India-Iran Relations: Sailing against Strategic Storm

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Ideally, no bilateral relationship should be made a litmus test for the continuation of another. But Indian-Iran relations like any other bilateral relationship in contemporary international environment is confronted with certain constraints as a result of India’s and Iran’s respective bilateral dynamics. In this case, India’s and Iran’s respective relations with the United States serve as a potent hindrance to India-Iran ties. India-Iran ties have come under serious strain as a result of India’s increasing engagements with the United States and international sanctions over the Iranian nuclear programme. The India-US nuclear deal became the centerpiece of India-US relations at a time when questions were increasingly raised in the international community against the Iranian nuclear programme. As such the developments took its toll on India-Iran relations.

Bilateral relations are by nature multi-pronged largely shaped under an over-used term “national interest”. As countries become more and more interdependent in contemporary international politics, it has become all the more difficult to expect a country to fashion its foreign policy towards any country. Hence, a country like India can express discontentment with the nature of the Iranian nuclear programme voting against it repeatedly at the International Atomic Energy Agency (IAEA) and still keep open its channels of relations with Iran in other areas, hoping to safeguard its national interest. Here national interest would be primarily defined in terms of India’s need for energy and to safeguard its interests in its extended strategic neighbourhood of Afghanistan and Central Asia. India’s dynamic relations with Iran in contemporary times cannot be scuttled under the over-stylised idea of “either you are with us or you are against us.” In international politics, interest can emerge in some areas and can diverge in other areas, where countries should have the liberty to argue to disagree.

As India strives to maintain strategic autonomy and an independent foreign policy, it is bound to rub shoulders with other countries looking to promote their own national interests. As India progresses and its area of interests crosses those concerning its own immediate neighborhood, some of its policies taken to protect its own national interest are bound to ignite protests from other countries. India’s multi-pronged relations with Iran have often been projected as a litmus test for India’s ability to maintain an independent foreign policy, more so because the single most important and persistent protest has come from none other than the United States. The increasing affinity between the United States and Iran concerning the controversial nature of Iranian nuclear programme has only help to accentuate the difficulty of Indian policymakers over the years.

At the same time, it must be acknowledged that the challenges that came in front of the two countries have seldom threatened to entirely derail India-Iran relations. Iran, as a nation increasingly being subjected to international scrutiny would not want to lose the friendship with an emerging power like India. On the other hand, the strategic and the economic importance that Iran holds need no further elaboration. India with a huge population and an increasing growth rate, desires reliable suppliers of energy. Moreover, Iran is a country with the intention and the resources to be a regional power in West Asia. As such, it would be a diplomatic and strategic blunder not to try and sustain ties with Iran if India intends to extend its influence beyond the South Asian region to Western and Central Asia. Indian official policy projected India’s relations with Iran as “a fundamental component of” its “Look West policy” in its “immediate region, just as its “Look East policy has propelled its relations with the countries of ASEAN and East Asia.”

Cheekered History:

India and Iran have sought to rely on antiquity to describe the so-called civilization ties and many-sided cultural linkages between the two. Nevertheless, as countries belonging to the contemporary international system, with foreign policies that were intended to preserve one’s own interests, the relationship had its ups and downs. India-Iran relations during the Cold War were to large extent shaped by different ideological directions. Inevitable clash of the strategies adopted by the two countries jeopardized the chances of any substantive and sustainable bilateral relationship.

But the end of the Cold War removed various impediments that had prevented the two countries from developing substantial ties, leading to various high level bilateral visits from both the sides culminating in the 2001 Tehran Declaration and the 2003 New Delhi Agreement and the “Road Map to Strategic Cooperation.” The prospects and the challenges of this relationship, in the light of recent contours will be analyzed further in the following pages.

Why India-Iran Ties Matter?

The single most important factor determining India’s policy towards Iran has to be the issue of energy security. India is a rising power, with an impressive growth rate. Add to this the huge population of India, then one sees an India that has to unquestionably accept the centrality of energy security in its larger foreign policy calculations. The Indian government has been trying to diversify its energy resources, and find various non-conventional sources of energy, that in the future will complement the more conventional sources of energy on which India rely. According to sources, India’s energy mix currently is 53% based on coal, 31% on oil, 9% on natural gas and only 6% from hydropower and 1% from nuclear energy. If this energy mix remains unchanged over the next 25 years then its dependence on imported fossil fuels will continue. It is estimated that by 2020-31, India would have to import 95% of its coal, 80-85% of its oil and 20-57% of its natural gas.

And, Iran possesses some of the largest oil and natural gas reserves in the world. India is undoubtedly one of the fastest growing economies in the world and the energy needed to maintain the growth rate would inevitably invite India to look for stable and economically viable hydrocarbon suppliers. According to India’s Ministry of External Affairs, India-Iran economic and commercial ties have traditionally been buoyed by Indian import of Iranian crude oil. India imported about 22 million tonnes of crude oil valued at about $10 billion in 2009-10, making it the third largest market for Iranian crude.

Besides, India’s strategic ambitions and the need for regional stability would in most likelihood guarantee a continuation of dynamic India-Iran ties. The Obama administration signalled its intention to pursue a graduated withdrawal, with the plan to finally handover the reins of responsibility to the Afghan forces. But, one is witness to the continuing insecurity in the region and the ability of the insurgents to strike at their will, even at the forlorn city of Kabul, evident in the recent attacks at the US embassy in Kabul and the assassination of Burhanuddin Rabbani, Chairman of the High Peace Council and former President of Afghanistan.

Moreover, the US has accused Pakistan’s powerful intelligence ISI of maintaining links with the deduced Haqani network, vindicating what India has all along been trying to push down other’s ears; that the ISI has systematically engineered and nurtured anti-India groups based in Pakistan. Now as the western forces prepare to withdraw from the conflict zone in Afghanistan, Pakistan would have designs to establish its tentacles all over the new Afghanistan.

As such, India needs to sustain ties with Iran that has its own set of interests in the future of Afghanistan. India’s strategic view of an extended neighbourhood through Afghanistan to Central Asia, and the inevitable role of a powerful Iran in such a picture are foremost as a determinant of India’s policy towards Iran, evident in many Indian policy projections. Making a summary of the regional situation and the importance of India-Iran ties, then Indian Foreign Secretary Nirupama Rao speaking at an India-Iran joint discussion forum in July 2010, said, “We are both neighbors of Afghanistan and Pakistan and have both long suffered from the threat of transnational terrorism emanating from beyond our borders... Our vision of Afghanistan as a hub for economic activity, trade and transit lies... South and Central Asia is shared by the Iranian side. India and Iran also share an interest in the stability of Central Asia and the Persian Gulf. It is but natural that our assessment of the regional order and the articulation of positions as the Afghan conundrum deepens and could have a deleterious impact on our two countries and the region in case the forces of extremism and obscurantism are made arbiters of the fate of the Afghan people.”

There are projects that are in the common interest not only of India, Iran and Afghanistan, but also the countries of Central Asia. Improving the connectivity of Chabahar Port to the Zarang-Delaram Highway will, according to Indian estimates, open up the Indian market to Afghan agricultural and other exports. It will also help in combating the scourge of illicit drugs production and export which has afflicted Iran more than any other country, and assist the trade, transport and transit network of Iran. It will help India transport its goods, including humanitarian supplies, to Afghanistan, Central Asia and beyond. The International North South Trade Route Project, also including Russia and the Central Asian Republics in addition to India and Iran, is also a concept awaiting operationalization on the ground. India called for greater interest from the Iranian Government and private sector in realizing these projects.

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Relationship under Strain:

Economic engagements as well as convergences over general issues of strategic nature have largely continued. But one cannot overlook the stress that the two countries have undergone in recent years, as a result of the increasing Indo-US strategic partnership, the hallmark of which has been the India-US nuclear deal. India had all along expressed that Iran has the right to develop peaceful nuclear energy. But if India were a member of the Nuclear Non-Proliferation Treaty (NPT) should accept the obligations of the treaty and should make its programme transparent before the international community.

When ultra-conservative Mahmoud Ahmadinejad donned the Presidency, Iranian-US relations touched the abyss and the nuclear issue worsened, thus impacting on India-Iran relations. While Indo-Iranian relations were strained by repeated India's votes at the IAEA, India ably demonstrated that it was mature enough to balance its need for Tehran with its interest in securing ties with the United States and the international community. At a time when the US and Iran seemed to be having a cold confrontation on the nuclear issue, India and Iran sustained their comprehensive relations and high level visits. New Delhi hosted the Iranian President Ahmadinejad in 2008 hoping to keep the energy ties alive. The visit that lasted only a few hours was more symbolic than material.

The Iranian President has continued to be adamant that the Iranian nuclear programme is fully within the scope of its right to develop peaceful uses of nuclear energy. Reiterating his categorical position on the issue, he blamed the United States and its allies for hindering the development of civilian nuclear energy in non-nuclear weapon states. In his statement before the 2010 Review Conference of the Parties to the Treaty on the Non-Proliferation of Nuclear Weapons (NPT) in New York, he said,

"While despite clear provisions of article VI of the Treaty and the Statute of the IAEA, no single report has been issued by the IAEA inspectors on the nuclear weapons facilities of the United States and its allies, nor is there any plan for their disarmament, resolutions have been adopted against non-nuclear weapon States under the pressure of the same States and under false pretext and with the clear intention of denying them their recognized legal rights."..."One of the gravest injustices committed by the nuclear weapon States is equating nuclear arms with nuclear energy," he asserted.

Prime Minister Manmohan Singh has been under increasing domestic pressure to stay course in America's pressure to direct Indian foreign policy and India's policy towards Iran was pitched as the yardstick of his administration to sustain the independence of India's foreign policy decisions. Modern Middle East, Iran, and nuclear proliferations are being discussed in West Asia, Israel has successfully institutionalized an emerging defence relationship with India, further increasing the areas of differences between Iran. And, various sources have provided the Arab countries sharing equally concerned with Iran's rise as a power in the region.

But, India's increasing diversification of relationship with the sole intention to safeguard its national interests should be no a reason on which a dynamic relationship like that of India-Iran could be jeopardized. India suffered isolation from international nuclear commerce because of its own nuclear programme. Largely on the basis of its clear non-proliferation record despite refusing to sign the NPT, India was given the Nuclear Suppliers' Group (NSG) waiver, opening it to the international nuclear energy market. Now, India would not want to get out of its way to accommodate the Iranian case for its nuclear programme that has been highly discredited by many countries.

Failing to bring about any substantive change in Iran's behaviour concerning its nuclear programme with his diplomatic manoeuvres, the Obama administration went ahead to institute what Secretary of State Hillary Clinton called "hitlist" sanctions against Iran. India has advocated the centrality of the IAEA in resolving this issue and is against use of force. India's official comments have been reiterated,

"India has always supported dialogue and avoidance of confrontation. The IAEA remnants to provide the best framework for addressing technical issues related to the Iranian nuclear programme. We are justifiably concerned that the extra-terrestrial nature of certain unilateral sanctions recently imposed by individual countries, with their restrictions on investment by third countries in Iran's energy sector, can have a direct and adverse impact on Indian companies and more importantly, on our energy security and our attempts to meet the development needs of our people."

And it has amply shown its displeasure by its votes against Iran at the IAEA. But, it does not favour confrontation, taking into account Iranian concerns. India uses the Asian Clearing Union (ACU) to process current account transactions for foodstuffs, and its imports. The new Delhi government has taken measures to ban the exports of arms and other goods from Israel. But there is a lack of India's commitment to fight proliferation activities but the divergence is only in the means employed. Official reports of the US government have documented and commented on a growing gulf between India and Iran as the former forged closer partnership with western countries especially the United States. According to a report from the Indian Ministry of External Affairs, the total volume of bilateral trade between the two countries amounted to $3,443.00 crores (US$ 13,394 billion) during April 2009-March 2010 as compared to $1,507.00 crores (US$ 14.51 billion) in April 2008-March 2009. But at the same time, there are documented US concerns that India will go to Iran for energy, thus contradicting the approaches of the United States and other western countries aiming to use the sanctions regime as a pressure tactic against Iran.

Another issue that has scuttled India-Iran ties due to apparent pressure from the United States is the case of the Iran-India-Pakistan pipeline. Although Iran and Pakistan have been quite enthusiastic about the project, India has found various concerns regarding the feasibility in view of India's interests. Pursuant to reports, New Delhi was not satisfied with the sort of security mechanism offered by Tehran regarding the safety of delivery. In view of the acute security situation and the cold vibes in India-Pakistan relations, New Delhi certainty wants some concrete in-built assurances to ensure value for money and a safe delivery of energy. Add to this, the all-to-inherent geo-political constraints for New Delhi when it comes to doing business with Islamabad. The internal situation in Pakistan is not welcoming for materialization of such an ambitious project.

Besides questions over the security and safety of the pipeline in the Pakistan territory, differences over the pricing of the gas have also made India hesitant and hence stalled the triateral venture. This is an ambitious project spanning three countries and importantly arch-rivals, India and Pakistan, would have to function in concert for its viability and sustenance. As such, it is expected that the Indian policymakers would consider all pros and cons before jumping in to go ahead with the deal. It is not hard to discern that New Delhi does not want to disrupt the recent thaw in US-India relations by signing the deal that would provide a source of revenue to Tehran. But at the same time, New Delhi would not want to be portrayed as lacking the backbone to follow an independent foreign policy.

Serious impediments have been exposed in one aspect of Indo-Iranian trade as a result of American pressure tactics against Iran. In late 2010, the Reserve Bank of India took extremely tough measures against Indian companies from doing business with Iran. Under the Asian Clearing Union (ACU) to process current account transactions for oil and gas imports—a decision that has affected Indian energy imports from India. India began using the ACU to avoid being targeted by U.S. extra-territorial sanctions. But since the U.S. is unable to monitor ACU transactions, it had been insisting on shutting down this route.

"Some countries have been acting out of context of the U.N. resolutions against Iran. For example, banking relations are out of the framework of U.N. resolutions, but unfortunately some countries do not think so. First, American influence in Europe affected the easy flow of oil money. Later they tried to push Asian countries to follow this trend in order to affect the Asian Clearing Union," the Iranian Ambassador to India Syed Mehdi Nahidzadch told The Hindu. But, reports emerged that India and Iran were in talks to resolve the impasse that has threatened Tehran's access to Indian oil and has held up a $5bn payment to Iran. Officials at India's oil ministry clarified that past payments would be cleared the day its finance ministry and the Reserve Bank of India agreed how to route the payments.

Sustaining Ties:

Despite the various constraints and challenges discussed above, both the countries have made due efforts to keep alive the relationship. Asymmetric players of international relations, India and Iran have succeeded to a large extent in sustaining bilateral ties. Various high level visits have taken from both sides. The Indian Foreign Secretary Nirupama Rao visited Tehran in February, 2010 for the seventh round of Foreign Office Consultations/ Strategic Dialogue. Extensive discussions were held between both countries, including the menace of cross-border terrorism and other matters of regional and global relevance. It was followed by the External Affairs Minister S.M. Krishna leading the Indian delegation to the 14th G-15 Summit held in Tehran in May 2010, where besides the multilateral gathering; he also assessed the growth of bilateral relations, calling the top leaders including President Ahmadinejad.

The 16th Session of the India-Iran Joint Commission was held in New Delhi in July, 2010, providing a platform to review bilateral economic and cultural cooperation, signing a series of MoUs/Agreements spanning across diverse areas. Iran's Deputy Foreign Minister for Asia and Oceania, Dr. Mohammad Ali Fadullahi, visited New Delhi in August 2010 for the eighth round of Foreign Office Consultations. The two sides discussed a wide range of issues of mutual interest, covering, inter alia, bilateral cooperation, the regional situation including Afghanistan, and the menace of cross-border terrorism.

India's compliance with some of the sanctions regime against Iran and India's repeated votes against
Iran at the IAEA concerning Iran's nuclear programme have surely produced some guff. As such Indian policymakers were worried that it might lose out on the securing energy from Iranian gas-rich blocks — Farsi and South Pars 12, where ONGC Videsh Ltd (OVL) has equity stakes. According to reports, New Delhi as part of its diplomatic efforts has asked the petroleum ministry to send "a team from OVL to visit Iran for talks and keep them engaged, so that there is no risk of Farsi block being cancelled or diverted". The two gas blocks in Tehran reportedly hold thrice as much as the gas reserves in India's largest gas field, the KG-D6 field of Reliance Industries Ltd.

Adding more credence to the fact that India-Iran relation in the energy sector is here to stay even in the midst of strong strategic storm; India and Oman are considering the import of natural gas from Iran via an undersea pipeline. "New Delhi has a plan to build an under-sea gas pipeline between Iran and India, in order not to pay any transition fee for delivery of gas," Hossein Bidarmaghz, caretaker of the National Iranian Gas Export Company was quoted as saying. According to Bidarmaghz, if an under-sea gas pipeline is built by India to Oman, Iran can build a similar pipeline in deep waters to join that pipeline for exporting gas to New Delhi.

The latest and the most important development in this regard is the progress in terms of increasing the vigour in India-Iran relations has come in the form of a meeting between Prime Minister Manmohan Singh and President Mahmoud Ahmadinejad on the sidelines of the recent 66th session of the United Nations General Assembly. A meeting of the India-Iran Joint Economic Commission, co-chaired by the foreign ministers of the two countries, will also be held soon, India's new Foreign Secretary Ranjan Mathai said. The foreign secretary said India-Pakistan-Iran pipeline did not figure in the talks, as "it was not a bilateral issue." Mathai reportedly dismissed the suggestions that the growing proximity between Iran-India may adversely affect India's relations with the US. The Indian Prime Minister also accepted "in principle" an invitation by the Iranian President to visit Tehran.

Reports quickly emerged stating that the Singh-Ahmadinejad meeting might irk Washington. Indeed, India-Iran ties present a challenge to Indian policy-makers because of the continuing US-Iran animosity and the increasing Indo-US engagement on the other hand. Unmistakably, New Delhi needs an adroit balancing act, but it is best to wait and watch the response from American officials rather than indulge in prophecies, which might turn self-fulfilling. Around the same time, in Washington, a bilateral meeting between finance minister Pranab Mukherjee and his Iranian counterpart Seyyed Shamseddin Hosseini decided to speed up the two pending agreements between the countries — avoidance of double taxation (DTAA) and bilateral investment protection (BIPA). Mukherjee reportedly thanked Tehran for continuing the supply of oil despite a delay in payments effected by sanctions against it.

Conclusions:

India is at crossroads. India's foreign policy calculations since the end of the Cold War era and especially with the growth of India's economic capacity have been undergoing a sort of an evolution. Opportunities and engagements have increased, so have India's needs especially energy. Moreover, with the expansion and diversification of its power sources, India wants to play a role in strategic environments beyond its own South Asian neighborhood.

As India's voice begins to be heard at the international diplomatic high table, it is expected to play bigger roles and make decisions commensurate with its ambitions to eventually become a permanent member of the UN Security Council. But, all these responsibilities that come with the tag of an emerging global power has to be carried out keeping India's own national interest as the primary consideration. While maintaining its benign face and keeping its core ethics and morality intact, India needs to employ a new pragmatism in foreign policymaking. While engagements and deepening relationships with great powers like the United States; it needs to sustain its ties with an Iran that apart from its humungous energy resources is a regional power in West Asia. India has to be extra cautious of how to solve the Iranian nuclear issue because Iran is in close geographical proximity and the fallout of any hasty and unjustified decision taken against Iran could be disastrous for India's interests in the region.

**India-Iran Economic Relations**

<table>
<thead>
<tr>
<th>Sector</th>
<th>Description</th>
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<tbody>
<tr>
<td>Energy</td>
<td>Iran's energy sector could be a boost for Indian energy security. The potential for large-scale power projects in the country is significant.</td>
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<td>Trade</td>
<td>India and Iran have a long history of trade, with India being a significant importer of Iranian goods.</td>
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<tr>
<td>Agriculture</td>
<td>Iran is a significant exporter of agricultural products to India.</td>
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<td>Labour</td>
<td>India is a major importer of Iranian labour for various sectors.</td>
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</tbody>
</table>

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930