, akin to previous OPEC+ coordination problems (Al Jazeera, 2026). Iran also has the second-largest gas reserves in the world, but it has not been able to develop export capacity because of sanctions and a lack of technology. A diplomatic accord might open up Iranian gas to regional and Asian markets, possibly via pipelines to Pakistan, India, and Oman, or via LNG export plants. To Asian economies that are energy hungry, new gas would provide diversification of sources and decrease the amount of coal which is both an environmental and economic gain.

The Iran-Pakistan gas pipeline or the so-called Peace Pipeline is an example of such dynamics. The project was long stalled because of U.S. sanctions and bilateral tensions, but might be given a new impetus in case the ceasefire allows relief of the sanctions. According to Federation of Pakistan Chambers of Commerce and Industry, cheaper industrial raw materials imported by Iran will boost our manufacturing industry and gas will be supplied by pipeline projects and cheap petroleum imports will relieve the industry as well as the population.

#### **Diversified Trade Architectures**

To decrease oil dependence, Gulf states have been engaged in economic diversification with mixed success. The ceasefire opens up opportunities of new trade structures which will incorporate Iran into regional systems, which may hasten the diversification.

Iran has always been excluded in the Gulf Cooperation Council (GCC) because of political tensions. An extended ceasefire might stimulate rethink which might result into trade agreements, investment protocols and infrastructure connections that would tie Iran into Gulf economic systems. In the case of Gulf businesses, the possibility of access to Iranian markets in consumer goods, pharmaceuticals, and automotive and food



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processing would provide competition to the Gulf manufacturing with Turkish, Chinese, and European imports (BBC News, 2026).

Outside of the GCC, the ceasefire would be able to make wider integration of the Middle East economies. In 2023, it was proposed that India-Middle East-Europe Corridor (IMEC) will consist of shipping and rail connections between India and Europe through the Gulf ports. Such ambitious infrastructure needs a steady regional environment; ceasefire helps to eliminate one of the key barriers.

### **Financial Market Development**

The Gulf financial centres, Dubai, Abu Dhabi, Doha and Riyadh are poised to gain the benefits of a more stable region. The war had led to an exit of capital in Gulf markets, with foreign investors exiting the Gulf region-focused portfolios. The ceasefire elicited immediate flows with the Gulf equity markets surging along with the Asian markets (The New York Times, 2026).

More sustainable, the geopolitical risk may be lowered, thereby, faster development of Gulf financial centres as regional centres. Dubai has been a long-time financial city in the Middle East and its development has been limited by the frequent instability. A lasting truce would make Dubai a better place to do business in the region as international companies may opt to have their regional headquarters in Dubai, at the expense of the competitors in Europe and Asia.

The Gulf is one of the largest sources of capital in the world, and Gulf sovereign wealth funds (SWFs) have to make strategic choices regarding post-ceasefire allocation. Others can boost domestic and regional investments in case the stability is enhanced, facilitating the diversification. Iranian reconstruction or Pakistani infrastructure may be viewed as opportunities by others. Co-ordination between Gulf SWFs would enhance the impact, but there are still serious political barriers to co-investment.

### **Economic Calculus in Pakistan: Benefits, Costs, and strategic positioning**

#### **Direct Economic Benefits**

The economic effects of ceasefire are of special kind to Pakistan as the country has a weak fiscal situation and issues of balance of payments. Direct benefits are received in various ways.

**Energy imports:** Pakistan is an importer of about 80 per cent of its oil and 30 per cent of its gas, most of which goes through the Strait of Hormuz. The pre-ceasefire conflict had upset supply and raised costs, which put additional pressure on the current account deficit and inflationary pressures in Pakistan. The reopening of the strait, even temporarily, by the ceasefire, brings relief. According to the comment of one business leader, gas supplies as a result of pipeline projects and inexpensive imports of petroleum will relieve industry and the people.

**Remittances:** Overseas Pakistanis in the Gulf states remit about 25-30 billion dollars a year, which is a significant source of foreign exchange and income to the household. The economic activity in the Gulf economies had been disrupted by conflict; stabilization safeguards this lifeline.

**Trade:** Pakistan is a major exporter of textiles, rice, leather products and surgical instruments to the Gulf markets. The competitiveness of exports is enhanced by restored shipping routes and lower insurance expenses. On the other hand, Iranian industrial raw materials are cheap and, should sanctions be lifted, would bolster the manufacturing industry in Pakistan.



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### **Strategic Positioning and Investment Attraction**

In addition to the direct economic links, mediation by Pakistan provides strategic value which may convert to investment flows. Analysts observe that Pakistan is hopeful that its peacemaker status would help it to cash in on its status by signing defence agreements with the Gulf monarchies and enticing them to invest in its weak economy to boost it. The reasoning is simple, Gulf states cherish stability and possess the capital and the motivation to compensate those actors that deliver it. The success of mediation by Pakistan shows that it is a useful security partner in the region, which may open Saudi and UAE investment in infrastructure, energy, and defence sectors. This would assist in funding the Pakistani military build-up with its future responsibilities in the region and deterrence by its traditional foe India (Reuters, 2026).

There are however risks that are associated with this strategic repositioning. Strengthening of the association with the Gulf monarchies might make Pakistan relations with Iran and with the United States, depending on alignment, difficult. The balancing process of Pakistan between the regional powers is even harder as it assumes visible mediating positions. Pakistan is not flexing its geopolitical muscles as one analyst warns, but rather engaging in the mediation as a strategic act of self-preservation, and self-preservation demands keeping all sides, not picking one.

### **CPEC and Infrastructure Dimension**

The China-Pakistan Economic Corridor is already a focal point in the development strategy of Pakistan; it is likely to be improved by a decrease in tensions in the region. Gwadar Port, located on the coast of the Arabian Sea, Pakistan, is competing with Iranian ports (especially Chabahar) in terms of transshipment and trade flows. Peace in the area would be beneficial to any ports; war would severely affect Gwadar due to its location close to possible battle grounds.

More optimistically, certain observers see CPEC being extended to Iranian infrastructure and forming a more comprehensive structure of regional connectivity between China, Pakistan, Iran, and the Gulf. This would entail a lot of diplomatic co-ordination and investment, but the ceasefire opens the doors to exploration albeit under fragile conditions (Minute Mirror, 2026).

### **Domestic Economic Governance**

The success of Pakistan to take advantage of ceasefire opportunities is subject to domestic economic governance. The refusal of a mini-budget by the government and the repayment of a debt of 1.3 billion Eurobonds are some of the signs of fiscal discipline and reaffirm investor confidence. Disclosure requirements on assets and energy conservation measures are indicators of reform momentum.

Nevertheless, structural difficulties are still formidable. The policy space is limited by the external debt service obligations, chronic current account deficits, and dependence on IMF programs in Pakistan. Political uncertainty, which is a constant characteristic of the Pakistan governance environment, may compromise the continuity of policies to translate geopolitical gains into economic change. According to one of the analyses, to continue this momentum, the policy will need continuity, institutional stability, and a delicate strike between conflicting internal and external pressures.



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### **Dangers, Conditions, and Window Fragility**

#### **The Durability Problem**

The biggest risk of all the streams of opportunities is the limited time of the ceasefire. At fourteen days, the pause provides "a tactical breather, not yet a structural pivot". The planned Islamabad negotiations may result in a more sustainable solution or they may fail and the region may result in war once again.

Rapid progress is rightfully the subject of scepticism on the part of analysts. The Iran and the United States have irreconcilable differences on matters like the nuclear program of Iran to its activities in the region to sanctions release. The good offices of Pakistan can be used to communicate but it is not able to overcome these substantive differences. According to one strategist, there is no strategy of how the war will end... we still expect the United States will have to escalate sometime in order to end the war (The Star, 2026).

#### **Market Volatility and Reversal risk.**

There is some probability to the sustained peace that has been priced in by financial markets but that is incomplete and volatile. It is too early to believe the peace-forever story as one analyst has warned, when the Strait of Hormuz is the most expensive hostage in the world. The breakdown of the ceasefire would probably cause drastic changes: the spike of oil prices, the decline of equity markets, the depreciation of currencies.

This volatility brings opportunity and risk to businesses. Companies that hedged against war - stocking up on products, diversifying, de-exposing to the Gulf - could be over-hedged in case of peace. Companies betting on peace to resume normal business, clear stock, invest in the Gulf, could end up vulnerable in case of another outbreak of fighting. The best approach probably entails being flexible and positioning to selective opportunities.

#### **The Sanctions Constraint**

Sanctions relief is not a given even in the case of a long ceasefire. The system of sanctions imposed on Iran by the U.S. encompasses several legal authorities, Congressional control, and international cooperation. The lifting of sanctions would take a lot of political goodwill and a law-making process- none of which could be assured during a ceasefire.

The sanctions restriction is conclusive in the case of businesses looking into Iranian prospects. Without the explicit legal permission, large companies will not invest in Iran, no matter how much commercial sense it makes. The sanctions violation cost-access to the U.S. market, monetary fines, reputational losses are much higher than Iranian gains could be. Pakistani business leaders are hopeful that the 15-day ceasefire would be extended, and would open the way to the lifting of sanctions on Iran, as one of the analyses observes, but this lifting must be taken much farther than Pakistan can be involved in.

#### **Regional Spillovers and Second-Order Effects**

The implications of the ceasefire do not just limit to U.S.-Iran relationships. The actors in the region- Israel, Turkey, Saudi Arabia, the UAE, Qatar have their interests and agendas that may not be aligned with ceasefire maintenance. The continued fault lines are evident in the fact that Israel is said to have declined offering ceasefire structures to Lebanon. Competition between the Turks and Iranians in Syria and Iraq may cause new friction. Although this rivalry between Saudi and Iran has been somewhat reduced by the current



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diplomacy, the rivalry still has structural weight.

These spillovers are significant to economic actors as they introduce uncertainty outside the U.S.-Iran dyad. A company that invests in reconstruction in the Gulf should not look at the U.S.-Iran relations, but also the Saudi-Iranian relations, Israeli-Iranian conflicts, and possible U.S.-Israel coordination. The intricacy of the regional geopolitics implies that even a successful U.S.-Iran ceasefire has left a lot of residual risk.

### **Conditionalities to Opportunity Realization**

To make the above opportunities a reality, there are a number of conditions that would be needed:

**Extension of ceasefire:** The fourteen days of the time-out should be prolonged preferably with a more sustainable agreement with control and observation structures.

**Sanctions relief:** Major investment flows should be subject to a credible way of sanctions relief, even partial and conditional.

**Reopening of the Strait:** This will require stable long-term access to the Strait of Hormuz in order to stabilize the energy market.

**Regional coordination:** Gulf states, Turkey and other regional players need to coordinate their actions to prevent emergence of new conflicts.

**Domestic governance:** Pakistan and other opportunity countries need to exercise policy stability and institutional credibility.

The lack of any prerequisite may put the realization of opportunities off. It is not certain whether all five will be present.

### **Conclusion and Policy Implications**

#### **Summary of Findings**

The paper has explored the economic and business opportunities that are likely to arise due to the April 2026 U.S.-Iran ceasefire that was facilitated by Pakistan. The analysis has three major findings.

First, the ceasefire brings about real but weak economic prospects in Asia, the gulf, and Pakistan. To the Asian economies, the major gains include stabilisation of the energy market and recovery of the equity markets- direct channels that work via the price and confidence effects. Gulf states have opportunities in reconstruction finance, reconfiguration of the energy sector, and diversified trade architecture-structural channels that must be sustained with peace to become a reality. In the case of Pakistan, the mediation has both direct economic benefits (cheaper energy, re-established trade) and strategic benefits (potential investment, strengthened regional role).

Second, these possibilities come with the terms of diplomatic follow-through. The fourteen-day ceasefire provides a "tactical breather" but not a "structural pivot." The recognition of the identified gains would entail ceasefire extension, sanctions relief, strait reopening, regional coordination, and stability in domestic governance, which is not guaranteed.

Third, the way economic actors' price geopolitical risk can be seen by observing the market reactions to the ceasefire. The rational updating of probability judgments can be shown by the pattern of trades known as the TACO trade, which involves selling war-hedge holdings and purchasing risk-exposed stocks. Nevertheless, the small scale and supposed weakness of the rally reveal continued distrust of long-lasting peace.

#### **Policy Implications**

The implications to the policymakers in Pakistan revolve around the transformation of the diplomatic capital into economic payoff. This involves: (1) continuing the mediating



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role by staying engaged with all parties; (2) negotiations of sanctions relief that can allow Iranian energy imports and trade; (3) coordination with Gulf states on investment and reconstruction; (4) domestic policy stability to attract the investment that mediation facilitates; and (5) management of the India relationship to prevent distraction of regional opportunities.

Hedging and positioning is of interest to Asian governments and businesses. The ceasefire minimizes but does not do away with risk. Best options are: (1) restocking energy reserves to act as a buffer against any possible renewed disruption; (2) diversifying supply lines to make them less reliant on Hormuz; (3) selective re-engagement of the Gulf markets without abandoning back-up plans; and (4) intelligence gathering on Islamabad negotiations to signal sustainability.

To the Gulf states, the ceasefire offers strategic options on reconstruction funding and integration into the region. Alternatives are: (1) coordinating a Gulf reconstruction facility to Iran on condition of sustained peace; (2) pursuing trade and investment agreements that tie Iran into regional structures; (3) establishing Gulf financial centers as places to invest in after conflict; and (4) balancing engagement with Iran and relationships with the United States and Israel.

To the global community, the ceasefire shows the usefulness of middle power mediation in the era of great power rivalry. The role of supporting Pakistan, technically, by means of diplomatic coordination, and economic incentives, would strengthen the stability of the region. Unilateral measures that weaken the ceasefire, on the other hand, be it by military posturing, tightening of sanctions or isolating diplomats would cost everyone.

### **Limitations and Future Research**

The limitations of this paper can be used to consider the future research. To begin with, the analysis is, of necessity, initial, as the ceasefire has recently been announced, and the duration of the ceasefire is not certain. The longitudinal research that will follow the results in several months and years will give more conclusive results. Second, the article uses publicly accessible market data, diplomatic reports, and media reports, and having access to proprietary information on the flows of investments, contractual negotiations, and policy discussions would inform. Third, the theoretical framework that combines conflict economics, the middle-power theory, and the market microstructure, also needs to be further refined and tested empirically.

Future studies need to investigate: (1) the predictors of ceasefire sustainability in the U.S.-Iran case; (2) the economic consequences of Pakistan mediation of the sector and firms; (3) a comparative study of the middle-power mediation in other conflicts (e.g., the role of Turkey in the Black Sea grain project, or Qatar in Afghanistan); (4) the political economy of sanctions relief and reconstruction financing

### **Concluding Reflection**

The U.S. ceasefire with Iran, which was negotiated by Pakistan, is a shining light in an otherwise gloomy history of regional politics. It is a window of opportunity to the businesses and economies of Asia and the Gulf, a chance to reestablish energy security, reestablish trade flows and rethink regional economic structures. But windows close. The two weeks break is not a solution, but a rest. It remains to be seen whether it is going to be the basis of lasting peace or just the beginning of a new conflict in the next few weeks based on the decisions that policymakers, business leaders and diplomats will take. The economic possibilities exist; their actualisation does not.



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